AGF Management Limited
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three months ended February 28, 2011

What are you doing after work?

What are you doing after work?

AGF MANAGEMENT LIMITED
First Quarter Report to Shareholders for the three months ended February 28, 2011

AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

Acuity acquisition fuels 19.7% growth in assets under management

Toronto | March 30, 2011

AGF Management Limited (AGF) today announced first quarter total assets under management (AUM) increased 19.7% from $43.8 billion to $52.5 billion for the quarter ended February 28, 2011, compared to the previous year. The increase was primarily the result of the acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity) on February 1, 2011.

During the quarter ended February 28, 2011, AGF incurred one-time acquisition and integration costs of $5.4 million related to the Acuity transaction and a one-time $1.0 million regulatory levy related to Smith & Williamson Holdings Limited. This resulted in net income of $27.7 million, down 9.5% from the first quarter of 2010. Similarly, earnings per share in the first quarter of 2011, on a fully diluted basis, were $0.30 compared to $0.34 in the first quarter of 2010. Excluding one-time costs, diluted earnings per share were $0.35 in the first quarter of 2011.

“The acquisition of Acuity exemplifies AGF’s commitment to diversification and growth, while effectively leveraging our core focus as an investment management firm,” said Chairman and CEO Blake C. Goldring. “The integration of Acuity is on track to achieving long-term synergies and when coupled with our enhanced product suite and strong relationships, reinforces our goal to help investors succeed in varying market cycles and life stages.”

The acquisition, which was completed on February 1, 2011, enhances AGF’s position as one of the largest independent investment management firms in Canada, with the addition of $7.5 billion in AUM. Total retail fund AUM, including retail pooled funds, increased 21.6% to $26.8 billion at the end of February 2011, compared to $22.1 billion the prior year. Institutional and sub-advisory accounts AUM increased 18.9% to $22.2 billion from $18.7 billion a year earlier. High-net-worth AUM increased 11.3% year-over-year to $3.4 billion.

During the quarter, total consolidated revenue increased to $162.9 million compared to $156.2 million in the first quarter of 2010, driven by a 6.6% increase in Investment Management Operations revenue. Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 4.6% to $64.0 million for the three months ended February 28, 2011, compared to $67.1 million for the three months ended February 28, 2010. For the three months ended February 28, 2011, EBITDA margin declined to 39.3% from 43.0% in the same period a year earlier. Excluding one-time costs, EBITDA increased 4.9% to $70.4 million while EBITDA margin remained relatively flat at 43.2% for the three months ended February 28, 2011 as compared to the first quarter of 2010. AGF Trust loan assets declined 14.3% year-over-year to $3.0 billion as at February 28, 2011. Revenue decreased 4.6% while provision for loan losses remained relatively flat. EBITDA decreased to $8.6 million from $11.1 million in 2010 and EBITDA margin decreased to 37.7% compared to 46.4% a year ago.

For the three months ended February 28, 2011, AGF declared a 26-cent per share dividend on Class A Voting common and Class B Non-Voting shares. “AGF’s annual dividend of $1.04 per share continues to provide shareholders with an attractive yield compared to other large, high-quality companies in the Canadian market,” added Goldring. “AGF continues to seek opportunities to deliver value to our stakeholders.”

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) 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, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could'. 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, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. 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 risk factors such as level of assets under our management, volume of sales and redemptions 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 and investment management 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. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of AGF's 2010 Annual Report MD&A.

Dear fellow shareholders

On February 1, 2011, AGF was excited to announce the completion of the acquisition of Acuity. The acquisition enhances AGF's position as one of the largest independent investment management firms in Canada, adding $7.5 billion in retail and institutional assets under management (AUM) to our business. The acquisition brings with it an investment management team with a history of strong performance and a diversified product mix, particularly in the balanced and fixed-income categories, along with new products in the Socially Responsible Investing (SRI) category.

During the early part of 2011, markets continued to show positive gains, as investors regained greater confidence. However, uncertainty also remains, impacted by ongoing global unrest and cautious optimism. While AGF experienced retail net redemptions of $402.0 million compared to $339.0 million in the first quarter of last year, gross sales in the retail business were up 26.5% year-over-year. On the institutional side of the business, investors continued to show strong interest in placing new mandates and we are encouraged by these trends.

Our first quarter results included one-month contribution from Acuity. With the addition of $7.5 billion in AUM from Acuity, total AUM at February 28, 2011, increased 19.7% to $52.5 billion compared to $43.8 billion in 2010. Revenue increased 4.3% to $162.9 million compared to the same period in 2010 and EBITDA decreased 4.6% to $64.0 million for the three months ended February 28, 2011, compared to $67.1 million in the comparative period for 2010. During the quarter, we incurred $5.4 million in costs associated with the acquisition and integration of Acuity and $1.0 million associated with a one-time regulatory levy incurred by Smith &Williamson Holdings Limited. Excluding these one-time costs, EBITDA increased 4.9% to $70.4 million.

AGF Trust experienced a 14.3% decline in loan assets in the quarter. While loan originations were lower than anticipated during the first quarter of 2011, due to a weaker than expected RSP season, Trust remains focused on quality growth through its mortgage broker channel and leveraging strong relationships with financial advisors.

Our earnings per share in the first quarter of 2011, on a fully diluted basis, were $0.30 compared to $0.34 in the first quarter of 2010. Excluding the one-time costs, diluted earnings per share were $0.35 in the first quarter of 2011.

We continued our tradition of providing shareholders with an attractive yield compared to other large, high-quality companies in the Canadian market, maintaining our quarterly dividend at $0.26 per share. We will continue to be a leader in Canada, delivering value to our stakeholders.

Our focus and commitment continues to be providing excellence in the investment management business. We remain committed to achieving our long-term objectives and delivering superior value to our shareholders, clients and unitholders and look forward to an exciting year.

Sincerely,

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
March 30, 2011

[1] Cash flow from operations, free cash flow and EBITDA are non-GAAP measures. Please refer to page 18 of this report for definitions of these metrics.

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

For the three months ended February 28, 2011

This Management's Discussion and Analysis (MD&A) is as of March 30, 2011, and presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (AGF) as at February 28, 2011, compared to November 30, 2010. The MD&A also includes the results of operations for the three months ended February 28, 2011, compared to the corresponding period of 2010. This discussion should be read in conjunction with our 2010 Annual MD&A and 2010 Annual audited Consolidated Financial Statements and Notes. The financial information presented herein has been prepared on the basis of Canadian Generally Accepted Accounting Principles (GAAP). Percentage changes are calculated using numbers, rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated. Certain prior period data has been reclassified to conform to current period presentation.

There have been no material changes to the information discussed in the following sections of the 2010 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations,' "Intercompany and Related Party Transactions' and 'Government Regulations'. The 'Key Performance Indicators and Non-GAAP Measures' section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

AGF Management Ltd. consists of two distinct businesses: AGF Investments and AGF Trust. AGF Investments, with $52.5 billion in assets under management (AUM) as at February 28, 2011, is one of the largest independent Canadian-based investment management firms, with operations and investments in Canada, the United States, the United Kingdom, Ireland and Asia. On February 1, 2011, we completed the acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity), which added approximately $7.5 billion in AUM. The results presented include one month of Acuity's financial results. AGF Trust, with $3.0 billion in loan assets as at February 28, 2011, offers mortgage, deposit and consumer lending products to clients of financial advisors and mortgage brokers.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund (AGF), the first mutual fund available to Canadians seeking to invest in the United States. As of February 28, 2011, our products and services include a diversified family of award-winning mutual funds, AGF Elements portfolios, the Harmony asset management program, as well as pooled funds, closed-end funds, separately managed accounts and Socially Responsible Investing (SRI) products managed by Acuity. In addition, AGF Trust is a complementary business that offers GICs, loans and mortgages.

For purposes of this discussion, the operations of AGF 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 retail, institutional, sub-advisory and high-net-worth client businesses. The Trust Company Operations segment includes the results of AGF Trust Company, and the Other segment includes our equity interest in Smith & Williamson Holdings Limited (S&WHL).

Strategy and Quarterly Overview

AGF Management Limited is committed to providing world-class financial solutions to clients in Canada and abroad. We look to expand our business through strategic acquisitions and organic growth while focusing on our key financial priorities to create long-term value for shareholders, clients and unitholders.

Our Investment Management Operations provide a diverse suite of investment solutions to retail, institutional and sub-advisory and high-net-worth clients. We are focused on delivering strong long-term investment performance and excellence in client service while continuing to build and maintain strong relationships with distribution partners.

Our Trust Company Operations complement our Investment Management Operations and contribute to the profitability of AGF Management Limited. AGF Trust supports the AGF brand through delivery of value-added products and services, effectively leveraging our advisor distribution channel.

During the first quarter of 2011:

- On February 1, 2011, AGF completed its acquisition of 100% of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity).
- The purchase price for Acuity was $338.6 million, financed through a combination of cash, AGF Class B Non-Voting shares and deferred consideration. AGF entered into a $185.0 million four-year non-amortizing loan agreement to finance the acquisition.
- Total AUM increased 19.7% from $43.8 billion at February 28, 2010, to $52.5 billion at February 28, 2011, with the Acuity acquisition adding approximately $7.5 billion.
- Retail fund net redemptions continued with $402.0 million in the first quarter of 2011, compared to net redemptions of $339.0 million in the first quarter of last year. However, gross sales increased 26.5% year-over-year.
- Revenue increased 4.3% to $162.9 million compared to the same period in 2010, driven by a 6.6% increase in Investment Management Operations revenue, which was related to higher year-over-year AUM levels, combined with the acquisition of Acuity.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 4.6% to $64.0 million from $67.1 million in the first quarter of 2010. EBITDA margin decreased to 39.3% compared to 43.0% in the first quarter of 2010. The first quarter of 2011 included $5.4 million in acquisition and integration costs related to Acuity and a $1.0 million regulatory levy related to S&WHL. Adjusted EBITDA, excluding one-time expenses, increased 4.9% to $70.4 million.
- Diluted EPS in the first quarter of 2011 was $0.30 per share compared to $0.34 per share in the first quarter of 2010. Excluding one-time items referenced above, diluted EPS was $0.35.
- AGF Trust total loan assets declined 14.3% year-over-year, as real estate secured loan assets declined 19.6% and investment loans declined 9.3% year-over-year. Loan originations of $49.4 million were 2.0% lower than in the first quarter of 2010, due to lower volumes associated with the RSP loan product.
- AGF Trust EBITDA decreased 22.5% to $8.6 million for the first quarter of 2011, as compared to $11.1 million a year ago, driven primarily by a decline in revenue due to reduced loan assets. AGF Trust contributed 19.9% of AGF Management Limited's pre-tax income in the first quarter of 2011.
- We delivered value directly to our shareholders through dividend payments. Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.1 million in the first quarter of 2011 compared to $22.3 million in the same period in 2010.
- At the 2010 Canadian Lipper Awards, AGF Emerging Markets Fund continued its reign of success, winning the award for best 10-year returns in its category. In addition, the AGF Elements Yield Portfolio was rewarded for having the best three-year returns in the Global Fixed Income Balanced category. Acuity also won in the Global Fixed Income Balanced 1 Year category for Acuity Diversified Income Class A.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 28, 2011 and 2010:

($ millions) Three months ended February 28		2011		2010	% change
Revenue					
Investment Management Operations	$	139.3	$	130.7	6.6%
Trust Company Operations		22.8		23.9	(4.6)%
Other		0.8		1.6	(50.0)%
		162.9		156.2	4.3%
Expenses					
Investment Management Operations		84.7		76.3	11.0%
Trust Company Operations		14.2		12.8	10.9%
		98.9		89.1	11.0%
EBITDA [1]		64.0		67.1	(4.6)%
Amortization		22.6		22.5	0.4%
Interest expense		2.0		1.8	11.1%
Income taxes		11.4		12.0	(5.0)%
Net income attributable to non-controlling interest		0.3		0.2	50.0%
Net income attributable to equity owners of the Company	$	27.7	$	30.6	(9.5)%
Earnings per share - diluted	$	0.30	$	0.34	

[1] For the definition of EBITDA, see the 'Key Performance Indicators and Non-GAAP Measures' section. The items required to reconcile EBITDA to net income attributable to equity owners of the Company, a defined term under Canadian GAAP, are detailed above.

Revenue for the three months ended February 28, 2011, increased by 4.3% from the corresponding period in 2010. Revenue in the Investment Management Operations segment increased 6.6% for the three months ended February 28, 2011. This corresponds to higher average levels of AUM, including the acquisition of Acuity. The Trust Company Operations segment reported a decrease in revenue of 4.6% in the three months ended February 28, 2011, compared to the same period in 2010 as average quarterly loan balances declined by 13.5%. Revenue from Other, which represents the results of our 30.5% equity interest in S&WHL, was $0.8 million for the three months ended February 28, 2011, compared to $1.6 million for the same period in 2010. The decline is due to a one-time levy related to an industry-wide regulatory scheme affecting fund managers in the U.K. Under the scheme, fund managers must contribute to the Financial Services Compensation Scheme to cover the costs related to the collapse of certain investment advisors in the U.K.

Expenses for the three months ended February 28, 2011, increased 11.0% compared to same period in 2010. Excluding one-time acquisition and integration costs, expenses increased 4.9%. Investment Management Operations' expenses, excluding the acquisition and integration costs, increased 3.9%. Trust Company Operations' expenses increased 10.9% in the three-month period ended February 28, 2011, compared to the same period in 2010. For further details refer to each of the segment discussions.

The impact of the above items resulted in a decrease in total EBITDA of 4.6% for the three-month period ended February 28, 2011, over the respective 2010 period. Excluding one-time costs, EBITDA increased 4.9%. Amortization expense for the three months ended February 28, 2011, increased by 0.4% compared to the corresponding period in 2010. Amortization of deferred selling commissions for three months ended February 28, 2011, accounted for $19.2 million (2010 – $20.1 million) of the total amortization expense, while amortization related to definite life intangibles increased $1.6 million related to the Acuity acquisition. Interest expense increased due to higher debt levels and increased rates.

Income tax expense for the three months ended February 28, 2011, was $11.4 million as compared to $12.0 million in 2010. The effective tax rate for the three months ended February 28, 2011, was 29.0% compared to 28.0% in the same period of 2010. The increase in the effective tax rate for the three months ended February 28, 2011, compared to the same period in 2010, was primarily related to the change in earnings of foreign subsidiaries relative to the earnings of the consolidated group.

