



Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis ('MD&A') includes forward-looking statements about AGF Management Limited, including its business operations, strategy and expected financial performance and condition. 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. In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important factors such as level of assets under our management, volume of sales and redemption of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. 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. Please see the 2005 Annual MD&A 'Factors that May Affect Future Results' section for a further discussion of factors that may affect actual results.

Dear fellow shareholders

It is with great pride that I report to you that AGF has recorded positive net mutual fund sales in the final month of this fiscal quarter. This significant milestone has been the focus of our efforts for some time. The momentum extends to all aspects of our business. Our Institutional and PIM assets have increased and AGF Trust loan assets continue to grow at a significant rate with the completion of a very successful RSP campaign.

The value we strive to deliver to our shareholders is not limited to operational results. In January 2006, we announced AGF would raise the dividend payout by 20% to 18 cents per share from 15 cents per share. This increase reflects the Board's confidence in our operations, our cash flow and our strong financial position.

For the three months ended February 28, 2006, AGF reported cash flow from operations¹ (before net change in non-cash balances related to operations) of \$50.1 million, compared with \$56.9 million one year ago. Free cash flow¹ (cash flow from operations less selling commissions paid) was \$27.9 million, compared with \$42.0 million one year ago. This reduction in free cash flow is directly related to our improved mutual fund net sales position. We paid an additional \$7.3 million in deferred sales commissions and collected \$3.3 million less in deferred sales charges during the three months ended February 28, 2006, compared to the same period last year. Improving sales figures impact our financial results in the short term, but they will benefit our financial position in the long term.

In the first quarter of fiscal 2006, consolidated revenue was \$169.2 million compared with \$145.6 million in the first quarter of the prior year. Consolidated net income from continuing operations for the three months ended February 28, 2006 was \$24.1 million compared with \$20.2 million for the same period last year. Earnings before interest, taxes, depreciation and amortization¹ (EBITDA) were \$68.7 million compared with \$65.0 million for the three months ended February 28, 2005.

As a result of our success in building relationships with advisors, mutual fund flows have improved steadily and consistently over the past year. We have listened intently to advisors' needs, and based on this feedback we created AGF Elements, which was launched in November 2005. From a standing start, AGF Elements reached \$264.7 million in assets at February 28, 2006. The AGF Canadian Dividend Income Fund has been another success story. We acquired the Fund from ING Investment Management Inc. and at the time the deal closed it had AUM of \$154 million. As at February 28, 2006, the Fund has grown to \$469.9 million. AGF Harmony is a product that has also seen its popularity with advisors accelerate recently. Last year, we hit the \$1 billion AUM mark with Harmony and the product now has \$1.6 billion in AUM.

Much of the success in our fund business as well as our ability to win institutional mandates has been due to strong investment performance. AGF has delivered top mutual fund performance, with 57.0% of mutual fund assets under management performing above median for the five-year period and 71.7% performing above median for the 10-year period ended February 28, 2006.

We will continue to focus on our core business as we aim to achieve sustained success. We believe that our superior investment management, quality products, determined sales and marketing efforts and AGF Trust's strategy and service give us a competitive advantage.



Blake C. Goldring, CFA
President and Chief Executive Officer
March 29, 2006

¹ Cash flow from operations, free cash flow and EBITDA are non-GAAP measures. Please refer to page 4 of this report.

Management's Discussion and Analysis of Financial Condition and Results of Operations

For the three months ended February 28, 2006

Management's Discussion and Analysis ('MD&A') presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at February 28, 2006 compared with November 30, 2005, and the results of operations for the three months ended February 28, 2006 compared with the corresponding period of 2005. This discussion should be read in conjunction with our 2005 annual MD&A and 2005 annual audited Consolidated Financial Statements and Notes. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ('GAAP'). Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the 2005 annual MD&A: 'Factors that May Affect Future Results', 'Disclosure Controls', 'Off Balance Sheet Arrangements', 'Contractual Obligations', 'Intercompany and Related Party Transactions' and 'Government Regulations'. There has been additional disclosure with respect to the information discussed in the 'Critical Accounting Policies' section; please see the 'Critical Accounting Policies' section of this MD&A for details.

Overview

AGF Management Limited ('AGF'), with approximately \$37 billion in assets under management ('AUM'), is one of Canada's largest independent mutual fund and investment management companies, with operations in Canada, the United Kingdom, Ireland and Asia. Approaching 50 years in business, we commenced operations in 1957 with one of the first mutual funds available to Canadians wishing to invest internationally and as at February 28, 2006 offered 55 mutual funds to investment advisors and their clients.

For purposes of this discussion, the operations of AGF Management Limited and our subsidiary companies are referred to as 'we', 'us', 'our' or the 'Company'. The financial results relating to the operations have been reported in three segments: Investment Management Operations, Trust Company Operations and Other. This presentation differs from our February 28, 2005 MD&A and financial statements in which a Fund Administration Operations segment was disclosed. As a result of the sale of Unisen Holdings Inc. ('Unisen'), Unisen's operations have been reported as discontinued operations. The results of Investmaster Group Limited ('Investmaster') have been included in Other, as this entity does not meet the criteria for separate disclosure.

Strategy and Highlights

As stated in our 2005 annual MD&A, our overall business strategy is to help identify and facilitate opportunities for our business segments and ensure segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term.

During the first quarter of 2006, we achieved the following:

- Delivered value directly to our shareholders through dividend payments and our share buy back program.
- Dividends paid on Class A Voting Common and Class B Non-Voting Shares increased 34.0% to \$13.4 million in Q1 2006, compared with \$10.0 million in 2005. In conjunction with the release of our fiscal 2005 results, on January 25, 2006 we announced a 20% increase in the dividend rate to 18 cents per share from 15 cents per share on Class B Non-Voting and Class A Voting Common Shares for the April 2006 scheduled dividend payment.
- During the quarter, we repurchased 200,000 Class B Non-Voting Shares, compared with repurchases of 75,000 shares in the three months ended February 28 2005. We renewed our normal course issuer bid to allow us to repurchase shares during the period from February 18, 2006 to February 17, 2007.
- Including dividends and share repurchases, we returned 63.4% of our free cash flow to shareholders during the three months ended February 28, 2006 versus 26.9% in the comparable period last year. We define free cash flow as cash flow from operations before net change in non-cash balances related to operations less deferred selling commissions paid.

- We continued to support the growth of AGF Trust and invested \$18.0 million during the three months ended February 28, 2006, bringing our total investment in debt and equity capital to \$90.4 million. This compares to the investment of \$10.5 million for the three months ended February 28, 2005. AGF Trust mortgage loans have grown 94.2% over the prior year and consumer loans have grown 47.6%.

We remain committed to our strategy and are pleased with the results to date.

Key Performance Indicators and Non-GAAP Measures

We measure the success of our strategies using a number of key performance indicators that are defined and described in our 2005 annual MD&A. With the exception of revenue, the following key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of key performance indicators that are relevant to each segment. Key performance indicators include:

- assets under management
- investment performance (market appreciation of fund portfolios)
- net sales
- revenue
- EBITDA
- cash flow from operations
- free cash flow
- return on equity (ROE) and return on investment (ROI)
- loan asset growth
- efficiency ratio
- net interest margin

Three non-GAAP measures that we use throughout this discussion are defined as follows:

EBITDA

We define EBITDA as income before interest expense, income taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts in understanding and comparing results. We believe this is an important measure as it allows us to assess our ongoing businesses without the impact of amortization and is an indicator of our ability to incur or service debt, invest in our business, finance sales commissions, pay dividends and execute share repurchase programs. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our consumer loan and mortgage programs and therefore are considered an operating cost directly related to generating interest revenue. We include this interest expense in Trust Company Operations EBITDA to provide a meaningful comparison to our other business segments and our competitors.

Cash Flow from Operations

We report cash flow from operations before net changes in non-cash balances related to operations. Cash flow from operations helps to assess the ability of the business to generate cash, which is used to pay dividends, repurchase shares, pay down debt and fund other needs for cash.

Free Cash Flow

We define free cash flow as cash flow from operations before net changes in non-cash balances related to operations less selling commissions paid. This is a relevant measure in the investment management business as a substantial amount of cash is spent in upfront commission payments. Free cash flow represents cash available for distribution to our shareholders or for general corporate purposes.

