AGF Management Limited

First Quarter Report

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2003

What are you doing after work?®

dear fellow shareholders

Despite being directly impacted by continuing market instability, AGF's diversified business strategy combined with prudent cost and risk management contributed to solid financial results for the three months ended February 28, 2003.

Cash flow from operations continues to provide the most relevant measure to gauge year-over-year performance. For the three months ended February 28, 2003, AGF reported cash flow from operations (before net change in non-cash balances related to operations) of $51.9 million, or $0.56 per share diluted, compared with $68.8 million or $0.75 per share diluted in 2002. The decline in cash flow from operations was accentuated by a $5.1 million increase in current taxes related to the lower amount of selling commissions paid.

Consolidated revenue for the three months ended February 28, 2003, was $158.7 million, down slightly from $162.6 million last year, a decrease of 2.4 per cent.

AGF also raised its quarterly dividend rate from $6\frac{1}{2}$ to $7\frac{1}{2}$ cents per share, representing an increase of 15.4 per cent.

During the first quarter, AGF delivered on its strategy to grow a larger presence in the United Kingdom through the purchase of a 30-per-cent stake in Smith & Williamson Holdings Ltd. Completed in December 2002, the merger of NCL and Smith & Williamson creates one of the largest independent, integrated private client financial services firms in the U.K.

AGF also launched a series of innovative new products that respond to the needs of a changing market. FULPay AGF Funds-Linked Notes, AGF Trust Mutual Fund Linked GIC and AGF Trust Managed Futures Notes Series 1 offer investors capital protection as well as participation in market gains.

With a strong commitment to cost containment and a long-term business strategy, AGF is well-positioned for growth when the market rebounds.

Blake C. Goldring, CFA
President and Chief Executive Officer
March 26, 2003

management's discussion and analysis of financial condition and results of operations

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (collectively referred to as "AGF" or the "Corporation") as at February 28, 2003, compared with November 30, 2002, and the results of operations for the three months ended February 28, 2003, compared with the corresponding period of 2002. This MD&A should be read in conjunction with the MD&A included in the Corporation's 2002 Annual Report.

Consolidated Operating Results

The Corporation believes it is more meaningful to focus on cash flow from operations for the purpose of analyzing period-over-period performance. Cash flow from operations (before net change in non-cash balances related to operations) amounted to $51.9 million ($0.56 per share diluted) for the three months ended February 28, 2003, as compared with $68.8 million ($0.75 per share diluted) in the comparable period of the prior year, a decrease of $16.9 million or 24.6%. Consolidated net income decreased 16.3% to $28.4 million for the three months ended February 28, 2003, as compared to $33.9 million a year ago. Diluted earnings per share were $0.30, a decrease of 18.9% from $0.37 per share in the same period of the prior year.

Change in Accounting Policy

On December 1, 2002, the Corporation adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" for stock options granted on or after that date. Section 3870 requires the disclosure of pro-forma net income and earnings per share, as if the Corporation had applied the fair value-based method of accounting for stock-based compensation. Under this method, the fair value of stock options is determined on their grant date and is recorded as compensation expense over the period that the stock options vest. There is no pro-forma compensation expense recorded for the three months ended February 28, 2003, as no stock options were granted during the period.

Seasonality

Since a high proportion of the Corporation's revenue is based on the daily value of mutual fund assets under management, the Corporation is not subject to significant seasonal swings in earnings. Generally, the Corporation experiences higher sales during the months of January to March, due to the RSP season, however the immediate impact of the level of sales on total assets under management is not nearly as significant as the potential movement caused by changes in market value. As a result, the Corporation's revenue is highly correlated to the market value of mutual fund assets under management.

Acquisition

On December 2, 2002, the merger of NCL (Securities) Limited ("NCL") and Smith & Williamson Holdings Limited ("S&WHL") and the cash subscription by the Corporation of $70.0 million of new capital in the enlarged business were completed. Prior to the merger and subscription, the Corporation owned 43.5% of NCL. With the completion of the merger and related subscription, the Corporation holds a 30.0% interest in S&WHL, which provides independent private client investment management, financial advisory and accounting services in the United Kingdom (U.K.).

During the three months ended February 28, 2003, the Corporation recognized a pre-tax capital gain of $12.8 million (and a related future tax liability of $1.9 million) on the disposition of its investment in NCL related to the above transaction.

The investment in S&WHL is being accounted for by the equity method, with the Corporation's share of the results of operations of S&WHL included in the consolidated financial statements from the date of purchase. The purchase price allocation and consideration paid are summarized as follows:

		$(000's)
Net assets acquired		
Net tangible assets	$	22,453
Customer contracts and relationships		107,777
Goodwill		22,340
Future income taxes		(33,305)
	$	119,265
Consideration paid (including acquisition costs)		
Cash	$	70,598
Shares in NCL		48,667
	$	119,265

In the three months ended February 28, 2003, the Corporation's share of the net earnings of S&WHL, net of amortization of customer contracts and relationships, amounted to a loss of $639,000.

