

# AGF MANAGEMENT LIMITED QUARTERLY REPORT

for the six months ended May 31, 2000

## To the Shareholders

It is a pleasure to report that AGF Management Limited had consolidated net earnings after income taxes of \$46.2 million or \$1.13 per share fully diluted for the six months ended May 31, 2000, an increase of 65.5 per cent over the comparable 1999 period. These powerful results are attributable to solid net sales growth, excellent performance in fund portfolios and stringent cost control measures.

Cash flow from operations (before net change in non-cash balances related to operations) was \$110.9 million or \$2.70 per share fully diluted for the six months ended May 31, 2000 compared to \$76.4 million or \$1.85 per share fully diluted for the same period last year.

Total consolidated revenue for the six months ended May 31, 2000 was \$237.0 million up from \$164.5 million last year, an increase of 44.1 per cent, reflecting the growth in mutual fund assets under management to \$22.1 billion at May 31, 2000 from \$17.0 billion one year ago. Total assets under management as of the date of this message to shareholders are in excess of \$26.0 billion.

In reflection of the higher level of earnings and the favourable outlook for the future, the Board of Directors at its June 22, 2000 meeting approved a division of the Corporation's shares on a two-for-one basis, subject to regulatory and shareholder approval, and raised the quarterly dividend by 25 per cent to \$0.10 per share.

Also, following the meeting of the Board of Directors it was announced that Blake Goldring, CFA, has been named President and Chief Executive Officer of the Corporation, succeeding C. Warren Goldring who will continue in his role as Chairman of the Board.

During the second quarter of 2000, the Corporation launched six new funds in the All-World Tax Advantage Group, including AGF MultiManager Class, AGF Aggressive Japan Class, AGF Global Technology Class, AGF Global Health Sciences Class,



What are you doing after work?

# Consolidated Statements of Income (unaudited)

	Three months ended May 31,		Six months ended May 31,	
	2000	1999	2000	1999
(in thousands of dollars, except per share amounts)				
<b>Revenue</b>				
<b>Wealth Management Operations</b>				
Net management and advisory fees	\$ 102,493	\$ 73,274	\$ 194,796	\$ 139,320
Administration fees and other revenue	11,023	5,615	20,043	11,027
Deferred sales charges	7,461	4,757	14,887	8,612
Investment income	940	201	1,251	419
	<b>121,917</b>	83,847	<b>230,977</b>	159,378
<b>Trust Company interest, dividends and administration fees</b>	<b>3,009</b>	2,592	<b>6,066</b>	5,111
	<b>124,926</b>	86,439	<b>237,043</b>	164,489
<b>Expenses</b>				
<b>Wealth Management Operations</b>				
Selling, general and administrative	23,858	17,062	46,487	32,756
Trailing commissions	25,152	17,689	47,740	33,023
Investment advisory fees	8,348	6,770	16,044	12,765
Amortization of deferred selling commissions	19,480	14,701	37,219	28,016
Amortization of management contracts	1,281	1,281	2,562	2,562
Amortization of capital assets and goodwill	1,364	1,285	2,711	2,564
Long-term interest expense	936	1,033	1,900	2,048
	<b>80,419</b>	59,821	<b>154,663</b>	113,734
<b>Trust Company Operations</b>				
Interest on deposits	1,877	1,654	3,759	3,238
General and administrative	573	516	1,225	1,048
Provision for mortgage losses	52	48	73	65
	<b>2,502</b>	2,218	<b>5,057</b>	4,351
	<b>82,921</b>	62,039	<b>159,720</b>	118,085
<b>Income before income taxes</b>	<b>42,005</b>	24,400	<b>77,323</b>	46,404
<b>Income taxes</b>				
Current	5,022	1,373	7,525	2,730
Deferred	11,968	8,188	23,586	15,743
	<b>16,990</b>	9,561	<b>31,111</b>	18,473
<b>Net income for the period</b>	<b>\$ 25,015</b>	\$ 14,839	<b>\$ 46,212</b>	\$ 27,931
<b>Earnings per share</b>				
Basic	\$ 0.64	\$ 0.38	\$ 1.18	\$ 0.72
Fully diluted	\$ 0.61	\$ 0.36	\$ 1.13	\$ 0.68
<b>Number of shares outstanding at period end</b>	<b>39,095,073</b>	38,880,048		