Critical Accounting Policies

In the three months ended February 28, 2006 two additional significant accounting policies were adopted by the Company and are supplemental to the 'Critical Accounting Policies' section of the 2005 annual MD&A. These policies are as follows:

1) Securitization of RSP Loans

During the quarter, the Company, through its wholly owned subsidiary AGF Trust Company, securitized \$218.4 million of RSP loans through the sale of these loans to a securitization trust.

When RSP loan receivables are sold in securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the consolidated balance sheet. As part of the securitization, certain financial assets are retained. The retained interests are classified as investment securities and are carried at cost or amortized cost. A gain or loss on sale of the loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions – excess spread, discount rate on interest-only strip, expected credit losses, prepayment rates and expected weighted average life of RSP loans – which are commensurate with the risks involved. Subsequent to the securitization, any retained interest that cannot be contractually settled in such a way that the Company can recover substantially all of its recorded investment will be adjusted to fair value. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

The Company retained servicing responsibilities for the securitized loans. An amount representing the future costs of servicing the securitized loans has been offset against the sale of the RSP loans.

For additional details, including the assumptions used to determine relevant financial statement items, see Note 2 of the Consolidated Financial Statements.

2) AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund of fund portfolios. If an AGF Elements portfolio does not match or outperform its customized benchmark over a three-year period, each individual investor will receive up to ninety basis points in additional units, calculated based on the value of such investment at the end of the three-year period.

The Company will include in other liabilities up to thirty basis points per year of each investors assets under management, adjusted for redemptions (forfeitures), until the end of the three-year measurement period of each investment made by such investor. At that time if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of individual units.

Consolidated Operating Results

Our consolidated operating results for the three months ended February 28, 2006 and February 28, 2005 are as follows:

(\$ millions, except per share amounts) Three months ended	February 28, 2006	February 28, 2005	% change
Revenue			
Investment management operations	\$ 127.8	\$ 128.0	(0.2%)
Trust company operations	36.8	12.7	189.8%
Other	5.1	4.9	4.1%
Intersegment eliminations	(0.5)	0.0	n/m
	169.2	145.6	16.2%
Expenses			
Investment management operations	74.4	63.4	17.4%
Trust company operations ¹	23.4	10.9	114.7%
Other	3.2	6.3	(49.2%)
Intersegment eliminations	(0.5)	0.0	n/m
	100.5	80.6	24.7%
EBITDA ² (continuing operations)	68.7	65.0	5.7%
Amortization	33.8	34.9	(3.2%)
Interest Expense	0.5	1.4	(64.3%)
Income Taxes	10.3	8.5	21.2%
Net income from continuing operations	\$ 24.1	\$ 20.2	19.3%
Net earnings of discontinued operations, net of tax	0.0	1.0	n/m
Net income	24.1	21.2	13.7%
Earnings per share from continuing operations - diluted	\$ 0.27	\$ 0.22	22.7%

¹ Includes interest expense related to deposits, the funds of which are used in our consumer loan and mortgage programs. See the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

² As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue for the three months ended February 28, 2006 increased by 16.2% from the corresponding period in 2005. The Trust Company Operations segment reported solid revenue growth of 189.8% due to higher loan assets and a \$9.9 million securitization gain from the sale of RSP loans. Revenues in the Investment Management Operations segment remained relatively flat on a year-over-year basis despite lower revenues from deferred sales charges by \$3.3 million. Revenues for Other, which includes the results of Investmaster and our 30.9% equity interest in Smith & Williamson Holdings Limited ('S&WHL'), were relatively flat for the three months ended February 28, 2006 compared with the corresponding period in 2005. Investmaster's revenues for the three months ended February 28, 2006 included revenue of \$0.7 from the sale of source code to a client.

Expenses for the three months ended February 28, 2006 increased by 24.7% with increases in the Investment Management Operations and Trust Company Operations segments being offset by reductions in the Other segment. The increases for both the Investment Management Operations and Trust Company Operations segments are discussed in greater details under the segment discussions. The declining expenses in the Other segment relate solely to Investmaster's operations, which have been significantly restructured to reduce costs.

The revenue and expense impact contributed to the increase in EBITDA of 5.7% for the three months ended February 28, 2006 from the corresponding period in 2005.

Amortization expenses decreased by 3.2% in the three months ended February 28, 2006, compared with the corresponding period in 2005. Amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$27.2 million (2005 – \$28.5 million) of the total amortization expense and was the primary driver for the decrease.

Interest expense decreased to \$0.5 million for the three months ended February 28, 2006 from \$1.4 million in the same period in 2005. The decrease is mainly the result of lower average outstanding loan balances.

Income tax expense for the three months ended February 28, 2006 was \$10.3 million as compared with \$8.5 million in the first quarter of 2005, based on an effective tax rate of 30.0% in the first quarter of 2006 as compared with 29.5% in the corresponding period in 2005.

The impact of the above revenue and expense items resulted in net income of \$24.1 million in the quarter ended February 28, 2006 as compared with \$21.2 million for the same period in 2005. Basic and fully diluted earnings per share were \$0.27 per share in the first quarter of 2006 as compared with \$0.23 per share in 2005. Net income in the three months ended February 28, 2005 includes \$1.0 million of earnings net of tax from Unisen, which was sold to Citifinancial Canada, Inc. on July 11, 2005.

A further discussion of the results of each business segment for the three months ended February 28, 2006 as compared with February 28, 2005 follows.

Business Segment Performance

We report on three business segments. Investment Management Operations and Trust Company Operations are discussed below. The Other segment includes the results of S&WHL, which is accounted for by the equity method, and the results of our wholly owned subsidiary Investmaster. These entities do not meet the criteria for separate segment disclosure. The Other segment also includes interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Investment Management Operations

Business and Industry Profile

Our Investment Management Operations segment provides products and services across the wealth continuum, including mutual funds, wrap products and private investment management. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies, brokers and consultants.

Investment management remains a highly competitive business with numerous domestic and foreign players serving the market. We believe that although the mutual fund business is reaching the early stages of maturity, there are opportunities for growth.

Segment Strategy & Highlights

The strategic priorities for our investment management operations, which are detailed in the 2005 annual MD&A, include enhancing our client-centric model by focusing on investment excellence and service excellence, as well as promoting AGF's international investment management competency.

Consistent with our stated strategy during the first quarter of fiscal 2006, we achieved the following:

- Continued building on the trend of improving sales figures and reported positive net sales of long-term funds of \$52.9 million for the month ended February 28, 2006.
- Successfully promoted AGF Elements, a fund of AGF funds that brings state-of-the-art portfolio construction and monitoring, along with a unique commitment to return up to 90 basis points in new units if the portfolio's average annualized rate of return does not perform at or above the customized benchmark over a three-year period. AGF Elements was launched on November 28, 2005 and as of February 28, 2006 had reached AUM of \$264.7 million.
- Continued the sales momentum of the AGF Dividend Income Fund. This Fund was formerly the ING Canadian Dividend Income Fund and was acquired along with \$276.0 million in mutual fund assets from ING Investment Management Inc., a subsidiary of ING Canada Inc., for \$9.1 million. At the time the deal was completed on August 8, 2005, this Fund had AUM of \$154.0 million. At the beginning of the first quarter of Q1 2006, the Fund had grown to \$273.4 million and by the end of the quarter the Fund had \$469.9 million. This success is also beneficial to our valued partner ING Canada Inc., as ING Investment Management Inc. remains sub advisor to the fund.
- Harmony, AGF's wrap program, reached \$1.6 billion in assets under management. Launched in 1997, Harmony has become one of the industry's fastest growing high-end wrap services.
- Won a \$0.4 billion institutional mandate on January 3, 2006.