Segment Information

Commencing December 1, 2002, the Corporation has three reportable business segments: wealth management operations, fund administration operations and trust company operations. The wealth management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products and services. Fund administration offers fund administrative services and transfer agency solutions to institutional clients. The trust company segment offers a wide range of trust services including GICs, mortgages, investment loans and RRSP loans.

Wealth Management Operations

Revenue

Revenue of the wealth management operations comprised the following:

(IN MILLIONS OF DOLLARS)

Three months ended February 28	2003		2002		
	Amount	% of total	**Amount**	**% of total**	**% change**
Net management and advisory fees	$ 101.8	84.8%	**$ 131.6**	**87.8%**	**(22.7)%**
Deferred sales charges	11.4	9.5	**7.3**	**4.9**	**56.2**
Administration fees and other revenue	6.5	5.4	**10.5**	**7.0**	**(38.1)**
Investment income	0.4	0.3	**0.4**	**0.3**	**0.0**
	$ 120.1	100.0%	**$ 149.8**	**100.0%**	**(19.8)%**

Net management and advisory fees

Management and advisory fee revenue, net of distribution fees paid to limited partnerships and other third-party financing entities of $5.1 million ($6.8 million in 2002), decreased 22.7% to $101.8 million for the three months ended February 28, 2003, as compared to the same period in the prior year. The amount of management and advisory fees is dependent on the level and composition of assets under management ("AUM"). Under the management and investment advisory contracts between the Corporation and each of the mutual funds it manages, the Corporation is entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund.

The following table illustrates the composition of the changes in mutual fund assets during the three months ended February 28, 2003, and February 28, 2002:

(IN MILLIONS OF DOLLARS)

Three months ended February 28	2003	2002	% change
Mutual fund AUM, beginning of period	$ 23,549	$ 27,827	(15.5)%
Gross sales of mutual funds	708	1,642	(56.9)%
Redemptions of mutual funds	(1,175)	(996)	18.0%
Net mutual fund sales (redemptions)	(467)	646	
Market appreciation (depreciation) of fund portfolios	(2,108)	232	
Mutual fund AUM, end of period	$ 20,974	$ 28,705	(26.9)%
Average daily mutual fund AUM for the period	$ 22,386	$ 28,249	(20.8)%

Mutual fund assets under management decreased 10.9% during the three months ended February 28, 2003. Average daily mutual fund assets under management in the first quarter of fiscal 2003 decreased by 20.8% from the first quarter of 2002, directly contributing to a 22.7% decline in net management and advisory fee revenue from the year ago period.

The uncertainty leading up to the war in Iraq has resulted in continued market volatility and investor unease. The Canadian mutual fund industry experienced one of its poorest RSP seasons on record, with February 2003 industry-wide fund net sales dropping 83% compared with February, 2002. With the ongoing sales sluggishness, there is a good possibility that significant investor funds are waiting on the sidelines for greater certainty with regard to the international situation. Once greater certainty arrives, the Corporation expects enhanced sales volumes from investors who have decided to defer their investment decisions and not participate in the traditional RSP season time-frame.

The Corporation's equity mutual funds, impacted by global stock market declines, suffered market value depreciation of $2.1 billion during the three months ended February 28, 2003, compared to a market value appreciation of $0.2 billion in the same period a year ago.

Assets managed for high-net-worth individuals and institutional clients were $4.7 billion at February 28, 2003 ($5.0 billion at November 30, 2002).

Deferred sales charges

Deferred sales charges increased 56.2% from $7.3 million for the three months ended February 28, 2002, to $11.4 million for the three months ended February 28, 2003. The Corporation receives deferred sales charges upon redemption of securities sold on the contingent deferred sales charge ("DSC") basis for which the Corporation financed the selling commissions paid to the dealer. The DSC schedule generally starts at 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after seven years. The higher redemption rate being experienced in fiscal 2003 has resulted in increased DSC revenue.

Expenses

(IN MILLIONS OF DOLLARS)

Three months ended February 28	2003	2002	% change
Selling, general and administrative	$ 20.0	$ 20.5	(2.4)%
Trailing commissions	26.2	34.4	(23.8)%
Investment advisory fees	7.9	12.3	(35.8)%
Amortization of deferred selling commissions	28.6	28.1	1.8%
Amortization of customer contracts, relationships and investment advisory contracts	3.0	3.0	0.0%
Amortization of property, equipment and other intangible assets	3.4	2.9	17.2%
Writedown of short-term investments	0.6	–	
	$ 89.7	$ 101.2	(11.4)%

Selling, general and administrative

Selling, general and administrative expenses ("SG&A") for the Corporation's wealth management operations decreased by $0.5 million or 2.4% for the three months ended February 28, 2003, compared to the same period in 2002.

