

AGF Management Limited **FIRST QUARTER REPORT**
for the 3 months ended February 28, 2007

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Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis includes forward-looking statements about the Company, 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 certain factors and assumptions, including expected growth, results of operations, business prospects, performance and opportunities. 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 'Factors that May Affect Future Results' section for a further discussion of factors that may affect actual results.

Dear fellow shareholders

Our success in the first quarter is often defined by the level of net sales in our core mutual fund business. The first quarter includes the beginning of the RSP selling season, and February, which is the last month of our fiscal quarter, tends to be one of the strongest months for industry net sales. I am pleased to report that we had a strong RSP season, breaking our own records for sales and recording the highest net sales figures of any of the non-bank mutual fund firms in Canada. It is important to note, however, that AGF is now more than a mutual fund firm, and during the quarter, our institutional and private investment management assets increased and AGF Trust loan assets continued to grow at a significant rate.

The value we strive to deliver to our shareholders is not limited to sales results. Improving our long-term financial results is the ultimate goal and we made progress this quarter as our margins improved. Returning cash to shareholders is also important, and during the quarter we announced an increase in the quarterly dividend payout to 20 cents from 18 cents per share, effective with our next scheduled dividend payment in April 2007. This increase reflects our confidence in our operations, cash flow and overall financial position.

In the first quarter of fiscal 2007, consolidated revenue was \$177.0 million compared with \$149.5 million in the first quarter of the prior year. The growth in revenue is attributable to higher assets in our Investment Management Operations and Trust Company Operations segments. Consolidated net income from continuing operations for the three months ended February 28, 2007 was \$38.1 million, compared with \$23.2 million for the same period last year. Earnings before interest, taxes, depreciation and amortization¹ ('EBITDA') from continuing operations was \$80.4 million, compared with \$67.3 million for the three months ended February 28, 2006. The EBITDA margin in our investment management segment improved to 45% in the first quarter of 2007 from 42% in the first quarter of 2006. The EBITDA margin increased in our investment management segment as revenues are increasing at a greater rate than expenses.

For the three months ended February 28, 2007, AGF reported cash flow from continuing operations¹ (before net change in non-cash balances related to operations) of \$68.7 million, compared with \$48.4 million one year ago. Free cash flow¹ (cash flow from continuing operations less selling commissions paid) was \$25.0 million, compared with \$26.2 million one year ago. This reduction in free cash flow is directly related to our improved mutual fund net sales position, as we paid more deferred sales commissions and collected less in deferred sales charges during the three months ended February 28, 2007, compared with the same period last year.

In conjunction with the release of our results for the first quarter of 2007, we announced our intention to treat Investmaster Group Limited as operations held for sale. We also announced the repurchase of partnership units for certain of our limited partnerships, and we closed our acquisition of 80% of Highstreet Partners Ltd. We believe that these are positive initiatives that will enhance our future focus and profitability.

AGF is recognized as one of the premier Canadian providers of investment management and financial solutions to clients both at home and abroad. We have achieved this status because of our investment management discipline and rigour, along with our focus on providing great products and service. By putting our clients first, we know that rewards for shareholders will follow. Increased profits and margins and a share price that rose 18% during the quarter is positive feedback that our approach is working. We at AGF are confident that the remainder of 2007 will provide opportunities for further value to both our shareholders and our clients.



Blake C. Goldring, CFA
Chairman and Chief Executive Officer
March 28, 2007

¹ Cash flow from continuing operations, free cash flow and EBITDA are non-GAAP measures. Please refer to pages 4 and 5 of this report.

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

For the three months ended February 28, 2007

This 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, 2007 compared with November 30, 2006, and the results of operations for the three months ended February 28, 2007 compared with the corresponding period of 2006. This discussion should be read in conjunction with our 2006 annual MD&A and 2006 annual audited Consolidated Financial Statements and Notes. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. 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 2006 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 adoption of new accounting policies, which are discussed in the 'Critical Accounting Policies' section; please see the 'Critical Accounting Policies' section of this MD&A for details. The 'Key Performance Indicators and Non-GAAP Measures' section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

AGF Management Limited ('AGF'), with approximately \$52 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, 2007 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.

The Investment Management Operations segment includes the results of our mutual fund, institutional, sub-advisory and private investment management ('PIM') businesses. PIM also includes the operations of Highstreet Partners Ltd., which wholly owns Highstreet Asset Management Inc., acquired on December 1, 2006. The Trust Company Operations segment includes the results of AGF Trust Company and the Other segment includes our equity interest in Smith and Williamson Holdings Limited ('S&WHL').

Investmaster Group Limited ('Investmaster') is in the process of being sold and as such AGF's prior period results have been restated to reflect the operations, assets, liabilities and cash flows of Investmaster as operations held for sale.

Strategy and Highlights

As stated in our 2006 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 2007, we achieved the following:

- Our client-centric approach resulted in net sales improvement in our core mutual fund business. During the first quarter of 2007, we recorded over \$1.0 billion in net sales, a strong improvement from the \$99.0 million in net redemptions recorded in the prior year, which placed us first among all Canadian non-bank mutual fund firms for the three-month period ended February 28, 2007.
- Delivered value directly to our shareholders through dividend payments. Dividends paid on Class A Voting Common ('Class A') and Class B Non-Voting ('Class B') Shares increased 20% to \$16.1 million in Q1 2007, compared with \$13.4 million in 2006. On January 31, 2007, we announced an additional 11% increase in the dividend rate to 20 cents per share from 18 cents per share on Class A and Class B Shares for the April 2007 scheduled dividend payment.

- We renewed our normal course issuer bid to allow us to repurchase shares during the period February 26, 2007 to February 25, 2008. During the first quarter of 2007, we did not repurchase any shares; in the same period last year, we repurchased 200,000 shares.
- We continued to support the growth of our Trust Company Operations ('AGF Trust') and invested \$32.5 million during the three months ended February 28, 2007, bringing our total investment in debt and equity capital to \$167.3 million. This compares to the investment of \$18.0 million for the three months ended February 28, 2006. In the prior-year period, AGF Trust also received cash from the securitization of approximately \$218.4 million of RSP loans. AGF Trust real estate secured loan assets grew 96.2% over the prior year and investment loans grew 89.3%.

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 business strategies using a number of key performance indicators ('KPIs'), which are outlined below. 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.

Consolidated Operations

Revenue

Revenue is a measurement defined by Canadian GAAP and is recorded net of fee rebates, sales taxes and distribution fees paid to limited partnerships. Revenue is indicative of the potential to deliver cash flow.

We derive our revenue principally from a combination of:

- management and advisory fees based on AUM
- administration fees earned on Harmony, institutional and private investment management AUM
- deferred sales charges ('DSC') earned from investors when mutual fund securities sold on a DSC basis are redeemed
- net interest income earned on AGF Trust's loan portfolio.

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 investment management businesses without the impact of amortization. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our investment loan and real estate secured loan 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.

Please see the 'Consolidated Operating Results' section of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

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.

(\$ millions)		
Three months ended February 28	2007	2006
Net cash provided by continuing operating activities	\$ 55.9	\$ 14.0
Less: net changes in non-cash balances from operations	(12.8)	(34.4)
Cash flow from continuing operations	\$ 68.7	\$ 48.4

Free Cash Flow from Operations

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 on upfront commission payments. Free cash flow represents cash available for distribution to our shareholders or for general corporate purposes.

(\$ millions)		
Three months ended February 28	2007	2006
Cash flow from continuing operations	\$ 68.7	\$ 48.4
Less: selling commissions paid	43.7	22.2
Free cash flow from operations	\$ 25.0	\$ 26.2

Return on Equity (ROE) and Return on Investment (ROI)

We monitor ROE to assess the profitability of the consolidated company. We calculate ROE by dividing net income by average shareholders' equity. ROI is a key performance indicator that we utilize to assess prospective investments and to monitor past investments. ROI measures cash flow in relation to the original amount invested and incorporates the time value of money.

Investment Management Operations

Assets Under Management ('AUM')

The amount of AUM is critical to our business as it is from these assets that we generate fees from our mutual fund, institutional and private investment management relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions.

Mutual fund AUM determines a significant portion of our expenses as we pay upfront commissions and trailing commissions to investment advisors as well as investment advisory fees based on the value of AUM.

Investment Performance (Market Appreciation of Investment Portfolios)

Investment performance, which is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor relative investment performance may result in redemptions; redemptions, in turn, reduce our AUM and management fee revenues. Strong relative investment performance may also contribute to gross sales growth or reduced levels of redemptions.

Net Sales

One of the goals of our mutual fund business is to generate positive net sales on an annual basis, which in turn allows for increasing revenues. Gross sales and redemptions as a percentage of AUM are monitored separately. The sum of these two amounts comprises net sales, which, together with investment performance, determines the level of average daily mutual fund AUM, the basis on which management fees are charged.

