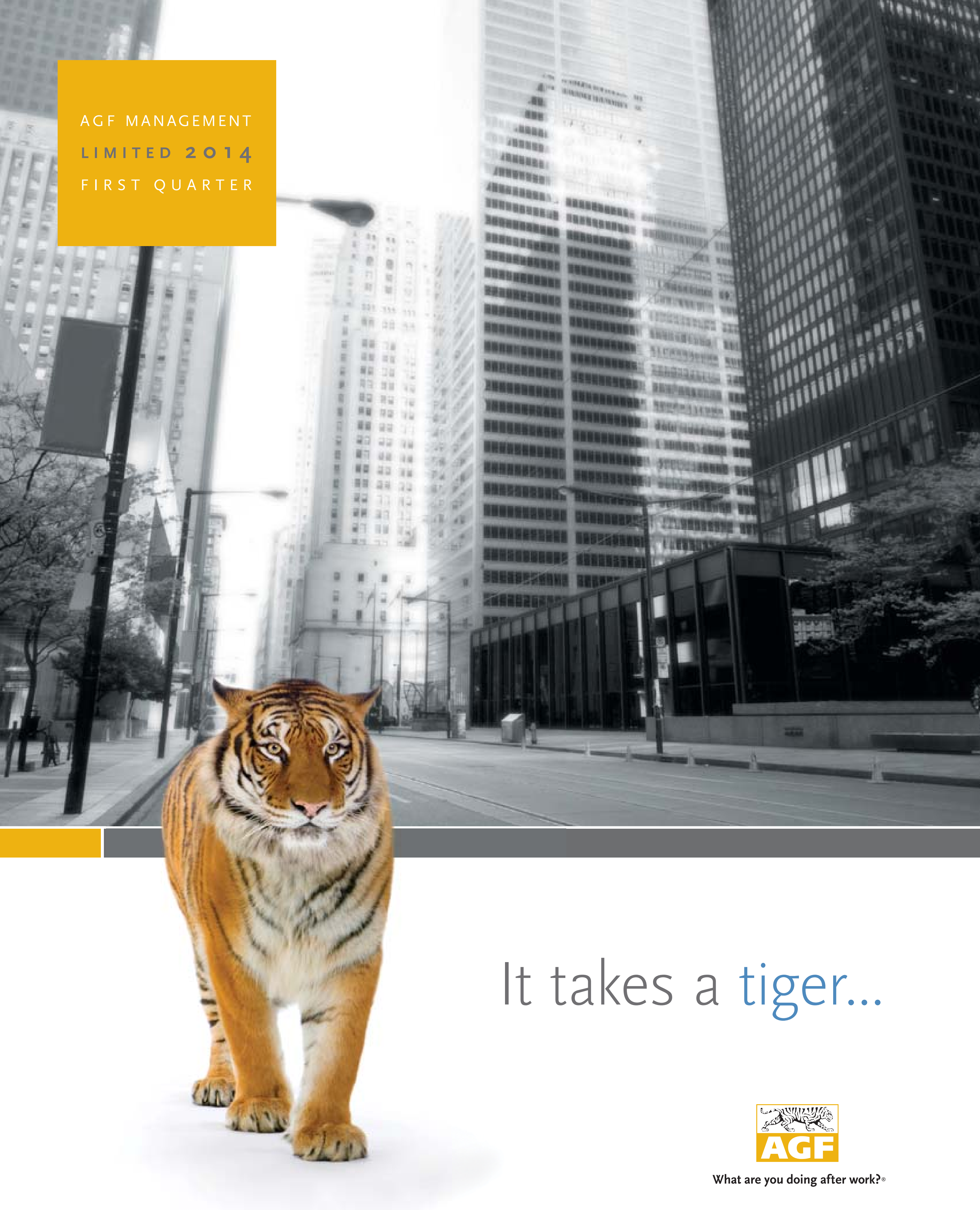
AGF MANAGEMENT LIMITED 2014 FIRST QUARTER



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AGF MANAGEMENT LIMITED
First Quarter Report to Shareholders for the three months ended February 28, 2014

AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

Earnings per share from continuing operations up 17.6%

Toronto | March 26, 2014

AGF Management Limited (AGF or the Company) today announced financial results for the first quarter ended February 28, 2014, reporting diluted earnings per share (EPS) from continuing operations of $0.20 compared to $0.17 for the three months ended February 28, 2013. Diluted EPS, including discontinued operations, was $0.23 for the three months ended February 28, 2014.

Total assets under management (AUM) were $36.1 billion as at February 28, 2014, compared to $39.3 billion as at February 28, 2013. AUM increased 4.9% from November 30, 2013, reflecting net new sales of over $700.0 million in our institutional business during the quarter. Total retail fund AUM remained stable at $20.0 billion as at February 28, 2014, compared to the first quarter of 2013. The trend of lower retail redemption rates in 2013 continued into the first quarter of 2014 as net redemptions were 16.5% lower compared to the three months ended February 28, 2013. Institutional and sub-advisory AUM was $12.1 billion as at February 28, 2014, compared to $15.6 billion as at February 28, 2013 and $10.9 billion as at November 30, 2013. High-net-worth AUM increased to $4.1 billion, compared to $3.7 billion for the corresponding period in 2013.

During the first quarter, AGF launched its Undertakings for Collective Investment in Transferable Securities (UCITS) platform and, along with a segregated account, attracted approximately $1.0 billion in new institutional assets. In addition, AGF announced the launch of its joint venture, InstarAGF Inc., related to the formation of an alternative asset management platform, which will provide our clients with the ability to invest in the growing alternative space. The initial fund is expected to be launched in 2014 and will be focused on core infrastructure investments.

“Our first quarter performance has been solid. We are pleased with the improvements in retail net flows, new flows in the institutional business and strengthening investment performance,” said Blake C. Goldring, Chairman and Chief Executive Officer, AGF. “Moving forward, our focus continues to be on providing innovative solutions for investors and continued performance improvements across our product suite.”

During the first quarter of 2014, revenue from continuing operations was $116.9 million, compared to $122.5 million for the three months ended February 28, 2013. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations was $43.9 million, compared to $45.3 million in the first quarter of 2013. For the three months ended February 28, 2014, net income from continuing operations was $17.1 million compared to $15.6 million for the three months ended February 28, 2013. During the quarter, AGF revised the estimated contingent consideration receivable on the sale of AGF Trust and recorded a $2.8 million gain, net of tax, related to discontinued operations.

Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.3 million in the first quarter of 2014. In addition, AGF repurchased a total of 1,762,200 shares for $22.1 million under its normal course issuer bid. For the three months ended February 28, 2014, AGF declared a 27 cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable April 18, 2014 to shareholders on record as at April 9, 2014.

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 and cost efficiency in our 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 the 2013 Annual MD&A.

Dear fellow shareholders,

For the three months ended February 28, 2014, improving market conditions and economic fundamentals resulted in strong performance for equities, particularly in developed markets. In December, the U.S. Congress reached a bipartisan budget agreement for the first time in four years, which positively impacted market sentiment. Later in January, uncertainty and volatility within financial markets increased as economic fundamentals in Emerging Market (EM) economies continued to weaken. EM weakness led to outflows as developed markets outperformed. The political crisis in Ukraine erupted in February, leading to further volatility within financial markets.

Canadian equities outperformed their U.S. counterparts for the period (in local currency terms), with a strong uptrend in oil and gold prices giving the Canadian markets a lift. Fixed income markets performed well as yields fell on increased uncertainty in January. Retail mutual fund flows for the period were solid, as the industry experienced one of the strongest RRSP seasons in years. Equity funds dominated flows while investors continued to shy away from bond funds. Global balanced products also enjoyed good inflows as investors continue to look for diversification beyond our borders.

The first quarter of 2014 was productive and encouraging for AGF. We continue our global search for a new Chief Investment Officer (CIO) and are pleased with the quality of candidates with whom we have met. In line with our commitment to strengthen our investment management capabilities, we announced the addition of Peter Imhof, a respected Canadian growth manager, to our North American team.

During the quarter, we launched our Undertakings for Collective Investment in Transferable Securities (UCITS) platform, a pooled fund structure for marketing in Europe and Asia. The platform currently offers global and emerging market mandates. We are encouraged by the initial inflows of approximately $600.0 million through the UCITS platform. In our retail business, we continue to focus on meeting the needs of investors. Over the past 24 months, the introduction of innovative solutions like AGF Floating Rate Income Fund, AGF Focus Funds and AGF U.S. AlphaSector Class have addressed investor concerns related to market volatility and rising interest rates and as a result, we have seen net inflows since launch of approximately $700.0 million.

In January 2014, we announced the formation of InstarAGF Inc., a joint venture related to the alternative asset management space. This platform will provide our clients with the ability to invest in the growing alternative space and we expect this segment to be a growth driver in the next three to five years.

Total assets under management (AUM) increased 4.9% to $36.1 billion from $34.4 billion at November 30, 2013, reflecting net new sales of $123.0 million combined with positive equity markets, while retail net redemptions improved 16.5% over the first quarter of 2013.

Financially, AGF's earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were $43.9 million, compared to $45.3 million in the first quarter of 2013. EBITDA margin was 37.6% compared to 37.0% in 2013. Diluted earnings per share (EPS) from continuing operations for the three months ended February 28, 2014 increased to $0.20 per share, compared to $0.17 per share in the first quarter of 2013. Our balance sheet remains strong with $286.1 million in cash and investments as at February 28, 2014 and a modest debt-to-equity ratio of 32.1%.

