AGF Management Limited

Second Quarter Report

FOR THE SIX MONTHS ENDED MAY 31, 2004

AGF

What are you doing after work?

dear fellow shareholders

I am pleased to report that AGF Management Limited reported strong financial performance in the second quarter of fiscal 2004. We posted significant gains in revenue, cash flow and net income in our core mutual fund business, as well as growth in our complementary fund administration and trust company operations.

For the three months ended May 31, 2004, AGF reported cash flow from operations (before net change in non-cash balances related to operations) of $68.4 million, or $0.74 per share diluted, compared with $50.8 million, or $0.55 per share diluted in 2003, an increase of 34.7 per cent. Free cash flow increased to $51.1 million for the three months ended May 31, 2004, compared with $37.5 million in the second quarter, 2003, an increase of 36.3 per cent.

As a result of the high level of free cash flow, we repurchased 600,000 Class B non-voting shares during the three months ended May 31, 2004. Since the start of the current fiscal year, AGF has bought back a total of 1.6 million AGF Class B non-voting shares. As well, in March 2004, AGF increased the dividend rate on our Class B shares by 37.5 per cent.

There were a number of accomplishments this quarter that help reinforce the strategic platform for growth we have established over the last few years.

To build on our initiatives in private investment management, AGF announced an agreement to acquire Cypress Capital Management Ltd., a private client investment counselling firm based in Vancouver. This acquisition creates a national network of high-net-worth firms for AGF with offices in Montreal, Ottawa, Toronto, Calgary and Vancouver with assets under management of approximately $4.3 billion.

We've also made some significant changes to reinforce our sales and marketing capabilities and forge even stronger relationships with our customers. During the quarter, we announced the appointment of a new senior vice-president, sales and marketing, who will be responsible for driving growth in all distribution channels. We are now focused on improving our net sales picture as we move towards the 2005 RSP season.

Mutual fund performance continues to be strong, with 64 per cent of assets under management performing above median for the one-year period ending May 31, 2004. After 47 years in the mutual fund business, we've seen that investor confidence and sales need to catch up to performance. With excellent performance in our funds for more than a year, AGF is in a good position to benefit. Our Harmony wrap program also continues to demonstrate excellent sales momentum as advisors become more aware of the flexibility and sophistication of this product.

We will continue to pursue shareholder value by investing in the long-term growth of the business and by ensuring we are responsive to the needs of the market. I want to extend my thanks to all our shareholders for their confidence in the strength of this company.

Blake C. Goldring, CFA
President and Chief Executive Officer
June 29, 2004

management's discussion and analysis of financial condition and results of operations

FOR THE THREE MONTHS AND SIX MONTHS ENDED MAY 31, 2004

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (collectively referred to as "AGF" or the "Corporation") as at May 31, 2004, compared with November 30, 2003, and the results of operations for the three months and six months ended May 31, 2004, compared with the corresponding periods of 2003. This MD&A should be read in conjunction with the MD&A included in the Corporation's 2003 Annual Report and with the MD&A in the First Quarter Report for the three months ended February 29, 2004.

SUMMARY OF CONSOLIDATED OPERATING RESULTS

($ MILLIONS)

	Three months ended May 31			Six months ended May 31			
	2004	2003	% change	**2004**	2003	2003 (adj.)[4]	% change
Revenue	**$ 166.0**	$ 140.8	17.9%	**$ 325.1**	$ 299.5	$ 286.8	13.4%
Cash flow from operations[1]	**$ 68.4**	$ 50.8	34.7%	**$ 130.0**	$ 102.6	$ 102.6	26.7%
EBITDA[2]	**$ 79.0**	$ 66.7	18.3%	**$ 154.5**	$ 148.5	$ 135.7	13.8%
Net income[3,4]	**$ 34.0**	$ 19.6	73.3%	**$ 57.8**	$ 48.0	$ 37.1	55.5%
Per share amounts – diluted							
Cash flow from operations[1,2]	**$ 0.74**	$ 0.55	34.5%	**$ 1.41**	$ 1.11	$ 1.11	27.0%
Earnings	**$ 0.37**	$ 0.21	76.2%	**$ 0.63**	$ 0.52	$ 0.40	57.5%

1 CASH FLOW FROM OPERATIONS BEFORE NET CHANGE IN NON-CASH BALANCES RELATED TO OPERATIONS.

2 CASH FLOW FROM OPERATIONS PER SHARE AND EBITDA (EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTIZATION) ARE NON-GAAP (GENERALLY ACCEPTED ACCOUNTING PRINCIPLES) FINANCIAL MEASURES. MANAGEMENT BELIEVES THAT SHAREHOLDERS AND INVESTMENT ANALYSTS FIND THESE MEASURES HELPFUL IN ANALYZING AGF RESULTS. CASH FLOW FROM OPERATIONS PER SHARE HAVE BEEN COMPUTED USING THE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING SIMILAR TO THE EARNINGS PER SHARE ("EPS") CALCULATIONS.

3 THE CORPORATION'S EFFECTIVE INCOME TAX RATE FOR THE THREE MONTHS AND SIX MONTHS ENDED MAY 31, 2004, WERE 7.9% AND 17.9%, RESPECTIVELY, AS COMPARED WITH THE STATUTORY RATE OF 36.0%. IN APRIL 2004, THE CORPORATION ACQUIRED NET TAX-RELATED BENEFITS OF $15.7 MILLION, OF WHICH $7.1 MILLION WERE RECOGNIZED IN THE THREE MONTHS ENDED MAY 31, 2004.

4 RESULTS FOR THE SIX MONTHS ENDED MAY 31, 2003, INCLUDE A CAPITAL GAIN OF $12.8 MILLION BEFORE TAX, RESULTING FROM THE DISPOSITION OF THE CORPORATION'S INVESTMENT IN AN ASSOCIATED COMPANY. FOR EASE OF COMPARISON WITH THE CURRENT PERIOD, THE RESULTS SHOWN IN THIS COLUMN HAVE BEEN ADJUSTED TO REFLECT THE EXCLUSION OF THIS GAIN.

