AGF Master Limited Partnership

SEMI-ANNUAL REPORT
ENDED JUNE 30, 2012
Unaudited

AGF
What are you doing after work?

AGF Master Limited Partnership
Market Value of Distributed Securities
(Unaudited)

As at June 30, 2012
(in thousands)

	Market Value
CANADIAN EQUITY FUNDS	
AGF Canadian Large Cap Dividend Class	$ 30,242
AGF Canadian Stock Fund	11,011
AGF Canadian Growth Equity Class	3,820
AGF Canadian Small Cap Fund	7,803
AGF Dividend Income Fund	389
AGF Canadian Large Cap Dividend Fund	106
AGF Canada Class	93
AGF Canadian Large Cap Dividend Fund	81
AGF Canadian Large Cap Dividend Class	23
AGF All Cap 30 Canadian Equity Fund	12
	53,580
CANADIAN BALANCED AND ASSET ALLOCATION FUNDS	
AGF Traditional Balanced Fund	7,058
AGF Canadian Asset Allocation Fund	5,207
AGF Monthly High Income Fund	942
AGF Traditional Income Fund	193
AGF Canadian Asset Allocation Fund Series	39
AGF Monthly High Income Fund Series T	6
AGF High Income Fund	13
AGF Conservative Asset Allocation Fund	9
	13,467
INTERNATIONAL EQUITY FUNDS	
AGF Global Value Fund	5,609
AGF Emerging Markets Fund	2,503
AGF European Equity Class	781
AGF Global Equity Fund	1,062
AGF International Stock Class	474
AGF Asian Growth Class	225
AGF Aggressive Global Stock Fund	581
AGF Global Equity Class	85
AGF China Focus Class	313
AGF Global Value Class	126
AGF Global Dividend Fund	63
AGF Emerging Markets Class	17
	11,839

	Market Value
INTERNATIONAL BALANCED AND ASSET ALLOCATION FUND	
AGF World Balanced Fund	3,650
AGF Emerging Market Balanced Fund	21
	3,671
CANADIAN FIXED INCOME FUNDS	
AGF Canadian Bond Fund	2,141
AGF Inflation Plus Bond Fund	997
AGF Canadian Money Market Fund	954
AGF Canadian High Yield Bond Fund	474
AGF Short-Term Income Class	319
Acuity Fixed Income Fund	58
AGF Diversified Income Fund	18
	4,961
SPECIALTY EQUITY FUNDS	
AGF Canadian Resources Class	2,776
AGF Precious Metals Fund	834
AGF Global Resources Class	144
AGF Global Real Estate Equity Class	31
	3,785
U.S. EQUITY FUNDS	
AGF Aggressive U.S. Growth Fund	2,044
AGF American Growth Class	1,030
AGF U.S. Risk Managed Class	12
	3,086
ELEMENTS PORTFOLIOS	
AGF Elements Balanced Portfolio	963
AGF Elements Growth Portfolio	459
AGF Elements Global Portfolio	240
AGF Elements Conservative Portfolio	107
AGF Elements Yield Portfolio	107
AGF Elements Conservative Portfolio Class	40
AGF Elements Balanced Portfolio Series T	8
AGF Elements Balanced Portfolio Series V	11
AGF Elements Growth Portfolio Series V	3
AGF Elements Balanced Portfolio Class	7
	1,945
INTERNATIONAL FIXED INCOME FUNDS	
AGF Global Government Bond Fund	362
AGF Total Return Bond Fund	275
AGF Emerging Markets Bond Fund	10
	647
TOTAL DISTRIBUTED SECURITIES	$ **96,981**

AGF Master Limited Partnership
Management's Discussion and Analysis of
Financial Condition and Results of Operations

For the six months ended June 30, 2012

This Management's Discussion and Analysis ("MD&A") is as of August 13, 2012 and presents an analysis of the financial condition of AGF Master Limited Partnership ("Master LP") as at June 30, 2012 compared to December 31, 2011, and the results of operations for the six months ended June 30, 2012 compared with the corresponding period of 2011. This MD&A should be read in conjunction with our unaudited interim financial statements and notes for the six months ended June 30, 2012 and our 2011 Annual MD&A and 2011 Annual Audited Financial Statements and Notes.

This MD&A includes forward-looking statements about Master LP. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as "expects", "anticipates", "intends", "plans", "believes", or negative versions thereof and similar expressions, or future or conditional verbs such as 'may', 'will', 'should', 'would' and 'could'. The MD&A contains forward-looking statements that are based on current expectations and projections about future events and are inherently subject to, among other things, risks and uncertainties beyond Master LP's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise. Actual results could differ materially from those contemplated by the forward-looking statements.

Going Concern Issue

Master LP's primary source of income and cash flow relates to the collection of interest and principal on its distribution fee receivable in respect of the Distributed Securities to which it has distribution rights.

Master LP receives interest and principal repayments on its distribution fee receivable through monthly distribution fees calculated as specified percentages of the daily net asset values (NAVs) of the Distributed Securities which remain outstanding based on various distribution fee rates. Distribution fees are to be received until the earlier of the date of redemption of the Distributed Securities and the pre-determined expiry date.