# Consolidated Statements of Cash Flow (unaudited)

	Three months ended May 31,		Six months ended May 31,	
	2000	1999	2000	1999
(in thousands of dollars, except per share amounts)				
<b>Operating activities</b>				
Net income for the period	\$ 25,015	\$ 14,839	\$ 46,212	\$ 27,931
<b>Items not affecting cash</b>				
Amortization of deferred selling commissions	19,480	14,701	37,219	28,016
Deferred income taxes	11,968	8,188	23,586	15,743
Amortization of management contracts	1,281	1,281	2,562	2,56
Amortization of capital assets and goodwill	1,364	1,285	2,711	2,564
Other	(1,049)	(292)	(1,418)	(418)
	58,059	40,002	110,872	76,398
Net (increase) decrease in non-cash balances related to operations	8,346	(2,248)	(5,278)	(14,101)
	66,405	37,754	105,594	62,297
<b>Financing activities</b>				
Net change in Class B shares	1,208	958	(3,913)	1,972
Increase (decrease) in bank loan	(11,000)	4,000	(15,000)	2,000
Dividends	(3,133)	(2,706)	(6,254)	(5,395)
Decrease in loan notes payable	(62)	(1,835)	(62)	(1,835)
Increase in Trust Company deposits	2,053	4,634	672	5,373
	(10,934)	5,051	(24,557)	2,115
<b>Investing activities</b>				
Deferred selling commissions paid	(44,540)	(36,637)	(86,121)	(67,458)
Sale of investments – Wealth Management Operations	2,130	–	640	–
Purchase of capital assets	(2,925)	(1,098)	(4,388)	(1,953)
Sale (purchase) of investments-Trust Company Operations	1,053	–	1,152	(1,746)
Increase in Trust Company mortgages and other loans	(5,441)	(4,677)	(5,560)	(7,304)
	(49,723)	(42,412)	(94,277)	(78,461)
Increase (decrease) in cash and cash equivalents during the period	5,748	393	(13,240)	(14,049)
Balance of cash and cash equivalents, beginning of period	53,068	45,642	72,056	60,084
Balance of cash and cash equivalents, end of period	\$ 58,816	\$ 46,035	\$ 58,816	\$ 46,035
<b>Represented by:</b>				
<b>Cash and term deposits</b>				
Wealth Management Operations	\$ 28,274	\$ 36,975		
Trust Company Operations	8,693	4,060		
<b>Short-term investments</b>	21,849	5,000		
	\$ 58,816	\$ 46,035		
<b>Supplemental disclosure of cash flow information</b>				
Interest payments during the period	\$ 3,481	\$ 3,355	\$ 5,679	\$ 5,316
Income tax payments during the period	\$ 4,075	\$ 2,405	\$ 6,931	\$ 4,763
<b>Cash flow from operations per share (before net change in non-cash balances related to operations)</b>				
Basic	\$ 1.49	\$ 1.03	\$ 2.84	\$ 1.97
Fully diluted	\$ 1.42	\$ 0.97	\$ 2.70	\$ 1.85

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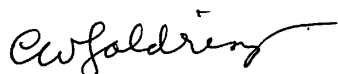
AGF Global Financial Services Class and AGF Global Resources Class. These new funds, which provide investors with exposure to new sectors and new economies, build on the Corporation's expertise in international investment management.

The Corporation has recently developed new distribution arrangements with the Royal Bank of Canada and ScotiaBank to sell selected AGF funds through their branch networks. These agreements are in addition to those announced over the last year with Bank of Montreal, CIBC and the Toronto Dominion Bank.

In May 2000, the Corporation opened offices in Tokyo and Beijing and launched a business alliance with Sumitomo Life Insurance Co. as part of a strategy to develop stronger global markets for its money management expertise in order to realize its vision of becoming a global company with a Canadian home.

The next quarter of stock market activity should be a continuation of recent trends. Certain stocks have moved strongly ahead while others have fallen, sometimes precipitously. These contrary trends reflect the lessened availability of liquidity which was pumped into all banking systems last year to cushion possible Y2K disasters – which did not occur. This year all central banks have been dealing with the problem of potential inflation by raising interest rates and warning of greater credit risks.

We expect an upward tilt to the market over the next three months as investors gravitate to stocks with sound fundamentals and in particular those which may be favourably impacted by the economic programs endorsed by the candidates in the U.S. presidential race.



**C. Warren Goldring**  
Chairman  
July 12, 2000



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