The increases in cash flow, EBITDA and net income for the three and six months ended May 31, 2004, are predominately due to the increase in mutual fund assets under management from the respective periods of 2003. This is discussed in more detail in the "Wealth Management Operations" section. Net income and cash flow from operations for the three-month period ended May 31, 2004, also benefited by $7.1 million ($0.08 per share diluted) from a lower effective income tax rate resulting from the acquisition of tax-related benefits. This is discussed in more detail in the MD&A under the heading "Income Taxes."

Consolidated revenue for the three months ended May 31, 2004, was $166.0 million compared with $140.8 million in the same period of the prior year, an increase of $25.2 million or 17.9%. Cash flow from operations (before net change in non-cash balances related to operations) amounted to $68.4 million ($0.74 per share diluted) for the three months ended May 31, 2004, as compared with $50.8 million ($0.55 per share diluted) in the comparable period of the prior year, an increase of $17.6 million or 34.7%. EBITDA was $79.0 million for the three months ended May 31, 2004, an increase of 18.3% from the same period in fiscal 2003. Consolidated net income increased 73.3% to $34.0 million for the three months ended May 31, 2004, as compared with $19.6 million a year ago. Diluted earnings per share were $0.37 for the three months ended May 31, 2004, an increase of 76.2% from $0.21 per share in the same period of the prior year.

Consolidated revenue for the six months ended May 31, 2004, was $325.1 million compared with $299.5 million in the same period of the prior year, an increase of $25.6 million or 8.5%. Revenue in the first quarter of 2003 includes a pre-tax capital gain of $12.8 million resulting from the disposition of the Corporation's investment in an associated company. Excluding this capital gain, revenue for the six months ended May 31, 2004, increased by $38.3 million or 13.4%. For the six months ended May 31, 2004, cash flow from operations amounted to $130.0 million ($1.41 per share diluted) compared with $102.6 million ($1.11 per share diluted) recorded in the same period of the prior year, an increase of $27.4 million or 26.7%. EBITDA was $154.5 million for the six months ended May 31, 2004, representing an increase of 4.0% from the same period in fiscal 2003. Excluding the capital gain in the prior year period, EBITDA increased 13.8% over the same prior year period. Consolidated net income increased 20.4% to $57.8 million for the six months ended May 31, 2004, as compared with $48.0 million a year ago. Excluding the capital gain in the prior year period, net income increased 55.5% over the same period last year. Diluted earnings per share were $0.63 for the six months ended May 31, 2004, an increase of 21.2% from $0.52 per share in the same period of the prior year. Excluding the capital gain in the prior year period, diluted EPS increased by 57.5% from the prior year period.

SELECTED QUARTERLY INFORMATION

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

For the three-month period ended	**Q2 May 31, 2004**	Q1 Feb. 29, 2004	Q4 Nov. 30, 2003	Q3 Aug. 31, 2003
Revenue	**$ 166.0**	$ 159.1	$ 153.9	$ 147.4
Cash flow from operations	**68.4**	61.6	50.0	55.8
EBITDA	**79.0**	75.5	63.4	72.4
Net income (loss)[1,2,3]	**34.0**	23.8	(25.8)	21.8
Net income (loss) per share				
Basic	**$ 0.37**	$ 0.26	$ (0.28)	$ 0.24
Diluted	**$ 0.37**	$ 0.26	$ (0.27)	$ 0.23
Cash flow from operations per share				
Basic	**$ 0.75**	$ 0.67	$ 0.55	$ 0.61
Diluted	**$ 0.74**	$ 0.67	$ 0.54	$ 0.60

(IN MILLIONS, EXCEPT PER SHARE AMOUNTS)

For the three-month period ended	Q2 May 31, 2003	Q1 Feb. 28, 2003	Q4 Nov. 30, 2002	Q3 Aug. 31, 2002
Revenue	$ 140.8	$ 158.7	$ 148.6	$ 163.8
Cash flow from operations	50.8	51.9	57.7	63.9
EBITDA	66.7	81.7	69.0	79.9
Net income[3,4]	19.6	28.4	18.2	30.7
Net income per share				
Basic	$ 0.21	$ 0.31	$ 0.21	$ 0.34
Diluted	$ 0.21	$ 0.30	$ 0.19	$ 0.34
Cash flow from operations per share				
Basic	$ 0.55	$ 0.57	$ 0.64	$ 0.71
Diluted	$ 0.55	$ 0.56	$ 0.63	$ 0.70

1 THE CORPORATION'S EFFECTIVE INCOME TAX RATE FOR THE THREE AND SIX MONTHS ENDED MAY 31, 2004, WERE 7.9% AND 17.9%, RESPECTIVELY, AS COMPARED WITH THE STATUTORY RATE OF 36.0%. IN APRIL 2004, THE CORPORATION ACQUIRED NET TAX-RELATED BENEFITS OF $15.7 MILLION, OF WHICH $7.1 MILLION WERE RECOGNIZED IN THE THREE MONTHS ENDED MAY 31, 2004.

2 THE FOURTH-QUARTER LOSS IN FISCAL 2003 IS DUE TO AN INCREASE IN FUTURE INCOME TAX EXPENSE OF $40.2 MILLION ($0.43 PER SHARE DILUTED) RESULTING FROM THE REPEAL OF SCHEDULED FUTURE ONTARIO INCOME TAX RATE REDUCTIONS AND THE INCREASE IN THE ONTARIO TAX RATE FROM 12.5% TO 14.0% EFFECTIVE JANUARY 1, 2004.

3 THE FOURTH-QUARTER NET INCOME (LOSS) IN 2003 AND 2002 INCLUDES INTEGRATION COSTS OF $4.9 MILLION AND $5.5 MILLION, RESPECTIVELY.