AGF remains committed to returning value to our shareholders. During the quarter, we returned a total of $45.4 million to our shareholders through a combination of cash dividends and share buybacks.

In closing, I would like to express my sincere thanks to all of our stakeholders for their continued support and confidence. We remain focused on our strategic priorities and look forward to the continued expansion of our business throughout 2014 and beyond.

Sincerely,

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
March 26, 2014

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

This Management's Discussion and Analysis (MD&A) is as of March 25, 2014, and presents an analysis of the financial condition of AGF and its subsidiaries for the three-month period ended February 28, 2014, compared to the three-month period ended February 28, 2013. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three months ended February 28, 2014, and our 2013 Annual Report. The financial statements for the three months ended February 28, 2014, including required comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting, unless otherwise noted.

We also utilize non-IFRS financial measures to assess our overall performance. Details of non-IFRS measures used are outlined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section, which provides calculations of the non-IFRS measures.

All dollar amounts are in Canadian dollars unless otherwise indicated. Throughout this discussion, percentage changes are calculated based on results rounded to the nearest thousand. Results, except per share information, are presented in millions of dollars. Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A.

There have been no material changes to the information discussed in the following sections of the 2013 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations,' 'Intercompany and Related Party Transactions' and 'Government Regulations.'

Our Business

AGF Management Limited, with $36.1 billion in assets under management (AUM) as at February 28, 2014, 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.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund, the first mutual fund available to Canadians seeking to invest in the United States. As of February 28, 2014, our products and services include a diversified family of award-winning mutual funds, mutual fund wrap programs and pooled funds. AGF also manages assets on behalf of institutional investors including pension plans, foundations, sovereign wealth funds and endowments as well as for high-net-worth clients. Our multi-disciplined investment management teams have expertise across the balanced, fixed income, equity and specialty asset categories and are located in Toronto, Dublin and Singapore.

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 Private Investment Program. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have sales organizations 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. Our global institutional business provides investment management services for a variety of clients including institutions, pension funds, foundations, sovereign wealth funds and endowments. We offer a diverse range of investment strategies and have sales and client service offices in Toronto, London (Ontario), Boston, Dublin, London (England) and Hong Kong.

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

We hold a 31.7% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the UK. S&WHL is one of the top 10 largest firms of accountants in the UK and its investment management business has over £15.0 billion of funds under management and advice as at February 28, 2014. We also hold a 50.1% interest in InstarAGF Inc. (InstarAGF), an alternative asset management platform, and a 43.5% interest in a limited partnership specializing in midstream energy investments. These interests are accounted for using the equity method.

For the purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as 'we,' 'us,' 'our,' 'the firm,' or 'the Company.'

Key Performance Drivers

AUM levels are critical to our business. The primary sources of revenue for AGF are management and advisory fees. These fees are calculated based on a specific percentage of the average AUM. The amount of management and advisory fees depends on the level and composition of AUM, which in turn is dependent upon investment performance and net sales. These fees are generated from our mutual fund, institutional and sub-advisory accounts and high-net-worth relationships. AUM will fluctuate in value as a result of sales and redemptions, investment performance and acquisitions.

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, increases revenues for the firm.

Gross sales and redemptions are monitored separately and the sum of these two amounts comprises net sales (redemptions). Net sales (redemptions) also impact AUM levels. Net sales increase AUM and, in turn, increase revenues for the firm. Net redemptions decrease AUM and, in turn, reduce revenues for the firm.

Acquisitions will also affect the level of AGF's AUM. AGF may consider strategic acquisitions that could supplement existing investment capabilities and fund new product growth.

AGF uses several key performance indicators (KPIs) to measure the success of our business strategies. Refer to the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A.

Our Strategy

AGF is a firm focused exclusively on investment management. The Company believes that superior investment performance and product innovation are key to its success. It also believes strongly in diversification, both in terms of investment styles and product solutions offered to clients, and in the client segments in which it operates. Finally, AGF is a global firm, with investment research capabilities and institutional sales offices in Canada and abroad.

Measuring long-term shareholder growth, we look to the following key performance indicators:

- AUM growth
- Revenue growth driven by new sales, investment performance and client retention
- Earnings before interest, taxes, depreciation, amortization and non-controlling interest (EBITDA) growth
- Pre-tax margins

Year-over-year improvement in these measures is expected to result in improved cash flows as well as improved return on equity. Our objective is the return of a fair share of the annual cash flow to shareholders in the form of dividends and through share buybacks, with the remaining cash flow being invested in a manner intended to support future growth.

Our strategy also recognizes that our business will experience cycles related to the global stock markets, credit availability, employment levels and other economic factors. We believe that a successful strategy is founded on the ability of our operations to effectively operate through economic downturns and upturns by controlling cost and maintaining an effective operating infrastructure.

Update on Our Priorities and Progress

As outlined in our 2013 Annual Report, our key priorities are:

- Investment performance
- Offering our retail advisors and clients innovative product solutions
- International expansion and organic growth

Our focus remains on these priorities and we continue to see progress.

Investment Performance

We are focused on improving our investment performance. We are doing this through supporting our most promising investment platforms while ensuring we have the talent to achieve our stated goal. To date we have achieved the following:

- In December 2013 we announced that Martin Hubbes, Executive Vice-President and Chief Investment Officer (CIO) was stepping aside effective February 28, 2014. Our global search is in progress and we look forward to appointing a new CIO.
- We have substantially completed the build-out of our North American team, with the strengthening of our research team and recently announced hiring of respected Canadian growth manager Peter Imhof.

- In 2013, we refined our investment process and improved the research capabilities at Highstreet and Dublin, resulting in improved performance in the related mandates.
- During 2014 we will be rolling out a new risk management tool to enhance our existing capabilities.

Offering Our Retail Advisors and Clients Innovative Product Solutions

Our strategy is to provide our advisors and clients a product platform that offers innovative solutions around specific needs, resulting in organic AUM growth. During the past two years we have had significant success and we expect to continue to deliver in this area:

- During the past 24 months, we have addressed investor needs related to rising rates and market volatility with the launch of AGF Floating Rate Income Fund, AGF Focus Funds and AGF U.S. AlphaSector Class. Since launch, we have seen net inflows of approximately $700.0 million in AUM related to these funds.
- The trend of reduced redemption rates and improving net outflows continued into the first quarter of 2014.

International Expansion in Our Institutional Business

Our strategy is to leverage our world class global equity capabilities and distribute our products through structures and platforms that work within their local markets. We have begun to lay the foundation to achieve our goal and are encouraged by the results to date as we ended the quarter with net sales of over $700.0 million in our institutional business:

- During the first quarter of 2014, we launched our Undertakings for Collective Investment in Transferable Securities (UCITS) platform, with over $500.0 million in AUM from external investors. The platform offers AGF's emerging markets and global strategy mandates and can be marketed throughout the European Union and Asia.
- We had additional AUM flows of $500.0 million into these mandates through a segregated account from a UK-based client.
- In January 2014, we announced a joint venture, InstarAGF, related to the formation of an alternative asset management platform. This platform, which will provide our clients with the ability to invest in the growing core infrastructure space, is expected to be a longer-term growth driver of profitability.

Summary of Key Financial and Operational Results for the First Quarter of 2014:

- Total AUM increased to $36.1 billion at February 28, 2014, as compared to $34.4 billion at November 30, 2013.
- Retail fund net outflows improved 16.5% to $0.6 billion for the three months ended February 28, 2014, compared to net redemptions of $0.7 billion for the three months ended February 28, 2013.
- High-net-worth AUM increased 2.8% to $4.1 billion, compared to $4.0 billion at November 30, 2013.
- Institutional AUM increased $1.2 billion from November 30, 2013 to $12.1 billion, representing net flows of over $700.0 million combined with positive market movement.
- We delivered value directly to our shareholders through dividend payments and share buybacks. During the first quarter of 2014, we paid dividends of $0.27 per share (2013 – $0.27 per share). Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.3 million in the first quarter of 2014, compared to $24.1 million in the first quarter of 2013. During the quarter, under the previous normal course issuer bid, 1,762,200 Class B Non-Voting shares were repurchased for a total consideration of $22.1 million at an average price of $12.55 per share.
- Revenue from continuing operations was $116.9 million, compared to $122.5 million in the same period of 2013, reflecting lower AUM levels.
- EBITDA from continuing operations was $43.9 million, compared to $45.3 million in 2013. EBITDA margin increased to 37.6% compared to 37.0% in 2013.
- Diluted earnings per share (EPS) from continuing operations for the three months ended February 28, 2014 increased to $0.20, compared to diluted EPS of $0.17 in 2013.
- Our balance sheet remains strong with $286.1 million in cash, short-term investments and investments in a limited partnership and with a modest long-term debt-to-equity level of 32.1%.
- During the three months ended February 28, 2014, the Company recorded a $2.8 million after-tax gain related to contingent consideration receivable on discontinued operations.
- For the one-year period ended February 28, 2014, 38% of ranked AUM performed above median, compared to 38% in 2013.