On December 31, 2011, the distribution rights related to the distributed securities of AGF LP 1996 expired. These distributed securities represented 33.6% of the total distributed securities as at December 31, 2011. On December 31, 2012, the distribution rights related to the distributed securities of AGF LP 1997 will expire. These distributed securities represent approximately 88.0% of the total distributed securities as at June 30, 2012.

As Master LP's primary source of income and cash flow relates to the distribution fees calculated as a specified percentage of the daily net asset values (NAVs) of the Distributed Securities which remain outstanding based on various fee rates, management has estimated that the income and cash flows will not be sufficient to cover the expenses and liabilities of the partnership. As a result, ongoing expenses of Master LP are expected to be partially funded by existing net assets of Master LP and give rise to significant doubt as to the partnership's ability to continue as a going concern.

On August 13, 2012, the Board of Directors of the General Partners approved a proposal to the limited partners of Master LP to approve the dissolution of the limited partnership. Pursuant to the limited partnership agreement, in connection with the dissolution of Master LP, the General Partner must first sell the assets of the LP to the extent appropriate. AGF Investments Inc. is willing to purchase from the Company the right to the Distribution Fees remaining payable to Master LP in respect of the period on and after October 31, 2012. A special meeting will be held on October 3, 2012. If the limited partners of Master LP pass a resolution approving the dissolution, by selling the distribution fees remaining payable to Master LP and by making a final payment to the limited partners, Master LP will be dissolved November 5, 2012.

FORMATION AND BUSINESS OF AGF MASTER LP

Master LP was formed through the mergers of eleven AGF and 20/20 limited partnerships (the "Merging Partnerships").

The Merging Partnerships were formed for the purpose of arranging for the distribution of securities of certain of the AGF and 20/20 mutual funds, which were sold on a contingent deferred sales charge basis ("Distributed Securities"). The Merging Partnerships paid selling commissions to registered dealers ranging from 4% to 6% of the purchase price of such securities.

As at June 30, 2012, Master LP has issued and outstanding Limited Partner units of 8,568,159 (2011 -8,568,159). These Limited Partner units of Master LP are listed for trading on the Toronto Stock Exchange (the Exchange) under the symbol AFP.UN. The units also qualify for investments by registered tax plans such as RSP and RIFs. As at June 30, 2012 and 2011, Master LP has also issued and outstanding one unit held by AGF Partners No. Five Limited, as General Partner.

DISTRIBUTION FEE RECEIVABLE

Master LP's primary source of income and cash flow relates to the collection of interest and principal on its distribution fee receivable in respect of the Distributed Securities to which it has distribution rights.

The redemption fee schedule applicable to the fund units has expired and the Partnership no longer receives any redemption fee revenue.

Master LP receives interest and principal repayments on its distribution fee receivable through monthly distribution fees calculated as specified percentages of the market values of the Distributed Securities which remain outstanding based on various distribution fee rates. Distribution fees are to be received until the earlier of the date of redemption of the Distributed Securities and the pre-determined expiry date. The following table illustrates the expiry date applicable to the various pools of Distributed Securities in respect of which Master LP has the right to receive distribution fees:

Partnership	**Distributed Securities (Market Value as at June 30, 2012) (Unaudited) (in thousands)**	**Annual Distribution Fee Rate**	**Distribution Fee Expiry Date (December 31)**
Sunset America	$ 2,219	0.85%	2017
20/20 1989 LP	932	0.90%	2017
20/20 1991 LP	8,794	0.65%	2017
AGF LP 1997	85,036	0.53%	2012
	$ 96,981		

On December 31, 2012, the distribution fee rights related to the distributed securities of AGF LP 1997 will expire. These distributed securities represent approximately 88% of the current securities which Master LP currently has the right to receive distribution fees. As a result, the cash flow related to distribution fees will decline significantly after December 31, 2012.

On August 13, 2012, the Board of Directors of the General Partners approved a proposal to the limited partners of Master LP to approve the dissolution of the limited partnership. If this is not approved, Master LP will continue until March 31, 2018 unless procedures as specified in the Master LP partnership agreement for the dissolution of Master LP are commenced earlier upon the occurrence of certain events stated in the Master LP partnership agreement.

Distribution fee rates vary depending on the original partnership which distributed them, and may also vary over time based on the composition of outstanding Distributed Securities. In general, Distributed Securities that were sold for a higher sales commission carry a higher distribution fee rate than those that were sold for a lower sales commission.

Distribution fees received amounted to $0.3 million for the six months ended June 30, 2012 compared to $0.6 million for the six months ended June 30, 2011. The decrease of 51% in distribution fees was primarily attributable to the decline in net asset value of Distributed Securities from $214.5 million as at June 30, 2011 to $97.0 million as at June 30, 2012.