4 RESULTS FOR THE THREE MONTHS ENDED FEBRUARY 28, 2003 INCLUDE A CAPITAL GAIN OF $12.8 MILLION BEFORE TAX, RESULTING FROM THE DISPOSITION OF THE CORPORATION'S INVESTMENT IN AN ASSOCIATED COMPANY.

Revenue, Profitability and Seasonality

The Corporation's revenue is highly correlated to the daily value of mutual fund assets under management. As a result, revenues are generally not subject to significant seasonal swings. The Corporation experiences somewhat higher mutual fund sales during the months of February and March as a result of the RSP season, however, the immediate impact of the level of sales on total revenue is not significant. The "Selected Quarterly Information" table on page 3 shows key performance statistics for the past eight quarters.

REVIEW OF OPERATING SEGMENTS

The Corporation reports on three business segments: wealth management operations, fund administration operations and trust company operations. The wealth management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products and services, including retail mutual fund operations and high-net-worth client investment counselling services. Fund administration, which operates in both Canada and the U.K., offers fund administrative services and transfer agency solutions to institutional clients in Canada and the U.K., including the AGF mutual funds. The trust company segment offers a wide range of trust services and products including GICs, mortgages, investment loans and RSP loans. The "Other" segment includes the results of Smith & Williamson Holdings Limited ("S&WHL"), which are accounted for by the equity method and the interest expense on the Corporation's long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

WEALTH MANAGEMENT OPERATIONS

REVENUE

Revenue of the wealth management operations segment is composed of the following:

($ MILLIONS)

Three months ended May 31	**2004**		2003		
	Amount	**% of total**	Amount	% of total	% change
Net management and advisory fees	**$ 112.8**	**84.6%**	$ 96.6	83.9%	16.9%
Deferred sales charges	**9.7**	**7.3%**	11.0	9.5%	(11.2%)
Administration fees and other revenue	**10.7**	**8.0%**	7.3	6.3%	46.6%
Investment income	**0.2**	**0.1%**	0.4	0.3%	(42.7%)
	$ 133.4	**100.0%**	$ 115.3	100.0%	15.7%

($ MILLIONS)

Six months ended May 31	2004 Amount	2004 % of total	2003 Amount	2003 % of total	% change
Net management and advisory fees	**$ 223.7**	**84.6%**	$ 198.4	83.7%	12.8%
Deferred sales charges	**19.6**	**7.4%**	22.4	9.4%	(12.3%)
Administration fees and other revenue	**20.7**	**7.8%**	15.6	6.6%	32.7%
Investment income	**0.4**	**0.2%**	0.7	0.3%	(49.0%)
	$ 264.4	**100.0%**	$ 237.1	100.0%	11.5%

Net Management and Advisory Fees

Management and advisory fee revenue, net of distribution fees paid to limited partnerships and other third-party financing entities of $4.2 million ($4.4 million in 2003), increased 16.9% to $112.8 million for the three months ended May 31, 2004, compared with $96.6 million in the same period in 2003. For the six months ended May 31, 2004, management and advisory fee revenue, net of distribution fees paid to limited partnerships and other third-party financing entities of $8.8 million ($9.4 million in 2003) increased 12.8% to $223.7 million as compared with $198.4 million in the same period in 2003. The amount of management and advisory fees is dependent on the level and composition of assets under management ("AUM"). Under the management and investment advisory contracts between the Corporation and each of the mutual funds it manages, the Corporation is entitled to monthly fees based on a specified percentage of the average daily net asset value of the respective fund.

The following table illustrates the composition of the changes in mutual fund AUM during the three and six months ended May 31, 2004 and 2003:

($ MILLIONS)

	Three months ended May 31			Six months ended May 31		
	2004	2003	% change	**2004**	2003	% change
Mutual fund AUM, at February 29	**$ 25,128**	$ 20,974	19.8%			
Mutual fund AUM, at November 30				**$ 23,168**	$ 23,549	(1.6%)
Gross sales of mutual funds	**714**	508	40.7%	**1,499**	1,216	23.3%
Redemptions of mutual funds	**(1,087)**	(895)	21.5%	**(2,287)**	(2,070)	10.5%
Net mutual fund redemptions	**(373)**	(387)	(3.9%)	**(788)**	(854)	(7.7%)
Market appreciation (depreciation) of fund portfolios	**(523)**	1,285		**1,852**	(823)	
Mutual fund AUM, at May 31	**$ 24,232**	$ 21,872	10.8%	**$ 24,232**	$ 21,872	10.8%
Average daily mutual fund AUM for the period	**$ 24,503**	$ 21,026	16.5%	**$ 24,438**	$ 21,718	12.5%
Redemptions (as % of average daily mutual fund AUM)	**17.7%**	17.0%		**18.7%**	19.1%	

The second quarter of fiscal 2004 saw a modest correction in stock market prices following the strong growth in global equity markets seen in 2003 and the first quarter of fiscal 2004. During the three months ended May 31, 2004, the Canadian-dollar-adjusted S&P 500 Index fell 0.4%, the Canadian-dollar-adjusted NASDAQ Index fell 0.4% and the S&P/TSX Composite Index fell 4.2%. During the same period, mutual fund AUM decreased 3.6%. Average daily mutual fund AUM in the second quarter of fiscal 2004 were 16.5% higher than in the second quarter of 2003, directly contributing to a 16.9% increase in net management and advisory fee revenue from the same period a year ago.

During the six months ended May 31, 2004, the Canadian-dollar-adjusted S&P 500 Index rose 11.3%, the Canadian-dollar-adjusted NASDAQ Index rose 6.5% and the S&P/TSX Composite Index rose 7.1%. Mutual fund AUM increased by 4.6% over the same period. Average daily mutual fund AUM in the first half of fiscal 2004 were 12.5% higher than in the first half of 2003, directly contributing to a 12.8% increase in net management and advisory fee revenue compared with the same period a year ago.