Assets Under Management

The following table illustrates the composition of the changes in total AUM during the three months ended February 28, 2014 and 2013:

(in millions of Canadian dollars) **Three months ended**	**February 28, 2014**	**February 28, 2013**	**% change**
Retail fund AUM (including retail pooled funds), beginning of period	$ 19,591	$ 20,096	(2.5%)
Gross sales	553	537	3.0%
Redemptions	(1,156)	(1,259)	(8.2%)
Net redemptions	(603)	(722)	(16.5%)
Market appreciation of fund portfolios	1,007	660	52.6%
Retail fund AUM (including retail pooled funds), end of period	$ 19,995	$ 20,034	(0.2%)
Average daily retail fund AUM for the period	$ 19,632	$ 20,117	(2.4%)
Institutional and sub-advisory accounts AUM, beginning of period	$ 10,877	$ 15,677	(30.6%)
Net change in institutional and sub-advisory accounts, including market performance	1,177	(85)	n/m
Institutional and sub-advisory accounts AUM, end of period	$ 12,054	$ 15,592	(22.7%)
High-net-w orth AUM	$ 4,078	$ 3,669	11.1%
Total AUM, end of period	$ 36,127	$ 39,295	(8.1%)

Redemptions offset by market appreciation resulted in retail fund AUM remaining stable at $20.0 billion, compared to the same period in the prior year. Retail fund net redemptions, including retail pooled funds, improved 16.5% to $0.6 billion from $0.7 billion for the three months ended February 28, 2014, compared to the same period in the prior year. The average daily retail fund AUM for the three months ended February 28, 2014 decreased to $19.6 billion, compared to $20.1 billion in the corresponding period in 2013. Our institutional and sub-advisory accounts AUM decreased to $12.1 billion as at February 28, 2014, compared to $15.6 billion as at February 28, 2013. The decline in institutional AUM was primarily due to client redemptions. Our high-net-worth AUM increased 11.1% to $4.1 billion at February 28, 2014, compared to $3.7 billion at February 28, 2013. Overall, total AUM decreased to $36.1 billion, compared to $39.3 billion as at February 28, 2013.

Institutional Pipeline

We define the institutional pipeline as client commitments to fund or redeem a portion or all of their account. As at February 28, 2014, AGF had a net pipeline of $157.0 million of asset outflows. Commitments are not necessarily contractual obligations. Actual amounts funded or redeemed may vary.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 28, 2014 and 2013:

(in millions of Canadian dollars, except per share data) **Three months ended**	**February 28, 2014**	**February 28, 2013**	**% change**
Revenue			
Management and advisory fees	$ 108.3	$ 114.8	(5.7%)
Deferred sales charges	3.9	4.6	(15.2%)
Share of profit of associates and joint venture	2.4	1.4	71.4%
Fair value adjustments and other income	2.3	1.7	35.3%
	116.9	122.5	(4.6%)
Expenses			
Selling, general and administrative	40.3	44.1	(8.6%)
Trailing commissions	31.2	31.5	(1.0%)
Investment advisory fees	1.5	1.6	(6.3%)
	73.0	77.2	(5.4%)
EBITDA[1]	43.9	45.3	(3.1%)
Amortization, derecognition and depreciation	17.7	20.7	(14.5%)
Interest expense	3.0	2.8	7.1%
Income from continuing operations before taxes	23.2	21.8	6.4%
Income taxes	6.1	6.2	(1.6%)
Net income from continuing operations, net of taxes	17.1	15.6	9.6%
Net income from discontinued operations, net of taxes	2.8	–	n/m
Net income attributable to equity owners of the Company	$ 19.9	$ 15.6	27.6%
Diluted earnings per share			
From continuing operations	$ 0.20	$ 0.17	17.6%
From discontinued operations	0.03	–	n/m
Diluted earnings per share	$ 0.23	$ 0.17	35.3%

[1] For the definition of EBITDA, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA to net income from continuing operations, a defined term under IFRS, are detailed above.

Revenue

For the three months ended February 28, 2014, revenue decreased by 4.6% 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 2.4% decrease in average daily retail fund AUM for the three months ended February 28, 2014, combined with a decrease in institutional and sub-advisory accounts AUM at February 28, 2014, contributed to a 5.7% decrease in management and advisory fees revenue compared to 2013.

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 1.5% to 5.5%, 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 decreased by 15.2% for the three months ended February 28, 2014 as compared to 2013, reflecting lower redemption levels, redemption of a larger proportion of older, lower-yielding DSC assets and a reduced level of back-end assets.

Share of Profit of Associates and Joint Venture

Share of profit of associates and joint venture increased to $2.4 million for the three months ended February 28, 2014, compared to a profit of $1.4 million during the same period in 2013, reflecting improved business conditions offset by costs associated with the formation of InstarAGF.

Fair Value Adjustments and Other Income

The following table illustrates the fair value adjustments and other income for the three months ended February 28, 2014 and 2013:

	February 28, 2014	February 28, 2013
Fair value adjustment related to investment in AGF mutual funds	$ 0.2	$ 0.2
Fair value adjustment related to acquisition consideration payable	0.4	(0.7)
Fair value adjustment related to put agreement w ith non-controlling shareholders	–	0.3
Interest income	1.4	2.0
Other	0.3	(0.1)
	$ 2.3	$ 1.7

Expenses

For the three months ended February 28, 2014, expenses decreased 5.4% from the first quarter of 2013. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased by $3.8 million, or 8.6%, for the three months ended 0.February 28, 2014, compared to the same period in 2013. A breakdown of the decrease is as follows:

(in millions of Canadian dollars)	Three months ended February 28, 2014
Increase in salaries and benefits expenses	$ 0.7
Decrease in stock-based compensation expenses	(4.0)
Decrease in fund absorption expenses	(1.0)
Increase in other expenses	0.5
	$ (3.8)

The following explains expense changes in the three months ended February 28, 2014, compared to the same period in the prior year:

- Salaries and benefits expenses increased $0.7 million for the three months ended February 28, 2014, compared to the prior year, reflecting cost of living increases on salaries and higher benefits costs.
- Stock-based compensation decreased $4.0 million for the three months ended February 28, 2014, compared to the same period in 2013, related to a decrease in the Class B Non-Voting share price. For additional information related to a change in accounting policy, see Note 3.3 of the Condensed Consolidated Interim Financial Statements.
- Absorption expenses decreased $1.0 million for the three months ended February 28, 2014, as a result of an amendment on certain funds to replace MER reductions with a management fee waiver, which is accounted for as an offset to revenue.

- Other expenses increased $0.5 million for the three months ended February 28, 2014, due to higher referral fees related to higher AUM and recruitment costs associated with investment management.

Trailing Commissions

Trailing commissions paid to distributors 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 increased to 0.64% for the three months ended February 28, 2014, compared to 0.63% in 2013, reflecting an increase in rates associated with mature assets.

Investment Advisory Fees

External investment advisory fees decreased 6.3% for the three months ended February 28, 2014, as compared to 2013, reflecting lower AUM levels and the repatriation of certain funds' management in-house.

EBITDA, EBITDA Margin and EBITDA per Share

EBITDA from continuing operations was $43.9 million for the three months ended February 28, 2014, a 3.1% decrease from $45.3 million for the same period of 2013. EBITDA margin was 37.6% for the three months ended February 28, 2014, compared to 37.0% in the corresponding period in 2013. Diluted EBITDA per share from continuing operations for the three months ended February 28, 2014 was $0.51, compared to $0.51 for the three months ended February 28, 2013.

Amortization and Interest Expense

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment, and computer software and interest expense. Deferred selling commissions 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. Unamortized deferred selling commissions related to units redeemed prior to the end of the schedule are immediately expensed. Amortization expense related to deferred selling commissions was $12.6 million for the three months ended February 28, 2014, compared to $15.0 million for the same period of 2013. During the three months ended February 28, 2014, we paid $9.9 million in selling commissions, compared to $9.6 million in the same period of 2013, reflecting stable sales. As at February 28, 2014, the unamortized balance of deferred selling commissions financed was $112.1 million (November 30, 2013 – $114.8 million).

Customer contracts amortization decreased $0.9 million for the three months ended February 28, 2014, as a result of fewer redemptions and a lower net book value. Customer contracts are immediately expensed upon redemption of the AUM. Interest expense increased as a result of higher interest rates.

Other intangibles amortization increased $0.2 million for the three months ended February 28, 2014. During the second quarter of 2013, certain other intangibles were determined to no longer have an indefinite life. As a result, amortization expense increased compared to the first quarter of 2013 as these intangibles are being amortized over their remaining expected life of five years.

Income Tax Expense

Income tax expense for the three months ended February 28, 2014 was $6.1 million, as compared to $6.2 million in the corresponding period in 2013. The estimated effective tax rate for the three months ended February 28, 2014 was 26.2% (2013 – 28.5%).

In November 2013, the Company received a notice of reassessment (NOR) from the Canada Revenue Agency (CRA) relating to the transfer pricing and allocation of income between one of the Company's Canadian legal entities and a foreign subsidiary, which would increase the Company's taxes payable from its original tax filings by $10.0 million, $10.5 million and $15.4 million (before the application of any interest and penalties of $21.6 million) for its 2005, 2006 and 2007 fiscal years, respectively.

The Company strongly disagrees with the CRA's position and filed an objection to the NOR in February 2014. In connection with the filing of the NOR, the Company was required to pay, and has paid, approximately $38.8 million (including interest and penalties) during the three months ended February 28, 2014, even though the ultimate outcome may differ from this amount.