The following is a summary of the changes in Distributed Securities for the six months ended June 30, 2012 and 2011:

(Unaudited)		(in thousands)		
Six months ended June 30		**2012**		**2011**
NAV of Distributed Securities, beginning of period	$	174,439	$	274,181
Change in NAV of Distributed Securities, including reinvested distributions		(7,343)		(34,255)
Distributed Securities with Expired Rights		(58,665)		-
Redemption of Distributed Securities		(11,450)		(25,419)
NAV of Distributed Securities, end of period	**$**	**96,981**	**$**	**214,507**

On December 31, 2011, the distribution fee rights related to AGF LP 1996 expired. This represented $58.7 million or 33.7% of the NAV of Distributed Securities as at December 31, 2011. The redemption rate during the six months ended June 30, 2012 based on the unexpired NAV of Distributed Securities at the beginning of the year was 13.1% compared to 18.5% for the six months ended June 30, 2011. Redemptions of $11.4 million and market depreciation of $7.3 million accounted for the remainder of the decrease in the NAV of Distributed Securities for the six months ended June 30, 2012.

In accordance with the Distribution Agreement, Master LP was entitled to redemption fees if Distributed Securities were redeemed within a specified period. As at June 30, 2012 and June 30, 2011 the redemption fee schedule had expired and no further redemption fees were to be received.

DISTRIBUTED SECURITIES COMPOSITION

The composition of Distributed Securities as at June 30, 2012 and 2011 are shown in the table below. The relative weighting of each asset class will change over time, based on performance, redemptions, and unit holder switches between funds.

Composition of Distributed Securities based on market value as at June 30:

(Unaudited)	2012	2011
	%	%
Canadian Equity Funds	55	55
Canadian Balanced and Asset Allocation Funds	14	13
International Equity Funds	12	13
International Fixed Income Funds and Others	11	11
Canadian Fixed Income Funds	5	6
U.S. Equity Funds	3	2
Total	**100**	**100**

INTEREST ON CASH BALANCE

Interest earned on the bank account held by the Master LP was $3,271 in 2012 as compared to $3,328 in 2011. As at June 30, 2012, cash held by Master LP amounted to $312,330 million as compared to $855,374 million at June 30, 2011.

EXPENSES

Total expenses for the six months ended June 30, 2012 was $129,761 compared to an expense of $129,794 in 2011.

FINANCIAL CONDITION AND LIQUIDITY

Total assets were $1,129,964 as at June 30, 2012 as compared to $7,462,195 as at December 31, 2011. Assets as at June 30, 2012 consisted of cash totaling $312,330 and distribution fee receivable of $817,634. These assets are used primarily to finance the quarterly cash distributions payable to Limited Partners. Master LP distributes cash received from the collection of interest and principal on the distribution fee receivable, net of operating costs, to Limited Partners on an annual or quarterly basis, depending on each partner's election.

As at June 30, 2012, there is significant doubt surrounding Master LP's ability to generate sufficient income and cash flow to meet its expected expenses and liabilities. As a result, ongoing expenses of Master LP are expected to be partially funded by net assets and give rise to significant doubt as to the partnership's ability to continue as a going concern.

FINANCIAL INSTRUMENTS

Master LP's financial instruments consist of cash, distribution fee receivable, accounts payable and accrued liabilities, and the Limited Partner Liability.

CASH DISTRIBUTIONS AND TAXABLE INCOME

Master LP has adopted an annual distribution policy as a result of the adverse tax consequences which would have arisen for at least a significant majority of the Limited Partners who participated in the merger if distributions were made more frequently than annually. Master LP may reconsider the distribution frequency if changes in tax laws have the effect of eliminating such adverse tax consequences.

Effective January 1, 2011, the Master LP is subject to taxation on its "taxable non-portfolio earnings". Most of the income earned by the Master LP is taxable non-portfolio earnings.

In January 2012, Master LP paid cash distributions to Limited Partners of record on December 31, 2011. Cash distributions per Limited Partnership unit for the three most recent years are shown in *Selected Quarterly and Annual Information* below.

SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates. A summary of significant accounting policies is presented in note 4 to the financial statements.

RELATED PARTY TRANSACTIONS

AGF Partners No. Five Limited is the General Partner and is responsible for the management of Master LP on a day-to-day basis. In consideration for its services, the General Partner is entitled to 0.01% of the net distributable income of Master LP, as defined by the Limited Partnership Agreement, and will be reimbursed by Master LP for expenses incurred on behalf of Master LP. It also receives an administration fee as consideration for its management of the business and affairs of Master LP and has engaged AGF Management Limited ("AGF"), its parent company, to assist it in carrying out its management obligations to Master LP. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. Administration and investment management fees for the six months ended June 30, 2012 amounted to $44,949 as compared to $44,949 in the comparable period in 2011.

OUTLOOK AND RISKS

Going Concern Issue

Master LP's primary source of income and cash flow relates to the collection of interest and principal on its distribution fee receivable in respect of the Distributed Securities to which it has distribution rights. Distribution fees are to be received until the earlier of the date of redemption of the Distributed Securities and the pre-determined expiry date.