The impact of the above revenue and expense items resulted in net income attributable to equity owners of the Company of $27.7 million in the first quarter of 2011 as compared to $30.6 million in the prior year. Basic and diluted earnings per share were $0.30 for the three months ended February 28, 2011, as compared to $0.34 in the same period of 2010. Excluding one-time costs, diluted earnings per share was $0.35. Basic and diluted EBITDA per share for the first quarter of 2011 was $0.70, compared to $0.75 in the first quarter of 2010. Excluding one-time costs, basic and diluted EBITDA per share were $0.77 and $0.76, respectively in the first quarter of 2011.

A further discussion of the results of each business segment follows for the three months ended February 28, 2011, compared to February 28, 2010.

Business Segment Performance

We report on three business segments: Investment Management Operations, Trust Company Operations and Other. AGF's reportable segments are strategic business units that offer different products and services. The Investment Management Operations segment provides investment management and advisory services. It is responsible for the management and distribution of AGF investment products and services, including retail mutual fund and pooled fund operations, institutional investment management and high-net-worth client investment counselling services. The Trust Company Operations segment offers a range of 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 interest expense.

Investment Management Operations

Business and Industry Profile

We are an independent investment management operation servicing Canadian and international investors through our retail, institutional and high-net-worth businesses.

Our investment management teams provide a diverse range of investment strategies and philosophies and unique research-driven investment processes including Socially Responsible Investing products.

Our retail business delivers a wide-range of products across a number of investment strategies including AGF mutual funds, the AGF Elements portfolios and the Harmony asset management program. We compete with numerous domestic and foreign players serving the market. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have seven sales offices located across Canada serving regional advisors and their clients while our strategic accounts team serves our corporate distribution partners.

Our institutional business offers a variety of investment mandates through pooled funds and segregated accounts. We compete domestically and globally as an institutional investment manager and have sales and client service offices in Canada, the United States, Europe and Asia serving pension funds, foundations, institutions, endowments and sovereign wealth funds.

Our high-net-worth business delivers investment management and counselling services in local markets in Canada. It includes the operations of Cypress Capital Management Limited in Vancouver, Highstreet Asset Management in London, Ontario, and Doherty & Associates in Ottawa and Montreal.

Segment Strategy and Highlights

Building on our 50-year tradition of being independent, fostering innovation and maintaining integrity, our vision is to be the premiere global investment management firm. Our goal is to deliver strong long-term investment performance and client service excellence to the retail mutual fund, institutional and high-net-worth markets. We continue to foster our relationships with advisors and strategic distribution partners and provide a diverse suite of investment solutions. We strive to build strong portfolio management teams to ensure continuity and strength in investment management and to leverage our in-house investment management expertise across multiple client channels.

In a consolidating industry, AGF's ability to increase scale through strategic acquisitions and organic growth, strengthens our position as one of Canada's largest independent investment management firms. On February 1, 2011, AGF completed the acquisition of Acuity, which manages approximately $7.5 billion in retail and institutional assets. The acquisition further strengthens AGF's commitment to diversification and providing excellence in money management to meet the needs of a diverse range of clients in both the retail and institutional markets.

As a result of the acquisition and stronger markets, total AUM grew by 19.7% to $52.5 billion compared to the previous year. Our retail fund AUM, including retail pooled funds, grew 21.6% to $26.8 billion. Gross sales were up 26.5% for the three months ended February 28, 2011, compared to the same period last year, however, net sales continued to decrease as a result of redemptions. Retail fund net redemptions, including retail pooled funds, increased to $402.0 million from $339.0 million in the first quarter of last year. Net redemptions continue to be a focus for the Company. In 2010, we launched five new products, offering investors a diversified line-up of funds designed to meet their needs at various life stages with a particular focus on fixed income and balanced categories.

On the institutional side, our institutional and sub-advisory accounts AUM increased 18.9% to $22.2 billion from $18.7 billion in the first quarter of last year. The acquisition of Acuity contributed $3.8 billion to the increase. Excluding Acuity, AUM remained flat as gross sales and market performance were offset by redemptions in the latter half of 2010.

Our high-net-worth AUM increased by 11.3% to $3.4 billion for the three months ended February 28, 2011, compared to $3.0 billion in the first quarter of 2010, reflecting stronger markets.

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 depend on the level and composition of AUM, which in turn are dependent upon investment performance and net sales. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees. These fees are 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 sub-advisory accounts and high-net-worth client AUM. As a result, the level of AUM has a significant influence on financial results.

The following table illustrates the composition of the changes in total AUM during the three months ended February 28, 2011 and 2010:

($ millions) **Three months ended February 28**	**2011**	**2010**	**% change**
Mutual fund AUM, beginning of period	$ 22,264	$ 22,746	(2.1%)
Acquisition of Acuity[1]	2,845	–	n/m
Gross sales	921	737	25.0%
Redemptions	(1,319)	(1,076)	22.6%
Net mutual fund sales	(398)	(339)	17.4%
Market appreciation (depreciation) of fund portfolios	1,188	(331)	n/m
Mutual fund AUM, end of period	$ 25,899	$ 22,076	17.3%
Retail pooled fund AUM, beginning of period	$ –	$ –	–
Acquisition of Acuity[1]	923	–	n/m
Gross sales	11	–	n/m
Redemptions	(15)	–	n/m
Net retail pooled funds sales	(4)	–	n/m
Market appreciation (depreciation) of fund portfolios	24	–	n/m
Retail pooled fund AUM, end of period	$ 943	$ –	n/m
Total retail fund (including retail pooled funds)	$ 26,842	$ 22,076	21.6%
Average daily retail fund AUM for the period	$ 24,109	$ 22,549	6.9%
Institutional and sub-advisory accounts AUM, beginning of period	$ 17,585	$ 18,921	(7.1%)
Acquisition of Acuity[1]	3,754	–	n/m
Net change in institutional and sub-advisory accounts	887	(234)	n/m
Total institutional and sub-advisory accounts AUM	$ 22,226	$ 18,687	18.9%
High-net-w orth AUM	$ 3,382	$ 3,040	11.3%
Total AUM, end of period	$ 52,450	$ 43,803	19.7%

[1] Acuity was acquired on February 1, 2011.

Global market improvements and the addition of Acuity AUM resulted in an increase in retail fund AUM, including retail pooled funds, to $26.8 billion at February 28, 2011, from $22.1 billion as at February 28, 2010. The average daily retail fund AUM for the three months ended February 28, 2011, increased 6.9% to $24.1 billion, compared to $22.5 billion for the same period in 2010. Institutional and sub-advisory accounts AUM increased by $3.5 billion to $22.2 billion primarily due to the Acuity acquisition, which added $3.8 billion to our institutional assets. High-net-worth AUM increased by 11.3% to $3.4 billion. Overall, these factors resulted in a total AUM increase of 19.7% to $52.5 billion.

Stock market performance influences the level of AUM. During the three months ended February 28, 2011, the Canadian-dollar-adjusted S&P 500 Index increased 7.2%, the Canadian-dollar-adjusted NASDAQ Index increased 5.7%, the S&P/TSX Composite Index increased 9.8% and the MSCI World Index increased 6.6%. The aggregate market appreciation of our retail fund portfolios for the three months ended February 28, 2011, divided by the average daily retail fund AUM for the period, was 5.0% after management fees and expenses paid by the funds.

The impact of the U.S. dollar depreciation relative to the Canadian dollar on the market value of AGF mutual funds for the three months ended February 28, 2011, has been a decrease in AUM of approximately $332.8 million (2010 – $20.0 million).

The impact of the euro appreciation relative to the Canadian dollar on the market value of AUM for the three months ended February 28, 2011, has been a increase in AUM of approximately $12.1 million. In the first quarter of 2010, the impact of the euro depreciation relative to the Canadian dollar on the market value of AUM was a decrease in AUM of approximately $446.1 million.

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the three months ended February 28, 2011 and 2010:

($ millions) Three months ended February 28	2011	2010	% change
Revenue			
Management and advisory fees	$ 132.5	$ 123.5	7.3%
Deferred sales charges	5.9	5.7	3.5%
Investment income and other revenue	0.9	1.5	(40.0)%
	139.3	130.7	6.6%
Expenses			
Selling, general and administrative	39.6	39.2	1.0%
Business acquisition and integration	5.4	–	n/m
Trailing commissions	37.4	34.7	7.8%
Investment advisory fees	2.3	2.4	(4.2)%
	84.7	76.3	11.0%
EBITDA[1]	54.6	54.4	0.4%
Amortization	22.2	21.8	1.8%
Income before taxes and non-segmented items	$ 32.4	$ 32.6	(0.6)%

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

Revenue

For the three months ended February 28, 2011, revenue for the Investment Management Operations segment increased by 6.6% over the previous year, with changes in the categories as follows:

Management and Advisory Fees

Management and advisory fees are directly related to our AUM levels. The 6.9% increase in average daily retail fund AUM and a 18.9% increase in institutional and sub-advisory accounts AUM for the three months ended February 28, 2011, contributed to a 7.3% increase in management and advisory fee revenue compared to 2010. The first quarter of 2011 includes one month of revenue related to Acuity.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 2.5% to 5.0%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or 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 increased by 3.5% in the first quarter of 2011 compared to 2010, reflecting higher redemption levels.

Investment Income and Other Revenue

Investment income and other revenue decreased by $0.6 million in the three months ended February 28, 2011, over the same period in 2010. The three months ended February 28, 2011, include a $0.9 million expense related to the fair market value adjustment on future consideration on the deferred share portion of the Acuity consideration.

Expenses

For the three months ended February 28, 2011, expenses for the Investment Management Operations segment increased 11.0% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by $0.4 million or 1.0% in the first quarter of 2011 compared to the first quarter of 2010. The increase is made up of the following amounts:

($ millions) Three months ended February 28		2011
Increase (decrease) in compensation-related expenses	$	3.7
Increase (decrease) in other expenses		(1.9)
Increase (decrease) in fund absorption expenses		(1.4)
	$	0.4

The following explains expense changes in the first quarter of 2011 compared to the same period in the prior year:

- Compensation-related expenses increased $3.7 million, reflecting the acquisition of Acuity and higher stock-based compensation expenses.
- Other expenses decreased $1.9 million due to lower IT and fund-related costs.
- Fund absorption expenses declined $1.4 million reflecting an increase of the management expense ratio cap on certain funds in the third quarter of 2010 and higher AUM levels.

Trailing Commissions

Trailing commissions paid to distribution depend 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 retail fund AUM were 0.62% for the three months ended February 28, 2011, compared to 0.63% for the trailing 12-month period.

Investment Advisory Fees

External investment advisory fees remained relatively flat during the three months ended February 28, 2011, as compared to the three months ended February 28, 2010.

EBITDA and EBITDA Margin

EBITDA for the Investment Management Operations segment were $54.6 million for the three months ended February 28, 2011, a 0.4% increase from $54.4 million for the same period of the previous year. Excluding one-time acquisition and integration costs, EBITDA increased to $60.0 million or 10.3%. The increase is attributable to the acquisition of Acuity, combined with a higher average daily retail fund AUM level. EBITDA margins adjusted for the one-time cost associated with Acuity, increased to 43.1%.

Amortization

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment and computer software. Deferred selling commission amortization represents the most significant category of amortization. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was $19.2 million for the three months ended February 28, 2011, compared to $20.1 million for the same period of 2010.

During the three months ended February 28, 2011, we paid $14.5 million in selling commissions, compared to $13.9 million in the same period of 2010, reflecting a 26.5% increase in gross sales. As at February 28, 2011, the unamortized balance of deferred selling commissions financed was $240.7 million (November 30, 2010 – $243.9 million). The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at February 28, 2011, were estimated to be approximately $327.9 million (November 30, 2010 – $335.7 million).

As a result of the intangible assets acquired as a result of the Acuity acquisition, additional amortization of approximately $1.6 million was recognized in the quarter. Customer contracts related to the Acuity acquisition are amortized over seven years and other intangible assets are amortized over periods of three and 10 years.

Pre-Tax Profit Margin

Pre-tax profit margin decreased to 23.3% in 2011, compared to 24.9% for 2010, reflecting one-time acquisition and integration costs associated with the Acuity purchase, offset by one month of Acuity results.

Trust Company Operations

Business and Industry Profile

AGF Trust has offered mortgage, deposit and consumer lending products to the clients of financial advisors and mortgage brokers for more than 20 years. Our product offerings serve to complement wealth management products sold by financial advisors and reinforce relationships with our parent company. We remain committed to helping financial advisors serve their clients and supporting AGF Investments Inc. in its mutual fund sales efforts.

The residential mortgage market in Canada remains a key driver of balance sheet growth for financial institutions of all sizes. The domestic housing sector, despite signs of stretched valuations in certain markets, remains well supported by economic fundamentals. The mortgage broker share of total loan origination has been resilient in the past year, and our expectation is that mortgage brokers will retain a significant market share. Our strategy is to partner with select mortgage brokerage firms to capture a greater share of mortgage origination volumes. The depth of our management's experience in the broker channel, the strength of the AGF brand and our ability to deploy a substantial capital base relative to current lending assets will all support our efforts to grow our mortgage book over the next year.

Segment Strategy and Highlights

During the past year, AGF Trust has been positioning for renewed balance sheet growth by negotiating distribution agreements with key partners, building underwriting, sales and distribution capacity and updating and reviewing credit and collection policies. Management is confident that AGF Trust is well positioned to reverse the net decline in lending assets by the end of 2011 and build a foundation for growth in lending assets in future periods.

For the three months ended February 28, 2011, loan originations were $49.4 million compared to $50.4 million in the first quarter of 2010. Net loan write-offs were $4.5 million for the three months ended February 28, 2011, compared to $5.9 million in the corresponding period in 2010. AGF Trust loan assets declined 14.3% from February 28, 2010.

AGF Trust is building out mortgage programs in both the broker and advisor channel, which are expected to gradually increase levels of new originations over the balance of the year. A partnership program with a large national mortgage broker firm was launched in January 2011, featuring a co-branded mortgage with a distinctive compensation structure. AGF Trust views the mortgage broker market as an attractive source of high-quality loan originations. In addition, AGF Trust continues to support the advisor channel and is looking to expand on the advisor-focused mortgage loan program introduced during 2010 in collaboration with a key partner. These initiatives are expected to contribute to net loan growth by the end of 2011, while maintaining high portfolio credit quality.