- AGF was retained as the investment advisor on the \$0.4 billion Oil Sands Sector Fund, which trades on the TSX under the symbol OSF.UN. The Oil Sands Sector Fund completed its initial public offering subsequent to the end of the quarter. These assets will be included in our institutional assets under management.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees is dependent on the level and composition of AUM. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and private investment management AUM. As a result, the level of AUM has a significant influence on financial results. The following table illustrates the composition of the changes in total AUM during the three months ended February 28, 2006 and February 28, 2005:

(\$ millions) Three months ended	February 28, 2006	February 28, 2005	% change
Mutual fund AUM, beginning of period	\$ 22,209	\$ 22,747	(2.4%)
Gross sales of mutual funds	1,146	691	65.8%
Redemptions of mutual funds	(1,245)	(2,318)	(46.3%)
Net mutual fund redemptions	(99)	(1,627)	(93.9%)
Market appreciation of fund portfolios	1,395	1,537	(9.2%)
Mutual fund AUM, end of period	\$ 23,505	\$ 22,657	3.7%
Institutional AUM	7,532	5,011	50.3%
PIM AUM	5,872	5,300	10.8%
Total AUM	\$ 36,909	\$ 32,968	12.0%
Average daily mutual fund AUM for the period	\$ 23,196	\$ 22,693	2.2%

Strong investment performance, offset by net redemptions of \$99.0 million, resulted in an increase in mutual fund AUM to \$23.5 billion at February 28, 2006 from \$22.2 billion at November 30, 2005. Compared to the three-month period ended February 28, 2005, mutual fund AUM was up by 3.7%. The average daily mutual fund AUM for the first three months increased by 2.2% to \$23.2 billion. During the first quarter alone, institutional AUM increased by \$1.2 billion to \$7.5 billion as a result of the \$0.4 billion institutional mandate won on January 3, 2006, as well as strong performance. Since February 28, 2005, private investment management AUM increased by \$0.6 billion to \$5.9 billion primarily due to investment performance. These increases resulted in total AUM increasing by 12.0% to \$36.9 billion.

Stock market performance influences the level of AUM. During the three months ended February 28, 2006, the Canadian-dollar-adjusted S&P 500 Index declined 0.10%, the Canadian-dollar-adjusted NASDAQ Index declined 0.41% and the S&P/TSX Composite Index rose 7.98%. The aggregate market appreciation of our mutual fund portfolios for the three months ended February 28, 2006 divided by the average daily mutual fund AUM for the quarter was 6.0% after management fees and expenses paid by the funds.

The impact of the U.S. dollar decline relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2005 has been a reduction in AUM of approximately \$0.1 billion.

For the five-year period ended February 28, 2006, 57.0% of ranked mutual fund AUM performed above median. Over the 10-year period ended February 28, 2006, 71.7% of ranked AUM performed above median.

Financial and Operational Results

The Investment Management Operations segment results for the three months ended February 28, 2006 and February 28, 2005 are as follows:

(\$ millions) Three months ended	February 28, 2006	February 28, 2005	% change
Revenue			
Net management and advisory fees	\$ 102.1	\$ 103.6	(1.4%)
Administration fees and other revenue	17.1	13.5	26.7%
Deferred sales charges	7.3	10.6	(31.1%)
Investment income	1.3	0.3	333.3%
	127.8	128.0	(0.2%)
Expenses			
Selling, general and administrative	38.6	30.0	28.7%
Trailing commissions	28.9	26.3	9.9%
Investment advisory fees	6.9	7.1	(2.8%)
	74.4	63.4	17.4%
EBITDA ¹	53.4	64.6	(17.3%)
Amortization	32.7	33.9	(3.5%)
Income before taxes and non-segmented items	\$ 20.7	\$ 30.7	(32.6%)

¹ As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Revenue

Revenue for the Investment Management Operations segment declined 0.2% over the previous year, with changes in the categories being:

Net Management and Advisory Fees

Average daily mutual fund AUM in the first quarter of fiscal 2006 was 2.2% higher than the comparable period last year, while net management and advisory fees declined by 1.4%. Average mutual fund AUM includes Harmony, our fast-growing tailored investment product. However, Harmony revenues are recorded in the administration fees and other revenue line, which is discussed below.

Harmony made up 6.59% of the average daily AUM in the three months ended February 28, 2006 and 4.21% of the average daily AUM for the three months ended February 28, 2005. Excluding the Harmony AUM, the period-over-period percentage change of negative 1.4% is reflective of average daily mutual fund AUM.

Management and advisory fee revenue in the first fiscal quarter of 2006 is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$2.9 million (2005 – \$3.5 million).

Administration Fees and Other Revenue

Administration fees and other revenue, which includes fees earned on Harmony, institutional and private investment management AUM, increased by 26.7% in the three months ended February 28, 2006 as compared with the same period in the prior year. There was strong growth in Harmony revenues, as well as organic growth in institutional and PIM AUM.

Deferred Sales Charges

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or 'back-end' commission basis for which we financed the selling commissions paid to the dealer. The DSC is generally 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. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets.

DSC revenues for the three months ended February 28, 2006 decreased by 31.1% over the corresponding period in 2005, reflecting lower retail mutual fund redemptions.

Expenses

Expenses for the Investment Management Operations segment increased 17.4% over the previous year. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

SG&A expenses for the quarter ended February 28, 2006 were \$38.6 million, representing an \$8.6 million increase in SG&A expenses compared with the comparable 2005 period. The increase is made up of the following amounts:

- A \$1.0 million increase in the accrual for absorption. In conjunction with the sale of Unisen, we have capped the management expense ratio on all our funds for the next three years to the lower of actual or the lower of levels incurred in 2004 and 2005. The level of mutual fund AUM and expenses incurred by each of the funds will ultimately influence the amount of absorption incurred over the remainder of 2006.
- Stock option expense has increased by approximately \$0.6 million in the three months ended February 28, 2006 as compared to 2005.
- Salaries, wages and bonuses increased by \$3.1 million in the three months ended February 28, 2006 over the corresponding period in the prior year. The increase reflects an increase in staffing, primarily in sales, and incentive/retention programs.
- Information technology costs related to the transition of services from Citifinancial of \$0.5 million.
- Additional facilities and other staff related costs of \$1.0 million related to increased staffing levels.
- Costs of \$1.8 million related to systems enhancements with respect to AGF Elements and other sales and marketing initiatives that are designed to make AGF easier to do business with and more responsive to our clients' needs.
- SG&A expenses in our Private Investment Management operations increased by \$0.7 million, primarily related to period over period increases in salaries and bonuses.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM, 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. Annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.499% for the three-month period ended February 28, 2006 from 0.463% in the comparable 2005 period because of an increased proportion of mutual fund AUM sold on a front-end basis and a change in the mix of assets toward managed products, such as Harmony, which generally have higher trailers.

Investment Advisory Fees

External investment advisory fees remained relatively constant as the average AUM managed by sub advisors remained consistent for the three months ended February 28, 2006, compared with the same quarter in 2005.

EBITDA

EBITDA for the Investment Management Operations segment were \$53.4 million for the three months ended February 28, 2006, a decrease of 17.3% from \$64.6 million for the same period of fiscal 2005. The decrease of \$10.2 million is due to deferred sales charges being lower by \$3.3 million due to lower redemptions and SG&A expenses being higher by \$8.6 million. We continue to make investments, which we believe will yield improvement in long-term financial results.

Amortization

The largest item in this category is amortization of deferred selling commissions. Amortization also includes amortization of property, equipment and other intangible assets and amortization of customer contracts, relationships and investment advisory contracts.

We internally finance all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$27.2 million in the first fiscal quarter of 2006 as compared with \$28.5 million in the comparable period in 2005.

During the first quarter of fiscal 2006, we paid \$22.2 million in selling commissions, compared with \$14.9 million in 2005. As at February 28, 2006, the unamortized balance of deferred selling commissions stood at \$270.1 million, a decrease of \$4.9 million from the November 30, 2005 balance of \$275.0 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at February 28, 2006 were estimated to be approximately \$362.4 million (2005 – \$424.4 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust we offer financial solutions including mortgages and consumer loans.

We offer mortgages to Canadians who have sound credit but in some cases have not met the requirements of Canada's large banks to qualify for their lowest rate mortgage products. This alternative mortgage space is underdeveloped and fragmented, which makes it a very attractive market. In addition to the strong secular demand created by an underserved market, demand has recently been underpinned by low interest rates and healthy housing prices. Mortgage products are distributed primarily through mortgage brokers. The mortgage broker channel also has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided mortgages in this channel to reduce distribution costs.