On December 31, 2011, the distribution rights related to the distributed securities of AGF LP 1996 expired. These distributed securities represented 33.6% of the total distributed securities as at December 31, 2011. On December 31, 2012, the distribution rights related to the distributed securities of AGF LP 1997 will expire. These distributed securities represent approximately 88.0% of the total distributed securities as at June 30, 2012.

As Master LP's primary source of income and cash flow relates to the distribution fees calculated as a specified percentage of the daily net asset values (NAVs) of the Distributed Securities which remain outstanding based on various fee rates, management has estimated that the income and cash flows will not be sufficient to cover the expenses and liabilities of the partnership. As a result, ongoing expenses of Master LP are expected to be partially funded by the existing net assets of the partnership and give rise to significant doubt as to the partnership's ability to continue as a going concern.

Risk Factors and Risk Management

Master LP's only source of future cash flows from the distribution fee receivable will be from ongoing distribution fees since the redemption fee schedule for the Distributed Securities expired in 2003. Distribution fees are expected to significantly decline after 2012 as the level of Distributed Securities declines due to the expiration of distribution rights combined with redemptions. The fair value of the distribution fee receivable is impacted by the following risks:

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks which are interest rate risk, currency risk, and other price risk.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Other Price Risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

Master LP is indirectly exposed to interest rate risk, currency risk and other price risk since changes in these variables will impact the NAVs of the Distributed Securities and result in changes in the fair value of the distribution fee receivable and Limited Partner liability. Any impact on net income from changes in the fair value of the distribution fee receivable, except to the extent of the General Partner's 0.01%, would be offset by the corresponding change in the Limited Partner liability upon revaluation to fair value and consequently, no reasonably possible changes in these variables would significantly impact net income.

Liquidity Risk

Liquidity risk is defined as the risk that Master LP may not be able to settle or meet its obligation on time or at a reasonable price. Master LP manages its liquidity risk through maintaining sufficient cash deposits to pay its quarterly or annual cash distributions through prompt collection of its earned distribution fees. Master LP's liquidity risk is limited due to the fact that distributions to Limited Partners are only required to be made to the extent of distribution fees that are received and after expenses and liabilities of Master LP are settled.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to Master LP. Master LP's overall credit risk strategy and credit risk policy are developed, managed and controlled by the General Partner in accordance with the Limited Partnership Agreement. Master LP's maximum exposure to credit risk is represented by the carrying values of all financial assets as at June 30, 2012. Master LP limits its credit risk exposure on cash balances by ensuring that such balances are held with large reputable Canadian banks with high credit ratings.

LIMITED PARTNER LIABILITY

As at June 30, Master LP had total issued and outstanding Limited Partner units of 8,568,159. The Limited Partner units of Master LP maybe transferred by a Limited Partner or his agent duly authorized in writing to any person in accordance with the provisions of the Master LP agreement. The units also qualify for investments by registered tax plans such as RSPs and RIFs. Limited Partners are entitled to cash distributions when declared.

CORPORATE GOVERNANCE

Master LP's business operations are managed by the General Partner, AGF Partners No. Five Limited, which is a wholly-owned subsidiary of AGF. The General Partner carries out its duties and obligations pursuant to the terms of Master LP's partnership agreement. Master LP's principal source of income and cash flows is from the distribution fees in respect of the AGF mutual funds managed by AGF which comprise the Distributed Securities.

Master LP is responsible for the existence of appropriate information systems, procedures and controls to ensure that information used internally and disclosed externally is complete and reliable. The Board of Directors of the General Partner has been charged with the oversight role to ensure the integrity and fair presentation of the reported information. Given the nature of the business, the General Partner has determined that the corporate governance guidelines set out by the Exchange are not pertinent to Master LP's operations.

REGULATORY FILINGS

Master LP's annual and interim financial reports, Annual Information Form ("AIF") and MD&As are available online at www.agf.com and at the Canadian Securities Administrators' website, www.sedar.com.

SELECTED QUARTERLY INFORMATION
(unaudited)

(in thousands, except per unit amounts)

Three months ended (IFRS)		Jun. 30, 2012		Mar. 31, 2012		Dec.31, 2011		Sep. 30, 2011
Interest income on cash balances	$	1.0	$	2.2	$	2.8	$	2.2
Taxable income for the period		77.8		83.0		182.0		204.2
Taxable income and cash distribution per Limited Partner unit		0.00						
Total assets	$	1,130.0						

(in thousands, except per unit amounts)

Three months ended (IFRS)		Jun. 30, 2011		Mar. 31, 2011		Dec. 31, 2010		Sep. 30, 2010
Interest income on cash balances	$	1.3	$	2.0	$	3.4	$	2.0
Taxable income for the period		247.2		259.5		302.0		296.5
Taxable income and cash distribution per Limited Partner unit		0.03						
Total assets	$	8,548.8						

AGF Master Limited Partnership
Balance Sheets
In Canadian dollars
Unaudited

	As at June 30, 2012	As at December 31, 2011
Assets		
Cash	$ 312,330	$ 1,263,299
Distribution fee receivable (note 6)	817,634	6,198,896
Total Assets	$ 1,129,964	$ 7,462,195
Liabilities and Partners' Equity		
Accounts payable and accrued liabilities	$ 183,758	$ 186,973
Income taxes payable	42,606	252,235
Deferred income tax liabilities	185,943	1,528,543
Limited Partner liability (note 6)	199,327	4,712,487
	611,634	6,680,238
Partners' Equity attributable to:		
General Partner unit	2,510	2,510
Retained Earnings	515,820	779,447
	518,330	781,957
Total Liabilities and Partner's Equity	$ 1,129,964	$ 7,462,195

Note 1 - Basis of Presentation and Going Concern Issue
Note 9 – Subsequent Event

The accompanying notes are an integral part of these financial statements.