The value of the Canadian dollar fell 1.7% from $0.7462 to $0.7338 U.S. during the second quarter of fiscal 2004. The Canadian dollar declined 4.8% over the six-month period ended May 31, 2004, from $0.7706 to $0.7338 U.S. The impact of the U.S. dollar rise versus the Canadian dollar has resulted in an increase of mutual fund AUM of approximately $0.3 billion since November 30, 2003, and $0.1 billion since February 29, 2004.

High-Net-Worth and Institutional Assets

The aggregate market value of assets managed by AGF for high-net-worth individuals and institutional clients were as follows:

As at November 30, 2003	$5.1 billion
As at February 29, 2004	$6.4 billion
As at May 31, 2004	$6.2 billion

With the announcement of the Cypress Capital Management Ltd. acquisition on June 16, 2004, which is expected to close on or about June 30, 2004 (see "Subsequent Event" on page 14), total institutional and private client assets under management will be in excess of $8.0 billion and will continue to provide the Corporation with a stable revenue stream.

Deferred Sales Charges

The Corporation receives Deferred Sales Charges ("DSC") upon redemption of securities sold on the contingent DSC or "back-end" commission basis for which the Corporation financed the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after seven years. DSC revenue decreased 11.2% from $11.0 million for the three months ended May 31, 2003, to $9.7 million for the three months ended May 31, 2004. For the six months ended May 31, 2004, DSC revenue decreased 12.3% to $19.6 million from $22.4 million for the same period in 2003. 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.

EXPENSES

Expenses for the wealth management operations segment were as follows:

($ MILLIONS)

	Three months ended May 31			Six months ended May 31		
	2004	2003	% change	**2004**	2003	% change
Selling, general and administrative	**$ 26.8**	$ 21.0	27.6%	**$ 52.4**	$ 42.2	24.2%
Trailing commissions	**28.8**	24.4	18.3%	**56.8**	50.6	12.4%
Investment advisory fees	**8.1**	7.2	11.8%	**16.1**	15.1	6.3%
Amortization of DSC	**31.0**	29.1	6.4%	**61.2**	57.6	6.2%
Amortization of customer contracts, relationships and investment advisory contracts	**3.2**	3.0	6.7%	**6.3**	6.0	5.0%
Amortization of property, equipment and other intangible assets	**2.4**	1.9	26.3%	**4.7**	5.4	(13.0%)
Writedown of short-term investments	**–**	–		**–**	0.6	n/m
	$ 100.3	$ 86.6	15.8%	**$ 197.5**	$ 177.5	11.3%

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the Corporation's wealth management operations segment increased by $5.8 million or 27.6% for the three months ended May 31, 2004 compared to the same period in 2003. For the six months ended May 31, 2004, SG&A expenses increased by $10.2 million or 24.2% compared with the same period in 2003. The increase in SG&A expenses in 2004 is due to costs associated with the continued building of AGF's successful investment management team and the acquisition of P.J. Doherty. During the second quarter of fiscal 2004, the Corporation also incurred expenses related to the reorganization of the sales and marketing functions. These expenses, including severance costs, are not expected to recur.

Trailing Commissions

Trailing commissions paid to investment dealers are dependent on total AUM levels as well as 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. Trailing commissions increased 18.3% to $28.8 million for the three months ended May 31, 2004, from $24.4 million for the three months ended May 31, 2003. Trailing commissions as a percentage of average daily mutual fund AUM increased to 0.470% for the three months ended May 31, 2004, from 0.463% in the comparable 2003 period. For the six months ended May 31, 2004, trailing commissions increased 12.4% to $56.8 million from $50.6 million for the comparable 2003 period. Trailing commissions as a percentage of average daily mutual fund AUM decreased slightly to 0.465% for the six months ended May 31, 2004, from 0.466% for the comparable period in 2003.

Investment Advisory Fees

Investment advisory fees increased 11.8% to $8.1 million for the three months ended May 31, 2004, from $7.2 million in the three months ended May 31, 2003. Investment advisory fees as a percentage of the Corporation's average daily mutual fund AUM declined to 0.132% for the three months ended May 31, 2004, from 0.137% in the same period a year ago. Investment advisory fees increased 6.3% to $16.1 million for the six months ended May 31, 2004, from $15.1 million in the same period of 2003. Investment advisory fees as a percentage of the Corporation's average daily mutual fund AUM declined to 0.132% for the six months ended May 31, 2004, from 0.139% in the same period a year ago. Investment advisory fees paid to external advisors as a percentage of the Corporation's average daily mutual fund AUM are declining as a result of an increasing proportion of mutual fund assets being managed by internal AGF investment managers.

Amortization of Deferred Sales Commissions

Amortization of DSC increased by 6.4% to $31.0 million for the three months ended May 31, 2004, from $29.1 million for the three months ended May 31, 2003. For the six months ended May 31, 2004, amortization of DSC increased by 6.2% to $61.2 million from $57.6 million for the six months ended May 31, 2003. Currently, the Corporation internally finances all selling commissions paid. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. During the three and six months ended May 31, 2004, the Corporation paid selling commissions of $17.2 million and $33.3 million, respectively (2003 – $13.2 million and $25.6 million).

Earnings Before Interest, Taxes, Depreciation and Amortization

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the wealth management operations segment were $69.7 million for the three months ended May 31, 2004, an increase of 11.2% from $62.7 million for the same period of fiscal 2003. EBITDA for the six months ended May 31, 2004, were $139.1 million, an increase of 8.2% from $128.6 million for the comparable period of fiscal 2003.

FUND ADMINISTRATION OPERATIONS

REVENUE

Revenue for the fund administration business, operated in Canada as Unisen Inc. ("Unisen") and in the United Kingdom as Investmaster Group Limited ("Investmaster"), increased from $30.9 million and $62.7 million for the three and six months ended May 31, 2003, respectively, to $34.5 million and $66.3 million for the three and six months ended May 31, 2004. The increases are attributable to the acquisition of Consort Information Systems Limited ("CISL") completed in April 2003 and an expanded customer base.