In consultation with its external advisors, the Company believes that its tax filing positions continue to be reasonable based on its transfer pricing methodology and the Company is contesting the CRA's position and any related transfer pricing penalty. The Company believes it is likely that the CRA will reassess its taxes for subsequent years on a similar basis and that these may result in future cash payments on receipt of the reassessments. The amount of tax provision recorded on the consolidated interim statement of financial position reflects management's best estimate of the final payment to be made on the ultimate resolution of this matter and includes any related estimated interest and penalties for the 2005 to 2014 fiscal years. The final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in valuing its income tax assets and liabilities.

Further to the Company's objection to the NOR, the Company is also seeking Competent Authority relief from double taxation under the applicable tax treaty.

The Company has been accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2009 through 2016.

Pre-tax Profit Margin

Pre-tax profit margin increased to 19.8% for the three months ended February 28, 2014, compared to a 17.8% margin in the corresponding period in 2013.

Net Income

The impact of the above revenue and expense items resulted in a net income from continuing operations of $17.1 million for the three months ended February 28, 2014, as compared to net income from continuing operations of $15.6 million in the corresponding period in 2013.

Earnings per Share

Diluted earnings per share from continuing operations was $0.20 for the three months ended February 28, 2014, as compared to earnings of $0.17 in the corresponding period of 2013.

Discontinued Operations

On August 1, 2012, the Company completed its sale of 100% of the shares of AGF Trust Company (AGF Trust) for cash consideration corresponding to the net book value of AGF Trust at closing of $246.3 million. The agreement included a contingent consideration to a maximum of $20.0 million over five years if the credit performance of AGF Trust's loan portfolio met certain thresholds. During the three months ended February 28, 2014, the Company revised the estimated contingent consideration receivable based on negotiations with the purchaser regarding the early settlement of the agreement. As a result, as at February 28, 2014, the Company realized an after-tax gain of $2.8 million (2013 – nil) on discontinued operations and recorded a revised contingent consideration receivable of $10.0 million (November 30, 2013 – $6.1 million), which was included in accounts receivable on the consolidated interim statement of financial position, representing management's best estimate of the fair value thereof.

Liquidity and Capital Resources

Free cash flow, as defined on page 14, generated from continuing operating activities was $18.9 million for the three months ended February 28, 2014, compared to $24.4 million in the prior year. The primary uses of cash for the three months ended February 28, 2014 were as follows:

- During the three months ended February 28, 2014, we repurchased a total of 1,762,200 (2013 – nil) shares for $22.1 million (2013 – nil).
- We paid $22.6 million in dividends for the three months ended February 28, 2014, compared to $23.5 million in 2013.
- We invested $20.0 million in a midstream energy platform during the three months ended February 28, 2014.
- We made a $38.8 million payment to the CRA in relation to the NOR received.

Consolidated cash and cash equivalents of $248.9 million decreased by $121.0 million from November 30, 2013.

Total long-term debt outstanding at February 28, 2014 was $308.0 million (November 30, 2013 – $307.9 million). As at February 28, 2014, $84.9 million was available to be drawn. The loan facility will be available to meet future operational and investment needs. We anticipate that cash balances and 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 and tax requirements, service debt repayment obligations, pay quarterly dividends, and fund any future share buybacks.

Capital Management Activities from Continuing Operations

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 and long-term debt. On an annual basis, AGF prepares a three-year plan detailing projected operating budgets and capital requirements. AGF is required to prepare and submit a three-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 and Chief Operating Officer. Once approved by the Finance Committee, the three-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 expansion through organic growth and select acquisitions.

Normal Course Issuer Bid

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 Toronto Stock Exchange (TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Shares purchased for the employee benefit trust are also purchased under the Company's normal course issuer bid. During the quarter, the Company renewed its normal course issuer bid. Under the new normal course issuer bid, 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 TSX. AGF may purchase up to 6,904,647 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX) between February 4, 2014 and February 3, 2015.

During the three months ended February 28, 2014, under the previous normal course issuer bid, 1,762,200 Class B Non-Voting shares were repurchased for a total consideration of $22.1 million at an average price of $12.55 per share.

Dividends

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 credit facility 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 TSX 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	2014 [1]	2013	2012	2011	2010
Per share	$ 0.54	$ 1.08	$ 1.08	$ 1.07	$ 1.04
Percentage increase	–	–	1%	3%	4%

[1] Represents the total dividends paid January 2014 and to be paid in April 2014.

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 17, 2014 was $0.27 per share.

Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2014 and 2013. For additional detail, see Note 7 and Note 11 of the Condensed Consolidated Interim Financial Statements.

	February 28, 2014	February 28, 2013
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	85,925,353	89,318,023
Stock Options		
Outstanding options	4,686,285	5,795,305
Exercisable options	2,503,849	3,072,375

Key Performance Indicators, Additional IFRS and Non-IFRS Measures

We measure the success of our business strategies using a number of KPIs, which are outlined below. With the exception of revenue, the following KPIs are non-IFRS measures, which are not defined under IFRS. 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 IFRS.

Revenue

Revenue is a measurement defined by IFRS 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
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed
- 31.7% equity interest in S&WHL

EBITDA

We define EBITDA from continuing operations as earnings before interest, taxes, depreciation and amortization and impairment of goodwill and management contracts. 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.

Please see the Consolidated Operating Results section on page 9 of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

Free Cash Flow

We define free cash flow from continuing operations as cash flow from operations before net changes in non-cash balances related to operations less interest paid. Free cash flow for the first quarter of 2014 has been normalized to exclude taxes paid related to the transfer pricing audit. 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 from continuing operations represents cash available for distribution to our shareholders, share buybacks and general corporate purposes.

(in millions of Canadian dollars) Three months ended	February 28, 2014	February 28, 2013
Net cash provided by (used in) operating activities	$ (48.2)	$ 0.7
Adjusted for:		
Net changes in non-cash working capital balances related to operations	31.3	26.6
Taxes paid related to transfer pricing audit	38.8	–
Interest paid	(3.0)	(2.9)
Free cash flow	$ 18.9	$ 24.4

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.

(in millions of Canadian dollars) Three months ended	February 28, 2014	February 28, 2013
EBITDA	$ 43.9	$ 45.3
Divided by revenue	116.9	122.5
EBITDA margin	37.6%	37.0%

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 from continuing operations before taxes to revenue.

(in millions of Canadian dollars) Three months ended	February 28, 2014	February 28, 2013
Net income from continuing operations	$ 17.1	$ 15.6
Add: income taxes	6.1	6.2
Income from continuing operations before taxes	$ 23.2	$ 21.8
Divided by revenue	116.9	122.5
Pre-tax profit margin	19.8%	17.8%

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 (loss) attributable to equity owners of the Company by average shareholders' equity.

(in millions of Canadian dollars) Three months ended	February 28, 2014	February 28, 2013
Net income from continuing operations (annualized)	$ 68.4	$ 62.4
Divided by average shareholders' equity	962.6	1,052.1
Return on equity	7.1%	5.9%

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 period divided by annualized EBITDA for the period.

(in millions of Canadian dollars) Three months ended	February 28, 2014	February 28, 2013
Long-term debt[1]	$ 308.0	$ 312.6
Divided by EBITDA (annualized)	175.6	181.2
Long-term debt to EBITDA ratio	175.4%	172.5%

[1] 2013 includes deferred cash consideration related to the Acuity acquisition.

Assets Under Management

The amount of AUM and the related fee rates are important to our business as these are the drivers of our revenue 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 determine 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 this report 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 (Excluding Share of Profit of Associates and Joint Venture)

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations, excluding share of profit of associates and joint venture. 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.

(in millions of Canadian dollars) **Three months ended**	**February 28, 2014**	**February 28, 2013**
EBITDA	$ 41.5	$ 43.9
Divided by revenue	114.5	121.1
EBITDA margin (excluding share of profit of associates and joint venture)	36.2%	36.3%

Pre-tax Profit Margin (Excluding Share of Profit of Associates and Joint Venture)

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations, excluding share of profit of associates and joint venture. 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 from continuing operations before taxes and non-segmented items to revenue.

(in millions of Canadian dollars) **Three months ended**	**February 28, 2014**	**February 28, 2013**
Income from continuing operations before taxes and non-segmented items	$ 20.8	$ 20.4
Divided by revenue	114.5	121.1
Pre-tax profit margin (excluding share of profit of associates and joint venture)	18.2%	16.8%

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 these risks are detailed in our 2013 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 these risks.