Financial and Operational Results

The Trust Company Operations segment results for the three months ended February 28, 2011 and 2010 are as follows:

($ millions) Three months ended February 28	2011	2010	% change
Interest income			
Loan interest	$ 40.2	$ 42.9	(6.3)%
Investment interest	4.2	3.0	40.0%
	44.4	45.9	(3.3)%
Interest expense			
Deposit interest	25.9	33.9	(23.6)%
Hedging interest income	(6.8)	(14.4)	52.8%
Other interest expense	4.4	4.8	(8.3)%
	23.5	24.3	(3.3)%
Net interest income	20.9	21.6	(3.2)%
Other revenue	1.3	1.8	(27.8)%
RSP loan securitization income, net of impairment	0.6	0.5	20.0%
Total revenue	22.8	23.9	(4.6)%
Expenses			
Selling, general and administrative	10.7	8.9	20.2%
Provision for loan losses	3.5	3.9	(10.3)%
	14.2	12.8	10.9%
EBITDA[1]	8.6	11.1	(22.5)%
Amortization	0.4	0.6	(33.3)%
Income before taxes and non-segmented items	$ 8.2	$ 10.5	(21.9)%

[1] For the definition of EBITDA, see the 'Key Performance Indicators and Non-GAAP Measures' 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 and other interest expenses, was lower by 3.2% compared to the same period in 2010. The decrease is primarily related to a decrease in average loan balances of 13.5%, offset by a higher net interest margin. The average net interest margin on lending products was 2.7% for the three months ended February 28, 2011 (2010 – 2.4%). AGF Trust manages its interest rate risk through the use of interest rate swaps. Interest expense includes hedging interest income of $6.8 million for the three months ended February 28, 2011 (2010 – $14.4 million). Other revenue decreased 27.8% in the three months ended February 28, 2011, due to a $0.5 million decrease primarily related to lower fees and other income. During the period, the Trust Company recognized a $0.1 million writedown of its retained interest in securitized RSP loans compared to $0.3 million in 2010. These factors resulted in an overall revenue decrease of 4.6% in the three months ended February 28, 2011 as compared to 2010.

Selling, General and Administrative Expenses

SG&A expenses increased $1.8 million or 20.2% to $10.7 million in the first quarter of 2011, compared to $8.9 million in the same period in 2010. The increase reflects higher salaries and benefits, as a result of increased staffing levels to support anticipated growth in the mortgage and advisor channels.

Provision for Loan Losses

The total provision for loan losses decreased $0.4 million to $3.5 million in the first quarter of 2011 compared to $3.9 million in 2010, reflecting improved economic conditions in 2011.

EBITDA and EBITDA Margin

As a result of the above factors, EBITDA declined 22.5% to $8.6 million for the three months ended February 28, 2011, compared to the same period in 2010. EBITDA margin decreased to 37.7% from 46.4% over the same period of 2010.

Pre-Tax Profit Margin

As a result of the factors outlined above, pre-tax margin of 36.0% in 2011 decreased from 43.9% in 2010.

Operational Performance

The table below highlights our key operational measures for the segment for the three months ended February 28, 2011 and 2010:

($ millions) Three months ended February 28	2011	2010	% change
Real estate secured loans[1]			
Insured mortgage loans	$ 404.3	$ 473.4	(14.6)%
Conventional mortgage loans	429.3	525.7	(18.3)%
HELOCs	254.8	354.2	(28.1)%
	1,088.4	1,353.3	(19.6)%
Investment loans[1]			
Secured investment loans	1,586.5	1,711.8	(7.3)%
RSP loans	352.8	422.8	(16.6)%
Other loans	1.5	4.1	(63.4)%
	1,940.8	2,138.7	(9.3)%
Other assets	830.3	937.1	(11.4)%
Total assets	3,859.5	4,429.1	(12.9)%
Net interest income	20.9	21.6	(3.2)%
RSP loan securitization income (loss), net of impairment	0.6	0.5	n/m
Other revenue	1.3	1.8	(27.8)%
Non-interest expenses[2]	(11.1)	(9.5)	16.8%
Provision for loan losses	(3.5)	(3.9)	(10.3)%
Income before taxes and non-segmented items	$ 8.2	$ 10.5	(21.9)%
Efficiency ratio[3]	48.7%	39.7%	
Assets-to-capital multiple[3]	9.2	11.5	

[1] Includes loan provision and deferred sales commission.

[2] Includes SG&A and amortization expenses.

[3] For the definition of efficiency ratio and assets-to-capital multiple, see the 'Key Performance Indicators and Non-GAAP Measures' section.

Loan Assets

Real estate secured loan assets decreased by 19.6% year-over-year. Secured investment loans decreased 7.3% to $1.6 billion as at February 28, 2011, compared to the same period in 2010, while RSP loan balances and other loans decreased $72.6 million or 17.0%.

Efficiency Ratio

The efficiency ratio is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. During the three months ended February 28, 2011, the efficiency ratio experienced an unfavourable change to 48.7% from 39.7% in the first quarter of 2010.

Balance Sheet

Total assets decreased 12.9% to $3.9 billion as at February 28, 2011, compared to the same period in the previous year, and decreased 6.2% compared to November 30, 2010. As at February 28, 2011, our assets-to-capital multiple stood at 9.2 times, compared to 11.5 times at the same time last year and 10.2 times at November 30, 2010. AGF Trust's total capital ratio was 24.2% as at February 28, 2011, compared to 22.5% at November 30, 2010. Liquid assets remained high with $750.2 million in cash and cash equivalents as well as investments available for sale as at February 28, 2011 (February 28, 2010 – $811.5 million).

Loan Portfolio Credit

The credit risk factors considered when assessing the collectability of the various loan portfolios are primarily based on the individual's ability and willingness to make future loan payments, coupled with the underlying collateral security held for each of the loan categories. The key risk factors considered include:

- Employment rates: higher unemployment rates will likely result in higher default rates as individuals' ability to pay deteriorates.
- Residential property prices and sales volume: declining residential property prices and reduced volumes of residential property sales may result in lower resale prices and longer disposal times, and therefore, increasing losses incurred on the disposition of the property.
- Equity market performance: declining global equity markets present increased risk on the secured investment loan portfolio as the value of the underlying collateral is lower. While the Trust Company has recourse to the personal assets of clients with respect to investment loans, the global macro-economic situation and employment levels may impede the Trust Company's ability to realize on the full value of the loan.

The general allowance for real estate secured loan losses decreased to $7.1 million as compared to $10.0 million a year ago. This included a general allowance for insured mortgage loans of $2.3 million (2010 – $4.2 million), which was set up in response to certain mortgage insurers taking a stricter interpretation of policy exclusions for fraud and misrepresentation as a result of the current environment. We have written off $0.1 million of insured mortgage loans during the three months ended February 28, 2011 (2010 – nil). Approximately 48.5% of real estate secured loan assets, excluding HELOCs, are insured. The general allowance for investment loan losses increased slightly to $14.5 million from $14.0 million in 2010. We have security for non-RSP investment loans, consisting of mutual funds and other investments. The value of this collateral fluctuates with the changes in the underlying investments. The amount of RSP loans written off, net of recoveries (excluding securitized RSP loans) was $2.0 million for the three months ended February 28, 2011 (2010 – $3.6 million). For the balance of our loan products, the amount written off net of recoveries was $2.5 million (2010 – $2.3 million).

Liquidity and Capital Resources

Consolidated cash flow generated from operating activities, before net change in non-cash balances related to operations, was $52.0 million for the three months ended February 28, 2011, compared to $59.4 million in the prior year. The primary uses of cash during the quarter were as follows:

- We paid $173.4 million in cash consideration related to the acquisition of Acuity, with an additional $25.6 million payable in cash within three years.
- We funded the cash portion of the Acuity acquisition by way of a one-time drawdown of $185.0 million through a four-year non-amortization bank loan facility.
- We paid $14.5 million in selling commissions, which were capitalized and are being amortized for accounting purposes, compared to $13.9 million in 2010.
- We paid $22.6 million in dividends in 2011 compared to $21.6 million in 2010.
- Consolidated cash and cash equivalents of $393.3 million decreased by $63.3 million from the November 30, 2010 levels of $456.6 million (2010 – increased by $65.9 million). Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had $44.5 million of cash as at February 28, 2011 (February 28, 2010 – $46.3 million).

On January 28, 2011, we arranged a four-year non-amortizing acquisition facility with two Canadian chartered banks. The facility allowed for a one-time drawdown of $185.0 million.

We also have a four-year prime rate-based revolving term loan facility to a maximum of $300.0 million, of which $133.9 million was available to be drawn as at February 28, 2011. 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.

Capital Management Activities

We actively manage our capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders, to invest in future growth opportunities, including acquisitions, and to ensure that the regulatory capital requirements are met for each of our subsidiary companies.

AGF capital consists of shareholders' equity. On an annual basis, AGF prepares a five-year plan detailing projected operating budgets and capital requirements. Each of AGF's operating segments are required to prepare and submit a five-year operating plan and budget to AGF's Finance Committee for approval prior to seeking Board approval. AGF's Finance Committee consists of the Chairman and CEO, the Vice-Chairman, Executive Vice-President and CFO, and the Executive Vice-President, Chief Operating Officer and General Counsel. Once approved by the Finance Committee, the five-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B Non-Voting shares and, combined with the reasonable use of leverage, the source of funds for acquisitions.

Investment Management Operations – Regulatory Capital

A significant objective of the Capital Management program is to ensure regulatory requirements are met for capital. Our Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate. The cumulative amount of minimum regulatory capital across all of our Investment Management Operations is approximately $6.0 million.

AGF Trust – Capital Management Framework

AGF Trust's regulatory capital consists primarily of common shareholders' equity, preferred shares and subordinated debentures. Regulatory capital is a factor that allows the AGF Trust Board of Directors (Trust Board) to assess the stability and security in relation to the overall risks inherent in AGF Trust's activities.

AGF Trust actively manages regulatory capital levels in conjunction with management's internal assessment of capital. Consideration is given to many factors including regulatory guidance, strategic planning, shareholder interests, interests of depositors and internally generated target capital ratios. Minimum regulatory capital requirements are set by the Trust and Loan Companies Act and the Office of the Superintendant of Financial Institutions (OSFI). AGF Trust adopted the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk.

A key component of AGF Trust's capital framework is its internal capital adequacy assessment process (ICAAP). This process attributes capital for identified risks in proportion to the assessed risk. Risks are assessed using both qualitative and quantitative factors. The process also incorporates a variety of stress-testing approaches to evaluate the income and capital impacts of potential stress events.

Normal Course Issuer Bid

In January 2011, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,430,257 Class B Non-Voting shares, or 10% of the public float for such shares. The Company received approval from the Toronto Stock Exchange on March 3, 2011, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,430,257 Class B Non-Voting shares through the facilities of the Toronto Stock Exchange (or as otherwise permitted by the Toronto Stock Exchange) between March 7, 2011 and March 6, 2012. The Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

AGF's previous normal course issuer bid allowed for the repurchase of up to 7,167,620 Class B Non-Voting shares between February 26, 2010 and February 25, 2011, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased 846,100 Class B Non-Voting shares for a total consideration of $12.2 million at an average price of $14.44.

Dividends

For the three months ended February 28, 2011, we declared a 26-cents per share dividend on Class A Voting common and Class B Non-Voting shares. This dividend will be payable on April 20, 2011, to shareholders of record on April 8, 2011.

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

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

The following table sets forth the dividends paid by AGF on Class B Non-Voting shares and Class A Voting common shares for the years indicated:

Years ended November 30	2011[1]	2010	2009	2008	2007
Per share	$ 0.52	$ 1.04	$ 1.00	$ 0.95	$ 0.78
Percentage increase	–	4%	5%	22%	13%

[1] Represents the total dividends paid in January 2011 and to be paid in April 2011.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on January 24, 2011, was $0.26 per share.

Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2011. On February 1, 2011, we issued $6.5 million Class B Non-Voting shares as part consideration related to the acquisition of Acuity. For additional detail, see Note 10 to the Q1 2011 Consolidated Financial Statements.

($ millions) **Three months ended February 28**	**2011**	**2010**
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	95,420,011	89,224,309
Stock Options		
Outstanding options	5,865,679	6,194,449
Exercisable options	3,288,064	3,105,806

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 KPIs are non-GAAP measures, which are not defined under Canadian GAAP. They should not be considered as an alternative to net income attributable to equity owners of the Company or any other measure of performance under Canadian GAAP. Segment discussions include a review of KPIs that are relevant to each segment.

a) 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 our potential to deliver cash flow.

We derive our revenue principally from a combination of:

- management and advisory fees based on 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 earnings before interest, taxes, depreciation, amortization and non-controlling interest. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts to understand and compare results. We believe this is an important measure as it allows us to assess our investment management businesses without the impact of non-operational items. 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 are therefore 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 on page 6 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 sales commissions, pay down debt and fund other needs.

($ millions) **Three months ended February 28**	**2011**	**2010**
Net cash provided by operating activities	$ 9.1	$ 8.9
Less: net changes in non-cash balances related to operations	(42.9)	(50.5)
Cash flow from operations	$ 52.0	$ 59.4

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 since a substantial amount of cash is spent on upfront commission payments. Free cash flow represents cash available for distribution to our shareholders and for general corporate purposes.

($ millions) **Three months ended February 28**	**2011**	**2010**
Cash flow from operations (defined above)	$ 52.0	$ 59.4
Less: selling commissions paid	14.5	13.9
Free cash flow	$ 37.5	$ 45.5

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our overall operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent 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**	**2011**	**2010**
EBITDA	$ 64.0	$ 67.1
Divided by revenue	162.9	156.2
EBITDA margin	39.3%	43.0%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our overall operating performance. We believe pre-tax profit margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes to revenue.

($ millions) **Three months ended February 28**	**2011**	**2010**
Net income attributable to equity owners of the Company	$ 27.7	$ 30.6
Add: income taxes	11.4	12.0
Income before taxes	$ 39.1	$ 42.6
Divided by revenue	162.9	156.2
Pre-tax profit margin	24.0%	27.3%

Return on Equity (ROE)

We monitor ROE to assess the profitability of the consolidated Company on an annual basis. We calculate ROE by dividing net income attributable to equity owners of the Company by average shareholders' equity.

($ millions) Three months ended February 28	2011	2010
Net income attributable to equity owners of the Company (annualized)	$ 110.8	$ 122.4
Divided by average shareholders' equity	1,207.7	1,133.8
Return on equity	9.2%	10.8%

Long-Term Debt to EBITDA Ratio

Long-term debt to EBITDA ratio provides useful information to management and investors as an indicator of our ability to service our long-term debt. We define long-term debt to EBITDA ratio as long-term debt at the end of the quarter divided by EBITDA for the quarter annualized.