We monitor inflows and outflows in our PIM and institutional business separately. Due to the reporting systems utilized in these businesses, we do not compute an average daily AUM figure for PIM and Institutional.

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe EBITDA margin is a valuable measure as it assesses the extent to which we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

(\$ millions)		
Three months ended February 28	2007	2006
EBITDA	\$ 71.0	\$ 53.4
Divided by: revenue	156.5	127.8
EBITDA margin	45.4%	41.8%

Pre-tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe pre-tax profit margin is a valuable measure, as it assesses the extent to which we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

(\$ millions) Three months ended February 28	2007	2006
Income before taxes and non-segmented items	\$ 41.0	\$ 20.7
Divided by: revenue	156.5	127.8
Pre-tax profit margin	26.2%	16.2%

Trust Company Operations

Loan Asset Growth

In the Trust Company Operations segment, we focus on the growth in our investment and real estate secured loans. New originations net of repayments drive the outstanding balance of loans, on which we charge interest. Loan asset growth increases our revenue and assists with our ability to grow our profits in the Trust Company Operations segment.

Net Interest Income

Net interest income is a common lending industry performance indicator. We monitor this figure to evaluate the growth of the financial contribution of AGF Trust. The figure is calculated by subtracting interest expense from interest income earned from AGF Trust loan assets.

Efficiency Ratio

The efficiency ratio is a key lending industry performance indicator. We utilize this ratio to ensure that expenses are contained as AGF Trust grows. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

(\$ millions) Three months ended February 28	2007	2006
Selling, general and administrative expense	\$ 9.0	\$ 5.8
Add: amortization expense	0.3	0.3
Non-interest expense	\$ 9.3	\$ 6.1
Other income	\$ 1.7	\$ 1.3
Gain from securitization and related items	0.6	9.9
Non-interest income	\$ 2.3	\$ 11.2
Net interest income	\$ 17.5	\$ 10.5
Add: non-interest income	2.3	11.2
Divided by: total of net interest income and non-interest income	\$ 19.8	\$ 21.7
Efficiency ratio	47.0%	28.1%

Pre-tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of the operating performance in our Trust Company Operations segment. We believe pre-tax profit margin is a valuable measure as it assesses the extent to which we are able to earn profit from each dollar of net interest income. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to total revenue.

(\$ millions) Three months ended February 28	2007	2006
Income before taxes and non-segmented items	\$ 7.8	\$ 13.1
Divided by: total revenue	19.8	21.7
Pre-tax profit margin	39.4%	60.4%

Critical Accounting Policies

In the three months ended February 28, 2007, additional significant accounting policies were adopted by the Company and are supplemental to the 'Critical Accounting Policies' section of the 2006 annual MD&A. These policies are as follows:

1) Financial Instruments, Hedges and Comprehensive Income

On December 1, 2006, the Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges; and Section 1530 Comprehensive Income. These standards require that all financial assets be classified as either available for sale ('AFS'), trading, held to maturity ('HTM') or loans and receivables. Financial liabilities are classified as either trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS, HTM, loans and receivables and deposits are generally capitalized and are then amortized over the expected life of the instrument.

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income ('OCI') until the financial asset is disposed of, or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

Accumulated other comprehensive income ('AOCI') is a new component of shareholders' equity and a new statement entitled Statement of Comprehensive Income has been added to the Company's financial statements. Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Classification of Financial Instruments

Available-for-sale assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM or held for trading. Available-for-sale assets are measured at fair value with unrealized gains and losses included in accumulated other comprehensive income until sale or other-than-temporary impairment when the cumulative gain or loss is transferred to the consolidated statement of operations. Assets included in this category are short-term investments and retained interest from securitization.

- a) Short-term investments have been re-measured to reflect the unrealized gains and losses on these securities. This gave rise to an adjustment to accumulated other comprehensive income of \$3.2 million (\$2.7 million net of tax).
- b) Retained interests from securitization have been re-measured to reflect the fair value. This gave rise to an adjustment to accumulated other comprehensive income of \$1.4 million (\$1.0 million net of tax).

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. They do not include debt securities or loans and receivables designated as held for trading or AFS. Assets included in this category are accounts receivable and real estate secured and investment loans. The adoption of the CICA Handbook Section 3855 gave rise to a reclassification of \$15.9 million of related transaction costs from accounts receivable and \$1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

Hedge Accounting

Derivative instruments are used to manage the Company's exposure to interest risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominately use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the consolidated statement of income under investment income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the consolidated statement of income under investment income with a corresponding adjustment to the carrying amount of the hedged items in the consolidated balance sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in investment income in the periods during which the hedged item affects income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged items is then immediately recognized in investment income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the consolidated statement of income. As a result, the opening balance of retained earnings was adjusted by \$0.025 million, as a result of the adoption of Section 3865.

During the quarter ended February 28, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to less than \$0.1 million as it relates to fair value hedging relationship.

As required, a transition adjustment has been recognized in the opening balance of retained earnings as at December 1, 2006 for the following: (i) financial instruments that the Company classifies as held for trading and that were not previously recorded at fair value (ii) the difference in the carrying amount of loans and deposits at December 1, 2006 and the carrying amount calculated using the effective interest rate from inception of the loan or deposit. A transition adjustment has been recognized in the opening balance of AOCI relating to adjustments arising due to the remeasuring of financial assets classified as available for sale. Prior-period balances have not been restated.

2) Trust Operations Net Interest Income

Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to net deposit interest expense and other liabilities. Comparative periods presented have been restated with interest and investment income being reclassified from administration fees, interest and other revenue and other liabilities being reclassified from interest on Trust Company deposits and selling, general and administrative expenses. This restatement has no impact on the net earnings of the periods presented.

Changes in Internal Controls Over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles. During the three-month period ended February 28, 2007, there was no significant change to the systems of internal controls within our company.

Changes in Information Technology Systems

Effective December 1, 2006, we converted our general ledger and financial reporting system to the Multiview Financials Software. The conversion was implemented successfully.

Consolidated Operating Results

Our consolidated operating results for the three months ended February 28, 2007 and February 28, 2006 are as follows:

(\$ millions, except per share amounts) Three months ended	February 28, 2007	February 28, 2006	% change
Revenue			
Investment management operations	\$ 156.5	\$ 127.8	22.5%
Trust company operations ¹	19.8	21.7	(8.8%)
Other	1.3	0.5	160.0%
Intersegment eliminations	(0.6)	(0.5)	n/m
	177.0	149.5	18.4%
Expenses			
Investment management operations	85.5	74.4	14.9%
Trust company operations ¹	11.7	8.3	41.0%
Intersegment eliminations	(0.6)	(0.5)	n/m
	96.6	82.2	17.5%
EBITDA ² (continuing operations)	80.4	67.3	19.5%
Amortization	30.4	33.3	(8.7%)
Interest expense	1.0	0.5	100.0%
Non-controlling interest	0.2	0.0	n/m
Income taxes	10.7	10.3	3.9%
Net income from continuing operations	\$ 38.1	\$ 23.2	64.2%
Net earnings of operations held for sale, net of tax	0.4	0.9	n/m
Loss on dissolution of limited partnerships, net of tax	(2.2)	0.0	n/m
Net income	36.3	24.1	50.6%
Earnings per share from continuing operations – diluted	\$ 0.42	\$ 0.26	61.5%

¹ Includes interest expense related to deposits, the funds of which are used in our investment loan and real estate secured loan programs.

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, 2007 increased by 18.4% from the corresponding period in 2006 and all of our operations experienced significant growth. Revenue in the Investment Management Operations segment was up 22.5% due to higher levels of AUM, which were a result of improved net sales, market performance and the acquisition of 80% of Highstreet. The Trust Company Operations segment reported a decrease in revenue of 8.8% due to the comparative quarter in 2006 including a \$9.9 million securitization gain from the sale of RSP loans. Excluding the impact of the securitization gain, revenue for the Trust Company Operations segment increased 67.8%. Revenues for Other, which includes the results of our 30.9% equity interest in Smith & Williamson Holdings Limited ('S&WHL'), were higher for the three months ended February 28, 2007 compared with the corresponding period in 2006.

Expenses for the three months ended February 28, 2007 increased by 17.5%, with increases in the Investment Management Operations and Trust Company Operations segments. The increases for both the Investment Management Operations and Trust Company Operations segments are primarily attributable to sales results and underlying assets discussed in greater details under the segment discussions.

The revenue and expense impact contributed to the increase in EBITDA of 19.5% for the three months ended February 28, 2007, from the corresponding period in 2006. Excluding the impact of the securitization gain from the sale of RSP loans in AGF Trust, which occurred during the three months ended February 28, 2006, EBITDA increased 40.1%.

Amortization expenses decreased 8.7% in the three months ended February 28, 2007, compared with the corresponding period in 2006. The decline was primarily due to a decrease in amortization of customer contracts, relationships and investment advisory contracts, which was \$2.3 million lower as certain contracts became fully amortized in the fourth quarter of 2006. Amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$26.5 million (2006 – \$27.2 million) of the total amortization expense.