Trailing commissions

Trailing commissions paid to investment dealers declined 23.8% from $34.4 million for the three months ended February 28, 2002, to $26.2 million in first quarter of fiscal 2003. Trailing commissions are dependent on total AUM levels as well as the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed income fund AUM. Trailing commissions as a percentage of average mutual fund AUM for the quarter decreased to 0.47% for the three months ended February 28, 2003, from 0.49% in the comparable 2002 period.

Investment advisory fees

Investment advisory fees decreased 35.5% from $12.3 million for the three months ended February 28, 2002, to $7.9 million in the first quarter of fiscal 2003 due to the decline in mutual fund assets advised by external investment advisors. Investment advisory fees as a percentage of the Corporation's average mutual fund AUM for the quarter declined to 14.2 basis points for the three months ended February 28, 2003, from 17.4 basis points in the same period a year ago.

Amortization of deferred selling commissions

Amortization of deferred selling commissions increased by 1.4% to $28.5 million for the three months ended February 28, 2003, from $28.1 million for the three months ended February 28, 2002. Since December 1, 1997, the Corporation has internally financed $725 million of selling commissions. These selling commissions have been capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule.

Writedown of short-term investments

Short-term investments, which are mainly comprised of seed capital for certain mutual funds launched by the Corporation, are recorded at the lower of cost and market value. As a result of the decline in equity markets, the Corporation recorded a writedown of $0.6 million during the three months ended February 28, 2003, to reduce the carrying value of its short-term investments to their market value at period end.

Fund Administration Operations

Revenue

Administration fees and other revenue

(IN MILLIONS OF DOLLARS)

Three months ended February 28	2003	2002
Canadian operations	$ 27.5	$ 6.9
U.K. operations	4.2	1.5
	$ 31.7	$ 8.4

The Corporation's fund administration business, operating in Canada as Unisen, has expanded revenues primarily from the acquisitions of Jewelstone Systems Inc. ("Jewelstone") and the TD Bank's third-party administration business ("TD"). Clients of these businesses include some of Canada's largest financial institutions as well as international wealth management companies. In addition, beginning December 1, 2002, Unisen's revenue includes fees charged primarily to AGF Funds Inc. for providing unitholder record keeping and fund valuation services to the AGF funds. AGF Funds Inc. recovers such expenses from the AGF funds based on the established cost allocation methodology.

Unisen offers a diverse range of administrative and technology services to these clients, including a highly regarded technology platform designed specifically for the Canadian investment fund industry – Jewelstone's "Unitrax" system. With approximately $175 billion of investment fund assets under administration for more than five million Canadian investors, Unisen has the scale, technology and people required to be a premier source of outsourcing solutions for the investment fund industry.

The U.K. operations are carried out by the Corporation's wholly-owned subsidiary Investmaster Group Limited ("Investmaster"), a developer of customized investment industry software. Investmaster's revenue has grown substantially as a result of new licence sales and an expanding customer base.

Expenses

(IN MILLIONS OF DOLLARS)

Three months ended February 28	2003	2002
Selling, general and administrative	$ 28.7	$ 8.5
Amortization of customer contracts and relationships	1.7	0.3
Amortization of property, equipment and other intangible assets	1.5	0.4
	$ 31.9	$ 9.2

Selling, general and administrative

Selling, general and administrative expenses increased by $20.2 million for the three months ended February 28, 2003, as compared to the same period in 2002. The increase was attributable to the following:

- $13.4 million from the transfer of the AGF funds transfer agency operations to Unisen
- $1.2 million in increased SG&A expenses at Investmaster to support higher revenue growth
- $5.6 million of SG&A associated with the Jewelstone and TD acquisitions

Amortization of customer contracts and relationships

Amortization of customer contracts and relationships increased to $1.7 million for the three months ended February 28, 2003, from $0.3 million in the same period of 2002. The increase in amortization is due to acquisitions. In January 2002, $25.5 million in customer contracts and relationships were acquired in the purchase of the TD business and in September 2002, $34.7 million in customer contracts and relationships were acquired in the purchase of Jewelstone. These intangible assets are being amortized over periods of seven to 10 years.