AGF Trust consumer loans consist of investment loans and RSP loans distributed through financial advisors. The market for these products is also healthy and growing due to the efforts of financial advisors who continue to broaden their suite of products as they service the needs of their customers.

Segment Strategy & Highlights

We strive to earn a high financial return as well as maximize synergies with the Investment Management Operations segment. Specific strategies include:

- expanding geographically within Canada. Currently, the majority of our mortgage business is in Ontario
- introducing new products that directly serve advisor needs
- effective, targeted marketing
- disciplined loan-underwriting standards and cost control

In the first quarter of 2006, we continued to expand our dedicated sales staff to promote investment lending and mortgage products. A Home Equity Line of Credit (HELOC) program is now being piloted, and lending specialists have been hired to support the growth of the HELOC program. AGF Trust also continued to support AGF investment management wholesalers with the aim to make it easier for AGF wholesalers to serve their clients and promote trust products to advisors.

AGF Trust will continue to maximize operational synergies with our investment management business through trust products that assist financial advisors in broadening and deepening their relationship with their clients. In addition, we will focus on expanding returns by increasing our consumer and mortgage loan portfolios.

We anticipate that execution of AGF Trust's stated strategy will result in continued growth. Our growth plans require investing in product development initiatives and expanding our sales and administrative teams. As a result, non-interest expenses may rise more than the corresponding increase in total interest margin over the remaining quarters of the 2006 fiscal year.

Securitization Transaction

On February 28, 2006, AGF Trust Company securitized \$218.4 million of RSP loans through the sale of these loans to a securitization trust. The transaction was recognized as a sale. The sale resulted in a \$9.9 million gain being recognized during the three months ended February 28, 2006 and the removal of the loans from our balance sheet. The amount of the gain was determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions. As part of the securitization, \$34.0 million of financial assets were retained. These retained interests are classified as investment securities and are carried at cost or amortized cost. The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust is limited to the retained interests.

Financial and Operational Results

Trust Company Operations segment results for the three months ended February 28, 2006 and February 28, 2005 are as follows:

(\$ millions) Three months ended	February 28, 2006	February 28, 2005	% change
Interest, administration fees and other revenue	\$ 26.9	\$ 12.7	111.8%
Gain on sale of RSP loan securitization	9.9	0.0	n/m
	36.8	12.7	189.8%
Expenses			
Selling, general and administrative	6.5	3.9	66.7%
Interest on deposits	14.4	5.6	157.1%
Provision for loan losses	2.5	1.4	78.6%
	23.4	10.9	114.7%
EBITDA¹	13.4	1.8	644.4%
Amortization	0.3	0.3	0.0%
Income before taxes and non-segmented items	\$ 13.1	\$ 1.5	773.3%
Interest, administration fees and other revenue	26.9	12.7	111.8%
Administration fees and other revenue	(0.9)	(0.6)	50.0%
Total Interest Income	26.0	12.1	114.9%
Total Interest Expense	14.4	5.6	157.1%
Total Interest Margin	11.6	6.5	78.5%

¹ As previously defined, see the 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue

Total interest margin increased by 78.5% year-over-year. The 94.2% year-over-year increase in the mortgage loan portfolio and 47.6% year-over-year increase in the consumer loan portfolio (87.3% excluding the impact of the securitization) resulted in the overall increase in total revenue and total interest margin. At February 28, 2006, the average interest rate on mortgages was 5.94% (5.88% in 2005), with consumer loans at an average rate of 6.92% (6.05% in 2005), while the average interest rate for deposits was 3.75% (3.82% in 2005).

Selling, General and Administrative Expenses

SG&A expenses increased by 66.7% in the first quarter of fiscal 2006 as compared with 2005, as a result of increased broker compensation expense directly related to the increases in the loan portfolios. Broker compensation is directly tied to the portfolio increases and sales staff compensation also includes a variable component that is related to the portfolio increases.

Provision for Loan Losses

The total provision for loan losses increased by 78.6% in the first quarter of 2006, as compared with the first quarter of 2005. The increase is attributable to the increase in our loan portfolios.

EBITDA

The securitization of a portion of AGF Trust's RSP loan portfolio, combined with strong asset growth served to increase EBITDA by 644.4% in the first fiscal quarter of 2006, as compared with 2005. Excluding the impact of the securitization, EBITDA increased by 100% in the first fiscal quarter of 2006, as compared with 2005.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three months ended February 28, 2006 and February 28, 2005.

(\$ millions) Three months ended	February 28, 2006	February 28, 2005	% change
Mortgage Loan Assets	\$ 620.2	\$ 319.3	94.2%
Consumer Loan Assets	811.6	550.0	47.6%
Other Assets	456.5	74.5	512.8%
Total Assets	\$ 1,888.3	\$ 943.8	100.1%
Net Interest Income ¹	\$ 10.4	\$ 5.8	79.3%
Gain from Securitization	9.9	0.0	n/m
Other income	0.9	0.6	50.0%
Non-interest expenses	5.6	3.5	60.0%
Provision for Loan Losses	2.5	1.4	78.6%
Income before taxes and non-segmented items	\$ 13.1	\$ 1.5	773.3%
Efficiency Ratio ²	26.4%	54.7%	
Assets-to-Capital Multiple	16.7	14.2	

¹ Net Interest Income above is reported net of agent commissions.

² The Efficiency Ratio is calculated by dividing non-interest expenses by the total of Net Interest Income and fee income.

Loan Asset Growth

Loan assets experienced substantial growth during the first quarter of 2006. Mortgages, RSP loans and investment loan advances were higher during the first quarter of 2006, compared with the prior-year period.

Mortgage loans consisted of \$330.9 million of insured loans (2005 – \$199.3 million) and \$289.3 million in conventional loans (2005 – \$120.0 million). Consumer loans consist of \$549 million of investment loans (2005 – \$221 million) and \$250 million of RSP loans after the impact of the securitization (2005 – \$326 million). Other loans make up the balance of consumer loans.

Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and non-interest income) is a key industry performance indicator utilized to ensure expenses are contained as the Trust business grows. The efficiency ratio decreased to 26.4% in the first fiscal quarter of 2006 from 54.7% during the comparable quarter in 2005. The decrease was primarily due to the \$9.9 million gain from securitization. Excluding the impact of the securitization, the efficiency ratio decreased to 49.6%.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 100.1% from February 28, 2005 to \$1.9 billion at February 28, 2006. Cash balances were high at quarter-end due to the closing of a securitization during the quarter, but are anticipated to decline to a lower level during the balance of the year. Our assets-to-capital multiple stood at 16.7 times, up from 14.4 times at November 30, 2005, and below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.6% at February 28, 2006 (2005 – 10.2%). Liquid assets were equal to \$394 million in cash and cash equivalents at February 28, 2006 (2005 – \$58.1 million).

Loan Portfolio Credit

Portfolio credit quality remains consistent as at February 28, 2006, compared to February 28, 2005. Due to higher loan balances, the general allowance for mortgage loan losses was increased to \$2.9 million from \$1.2 million at February 28, 2005. The general allowance for consumer loan losses was increased to \$3.6 million from \$3.5 million a year ago.

More than one-half of mortgage loan assets are insured. We have strong security for non-RSP investment loans and loan losses during the history of the program have been minimal. The losses to date on the RSP loan program have been consistent with management's expectations.

Liquidity and Capital Resources

Cash flow generated from operating activities (before net change in non-cash balances related to operations) was \$50.1 million for the three months ended February 28, 2006, compared with \$56.9 million in the prior-year period.