Interest expense increased to \$1.0 million for the three months ended February 28, 2007 from \$0.5 million in the same period in 2006. The increase is mainly the result of higher average outstanding loan balances.

Income tax expense for the three months ended February 28, 2007 was \$10.7 million as compared with \$10.3 million in the first quarter of 2006, based on an effective tax rate of 22% in the first quarter of 2007 as compared with 30.8% in the corresponding period in 2006.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$38.1 million in the quarter ended February 28, 2007 as compared with \$23.2 million for the same period in 2006. Basic and fully diluted earnings from continuing operations per share were \$0.43 and \$0.42, respectively, in the first quarter of 2007 as compared with \$0.26 per share in 2006.

Net income was \$36.3 million in the quarter ended February 28, 2007, as compared with \$24.1 million in 2006. The three months ended February 28, 2007 included a loss of \$2.2 million net of tax related to the dissolution of Limited Partnerships and \$0.4 net of tax related to net earnings of operations held for sale.

A further discussion of the results of each business segment for the three months ended February 28, 2007 as compared with February 28, 2006 follows.

Business Segment Performance

We report on three business 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 AGF investment products and services, including retail mutual fund operations and high-net-worth client investment counselling services. This segment also includes the operations of Highstreet Partnership Ltd., which wholly owns Highstreet Asset Management Inc. The Trust Company Operations segment offers a wide range of trust services and products including GICs, real estate secured loans and investment loans. The Other segment includes the results of S&WHL, which is accounted for by the equity method as well as the interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

Effective February 28, 2007, it is the intention of the Company to sell the operations of Investmaster. Accordingly, Investmaster's operations for 2007 have been reported as operations held for sale, and prior period results have been restated to reflect the operations, assets, liabilities and cash flows of Investmaster as operations held for sale.

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 and Highlights

The strategic priorities for our investment management operations, which are detailed in the 2006 annual MD&A, are to build predictable excellence in three core areas: investment management, relationship management and product management.

Consistent with our stated strategy during the first quarter of fiscal 2007 we achieved the following:

- Our net sales improved greatly. During the first quarter of 2007, we recorded over \$1.0 billion in net sales, which is a strong improvement from the \$99.0 million in net redemptions recorded in the prior-year period. The strong net sales during the quarter was enough to place us first on this metric among all Canadian non-bank mutual fund firms for the three-month period.

- We successfully promoted international funds. AGF manages its product shelf proactively, with an aim to ensure there is sufficient product breadth to satisfy changing client needs. Recently, AGF has emphasized international investing because Canadians are committing more investment dollars outside of Canada. Net sales of international equity funds for the quarter ended February 28, 2007 were \$474.9 million, versus net redemptions of \$198.2 million reported in the same period last year.
- We continued to build on the rigour and discipline of our investment management process. This has resulted in AGF maintaining its industry-leading investment performance. AGF had the highest percentage of assets above median and the third-highest percentage of funds above median among the top 10 mutual fund firms in Canada for the one-year period ended February 28, 2007.
- The highest percentage of funds in the first quartile over three years and the second-highest percentage of funds in the first quartile over one year of any of the 10 largest mutual fund firms in Canada.
- Our efforts in relationship management have continued. During the quarter we worked to solidify our relationships with financial advisors in the domestic market. On the institutional side, we furthered our plans to expand our reach both in Canada and abroad.
- On December 1, 2006 we completed an agreement to purchase 80% of Highstreet Partners Ltd., which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario with \$4.8 billion in assets under management at the time of closing. Rob Badun, formerly chief executive officer of Highstreet, is now president, AGF Private Investment Management Limited. The Highstreet acquisition expanded our presence in the growing high-net-worth market and broadened our capabilities in the institutional market. Highstreet's investment style is quantitative, which is a complement to our existing investment management expertise.

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 assets under management ('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 our financial results. The following table illustrates the composition of the changes in total AUM during the three months ended February 28, 2007 and February 28, 2006:

(\$ millions) Three months ended	February 28, 2007	February 28, 2006	% change
Mutual fund AUM, beginning of period	\$ 26,857	\$ 22,209	20.9%
Gross sales of mutual funds	2,171	1,146	89.4%
Redemptions of mutual funds	(1,129)	(1,245)	(9.3%)
Net mutual fund sales (redemptions)	1,042	(99)	(1152.6%)
Market appreciation of fund portfolios	899	1,395	(35.6%)
Mutual fund AUM, end of period	\$ 28,798	\$ 23,505	22.5%
Institutional AUM	10,773	7,532	43.0%
PIM AUM	12,156	5,872	107.0%
Total AUM	\$ 51,727	\$ 36,909	40.1%
Average daily mutual fund AUM for the period	\$ 28,053	\$ 23,196	20.9%

Strong investment performance and net sales of over \$1.0 billion resulted in an increase in mutual fund AUM to \$28.8 billion at February 28, 2007 from \$26.9 billion at November 30, 2006. Compared to the three-month period ended February 28, 2006, mutual fund AUM was up by 22.5%. The average daily mutual fund AUM for the first three months of 2007 increased by 20.9% over the same quarter in 2006 to \$28.1 billion. During the past 12 months, institutional AUM increased by \$3.2 billion to \$10.8 billion as a result of strong investment performance and new mandates. Since February 28, 2006, private

investment management AUM increased by \$6.3 billion to \$12.2 billion, primarily due to the Highstreet acquisition. These increases resulted in total AUM increasing by 40.1% to \$51.7 billion.

Stock market performance influences the level of AUM. During the three months ended February 28, 2007, the Canadian-dollar-adjusted S&P 500 Index rose 3.38%, the Canadian-dollar-adjusted NASDAQ Index declined 1.81% and the S&P/TSX Composite Index rose 2.93%. The aggregate market appreciation of our mutual fund portfolios for the three months ended February 28, 2007 divided by the average daily mutual fund AUM for the quarter was 3.2% after management fees and expenses paid by the funds.

The impact of the U.S. dollar appreciation relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2006 has been an increase in AUM of approximately \$0.1 billion.

For the five-year period ended February 28, 2007, 62.0% of ranked mutual fund AUM performed above median. Over the 10-year period ended February 28, 2007, 67.0% of ranked AUM performed above median.

Financial and Operational Results

The Investment Management Operations segment results for the three months ended February 28, 2007 and February 28, 2006 are as follows:

(\$ millions) Three months ended	February 28, 2007	February 28, 2006	% change
Revenue			
Net management and advisory fees	\$ 124.5	\$ 102.1	21.9%
Administration fees and other revenue	26.4	17.1	54.4%
Deferred sales charges	4.9	7.3	(32.9%)
Investment income	0.7	1.3	(46.2%)
	156.5	127.8	22.5%
Expenses			
Selling, general and administrative	43.1	38.6	11.7%
Trailing commissions	38.4	28.9	32.9%
Investment advisory fees	4.0	6.9	(42.0%)
	85.5	74.4	14.9%
EBITDA ¹	71.0	53.4	33.0%
Amortization	30.0	32.7	(8.3%)
Income before taxes and non-segmented items	\$ 41.0	\$ 20.7	98.1%

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

Revenue

Revenue for the Investment Management Operations segment increased 22.5% 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 2007 was 20.9% higher than the comparable period last year, while net management and advisory fees increased by 21.9%. 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 7.6% of the average daily AUM in the three months ended February 28, 2007 and 6.59% of the average daily AUM for the three months ended February 28, 2006. Excluding the Harmony AUM, the period-over-period percentage increase of 20.9% is reflective of average daily mutual fund AUM.

Management and advisory fee revenue in the first fiscal quarter of 2007 is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$2.1 million (2006 – \$2.9 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 54.4% in the three months ended February 28, 2007 as compared with the same period in the prior year. This was attributable to strong growth in Harmony revenues and the acquisition of Highstreet 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, 2007 decreased 32.9% over the corresponding period in 2006, reflecting lower retail mutual fund redemptions.

Expenses

Expenses for the Investment Management Operations segment increased 14.9% over the previous year. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three-month period ended February 28, 2007 was \$43.1 million, a \$4.5 million increase over the comparable period in 2006. The increase is made up of the following amounts:

(\$ millions) Three months ended	February 28, 2007
Decrease in fund absorption accrual	\$ (1.4)
Increase in stock option, RSU and PSU expense	0.4
Increase in compensation-related expenses	4.3
Decrease in other expenses	(0.5)
Highstreet expenses (Highstreet was acquired December 1, 2006)	1.7
	\$ 4.5

The following are explanations for expense changes in the three months ended February 28, 2007, compared to the prior-year period:

- Our estimates for absorption expense are lower due to increases in our assets under management. A substantial portion of the fund expenses are fixed in nature.
- Stock option, RSU and PSU expense increased as a result of grants in the later part of 2006, as well as appreciation in the value of RSUs and PSUs related to the increase in our share price.
- Compensation-related expenses increased due to performance-related bonuses.
- Other expenses decreased primarily as a result of reduced spending on system enhancements for sales and marketing initiatives.
- Highstreet was purchased on December 1, 2006 and therefore there were no expenses recorded in the prior-year period.