Amortization of property, equipment and other intangible assets

Amortization of property, equipment and other intangible assets increased to $1.5 million for the three months ended February 28, 2003, from $0.4 million in the year ago period. The Corporation's capital spending in the fund administration operations segment has increased due to both greater scale and the platform migration of the third-party administration business under Unisen. In addition, the Jewelstone acquisition resulted in the addition of $9.3 million in software, which is being amortized over a period of five years.

Trust Company Operations

AGF Trust Company (the "Trust Company") recorded net income of $215,000 for the three months ended February 28, 2003, compared with a net loss of $424,000 for the same period last year. As in 2002, net income is expected to increase in subsequent quarters of 2003 since the loss provisions taken on RSP loan originations will not continue at the same rate later in the year as net loan advances moderate after the RSP season.

The first quarter has seen a continued expansion of the Trust Company's assets, largely due to advances under the RSP loan program. As at February 28, 2003, the RSP loan portfolio stood at $158.6 million. Net investment income for the three months ended February 28, 2003, grew to $2.9 million compared with $1.0 million for the three months ended February 28, 2002. The provision for loan losses has grown to $710,000 for the three months ended February 28, 2003, an increase of $157,000 over the same period last year. Loss provisions are generally higher in the first quarter of the year, due to a large increase in RSP loan balances and the related general allowance during that period.

The Trust Company's balance sheet and financial position remain sound. Total assets have grown to $549.7 million at February 28, 2003, an increase of $197.3 million, or 56.0% over February 28, 2002, and an increase of $37.5 million or 7.3% from November 30, 2002. The assets to capital multiple stood at 14.5 times, down from 16.3 times at November 30, 2002, and well within the permitted multiple of 17.5 times.

Other Corporate Expenses

Interest expense

Interest expense increased to $2.5 million for the three months ended February 28, 2003, from $2.3 million in the prior year period as a result of an increase in short term interest rates. The Corporation paid down $10.1 million of long-term debt during the three months ended February 28, 2003.

Except for the interest rate swap arrangements which fixed the interest rates on an average of $48.3 million of the outstanding loan balance at 5.53% per annum, interest rates paid on the bank loans were floating based on the prevailing bankers' acceptance rates.

Income taxes

The Corporation's effective income tax rate for the three months ended February 28, 2003, was 29.5%, as compared to the statutory rate of 36.8%. The primary reduction in the effective income tax rate relates to tax rate differentials on earnings of certain of the Corporation's foreign subsidiaries.

As at February 28, 2003, the future income tax liability stood at $267.8 million, as compared with $272.2 million as at November 30, 2002. Approximately half of the future income tax liability balance arose from the deduction for income tax purposes of the full amount of selling commissions paid in a year as compared with the amortization of such selling commissions for accounting purposes over six to eight years. The remaining future income tax liability balance relates primarily to the impact of business combinations where the accounting values of the acquired assets and liabilities differ from their tax values.

Liquidity and Capital Resources

Cash flow from operations (before net change in non-cash balances related to operations) was $51.9 million for the three months ended February 28, 2003, compared to $68.8 million in the same period of the prior year, a decrease of $16.9 million or 24.6%. The decline in cash flow was accentuated by a $5.1 million increase in current taxes related to the lower amount of selling commissions paid.

The Corporation's free cash flow (defined as cash flow from operations less selling commissions paid) was $39.5 million for the three months ended February 28, 2003, compared to $29.5 million in the same period of the prior year. The Corporation's free cash flow during the period was used primarily to pay down long-term debt by $10.1 million and reduce current liabilities by $28.2 million.

The Corporation's long-term debt to equity ratio improved slightly from 0.25:1 as at November 30, 2002, to 0.24:1 as at February 28, 2003. The continuing strong free cash flow could permit a substantial repayment of long-term debt during the remainder of fiscal 2003.

Consolidated cash and short-term investments amounted to $120.5 million as at February 28, 2003, as compared with $144.7 million at November 30, 2002. Most of the decrease is due to a $25.7 million use of cash in the trust company operations to fund RSP loans, net of the increase in trust company deposits.

The Corporation has a 10-year prime rate-based revolving term loan facility to a maximum of $175.0 million (reducing to $150.0 million on June 30, 2003) of which $50.7 million was available to be drawn as at February 28, 2003. This facility will be available to meet future operational or investment needs. The Corporation anticipates that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement its business plan, to finance selling commissions, to satisfy regulatory capital requirements, to service debt repayment obligations, to meet capital spending needs and to pay quarterly dividends.

Hedging Activities

The Corporation has entered into three interest rate swap transactions which expire between October 28, 2007 and January 27, 2008. These swap transactions convert the floating interest rates paid by the Corporation on $47.1 million of its outstanding bank loans into fixed interest rates averaging 5.53% per annum. The Corporation would have to pay approximately $1.8 million to the counter-party if these swap transactions were terminated at February 28, 2003.