Unisen, a leading provider of outsourcing solutions, supports the fund information cycle by providing unitholder record-keeping systems and operations administration, client services and fund valuation services. As at May 31, 2004, Unisen served directly or through other third-party administrators more than 170 investment companies and financial institutions.

Investmaster develops and licenses customized investment industry software in the United Kingdom. During the second quarter of fiscal 2003, Investmaster completed the acquisition of CISL, making it the U.K.'s largest supplier of integrated systems for private wealth investment managers. This acquisition is expected to provide significant cost synergies once the integration of the two operations is completed over the next year. With an expanded customer base and the successful introduction of new products, Investmaster is well positioned to continue to grow its revenue.

EXPENSES

Expenses for the fund administration operations segment were as follows:

($ MILLIONS)	Three months ended May 31			Six months ended May 31		
	2004	2003	% change	2004	2003	% change
Selling, general and administrative	**$ 29.9**	$ 28.7	4.2%	**$ 57.6**	$ 57.4	0.3%
Amortization of customer contracts and relationships	**1.5**	1.5	–	**3.0**	3.2	(6.3%)
Amortization of property, equipment and other intangible assets	**2.4**	1.8	33.3%	**4.6**	3.3	39.4%
	$ 33.8	$ 32.0	5.6%	**$ 65.2**	$ 63.9	2.0%

Selling, General and Administrative Expenses

SG&A expenses amounted to $29.9 million and $57.6 million for the three and six months ended May 31, 2004, increasing $1.2 million and $0.2 million, respectively, as compared with the corresponding periods in fiscal 2003. The increase in SG&A was due to an increase in Investmaster's SG&A as a result of the acquisition of CISL offset by cost savings resulting from the integration of Unisen's fund administration operations onto one IT platform.

Amortization of Customer Contracts and Relationships

Amortization of customer contracts and relationships amounted to $1.5 million for the three months ended May 31, 2004, unchanged from the corresponding period in 2003. Amortization of customer contracts and relationships was $3.0 million for the six months ended May 31, 2004, decreasing $0.2 million from the same six-month period in 2003.

Amortization of Property, Equipment and Other Intangible Assets

Amortization of property, equipment and other intangible assets amounted to $2.4 million and $4.6 million for the three and six months ended May 31, 2004, increasing $0.6 million and $1.3 million, respectively, as compared with the corresponding period in fiscal 2003. These expenses include the amortization over a period of five years of software acquired as a part of the Jewelstone Systems and CISL acquisitions. These acquisitions resulted in the addition of software amounting to $9.3 million and $9.5 million, respectively. The increase in amortization of property and equipment in fiscal 2004 is also attributable to higher capital spending incurred in 2003 on leasehold improvements and IT infrastructure in respect of Unisen's head office in Mississauga, Ontario.

Earnings Before Interest, Taxes, Depreciation and Amortization

EBITDA for the fund administration operations segment were $4.5 million and $8.7 million for the three and six months ended May 31, 2004, increasing $2.4 million and $3.4 million, respectively, as compared with the corresponding period in fiscal 2003.

TRUST COMPANY OPERATIONS

AGF Trust Company (the "Trust Company") recorded net income of $1.9 million for the three months ended May 31, 2004, compared with net income of $0.5 million for the same period last year. Net income was $2.7 million for the six months ended May 31, 2004, compared with net income of $0.7 million for the comparable period last year. Net income for the three months ended May 31, 2004, benefited from a one-time gain of $0.6 million on the sale of securities. Net operating income is expected to increase during the remainder of the year, as the costs associated with the RSP season, including required loan loss provisions, decline.

Consumer loans, including investment loans and RSP loans, increased 16.0% during the second quarter of fiscal 2004, growing by $55.0 million to $398.5 million at May 31, 2004. This represents an increase of $118.7 million since November 30, 2003. The general allowance for consumer loan losses increased to $2.7 million at May 31, 2004, from $1.9 million at November 30, 2003. Mortgage balances grew by $17.1 million during the three months ended May 31, 2004, to $236.5 million, an increase of $22.0 million since November 30, 2003. Net investment income for the three months ended May 31, 2004, was $5.5 million compared with $3.1 million for the same period last year. This increase is a reflection of the higher asset levels at the Trust Company. Net investment income for the six months ended May 31, 2004 was $9.5 million compared with $6.0 million in the same period last year.

The provision for loan losses for the three months ended May 31, 2004 was $0.7 million compared with $0.4 million for the same period last year. This increase is a reflection of higher write-offs and specific provisions for losses on the RSP loan portfolio. The higher losses are consistent with higher average RSP loan balances and the end of deferred payment periods for RSP loans. The provision for loan losses for the six months ended May 31, 2004 was $1.8 million, an increase of $0.7 million from the same period last year.

The Trust Company's financial position and balance sheet remain sound. Total assets have grown to $718.8 million at May 31, 2004, an increase of 21.8% or $128.4 million from November 30, 2003. The assets to capital multiple at May 31, 2004, stood at 14.4 times, up from 14.3 times at November 30, 2003, and well within the permitted multiple of 17.5 times.

OTHER CORPORATE EXPENSES

Interest Expense

Interest expense (included in the AGF consolidated financial statements segment information note under "Other") decreased to $1.3 million for the three months ended May 31, 2004 from $2.6 million in the same period in 2003. Interest expense for the six months ended May 31, 2004 was $3.7 million, compared with $5.2 million for the same period in 2003, a decrease of 29.1%. The decreases are a result of lower average outstanding loan balances compared with the same periods in 2003 and a credit to interest expense recorded in marking to market the interest rate swaps as required following the adoption of CICA Accounting Guideline 13. For details, see "Change in Accounting Policy – Hedging Relationships" in the notes to the second quarter 2004 Consolidated Financial Statements.

Except for the interest rate swap transactions, which fixed the interest rate on an average of $36.2 million of the outstanding loan balance at 5.53% per annum, interest rates paid on the bank loans were floating based on the prevailing bankers' acceptance rates.