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 0.548% for the three-month period ended February 28, 2007 from 0.499% in the comparable 2006 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 and Elements, which generally have higher trailers.

Investment Advisory Fees

External investment advisory fees declined by 42.0%, as the average AUM managed by sub-advisors was lower for the three months ended February 28, 2007 compared with the same quarter in 2006. Sub-advised assets are lower due to the decision to have AGF International Advisors Company Limited assume the role of Portfolio Advisor to AGF International Value Fund and AGF International Value Class.

EBITDA

EBITDA for the Investment Management Operations segment were \$71.0 million for the three months ended February 28, 2007, an increase of 33.0% from \$53.4 million for the same period of fiscal 2006. The increase of \$17.6 million is primarily due to higher assets under management, lower absorption, lower investment advisory fees and the impact of the acquisition of Highstreet.

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 \$26.5 million in the first fiscal quarter of 2007 as compared with \$27.2 million in the comparable period of 2006.

During the first quarter of fiscal 2007, we paid \$43.7 million in selling commissions, compared with \$22.2 million in 2006. As at February 28, 2007, the unamortized balance of deferred selling commissions stood at \$285.6 million, a decrease of \$17.4 million from the November 30, 2006 balance of \$268.2 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at February 28, 2007 were estimated to be approximately \$381.3 million (2006 – \$362.4 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust, we offer financial solutions including GICs, real estate secured and investment loans, and Home Equity Lines of Credit ('HELOC').

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors. The market for these products is 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. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. AGF mutual fund wholesalers have operated successfully in the advisor channel for 50 years.

We offer real estate secured loans 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 real estate secured loan products. This alternative real estate secured loan 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 a healthy housing market. Real estate secured loan products are distributed primarily through mortgage brokers. The mortgage broker channel has also experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided real estate secured loans in this channel to reduce distribution costs.

Segment Strategy and Highlights

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

- Continuing to expand mortgage distribution geographically within Canada – there are plans to expand AGF Trust's mortgage distribution to include Atlantic Canada and the Prairie provinces
- introducing new products that directly serve advisor needs
- developing effective, targeted marketing
- using disciplined loan-underwriting standards and cost control measures.

In the first quarter of 2007, we continued to expand our dedicated sales staff to promote investment lending and mortgage products. The RSP loan program had record originations during the first quarter, as a larger number of dealers and advisors offered AGF Trust's RSP loans to their clients. 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 2007 fiscal year.

Securitization Transactions

On February 28, 2006, AGF Trust Company securitized \$218.4 million of RSP loans through the sale of these loans to a securitization trust. As at February 28, 2007, the balance of securitized loans outstanding was equal to \$144.4 million. When RSP loan receivables are securitized, the transaction is recognized as a sale. Based on assumptions such as prepayments, expected credit losses and the remaining term, a gain or loss on sale of the loan receivables is recognized immediately in income. The related loan assets are removed from the consolidated balance sheet. As part of the securitization, certain financial assets are retained and a servicing liability is incurred. Each quarter, an amount is included in the financial results of AGF Trust Company, which relates to the amortization of retained interest and servicing liability as well as any change in assumptions.

AGF Trust Company plans to securitize approximately \$265.0 million of RSP loans in the three-month period ended May 31, 2007.

Financial and Operational Results

Trust Company Operations segment results for the three months ended February 28, 2007 and February 28, 2006 are as follows:

(\$ millions)			
Three months ended	February 28, 2007	February 28, 2006	% change
Net interest income			
Loan interest	\$ 43.1	\$ 23.7	81.9%
Investment interest	4.1	1.9	115.8%
	47.2	25.6	84.4%
Interest expense			
Deposit interest	26.4	13.8	91.3%
Other liabilities	3.3	1.3	153.8%
	29.7	15.1	96.7%
Net interest income	17.5	10.5	66.7%
Administration fees and other revenue	1.7	1.3	30.8%
Securitization gains and related items	0.6	9.9	(93.9%)
	19.8	21.7	(8.8%)
Expenses			
Selling, general and administrative	9.0	5.8	55.2%
Provision for loan losses	2.7	2.5	8.0%
	11.7	8.3	41.0%
EBITDA ¹	8.1	13.4	(39.6%)
Amortization	0.3	0.3	0.0%
Income before taxes and non-segmented items	\$ 7.8	\$ 13.1	(40.5%)

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, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits, increased 66.7% as the average loan balances during Q1 2007 were approximately 66% higher than average balances during Q1 2006. Administration fees and other revenue increased 30.8% due to higher loan balances. Securitization gains and related items were \$0.6 million for the three months ended February 28, 2007; in the same quarter last year, a securitization resulted in a \$9.9 million gain. These factors resulted in a revenue decrease of 8.8%. Excluding the impact of the securitization gain, revenue for the Trust Company Operations increased 67.8%.

The average net interest margin on lending products in Q1 2007 was 2.73% (2.80% in Q1 2006). This spread decrease resulted from a slight decrease in spreads on the investment loan portfolio, and a change in the business mix to include a higher proportion of high credit quality HELOCs, which are risk priced and therefore earn lower spreads than AGF Trust's other lending products.

Selling, General and Administrative Expenses

SG&A expenses increased 55.2% in the first quarter of fiscal 2007 as compared with 2006 as a result of increased staffing levels to support the significant volume growth during the past 12 months. In addition, the higher level of originations resulted in an increase in expenses, as internal sales staff compensation also includes a variable component related to asset increases, and headcount increased to service the new relationships.

Provision for Loan Losses

The total provision for loan losses increased 8.0% in the first quarter of 2007, as compared with the first quarter of 2006. The increase is attributable to the increase in our loan portfolios. This increase in the loan loss provision was moderated by recoveries in Q1 2007 totalling \$0.6 million.

EBITDA

Strong asset growth contributed to EBITDA of \$8.1 million in the first fiscal quarter of 2007. This represented a 39.6% decline as compared with 2006. Excluding the impact of the securitization, EBITDA increased by 131.4% in the first fiscal quarter of 2007 as compared with 2006.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three months ended February 28, 2007 and February 28, 2006.

(\$ millions) Three months ended	February 28, 2007	February 28, 2006	% change
Real estate secured loans			
Insured mortgage loans	\$ 404.3	330.9	22.2%
Conventional mortgage loans	605.6	284.9	112.6%
HELOCs	207.0	4.4	4604.5%
	1,216.9	620.2	96.2%
Investment loans			
Secured investment loans	1,005.6	549.0	83.2%
RSP loans	515.4	250.4	105.8%
Other loans	15.5	12.2	27.0%
	1,536.5	811.6	89.3%
Other assets	356.8	456.5	(21.8%)
Total Assets	\$ 3,110.2	\$ 1,888.3	64.7%
Net interest income ¹	\$ 17.5	\$ 10.5	66.7%
Gain from securitization and related items	0.6	9.9	(93.9%)
Other income	1.7	1.3	30.8%
Non-interest expenses	9.3	6.1	52.5%
Provision for loan losses	2.7	2.5	8.0%
Income before taxes and non-segmented items	\$ 7.8	\$ 13.1	(40.5%)
Efficiency ratio ²	47.0%	28.1%	
Assets-to-capital multiple	14.4	16.7	

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 three months ended February 28, 2007. Real estate secured loan assets grew 96.2%, as sales efforts in the mortgage broker channel continued to be successful, and were supplemented by steady originations of a HELOC product in the advisor channel.

RSP loan balances increased by \$265.0 million as at February 28, 2007 as a result of the strong RSP season and financial advisors' continued use of AGF Trust's Internet-based loan application system. New investment loan products and improved tie-ins with AGF mutual fund wholesalers also contributed to overall growth in loan advances, as secured investment loans increased 83.2% to \$1.0 billion at the end of Q1 2007 compared to \$549 million at the end of Q1 2006.

Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and fee income) is a key performance indicator utilized to ensure that expenses are contained as the Trust business grows. The efficiency ratio increased to 47.0% in 2007 from 28.1% in 2006, largely as a result of the positive impact of the gain on sale from securitization in Q1 2006.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 64.7% to \$3.1 billion at February 28, 2007 as compared with the prior year. At February 28, 2007, our asset-to-capital multiple stood at 14.4 times compared with 16.7 times at the same time last year, which is below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.6% at February 28, 2007. AGF Trust received \$32.5 million in debt and equity capital from AGF Management Limited during the three months ended February 28, 2007, in order to support increased asset levels. Liquid assets were high, with \$305.6 million in cash and short-term investments at February 28, 2007 (2006 – \$394 million).