The Corporation has also entered into the following derivative contracts to hedge the currency exposure in respect of its foreign investments:

- Foreign exchange forward contracts to sell U.K. £44.5 million on April 22, 2003, at an average exchange rate of 2.3609 for CDN $105.2 million; and
- A cross currency swap transaction expiring on November 29, 2004, that involves the exchange of three-month bankers' acceptance floating interest rates on Canadian $3.3 million for a fixed interest rate of 0.67% per annum on Japanese ¥256.0 million.

Risk Factors

The Corporation's risk exposure from foreign exchange, interest rate and capital market movements remains substantially unchanged since the most recent fiscal year-end and readers should refer to the MD&A in the Corporation's 2002 Annual Report.

Business Strategy

The focus of the Corporation's strategy for the remainder of 2003 is to strengthen the core wealth management business while at the same time actively continuing the diversification of revenue sources, both by industry and geography.

The objective of growth in market share in the mutual fund business will be achieved by asset retention campaigns, product enhancements, brand reinforcement and the continued development of strategic relationships with key distributors. Products and services, including the new derivative-based products offered through AGF Trust Company, will be added to meet the needs of investors during these difficult markets.

The continuing diversification of the Corporation's revenue sources will focus on the completion of the integration of administration and systems capabilities in Unisen so as to be positioned to take full advantage of the trend in the investment fund industry towards outsourcing of administrative functions. Global initiatives will be concentrated on wealth management and third-party administration activities in markets which management believes to have above-average growth potential.

Outlook

Management sees both challenges and opportunities ahead in 2003. As with all investment management firms, the performance of the global equity markets will be the dominant factor impacting the Corporation's financial performance. In recent years, AGF has taken significant steps to diversify its revenue sources into other high growth markets and related businesses that are not subject to market fluctuations. These include the fund administration operations and expansion in the U.K. wealth management industry.

Financial markets are expected to remain volatile until there is a reduction of international geopolitical risks and clearer signals of economic recovery, especially in the U.S. Until the stock markets can establish sustained upward momentum, investors will likely favour income and balanced funds and the new market-linked derivative products. Management believes that the weakness in global markets has created a substantial backlog of investment demand and that once markets show clear signs of recovery, mutual fund sales will show a significant recovery. These factors will positively impact mutual fund sales and the Corporation's AUM, revenue and earnings. Even with this outlook, management anticipates continued challenges for the remainder of fiscal 2003 and net income and cash flow from operations are not expected to grow until after a sustained recovery of global equity markets has been experienced.

Within the fund administration operations segment, Unisen is on target to complete its operational integration, including the relocation of all staff to a single Mississauga, Ontario location and converting all the third-party transfer agency clients onto the Jewelstone Unitrax system platform by the end of fiscal 2003. The Corporation anticipates that Unisen will achieve significant operational synergies and cost savings after the integration is completed. In addition, Investmaster's revenue growth has strengthened, and with the recent addition of new products and an expanding customer base, revenue growth is expected to remain strong for the balance of the fiscal year.

The trend of industry consolidation is anticipated to continue as financial services companies look to achieve greater economies of scale or to access additional distribution channels. The Corporation believes it is well positioned to meet the challenges of a changing marketplace as it has embraced the concept of the wealth continuum and has taken steps to provide services and new products to meet evolving investor preferences. At the same time, the Corporation will maintain its commitment to reinforce the AGF brand, to keep stringent control over expenses, to deliver above-average fund performance and to provide a high level of client service.

Finally, the Corporation's investments in Ireland, the U.K., Singapore and Japan are building a platform for future expansions in markets that management believes have above-average growth potential.

Forward Looking Statements

This MD&A contains certain "forward-looking" statements that are made based on management's judgement and expectations but are inherently subject to risks and uncertainties beyond the Corporation's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. Actual results may differ materially from those anticipated in the forward-looking statements.

Consolidated Balance Sheets

(IN THOUSANDS OF DOLLARS)

(UNAUDITED)