($ millions) Three months ended February 28	2011	2010
Long-term debt[1]	$ 351.8	$ 153.9
Divided by EBITDA (annualized)	256.0	268.4
Long-term debt to EBITDA	137.4%	57.3%

[1] Includes deferred cash consideration related to the Acuity acquisition.

b) Investment Management Operations

Assets Under Management (AUM)

The amount of AUM is critical to our business since these assets generate fees from our mutual fund, institutional and sub-advisory accounts and high-net-worth relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions. Mutual fund sales and AUM determines a significant portion of our expenses because we pay upfront commissions on gross sales and trailing commissions to financial advisors as well as investment advisory fees based on the value of AUM.

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and 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 investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2010 Annual MD&A for further information.

Net Sales (Redemptions)

Gross sales and redemptions are monitored separately and the sum of these two amounts comprises net sales (redemptions). Net sales (redemptions), together with investment performance and fund expenses, determine the level of average daily retail fund AUM, which is the basis on which management fees are charged. The average daily retail fund AUM is equal to the aggregate average daily net asset value of the AGF retail funds. We monitor AUM in our institutional, sub-advisory and high-net-worth businesses separately. We do not compute an average daily retail fund AUM figure for them.

EBITDA Margin – Investment Management

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 since it assesses the extent 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**	**2011**	**2010**
EBITDA	$ 54.6	$ 54.4
Divided by revenue	139.3	130.7
EBITDA margin	39.2%	41.6%

Pre-Tax Profit Margin – Investment Management

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 since it assesses the extent 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**	**2011**	**2010**
Income before taxes and non-segmented items	$ 32.4	$ 32.6
Divided by revenue	139.3	130.7
Pre-tax profit margin	23.3%	24.9%

c) Trust Company Operations

Loan Assets

In the Trust Company Operations segment (AGF Trust), new originations, net of repayments, drive the outstanding balance of loans on which we charge interest. Loan asset growth contributes to increases in our revenue. Conversely, a decline in loan assets will negatively impact our revenue.

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.

($ millions) **Three months ended February 28**	**2011**	**2010**
Interest income	$ 44.4	$ 45.9
Less: interest expense	23.5	24.3
Net interest income	$ 20.9	$ 21.6

Net Interest Margin

Net interest margin is equal to annualized net interest income for the year divided by the average quarterly total loan balance.

($ millions) **Three months ended February 28**	**2011**	**2010**
Annualized net interest income	$ 83.6	$ 86.4
Divided by average quarterly total loan balance	3,057.5	3,536.4
Net interest margin	2.7%	2.4%

Efficiency Ratio

The efficiency ratio is a financial services industry KPI that measures the efficiency of the organization. We use this ratio to monitor expenses, excluding loan loss provisions. 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	2011	2010
Selling, general and administrative expenses	$ 10.7	$ 8.9
Add: amortization expense	0.4	0.6
Non-interest expense	11.1	9.5
Other revenue	$ 1.3	$ 1.8
RSP loan securitization income (loss), net of impairment	0.6	0.5
Non-interest income	1.9	2.3
Net interest income	$ 20.9	$ 21.6
Add: non-interest income	1.9	2.3
Total of net interest income and non-interest income	22.8	23.9
Efficiency ratio	48.7%	39.7%

EBITDA Margin – Trust

EBITDA margin provides useful information to management and investors as an indicator of AGF Trust's operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent 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	2011	2010
EBITDA	$ 8.6	$ 11.1
Divided by revenue	22.8	23.9
EBITDA margin	37.7%	46.4%

Pre-Tax Profit Margin – Trust

Pre-tax profit margin provides useful information to management and investors as an indicator of AGF Trust's operating performance. We believe pre-tax profit margin is a valuable measure because it assesses the extent 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 total revenue.

($ millions) Three months ended February 28	2011	2010
Income before taxes and non-segmented items	$ 8.2	$ 10.5
Divided by revenue	22.8	23.9
Pre-tax profit margin	36.0%	43.9%

Assets-to-Capital Multiple

Federally regulated deposit-taking institutions (DTIs) are expected to meet an assets-to-capital multiple test. The assets-to-capital multiple is determined by dividing the DTI's total assets by its total regulatory capital, and expresses the extent by which capital is leveraged into the assets of the DTI.

($ millions)	February 28, 2011	November 30, 2010
Total assets per OSFI[1] guidelines	$ 3,908.0	$ 4,112.7
Divided by adjusted Tier 1 and Tier 2 capital	422.9	403.8
Assets-to-capital multiple	9.2	10.2

[1] OSFI is the Office of the Superintendent of Financial Institutions.

Impaired Loans as a Percentage of Loans Outstanding

Impaired loans as a percentage of loans outstanding is calculated by dividing total impaired loans by total loans outstanding.

($ millions)	February 28, 2011	November 30, 2010
Impaired loans	$ 33.4	$ 35.7
Divided by total loans outstanding[1]	3,029.2	3,122.2
Impaired loans as a percentage of loans outstanding	1.1%	1.1%

[1] Includes loan provision and deferred sales commission of $27.4 million as at February 28, 2011, and $28.6 million as at November 30, 2010.

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2010 Annual Consolidated Financial Statements.

Business Combinations, Consolidated Financial Statements, and Non-Controlling Interests

Effective December 1, 2010, the Company elected to early adopt the CICA's "Handbook Section 1582, Business Combinations" (Section 1582), "Handbook Section 1601, Consolidated Financial Statements" (Section 1601) and "Handbook Section 1602, Non-Controlling Interests" (Section 1602). In accordance with the transitional provisions, these standards were applied on a prospective basis, with the exception of the presentation and disclosure requirements for non-controlling interest, which were applied retrospectively. The adoption of these standards did not have a significant impact on the Company's consolidated financial statements other than the reclassification of non-controlling interests, as described below and the Company's accounting for the acquisition of Acuity as described in Note 5(a) of the Consolidated Financial Statements.

Pursuant to Section 1582 (equivalent to IFRS 3 "Business Combinations") business combinations completed on or after December 1, 2010, were accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes any cash paid plus the fair value at the date of exchange of assets given, liabilities incurred and equity instruments issued by the Company or its subsidiaries. The consideration transferred also includes contingent consideration arrangements recorded at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within operating expenses. At the date of acquisition, the Company recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the fair value of consideration paid is less than the fair value of net assets acquired, the excess is recognized in the Consolidated Statement of Income. Any pre-existing equity interests in an acquiree are re-measured to fair value at the date of the business combination and any resulting gain or loss is recognized in the Consolidated Statement of Income.

Business combinations completed prior to December 1, 2010, were accounted for using the purchase method under previous Canadian GAAP. The fundamental requirements of the purchase method of accounting are similar to the acquisition method of accounting described above except that, among other differences, the purchase method required that share consideration issued by the acquirer be measured by reference to its market price for a reasonable period before and after the acquisition was announced, acquisition-related costs were included as part of the fair value of the purchase consideration, contingent consideration was generally not recognized initially as part of the consideration transferred, and identifiable assets acquired and liabilities assumed were adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree

when that interest was less than 100%. Furthermore, where the fair value of consideration paid was less than the fair value of net assets acquired, the excess amount was first deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts were reduced to nil. Only then was any remaining excess recognized in the Consolidated Statement of Income.

A non-controlling interest may be measured at fair value or at the proportionate share of identifiable net assets acquired. Under previous Canadian GAAP, a non-controlling interest was recorded at the proportionate share of the carrying value of the acquiree.

Section 1601 carries forward existing guidance on aspects of the preparation of consolidated financial statements subsequent to the acquisition date other than those pertaining to a non-controlling interest. Section 1602 provides guidance on the treatment of a non-controlling interest after acquisition in a business combination and required: a non-controlling interest to be presented clearly in equity, but separately from the parent's equity; the amount of consolidated net income and other comprehensive income attributable to the parent and to a non-controlling interest to be clearly identified and presented on the Consolidated Statement of Income and Consolidated Statements of Comprehensive Income, respectively; and changes in ownership interests of a subsidiary that do not result in a loss or acquisition of control to be accounted for as an equity transaction.

Future Accounting Changes

Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal years beginning on or after January 1, 2011. Effective December 1, 2011, we will adopt IFRS as the basis for preparing our consolidated financial statements. We will report our financial results for the quarter ended February 29, 2012, prepared on an IFRS basis. We will also provide comparative data on an IFRS basis, including an opening balance sheet as at December 1, 2010.

To meet the requirement to transition to IFRS, in 2008 we established an enterprise-wide project. We are following a transition plan comprising three phases: (1) IFRS diagnostic assessment, (2) impact analysis, evaluation and design, and (3) implementation and review. The project remains on track: we have completed the diagnostic assessment, and the impact analysis, evaluation and design phase of our transition is well advanced.

The IFRS diagnostic assessment identified the areas that would be the most impactful to AGF. Those areas included provision for credit losses on loans, hedge accounting, asset securitization, and deferred sales commission.

The second phase, impact analysis, evaluation and design, included identifying and implementing the necessary changes within our existing financial reporting or data collection processes to address the IFRS differences identified in our diagnostic assessment; developing and executing internal training and awareness programs; and selecting accounting policy options permitted under IFRS. The impact to our data collection processes and existing financial reporting and data collection processes is minimal. No significant changes to IT systems were identified. As a result, the amendments to our financial systems were assessed and have been completed. Our internal training is ongoing, with the continued training of key finance and operational staff responsible for IFRS.

We provide updates to the Audit Committee on a quarterly basis. These updates include a review of timelines, disclosure requirements, expected impact of the new standards on the financial statements and note disclosures, as well as an update on the progress of the IFRS project. Based on our diagnostic, we are currently reviewing and determining accounting policy options permitted under IFRS that are expected to impact AGF. The assessment and selection of accounting policy options is complete and in the process of final review. In addition, we have assessed the exemptions to full restatement that are permitted under IFRS. Generally, with the adoption of IFRS, any change to our existing accounting policies must be applied retroactively and reflected in our opening balance sheet of the comparative period. There are, however, a number of exemptions from full restatement available under IFRS. The most impactful election under IFRS 1 to AGF is related to business combinations. Under IFRS 1, a company can elect to (a) restate retrospectively all business combinations after a particular date in accordance with IFRS 3; or (b) apply IFRS 3 prospectively, the value at transition is considered deemed cost under IFRS. Under both options, goodwill must be tested for impairment at transition and on a periodic basis thereafter. We intend to apply IFRS 3 prospectively. In addition, IFRS 1 allows entities to elect to charge the Cumulative Translation Account (CTA) to retained earnings at transition. AGF intends to apply this election. This will result in a reclassification from Accumulated Other Comprehensive Income (AOCI) to retained earnings. During 2010, a revision was made to IFRS 1 that amended the derecognition date from January 1, 2004, to the date of transition. As a result, we will not recognize securitized assets on the balance sheet at transition.

As each accounting policy option is selected, we will complete a review of its impact to our internal controls over financial reporting as well as disclosure controls and procedures and make changes where necessary.

Managing Risk

AGF is subject to a number of company and non-company specific risk factors that may impact our operating and financial performance. These risks and the management of those risks are detailed in our 2010 Annual MD&A in the section entitled 'Risk Factors and Management of Risk.' The Company has not identified any material changes to the risk factors affecting its business or in the management of those risks. Refer to Note 15 of the Consolidated Financial Statements and Notes for risks arising from the use of financial instruments.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There has been no material weaknesses identified relating to the design of the ICFR. On February 1, 2011, the Company completed its acquisition of Acuity. As a result, certain internal controls over financial reporting have been impacted and interim controls have been relied upon until Acuity is fully integrated with the financial reporting process, which is expected in the second quarter of 2011.

Selected Quarterly Information

($ millions, except per share amounts) For the three-month period ended		Feb. 28, 2011		Nov. 30, 2010		Aug. 31, 2010		May 31, 2010
Revenue	$	162.9	$	155.9	$	148.7	$	153.8
Cash flow [1]		52.0		50.1		51.8		61.9
EBITDA [2]		64.0		66.1		61.0		62.6
Pre-tax income		39.1		43.3		38.7		38.3
Net income attributable to equity owners of the Company		27.7		30.9		27.8		27.5
EBITDA per share								
Basic	$	0.70	$	0.75	$	0.68	$	0.70
Diluted	$	0.70	$	0.74	$	0.68	$	0.69
Earnings per share attributable to equity owners of the Company								
Basic	$	0.31	$	0.35	$	0.31	$	0.31
Diluted	$	0.30	$	0.34	$	0.31	$	0.30
Weighted average basic shares		90,799,935		88,616,451		89,286,335		89,332,374
Weighted average fully diluted shares		92,010,135		89,665,401		90,232,708		90,482,468

($ millions, except per share amounts) For the three-month period ended		Feb. 28, 2010		Nov. 30, 2009		Aug. 31, 2009		May 31, 2009
Revenue	$	156.2	$	157.7	$	146.9	$	143.5
Cash flow [1]		59.4		65.7		49.0		44.7
EBITDA [2]		67.1		71.6		56.1		49.0
Pre-tax income		42.6		46.6		30.4		23.0
Net income attributable to equity owners of the Company		30.6		45.5		22.8		17.2
EBITDA per share								
Basic	$	0.75	$	0.80	$	0.63	$	0.55
Diluted	$	0.74	$	0.79	$	0.62	$	0.55
Earnings per share attributable to equity owners of the Company								
Basic	$	0.34	$	0.51	$	0.26	$	0.19
Diluted	$	0.34	$	0.50	$	0.25	$	0.19
Weighted average basic shares		89,211,983		89,072,123		88,914,200		88,826,605
Weighted average fully diluted shares		90,390,172		90,331,497		89,931,517		89,234,015

[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, 2011, our 2010 Annual MD&A and Consolidated Financial Statements, our 2010 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada. They may be accessed at www.sedar.com.

AGF Management Limited
CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2011

What are you doing after work?