Loan Portfolio Credit

Portfolio credit quality remains consistent as at February 28, 2007 compared with the prior year. Impaired mortgages as a percentage of the portfolio have increased. However, a loan-by-loan review is conducted on a monthly basis, and management is comfortable that losses on the portfolio will remain in line with recent historical experience, given continued stable real estate market conditions. The general allowance for conventional mortgage loan losses was increased during the year to \$5.5 million from \$2.9 million a year ago. The general allowance for investment loan losses was increased to \$6.2 million from \$3.6 million a year ago. Some 40.1% of real estate secured 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. For RSP loans, the expense for impaired loans, which consists of the increase in specific allowances plus write-offs net of recoveries (excluding securitized RSP loans) was \$0.4 million in Q1 2007 (Q1 2006 – \$0.9 million). For the balance of our loan products, the expense for impaired loans was \$0.3 million (Q1 2006 – \$0.0 million).

Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was \$68.7 million for the three months ended February 28, 2007, compared with \$48.4 million in the prior-year period.

Consolidated free cash flow (defined as cash flow from operations less selling commissions paid) was \$25.0 million for the three months ended February 28, 2007, compared with \$26.2 million in the prior-year period. During the quarter, we paid \$43.7 million in selling commissions, which were deferred for accounting purposes, compared with \$22.2 million paid and deferred in the first quarter of 2006. Our free cash flow was used primarily to fund the following:

(\$ millions)	February 28, 2007	February 28, 2006
Three months ended		
Payment of dividends	\$ 16.1	\$ 13.4
Repurchase of AGF Class B Non-Voting Shares for cancellation	0.0	4.3
Acquisitions	19.9	0.2
Purchase of property, equipment and other intangible assets	0.8	3.7
Investments	1.1	0.8
Debt repayment	0.0	1.2
Investment in Trust Operations (eliminated on consolidation)	32.5	18.0
	\$ 70.4	\$ 41.6

Free cash flow was insufficient to fund the above uses of cash and accordingly our bank loan increased \$99.0 million during the three months ended February 28, 2007 (2006 – \$28.0 million).

Cash and cash equivalents decreased by \$61.3 million (2006 – increase \$251.3 million) from November 30, 2006 primarily due to a decrease in cash in the Trust Company Operations segment. Cash was used by AGF Trust in the three months ended February 28, 2007 to finance asset growth. Consolidated cash and cash equivalents amounted to \$342.8 million as at February 28, 2007, compared with \$411.3 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 \$45 million was available to be drawn as at February 28, 2007. Aside from cash held in the Trust Company Operations, which is held to fund loans to clients, the company has \$37.2 million of cash at February 28, 2007, some of which will be used to repay bank debt in the second quarter of 2007. Traditionally, the first quarter of each fiscal year represents the largest use of cash in both our Investment Management Operations and Trust Company Operations segments as a result of sales activity and the payment of performance-related compensation that accrued in the prior year. The loan 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, 2007, we declared a 20-cent-per-share dividend on Class A and Class B Shares. This dividend will be payable on April 20, 2007 to shareholders of record on April 10, 2007. This was an 11% increase from the 18-cent-per-share dividend declared for the previous quarter.

The holders of the Class B Shares are entitled to receive cash dividends. Dividends are paid in equal amounts per share on all the Class B shares and all the Class A 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 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 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 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 Shares and the Class A Shares for the periods indicated:

Years ended November 30	2006		2005		2004		2003		2002	
Per share	\$	0.690	\$	0.560	\$	0.410	\$	0.295	\$	0.255
Percentage increase		23%		37%		39%		16%		16%

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, 2007. For additional detail, see Note 8 of the Consolidated Financial Statements.

	2007	2006
Shares		
Class A Voting Common Shares	57,600	57,600
Class B Non-Voting Shares	89,559,274	88,958,375
Stock Options		
Outstanding options	4,173,434	4,566,600
Exercisable options	2,122,517	1,502,388

Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Feb. 28, 2007	Nov. 30, 2006	Aug. 31, 2006	May 31, 2006
Revenue (continuing operations)	\$ 177.0	\$ 158.7	\$ 146.8	\$ 152.3
Cash flow from continuing operations ¹	68.7	53.8	61.6	55.0
EBITDA (continuing operations) ²	80.4	60.0	56.2	64.6
Pretax income (continuing operations)	48.8	25.8	22.2	30.4
Net income	36.3	21.0	34.6	33.0
Earnings per share				
Basic	\$ 0.41	\$ 0.24	\$ 0.40	\$ 0.37
Diluted	\$ 0.40	\$ 0.23	\$ 0.39	\$ 0.37
Weighted average basic shares	89,474,827	89,174,064	89,055,124	89,006,146
Weighted average fully diluted shares	90,640,734	89,890,105	89,457,921	89,973,999

(\$ 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)	\$ 149.5	\$ 134.6	\$ 141.2	\$ 135.7
Cash flow from operations ¹	48.4	48.4	53.6	55.6
EBITDA (continuing operations) ²	67.3	50.2	65.5	64.6
Pretax income (continuing operations)	33.5	15.9	30.3	28.7
Net income	24.1	28.0	20.3	22.4
Earnings 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

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, 2007, our 2006 annual MD&A and Consolidated Financial Statements, our 2006 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) (unaudited)	February 28, 2007	November 30, 2006 (note 3)
Assets		
Current Assets		
Cash and cash equivalents	\$ 342,824	\$ 404,115
Short-term investments	15,968	10,723
Current portion of retained interest from securitization (note 2)	4,639	3,767
Accounts receivable and prepaid expenses	70,857	91,328
Income taxes receivable	–	4,703
Real estate secured and investment loans due within one year (note 6)	404,503	309,329
Current assets related to assets held for sale (note 3)	3,824	4,527
	842,615	828,492
Real estate secured and investment loans (note 6)	2,348,829	1,997,294
Retained interest from securitization (note 2)	22,957	23,893
Investment in associated company	109,810	107,735
Other investments	5,223	5,524
Management contracts	478,259	478,259
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	58,104	59,583
Deferred selling commissions, net of accumulated amortization	285,649	268,243
Property, equipment and other intangible assets, net of accumulated amortization	19,155	19,848
Goodwill (note 4)	204,289	126,399
Other assets	451	900
Long-term assets related to assets held for sale (note 3)	3,335	3,598
	\$ 4,378,676	\$ 3,919,768
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 141,929	\$ 160,259
Income taxes payable	2,677	–
Long-term debt due within one year (note 7)	180,900	56,000
Deposits due within one year (note 6)	1,217,382	1,022,774
Current liabilities related to assets held for sale (note 3)	3,329	4,286
	1,546,217	1,243,319
Deposits (note 6)	1,561,559	1,465,490
Long-term debt (note 7)	25,900	–
Future income taxes	227,928	230,305
Other long-term liabilities	396	127
Long-term liabilities related to assets held for sale (note 3)	605	756
	3,362,605	2,939,997
Non-controlling interest	323	–
Shareholders' Equity		
Capital stock (note 8)	412,505	403,566
Contributed surplus (note 8)	11,621	10,470
Retained earnings	585,773	565,576
Accumulated other comprehensive income (note 1)	5,849	–
Foreign currency translation adjustment	–	159
	1,015,748	979,771
	\$ 4,378,676	\$ 3,919,768

(See accompanying notes to consolidated financial statements.)

(AGF Management Ltd.
Consolidated Statements of Income)

(in thousands of dollars) (unaudited)	Three months ended February 28,	
	2007	2006 (note 3)
Revenue		
Net management and advisory fees	\$ 124,545	\$ 102,106
Administration fees and other revenue	28,061	18,969
Deferred sales charges	4,850	7,309
Gain on sale of RSP loan securitization and related income	661	9,850
Investment income	1,422	787
	159,539	139,021
Trust company interest income (notes 1 and 10)	47,215	25,626
Trust company interest expense (notes 1 and 10)	(29,724)	(15,111)
Trust company net interest income	17,491	10,515
Total Revenue	177,030	149,536
Expenses		
Selling, general and administrative	51,496	43,826
Trailing commissions	38,434	28,939
Investment advisory fees	4,041	6,930
Amortization of deferred selling commissions	26,515	27,150
Amortization of customer contracts, relationships and investment advisory contracts	1,479	3,821
Amortization of property, equipment and other intangible assets	2,305	2,393
Interest expense	1,047	516
Provision for Trust Company loan losses	2,695	2,487
	128,012	116,062
Income from continuing operations before income taxes and non-controlling interest	49,018	33,474
Income tax expense (reduction)		
Current	13,664	13,075
Future	(2,928)	(2,753)
	10,736	10,322
Non-controlling interest (note 4)	220	–
Net income from continuing operations for the period	38,062	23,152
Loss on dissolution of Limited Partnerships, net of tax (note 5)	(2,128)	–
Net earnings from operations held for sale, net of tax (note 3)	382	934
Net income for the period	\$ 36,316	\$ 24,086
Earnings Per Share (note 8)		
Basic from continuing operations	\$ 0.43	\$ 0.26
Diluted from continuing operations	\$ 0.42	\$ 0.26
Basic	\$ 0.41	\$ 0.27
Diluted	\$ 0.40	\$ 0.27

(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,	
	2007	2006 (note 3)
Retained earnings, beginning of period	\$ 565,576	\$ 527,197
Transitional adjustment on adoption of new accounting policies (note 1)	(25)	–
Balance at beginning of period, as restated	565,551	527,197
Net income for the period	36,316	24,086
	601,867	551,283
Deduct:		
Dividends on AGF Class A Voting Common Shares and AGF Class B Non-Voting Shares	16,094	13,371
Excess paid over book value of AGF Class B Non-Voting Shares purchased for cancellation	–	3,437
	16,094	16,808
Retained earnings, end of period	\$ 585,773	\$ 534,475

(See accompanying notes to consolidated financial statements.)