Income Taxes

The Corporation's effective income tax rates for the three months and six months ended May 31, 2004 were 7.9% and 17.9%, respectively, as compared with the statutory rate of 36.0%. In April 2004, the Corporation acquired net tax-related benefits of $15.7 million, of which $7.1 million ($0.08 per share diluted) were recognized in the three months ended May 31, 2004. The remaining tax benefit is expected to be realized over the next two quarters.

As at May 31, 2004, the future income tax liability was $264.7 million, as compared with $285.2 million at November 30, 2003. Approximately half of the future income tax liability balance arose from the deduction for income tax purposes of the full amount of selling commissions paid as compared with the amortization of such selling commissions for accounting purposes over six to eight years. The remaining future income tax liability balance relates primarily to the impact of business combinations where the accounting values of the acquired assets and liabilities differ from their tax values.

LIQUIDITY AND CAPITAL RESOURCES

Cash flow generated from operating activities increased from $50.8 million and $102.6 million for the three and six months ended May 31, 2003, respectively, to $68.4 million and $130.0 million for the three and six months ended May 31, 2004. These represent increases of 34.7% and 26.7%, respectively.

The Corporation's free cash flow (defined as cash flow from operations less selling commissions paid) increased from $37.5 million and $77.1 million for the three and six months ended May 31, 2003, respectively, to $51.1 million and $96.7 million for the three and six months ended May 31, 2004. These represent increases of 36.3% and 25.5%, respectively. The Corporation's free cash flow was used primarily to fund the following:

($ MILLIONS) Six months ended		May 31, 2004
Repurchase AGF Class B shares	$	**28.7**
Payment of dividends		**17.4**
Acquisition of tax-related benefits		**13.3**
Acquisition of P.J. Doherty		**9.5**
Purchase of property, equipment and other intangible assets		**5.6**

During the second quarter of fiscal 2004, the Corporation used $11.0 million of free cash flow to repurchase 600,000 AGF Class B shares at an average price of $18.41 per share. Since December 1, 2003 the Corporation has used $28.7 million of free cash flow to repurchase 1,600,000 AGF Class B shares at an average price of $17.94 per share. This represents approximately 1.7% of the shares outstanding at December 1, 2003.

Consolidated cash amounted to $75.6 million at May 31, 2004 as compared with $88.9 million at November 30, 2003.

The Corporation's long-term debt to equity ratio increased slightly from 0.13:1 as at November 30, 2003, to 0.15:1 as at May 31, 2004. During the second quarter of 2004, outstanding bank debt declined by $14.6 million, primarily because of strong free cash flow.

The Corporation has a 10-year prime-rate-based revolving term loan facility to a maximum of $150.0 million, of which $54.7 million was available to be drawn as of May 31, 2004. This facility will be available to meet future operational and investment needs. The Corporation anticipates that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement its business plan, to finance selling commissions, to satisfy regulatory capital requirements, to service debt repayment obligations, to meet capital spending needs and to pay quarterly dividends.

Shareholders' equity increased from $903.3 million at November 30, 2003, to $916.4 million at May 31, 2004, an increase of 1.5%. The increase is due to the excess of net income over dividends paid partially offset by the large amount of AGF Class B shares repurchased during the first half of fiscal 2004.

HEDGING ACTIVITIES

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions that expire between June 19, 2004, and May 31, 2009. At May 31, 2004, the swaps convert the interest rates paid on $484.2 million of outstanding deposits from fixed interest rates into floating interest rates. AGF Trust Company would receive $1.9 million from the counter-parties if the swap transactions were terminated at May 31, 2004.

The Corporation's U.K.-pound-denominated investment in associated company S&WHL increased from $108.7 million at November 30, 2003, to $122.7 million at May 31, 2004, primarily as a result of the appreciation of the U.K. pound versus the Canadian dollar.

To hedge the currency exposure in connection with its investment in S&WHL, the Corporation has entered into foreign exchange forward contracts to sell U.K. £50.0 million on November 29, 2004 at an average exchange rate of 2.1820 for CDN $109.1 million. The unrealized loss on the hedge transaction as at May 31, 2004, substantially offsets the increase in the investment in S&WHL described above.

RISK FACTORS

The Corporation's risk exposure from foreign exchange, interest rate and capital market movements remains substantially unchanged since the most recent fiscal year end and readers should refer to the MD&A in the Corporation's 2003 Annual Report.

BUSINESS STRATEGY

The Corporation's strategy for the balance of 2004 will be to continue to focus on providing strong investment management, product enhancements, strategic relationships with key distributors and enhanced contact with investment advisors. These factors are key to the success of AGF's core wealth management business.

Performance of the AGF funds over the past year has been strong. For the one-year period ended May 31, 2004, 64% of ranked assets under management performed above median. AGF portfolio managers continue to earn accolades. John Arnold and Rory Flynn, who earlier this year ranked second worldwide in an independent survey by Mercer Investment Consulting, won a top award at the AsianInvestor 2004 Awards for Achievement for the best five-year performance worldwide for European equities. European equities are expected to become more attractive to investors as the European Union makes further strides in creating a large united economic power.

Efforts to strengthen the AGF brand also continue to be successful. Four AGF ads were honoured with awards at the 2004 Bessie Craft Awards for Performance.

Despite AGF's strong investment performance and stellar brand, the Corporation continues to experience a slower-than-expected recovery of gross sales. To address this, during the second quarter of fiscal 2004, the Corporation reorganized the sales and marketing function into one department and appointed a new Senior Vice-President of Sales and Marketing. This senior executive brings proven experience in sales force motivation and a track record of fostering strong relationships with distribution partners. This revitalized sales and marketing function will implement a disciplined and strategic plan by fall 2004, which is expected to have a positive influence on gross sales by the 2005 RSP season.