AGF Management Limited
Consolidated Balance Sheet

($ thousands)	February 28, 2011 (unaudited)	November 30, 2010 (audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 393,326	$ 456,550
Investments available for sale (Note 2(a))	424,894	503,963
Accounts receivable, prepaid expenses and other assets	93,014	94,963
Current portion of retained interest from securitization (Note 3)	20,958	21,334
Real estate secured and investment loans due w ithin one year (Note 6)	416,812	433,537
	1,349,004	1,510,347
Retained interest from securitization (Note 3)	17,633	17,365
Real estate secured and investment loans (Note 6)	2,612,353	2,688,677
Investment in associated company (Note 2(b))	77,092	77,049
Management contracts (Note 5(a))	715,769	504,269
Customer contracts, net of accumulated amortization (Note 5(a))	49,007	11,383
Goodw ill (Note 5(a))	289,705	173,708
Other intangibles, net of accumulated amortization (Note 5(a))	28,302	–
Deferred selling commissions, net of accumulated amortization	240,748	243,861
Property, equipment and computer softw are, net of accumulated amortization	12,886	11,230
Other assets (Note 7)	9,785	15,972
Total assets	$ 5,402,284	$ 5,253,861
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	$ 221,691	$ 258,728
Future income taxes	25,788	18,024
Acquisition consideration payable (Note 5(a))	31,338	–
Deposits due w ithin one year (Note 6(f))	1,607,175	1,814,701
	1,885,992	2,091,453
Deposits (Note 6(f))	1,699,805	1,721,264
Long-term debt (Note 8)	344,621	143,678
Future income taxes	182,947	129,574
Acquisition consideration payable (Note 5(a))	12,205	–
Other long-term liabilities (Note 9)	11,510	16,701
Total liabilities	4,137,080	4,102,670
Equity		
Equity attributable to ow ners of the Company		
Capital stock (Note 10)	557,895	439,216
Contributed surplus	23,380	22,580
Retained earnings	706,653	702,017
Accumulated other comprehensive loss (Note 11)	(23,274)	(13,119)
	1,264,654	1,150,694
Non-controlling interest	550	497
Total equity	1,265,204	1,151,191
Total liabilities and equity	$ 5,402,284	$ 5,253,861

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statement of Income

Three months ended February 28 ($ thousands)	2011 (unaudited)	2010 (unaudited)
Revenue		
Management and advisory fees	$ 132,541	$ 123,511
Deferred sales charges	5,930	5,708
RSP loan securitization income, net of impairment (Note 3)	619	462
Investment income and other revenue	2,907	5,005
	141,997	134,686
AGF Trust interest income	44,401	45,871
AGF Trust interest expense	(23,504)	(24,313)
AGF Trust net interest income (Note 13)	20,897	21,558
Total revenue	162,894	156,244
Expenses		
Selling, general and administrative	50,418	48,040
Business acquisition and integration (Note 5(a))	5,351	–
Trailing commissions	37,375	34,709
Investment advisory fees	2,290	2,363
Amortization of deferred selling commissions	19,244	20,121
Amortization of customer contracts	1,654	709
Amortization of other intangibles	698	–
Amortization of property, equipment and computer software	1,031	1,659
Interest expense	1,929	1,834
Provision for AGF Trust loan losses (Note 6(e))	3,491	3,944
	123,481	113,379
Income before income taxes	39,413	42,865
Income tax expense (recovery)		
Current	14,071	10,973
Future	(2,641)	1,029
	11,430	12,002
Net income for the period	$ 27,983	$ 30,863
Net income attributable to:		
Equity owners of the Company	$ 27,705	$ 30,639
Non-controlling interests	278	224
	$ 27,983	$ 30,863
Earnings per share attributable to equity owners of the Company (Note 10(h)):		
Basic	$ 0.31	$ 0.34
Diluted	$ 0.30	$ 0.34

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statement of Changes in Equity

(in thousands)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, November 30, 2009	$ 438,612	$ 19,964	$ 685,063	$ (13,236)	**$ 1,130,403**	$ 408	**$ 1,130,811**
Net income for the period	–	–	30,639	–	**30,639**	224	**30,863**
Other comprehensive loss							
(net of tax)	–	–	–	(3,721)	**(3,721)**	–	**(3,721)**
Comprehensive income (loss)							
for the period	–	–	30,639	(3,721)	**26,918**	224	**27,142**
Issued through dividend							
reinvestment plan	661	–	–	–	**661**	–	**661**
Stock options	826	712	–	–	**1,538**	–	**1,538**
Dividends on AGF Class A					**–**		**–**
Voting common shares and					**–**		**–**
shares	–	–	(22,298)	–	**(22,298)**	–	**(22,298)**
Dividends to non-controlling							
interest	–	–	–	–	**–**	(226)	**(226)**
Balance, February 28, 2010	$ 440,099	$ 20,676	$ 693,404	$ (16,957)	**$ 1,137,222**	$ 406	**$ 1,137,628**
Balance, November 30, 2010	$ 439,216	$ 22,580	$ 702,017	$ (13,119)	**$ 1,150,694**	$ 497	**$ 1,151,191**
Net income for the period	–	–	27,705	–	**27,705**	278	**27,983**
Other comprehensive income							
(net of tax)	–	–	–	(10,155)	**(10,155)**	–	**(10,155)**
Comprehensive income (loss)							
for the period	–	–	27,705	(10,155)	**17,550**	278	**17,828**
Issued through dividend							
reinvestment plan	483	–	–	–	**483**	–	**483**
Stock options	3,517	800	–	–	**4,317**	–	**4,317**
subsidiary							
Acuity	114,679	–	–	–	**114,679**	–	**114,679**
Dividends on AGF Class A							
Voting common shares and							
shares	–	–	(23,069)	–	**(23,069)**	–	**(23,069)**
Dividends to non-controlling							
interest	–	–	–	–	**–**	(225)	**(225)**
Balance, February 28, 2011	$ 557,895	$ 23,380	$ 706,653	$ (23,274)	**$ 1,264,654**	$ 550	**$ 1,265,204**

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statement of Comprehensive Income

Three months ended February 28 ($ thousands)		**2011** (unaudited)		**2010** (unaudited)
Net income for the period	$	27,983	$	30,863
Other comprehensive income (losses), net of tax				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations		(702)		(6,063)
		(702)		(6,063)
Net unrealized gains (losses) on available for sale securities				
Unrealized gains (losses)		(9,517)		2,300
Reclassification of realized losses or other than temporary impairment to earnings		64		–
		(9,453)		2,300
Net change related to cash flow hedges				
Reclassification of realized loss on cash flow hedges		–		42
		–		42
Total other comprehensive loss, net of tax	$	(10,155)	$	(3,721)
Comprehensive income for the period	$	17,828	$	27,142
Comprehensive income attributable to:				
Equity owners of the Company	$	17,550	$	26,918
Non-controlling interests		278		224
	$	17,828	$	27,142

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statement of Cash Flow

Three months ended February 28 ($ thousands)	2011 (unaudited)	2010 (unaudited)
Operating Activities		
Net income for the period	$ 27,983	$ 30,863
Items not affecting cash		
Amortization	22,627	22,489
Future income taxes	(2,641)	1,029
RSP loan securitization income, net of impairment	(619)	(462)
Provision for AGF Trust loan losses	3,491	3,944
Stock-based compensation	3,424	1,727
Equity investment in S&WHL	(845)	(1,675)
Other	(1,395)	1,494
	52,025	59,409
Net change in non-cash balances related to operations (Note 12)	(42,882)	(50,493)
Net cash provided by operating activities	9,143	8,916
Financing Activities		
Issue of Class B Non-Voting shares	3,127	763
Dividends paid	(22,586)	(21,636)
Increase in long-term debt	200,943	28,034
Net decrease in AGF Trust deposits	(222,085)	(54,049)
Net cash used in financing activities	(40,601)	(46,888)
Investing Activities		
Deferred selling commissions paid	(14,523)	(13,939)
Acquisition of subsidiaries, net of cash acquired (Note 5(a))	(173,415)	–
Purchase of property, equipment and computer software	(489)	(210)
Net proceeds from sale of investments available for sale	67,287	20,515
Net decrease in AGF Trust real estate secured and investment loans	89,374	97,545
Net cash provided by investing activities	(31,766)	103,911
Increase (decrease) in cash and cash equivalents	(63,224)	65,939
Balance of cash and cash equivalents, beginning of period	456,550	274,870
Balance of cash and cash equivalents, end of period	$ 393,326	$ 340,809
Represented by:		
Investment Management cash and cash equivalents	$ 44,515	$ 46,349
AGF Trust cash and cash equivalents	348,811	294,460
	$ 393,326	$ 340,809

Refer to Note 12 for supplemental cash flow information.

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

Notes to Consolidated Financial Statements

For the three months ended February 28, 2011 (unaudited)

These unaudited Q1 2011 Consolidated Financial Statements of AGF Management Limited (AGF or the Company) have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), using the same significant accounting policies as AGF's Consolidated Financial Statements for the year ended November 30, 2010, except for those noted below. These financial statements do not contain all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements for the year ended November 30, 2010.

Note 1: Changes in Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Effective December 1, 2010, the Company elected to early adopt the CICA's "Handbook Section 1582, Business Combinations" (Section 1582), "Handbook Section 1601, Consolidated Financial Statements" (Section 1601) and "Handbook Section 1602, Non-Controlling Interests" (Section 1602). In accordance with the transitional provisions, these standards were applied on a prospective basis, with the exception of the presentation and disclosure requirements for non-controlling interest, which were applied retrospectively. The adoption of these standards did not have a significant impact on the Company's consolidated financial statements other than the reclassification of non-controlling interests as described below and the Company's accounting for the acquisition of Acuity as described in Note 5(a).

Pursuant to Section 1582 (equivalent to IFRS 3 "Business Combinations") business combinations completed on or after December 1, 2010, were accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes any cash paid plus the fair value at the date of exchange of assets given, liabilities incurred and equity instruments issued by the company or its subsidiaries. The consideration transferred also includes contingent consideration arrangements recorded at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within operating expenses. At the date of acquisition, the Company recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the fair value of consideration paid is less than the fair value of net assets acquired, the excess is recognized in the Consolidated Statement of Income. Any pre-existing equity interests in an acquiree are re-measured to fair value at the date of the business combination and any resulting gain or loss is recognized in the Consolidated Statement of Income.

Business combinations completed prior to December 1, 2010, were accounted for using the purchase method under previous Canadian GAAP. The fundamental requirements of the purchase method of accounting are similar to the acquisition method of accounting described above except that, among other differences, the purchase method required that share consideration issued by the acquirer be measured by reference to its market price for a reasonable period before and after the acquisition was announced, acquisition-related costs were included as part of the fair value of the purchase consideration, contingent consideration was generally not recognized initially as part of the consideration transferred, and identifiable assets acquired and liabilities assumed were adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree when that interest was less than 100%. Furthermore, where the fair value of consideration paid was less than the fair value of net assets acquired, the excess amount was first deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts were reduced to nil. Only then was any remaining excess recognized in the Consolidated Statement of Income.

A non-controlling interest may be measured at fair value or at the proportionate share of identifiable net assets acquired. Under previous Canadian GAAP, a non-controlling interest was recorded at the proportionate share of the carrying value of the acquiree.

Section 1601 carries forward existing guidance on aspects of the preparation of consolidated financial statements subsequent to the acquisition date other than those pertaining to a non-controlling interest. Section 1602 provides guidance on the treatment of a non-controlling interest after acquisition in a business combination and required: a non-controlling interest to be presented clearly in equity, but separately from the parent's equity; the amount of consolidated net income and other comprehensive income attributable to the parent and to a non-controlling interest to be clearly identified and presented on the Consolidated Statement of Income and Consolidated Statements of Comprehensive Income, respectively; and changes in ownership interests of a subsidiary that do not result in a loss or acquisition of control to be accounted for as an equity transaction.

Future Accounting Changes

Transition to International Financial Reporting Standards

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2012 starting December 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS. The Company will report its financial results for the quarter ended February 29, 2012, on an IFRS basis, including comparative IFRS financial results and an opening balance sheet as at December 1, 2010.

Note 2: Investments Available for Sale and Investment in S&WHL

(a) The following table presents a breakdown of available for sale investments, excluding retained interest from securitization:

($ thousands)	February 28, 2011	November 30, 2010
AGF Trust:		
Canadian government debt[1]		
Provincial	$ 401,411	$ 392,261
Deposits with regulated institutions	–	85,557
	401,411	477,818
Investment Management:		
Canadian government debt		
Federal	297	297
AGF mutual funds and other	16,528	19,572
Equity securities	6,658	6,276
	23,483	26,145
	$ 424,894	$ 503,963

[1] Includes investments issued and/or guaranteed by the Canadian government.

The following table presents a breakdown of AGF Trust available for sale investments by maturity, excluding retained interest from securitization:

February 28, 2011 ($ thousands)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust:					
Canadian government debt					
Provincial	A to AAA	$ 49,777	$ 328,413	$ 23,221	$ 401,411
Deposits with regulated institutions	–	–	–	–	–
		$ 49,777	$ 328,413	$ 23,221	$ 401,411

November 30, 2010 ($ thousands)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust:					
Canadian government debt					
Provincial	A to AAA	$ 36,169	$ 328,545	$ 27,547	$ 392,261
Deposits with regulated institutions	AA	85,557	–	–	85,557
		$ 121,726	$ 328,545	$ 27,547	$ 477,818

AGF Trust's available for sale investments include provincial guaranteed bonds, bank deposit notes and floating-rate notes (FRNs) with original terms to maturity greater than three months. As at February 28, 2011, $25.0 million of AGF Trust's available for sale investments were FRNs subject to repricing (November 30, 2010 – $85.1 million) and $376.4 million were fixed-rate securities (November 30, 2010 – $392.7 million).

Investment Management's available for sale investment in Canadian government debt is a fixed-rate treasury bond with a maturity date within one year and a credit rating of AAA.

During the three months ended February 28, 2011 and 2010, no impairment charges were required.

(b) The Company holds a 30.5% investment in S&WHL accounted for using the equity method. At February 28, 2011, the carrying value was $77.1 million (November 30, 2010 – $77.0 million). During the three months ended February 28, 2011, the Company recognized $0.8 million (2010 – $1.7 million) in earnings from S&WHL. No dividends were received from S&WHL during the three months ended February 28, 2011 and 2010.

Note 3: Securitization of AGF Trust Loans

The Company has recorded retained interests of $38.6 million (November 30, 2010 – $38.7 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 $1.9 million (November 30, 2010 – $2.5 million), (ii) cash collateral of $13.8 million (November 30, 2010 – $13.6 million) and (iii) over-collateralization of $22.9 million (November 30, 2010 – $22.6 million).

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

	February 28, 2011	November 30, 2010
Excess spread	5.0%	4.9% - 5.0%
Discount rate on interest-only strip	7.5%	7.5%
Expected credit losses	2.3% - 2.4%	2.3% - 2.4%
Prepayment rate	16.2% - 17.0%	16.2% - 17.0%
Expected weighted average life of RSP loans	1.6 years	1.6 years

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, 2011 and 2010. Since the sensitivity is hypothetical, it should be used with caution. The effect of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

($ thousands)	Impact on fair value of retained interests	
February 28	**2011**	**2010**
Discount rate		
+10%	$ (6)	$ (28)
+20%	(11)	(56)
Prepayment rate		
+10%	$ (8)	$ (37)
+20%	(1)	(67)
Expected credit losses		
+10%	$ (209)	$ (290)
+20%	(417)	(580)
Excess spread		
-10%	$ (212)	$ (537)
-20%	(423)	(1,081)

Note 4: Discontinued Operations

On April 30, 2007, AGF sold 100% of Investmaster for $6.8 million, recognizing a gain on the sale of $4.7 million. The purchase consideration included $5.0 million in cash and two notes receivable totalling £0.8 million or $1.8 million at the time of sale from the buyer. In 2009, AGF received a payment of £0.4 million or $0.7 million related to the first note receivable. In 2010, AGF received the final payment of £0.4 million or $0.6 million related to the second note receivable. No additional contingent consideration is to be received by AGF.