	February 28, 2003	November 30, 2002
ASSETS		
Current assets		
Cash and term deposits	$ 4,648	$ 8,501
Short-term investments	19,290	19,884
Accounts receivable and prepaid expenses	59,879	55,911
	83,817	84,296
Investment in associated company (note 2)	114,291	35,909
Other investments	8,811	78,806
Management contracts	473,670	473,670
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	115,179	126,611
Deferred selling commissions, net of accumulated amortization	449,866	466,050
Property, equipment, and other intangible assets, net of accumulated amortization	49,711	53,850
Goodwill	144,015	144,015
	1,439,360	1,463,207
Trust Company Assets		
Cash and term deposits	96,556	116,324
Accounts receivable and other assets	8,427	7,755
Investments	4,183	4,855
Mortgages and consumer loans	439,741	382,779
	548,907	511,713
	$ 1,988,267	$ 1,974,920
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 30,498	$ 52,867
Long-term debt due within one year (note 4)	40,369	40,369
Income taxes payable	3,162	8,984
	74,029	102,220
Long-term debt (note 4)	214,887	224,995
Participation units	6,157	6,157
Future income taxes	267,835	272,197
Leasehold inducements	1,415	1,441
Capital lease obligations	–	408
	564,323	607,418
Trust Company Liabilities		
Accounts payable and accrued liabilities	10,401	10,868
Deposits	501,051	469,068
	511,452	479,936
Shareholders' equity		
Capital stock (note 3)	393,325	390,840
Retained earnings	518,265	495,819
Foreign currency translation adjustment	902	907
	912,492	887,566
	$ 1,988,267	$ 1,974,920

Consolidated Statements of Income

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

Three months ended February 28		2003		2002
Revenue				
Net management and advisory fees	$	101,840	$	131,581
Administration fees and other revenue		24,294		18,848
Deferred sales charges		11,406		7,274
Gain on sale of investment in associated company (note 2)		12,758		–
Investment income		410		515
		150,708		158,218
Trust Company interest, dividends and administration fees		8,003		4,370
		158,711		162,588
Expenses				
Selling, general and administrative		35,427		29,666
Trailing commissions		26,221		34,395
Investment advisory fees		7,920		12,288
Amortization of deferred selling commissions		28,539		28,145
Amortization of customer contracts, relationships and investment advisory contracts		4,671		3,289
Amortization of property, equipment and other intangible assets		5,478		3,904
Interest expense		2,530		2,274
Writedown of short-term investments		643		–
		111,429		113,961
Trust Company Expenses				
Interest on deposits		4,546		3,014
General and administrative		1,761		1,641
Provision for loan losses		710		553
		7,017		5,208
		118,446		119,169
Income before income taxes and non-controlling interest		40,265		43,419
Income taxes				
Current		16,364		11,292
Future		(4,471)		(1,678)
		11,893		9,614
Net income before non-controlling interest		28,372		33,805
Non-controlling interest share of loss of subsidiary		–		83
Net income for the period	$	28,372	$	33,888
Earnings per share				
Basic	$	0.31	$	0.38
Diluted	$	0.30	$	0.37

Consolidated Statements of Retained Earnings

(IN THOUSANDS OF DOLLARS)

(UNAUDITED)

Three months ended February 28	2003	2002
Retained earnings, beginning of period	$ 495,819	$ 402,964
Net income for the period	28,372	33,888
	524,191	436,852
Deduct:		
Dividends on Class A and Class B shares	5,926	5,366
Retained earnings, end of period	$ 518,265	$ 431,486

Consolidated Statements of Cash Flow

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

(UNAUDITED)

Three months ended February 28		2003		2002
Operating activities				
Net income for the period	$	28,372	$	33,888
Items not affecting cash -				
Amortization of deferred selling commissions		28,539		28,145
Amortization of customer contracts, relationships and investment advisory contracts		4,671		3,289
Amortization of property, equipment and other intangible assets		5,711		3,904
Future income taxes		(4,471)		(1,678)
Gain on sale of investment in associated company (note 2)		(12,758)		–
Other		1,823		1,230
		51,887		68,778
Net increase in non-cash balances related to operations		(23,249)		(14,081)
		28,638		54,697
Financing activities				
Net change in Class B shares		2,485		304
Dividends		(5,926)		(5,366)
Increase (decrease) in bank loan		(8,350)		35,650
Decrease in notes and instalment payable		(1,747)		(1,747)
Increase in Trust Company deposits		31,983		100,461
		18,445		129,302
Investing activities				
Deferred selling commissions paid		(12,355)		(39,248)
Acquisition of third-party administration business		–		(25,506)
Investment in associated company (note 2)		(604)		–
Purchase of property, equipment and other intangible assets		(1,339)		(1,175)
Sale of investments-Trust Company		672		–
Increase in Trust Company mortgages and consumer loans		(57,672)		(75,692)
		(71,298)		(141,621)
Increase (decrease) in cash and cash equivalents during the period		(24,215)		42,378
Balance of cash and cash equivalents, beginning of period		144,709		52,821
Balance of cash and cash equivalents, end of period	$	120,494	$	95,199
Represented by:				
Cash and term deposits	$	4,648	$	13,905
Trust Company cash and term deposits		96,556		60,855
Short-term investments		19,290		20,439
	$	120,494	$	95,199
Cash flow from operations per share (before net change in non-cash balances related to operations)				
Basic	*$*	*0.57*	*$*	*0.77*
Diluted	*$*	*0.56*	*$*	*0.75*

notes to consolidated financial statements

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2003 AND FEBRUARY 28, 2002 (UNAUDITED)
(IN DOLLARS, EXCEPT AS OTHERWISE STATED)

These unaudited interim consolidated financial statements of AGF Management Limited ("AGF" or "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2002, except for the change in accounting policy described in note 1. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2002, as set out in AGF's 2002 Annual Report.