Our free cash flow (defined as cash flow from operations less selling commissions paid) was \$27.9 million for the three months ended February 28, 2006, compared with \$42.0 million in the prior-year period. During the quarter, we paid \$22.2 million in selling commissions, which were deferred for accounting purposes, compared with \$14.9 million in the first quarter of 2005. Our free cash flow was used primarily to fund the following:

(\$ millions) Three months ended	February 28, 2006	February 21, 2005
Payment of dividends	\$ 13.4	\$ 10.0
Repurchase of AGF Class B non-voting shares for cancellation	4.3	1.3
Acquisitions	0.2	1.5
Purchase of property, equipment and other intangible assets	3.7	0.5
Investments	0.8	2.5
Debt repayment	1.2	0.8
	\$ 23.6	\$ 16.6

Free cash flow was sufficient to fund the uses of cash in the three months ended February 28, 2006 and 2005. However as is traditionally the case, our bank loan increased by \$28.0 million during the three months ended February 28, 2006 (2005 – \$16.2 million) to fund year-end payables and accruals. Cash and cash equivalents increased by \$252.4 million (2005 – decrease of \$47.6 million) from November 30, 2005 primarily due to an increase in cash in the Trust Company Operations segment. The long-term debt-to-equity ratio remained stable at 0.02:1 at February 28, 2006.

During the quarter, we used \$4.3 million (2005 – \$1.3 million) of free cash flow to repurchase 200,000 Class B Non-Voting Shares of AGF at an average price of \$21.62 per share.

Consolidated cash and cash equivalents amounted to \$412.4 million as at February 28, 2006, compared with \$71.3 million a year ago.

We have a six-year prime rate-based revolving term loan facility to a maximum of \$200.0 million, of which \$172.0 million was available to be drawn as of February 28, 2006. This facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Dividends

For the first three months ended February 28, 2006, we declared an 18-cent-per-share dividend on Class A Voting Common and Class B Non-Voting Shares. This dividend will be payable on April 17, 2006 to shareholders of record on April 7, 2006. This was a 20% increase from the 15-cent-per-share dividend declared for the previous quarter.

The holders of the Class B Non-Voting Shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all the Class B Non-Voting Shares and all the Class A Voting Common Shares at the time outstanding without preference or priority of one share over another. No dividends may be declared in the event that there is a default of a condition of our loan facility or where such payment of dividends would create a default.

Our Board of Directors may determine that the Class B Non-Voting shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. In determining whether a dividend in Class B Non-Voting Shares is substantially equal to a cash dividend, the Board of Directors may make a determination based on the weighted average price at which the Class B Non-Voting Shares traded on the Toronto Stock Exchange during the 10 trading days immediately preceding the record date applicable to such dividend.

The following table sets forth the dividends paid by AGF on the Class B Non-Voting Shares and the Class A Voting Common Shares for the periods indicated:

Years Ended November 30	2005	2004	2003	2002	2001
Per share	\$ 0.560	\$ 0.410	\$ 0.295	\$ 0.255	\$ 0.220
Percentage increase	37%	39%	16%	16%	22%

We review our dividend distribution policy on a quarterly basis, taking into consideration our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors.

Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2006. For additional detail, see Note 10 of the Consolidated Financial Statements.

	2006	2005
Shares		
Class A Voting Common Shares	57,600	57,600
Class B Non-Voting Shares	88,958,375	90,699,230
Stock Options		
Outstanding options	4,566,600	4,488,088
Exercisable options	1,502,388	1,661,249

Selected Quarterly Information

(\$ millions, except per share amounts) For the three month period ended	Feb. 28, 2006	Nov. 30, 2005	Aug. 31, 2005	May 31, 2005
Revenue (continuing operations)	\$ 169.2	\$ 148.6	\$ 153.0	\$ 147.1
Cash flow from continuing operations ¹	50.1	47.8	53.9	57.6
EBITDA (continuing operations) ²	68.7	50.9	65.2	63.7
Pretax income (continuing operations)	34.4	16.1	29.6	27.4
Net income	24.1	28.0	20.3	22.4
Net income per share				
Basic	\$ 0.27	\$ 0.31	\$ 0.23	\$ 0.25
Diluted	\$ 0.27	\$ 0.31	\$ 0.23	\$ 0.25
Weighted average basic shares	89,190,007	89,203,949	89,615,145	90,553,323
Weighted average fully diluted shares	90,031,001	89,868,786	89,915,618	90,886,073

(\$ millions, except per share amounts) For the three month period ended	Feb. 28, 2005	Nov. 30, 2004	Aug. 31, 2004	May 31, 2004
Revenue (continuing operations)	\$ 145.7	\$ 143.4	\$ 144.9	\$ 151.6
Cash flow from operations ¹	56.9	13.6	59.0	64.5
EBITDA (continuing operations) ²	65.0	19.8	71.6	73.5
Pretax income (continuing operations)	28.7	(17.6)	31.7	34.7
Net income (loss)	21.2	(8.1)	27.6	34.0
Net income (loss) per share				
Basic	\$ 0.23	\$ (0.08)	\$ 0.30	\$ 0.37
Diluted	\$ 0.23	\$ (0.09)	\$ 0.30	\$ 0.37
Weighted average basic shares	90,739,413	90,737,430	91,116,928	91,301,644
Weighted average fully diluted shares	91,085,474	91,798,233	91,559,294	91,881,879

¹ Cash flow from operations before net change in non-cash balances related to operations.

² As previously defined, see 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the three months ended February 28, 2006, our 2005 annual MD&A and Consolidated Financial Statements, our 2005 AIF and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

(AGF Management Ltd.
Consolidated Balance Sheets)

(in thousands of dollars)	February 28, 2006 (unaudited)	November 30, 2005 (audited, note 3)
Assets		
Current Assets		
Cash and term deposits	\$ 412,412	\$ 159,974
Short-term investments	23,185	23,105
Accounts receivable and prepaid expenses	74,178	50,086
	509,775	233,165
Mortgages and consumer loans (note 8)	1,431,815	1,395,267
Retained interest from securitization (note 2)	34,034	–
Investment in associated company (note 5)	94,519	96,000
Other investments	5,549	7,142
Management contracts	478,749	478,749
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	71,460	75,281
Deferred selling commissions, net of accumulated amortization	270,108	275,015
Property, equipment and other intangible assets, net of accumulated amortization	21,607	21,639
Goodwill	126,399	126,183
Other assets	1,246	1,226
	\$ 3,045,261	\$ 2,709,667
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 110,587	\$ 95,197
Long-term debt due within one year (note 9)	35,211	8,277
Income taxes payable	8,102	14,252
	153,900	117,726
Deposits (note 8)	1,703,068	1,407,752
Long-term debt (note 9)	17,228	17,364
Participation units	6,157	6,157
Future income taxes	239,209	242,188
Leasehold inducements	147	154
	2,119,709	1,791,341
Shareholders' Equity		
Capital stock (note 10)	393,943	394,154
Contributed surplus	7,086	5,900
Retained earnings	534,475	527,197
Foreign currency translation adjustment	(9,952)	(8,925)
	925,552	918,326
	\$ 3,045,261	\$ 2,709,667

(See accompanying notes to consolidated financial statements.)

(AGF Management Ltd.
Consolidated Statements of Income)

(in thousands of dollars) (unaudited)	Three months ended February 28,	
	2006	2005 (note 3)
Revenue		
Net management and advisory fees	\$ 102,106	\$ 103,593
Administration fees, interest and other revenue	49,123	31,104
Deferred sales charges	7,309	10,588
Gain on sale of RSP loan securitization (note 2)	9,850	–
Investment income	787	303
	169,175	145,588
Expenses		
Selling, general and administrative	48,184	40,130
Trailing commissions	28,939	26,290
Investment advisory fees	6,930	7,117
Amortization of deferred selling commissions	27,150	28,513
Amortization of customer contracts, relationships and investment advisory contracts	3,821	3,677
Amortization of property, equipment and other intangible assets	2,782	2,736
Interest on Trust Company deposits	13,958	5,632
Interest expense	516	1,420
Provision for Trust Company loan losses	2,487	1,378
	134,767	116,893
Income from continuing operations before income taxes	34,408	28,695
Income Taxes		
Current	13,075	9,412
Future	(2,753)	(933)
	10,322	8,479
Net income from continuing operations for the period	24,086	20,216
Net earnings from discontinued operations for the period (note 3)	–	961
Net income for the period	\$ 24,086	\$ 21,177
Earnings Per Share (note 10)		
Basic from continuing operations	\$ 0.27	\$ 0.22
Diluted from continuing operations	\$ 0.27	\$ 0.22
Basic	\$ 0.27	\$ 0.23
Diluted	\$ 0.27	\$ 0.23

(See accompanying notes to consolidated financial statements.)