Note 5: Acquisitions

(a) Acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc.

On February 1, 2011, the Company completed its acquisition of 100% of the shares of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity) for a purchase price of $335.6 million. Acuity is included in the Company's Investment Management Operations segment and manages retail and institutional assets. Goodwill of $116.0 million was recognized as the fair value of consideration paid in excess of the fair value of separately recognized tangible and intangible assets acquired, net of liabilities assumed.

The fair value of net assets acquired and consideration paid are summarized in the table below, based on the Company's preliminary purchase price allocation:

($ thousands)		
Net assets acquired		
Cash	$	4,842
Other assets		12,844
Management contracts		211,500
Customer contracts		39,278
Non-competition agreement[1]		21,900
Finite-life management contracts[1]		5,500
Trademark[1]		1,600
Goodw ill		115,997
Liabilities		(14,076)
Future income taxes		(63,836)
	$	335,549
Consideration paid		
Cash	$	178,257
Cash payments due February 1, 2012		18,391
Cash payments due February 1, 2013		3,644
Cash payments due February 1, 2014		3,579
Issuance of Class B Non-Voting shares (Note 10(b))		55,683
Issuance of Class B Non-Voting shares held in escrow (Note 10(b))		58,996
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012		9,756
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012		2,517
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013		2,400
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014		2,326
	$	335,549

[1] Grouped as Other Intangibles on the Consolidated Balance Sheet.

The non-competition agreement, finite-life management contracts, and trademarks are stated at cost (being the fair value at the date of acquisition), net of accumulated depreciation and impairment, if any, on the Consolidated Balance Sheet under Other Intangibles. Amortization is computed on a straight-line basis over three to ten years based on the estimated useful lives of these assets.

The deferred cash payments and Class B, C, D and E exchangeable preferred shares are subject to an adjustment based on Acuity's net sales of institutional AUM between the date of acquisition and the payment or redemption date of these preferred shares. The adjustment is not expected to be significant, but could range between the fair value of the acquisition consideration payable and an unlimited amount. The Class B, C, D and E exchangeable preferred shares are to be settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which is determined by reference to a fixed exchange ratio. The deferred cash payments and Class B, C, D and E exchangeable preferred shares are accounted for as contingently returnable consideration carried at fair value and have been classified on the Consolidated Balance Sheet as acquisition consideration payable.

The Class B Non-Voting shares held in escrow are to be released to the Acuity vendors between the earliest of August 1, 2011 and February 1, 2014. Dividends declared on the Class B Non-Voting shares are paid to the vendors during the escrow period. Prior to the acquisition, the Company also advanced $14.0 million to Acuity, which was converted into common shares of Acuity upon closing and has been reflected above as cash consideration paid.

The following is a summary of the fair values of contingently returnable consideration at February 28, 2011:

($ thousands)	February 28, 2011
Cash payments due February 1, 2012	$ 18,391
Cash payments due February 1, 2013	3,644
Cash payments due February 1, 2014	3,579
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012	10,292
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012	2,655
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013	2,531
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014	2,451
	$ 43,543
Less: current portion	31,338
	$ 12,205

The following is a summary of post-acquisition amounts included in the Company's Consolidated Statement of Income for the three months ended February 28, 2011:

($ thousands) Three months ended February 28	2011
Revenue	$ 7,403
Net income[1]	2,494

[1] Excluding integration costs.

During the three months ended February 28, 2011, the Company recognized $5.4 million (2010 – nil) in expenses related to the acquisition and integration of Acuity and a $0.9 million loss on the fair value of the acquisition consideration payable associated with future share payments.

(b) Acquisition of Highstreet Partners Ltd.

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet). During the year ended November 30, 2009, contingent consideration, based on certain financial profitability targets being achieved by Highstreet, of $0.7 million was recorded as an increase in goodwill. This amount was paid on March 3, 2010.

Note 6: AGF Trust

AGF Trust's principal business activities are originating real estate secured loans and investment loans and deposit taking. Details relating to these activities are as follows:

	Term to contractual repricing				
($ thousands)	Variable rate	1 year or less	1 to 5 years	February 28, 2011	November 30, 2010
Mortgage loans	$ 1,182	$ 300,630	$ 540,438	$ 842,250	$ 861,007
Home equity lines of credit (HELOCs)	254,163	–	–	254,163	273,272
Total real estate secured loans	255,345	300,630	540,438	1,096,413	1,134,279
Investment loans	1,958,638	1,071	453	1,960,162	2,016,501
Total loans	2,213,983	301,701	540,891	3,056,575	3,150,780
Less: allowance for loan losses				(31,036)	(32,063)
Add: net deferred sales commissions and commitment fees				3,626	3,497
				3,029,165	3,122,214
Less: current portion				(416,812)	(433,537)
				$ 2,612,353	$ 2,688,677

(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, 2011, were $416.8 million (November 30, 2010 – $433.5 million).

As at February 28, 2011, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.7 years (November 30, 2010 – 1.7 years) and a weighted average yield of 6.0% (November 30, 2010 – 6.1%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representment, were $405.6 million as at February 28, 2011 (November 30, 2010 – $413.9 million). HELOCs, which totalled $254.2 million as at February 28, 2011 (November 30, 2010 – $273.3 million), had an average interest rate of 4.9% (November 30, 2010 – 4.9%). Investment loans, excluding RSP loans, totalled $1.6 billion as at February 28, 2011 (November 30, 2010 – $1.6 billion), and had an average interest rate (based on the prime interest rate) of 4.8% (November 30, 2010 – 4.8%). RSP loans totalled $365.9 million as at February 28, 2011 (November 30, 2010 – $378.0 million), and had an average interest rate of 6.2% (November 30, 2010 – 6.2%). The average interest rate on all investment loans as at February 28, 2011, was 5.0% (November 30, 2010 – 5.0%). Mortgage and HELOC loans are secured primarily by residential real estate. Secured investment loans of $1.6 billion (November 30, 2010 – $1.6 billion) are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.4 billion (November 30, 2010 – $1.4 billion).

(b) Loans by Province and by Type

The following tables are a breakdown of the total value and total number of loans by province and by type:

February 28, 2011 ($ millions)	**Insured mortgage loans**	**Conventional mortgage loans**	**Secured investment loans**	**RSP loans**	**HELOC receivables**	**Finance loans**	**Total**
British Columbia	$ 10.5	$ 24.3	$ 294.2	$ 31.7	$ 18.9	$ 0.1	$ 379.7
Alberta	58.7	112.5	181.5	37.7	193.0	0.3	583.7
Ontario	229.1	204.3	782.8	113.0	17.5	0.3	1,347.0
Quebec	103.7	89.0	117.0	150.9	0.3	0.3	461.2
Other	3.6	6.5	217.3	32.6	24.5	0.5	285.0
Total value of loans	$ 405.6	$ 436.6	$ 1,592.8	$ 365.9	$ 254.2	$ 1.5	$ 3,056.6

February 28, 2011 (number of loans)	**Insured mortgage loans**	**Conventional mortgage loans**	**Secured investment loans**	**RSP loans**	**HELOC receivables**	**Finance loans**	**Total**
British Columbia	54	107	4,469	3,535	91	48	8,304
Alberta	260	563	3,199	3,106	820	220	8,168
Ontario	1,497	1,171	12,631	12,191	110	131	27,731
Quebec	600	649	2,176	15,191	4	206	18,826
Other	22	45	3,168	2,908	178	360	6,681
Total number of loans	2,433	2,535	25,643	36,931	1,203	965	69,710

November 30, 2010 ($ millions)	**Insured mortgage loans**	**Conventional mortgage loans**	**Secured investment loans**	**RSP loans**	**HELOC receivables**	**Finance loans**	**Total**
British Columbia	$ 10.5	$ 26.2	$ 305.0	$ 33.4	$ 21.0	$ 0.1	$ 396.2
Alberta	59.1	115.7	190.0	38.5	207.5	0.5	611.3
Ontario	237.0	210.0	800.2	117.6	17.8	0.3	1,382.9
Quebec	104.0	90.3	120.4	154.8	0.3	0.5	470.3
Other	3.3	4.9	220.9	33.7	26.7	0.6	290.1
Total value of loans	$ 413.9	$ 447.1	$ 1,636.5	$ 378.0	$ 273.3	$ 2.0	$ 3,150.8

November 30, 2010 (number of loans)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	54	112	4,583	3,591	105	57	8,502
Alberta	262	576	3,332	3,094	877	260	8,401
Ontario	1,551	1,206	12,887	12,423	114	162	28,343
Quebec	604	653	2,234	15,281	4	253	19,029
Other	19	33	3,214	2,912	193	441	6,812
Total number of loans	2,490	2,580	26,250	37,301	1,293	1,173	71,087

(c) Impaired Loans

Loans are considered to be past due where repayment of principal or interest is contractually in arrears. Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. Loans that are insured by the federal government, an agency thereof, or a third-party insurer are classified as impaired when interest or principal is past due 365 days. As at February 28, 2011, impaired loans were $33.4 million (November 30, 2010 – $35.7 million) and $24.0 million (November 30, 2010 – $25.8 million), net of the specific allowance for loan losses.

($ thousands)	February 28, 2011	November 30, 2010
Impaired Loans:		
Insured mortgage loans	$ 7,141	$ 6,488
Conventional mortgage loans	21,808	25,157
Secured investment loans	1,477	1,357
RSP loans	1,587	1,335
HELOC receivables	1,374	1,412
	$ 33,387	$ 35,749

The following tables provide an aging of loans:

February 28, 2011 ($ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 365,092	$ 17,517	$ 2,582	$ 870	$ 19,561	$ 405,622
Conventional mortgage loans	391,633	18,494	2,955	2,279	21,267	436,628
Secured investment loans	1,577,745	11,202	1,868	861	1,122	1,592,798
RSP loans	359,784	3,952	1,004	426	674	365,840
HELOC receivables	248,028	2,636	1,519	–	1,980	254,163
Finance loans	1,524	–	–	–	–	1,524
	$ 2,943,806	$ 53,801	$ 9,928	$ 4,436	$ 44,604	$ 3,056,575

November 30, 2010 ($ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 371,731	$ 16,391	$ 2,518	$ 2,627	$ 20,588	$ 413,855
Conventional mortgage loans	400,783	17,722	2,866	1,174	24,607	447,152
Secured investment loans	1,617,556	14,701	2,525	862	898	1,636,542
RSP loans	371,553	4,301	1,043	661	420	377,978
HELOC receivables	266,663	4,289	375	–	1,945	273,272
Finance loans	1,981	–	–	–	–	1,981
	$ 3,030,267	$ 57,404	$ 9,327	$ 5,324	$ 48,458	$ 3,150,780

(d) Mortgages in Legal Action

As at February 28, 2011, there are $22.0 million (2010 – $37.9 million) of insured mortgages in legal action. In addition, the following table provides a summary of conventional mortgages in legal action, which includes demand for payment, power of sale and foreclosures. The table details opening mortgages in legal action for the period and related changes to the pool, being additions, discharged mortgages other than sold, proceeds on foreclosed mortgages discharged and related losses, to arrive at the ending balance of mortgages in legal action.

($ thousands)	February 28, 2011	February 28, 2010
Balance outstanding, beginning of the period	$ 28,297	$ 50,513
Additions	4,559	10,889
Discharged mortgages other than sold	(2,930)	(6,289)
Proceeds on foreclosed mortgages discharged	(3,278)	(5,906)
Loss on foreclosed mortgages discharged	(797)	(610)
	$ 25,851	$ 48,597

(e) Allowance for Credit Losses

The continuity in the allowance for loan losses is as follows:

Three months ended February 28, 2011 ($ thousands)	Specific allowances	General allowances	Total allowances
Balance, beginning of the period	$ 9,866	$ 22,197	$ 32,063
Amounts written off	(5,149)	–	(5,149)
Recoveries	631	–	631
Provision for (recovery of) loan losses	4,027	(536)	3,491
	$ 9,375	$ 21,661	$ 31,036
Breakdown by category as at February 28, 2011:			
Insured mortgage loans	$ –	$ 2,300	$ 2,300
Conventional mortgage loans	4,140	4,239	8,379
Secured investment loans	1,349	5,232	6,581
RSP loans	3,709	9,300	13,009
HELOC receivables	177	590	767
	$ 9,375	$ 21,661	$ 31,036

Three months ended February 28, 2010 ($ thousands)	Specific allowances	General allowances	Total allowances
Balance, beginning of the period	$ 15,064	$ 24,754	$ 39,818
Amounts written off	(6,402)	–	(6,402)
Recoveries	459	–	459
Provision for (recovery of) loan losses	4,722	(778)	3,944
	$ 13,843	$ 23,976	$ 37,819
Breakdown by category as at February 28, 2010:			
Insured mortgage loans	$ –	$ 4,200	$ 4,200
Conventional mortgage loans	5,232	4,924	10,156
Secured investment loans	3,689	5,494	9,183
RSP loans	4,786	8,522	13,308
HELOC receivables	136	836	972
	$ 13,843	$ 23,976	$ 37,819

(f) AGF Trust Deposits

	Term to maturity				
($ thousands)	Demand	1 year or less	1 to 5 years	February 28, 2011	November 30, 2010
Deposits	$ 2,924	$ 1,604,251	$ 1,709,056	$ 3,316,231	$ 3,545,529
Less: deferred selling commissions				(9,251)	(9,564)
Less: current portion				(1,607,175)	(1,814,701)
Long-term deposits				$ 1,699,805	$ 1,721,264

As at February 28, 2011, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.3 years (November 30, 2010 – 1.3 years) and a weighted average interest rate of 3.0% (November 30, 2010 – 3.1%). Approximately 10.6% (November 30, 2010 – 13.8%) of deposits mature within 90 days.

(g) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between March 2011 and March 2015. They involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to mitigate net interest revenue volatility. As at February 28, 2011, the aggregate

notional amount of the swap transactions was $2.2 billion (November 30, 2010 – $2.4 billion). The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at February 28, 2011, was $8.4 million (November 30, 2010 – $15.9 million). During the three months ended February 28, 2011, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the Consolidated Statement of Income amounted to a loss of $0.3 million (2010 – $0.4 million loss), as it relates to fair value hedging relationships.