1.
Change in accounting policy

Stock-Based Compensation
On December 1, 2002, AGF adopted the Canadian Institute of Chartered Accountants' (CICA) Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" for stock options granted on or after that date. Section 3870 requires the disclosure of pro-forma net income and earnings per share, as if the Corporation had applied the fair value-based method of accounting for stock based compensation. Under this method, the fair value of stock options is determined on their grant date and is recorded as compensation expense over the period that the stock options vest. There is no pro-forma compensation expense recorded for the first quarter of fiscal year 2003 as no stock options were granted during the quarter.

2.
Investment in associated company

On December 2, 2002, the merger of NCL (Securities) Limited ("NCL") and Smith & Williamson Holdings Limited ("S&WHL") and the cash subscription by the Corporation of $70.0 million of new capital in the enlarged business were completed. Prior to the merger and subscription, the Corporation owned 43.5% of NCL. With the completion of the merger and subscription, the Corporation holds a 30.0% interest in S&WHL, which provides independent private client investment management, financial advisory and accounting services in the U.K.

The Corporation recognized a pre-tax capital gain of $12.8 million on the disposition of its investment in NCL with respect to the completion of the above transaction.

The investment is being accounted for by the equity method, with the Corporation's share of the results of operations of S&WHL included in the consolidated financial statements from the date of purchase. The purchase price allocation and consideration paid are summarized as follows:

		$(000's)
Net assets acquired		
Net tangible assets	$	22,453
Customer contracts and relationships		107,777
Goodwill		22,340
Future income taxes		(33,305)
	$	119,265
Consideration paid (including acquisition costs)		
Cash	$	70,598
Shares in NCL		48,667
	$	119,265

In the three months ended February 28, 2003, the Corporation's share of the net earnings of S&WHL, net of amortization of customer contracts and relationships, amounted to a loss of $639,000.

3.
Capital stock

(a) Authorized capital
The authorized capital of AGF consists of an unlimited number of Class B Non-Voting Shares ("Class B shares") and an unlimited number of Class A Voting Common Shares ("Class A shares"). The Class B shares are listed for trading on The Toronto Stock Exchange.

(b) Movement during the period
The movement in capital stock during the three months ended February 28, 2003, is summarized as follows:

	Number of shares issued		Amount $(000's)
Class B shares			
Balance, November 30, 2002	91,043,109	$	390,840
Issued through dividend reinvestment plan	1,128		16
Stock options exercised	567,350		2,469
Balance, February 28, 2003	91,611,587	$	393,325
Class A shares			
Balance, February 28, 2003 and November 30, 2002	57,600		–
Total capital stock		$	393,325

(c) Class B shares purchased for cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of The Toronto Stock Exchange. Present approval for such purchases extends through to February, 2004.

(d) Stock option plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,829,437 Class B shares could have been granted as at February 28, 2003. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum.

The movement in stock options during the three months ended February 28, 2003, is summarized as follows:

	Number of options	Weighted average exercise price
Class B share options		
Balance outstanding, November 30, 2002	4,983,947	$ 12.60
Options granted	–	$ –
Options cancelled	(26,000)	$ 23.21
Options exercised	(567,350)	$ 4.35
Balance outstanding, February 28, 2003	4,390,597	$ 13.61

4.

Long-term debt

$(000's)	February 28, 2003	November 30, 2002
Bank loans		
Fully amortizing term loan	$ 97,350	$ 106,200
Revolving term loan	124,300	123,800
Notes payable due November 22, 2004	9,323	9,938
Notes payable due April 30, 2013	24,008	25,140
Loan notes due September 30, 2004	275	286
	255,256	265,364
Less: amount included in current liabilities	40,369	40,369
	$ 214,887	$ 224,995

Bank loans

Fully amortizing term loan
At February 28, 2003, the Corporation has drawn the facility in the form of a 60-day bankers' acceptance ("BA") at an effective interest rate of 3.28% per annum.

Revolving term loan
As at February 28, 2003, the Corporation has drawn $124.3 million against the currently available loan amount of $175.0 million in the form of five to 91 day BAs at an effective interest rate of 3.45% per annum.

5.