Internal Control 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 have been no changes in AGF's internal controls during the three months ended February 28, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Selected Quarterly Information

(in millions of Canadian dollars, except per share amounts) For the three-month period ended	Feb. 28, 2014	Nov. 30, 2013	Aug. 31, 2013	May 31, 2013
Revenue (continuing operations)	$ 116.9	$ 117.4	$ 117.7	$ 126.9
Free cash flow [1]	18.9	26.2	25.4	27.7
EBITDA (continuing operations)[2]	43.9	33.6	38.6	46.1
Pre-tax income (continuing operations)	23.2	9.7	14.1	20.5
Net income (loss) attributable to equity owners of the Company	19.9	7.1	10.1	(10.4)
Net income (loss) (continuing operations)	17.1	7.1	10.1	(10.4)
EBITDA per share (continuing operations)				
Basic	$ 0.51	$ 0.39	$ 0.44	$ 0.52
Diluted	$ 0.51	$ 0.38	$ 0.44	$ 0.52
Earnings (loss) per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.20	$ 0.08	$ 0.12	$ (0.12)
Diluted (continuing operations)	$ 0.20	$ 0.08	$ 0.11	$ (0.12)
Basic	$ 0.23	$ 0.08	$ 0.12	$ (0.12)
Diluted	$ 0.23	$ 0.08	$ 0.11	$ (0.12)
Weighted average basic shares	86,188,463	87,145,604	87,411,167	88,880,598
Weighted average fully diluted shares	86,742,830	87,911,391	88,026,012	89,395,236

(in millions of Canadian dollars, except per share amounts) For the three-month period ended	Feb. 28, 2013	Nov. 30, 2012	Aug. 31, 2012	May 31, 2012
Revenue (continuing operations)	$ 122.5	$ 124.9	$ 119.8	$ 133.5
Free cash flow [1]	24.4	24.9	17.6	29.0
EBITDA (continuing operations)[2]	45.3	49.9	36.3	50.3
Pre-tax income (loss) (continuing operations)	21.8	23.4	(12.5)	22.7
Net income (loss) attributable to equity owners of the Company	15.6	15.7	(13.3)	23.8
Net income (loss) (continuing operations)	15.6	13.0	(19.3)	16.8
EBITDA per share (continuing operations)				
Basic	$ 0.51	$ 0.55	$ 0.38	$ 0.52
Diluted	$ 0.51	$ 0.55	$ 0.38	$ 0.52
Earnings (loss) per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.18	$ 0.14	$ (0.20)	$ 0.17
Diluted (continuing operations)	$ 0.17	$ 0.14	$ (0.20)	$ 0.17
Basic	$ 0.18	$ 0.17	$ (0.14)	$ 0.25
Diluted	$ 0.17	$ 0.17	$ (0.14)	$ 0.25
Weighted average basic shares	89,229,202	90,329,013	94,311,520	96,143,964
Weighted average fully diluted shares	89,538,278	90,594,421	94,687,056	96,735,309

[1] As previously defined, see 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures – Free Cash Flow' section.

[2] As previously defined, see 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures – EBITDA' section.

Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three months ended February 28, 2014, the Company's 2013 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

AGF Management Limited
Consolidated Interim Statement of Financial Position

(unaudited) (in thousands of Canadian dollars)	Note	February 28, 2014	November 30, 2013
Assets			
Current Assets			
Cash and cash equivalents		$ 248,886	$ 369,865
Investments	4	17,212	12,272
Accounts receivable, prepaid expenses and other assets	4, 5	47,698	49,173
Loan receivable from joint venture	4	–	–
		313,796	431,310
Investment in associates and joint venture	4	113,032	84,876
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition		9,438	10,565
Goodwill		244,549	244,549
Other intangibles, net of accumulated amortization and derecognition		16,937	19,739
Deferred selling commissions, net of accumulated amortization and derecognition		112,128	114,848
Property, equipment and computer software, net of accumulated depreciation		11,179	12,169
Deferred income tax assets		4,500	3,951
Other assets	5	–	6,107
Total assets		$ 1,515,318	$ 1,617,873
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	11	$ 43,093	$ 84,494
Income tax liability	12, 18	15,951	53,034
Provision for Elements Advantage		1,750	1,652
Acquisition consideration payable	6	–	6,731
Derivative financial instrument		1,644	1,609
		62,438	147,520
Long-term debt		307,975	307,888
Deferred income tax liabilities		177,618	179,329
Derivative financial instrument		1,722	1,734
Provision for Elements Advantage		1,779	2,012
Other long-term liabilities	11	4,838	13,163
Total liabilities		556,370	651,646
Equity			
Equity attributable to owners of the Company			
Capital stock	7	520,098	524,681
Contributed surplus		34,856	28,440
Retained earnings		390,817	405,989
Accumulated other comprehensive income	8	13,177	7,117
Total equity		958,948	966,227
Total liabilities and equity		$ 1,515,318	$ 1,617,873

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

AGF Management Limited
Consolidated Interim Statement of Income

(unaudited) (in thousands of Canadian dollars, except per share data)	Note	Three months ended February 28, 2014	February 28, 2013
Revenue			
Management and advisory fees		$ 108,282	$ 114,827
Deferred sales charges		3,863	4,639
Share of profit of associates and joint venture	4	2,361	1,428
Fair value adjustments and other income	9	2,345	1,630
Total revenue		116,851	122,524
Expenses			
Selling, general and administrative	10	40,317	44,141
Trailing commissions		31,235	31,477
Investment advisory fees		1,466	1,579
Amortization and derecognition of deferred selling commissions		12,644	14,961
Amortization and derecognition of customer contracts		1,127	2,069
Amortization and derecognition of other intangibles		2,802	2,602
Depreciation of property, equipment and computer software		1,090	1,086
Interest expense		3,028	2,806
		93,709	100,721
Income from continuing operations before income taxes		**23,142**	**21,803**
Income tax expense (benefit)			
Current	12	8,400	7,282
Deferred	12	(2,337)	(1,068)
		6,063	6,214
Income from continuing operations, net of taxes		17,079	15,589
Income from discontinued operations, net of taxes	5	2,840	–
Net income for the period		**$ 19,919**	**$ 15,589**
Net income attributable to:			
Equity owners of the Company		$ 19,919	$ 15,618
Non-controlling interest		–	(29)
		$ 19,919	$ 15,589
Earnings per share for the period attributable to the equity owners of the Company			
Basic earnings per share			
Continuing operations	13	$ 0.20	$ 0.18
Discontinued operations	13	0.03	–
		$ 0.23	$ 0.18
Diluted earnings per share			
Continuing operations	13	$ 0.20	$ 0.17
Discontinued operations	13	0.03	–
		$ 0.23	$ 0.17

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

AGF Management Limited
Consolidated Interim Statement of Comprehensive Income

(unaudited) (in thousands of Canadian dollars)	Three months ended February 28, 2014	February 28, 2013
Net income for the period	$ 19,919	$ 15,589
Other comprehensive income (losses), net of tax		
Cumulative translation adjustment		
Foreign currency translation adjustments related to net investments in foreign operations	5,533	(1,097)
	5,533	(1,097)
Net unrealized gains on investments		
Unrealized gains	549	1,276
	549	1,276
Net unrealized losses on cash flow hedge		
Unrealized losses	(277)	(185)
Reclassification of realized loss to earnings	255	261
	(22)	76
Total other comprehensive income, net of tax	6,060	255
Comprehensive income	$ 25,979	$ 15,844
Comprehensive income (loss) attributable to:		
Equity holders of the Company	$ 25,979	$ 15,873
Non-controlling interest	–	(29)
	$ 25,979	$ 15,844

All items presented in other comprehensive income w ill be reclassified to the consolidated statement of income in subsequent years.

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

AGF Management Limited
Consolidated Interim Statement of Changes in Equity

(unaudited) (in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income (loss)	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2012	$ 533,684	$ 26,677	$ 495,323	$ (852)	**$ 1,054,832**	$ 490	**$ 1,055,322**
Net income (loss) for the period	–	–	15,618	–	**15,618**	(29)	**15,589**
Other comprehensive loss (net of tax)	–	–	–	255	**255**	–	**255**
Comprehensive income (loss) for the period	–	–	15,618	255	**15,873**	(29)	**15,844**
Issued through dividend reinvestment plan	582	–	–	–	**582**	–	**582**
Stock options	834	675	–	–	**1,509**	–	**1,509**
AGF Class B Non-Voting shares issued on acquisition of Acuity	1,231	–	–	–	**1,231**	–	**1,231**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.3 million	–	–	(24,395)	–	**(24,395)**	–	**(24,395)**
Increase in ownership interest in Highstreet Partners Limited	–	–	(173)	–	**(173)**	–	**(173)**
Dividends to non-controlling interest	–	–	–	–	**–**	–	**–**
Balance, February 28, 2013	$ 536,331	$ 27,352	$ 486,373	$ (597)	**$ 1,049,459**	$ 461	**$ 1,049,920**
Balance, December 1, 2013	$ 524,681	$ 28,440	$ 405,989	$ 7,117	**$ 966,227**	$ –	**$ 966,227**
Net income for the period	–	–	19,919	–	**19,919**	–	**19,919**
Other comprehensive income (net of tax)	–	–	–	6,060	**6,060**	–	**6,060**
Comprehensive income for the period	–	–	19,919	6,060	**25,979**	–	**25,979**
Issued through dividend reinvestment plan	680	–	–	–	**680**	–	**680**
Stock options	3,981	155	–	–	**4,136**	–	**4,136**
AGF Class B Non-Voting shares repurchased for cancellation	(10,623)	–	(11,486)	–	**(22,109)**	–	**(22,109)**
AGF Class B Non-Voting shares issued on acquisition of Acuity	1,941	–	–	–	**1,941**	–	**1,941**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.3 million	–	–	(23,605)	–	**(23,605)**	–	**(23,605)**
Equity-settled Restricted Share Units	–	6,261	–	–	**6,261**	–	**6,261**
Treasury stock	(562)	–	–	–	**(562)**	–	**(562)**
Balance, February 28, 2014	**$ 520,098**	**$ 34,856**	**$ 390,817**	**$ 13,177**	**$ 958,948**	**$ –**	**$ 958,948**