Approved by the Board of Directors of
AGF Partners No. Five Limited, as General Partner

Blake C. Goldring, Director

Robert J. Bogart, Director & Chief Financial Officer

AGF Master Limited Partnership
Statements of Comprehensive Loss
In Canadian dollars
Unaudited

Six months ended June 30	**2012**	**2011**
Income		
Interest	$ 3,271	$ 3,328
	3,271	3,328
Expenses		
(Gain) loss on revaluation of distribution fee receivable (note 6)	5,057,514	(3,303,820)
(Gain) loss on revaluation of Limited Partner liability (note 6)	(3,620,383)	2,706,806
Administration and investment management fees	44,949	44,949
Audit, legal and filing fees	28,464	28,464
Transfer agent fees	48,138	48,138
Other costs	8,210	8,244
	1,566,892	(467,219)
Income (loss) before income taxes	(1,563,621)	470,547
Income tax expense (recovery):		
Current	42,606	143,149
Deferred	(1,342,600)	654,956
	(1,299,994)	798,105
Net loss for the period	$ (263,627)	$ (327,558)
Basic and diluted loss per General Partner unit for the period	$ (263,627)	$ (327,558)

The accompanying notes are an integral part of these financial statements.

AGF Master Limited Partnership
Statements of Cash Flows
In Canadian dollars
Unaudited

Six months ended June 30		**2012**		**2011**
Operating Activities:				
Loss for the period	$	(263,627)	$	(327,558)
Revaluation of distribution fee receivable		5,057,514		(3,303,820)
Revaluation of Limited Partner liability		(3,620,383)		2,706,806
Deferred income tax liabilities		(1,342,600)		654,956
Changes in non-cash items of working capital:				
Distribution fee receivable		323,748		661,202
Limited Partner liability		(892,777)		(1,250,219)
Income taxes payable		(209,629)		143,149
Accounts payable and accrued liabilities		(3,215)		24,373
Decrease in cash during the period		(950,969)		(691,111)
Cash, beginning of period		1,263,299		1,546,485
Cash, end of period	$	312,330	$	855,374
Income taxes paid for the period	$	252,235	$	-

The accompanying notes are an integral part of these financial statements.

AGF Master Limited Partnership
Statements of Changes in Partner's Equity
In Canadian dollars
Unaudited

Six months ended June 30	2012	2011
Balance beginning of period	$ 781,957	$ 1,219,605
Loss for the period	(263,627)	(327,558)
Balance end of period	$ 518,330	$ 892,047

AGF Master Limited Partnership
Notes to Financial Statements

For the years six months ended June 30, 2012 and 2011

1. Basis of Presentation and Going Concern Issue

These unaudited interim condensed financial statements of AGF Master Limited Partnership ("Master LP") have been prepared on a going concern basis in accordance with International Financial Reporting Standards (IFRS), which assumes that the Master LP will be able to meet its liabilities as they fall due for the foreseeable future. However, due to the expiration of distribution rights on certain distributed securities, as outlined below, there is significant doubt as to Master LP's ability to continue as a going concern. The financial statements do not include the adjustments that would result if Master LP is unable to continue as a going concern. These financial statements have been prepared on a consistent basis with the accounting policies disclosed in the annual audited financial statements for the year ended December 31, 2011. Refer also to Note 6, Fair Value of Financial Instruments for discussion changes in significant estimates.

Master LP's primary source of income and cash flow relates to the collection of interest and principal on its distribution fee receivable in respect of the Distributed Securities to which it has distribution rights.

Master LP receives interest and principal repayments on its distribution fee receivable through monthly distribution fees calculated as specified percentages of the daily net asset values (NAVs) of the Distributed Securities that remain outstanding based on various distribution fee rates. Distribution fees are to be received until the earlier of the date of redemption of the Distributed Securities and the pre-determined expiry date.

As at December 31, 2011, the distribution rights related to the distributed securities of AGF LP 1996 expired. These distributed securities represented 33.6% of the total distributed securities as at December 31, 2011. At December 31, 2012, the distribution rights related to the distributed securities of AGF LP 1997 will expire. These distributed securities represented approximately 88.0% of the total distributed securities as at June 30, 2012.