AGF Management Ltd.
 (Consolidated Statements of Comprehensive Income
 and Accumulated Other Comprehensive Income)

(in thousands of dollars) (unaudited)	February 28, 2007 (note 1)
Net income	\$ 36,316
Other comprehensive income, net of tax:	
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations ¹	1,598
Unrealized gain on available-for-sale securities ²	459
Total other comprehensive income, net of tax	2,057
Comprehensive income	\$ 38,373

⁽¹⁾ Net of income tax of \$0.3 million

⁽²⁾ Net of income tax of \$0.1 million

(in thousands of dollars) (unaudited)	February 28, 2007 (note 1)
Accumulated other comprehensive income, beginning of period	\$ 3,792
Total other comprehensive income, net of tax	2,057
Accumulated other comprehensive income, end of period	\$ 5,849

(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,	
	2007	2006 (note 3)
Operating Activities		
Net income for the period	\$ 36,316	\$ 24,086
Loss on dissolution of Limited Partnerships, net of tax (note 5)	2,128	–
Net earnings from operations held for sale (note 3)	(382)	(934)
Net income from continuing operations	38,062	23,152
Items not affecting cash		
Amortization of deferred selling commissions	26,515	27,150
Amortization of customer contracts, relationships and investment advisory contracts	1,479	3,821
Amortization of property, equipment and other intangible assets	2,305	2,782
Future income taxes	(2,928)	(2,753)
Gain on sale of RSP loan securitization	–	(9,850)
Mark-to-market on swap transactions	28	(116)
Provision for Trust Company loan losses	2,695	2,487
Other	525	1,714
Net increase in non-cash balances related to operations	(12,782)	(34,441)
Net cash provided by continuing operating activities	55,899	13,946
Net cash used in operating activities of operations held for sale	(254)	583
Net cash provided by operating activities	55,645	14,529
Financing Activities		
Purchase of Class B Non-Voting Shares for cancellation	–	(4,323)
Issuance of Class B Non-Voting Shares	3,267	675
Dividends	(16,094)	(13,371)
Increase in bank loan	99,000	28,000
Decrease in other long-term debt	–	(1,202)
Increase in Trust Company deposits	306,930	295,316
Net cash provided by financing activities	393,103	305,095
Investing Activities		
Deferred selling commissions paid	(43,694)	(22,243)
Proceeds of RSP loan securitization	–	206,274
Acquisition of Highstreet Partners Limited, net of cash acquired	(19,873)	(216)
Payments associated with sale of discontinued operation	–	(2,029)
Purchase of property, equipment and other intangible assets	(776)	(3,650)
Purchase of investments	(1,119)	(849)
Sale of investments	–	2,727
Other investment activities	1,119	–
Increase in Trust Company real estate secured and investment loans	(445,370)	(249,299)
Net cash used in continuing investing activities	(509,713)	(69,285)
Net cash used in investing activities of operations held for sale	(326)	981
Net cash used in investing activities	(510,039)	(68,304)
Increase (decrease) in cash and cash equivalents during the period	(61,291)	251,320
Balance of cash and cash equivalents, beginning of period	404,115	159,974
Balance of cash and cash equivalents, end of period	\$ 342,824	\$ 411,294
Cash and cash equivalents related to:		
Continuing operations	\$ 342,824	\$ 411,294
Operations held for sale	695	1,118
	\$ 343,519	\$ 412,412
Represented by:		
Cash and cash equivalents	\$ 37,225	\$ 17,020
Trust Company cash and cash equivalents	305,599	394,274
	\$ 342,824	\$ 411,294

(See accompanying notes to consolidated financial statements.)

Notes to Consolidated Financial Statements

For the three months ended February 28, 2007 and February 28, 2006 (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, 2006. 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, 2006, as set out in AGF's 2006 Annual Report. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. ('Highstreet'), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. Refer to note 4.

It is the intention of the Company to sell the operations of Investmaster Group Limited ('Investmaster'). Accordingly, Investmaster's operations for the 2007 and 2006 periods have been reported as operations held for sale as outlined in note 3.

Note 1: Change in Accounting Policy

(a) Financial Instruments, Hedges and Comprehensive Income

On December 1, 2006, the Company adopted the CICA Handbook Section 3855 Financial Instruments – Recognition and Measurement; Section 3865 Hedges; and Section 1530 Comprehensive Income. These standards require that all financial assets be classified as either available for sale ('AFS'), trading, held to maturity ('HTM') or loans and receivables. Financial liabilities are classified as either trading or other. Initially, all financial assets and financial liabilities must be recorded on the balance sheet at fair value with subsequent measurement determined by the classification of each financial asset and liability. Transaction costs related to trading securities are expensed as incurred. Transaction costs related to AFS, HTM, loans and receivables and deposits are generally capitalized and are then amortized over the expected life of the instrument.

Financial assets and financial liabilities held for trading are measured at fair value with the changes in fair value reported in earnings. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading are measured at amortized cost. Available-for-sale financial assets are measured at fair value with changes in fair value reported in other comprehensive income ('OCI') until the financial asset is disposed of, or becomes impaired.

Derivative instruments are recorded on the balance sheet at fair value. Changes in the fair values of derivative instruments are recognized in earnings, except for derivatives that are designated as a cash flow hedge, the fair value change for which is recognized in OCI.

Accumulated other comprehensive income ('AOCI') is a new component of shareholders' equity and a new statement entitled Statement of Comprehensive Income has been added to the Company's financial statements. Comprehensive income is composed of the Company's net income and other comprehensive income. Other comprehensive income will include unrealized gains and losses on available-for-sale financial assets, foreign currency translation on net investments in self-sustaining foreign operations and changes in the fair market value of derivative instruments designated as cash flow hedges, all net of income taxes.

Classification of Financial Instruments

Available-for-sale assets are those non-derivative financial assets that are designated as AFS or are not classified as loans and receivables, HTM or held for trading. Available-for-sale assets are measured at fair value with unrealized gains and losses included in accumulated other comprehensive income until sale or other-than-temporary impairment when the cumulative gain or loss is transferred to the consolidated statement of operations. Assets included in this category are short-term investments and retained interest from securitization.

- c) Short-term investments have been re-measured to reflect the unrealized gains and losses on these securities. This gave rise to an adjustment to accumulated other comprehensive income of \$3.2 million (\$2.7 million net of tax).
- d) Retained interests from securitization have been re-measured to reflect the fair value. This gave rise to an adjustment to accumulated other comprehensive income of \$1.4 million (\$1.0 million net of tax).

Loans and receivables are non-derivative financial assets resulting from the delivery of cash or other assets by a lender to a borrower in return for a promise to repay on a specified date or dates, or on demand, usually with interest. They do not include debt securities or loans and receivables designated as held for trading or AFS. Assets included in this category are accounts receivable and real estate secured and investment loans. The adoption of the CICA Handbook Section 3855 gave rise to a reclassification of \$15.9 million of related transaction costs from accounts receivable and \$1.9 million of related fees from accounts payable and accrued liabilities to real estate secured and investment loans and deposits.

Hedge Accounting

Derivative instruments are used to manage the Company's exposure to interest risks. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. Where hedge accounting can be applied, a hedge relationship is designated as a fair value hedge or a cash flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The documentation identifies the specific asset or liability being hedged, the risk that is being hedged, the type of derivative used and how effectiveness will be assessed. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge.

Fair value hedge transactions predominately use interest rate swaps to hedge the changes in the fair value of an asset, liability or firm commitment. Derivative financial instruments, held for fair value hedging purposes, are recognized at fair value and the changes in the fair value are recognized in the consolidated statement of income under investment income. Changes in the fair value of the hedged items attributable to the hedged risk are also recognized in the consolidated statement of income under investment income with a corresponding adjustment to the carrying amount of the hedged items in the consolidated balance sheet. When the derivative instrument no longer qualifies as an effective hedge or the hedging instrument is sold or terminated prior to maturity, hedge accounting is discontinued prospectively. The cumulative adjustment of the carrying amount of the hedged item related to a hedging relationship that ceases to be effective is recognized in investment income in the periods during which the hedged item affects income. Furthermore, if the hedged item is sold or terminated prior to maturity, hedge accounting is discontinued, and the cumulative adjustment of the carrying amount of the hedged items is then immediately recognized in investment income.