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

AGF Management Limited
Consolidated Interim Statement of Cash Flow

(unaudited)		Three months ended	
(in thousands of Canadian dollars)	Note	February 28, 2014	February 28, 2013
Operating Activities			
Net income for the period		$ 19,919	$ 15,589
Adjustments for			
Net income from discontinued operations	5	(2,840)	–
Amortization, derecognition and depreciation		17,663	20,718
Interest expense		3,028	2,806
Income tax expense	12	6,063	6,214
Income taxes paid		(46,852)	(10,960)
Stock-based compensation	11	(853)	3,046
Share of profit of associates and joint venture	4	(2,361)	(1,428)
Dividends from associated company	4	–	1,242
Deferred selling commissions paid		(9,924)	(9,642)
Purchase of treasury stock		(562)	–
Other		(176)	(234)
		(16,895)	27,351
Net change in non-cash w orking capital balances related to operations			
Accounts receivable		11,476	4,672
Other assets		(850)	82
Accounts payable and accrued liabilities		(38,970)	(31,316)
Other liabilities		(2,944)	(42)
		(31,288)	(26,604)
Net cash provided by (used in) operating activities		(48,183)	747
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	7	(22,109)	–
Issue of Class B Non-Voting shares	7	3,654	780
Dividends paid		(22,607)	(23,500)
Interest paid		(3,047)	(2,906)
Net cash used in financing activities		(44,109)	(25,626)
Investing Activities			
Increase in ow nership interest in Highstreet Partners Limited		–	(826)
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	6	(4,440)	(2,713)
Purchase of investment in associate and joint venture	4	(20,001)	–
Purchase of property, equipment and computer softw are, net of disposals		(100)	(566)
Purchase of investments	4	(4,262)	(303)
Proceeds from sale of investments	4	116	14,066
Net cash provided by (used in) investing activities		(28,687)	9,658
Decrease in cash and cash equivalents		(120,979)	(15,221)
Balance of cash and cash equivalents, beginning of period		369,865	371,299
Balance of cash and cash equivalents, end of period		$ 248,886	$ 356,078

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2014 and 2013 (unaudited)

Note 1: General Information

AGF Management Limited (AGF or the Company) is a limited liability company incorporated and domiciled in Canada under the *Business Corporations Act* (Ontario). The address of its registered office and principal place of business is Toronto-Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario.

The Company is an integrated, global wealth management corporation whose principal subsidiaries provide investment management for mutual funds, institutions and corporations, as well as high-net-worth clients. The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Acuity, Elements and Harmony (collectively, AGF Investments).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 25, 2014.

Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The accounting policies in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2013, with the exception of the changes described below. The condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

Note 3: Changes in Accounting Policies

3.1 Adoption of New and Revised Accounting Standards

The Company has adopted the following new and revised standards, along with all consequential amendments to other standards, effective December 1, 2013. These changes were adopted in accordance with the applicable transitional provisions of each new or revised standard.

IFRS 7, Financial Instruments: Disclosures, has been amended to address offsetting financial assets and financial liabilities. IFRS 7 requires additional disclosure to allow users of the financial statements to evaluate the effect or potential effect of master netting or other similar arrangements. The Company adopted the amended standard effective December 1, 2013 and certain disclosures have been added as a result.

IFRS 10, Consolidated Financial Statements, introduces a single consolidation model that uses the same criteria to determine control for entities of all types, irrespective of whether the investee is controlled by voting rights or other contractual arrangements. Under IFRS 10, an investee is consolidated only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The principle that a consolidated entity presents a parent and its subsidiaries as a single entity remains unchanged, as do the mechanics of consolidation. IFRS 10 supersedes the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. The adoption of IFRS 10 did not result in any changes to the entities which are consolidated by the Company.

IFRS 11, Joint Arrangements, establishes principles for financial reporting by parties to a joint arrangement, and only differentiates between joint operations and joint ventures. The option to apply proportionate consolidation when accounting for joint ventures has been removed and equity accounting is now applied in accordance with IAS 28, Investments in Associates and Joint Ventures. IFRS 11 supersedes existing guidance under IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. As the Company did not have any interests in joint arrangements at December 1, 2013, there was no impact as a result of the adoption of IFRS 11.

IFRS 13, Fair Value Measurement, provides a single comprehensive framework for measuring fair value. IFRS 13 applies to fair value measurements where required or permitted by other IFRS but does not address when to measure fair value or require additional use of fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

The new standard requires disclosures similar to those in IFRS 7, Financial Instruments: Disclosures, but applies to substantially all assets and liabilities measured at fair value, whereas IFRS 7 applies only to financial assets and liabilities measured at fair value. The Company adopted IFRS 13 prospectively on December 1, 2013. The adoption of IFRS 13 did not require any significant adjustments to the valuation techniques used by the Company to measure fair value and did not result in any significant measurement adjustments as at December 1, 2013. Certain interim disclosures under IAS 34, Interim Financial Reporting, related to the fair value of financial instruments have been expanded.

On December 1, 2013, the Company adopted IFRS 12, Disclosures of Interests in Other Entities, which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial statements. The standard is expected to result in additional disclosures in the Company's annual consolidated financial statements.

Amendments to IAS 19, Employee Benefits, require changes to the recognition and measurement of defined benefit pension, post retirement benefit expense and termination benefits and to the disclosures for all employee benefits. The Company adopted the amendments to IAS 19 retrospectively, which had no impact on the consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures, has been amended to be consistent with the changes to accounting for joint arrangements in IFRS 11. The amended standard prescribes the accounting for investments in associates and provides guidance on the application of the equity method when accounting for investments in associates and joint ventures. There was no impact to the Company as a result of the adoption of the amended standard.

3.2 Associates, Joint Ventures and Consolidated Structured Entities

Associates are entities over which the Company has significant influence, but not control, generally accompanying between 20% and 50% of the voting rights. Joint ventures are arrangements whereby the parties have joint control over, and rights to the net assets of, the arrangement.

The Company's interests in the associates and joint ventures are generally accounted for using the equity method of accounting. The Company's investment in associates includes goodwill and other intangible assets identified on acquisition. AGF's share of its associates' post-acquisition profits or losses is recognized in the consolidated interim statement of income and its share of post-acquisition other comprehensive income (loss) is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by AGF.

The Company assesses at each period-end whether there is any objective evidence that its interests in associates and joint ventures are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates or joint ventures is written down to its estimated recoverable amounts (being the higher of fair value less costs to sell and value in use) and charged to the consolidated interim statement of income.

Additionally, the Company has determined that any interests it holds in funds it manages are associates as a result of the Company's power conveyed through investment management and other agreements it has with the funds that permit the Company to make decisions about their investing and operating activities. None of these interests are individually significant and the Company has elected to designate its investments in these funds at fair value through profit or loss. These funds conduct their trading activities in Canada and Ireland, which may include trading of foreign denominated securities. The carrying amount of the Company's interests in investment funds that it manages was $13.1 million at February 28, 2014 (November 30, 2013 – $10.8 million) and the fair value adjustment related to the Company's interests in investment funds recognized on the consolidated interim statement of income was $0.2 million for the three months ended February 28, 2014 (2013 – $0.2 million).

None of the Company's interests in associates or joint ventures that are accounted for using the equity method are quoted in active markets. Refer to Note 4 for additional information about the Company's investments in funds that it manages and about its interests in other associates and joint ventures.

Consolidated structured entities are entities over which the Company has control by means of a contractual agreement. The Company established an employee benefit trust as a consolidated structured entity with the purpose of acquiring Class B Non-Voting shares to be delivered to employees upon vesting of their Restricted Share Units (RSU). Under the contractual agreement, the Company will provide financial support to the trust to fund the purchase of these shares. Refer to Note 3.3 and Note 7 for additional information.

3.3 Employee Benefits

This note includes only the description of the policies that have changed during the first quarter of 2014 relating to employee benefits. The accounting policies for the Company's employee benefits in place at November 30, 2013 can be found in the Company's annual consolidated financial statements for the year ended November 30, 2013.

The Company has an Executive Share Unit Plan for senior employees under which certain employees are granted RSU of Class B Non-Voting shares. RSUs vest three years from the grant date. On January 30, 2014, the Company amended its plan agreements to require share-based settlement of all RSUs granted to the employees of AGF and its Canadian subsidiaries and communicated this change to affected employees on February 11, 2014. In connection with the amendments, an employee benefit trust was established that is controlled and consolidated by the Company. The purpose of the trust is to acquire Class B Non-Voting shares of the Company in the open market to be delivered to employees upon vesting of their RSUs. Pursuant to the revised plan, the employees of AGF and its Canadian subsidiaries will not have any option to receive cash settlement for their RSUs and consequently, the Company has reclassified the liabilities related to these awards from liabilities to equity. Compensation expense and contributed surplus related to these awards is recognized over the remaining vesting period based on the fair value of the Class B Non-Voting shares at the date of the plan change communication to employees and taking into account forfeitures. Going forward, new grants will be expensed over the vesting period based on the fair value of the Class B Non-Voting shares at the date of grant and taking into account forfeitures.

Employees of non-Canadian subsidiaries participating in the plan continue to have the option to receive cash settlement for their RSUs. The compensation expense and the related liability for these awards are recorded equally or graded over the three-year vesting period, taking into account fluctuations in the market price of Class B Non-Voting shares, dividends paid and forfeitures. AGF will redeem all of the participants' RSUs in cash equal to the value of one Class B Non-Voting share for each RSU.