Interest rate swap and foreign exchange hedge transactions

The Corporation has entered into, for hedging purposes, three interest rate swap transactions (the "swap transactions") with a Canadian chartered bank. The swap transactions expire between October 28, 2007, and January 27, 2008. They involve the exchange of three-month bankers' acceptance floating interest rates for fixed interest rates of 5.47% to 5.56% per annum. As at February 28, 2003, the aggregate notional amount of the swap transactions was $47.1 million. The aggregate fair value of the swap transactions, which represents the amount that would be paid by the Corporation if the transactions were terminated at February 28, 2003, was $1,837,000.

To hedge its currency exposure and to fix the interest rate on borrowings in connection with a Japanese yen denominated investment, the Corporation has entered into a cross currency swap transaction that expires on November 29, 2004. It involves the exchange of three-month bankers' acceptance floating interest rates on a notional amount of CDN $3.3 million for a fixed interest rate of 0.67% per annum on a notional amount of JPY ¥256.0 million. The aggregate fair value of the cross currency swap transaction, which represents the amount that would be received by the Corporation if the transaction was terminated at February 28, 2003, was $60,000.

To hedge its currency exposure in connection with its investment in U.K.-based S&WHL, an associated company (see note 2), the Corporation has entered into five foreign exchange forward contracts to sell U.K. £44.5 million on April 22, 2003, at an average exchange rate of 2.3609 for CDN $105.2 million. The fair value of the forward contracts at February 28, 2003, have been recorded in a separate component of shareholders' equity as a foreign currency translation adjustment.

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into 31 interest rate swap transactions with two Canadian chartered banks, as noted below. The swap transactions expire between March 1, 2003, and January 31, 2008, and involve the exchange of the average one-month bankers' acceptance rate to receive fixed interest rates, paid monthly. As at February 28, 2003, the aggregate notional amount of the swap transactions was $299.0 million. The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust Company if the transactions were terminated at February 28, 2003, was $1,191,000.

$(000)'s

Notional Amount of Swap	Maturity Date	Fixed Interest Rate Received
$ 136,300	2003	2.70% - 3.90%
69,500	2004	3.16% - 4.41%
23,500	2005	3.32% - 4.17%
15,000	2006	3.81% - 4.57%
49,700	2007	4.07% - 5.11%
5,000	2008	4.17%

6.

Supplemental disclosure of cash flow information

Interest payments for the three months ended February 28, 2003, were $7,076,000 (2002 - $5,313,000).
Income tax payments for the three months ended February 28, 2003, were $22,186,000 (2002 - $18,049,000).

7.

Segment information

AGF has three reportable segments: wealth management operations, fund administration operations and trust company operations. The wealth management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. Fund administration offers fund administrative services and transfer agency solutions to institutional clients. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RRSP loans. AGF's reportable segments are strategic business units that offer different products and services.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in AGF's 2002 annual financial statements.

$(000)'S

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2003

	Wealth Management Operations	Fund Administration Operations	Trust Company Operations	Other	Inter-segment elimination	Total
External revenue	$ 120,666	$ 17,923	$ 8,003	$ 12,119	$ –	$ 158,711
Intersegment revenue	–	13,833	306	–	(14,139)	–
Interest revenue	357	27	7,709	–	–	8,093
Gain on sale of associated company	–	–	–	12,758	–	12,758
Equity in earnings (loss) of associated company	–	–	–	(639)	–	(639)
Amortization	34,920	3,219	233	549	–	38,921
Segment income before taxes	30,965	(106)	410	8,996	–	40,265

$(000)'S

FOR THE THREE MONTHS ENDED FEBRUARY 28, 2002

	Wealth Management Operations	Fund Administration Operations	Trust Company Operations	Other	Inter-segment elimination	Total
External revenue	**$ 149,821**	**$ 8,397**	**$ 4,370**	**$ –**	**$ –**	**$ 162,588**
Intersegmant revenue	**–**	**–**	**196**	**–**	**(196)**	**–**
Interest revenue	**49**	**–**	**4,136**	**–**	**–**	**4,185**
Equity in earnings (loss) of associated company	**–**	**–**	**–**	**(651)**	**–**	**(651)**
Amortization	**34,029**	**747**	**–**	**562**	**–**	**35,338**
Segment income before taxes	**48,640**	**(789)**	**(642)**	**(3,707)**	**–**	**43,502**

What are you doing after work?

AGF MUTUAL FUNDS

AGF TAILORED INVESTMENT PROGRAMS
Harmony

AGF PRIVATE INVESTMENT MANAGEMENT

AGF TRUST

AGF Management Limited

P.O. Box 50
Toronto-Dominion Centre
Toronto, ON M5K 1E9

Web site: agf.com
E-mail: tiger@agf.com
416 367-1900