In accordance with Section 3865, the accumulated ineffectiveness of hedging relationships must be measured, and the ineffective portion of changes in fair value must be recognized in the consolidated statement of income. As a result, the opening balance of retained earnings was adjusted by \$0.025 million, as a result of the adoption of Section 3865.

During the quarter ended February 28, 2007, the ineffective portion of accumulated changes in the fair value of hedging relationships recognized in the income statement amounted to less than \$0.1 million as it relates to fair value hedging relationship.

As required, a transition adjustment has been recognized in the opening balance of retained earnings as at December 1, 2006 for the following: (i) financial instruments that the Company classifies as held for trading and that were not previously recorded at fair value (ii) the difference in the carrying amount of loans and deposits at December 1, 2006 and the carrying amount calculated using the effective interest rate from inception of the loan or deposit. A transition adjustment has been recognized in the opening balance of AOCI relating to adjustments arising due to the remeasuring of financial assets classified as available for sale. Prior-period balances have not been restated. The impact of adopting these standards as at December 1, 2006 was as follows:

	As at November 30, 2006	Adjustment upon adoption of Section 3855	As at December 1, 2006
Assets			
Short-term investments	\$ 10,723	\$ 3,271	\$ 13,994
Retained interest from securitization	27,660	1,352	29,012
Accounts receivable	91,328	(15,928)	75,400
Real estate secured and investment loans	2,306,623	3,183	2,309,806
Impact on total assets	2,436,334	(8,122)	2,428,212
Liabilities and shareholders' equity			
Deposits	2,488,264	(7,074)	2,481,190
Derivative instruments market valuation	-	(3,754)	(3,754)
Future income tax	230,305	998	231,303
Accounts payable and accrued liabilities	160,259	(1,900)	158,359
Impact on total liabilities	2,878,828	(11,730)	2,867,098
Shareholders' equity			
Foreign currency translation adjustments	159	(159)	-
Retained earnings	565,576	(25)	565,551
Accumulated other comprehensive income			
Foreign currency translation adjustments related to net investments in self-sustaining operations	-	159	159
Unrealized gains on available for sale assets	-	3,633	3,633
Accumulated other comprehensive income	-	3,792	3,792
Impact on shareholders' equity	565,735	3,608	569,343
Impact on liabilities and shareholders' equity	\$ 3,444,563	\$ (8,122)	\$ 3,436,441

(b) Trust Operations Net Interest Income

Commencing December 1, 2006, the presentation of the Trust Operations income has been revised to net deposit interest expense and other liabilities as detailed in note 10. Comparative periods presented have been restated with interest and investment income being reclassified from administration fees, interest and other revenue and other liabilities being reclassified from interest on Trust Company deposits and selling, general and administrative expenses.

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. Cash flows of \$206.3 million were received on the securitization and a gain net of transaction fees and expenses of \$9.9 million was recorded. As at February 28, 2007, \$144.4 million of securitized loans were outstanding.

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 fair value. 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 the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. 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 \$27.6 million (2006 – \$27.7 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 \$13.0 million (2006 – \$13.7 million), ii) cash collateral of \$6.2 million (2006 – \$5.7 million) and iii) over-collateralization of \$8.4 million (2006 – \$8.3 million).

The impaired loans included in the securitized balances were equal to \$0.7 million as at February 28, 2007. During the three months ended February 28, 2007, \$0.4 million of securitized RSP loans were written off.

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. For the three months ended February 28, 2007, cash flows of \$2.5 million were received on the securitized loans, of which \$0.8 million related to the over-collateralization and \$1.7 million related to the interest-only strip. The total other income recognized from securitization during the three months ended February 28, 2007 was \$0.7 million.

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

Excess spread	3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	16.4%
Expected weighted average life of RSP loans	28.5 months

The Company retained servicing responsibilities for the securitized loans. A servicing liability of \$1.1 million was recorded as at February 28, 2007 (2006 – \$1.7 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the three months ended February 28, 2007 was \$0.1 million.

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, 2007. As the sensitivity is hypothetical, it should be used with caution. The impact of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

Fair value of retained interests	\$	27,600
Discount rate		
+10%	\$	(158)
+20%		(312)
Prepayment rate		
+10%	\$	(262)
+20%		(493)
Expected credit losses		
+10%	\$	(244)
+20%		(488)

The Company, through its wholly-owned subsidiary AGF Trust Company, plans to securitize approximately \$265.0 million of RSP loans in the three-month period ended May 31, 2007.

Note 3: Operations and Assets Held for Sale

It is the intention of the Company to sell the operations of Investmaster. Accordingly, Investmaster's operations for 2007 have been reported as operations held for sale, and previously reported financial statements have been reclassified to reflect the following:

	Three months ended	
	February 28, 2007	February 28, 2006
Revenue	\$ 3,603	\$ 4,528
Net earnings from discontinued operations, net of tax	\$ 382	\$ 934
Basic net earnings per share	\$ 0.00	\$ 0.01
Diluted net earnings per share	\$ 0.00	\$ 0.01
	February 28, 2007	November 30, 2006
Current assets held for sale		
Cash and term deposits	\$ 695	\$ 1,792
Accounts receivable and prepaid expenses	3,129	2,735
	\$ 3,824	\$ 4,527
Long-term assets held for sale		
Property, equipment and other intangible assets, net	\$ 3,335	\$ 3,598
	\$ 3,335	\$ 3,598
Current liabilities related to assets held for sale		
Accounts payable and accrued liabilities	\$ 3,329	\$ 4,286
	\$ 3,329	\$ 4,286
Long-term liabilities related to assets held for sale		
Future income tax	\$ 605	\$ 756
	\$ 605	\$ 756

Note 4: Acquisition of Highstreet Partners Ltd.

On December 1, 2006, the Company acquired 79.9% of Highstreet Partners Ltd. ('Highstreet'), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issuance of Class B Non-Voting ('Class B') Shares. As at February 28, 2007, the Company has made payments of \$20.2 million in cash and \$5.7 million through the issuance of 225,116 AGF Class B Shares, which approximates 33.3% of the purchase price. Additional payments aggregating \$51.8 million are due on February 28, 2008 and February 28, 2009 for total minimum consideration of \$77.7 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable. The preliminary purchase price has been allocated to goodwill and the final allocation will be completed once the Company has the necessary information required. The final allocation is expected to have been completed when the Company releases its May 31, 2007 results.

Note 5: Dissolution of Partnerships

On February 28, 2007, the Unitholders and the respective Boards of Directors of the following Limited Partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership and 20/20 Group 1992 Limited Partnership – approved the dissolution of each respective LP. On March 1, 2007, as part of the LP dissolution process, the Company purchased the future distribution fees remaining payable by the Company to the LPs or purchased the outstanding units for total cash consideration of \$3.2 million (\$2.1 million net of taxes). In fiscal 2006, distributions of approximately \$1.0 million were made to these partnerships. As a result of the aforementioned transaction, no further distribution will be made to these LPs.

Note 6: Trust Company

The Trust Company's principal business activities are originating real estate secured loans, investment loans and deposit taking. Details related to these activities are as follows:

	Term to contractual repricing			February 28, 2007	November 30, 2006
	Variable rate	1 year or less	1 to 5 years		
Mortgage loans	\$ 2,330	\$ 493,698	\$ 518,054	\$ 1,014,048	\$ 941,962
Home equity lines of credit (HELOC)	205,812	–	–	205,812	116,194
Total real estate secured loans	208,142	493,698	518,054	1,219,860	1,058,156
Investment loans	1,528,210	4,805	10,723	1,543,738	1,261,166
	1,736,352	498,503	528,777	2,763,598	2,319,322
Less: allowance for loan losses				(14,300)	(12,699)
Add: net deferred sales commissions and commitment fees				4,034	–
				\$ 2,753,332	\$ 2,306,623
Less: current portion				(404,503)	(309,329)
				\$ 2,348,829	\$ 1,997,294
Impaired loans included in above				16,932	16,368
Less specific allowance for loan losses				(2,024)	(2,448)
				\$ 14,908	\$ 13,920

	February 28, 2007	November 30, 2006
The change in the allowance for loan losses is as follows:		
Balance, beginning of the period	\$ 12,699	\$ 8,200
Amounts written off	(1,735)	(2,697)
Recoveries	641	465
Reduction due to RSP loan securitization	–	(1,770)
Provision for loan losses	2,695	8,501
Balance, end of the period	\$ 14,300	\$ 12,699

(a) Real Estate Secured and Investment Loans

The table represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at February 28, 2007 were \$405 million (November 30, 2006 – \$309 million).