As Master LP's primary source of income and cash flow relates to the distribution fees calculated as a specified percentage of the daily net asset values (NAVs) of the Distributed Securities which remain outstanding based on various fee rates, management has estimated that the income and cash flows will not be sufficient to cover the expenses and liabilities of the partnership. As a result, ongoing expenses of Master LP are expected to be partially funded by existing net assets of Master LP and give rise to significant doubt as to the partnership's ability to continue as a going concern.

On August 13, 2012, the Board of Directors of the General Partners approved a proposal to the limited partners of Master LP to approve the dissolution of the limited partnership. Pursuant to the limited partnership agreement, in connection with the dissolution of Master LP, the General Partner must first sell the assets of the LP to the extent appropriate. AGF Investments Inc. is willing to purchase from the Company the right to the Distribution Fees remaining payable to Master LP in respect of the period on and after October 31, 2012. A special meeting will be held on October 3, 2012. If the limited partners of Master LP pass a resolution approving the dissolution, by selling the distribution fees remaining payable to Master LP and by making a final payment to the limited partners, Master LP will be dissolved November 5, 2012. If the limited partners of Master LP do not pass a resolution approving the dissolution, Master LP will continue until March 31, 2018 unless procedures specified in the Master LP partnership agreement for the dissolution of Master LP are commenced earlier upon the occurrence of certain events stated in the Master LP partnership. There is no assurance that Master LP will continue as a going concern.

2. Formation of the Partnership

AGF Master Limited Partnership ("Master LP") was formed on January 23, 1998 through the merger (the "Initial Merger") of the following AGF and 20/20 limited partnerships (collectively, the "Initial Merging Partnerships"):

AGF Limited Partnership 1992 ("AGF LP 1992")
AGF Limited Partnership 1993 ("AGF LP 1993")
AGF Limited Partnership 1994 ("AGF LP 1994")
AGF Limited Partnership 1995 ("AGF LP 1995")
AGF Limited Partnership No. Three ("AGF LP No. 3")
AGF Limited Partnership No. Eight ("AGF LP No. 8")
20/20 Group 1989 Limited Partnership ("20/20 1989 LP")
20/20 Group 1991 Limited Partnership ("20/20 1991 LP")
The Sunset America Fund Limited Partnership ("Sunset America")

In addition, Limited Partners of the Initial Merging Partnerships approved subsequent mergers of Master LP with AGF Limited Partnership 1996 ("AGF LP 1996") and AGF Limited Partnership 1997 ("AGF LP 1997") on the same terms and conditions as the Initial Merger. The mergers of Master LP with AGF LP 1996 (the "LP 96 Merger") and AGF LP 1997 (the "LP 97 Merger") were completed on January 22, 1999 and January 21, 2000, respectively.

The Initial Merging Partnerships, AGF LP 1996 and AGF LP 1997 are collectively referred to as the "Merging Partnerships" in these financial statements. The address of Master LP's registered office is Toronto-Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario.

3. Partnership Operations

The Merging Partnerships were formed for the purpose of arranging for the distribution of securities of certain mutual funds ("Distributed Securities"), which form part of the AGF Group of Funds, which were sold on a contingent deferred sales charge basis. The Merging Partnerships paid selling commissions to registered dealers ranging from 4% to 6% of the purchase price of such securities.

In return for their services, the Merging Partnerships received a monthly distribution fee calculated at annual rates ranging from 0.50% to 0.90% of the net asset value of the Distributed Securities which remain outstanding. Distributed Securities include the mutual fund shares or units on which the Merging Partnerships paid the selling commissions, shares or units issued on subsequent transfers (except for Sunset America) and reinvested distributions or dividends. In addition, the Merging Partnerships received any contingent deferred sales charges payable by an investor on the redemption of Distributed Securities.

Upon their mergers, each of the Merging Partnerships transferred its rights to distribution fees and deferred sales charges to Master LP. In accordance with the Limited Partnership Agreement as amended by a special resolution, Master LP will be dissolved no later than March 31, 2018.

4. Significant Accounting Policies

Master LP prepares its financial statements in accordance with International Financial Reporting Standards ("IFRS).

Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the distribution fee receivable and Limited Partner liability, which are measured at fair value.

Cash and cash equivalents
Cash and cash equivalents include cash on hand, deposits held with banks, and other short-term highly liquid investments with original maturities of three months or less.

Critical accounting estimates and judgments
The preparation of financial statements requires management to use judgment in applying its accounting policies and estimates and assumptions about the future. Estimates and other judgments are continuously evaluated and are based on management's experience and other factors, including expectations about future events that are believed to be reasonable under the circumstances. The following discusses the most significant accounting judgments and estimates that Master LP has made in the preparation of the financial statements:

Classification and measurement of financial instruments

In classifying and measuring financial instruments held or issued by Master LP, management is required to make significant judgments about the cash flow characteristics of the instruments and the applicability of the fair value option for financial liabilities under IFRS 9, *Financial Instruments* (IFRS 9). The most significant judgments made include the determination that the expected future cash flows associated with the distribution fee receivable do not relate solely to interest and principal. As a result, the distribution fee receivable is accounted for at fair value through profit or loss (FVTPL) in accordance with IFRS 9. Due to the fact that the majority of the returns associated with the distribution fee receivable are attributable to the holders of Limited Partner units, management has also determined that an accounting mismatch exists, permitting the designation of the Limited Partner liability at FVTPL.