February 28, 2011 ($ thousands)	Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
	$ 1,080,000	$ 3,883	2011	0.83% - 5.08%
	745,000	3,323	2012	1.26% - 5.01%
	320,000	577	2013	1.73% - 2.71%
	70,000	294	2014	2.09% - 2.82%
	25,000	358	2015	2.82% - 2.93%
	$ 2,240,000	$ 8,435		

November 30, 2010 ($ thousands)	Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
	$ 235,000	$ 140	2010	0.60% - 4.34%
	1,290,000	6,523	2011	0.61% - 5.08%
	685,000	6,252	2012	1.26% - 5.01%
	170,000	1,501	2013	1.86% - 2.71%
	40,000	797	2014	2.22% - 2.82%
	25,000	687	2015	2.82% - 2.93%
	$ 2,445,000	$ 15,900		

Note 7: Other Assets

($ thousands)	February 28, 2011	November 30, 2010
Long-term portion of derivatives used to manage interest rate exposure	$ 3,629	$ 9,746
Other	6,156	6,226
	$ 9,785	$ 15,972

The current portion of derivatives used to manage interest rate exposure is included under accounts receivable, prepaid expenses and other assets. As at February 28, 2011, the current portion was $4.8 million (November 30, 2010 – $6.2 million). Refer to Note 6(g) for details on the derivatives used to manage interest rate exposure. Refer to Note 15 for further details of the Company's derivative instruments.

Note 8: Long-Term Debt

($ thousands)	February 28, 2011	November 30, 2010
Revolving term loan	$ 160,624	$ 143,678
Acquisition facility (Note 5(a))	183,997	–
	$ 344,621	$ 143,678

(a) Revolving Term Loan

On January 28, 2011, the Company amended and restated its revolving committed term loan with a major Canadian chartered bank. The amended loan facility is a four-year revolving term loan with a maximum aggregate principal of $300.0 million (November 30, 2010 – $300.0 million). Advances under the facility are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. The facility, if not renewed, is due in full on January 28, 2015. As at February 28, 2011, AGF had drawn $160.6 million (November 30, 2010 – $143.7 million) against the facility in the form of seven- to 31-day BAs at an effective average interest rate of 2.9% (November 30, 2010 – 2.6%) per annum.

The facility is guaranteed by AGF Management Limited and certain subsidiaries, including the Acuity group of companies and 20/20 Financial Corporation.

(b) Acquisition Facility

On January 28, 2011, the Company arranged a syndicated four-year non-amortizing term loan credit facility with two Canadian chartered banks (acquisition facility). The acquisition facility consists of a one-time drawdown of $185.0 million to partially fund the acquisition of Acuity. The facility must be fully repaid by January 28, 2015, and is not renewable. Advances under the facility are made available by way of Canadian dollar prime-rate loans or Canadian dollar BAs. As at February 28, 2011, AGF had drawn $184.0 million against the facility in the form of a three-month BA at an effective average interest rate of 3.0% per annum.

The facility is guaranteed by AGF Management Limited and certain subsidiaries, including the Acuity group of companies and 20/20 Financial Corporation.

Note 9: Other Long-Term Liabilities

($ thousands)	February 28, 2011	November 30, 2010
Long-term compensation-related liabilities	7,409	12,772
Long-term portion of Elements Advantage	3,545	3,883
Other	556	46
	$ 11,510	$ 16,701

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. Until June 22, 2009, four of these portfolios included the Elements Advantage Commitment, which is a commitment to investors that if their portfolio does not match or outperform its customized benchmark over a three-year period, AGF will provide each individual investor up to 90 basis points in additional units. This is calculated based on the value of such investment at the end of its related three-year period. As of June 22, 2009, the Company discontinued the Elements Advantage feature on its Elements products. Eligible units purchased prior to June 22, 2009, have been grandfathered and will retain the Elements Advantage feature. The current portion of the Elements Advantage liability is included under accounts payable and accrued liabilities. As at February 28, 2011, the current portion was $3.2 million (November 30, 2010 – $3.1 million).

Note 10: Capital Stock

(a) Authorized Capital

The authorized capital of AGF consists of an unlimited number of AGF Class B Non-Voting shares and an unlimited number of AGF Class A Voting common shares. The Class B Non-Voting shares are listed for trading on the Toronto Stock Exchange (TSX).

(b) Changes During the Period

The change in capital stock is summarized as follows:

Three months ended February 28	**2011**		**2010**	
($ thousands, except share amounts)	**Shares**	**Stated value**	**Shares**	**Stated value**
Class A Voting common shares	57,600	$ –	57,600	$ –
Class B Non-Voting shares				
Balance, beginning of period	88,606,196	$ 439,216	89,097,400	$ 438,612
Issued through stock dividend plan	25,062	483	38,659	661
Stock options exercised	301,550	3,517	88,250	826
Issued on acquisition of Acuity (Note 5)	6,487,203	114,679	–	–
Balance, end of period	95,420,011	$ 557,895	89,224,309	$ 440,099

(c) Class B Non-Voting Shares Purchased for Cancellation

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer

bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,430,257 shares through to March 6, 2012. No shares were repurchased during the three months ended February 28, 2011 and 2010.

(d) Stock Option Plan

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,123,521 Class B Non-Voting shares could have been granted as at February 28, 2011 (2010 – 4,198,751). The stock options are issued at a price not less than the market price of the Class B Non-Voting 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, vest at the end of the term of the option.

The change in stock options during the three months ended February 28, 2011 and 2010 is summarized as follows:

Three months ended February 28	2011			2010		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B Non-Voting share options						
Balance, beginning of period	5,540,399	$	16.35	6,627,398	$	16.34
Options granted	678,780		19.03	75,000		16.20
Options forfeited/expired	(51,950)		18.55	(419,699)		16.22
Options exercised	(301,550)		10.37	(88,250)		8.64
Balance, end of period	5,865,679	$	16.95	6,194,449	$	16.45

During the three months ended February 28, 2011, 678,780 stock options were granted (2010 – 75,000) and compensation expense and contributed surplus of $0.4 million (2010 – $0.8 million) were recorded. The fair value of options granted during the three months ended February 28, 2011, has been estimated at $4.43 per share using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the three months ended February 28, 2011.

Risk-free interest rate	2.45%
Expected dividend yield	5.47%
Expected share price volatility	41.37%
Option term	5 years

(e) Restricted Share Unit (RSU) Plan

The change in share units during the three months ended February 28, 2011 and 2010 is as follows:

Three months ended February 28	2011	2010
	Number of share units	Number of share units
Outstanding, beginning of period		
Non-vested	487,761	685,862
Issued		
Initial grant	315,877	12,122
In lieu of dividends	6,409	10,515
Settled in cash	(3,726)	(1,715)
Forfeited and cancelled	(11,383)	(10,304)
Outstanding, end of period	794,938	696,480

Compensation expense for the three months ended February 28, 2011, related to these share units was $2.1 million (2010 – $0.9 million). AGF entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs. AGF had economically hedged no share units as at February 28, 2011 (2010 – 139,885 share units at a fixed cost of $29.29). Refer to Note 15 for further details on the Company's derivative instruments. On December 3, 2010, AGF fully settled with its counterparty the remaining 124,626 units having a notional value of $3.4 million based on their November 30, 2010, fair value thereby terminating the hedging relationship.

(f) Deferred Share Unit (DSU) Plans

There is no unrecognized compensation expense related to directors' DSUs since these awards vest immediately upon grant. As at February 28, 2011, 57,183 (2010 – 45,423) DSUs were outstanding. Compensation expense related to these DSUs for the three months ended February 28, 2011, was $0.1 million (2010 – less than $0.1 million).

(g) Partners Incentive Plan (PIP)

Compensation expense related to this incentive plan are recorded in payroll costs and amounted to $0.6 million for the quarter ended February 28, 2011 (2010 – nil).

(h) Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share:

($ thousands, except per share amounts) **Three months ended February 28**	**2011**	**2010**
Numerator		
Net income for the period attributable to equity owners of the Company	$ 27,705	$ 30,639
Denominator		
Weighted average number of shares – basic	90,799,935	89,211,983
Dilutive effect of employee stock options	1,210,200	1,178,189
Weighted average number of shares – diluted	92,010,135	90,390,172
Earnings per share attributable to equity owners of the Company		
Basic	$ 0.31	$ 0.34
Diluted	$ 0.30	$ 0.34

Note 11: Accumulated Other Comprehensive Income (Loss)

($ thousands)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening Balance				
Other comprehensive income (loss)	$ (27,606)	$ 13,817	$ (126)	$ (13,915)
Income tax recovery (expense)	4,099	(3,467)	47	679
Balance, November 30, 2009	(23,507)	10,350	(79)	(13,236)
Transactions during the year ended November 30, 2010				
Other comprehensive income (loss)	(7,347)	9,668	126	2,447
Income tax recovery (expense)	918	(3,201)	(47)	(2,330)
Balance, November 30, 2010	(29,936)	16,817	–	(13,119)
Transactions during the three months ended February 28, 2011				
Other comprehensive income (loss)	(802)	(13,555)	–	(14,357)
Income tax recovery	100	4,102	–	4,202
Balance, February 28, 2011	$ (30,638)	$ 7,364	$ –	$ (23,274)

Note 12: Supplemental Disclosure of Cash Flow Information

(a) Changes in Non-Cash Operating Working Capital Items

($ thousands) **Three months ended February 28**	**2011**	**2010**
Decrease in accounts receivable	$ 10,814	$ 4,850
Increase in other assets	(2,453)	(2,541)
Decrease in accounts payable and accrued liabilities	(54,161)	(49,329)
Increase (decrease) in deposits and other liabilities	2,918	(3,473)
	$ (42,882)	$ (50,493)

(b) Income Taxes and Interest Paid

($ thousands) **Three months ended February 28**	**2011**	**2010**
Income taxes paid	$ 13,615	$ 27,512
Interest paid	20,813	20,617
	$ 34,428	$ 48,129

Note 13: AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

($ thousands) **Three months ended February 28**	**2011**	**2010**
AGF Trust interest income		
Loan interest	$ 40,194	$ 42,900
Investment interest	4,207	2,971
	44,401	45,871
AGF Trust interest expense		
Deposit interest	25,940	33,918
Hedging interest income	(6,766)	(14,449)
Other interest expense	4,330	4,844
	23,504	24,313
AGF Trust net interest income	$ 20,897	$ 21,558

Note 14: Capital Management

Detailed disclosure of the Company's capital, including management objectives and policies and regulatory capital requirements, are included in Note 22 to AGF's 2010 Annual Report. The Investment Management businesses, in general, are not subject to significant regulatory capital requirements in each of the jurisdictions in which they are registered and operate.

The regulatory capital ratios and asset-to-capital multiple for AGF Trust are as follows:

($ thousands)	**February 28, 2011**	**November 30, 2010**
Tier 1 capital	$ 300,079	$ 287,183
Total regulatory capital	422,909	403,814
Risk-weighted assets	1,750,508	1,795,568
Tier 1 capital ratio	17.1%	16.0%
Total capital ratio	24.2%	22.5%
Assets-to-capital multiple	9.2	10.2

Note 15: Financial Instruments

Financial instruments are classified based on categories according to CICA Handbook "Section 3855 Financial Instruments – Recognition and Measurement" as follows:

As at February 28, 2011	Carrying amount on balance sheet		
	Fair value		Amortized cost
($ thousands)	Available for sale	Held for trading	Loans and receivables or other financial liabilities
Cash and cash equivalents	$ –	$ 393,326	$ –
Investments	424,894	–	–
Retained interest from securitization	38,591	–	–
Accounts receivable	–	–	86,968
Real estate secured and investment loans	–	–	3,029,165
Derivatives	–	8,435	–
Other assets	–	–	4,221
Total financial assets	$ 463,485	$ 401,761	$ 3,120,354
Accounts payable and accrued liabilities	$ –	$ –	$ 221,691
Long-term debt	–	–	344,621
Deposits	–	–	3,306,980
Acquisition consideration payable	–	43,543	–
Other long-term liabilities	–	–	11,510
Total financial liabilities	$ –	$ 43,543	$ 3,884,802

As at November 30, 2010	Carrying amount on balance sheet		
	Fair value		Amortized cost
($ thousands)	Available for sale	Held for trading	Loans and receivables or other financial liabilities
Cash and cash equivalents	$ –	$ 456,550	$ –
Investments	503,963	–	–
Retained interest from securitization	38,699	–	–
Accounts receivable	–	–	85,925
Real estate secured and investment loans	–	–	3,122,214
Derivatives	–	15,900	–
Other assets	–	–	4,291
Total financial assets	$ 542,662	$ 472,450	$ 3,212,430
Accounts payable and accrued liabilities	$ –	$ –	$ 257,451
Long-term debt	–	–	143,678
Deposits	–	–	3,535,965
Derivatives	–	1,277	–
Other long-term liabilities	–	–	16,701
Total financial liabilities	$ –	$ 1,277	$ 3,953,795

Fair Value Hierarchy

Financial Instruments Carried at Fair Value

The financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

Quoted Prices in an Active Market (Level 1)

This level of the hierarchy includes listed equity securities on major exchanges, investments in AGF mutual funds, highly liquid temporary deposits with Canadian banks, an Irish government guaranteed bank and non-Irish banks in Ireland, as well as bank term deposits. The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Valuation Techniques with Observable Parameters (Level 2)

This level of the hierarchy includes derivative instruments with major Canadian chartered banks, as well as investments held by AGF Trust, which include FRNs. AGF Trust values its investment holdings primarily using counterparty mark to markets provided by the major financial institutions or investment brokerages with which it deals.

The fair value of derivatives used to manage interest rate exposure is calculated through discounting future expected cash flows using the BA-based swap curve. Since the BA-based swap curve is an observable input, these financial instruments are considered Level 2.

The fair value of the derivative used to manage changes in share-based compensation was calculated as the difference between the initial swap price and the market value of Class B Non-Voting shares on the valuation date, multiplied by the total number of shares outstanding. The initial price was equal to the price agreed to at the onset of the swap agreement, adjusted for dividends that had been reinvested by the equity holder. Since the market value of Class B Non-Voting shares is an observable input, this financial instrument was considered Level 2.

Valuation Techniques with Significant Unobservable Parameters (Level 3)

This level of the hierarchy includes the retained interest from securitization. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the retained interest from securitization is determined using the present value of future expected cash flows. The expected cash flow model incorporates expected credit losses, prepayment rates, discount rate and excess spread. Expected credit losses and prepayment rates are primarily based on historical portfolio performance, while discount rate and excess spread are based on portfolio performance combined with management's assessment of the impact of market and economic factors on expected cash flows.