AGF Private Investment Management Limited (PIM) will endeavor to maximize the value of recent acquisitions. Earlier in the year, AGF acquired P.J. Doherty and Associates Co. Ltd., based in Ottawa, and on June 16, 2004, AGF announced the acquisition of Cypress Capital Management Ltd. of Vancouver. Both firms provide investment counselling services to high-net-worth individuals and institutions. With the acquisition of Cypress, PIM will have approximately $4.3 billion in assets under management and a national presence. In addition to the new locations in Vancouver and Ottawa, PIM has locations in Montreal, Toronto and Calgary and is well positioned to achieve organic growth by capitalizing on enhanced investment management expertise and client service capabilities. The centralization of administration is expected to generate operational efficiencies.

The Corporation will continue to position itself, through Unisen, to seize new business opportunities resulting from the trend in the investment fund industry towards outsourcing of administrative functions.

Global initiatives will be concentrated on wealth management and third-party administration activities in markets that management believes have above-average growth potential.

SUBSEQUENT EVENT

On June 16, 2004, the Corporation signed a definitive purchase agreement to acquire Vancouver-based Cypress Capital Management Ltd., an investment counselling firm for high-net-worth individuals and institutions. The base purchase price is $26 million payable during the two-year period following closing. Additional consideration of up to $9 million may be payable three years after closing, contingent on the business achieving certain revenue levels. The purchase consideration is payable by a combination of cash and AGF Class B shares. The transaction is expected to close on or about June 30, 2004.

OUTLOOK

Global equity markets experienced a modest correction during the three months ended May 31, 2004, resulting in a decline of AGF mutual fund AUM from $25.1 billion at February 29, 2004, to $24.2 billion at the end of the Corporation's second fiscal quarter. Although equity markets have pulled back somewhat, market values remain above the levels experienced during fiscal 2003. Net management fees are directly impacted by market appreciation or depreciation of fund portfolios and net fund sales or redemptions. Market stability should result in revenue and earnings from the Corporation's core wealth management operations exceeding 2003 levels for the balance of fiscal 2004.

Although the Corporation experienced net mutual fund redemptions of $0.4 billion during the second quarter of fiscal 2004, management believes that the following factors position the Corporation for further asset growth during the remainder of 2004:

- A revitalized sales and marketing function. The centralization of all aspects of sales and marketing will allow a more strategic approach to bolstering advisor relationships. Results are expected by the 2005 RSP season.
- The Corporation acquired 100% of P.J. Doherty and Associates Co. Ltd. in January 2004 and announced the acquisition of 100% of Cypress Capital Management Ltd. on June 16, 2004. These acquisitions complete a national network of private investment management firms and create a strong platform for organic growth.
- Strong investment performance. For the one-year period ended May 31, 2004, 64% of ranked assets under management performed above median.
- Well-positioned products. The Harmony Pools, AGF's highly successful wrap product, continues to generate strong asset inflows and management believes it will continue to be a leading product in this market segment.

Rising interest rates and high energy prices may moderate returns in the coming quarters. However, strong corporate earnings, global economic growth and low inflation should support the current level of global equity markets for the remainder of 2004.

Unisen is on schedule to migrate all the remaining third-party clients onto the Unitrax system in the third quarter. While the continuing consolidation of the investment fund industry is expected to impact short-term revenue growth opportunities, Unisen is pursuing a number of initiatives, including new product development and service quality programs, to diversify and stabilize its revenue base.

Management expects industry consolidation to continue, as companies seek to achieve greater economies of scale and benefit from access to national distribution channels.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements that are made based on management's judgment and expectations but are inherently subject to risks and uncertainties beyond the Corporation's control. These risks and uncertainties include economic conditions, market fluctuations, interest rate and foreign exchange movements, political events, regulatory change and competitive developments. Actual results may differ materially from those anticipated in the forward-looking statements.

AGF MANAGEMENT LIMITED
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

	May 31, 2004 (UNAUDITED)	November 30, 2003
ASSETS		
Current Assets		
Cash and term deposits	**$ 4,276**	$ 5,838
Short-term investments	**20,575**	19,065
Accounts receivable and prepaid expenses	**56,521**	55,835
Income taxes recoverable	**10,830**	–
	92,202	80,738
Investment in associated company	**122,650**	108,692
Other investments	**8,811**	8,811
Management contracts	**473,670**	473,670
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	**105,587**	101,918
Deferred selling commissions, net of accumulated amortization	**366,928**	394,839
Property, equipment and other intangible assets, net of accumulated amortization	**56,239**	59,769
Goodwill	**151,525**	148,165
Other assets	**4,993**	–
	1,382,605	1,376,602
Trust Company Assets		
Cash and term deposits	**71,322**	83,067
Accounts receivable and other assets	**8,729**	7,216
Investments	**3,719**	5,793
Mortgages and consumer loans	**635,047**	494,318
	718,817	590,394
	$ 2,101,422	$ 1,966,996

AGF MANAGEMENT LIMITED
CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS OF DOLLARS)

	May 31, 2004 (UNAUDITED)	November 30, 2003
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued liabilities	$ 60,767	$ 46,335
Long-term debt due within one year (note 4)	40,755	41,371
Income taxes payable	–	18,148
	101,522	105,854
Long-term debt (note 4)	135,751	114,114
Participation units	6,157	6,157
Future income taxes	264,688	285,207
Leasehold inducements	4,295	1,493
Other liabilities	1,380	–
	513,793	512,825
Trust Company Liabilities		
Accounts payable and accrued liabilities	13,491	15,661
Deposits	657,728	535,200
	671,219	550,861
Shareholders' Equity		
Capital stock (note 3)	390,144	395,168
Retained earnings	524,793	506,274
Foreign currency translation adjustment	1,473	1,868
	916,410	903,310
	$ 2,101,422	$ 1,966,996

AGF MANAGEMENT LIMITED
CONSOLIDATED STATEMENTS OF INCOME

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)
(UNAUDITED)