Fair values of financial instruments

The preparation of Master LP's financial statements requires that management make significant estimates in respect of the fair values of the distribution fee receivable and the Limited Partner liability. Refer to note 5 for further information about the fair value measurement of Master LP's financial instruments.

Financial Instruments
Master LP has elected to adopt IFRS 9, *Financial Instruments* and IFRS 13, *Fair Value Measurement* (IFRS 13) prior to the dates of mandatory adoption. IFRS 9 and IFRS 13 have been adopted as of January 1, 2010, the date of Master LP's transition to IFRS. Accounting policies described in these financial statements reflect Master LP's accounting policies subsequent to the adoption of these standards.

Financial assets and liabilities are recognized when Master LP becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and Master LP has transferred substantially all risks and rewards of ownership. Regular way purchases and sales of financial assets are accounted for at the trade date.

Financial assets and liabilities are offset and the net amount is reported in the non-consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

Master LP's financial instruments include: cash, distribution fee receivable, accounts payable and accrued liability and Limited Partner liability. At initial recognition, Master LP classifies its financial instruments in the following categories depending on the purpose for which the instruments were acquired:

a) Financial assets: A financial asset is carried at amortized cost using the effective interest rate method when the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows and when the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding. All other financial assets are carried at FVTPL. Master LP carries cash at amortized cost and the distribution fee receivable at FVTPL.

b) Financial liabilities: A financial liability is measured at amortized cost using the effective interest rate method except for financial liabilities that are required to be treated as FVTPL or have been designated as such. Master LP carries accounts payable and accrued liabilities at amortized cost and has designated its Limited Partner liability at FVTPL.

Transaction costs are included in the initial carrying amount of financial assets and liabilities not at FVTPL, and are expensed as incurred for those at FVTPL.

Impairment of financial assets

At each reporting date, Master LP assesses whether there is objective evidence that a financial asset (other than a financial asset classified as fair value through profit or loss) is impaired.

The criteria used to determine if objective evidence of an impairment loss include:

(i) significant financial difficulty of the obligor;
(ii) delinquencies in interest or principal payments; and
(iii) it becomes probable that the borrower will enter bankruptcy or other financial reorganization.

If such evidence exists, Master LP recognizes an impairment loss as the difference between the amortized cost of the loan or receivable and the present value of the estimated future cash flows, discounted using the instrument's original effective interest rate. The carrying amount of the asset is reduced by this amount either directly or indirectly through the use of an allowance account.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized.

Partner's equity
Incremental costs directly attributable to the issuance of General Partner units are recognized as a deduction from equity.

Loss per General Partner unit
Basic earnings (loss) per General Partner unit ("EPS") is calculated by dividing the net income (loss) for the period attributable to equity owners of Master LP by the weighted average number of General Partner units outstanding during the period. One General Partner unit was outstanding as at June 30 2012 and 2011. Master LP has no securities outstanding which impose any dilutive effect on its EPS.

Income tax
Income tax comprises current and deferred tax. Income tax is recognized in the statement of income except to the extent that it relates to items recognized directly in other comprehensive income or directly in equity, in which case the income tax is also recognized directly in other comprehensive income or equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted at the balance sheet date and are expected to apply when the deferred tax asset is realized or liability is settled. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilized.

Risk Management
Master LP's financial instruments consist of cash, distribution fee receivable, accounts payable and accrued liabilities, and Limited Partner liability. In the normal course of business, Master LP manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risks.

Market Risk
Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risks which are interest rate risk, currency risk, and other price risk.

Interest Rate Risk
Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Currency Risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Other Price Risk
Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices, other than those arising from interest rate risk or currency risk.

Master LP is indirectly exposed to interest rate risk, currency risk and other price risk since changes in these variables will impact the NAVs of the Distributed Securities and result in changes in the fair value of the distribution fee receivable and Limited Partner liability. Any impact on net income from changes in the fair value of the distribution fee receivable, except to the extent of the General Partner's 0.01%, would be offset by the change in the Limited Partner liability upon revaluation to fair value and consequently, no reasonably possible changes in these variables would significantly impact net income.

Liquidity Risk
Liquidity risk is defined as the risk that Master LP may not be able to settle or meet its obligation on time or at a reasonable price. Master LP manages its liquidity risk through maintaining sufficient cash deposits to pay its quarterly or annual cash distributions through prompt collection of its earned distribution fees. All of the

partnership's financial liabilities are current and amounts due in respect of the Limited Partner liability are required to be paid upon collection of the distribution fee receivable. Master LP's liquidity risk is limited due to the fact that distributions to Limited Partners are only required to be made to the extent of distribution fees that are received and after expenses and liabilities of Master LP are settled.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to Master LP. Master LP's overall credit risk strategy and credit risk policy are developed, managed and controlled by the General Partner in accordance with the Limited Partnership Agreement. Master LP's maximum exposure to credit risk is represented by the carrying values of all financial assets as at June 30, 2012. Master LP limits its credit risk exposure on cash balances by ensuring that such balances are held with large reputable Canadian banks with high credit ratings.