Refer to Note 5(a) for a discussion of the fair value of the acquisition consideration payable.

The following table classifies the carrying value of the financial instruments held at fair value across the fair value hierarchy:

February 28, 2011	Financial instruments at fair value			
($ thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 393,326	$ –	$ –	$ 393,326
Investments	23,483	401,411	–	424,894
Retained interest from securitization	–	–	38,591	38,591
Derivatives	–	8,435	–	8,435
Total financial assets	$ 416,809	$ 409,846	$ 38,591	$ 865,246
Acquisition consideration payable	$ –	$	$ 43,543	$ 43,543
Total financial liabilities	$ –	$ –	$ 43,543	$ 43,543

November 30, 2010	Financial instruments at fair value			
($ thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 456,550	$ –	$ –	$ 456,550
Investments	26,145	477,818	–	503,963
Retained interest from securitization	–	–	38,699	38,699
Derivatives	–	15,900	–	15,900
Total financial assets	$ 482,695	$ 493,718	$ 38,699	$ 1,015,112
Derivatives	$ –	$ 1,277	$ –	$ 1,277
Total financial liabilities	$ –	$ 1,277	$ –	$ 1,277

During the three months ended February 28, 2011 and 2010, there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

The following is a reconciliation of Level 3 fair value measurements from November 30, 2010 to February 28, 2011:

	Fair value measurements using Level 3 inputs
($ thousands)	Retained interest from securitization
Balance at November 30, 2010	$ 38,699
Accretion income	635
Cash receipts, net of writeoffs	(602)
Securitization writedown	(77)
Unrealized losses recognized in other comprehensive income	(64)
Balance at February 28, 2011	$ 38,591

	Fair value measurements using Level 3 inputs
($ thousands)	Retained interest from securitization
Balance at November 30, 2009	$ 40,448
Accretion income	681
Cash receipts, net of writeoffs	(829)
Securitization writedown	(312)
Unrealized losses recognized in other comprehensive income	(146)
Balance at February 28, 2010	$ 39,842

Financial Instruments Not Carried at Fair Value

The following table presents the estimated fair value of the Company's financial instruments that are not carried at fair value in the balance sheet:

($ thousands)	February 28, 2011 Carrying value	February 28, 2011 Fair value	November 30, 2010 Carrying value	November 30, 2010 Fair value
Accounts receivable	$ 86,968	$ 86,968	$ 85,925	$ 85,925
Real estate secured loans and investment loans	3,029,165	3,038,676	3,122,214	3,135,568
Other assets	4,221	4,221	4,291	4,291
Total financial assets	$ 3,120,354	$ 3,129,865	$ 3,212,430	$ 3,225,784
Accounts payable and accrued liabilities	$ 221,691	$ 221,691	$ 257,451	$ 257,451
Long-term debt	344,621	344,621	143,678	143,678
Deposits	3,306,980	3,329,246	3,535,965	3,568,319
Other long-term liabilities	11,510	11,510	16,701	16,701
Total financial liabilities	$ 3,884,802	$ 3,907,068	$ 3,953,795	$ 3,986,149

For accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt and other long-term liabilities, the carrying amount represents a reasonable approximation of fair value.

Real estate secured loans, investment loans, RSP loans, HELOC receivables, and finance loans are classified as loans and receivables and are recorded at amortized cost using the effective interest method, net of any allowance for loan losses and related deferred fees and charges. The fair value of mortgage loans and deposits is calculated based on the discounted present value of future cash flows associated with the loans and deposits. The discount rates used reflect prevailing market rates for loans and deposits with similar residual terms to maturity and product characteristics. For all other loan types, the carrying value is considered to be a reasonable approximation of fair value due to the variable interest rate nature of the loan.

Risk Management

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risk.

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate due to changes in market factors. Market risk includes fair value risk, interest rate risk and foreign currency risk. The Company is exposed to these risks directly through its financial instruments.

Fair Value Risk

Fair value risk is the risk of loss due to adverse changes in prices other than from change in interest rates and foreign currency. The Company is exposed to fair value risk on certain investments available for sale and certain derivative positions. The Company's investments that have fair value risk include mutual funds managed by the Company and common shares of $23.2 million as at February 28, 2011 (2010 – $17.8 million). Any unrealized gains or losses arising from changes in the fair value of these financial instruments available for sale are recorded in other comprehensive income. Based on the carrying value of these investments at February 28, 2011, the effect of a 10% decline or increase in the value of investments would result in a $2.3 million (2010 – $1.7 million) pre-tax unrealized gain or loss to other comprehensive income.

Details of the Company's derivative instruments are as follows:

February 28, 2011 ($ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure	0.83% - 5.08%	2015	2,240,000	8,435
Derivatives used to manage changes in share-based compensation	–	–	–	–

November 30, 2010 ($ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure	0.60% - 5.08%	2015	2,445,000	15,900
Derivatives used to manage changes in share-based compensation	–	2010	3,426	(1,277)

As at February 28, 2011, the effect of a 10% decline or increase in the value of the underlying reference asset of the derivatives used to manage changes in share-based compensation would result in a nil (2010 – $0.3 million) increase or decrease in income. On December 3, 2010, AGF fully settled with its counterparty the remaining 124,626 units having a notional value of $3.4 million based on their November 30, 2010, fair value thereby terminating the hedging relationship.

Interest Rate Risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; mortgage prepayment rates; changes in the market price of credit and the creditworthiness of a particular client.

The Company, through AGF Trust, is exposed to interest rate risk primarily through its cash and cash equivalents, investments available for sale, real estate secured and investment loans receivable, and deposits, managed and supervised by AGF Trust's Asset and Liability Committee. AGF Trust employs a number of techniques to manage this risk, including the matching of asset and liability terms. AGF Trust also uses interest rate swaps to manage any residual mismatches. At February 28, 2011, a 1% increase in interest rates in the aforementioned financial instruments would result in an increase in annual net interest income of approximately $3.3 million, while a 1% decrease in interest rates would result in a decrease of net interest income of approximately $3.3 million. Refer to Note 3 for the effect of changes to key assumptions on the fair value of retained interests.

The Company, excluding AGF Trust, is also exposed to interest rate risk through its floating-rate debt and cash balances. As at February 28, 2011, the effect of a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $2.5 million (2010 – $1.7 million).

Foreign Exchange Risk

Foreign currency risk is the risk of loss due to changes in spot and forward rates and the volatility of currency exchange rates. The Company is subject to foreign exchange risk on its integrated foreign subsidiaries. These subsidiaries retain minimal monetary exposure to the local currency, as the majority of revenues are earned in Canadian dollars and salaries and wages are primarily paid on a monthly basis and represent the majority of the local currency expenses. As such, these foreign subsidiaries have limited use of financial instruments denominated in local currencies, thus resulting in minimal foreign exchange risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Company cannot meet a demand for cash resources when required or meet its financial obligations.

The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 10 and 14. In its Investment Management segment, the Company manages its liquidity by monitoring actual and projected cash flows to ensure that it has sufficient liquidity through cash received from operations as well as borrowings under its credit and acquisition facilities. The key liquidity requirements within this segment are the funding of commissions paid on mutual funds, dividends paid to shareholders and the repayment of its acquisition facility. The Company is subject to certain financial loan covenants under its credit and acquisition facilities and has met all of these conditions.

AGF Trust manages liquidity risk through deposit-taking activities and through the securitization of loans. The key liquidity requirements within this segment are the funding of mortgages and loans and the ability to pay out maturing GICs. AGF Trust's overall liquidity risk is managed by its treasury department and is supervised by AGF Trust's Asset and Liability Management Committee in accordance with the policies for management of assets and liabilities, liquidity and loan financing activities. These policies aim to ensure that AGF Trust has sufficient cash resources to meet its current and future financial obligations in the regular course of business and under a variety of conditions.

Management monitors cash resources daily to ensure that AGF Trust's liquidity measurements are within the limits established by policies. In addition, management meets regularly to assess the timing of cash inflows and outflows related to loan and deposit maturities, and to review various possible stress scenarios. AGF Trust aims to maintain a prudent reserve of unencumbered liquid assets that are readily available if required. It strives to maintain a stable volume of base deposits that originate from its deposit brokerage clientele.

The Company's internal audit department reviews the compliance of AGF Trust's liquidity policies. Internal audit reports are presented to the Audit Committee of the Trust Board for review.

The following table presents contractual terms to maturity of the financial liabilities owed by the Company:

February 28, 2011 ($ thousands)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 221,691	$ –
Long-term debt	–	–	346,000
Deposits[1]	2,924	1,629,526	1,823,679
Acquisition consideration payable	–	20,448	9,176
Other liabilities	–	–	11,510
Total	$ 2,924	$ 1,871,665	$ 2,190,365

November 30, 2010 ($ thousands)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 258,728	$ –
Long-term debt	–	–	144,000
Deposits[1]	3,630	1,839,525	1,850,820
Other liabilities	–	–	16,701
Total	$ 3,630	$ 2,098,253	$ 2,011,521

[1] Includes future interest payments and excludes deferred selling commissions.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. The Company's overall credit risk strategy and credit risk policy are developed by senior management and further refined at the business unit level, through the use of policies, processes and internal controls, designed to promote business activities while ensuring these activities are within the standards of risk tolerance levels. As at February 28, 2011, financial assets of $4.0 billion (November 30, 2010 – $4.2 billion), consisting of cash and cash equivalents, investments, retained interests from securitization, real estate secured loans and investment loans, accounts receivable and other assets, were exposed to credit risk up to the maximum of their respective carrying value.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian banks, an Irish government guaranteed bank and non-Irish banks in Ireland, as well as bank term deposits.

Investments subject to credit risk consist primarily of FRNs, senior debt instruments, investments in mutual funds of AGF and other securities. For investing activities done through AGF Trust, policies have been established that identify the types and rating of debt investments in which AGF Trust can invest. These policies also restrict AGF Trust's transactions primarily to major chartered banks and recognized investment dealers who are members of the Investment Industry Regulatory Organization of Canada (IIROC). AGF Trust maintains a list of approved securities dealers and counterparties, which are reviewed at least annually by the Trust Board. AGF Trust uses external credit rating agencies in assessing the credit quality of certain investments in financial assets. The credit rating agencies used include DBRS, S&P and Moody's. Refer to Note 2 for a breakdown of the credit ratings for AGF Trust's investments available for sale.

The Company's most significant credit risk is through AGF Trust's real estate secured loans and investment loans. AGF Trust mitigates this risk through stringent credit policies and lending practices. These policies aim to ensure that the authority to approve credit applications is appropriately delegated by senior management of AGF Trust, depending on the risk and the amount of the credit application. The credit policies also provide guidelines for pricing based on risk, for reviewing any collateral pledged for a credit application, monitoring of impaired loans and for establishing and reviewing loan loss provisions to ensure they are adequate. The policies establish risk limits for credit concentration by counterparty, geographic location and other risk factors that would impact AGF Trust's credit risk profile.

At February 28, 2011, AGF Trust's loan assets totalled $3.0 billion (November 30, 2010 – $3.2 billion) and were comprised of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, $0.8 billion (November 30, 2010 – $0.9 billion) was represented by mortgage loans and $0.3 billion (November 30, 2010 – $0.3 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At February 28, 2011, 48.5% of mortgage loans were insured by Canada Mortgage and Housing Corporation (CMHC) or another insurer (November 30, 2010 – 48.1%). Conventional uninsured mortgages have loan-to-value ratios of less than 80% of the appraised value of the property at the time the mortgage loan was granted. The average loan-to-value ratio of uninsured mortgage loans was 63.2% as at February 28, 2011 (2010 – 65.1%).

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 95.5% as at February 28, 2011 (November 30, 2010 – 97.2%). AGF Trust's credit risk on these loans is also mitigated through the use of collateral, primarily in the form of residential real estate. Under AGF Trust's lending criteria, management reviews all mortgage loans on a regular basis to determine the appropriate allowance for loss required by AGF Trust. Risk is also mitigated through residential mortgage insurance through CMHC or another insurer. As at February 28, 2011, AGF Trust's insured residential mortgage portfolio was $404.3 million, net of deferred sales commission and allowances (November 30, 2010 – $413.9 million).

Credit risk for HELOCs and investment loans is mitigated by collateral in the form of residential mortgages and investment funds, respectively. Investment loans, excluding RSP loans, of $1.6 billion, are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.4 billion.

RSP loans are used by borrowers to purchase assets in a retirement savings plan. The creditworthiness of each borrower is assessed prior to approval of the loan. Predictive scorecards are used to determine the probability of default and bankruptcy of the borrowers. On a regular basis, AGF Trust reviews the credit quality in the portfolio. Loans in arrears are also reviewed regularly to determine the appropriate loan loss reserves.

Derivative financial instruments expose AGF Trust to credit risk to the extent that if a counterparty default occurs, market conditions are such that AGF Trust would incur a loss in replacing the defaulted transaction. AGF Trust negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure. AGF Trust assesses the credit worthiness of the counterparties to minimize the risk of counterparty default under the agreements. AGF Trust only uses major Chartered banks as counterparties with a minimum credit rating of AA.

Note 16: 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 AGF investment products. AGF Trust offers a wide range of trust services including GICs, term deposits, real estate secured loans and investment loans. The results S&WHL have been included in Other.

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 2010 Annual Report.

Three months ended February 28, 2011 ($ thousands)	**Investment Management Operations**	**Trust Company Operations**	**Other[1]**	**Total**
Revenue	$ 139,301	$ 22,748	$ 845	$ 162,894
Operating expenses	84,743	14,182	–	98,925
Amortization and other expenses	22,237	390	1,929	24,556
Segment income before taxes	$ 32,321	$ 8,176	$ (1,084)	$ 39,413
Total Assets	$ 1,542,796	$ 3,859,488	$ –	$ 5,402,284

Three months ended February 28, 2010 ($ thousands)	**Investment Management Operations**	**Trust Company Operations**	**Other[1]**	**Total**
Revenue	$ 130,688	$ 23,881	$ 1,675	$ 156,244
Operating expenses	76,299	12,757	–	89,056
Amortization and other expenses	21,843	646	1,834	24,323
Segment income before taxes	$ 32,546	$ 10,478	$ (159)	$ 42,865
Total Assets	$ 1,165,080	$ 4,429,081	$ –	$ 5,594,161

[1] Other revenue relates to S&WHL.

This report contains forward-looking statements with respect to AGF, including its business operations, strategy, financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially include, among other things, general economic and market factors including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.