Note 4: Investments, Investments in Associated Companies and Joint Venture

(a) The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	February 28, 2014	November 30, 2013
Fair value through profit or loss		
AGF mutual funds and other	$ 13,131	$ 10,779
Equity securities	489	509
	13,620	11,288
Available for sale		
Equity securities and term deposits	3,287	679
Loans and receivables		
Canadian government debt – Federal	305	305
	$ 17,212	$ 12,272

AGF mutual funds and other are primarily composed of seed capital. The investment in Canadian government debt is composed of a fixed-rate Treasury bond with a maturity date within one year and a credit rating of AAA.

(b) The Company holds a 31.7% investment in S&WHL accounted for using the equity method. During the three months ended February 28, 2014, the Company recognized earnings of $2.6 million (2013 – $1.4 million) and received nil (2013 – $1.2 million) in dividends from S&WHL.

(c) During the three months ended February 28, 2014, the Company invested $20.0 million in a midstream energy platform.

(d) On December 31, 2013, the Company entered into a shareholder agreement with Instar Group Inc. related to the formation of an alternative asset management platform, InstarAGF. As part of the agreement, the Company has committed to provide a capital commitment to the first fund to be launched under the platform of a minimum of $100.0 million subject to certain conditions being achieved. As at February 28, 2014, no capital has been committed by the Company as the required conditions have not been met. In addition, AGF will advance up to $5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. As at February 28, 2014, the Company advanced $0.4 million, which was included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position. During the three months ended February 28, 2014, the Company recognized expenses of $0.3 million associated with the formation of InstarAGF.

Note 5: Discontinued Operations

On August 1, 2012, the Company completed its sale of 100% of the shares of AGF Trust Company (AGF Trust) for cash consideration corresponding to the net book value of AGF Trust at closing of $246.3 million. The agreement included a contingent consideration to a maximum of $20.0 million over five years if the credit performance of AGF Trust's loan portfolio met certain thresholds. During the three months ended February 28, 2014, the Company revised the estimated contingent consideration receivable based on negotiations with the purchaser regarding the early settlement of the amount receivable. As a result, for the period ended February 28, 2014, the Company realized a gain after tax of $2.8 million (2013 – nil) on discontinued operations and recorded a revised contingent consideration receivable of $10.0 million (November 30, 2013 – $6.1 million), which was included in accounts receivable on the consolidated interim statement of financial position, representing management's best estimate of the fair value thereof.

Note 6: 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 $335.5 million.

On February 1, 2014, the Company fully extinguished its acquisition consideration payable to the Acuity vendors with a payment of $6.4 million, consisting of $4.5 million in cash and a settlement of the Class E exchangeable preferred shares through the issuance of 175,367 Class B Non-Voting shares valued at $1.9 million. As part of the consideration paid, 185,119 Class B Non-Voting shares held in escrow were released to the Acuity vendors on February 1, 2014.

During the three months ended February 28, 2014, a $0.3 million recovery (2013 – $0.9 million in charges) was recognized related to the fair value adjustment on the mark to market related to the AGF Class B Non-Voting shares and interest accretion on the acquisition consideration payable.

Note 7: 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, 2014**		**February 28, 2013**	
(in thousands of Canadian dollars, 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 the period	87,091,646	$ 524,681	89,057,691	$ 533,684
Issued through dividend reinvestment plan	52,456	680	58,544	582
Stock options exercised	418,084	3,981	94,650	834
Issued on acquisition of Acuity	175,367	1,941	107,138	1,231
Repurchased for cancellation	(1,762,200)	(10,623)	–	–
Purchase of treasury stock	(50,000)	(562)	–	–
Balance, end of the period	85,925,353	$ 520,098	89,318,023	$ 536,331

(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). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. 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 6,904,647 shares through to February 3, 2015. During the three months ended February 28, 2014, under

AGF's previous normal course issuer bid, 1,762,200 (2013 – nil) Class B Non-Voting shares were repurchased at a cost of $22.1 million (2013 – nil) and the excess paid of $11.5 million (2013 – nil) over the recorded capital stock value of the shares repurchased for cancellation was charged to retained earnings.

(d) Class B Non-Voting Shares Purchased as Treasury Stock

During the three months ended February 28, 2014, 50,000 (2013 – nil) Class B Non-Voting shares were purchased for future share-based settlement of RSUs granted to the employees of AGF and its Canadian subsidiaries. Shares purchased for the employee benefit trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. As at February 28, 2014, 50,000 (November 30, 2013 – nil) Class B Non-Voting shares were held as treasury stock. Refer to Note 3.3 for additional information.

Note 8: Accumulated Other Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening composition of accumulated other comprehensive income at November 30, 2012				
Accumulated other comprehensive income (loss)	$ (673)	$ 3,265	$ (4,098)	$ (1,506)
Income tax recovery (expense)	–	(432)	1,086	654
Balance, November 30, 2012	(673)	2,833	(3,012)	(852)
Transactions during the year ended November 30, 2013				
Other comprehensive income (loss)	7,298	(111)	1,052	8,239
Income tax recovery (expense)	–	8	(278)	(270)
Balance, November 30, 2013	6,625	2,730	(2,238)	7,117
Transactions during the period ended February 28, 2014				
Other comprehensive income (loss)	5,533	633	(30)	6,136
Income tax recovery (expense)	–	(84)	8	(76)
Balance, February 28, 2014	$ 12,158	$ 3,279	$ (2,260)	$ 13,177

Note 9: Fair Value Adjustments and Other Income (Loss)

Three months ended (in thousands of Canadian dollars)	February 28, 2014	February 28, 2013
Fair value adjustment related to investment in AGF mutual funds (Note 4)	$ 187	$ 195
Fair value adjustment related to acquisition consideration payable (Note 6)	422	(711)
Fair value adjustment related to put agreement with non-controlling shareholders	–	291
Interest income	1,449	1,933
Other	287	(78)
	$ 2,345	$ 1,630

Note 10: Expenses by Nature

Three months ended (in thousands of Canadian dollars)	February 28, 2014	February 28, 2013
Selling, general and administrative		
Employee benefit expense	$ 24,064	$ 27,370
Sales and marketing	2,555	2,102
Information technology and facilities	5,403	5,883
Professional fees	3,878	3,850
Fund absorption and other fund costs	3,482	4,372
Other	935	564
	$ 40,317	$ 44,141

Note 11: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 3,786,986 Class B Non-Voting shares could have been granted as at February 28, 2014 (November 30, 2013 – 4,068,024).

The change in stock options during the three months ended February 28, 2014 and 2013 is summarized as follows:

Three months ended	**February 28, 2014**			**February 28, 2013**		
	Options		**Weighted average exercise price**	**Options**		**Weighted average exercise price**
Class B Non-Voting share options[1]						
Balance, beginning of the period	4,823,331	$	14.37	4,933,339	$	15.33
Options granted	417,705		11.43	649,061		11.38
Options forfeited	–		–	(85,950)		31.64
Options expired	(136,667)		18.94	–		–
Options exercised	(418,084)		8.74	(94,650)		8.24
Balance, end of the period	4,686,285	$	14.47	5,401,800	$	14.72

[1] 2013 excludes 393,505 stock options related to AGF Trust, all of which were exercised during fiscal 2013.

During the three months ended February 28, 2014, 417,705 (2013 – 649,061) stock options were granted and compensation expense and contributed surplus of $0.3 million (2013 – $0.4 million) was recorded. The fair value of options granted during the three months ended February 28, 2014 has been estimated at $1.16 per option (2013 – $1.64) 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, 2014 and 2013:

Three months ended	**February 28, 2014**	**February 28, 2013**
Risk-free interest rate	1.6%	1.5%
Expected dividend yield	9.6%	9.6%
Five-year historical-based expected share price volatility	33.3%	41.9%
Option term	5.0 years	5.0 years

(b) Other Stock-based Compensation

Other stock-based compensation includes RSU, Performance Share Units (PSU), Deferred Share Units (DSU) and Partners Incentive Plan (PIP). Compensation expense for the three months ended February 28, 2014 related to these share units was $1.2 million recovery (2013 – $2.7 million expense). As at February 28, 2014, the Company recorded a liability of $4.0 million (November 30, 2013 – $16.1 million liability) related to other cash-settled stock-based compensation. As at February 28, 2014, the Company recorded contributed surplus of $6.3 million (November 30, 2013 – nil) related to equity-settled RSUs. During the three months ended February 28, 2014, $6.0 million of the amount recorded in contributed surplus was transferred from liabilities upon conversion of the RSU plan to an equity-settled plan effective February 11, 2014.

The change in share units of RSU, PSU and DSU during the three months ended February 28, 2014 and 2013 is as follows:

Three months ended	**February 28, 2014**	**February 28, 2013**
	Number of share units	**Number of share units**
Outstanding, beginning of the period		
Non-vested	1,311,817	995,682
Issued		
Initial grant	381,025	548,008
In lieu of dividends	26,882	27,604
Settled in cash	(40,998)	(9,496)
Forfeited and cancelled	(5,592)	(7,044)
Outstanding, end of the period	1,673,134	1,554,754

Note 12: Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated effective tax rate for the three months ended February 28, 2014 was 26.2% (2013 – 28.5%).

The income tax expense related to income from discontinued operations for the three months ended February 28, 2014 was $1.0 million.

Refer to Note 18 for additional information on tax contingencies.