5. Related Party Transactions

AGF Partners No. Five Limited is the General Partner and is responsible for the management of Master LP on a day-to-day basis. In consideration for its services, the General Partner is entitled to 0.01% of the net distributable income of Master LP, as defined by the Limited Partnership Agreement, and will be reimbursed by Master LP for expenses incurred on behalf of Master LP. It also receives an administration fee as consideration for its management of the business and affairs of Master LP and has engaged AGF Management Limited to assist it in carrying out its management obligations to Master LP. These services are in the normal course of operations and are recorded at the amount of consideration agreed to by the parties. Administration and investment management fees during the six month ended June 30, 2012 amounted to $44,949 (2011 - $44,949).

Included in accounts payable and accrued liabilities are the following amounts due to related parties:

	June 30, 2012	**June 30, 2011**
Fees payable to AGF Partners No. Five Limited	$45,593	$45,593
Fees payable to AGF Management Ltd.	148,878	28,024

6. Fair values of financial instruments

Master LP's financial instruments carried at fair value include its distribution fee receivable and Limited Partner liability. Fair value is measured in accordance with IFRS 13, *Fair Value Measurement* (IFRS 13), as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at each measurement date.

The Limited Partner units are traded on the Toronto Stock Exchange (TSX). In circumstances when the trading of these units is considered to be in an active market, the associated liability is measured based on the closing price of the units on the TSX. In cases where an observable price in an active market cannot be obtained or where the market is considered to be inactive, fair value is determined using valuation techniques which maximize the use of observable data, including the impact of changes in market conditions on expected future cash flows from distribution fees and recent transactions involving units of similar structures, adjusted for the composition of underlying distributed securities, terms of the distribution arrangements and distribution fee rates.

As at June 30, 2012, management determined, as a result of the expiration of the distribution rights on a significant portion of the partnership's distributed securities (refer to Note 1) and as a result of a significant reduction in market transactions and volume associated with the Limited Partner units traded on the TSX, that the market for the limited partner units was not active. As at June 30, 2012, the measurement of the fair value of the limited partner liability was reclassified to a Level 3 measurement from a Level 2 measurement. The fair values of the limited partner liability and distribution fee receivable at June 30, 2012 have been determined using a discounted cash flow approach, which incorporates information about the fair values of distributed securities and management's expectations about the timing of future cash flows and redemptions of distributed securities as well as the expected levels and timing of expenses and liabilities.

The fair values of Master LP's cash and accounts payable and accrued liabilities approximate their carrying amounts due to their short-term nature.

Fair value hierarchy

The following table classifies financial assets and liabilities that are recognized on the balance sheet at fair value in a hierarchy that is based on significance of the inputs used in making the measurements. The levels in the hierarchy are:

Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)

Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	June 30, 2012	December 31,2011
	$	$
Level 1		
Limited Partner liability	-	-
Level 2		
Limited Partner liability	-	4,712,487
Level 3		
Distribution fee receivable	817,634	6,198,896
Limited Partner liability	199,327	-

The following is a reconciliation of Level 3 fair value measurements from December 31, 2011 to June 30, 2012:

	Distribution Fee Receivable	Limited Partner Liability
	$	$
Balance at December 31, 2011	6,198,896	4,712,487
Change in fair value	(5,057,514)	(3,620,383)
Distribution fees	(323,748)	(892,777)
Balance at June 30, 2012	817,634	199,327

7. Partner's equity

At June 30, 2012, Master LP has issued and outstanding one General Partner unit.

8. Taxation

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The weighted average applicable tax rate for the six months ended June 30, 2012 was 26.5% (2011 – 28.3%).

9. Subsequent Event

On August 13, 2012, the Board of Directors of the General Partners approved a proposal to the limited partners of Master LP to approve the dissolution of the limited partnership. Pursuant to the limited partnership agreement, in connection with the dissolution of Master LP, the General Partner must first sell the assets of the LP to the extent appropriate. AGF Investments Inc. is willing to purchase from the Company the right to the Distribution Fees remaining payable to Master LP in respect of the period on and after October 31, 2012. A special meeting will be held on October 3, 2012. If the limited partners of Master LP pass a resolution approving the dissolution, by selling the distribution fees remaining payable to Master LP and by making a final payment to the limited partners, Master LP will be dissolved November 5, 2012.

AGF Master Limited Partnership

Head Office
P.O. Box 50
Toronto Dominion Centre
Toronto, ON M5K 1E9
Telephone: 416 367-1900
Toll free: 1 800 268-8583

Transfer Agent
Canadian Stock Transfer Company Inc.
330 Bay Street 3rd Floor
Toronto, ON M5H 4A6
Telephone: 416 643-5500
Toll free: 1 800 387-0825
E-Mail: inquiries@canstockta.com
Website: www.canstockta.com

AGF

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