As at February 28, 2007, the Company's mortgage portfolio was composed of a combination of fixed rate and variable rate residential mortgages, of which \$404.3 million (November 30, 2006 – \$403.4 million) is insured, with a weighted average term to repricing of 1.8 years (November 30, 2006 – 1.8 years) and a weighted average interest rate of 6.89% (November 30, 2006 – 6.81%). Investment loans have interest rates based on prime. As at February 28, 2007, the average interest rate on HELOC was 6.08% (November 30, 2006 – 6.08%) and on investment loans was 7.40% (November 30, 2006 – 7.39%).

(b) Trust Company Deposits

	Term To Maturity			February 28, 2007	November 30, 2006
	Demand	1 year or less	1 to 5 years		
Deposits	\$ 5,877	\$ 1,216,207	\$ 1,568,142	\$ 2,790,226	\$ 2,488,264
Less: deferred sales commissions				(11,285)	–
				\$ 2,778,941	\$ 2,488,264

As at February 28, 2007, deposits were composed substantially of GICs with a weighted average term to maturity of 1.9 years (November 30, 2006 – 1.9 years) and a weighted average interest rate of 4.08% (November 30, 2006 – 4.05%).

(c) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, the Trust Company has entered into interest-rate-swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between March 1, 2007 and February 28, 2012 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. The swap contracts designated as hedging instruments are used by the Trust company for balance sheet matching purposes and to mitigate net interest revenue volatility. As at February 28, 2007, the aggregate notional amount of the swap transactions was \$1,927.7 million (November 30, 2006 – \$1,712.7 million). The aggregate fair value of the swap transactions, which represents the amount that would be paid by the Trust Company if the transactions were terminated at February 28, 2007, was \$1.1 million (November 30, 2006 – \$3.8 million).

Notional amount of swap	Maturity date	Fixed interest rate received
(\$000s)		
618,700	2007	3.06%-5.11%
497,000	2008	3.17%-4.68%
272,000	2009	3.47%-4.66%
320,000	2010	3.62%-4.78%
190,000	2011	4.07%-4.86%
30,000	2012	4.30%-4.35%

(d) Interest Rate Sensitivity

For the Trust Company, the impact of a 1% change in interest rates either up or down would be a change of annual net interest income of approximately \$1.2 million as most of the loan portfolios are hedged.

Note 7: Long-Term Debt

	February 28, 2007	November 30, 2006
(a) Revolving term loan	\$ 155,000	\$ 56,000
(b) Payment related to acquisition of Highstreet Partners Ltd. (note 4):		
February 28, 2008	25,900	–
February 28, 2009	25,900	–
	206,800	56,000
Less: amount included in current liabilities	180,900	56,000
	\$ 25,900	\$ –

(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, 2007. However, the Company may request by April 15, 2007, 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, 2007, the Company has drawn \$155.0 million against the available loan amount in the form of five- to 91-day BAs at an effective average interest rate of 4.64% 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) Payments Due Related to Acquisition of Highstreet Partners Limited

On December 1, 2006, the Company acquired 79.9% of Highstreet (note 4). Additional payments aggregating \$51.8 million related to this transaction are due to the partners of Highstreet, on February 28, 2008 and February 28, 2009, and will be satisfied through a combination of cash and Class B Shares.

Note 8: Capital Stock

(a) Authorized Capital

The authorized capital of AGF consists of an unlimited number of Class B Shares and an unlimited number of Class A Voting Common ('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, 2007 and 2006 is summarized as follows:

	Number of shares		Amount
Class B shares			
Balance, November 30, 2006	89,171,997	\$	403,566
Issued through dividend reinvestment plan	25,711		662
Stock options exercised	136,450		2,605
Issued on acquisition of a subsidiary (note 4)	225,116		5,672
Balance, February 28, 2007	89,559,274	\$	412,505
Class A shares			
Balance, November 30, 2006 and February 28, 2007	57,600		–
Total Capital Stock, February 28, 2007	–	\$	412,505
<hr/>			
	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

(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 25, 2008. 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 7,303,844 shares. No Class B Shares were purchased during the three months ended February 28, 2007. During the three months ended February 28, 2006, 200,000 Class B Shares were purchased at a cost of \$4.3 million and the excess paid of \$3.4 million over the book value of the shares purchased for cancellation was charged to retained earnings.

(d) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 7,310,066 Class B shares could have been granted as at February 28, 2007 (2006 – 5,925,923). The stock options are issued at a price not less than the market price of the Class B Shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or in some instances 100% vest at the end of the term of the option.

The change in stock options during the three months ended February 28, 2007 and 2006 is summarized as follows:

	Number of options	Weighted average exercise price
Class B Share Options		
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
Balance outstanding, November 30, 2006	4,324,084	\$ 19.93
Options granted	–	n/m
Options cancelled	(14,200)	\$ 21.75
Options exercised	(136,450)	\$ 19.09
Balance outstanding, February 28, 2007	4,173,434	\$ 19.94

During the three months ended February 28, 2007 and 2006, the Company did not grant any options and recorded \$1.2 million (2006 – \$1.2 million) in compensation expense and contributed surplus in relation to options granted since December 31, 2002.

(e) Restricted Share Unit ('RSU') Plan

Under the Company's RSU plan, certain senior employees are issued RSUs. These units vest three years from the grant date. On the vesting date, the Company will redeem all of the participants' RSUs in cash equal to the value of one Class B Share for each RSU.

At February 28, 2007, 76,216 RSUs were outstanding to employees of the Company. Compensation expense for the three months ended February 28, 2007 related to these RSUs was \$0.2 million (2006 – nil).

(f) Performance Share Unit ('PSU') Plan

Effective November 30, 2006, the Company established a PSU plan, which enables certain senior employees to participate in the growth and development of AGF by providing such employees with the opportunity, through PSUs, to acquire a proprietary interest in AGF. Under the terms of the plan, PSUs are issued to the participant and the units issued vest three years from the grant date subject to certain performance criteria being met.

On the vesting date, AGF, subject to the performance criteria being met, will redeem all of the participants' PSUs in cash equal to the value of one Class B Share for each PSU.

At February 28, 2007, 67,776 PSUs were outstanding to employees of the Company. Compensation expense for the three months ended February 28, 2007 related to these PSUs was \$0.2 million (2006 – nil).

(g) 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, 2007	Three months ended February 28, 2006
Numerator		
Net Income from continuing operations for the period	\$ 38,062	\$ 23,152
Loss on dissolution of partnerships, net of tax (note 5)	(2,128)	–
Net earnings from discontinued operations, net of tax (note 3)	382	934
Net Income for the period	36,316	24,086
Denominator		
Weighted average number of shares – basic	89,474,827	89,190,007
Dilutive effect of employee stock options	1,165,907	840,994
Weighted average number of shares – diluted	90,640,734	90,031,001
Earnings per share for the period		
Basic from continuing operations	\$ 0.43	\$ 0.26
Diluted from continuing operations	\$ 0.42	\$ 0.26
Basic	\$ 0.41	\$ 0.27
Diluted	\$ 0.40	\$ 0.27

Note 9: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended February 28, 2007 were \$30.7 million (2006 – \$14.5 million).

Income tax payments for the three months ended February 28, 2007 were \$8.5 million (2006 – \$18.8 million).

Note 10: Net Interest Income

The breakdown of net interest income is as follows:

	Three months ended February 28, 2007	2006
Interest income:		
Loan interest	\$ 43,155	\$ 23,724
Investment interest	4,060	1,902
	\$ 47,215	\$ 25,626
Interest expense:		
Deposit interest	\$ 26,417	\$ 13,831
Other liabilities	3,307	1,280
	\$ 29,724	\$ 15,111
Net interest income	\$ 17,491	\$ 10,515

Note 11: 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 RSP loans. The results of S&WHL have been included in Other. Investmaster's operations have been reported as operations held for sale. The 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 2006 annual financial statements.

Three months ended February 28, 2007	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
Revenue	\$ 156,482	\$ 19,830	\$ 1,280	\$ (562)	\$ 177,030
Operating expenses	85,513	11,715	–	(562)	96,666
Amortization and other	29,994	305	1,047	–	31,346
Segment income before taxes	\$ 40,975	\$ 7,810	\$ 233	\$ –	\$ 49,018
Total assets	\$ 1,268,450	\$ 3,110,226	\$ –	\$ –	\$ 4,378,676

Three months ended February 28, 2006	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
Revenue	\$ 127,752	\$ 21,687	\$ 590	\$ (493)	\$ 149,536
Operating expenses	74,381	8,294	0	(493)	82,182
Amortization and other	32,720	272	888	–	33,880
Segment income (loss) before taxes	\$ 20,651	\$ 13,121	\$ (298)	\$ –	\$ 33,474
Total assets	\$ 1,051,949	\$ 1,888,296	\$ 105,016	\$ –	\$ 3,045,261

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