(AGF Management Ltd.
Consolidated Statements of Retained Earnings)

(in thousands of dollars) (unaudited)	Three months ended February 28,	
	2006	2005 (note 3)
Retained earnings, beginning of period	\$ 527,197	\$ 517,681
Net income for the period	24,086	21,177
	551,283	538,858
Deduct:		
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	13,371	9,988
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation	3,437	994
	16,808	10,982
Retained earnings, end of period	\$ 534,475	\$ 527,876

(See accompanying notes to consolidated financial statements.)

(AGF Management Ltd.
Consolidated Statements of Cash Flow)

(in thousands of dollars) (unaudited)	Three months ended February 28,	
	2006	2005 (note 3)
Operating Activities		
Net income for the period	\$ 24,086	\$ 21,177
Results of discontinued operations	–	961
	24,086	20,216
Items not affecting cash		
Amortization of deferred selling commissions	27,150	28,513
Amortization of customer contracts, relationships and investment advisory contracts	3,821	3,677
Amortization of property, equipment and other intangible assets	2,782	2,736
Future income taxes	(2,753)	(933)
Gain on sale of AGF Trust RSP Loans Receivable	(9,850)	–
Mark-to-market on swap transactions	(116)	(101)
Provision for AGF Trust Loan Losses	2,487	1,378
Other	2,531	1,410
	50,138	56,896
Net increase in non-cash balances related to operations	(33,510)	(25,855)
Net cash provided by continuing operating activities	16,628	31,041
Net cash provided by discontinued operating activities	–	1,606
Net cash provided by operating activities	16,628	32,647
Financing Activities		
Purchase of Class B non-voting shares for cancellation	(4,323)	(1,320)
Issuance of Class B non-voting shares	675	323
Dividends	(13,371)	(9,988)
Increase in bank loan	28,000	16,150
Decrease in other long-term debt	(1,202)	(788)
Increase in Trust Company deposits	295,316	99,935
Net cash provided by continuing financing activities	305,095	104,312
Net cash used in discontinued financing activities	–	(184)
Net cash provided by financing activities	305,095	104,128
Investing Activities		
Deferred selling commissions paid	(22,243)	(14,901)
Proceeds of RSP loan securitization	206,274	–
Acquisition of subsidiaries	(216)	(1,476)
Payments associated with sale of discontinued operation	(2,029)	–
Purchase of property, equipment and other intangible assets	(3,650)	(547)
Purchase of investments	(849)	(2,547)
Sale of investments	2,727	–
Increase in Trust Company mortgages and consumer loans	(249,299)	(163,422)
Net cash used in continuing investing activities	(69,285)	(182,893)
Net cash used in discontinued investing activities	–	(1,433)
Net cash used in investing activities	(69,285)	(184,326)
Increase (decrease) in cash and cash equivalents	252,438	(47,551)
Balance of cash and cash equivalents, beginning of period	159,974	118,805
Balance of cash and cash equivalents, end of period	\$ 412,412	\$ 71,254
Cash and cash equivalents related to:		
Continuing operations	\$ 412,412	\$ 70,577
Discontinued operations	–	677
	\$ 412,412	\$ 71,254
Represented by:		
Cash and cash equivalents	\$ 18,138	\$ 13,137
Trust Company cash and cash equivalents	394,274	58,117
	\$ 412,412	\$ 71,254

Notes to Consolidated Financial Statements

For the three months ended February 28, 2006 and February 28, 2005 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited interim consolidated financial statements of AGF Management Limited ('AGF' or the 'Company') 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, 2005. 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, 2005, as set out in AGF's 2005 Annual Report.

As the Company concluded the sale of its wholly owned subsidiary Unisen Holdings Inc. ('Unisen') during the fourth quarter of 2005, Unisen's operations for the 2005 period have been reported as discontinued operations as outlined in Note 3.

Note 1: New Accounting Policies

(a) AGF Elements

In November 2005, the Company launched AGF Elements, which consists of five diversified fund of fund portfolios. If an AGF Elements portfolio does not match or outperform its customized benchmark over a three-year period, each individual investor will receive up to ninety basis points in additional units, calculated based on the value of such investment at the end of the three-year period.

The Company will include in other liabilities up to thirty basis points per year of each investors assets under management, adjusted for redemptions (forfeitures), until the end of the three-year measurement period of each investment made by such investor. At that time if an individual investor's returns match or exceed the corresponding benchmark, the Company will recognize the entire amount as management fee revenue. If an individual investor's actual returns are below the customized benchmark, a corresponding amount will be distributed to the investor in the form of individual units.

(b) Accounting for Securitizations

Under AcG-12, in order for a securitization to be treated as a sale, the Company must surrender control over those loans included in the securitization. To surrender control, the securitized assets must be isolated from the Company and its creditors, even in the case of bankruptcy or receivership and the Company must receive consideration other than the beneficial interest in the transferred assets.

In determining the gain or loss on sale, management estimates future cash flows by relying on estimates of the amount of interest that will be collected on the securitized assets, the yield paid to investors, the portion of the securitized assets that will be prepaid before their scheduled maturity, expected credit losses, the cost of servicing the assets and the rate at which to discount these expected future cash flows. Actual cash flows may differ significantly from those estimated by management. If actual cash flows are different from management's estimate of future cash flows then the gains or losses on the securitization recognized in income will be adjusted. Note 2 provides additional disclosures regarding securitizations.

(c) Adoption of AcG-15 'Consolidation of Variable Interest Entities'

The CICA issued AcG-15, 'Consolidation of Variable Interest Entities', which provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG-15 became effective for all annual and interim periods beginning on or after December 1, 2004. An entity is a VIE when, by design, one or both of the following conditions exist: (i) total equity investment at risk is insufficient to permit the entity to finance its activities without additional subordinated support from others; (ii) as a group, the holders of the equity investment at risk lack certain essential characteristics of a controlling financial interest.

The Company has reviewed its relationships and determined that there are no entities whose financial results would be required to be included or disclosed in the consolidated results for the three months ended February 28, 2006 and 2005.

Note 2: Securitization of AGF Trust Loans

On February 28, 2006, the Company, through its wholly owned subsidiary AGF Trust Company, securitized \$218.4 million of RSP loans through the sale of these loans to a securitization trust.

When RSP loan receivables are sold in securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the consolidated balance sheet. As part of the securitization, certain financial assets are retained. The retained interests are carried at cost. A gain or loss on sale of the loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions – excess spread, discount rate on interest-only strip, expected credit losses, prepayment rates and expected weighted average life of RSP loans – which are commensurate with the risks involved. Subsequent to the securitization, any retained interest that cannot be contractually settled in such a way that the Company can recover substantially all of its recorded investment will be adjusted to fair value. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

The Company has recorded retained interests of \$34.0 million made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at \$16.6 million, ii) cash collateral of \$5.4 million and iii) over-collateralization of \$12.0 million.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust is limited to the retained interests. Cash flows of \$206.3 million were received on the securitization of these loans, while the gain on sale net of transaction fees and expenses was \$9.9 million.

The significant assumptions used to value the sold and retained interests were as follows:

Excess spread	3.8%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	14.0%
Expected weighted average life of RSP loans	30.7 months

The Company retained servicing responsibilities for the securitized loans. The servicing liability of \$1.7 million has been recorded at the date of the securitization. This amount represents the estimated future cost of servicing the securitized loans and has been offset against the sale of the RSP loans.

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption as at February 28, 2006. As the sensitivity is hypothetical, it should be used with caution.