Note 13: Earnings per Share

Three months ended (in thousands of Canadian dollars)	**February 28, 2014**	**February 28, 2013**
Numerator		
Net income for the period from continuing operations attributable to the equity owners of the Company	$ 17,079	$ 15,618
Net income for the period from discontinued operations attributable to the equity owners of the Company	2,840	–
Net income for the period attributable to the equity owners of the Company	19,919	15,618
Denominator		
Weighted average number of shares – basic	86,188,463	89,229,202
Dilutive effect of employee stock options	554,367	309,076
Weighted average number of shares – diluted	86,742,830	89,538,278
Basic earnings per share		
Continuing operations	$ 0.20	$ 0.18
Discontinued operations	0.03	–
	$ 0.23	$ 0.18
Diluted earnings per share		
Continuing operations	$ 0.20	$ 0.17
Discontinued operations	0.03	–
	$ 0.23	$ 0.17

Note 14: Dividends

During the three months ended February 28, 2014, the company paid dividends of $0.27 (2013 – $0.27) per share. Total dividends paid, including dividends reinvested, in the three months ended February 28, 2014 were $23.3 million (2013 – $24.1 million). On March 25, 2014, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.27 per share in respect of the three months ended February 28, 2014, amounting to a total dividend of approximately $23.2 million. These condensed consolidated interim financial statements do not reflect this dividend payable.

Note 15: Related Party Transactions

The Company is controlled by Blake C. Goldring, Chairman and Chief Executive Officer of AGF, through his indirect ownership of all the voting shares of Goldring Capital Corporation, which owns 80% of the Company's Class A Voting common shares. The remaining 20% of the Class A Voting common shares are held by the Vice-Chairman of AGF, who is also a Director.

The remuneration of Directors and other key management personnel of AGF is as follows:

Three months ended (in thousands of Canadian dollars)	**February 28, 2014**	**February 28, 2013**
Salaries and other short-term employee benefits	$ 1,421	$ 1,243
Share-based payments	(59)	1,076
	$ 1,362	$ 2,319

Note 16: Fair Value of Financial Instruments

Financial assets are classified as fair value through profit or loss (FVTPL), available for sale, or loans and receivables. Financial liabilities are classified as FVTPL or derivatives used for hedging.

The carrying value of accounts receivable and other assets, accounts payable and accrued liabilities and long-term debt approximate fair value.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities,

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

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

The following table presents the Company's assets and liabilities measured at fair value on a recurring basis as at February 28, 2014:

(in thousands of Canadian dollars) February 28, 2014	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 248,886	$ –	$ –	$ 248,886
AGF mutual funds and other	13,131	–	–	13,131
Equity securities	489	–	–	489
Contingent consideration receivable	–	–	10,000	10,000
Available for sale				
Equity securities	3,287	–	–	3,287
Loans and receivables				
Canadian government debt – Federal	–	305	–	305
Total financial assets	$ 265,793	$ 305	$ 10,000	$ 276,098
Liabilities				
Derivatives used for hedging	$ –	$ 3,366	$ –	$ 3,366
Total financial liabilities	$ –	$ 3,366	$ –	$ 3,366

The fair value of financial instruments traded in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Level 1 instruments include listed equity securities on major exchanges, investments in AGF mutual funds, highly liquid temporary deposits with Canadian banks, an Irish bank and non-Irish banks in Ireland, as well as bank term deposits.

Level 2 instruments include derivative instruments with a major Canadian chartered bank and Canadian federal government debt. The fair value of derivatives used to manage interest rate exposure on deposits and long-term debt 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.

Level 3 instruments include contingent consideration receivable and acquisition consideration payable. Instruments classified in this category had a parameter input or inputs that were unobservable and that had a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The contingent consideration receivable is determined using management's best estimate of the fair value thereof. Based on the negotiations with the purchaser during the three months ended February 28, 2014, the fair value was determined to be $10.0 million.

The following table presents changes in level 3 instruments for the three months ended February 28, 2014:

(in thousands of Canadian dollars)	Acquisition consideration payable	Contingent consideration receivable	Total
Balance at December 1, 2013	$ 6,731	$ 6,107	12,838
Gains and losses recognized in profit or loss	(350)	28	(322)
Gain recognized in profit or loss as discontinued operations[1]	–	3,865	3,865
Consideration paid	(6,381)	–	(6,381)
Balance at February 28, 2014	$ –	$ 10,000	10,000

[1] Before taxes of $1.0 million.

The acquisition consideration payable was settled on February 1, 2014 and comprised of deferred cash payments and Class E exchangeable preferred shares that were 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 Class E exchangeable preferred shares were settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which was determined by reference to a fixed exchange ratio.

There were no transfers into or out of level 1, level 2 and level 3 during the three months ended February 28, 2014.

Note 17: Offsetting Financial Instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated interim statement of financial position where AGF currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, AGF has entered into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting in the consolidated interim statement of financial position but still allow for the related amounts to be set off in certain circumstances, such as default or bankruptcy.

The following table presents the recognized financial instruments that are offset or subject to enforceable master netting arrangements or other similar agreements but not offset, as at February 28, 2014 and November 30, 2013, and shows what the net impact would be on the Company's consolidated interim statement of financial position if all set-off rights were exercised:

(in thousands of Canadian dollars) **February 28, 2014**	Amounts offset			Amounts not offset	Net
	Gross asset	Gross liability offset	Net amount presented		
Financial assets					
Cash and cash equivalents (Note 17(a),(b),(c))	$ 701,339	$ (452,453)	$ 248,886	$ (170,132)	$ 78,754
Total financial assets	$ 701,339	$ (452,453)	$ 248,886	$ (170,132)	$ 78,754
	Amounts offset			**Amounts not offset**	**Net**
	Gross liability	Gross asset offset	Net amount presented		
Financial liabilities					
Long-term debt (Note 17(b))	$ 307,975	$ –	$ 307,975	$ (170,132)	$ 137,843
Derivative financial instrument (Note 17(c))	3,366	–	3,366	(3,366)	–
Total financial liabilities	$ 311,341	$ –	$ 311,341	$ (173,498)	$ 137,843

(in thousands of Canadian dollars) **November 30, 2013**	Amounts offset			Amounts not offset	Net
	Gross asset	Gross liability offset	Net amount presented		
Financial assets					
Cash and cash equivalents (Note 17(a),(b),(c))	$ 863,283	$ (493,418)	$ 369,865	$ (283,983)	$ 85,882
Total financial assets	$ 863,283	$ (493,418)	$ 369,865	$ (283,983)	$ 85,882
	Amounts offset			**Amounts not offset**	**Net**
	Gross liability	Gross asset offset	Net amount presented		
Financial liabilities					
Long-term debt (Note 17(b))	$ 307,888	$ –	$ 307,888	$ (283,983)	$ 23,905
Derivative financial instrument (Note 17(c))	3,344	–	3,344	(3,344)	–
Total financial liabilities	$ 311,232	$ –	$ 311,232	$ (287,327)	$ 23,905

(a) Based on an agreement with a Canadian chartered bank, certain bank deposits are pooled into one concentration account and offset with bank overdrafts of the Company and its subsidiaries that are part of the pooling agreement. The net amount is included in cash and cash equivalents in the consolidated interim statement of financial position.

(b) The Company, through its subsidiary AGF Investments Inc. (AGFII), has a loan agreement with two Canadian chartered banks. Based on this agreement, in the event of a default or bankruptcy, the creditors have the right to offset the liability against any deposits of the Company and certain subsidiaries held by the creditors. These cash deposits are recorded under cash and cash equivalents in the consolidated interim statement of financial position.

(c) The Company, through its subsidiary AGFII, has entered into an interest rate swap transaction with a Canadian chartered bank. Under the terms of this agreement, the swap liability may be offset against AGFII's cash deposits held in the counterparty's bank, which are recorded under cash and cash equivalents in the consolidated interim statement of financial position. As the swap transaction is with one of the creditors mentioned in Note 17(b), the cash deposits of AGFII held with this creditor have been offset against both financial liabilities in the table above.

Note 18: Contingencies

The Company believes that it has adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases, however, requires significant judgement in interpreting tax rules and regulations. The Company's tax filings are subject to audits, which could materially change the amount of the current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

In November 2013, the Company received a notice of reassessment (NOR) from the Canada Revenue Agency (CRA) relating to the transfer pricing and allocation of income between one of the Company's Canadian legal entities and a foreign subsidiary, which would increase the Company's taxes payable from its original tax filings by $10.0 million, $10.5 million and $15.4 million (before the application of any interest and penalties of $21.6 million) for its 2005, 2006 and 2007 fiscal years, respectively.

The Company strongly disagrees with the CRA's position and filed an objection to the NOR in February 2014. In connection with the filing of the NOR, the Company was required to pay, and has paid, approximately $38.8 million (including interest and penalties) during the three months ended February 28, 2014, even though the ultimate outcome may differ from this amount.

In consultation with its external advisors, the Company believes that its tax filing positions continue to be reasonable based on its transfer pricing methodology and the Company is contesting the CRA's position and any related transfer pricing penalty. The Company believes it is likely that the CRA will reassess its taxes for subsequent years on a similar basis and that these may result in future cash payments on receipt of the reassessments. The amount of tax provision recorded on the consolidated interim statement of financial position reflects management's best estimate of the final payment to be made on the ultimate resolution of this matter and includes any related estimated interest and penalties for the 2005 to 2014 fiscal years. The final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in valuing its income tax assets and liabilities.

Further to the Company's objection to the NOR, the Company is also seeking Competent Authority relief from double taxation under the applicable tax treaty.

The Company has been accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2009 through 2016.

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.

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