Fair value of retained interests	\$	34,034
Discount rate		7.5%
+10%	\$	(250)
+20%		(500)
Prepayment rate		14.0%
+10%	\$	(350)
+20%		(670)
Expected credit losses		0.8%
+10%	\$	(390)
+20%		(780)

Note 3: Discontinued Operations and Assets Held for Sale

On October 3, 2005 the Company sold 100% of wholly-owned subsidiary Unisen Holdings Inc. ('Unisen') to Citifinancial Canada Inc. ('Citifinancial'), for cash consideration of US\$97.5 million (\$114.0 million). Expenses related to this transaction amount to \$5.0 million, of which \$3.5 million has been paid as at February 28, 2006. The consideration is subject to two adjustments for which the company has accrued a net amount owing to Citifinancial of \$1.8 million. The two adjustments are a working capital adjustment that provides that any working capital above a threshold is payable to AGF; and the purchase price is subject to a clawback should Unisen's revenue fall below a threshold during the 12-month period ending June 30, 2006. It is possible that the final adjustments may result in a payment to Citifinancial that exceeds the net accrual or that Citifinancial may be required to pay an amount to AGF. In addition, the Company has issued a put option in favour of Citifinancial relating to certain Unisen assets. The put option expires 18 months after the date of acquisition. No value has been attributed to this option as management does not believe it will be exercised.

Concurrent with the sale of Unisen to Citifinancial, AGF has capped the management expense ratio on all of the AGF funds for three years at the lower of the actual levels reported in 2004 and 2005. In addition, the Company is committed for a 10-year period to reimburse Citifinancial should Citifinancial's annual revenues derived from AGF fund administration services fall below a pre-determined level.

Unisen's operations for 2005 have been reported as discontinued operations and previously reported financial statements have been reclassified to reflect the following:

Summary of discontinued operations

	Three months ended February 21 2005
Revenue	\$ 25,491
Net earnings from discontinued operations	961
Basic net earnings per share	\$ 0.01
Diluted net earnings per share	\$ 0.01
<hr/>	
	February 28 2005
Current assets held for sale	
Cash and term deposits	\$ 677
Accounts receivable and prepaid expenses	35,274
Income taxes receivable	502
	\$ 36,453
Long-term assets held for sale	
Customer contracts	\$ 36,198
Property, equipment and other intangible assets, net	25,585
Goodwill	34,755
	\$ 96,538
Current liabilities related to assets held for sale	
Accounts payable and accrued liabilities	\$ 35,144
Long-term debt due within one year	761
	\$ 35,905
Long-term liabilities related to assets held for sale	
Long-term debt	\$ 42,914
Future income taxes	9,456
Leasehold inducements	4,098
	\$ 56,468

Note 4: Acquisition of Mutual Fund Assets from ING Investment Management Inc.

On August 5, 2005, the Company acquired the management rights to \$276 million in mutual fund assets from ING Investment Management Inc. ('ING') for cash consideration of \$9.1 million. Thirteen ING funds have been merged into corresponding AGF funds. The agreement also includes the acquisition of the management contract for the ING Canadian Dividend Income Fund, which has been renamed the AGF Dividend Income Fund.

The purchase price for the assets acquired was allocated as follows:

Net assets acquired		
Management contracts	\$	5,081
Customer relationships		4,023
	\$	9,104

The portion allocated to customer relationships is being amortized over their estimated useful life of seven years. The purchase price is also subject to a future reduction based on the level of mutual fund redemptions during the first year subsequent to acquisition. This amount, if any, will be determinable on the anniversary date of the purchase of assets.

Note 5: Investment in Associated Company

On May 27, 2005, Smith & Williamson Holdings Limited ('S&WHL') completed the acquisition of 100% of the outstanding shares of Solomon Hare Personal Finance Limited ('SHPF') and the business of Solomon Hare LLP. The total consideration paid by S&WHL of \$20.6 million included cash of \$4.9 million and the issuance of 2.3 million shares valued at \$15.7 million. Prior to this transaction, the Company had a 31.8% interest in S&WHL. Subsequent to the aforementioned transaction, the Company holds a 30.9% interest in S&WHL. The dilution gain with respect to the completion of this transaction was \$0.1 million.

Note 6: Acquisition of P.J. Doherty & Associates Co. Ltd.

On January 15, 2004, the Company acquired 100% of the shares of P.J. Doherty & Associates Co. Ltd. ('P.J. Doherty') for consideration of \$12.2 million, including \$0.3 million of acquisition costs. The acquisition was accounted for by the purchase method of accounting, with the results of operations of P.J. Doherty included in the consolidated financial statements from the date of acquisition. Cash consideration paid amounted to \$9.4 million, with future payments of \$2.8 million due in the year following the acquisition.

There is also potential additional consideration, which may become payable based on revenue growth during the two-year period subsequent to completion of the acquisition. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

The fair value of the net assets acquired and consideration paid are summarized as follows:

Net Assets Acquired		
Cash	\$	468
Other assets		318
Customer contracts		13,015
Goodwill		3,719
Current liabilities		(233)
Future income tax		(4,701)
	\$	12,586
Consideration Paid (including acquisition costs)		
Cash	\$	9,451
Payments subsequent to acquisition date		3,135
	\$	12,586

All payments subsequent to the acquisition date have been made. The Company also paid out \$0.2 million on the first anniversary of the acquisition date and \$0.2 million during the three months ended February 28, 2006 based on revenue growth during the years. The latter two payments were recorded as increases in goodwill.

Note 7: Acquisition of Cypress Capital Management Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress Capital Management Ltd. ('Cypress') for consideration of \$26.1 million, including \$0.1 million of acquisition costs. The acquisition has been accounted for by the purchase method of accounting, with the results of operations of Cypress included in the consolidated financial statements from the date of the acquisition. In addition to the future payments detailed below, there is also potential additional consideration due three years after the completion of the acquisition, subject to Cypress achieving certain revenue levels. These amounts are not determinable at the present time. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

The fair value of the net assets acquired and consideration paid are summarized as follows:

Net Assets Acquired	
Cash	\$ 351
Other assets	1,625
Customer contracts	28,480
Goodwill	7,269
Current liabilities	(1,351)
Future income tax	(10,287)
	\$ 26,087
Consideration Paid (including acquisition costs)	
Cash	\$ 7,887
285,553 AGF Class B shares issued	5,200
June 30, 2005 payment	6,500
Future payment due June 30, 2006 (non-interest bearing and unsecured)	6,500
	\$ 26,087

The June 30, 2005 payment consisted of \$3.9 million in cash and issuance of 159,696 AGF Class B shares valued at \$2.6 million.

Note 8: Trust Company

(a) Mortgages and Consumer Loans

The Trust Company's principal business activities are mortgages and consumer loans and deposit taking. Details relating to these activities are as follows:

	Term to Contractual Repricing			February 28, November 30	
	Variable Rate	1 Year or Less	1 to 5 Years	2006	2005
Total mortgage loans	\$ 6,062	\$ 411,609	\$ 205,429	\$ 623,100	\$ 552,801
Consumer loans	805,185	–	12,181	817,366	850,666
	811,247	411,609	217,610	1,440,466	1,403,467
Less: allowance for loan losses				8,651	8,200
				\$ 1,431,815	\$ 1,395,267
Impaired loans included in above				7,545	5,199
Less: specific allowance for loan losses				2,111	1,488
				\$ 5,434	\$ 3,711
				February 28, 2006	February 28, 2005
The change in allowance for loan losses is as follows:					
Balance, beginning of period				\$ 8,200	\$ 4,267
Amounts written-off				(325)	(634)
Recoveries				59	50
Reduction due to RSP loan securitization				(1,770)	–
Provision for loan losses				2,487	1,378
Balance, end of period				\$ 8,651	\$ 5,061

As at February 28, 2006, the Company's mortgage portfolio was comprised of a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.3 years (2005 – 1.2 years) and a weighted average yield of 5.94% (2005 – 5.80%). Of the total mortgage portfolio, \$330.9 million is insured (2005 – \$309.9 million). Consumer loans have interest rates that are generally based on prime. At quarter-end, the average interest rate on consumer loans was 6.92% (2005 – 6.52%).

(b) Interest Rate Swap Transactions

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between March 31, 2006 and February 28, 2011 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. As at February 28, 2006, the aggregate notional amount of the swap transactions was \$1,224.7 million (2005 – \$638.2 million). The aggregate fair value of the swap transactions, which represents the amount that would be paid by AGF Trust Company if the transactions were terminated at February 28, was \$8.5 million (2005 – \$7.6 million).

	Notional Amount of Swap	Maturity Date	Fixed Interest Rate Received
\$	142,000	2006	2.35% - 4.57%
	353,700	2007	3.00% - 5.11%
	317,000	2008	3.17% - 4.43%
	212,000	2009	3.47% - 4.59%
	150,000	2010	3.62% - 4.29%
	50,000	2011	4.15% - 4.35%

(c) Trust Company Deposits

	Term to Maturity			February 28, 2006	November 30, 2005
	Demand	1 Year or Less	1 to 5 Years		
Deposits	\$ 7,514	\$ 555,019	\$ 1,140,535	\$ 1,703,068	\$ 1,407,752

As at February 28, 2006, deposits were comprised substantially of guaranteed investment certificates with a weighted average term to maturity of 2.0 years (2005 – 1.9 years) and a weighted average interest rate of 3.75% (2005 – 3.64%).

Note 9: Long-Term Debt

	February 28, 2006	November 30, 2005
Revolving term loan	\$ 28,000	\$ –
Notes payable due April 30, 2013	17,939	18,074
Payment re Consort Information Systems Limited due January 31, 2006	–	1,067
Cypress payment due June 30, 2006	6,500	6,500
	52,439	25,641
Less: amount included in current liabilities	35,211	8,277
	\$ 17,228	\$ 17,364

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$200.0 million with a Canadian chartered bank. Under the loan agreement, the Company is permitted to avail the revolving term loan by direct advances and/or bankers' acceptances (BAs). The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the 'Commitment Period'). The expiration of the current commitment period is June 30, 2006. However, the Company may request by April 15, 2006, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then-applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding.

As at February 28, 2006, the Company has drawn \$28.0 million against the available loan amount in the form of six-to 91-day BAs at an effective average interest rate of 3.86% per annum. As this loan functions as a working capital facility, it has been included in current liabilities.

Security for the bank loans includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which the Company acts as manager and, depending upon the amount of the loan outstanding, an assignment of AGF's investments in 20/20 Financial Corporation and AGF International Company Limited.

(b) Payment re CISL due January 31, 2006

In 2003 the Company, through its wholly-owned subsidiary Investmaster Group Limited, acquired all the outstanding shares of Consort Information Systems Limited ('CISL'). Cash consideration paid was \$8.3 million with a future payment of \$1.1 million, which was paid on January 31, 2006.

Note 10: 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) Change During the Period

The change in capital stock during the three months ended February 28, 2006 and 2005 is summarized as follows:

	Number of shares		Amount
Class B shares			
Balance, November 30, 2005	89,123,205	\$	394,154
Issued through dividend reinvestment plan	8,020		175
Stock options exercised	27,150		500
Purchased for cancellation	(200,000)		(886)
Balance, February 28, 2006	88,958,375	\$	393,943
Class A shares			
Balance, November 30, 2005 and February 28, 2006	57,600		–
Total Capital Stock, February 28, 2006		\$	393,943
Class B shares			
Balance, November 30, 2004	90,739,463	\$	394,125
Issued through dividend reinvestment plan	3,251		51
Stock options exercised	31,516		272
Purchased for cancellation	(75,000)		(326)
Balance, February 28, 2005	90,699,230	\$	394,122
Class A shares			
Balance, November 30, 2004 and February 28, 2005	57,600		–
Total Capital Stock, February 28, 2005		\$	394,122

(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 17, 2007. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,214,698 shares. During the three months ended February 28, 2006, 200,000 (2005 – 75,000) Class B shares were purchased at a cost of \$4.3 million (2005 – \$1.3 million) and the excess paid of \$3.4 million (2005 – \$1.0 million) over the book value of the shares purchased for cancellation was charged to retained earnings.

(d) Stock Option Plans

Stock-Based Compensation

Under the CICA Handbook Section 3870, 'Stock-Based Compensation and Other Stock-Based Payments' for stock options granted on or after December 31, 2002, the fair value of stock options is determined on the grant date and recorded as compensation expense over the period that the stock options vest. During the three months ended February 28, 2006, the Company did not grant any options (2005 – 978,000) and recorded \$1.2 million (2005 – \$0.6 million) in compensation expense and contributed surplus in respect of the options granted since December 31, 2002.

The change in outstanding stock options during the three months ended February 28, 2006 and 2005 is summarized as follows:

	Number of options	Weighted average exercise price
Class B Share Options		
Balance outstanding, November 30, 2004	3,566,604	\$ 17.86
Options granted	978,000	17.09
Options cancelled	(25,000)	\$ 19.66
Options exercised	(31,516)	\$ 8.63
Balance outstanding, February 28, 2005	4,488,088	\$ 17.74
Balance outstanding, November 30, 2005	4,781,875	\$ 18.72
Options granted	–	n/m
Options cancelled	(188,125)	\$ 19.95
Options exercised	(27,150)	\$ 18.39
Balance outstanding, February 28, 2006	4,566,600	\$ 18.68

Stock options to purchase an aggregate maximum of 5,925,923 Class B shares could have been granted as at February 28, 2006 (2005 – 6,569,572).

(e) Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share as well as earnings per share and diluted earnings per share from continuing operations:

	Three months ended February 28, 2006	Three months ended February 2 2005
Numerator		
Net Income from continuing operations for the period	\$ 24,086	\$ 20,216
Net earnings from discontinued operations, net of tax	–	961
Net Income for the year	24,086	21,177
Denominator		
Weighted average number of shares – basic	89,190,007	90,739,413
Dilutive effect of employee stock options	840,994	346,061
Weighted average number of shares – diluted	90,031,001	91,085,474
Earnings per Share		
Basic from continuing operations	\$ 0.27	\$ 0.22
Diluted from continuing operations	\$ 0.27	\$ 0.22
Basic	\$ 0.27	\$ 0.23
Diluted	\$ 0.27	\$ 0.23

Note 11: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended February 28, 2006 were \$14.5 million (2005 – \$7.1 million).
Income tax payments for the three months ended February 28, 2006 were \$18.8 million (2005 – \$7.7 million).

Note 12: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RRSP loans. In prior periods the Company had reported a Fund Administration Operations segment, which consisted of Unisen Holdings Inc. ('Unisen') and Investmaster Group Limited ('Investmaster'). As a result of the sale of Unisen (see note 3) Unisen's operations have been reported as discontinued operations. The results of Investmaster and S&WHL have been included in Other as these entities do not meet the criteria for separate disclosure. 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 2005 annual financial statements.

Three months ended February 28, 2006	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 127,556	\$ 36,501	\$ 5,118	\$ –	\$ 169,175
Intersegment revenue	196	297	–	(493)	–
Segment revenue	127,752	36,798	5,118	(493)	169,175
Operating expenses	74,399	23,405	3,703	(493)	101,014
Amortization	32,720	272	761	–	33,753
Segment income (loss) before taxes	\$ 20,633	\$ 13,121	\$ 654	\$ –	\$ 34,408
Included in External Revenue					
Interest revenue	\$ 215	\$ 25,626	\$ –	\$ –	\$ 25,841
Total assets	\$ 1,051,949	\$ 1,888,296	\$ 105,016	\$ –	\$ 3,045,261

Three months ended February 28, 2005	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 128,234	\$ 12,417	\$ 4,937	\$ –	\$ 145,588
Intersegment revenue	(259)	259	–	–	–
Segment revenue	127,975	12,676	4,937	–	145,588
Operating expenses	63,432	10,917	7,618	–	81,967
Amortization	33,872	248	806	–	34,926
Segment income (loss) before taxes	\$ 30,671	\$ 1,511	\$ (3,487)	\$ –	\$ 28,695
Included in External Revenue					
Interest revenue	\$ 500	\$ 12,044	\$ –	\$ –	\$ 12,544
Total assets	\$ 1,050,871	\$ 943,841	\$ 146,818	\$ –	\$ 2,141,530

Note 13: Subsequent Event

The company has reached an agreement with Multi-Fund Management Inc., the manager of Multi-Fund Income Trust ("Trust"), to terminate its obligations to the Trust for a cash payment of \$3.7 million subject to an adjustment for payments made to the Trust prior to closing. The termination of the Company's cash flow obligation is subject to a Trust Unitholder meeting to be held in May 2006. There is no certainty at this time that the agreement reached with Multi-Fund Management Inc. will be approved by the Trust Unitholders.

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