	Three months ended May 31		Six months ended May 31	
	2004	2003	**2004**	2003
Revenue				
Net management and advisory fees	**$ 112,850**	$ 96,559	**$ 223,733**	$ 198,399
Administration fees and other revenue	**32,885**	24,405	**61,708**	48,699
Deferred sales charges	**9,722**	10,951	**19,616**	22,357
Gain on sale of investment in associated company	**–**	–	**–**	12,758
Investment income	**211**	368	**397**	778
	155,668	132,283	**305,454**	282,991
Trust Company interest, dividends and administration fees	**10,319**	8,534	**19,639**	16,537
	165,987	140,817	**325,093**	299,528
Expenses				
Selling, general and administrative	**43,703**	35,693	**83,612**	71,120
Trailing commissions	**28,818**	24,352	**56,835**	50,573
Investment advisory fees	**8,066**	7,213	**16,090**	15,133
Amortization of deferred selling commissions	**30,972**	29,099	**61,225**	57,638
Amortization of customer contracts, relationships and investment advisory contracts	**4,746**	4,483	**9,346**	9,154
Amortization of property, equipment and other intangible assets	**4,743**	4,336	**9,245**	9,814
Interest expense	**1,293**	2,646	**3,669**	5,176
Writedown of short-term investments	**–**	–	**–**	643
	122,341	107,822	**240,022**	219,251
Trust Company Expenses				
Interest on deposits	**3,704**	4,802	**8,405**	9,348
General and administrative	**2,267**	1,889	**4,456**	3,650
Provision for loan losses	**742**	355	**1,800**	1,065
	6,713	7,046	**14,661**	14,063
	129,054	114,868	**254,683**	233,314
Income before income taxes	**36,933**	25,949	**70,410**	66,214
Income Taxes				
Current	**9,425**	12,781	**23,064**	29,145
Future	**(6,508)**	(6,463)	**(10,443)**	(10,934)
	2,917	6,318	**12,621**	18,211
Net income for the period	**$ 34,016**	$ 19,631	**$ 57,789**	$ 48,003
Earnings Per Share				
Basic	***$ 0.37***	*$ 0.21*	***$ 0.63***	*$ 0.52*
Diluted	***$ 0.37***	*$ 0.21*	***$ 0.63***	*$ 0.52*

AGF MANAGEMENT LIMITED
CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	Three months ended May 31		Six months ended May 31	
	2004	2003	**2004**	2003
Retained earnings, beginning of period	**$ 509,302**	$ 518,265	**$ 506,274**	$ 495,819
Net income for the period	**34,016**	19,631	**57,789**	48,003
	543,318	537,896	**564,063**	543,822
Deduct:				
Dividends on Class A and Class B shares	**10,057**	6,895	**17,434**	12,821
Excess paid over average issue price of Class B shares purchased for cancellation	**8,468**	–	**21,836**	–
	18,525	6,895	**39,270**	12,821
Retained earnings, end of period	**$ 524,793**	$ 531,001	**$ 524,793**	$ 531,001

AGF MANAGEMENT LIMITED
CONSOLIDATED STATEMENTS OF CASH FLOW

(IN THOUSANDS OF DOLLARS)
(UNAUDITED)

	Three months ended May 31		Six months ended May 31	
	2004	2003	**2004**	2003
Operating Activities				
Net income for the period	**$ 34,016**	$ 19,631	**$ 57,789**	$ 48,003
Items not affecting cash				
Amortization of deferred selling commissions	**30,972**	29,099	**61,225**	57,638
Amortization of customer contracts, relationships and investment advisory contracts	**4,746**	4,483	**9,346**	9,154
Amortization of property, equipment and other intangible assets	**5,035**	4,567	**9,815**	10,278
Future income taxes	**(6,508)**	(6,463)	**(10,443)**	(10,934)
Gain on sale of investment in associated company	**–**	–	**–**	(12,758)
Mark-to-market on swap transactions	**(522)**	–	**(28)**	–
Other	**625**	(564)	**2,292**	1,259
	68,364	50,753	**129,996**	102,640
Net (increase) decrease in non-cash balances related to operations	**217**	4,130	**(42,296)**	(19,119)
	68,581	54,883	**87,700**	83,521
Financing Activities				
Net change in Class B shares	**(9,613)**	2,162	**(26,860)**	4,647
Dividends	**(10,057)**	(6,895)	**(17,434)**	(12,821)
Increase (decrease) in bank loan	**(13,850)**	(19,850)	**23,300**	(28,200)
Decrease in notes payable	**(762)**	(1,035)	**(2,305)**	(2,782)
Increase in leasehold inducements	**294**	–	**2,959**	–
Increase in Trust Company deposits	**69,484**	3,081	**122,528**	35,064
	35,496	(22,537)	**102,188**	(4,092)
Investing Activities				
Deferred selling commissions paid	**(17,218)**	(13,217)	**(33,314)**	(25,572)
Investment in associated company	**–**	–	**–**	(604)
Acquisition of subsidiary, net of cash acquired	**–**	(7,530)	**(8,983)**	(7,530)
Purchase of property, equipment and other intangible assets	**(2,946)**	(2,479)	**(5,605)**	(3,818)
Sale (purchase) of investments	**(13,158)**	(194)	**(14,838)**	400
Sale of investments – Trust Company	**2,176**	743	**2,074**	1,415
Increase in Trust Company mortgages and consumer loans	**(72,942)**	(33,504)	**(142,529)**	(91,176)
	(104,088)	(56,181)	**(203,195)**	(126,885)
Decrease in cash and cash equivalents during the period	**(11)**	(23,835)	**(13,307)**	(47,456)
Balance of cash and cash equivalents, beginning of period	**75,609**	101,204	**88,905**	124,825
Balance of cash and cash equivalents, end of period	**$ 75,598**	$ 77,369	**$ 75,598**	$ 77,369
Represented by:				
Cash and term deposits	**$ 4,276**	$ 4,718		
Trust Company cash and term deposits	**71,322**	72,651		
	$ 75,598	$ 77,369		

notes to consolidated financial statements

FOR THE THREE MONTHS AND SIX MONTHS ENDED MAY 31, 2004 AND MAY 31, 2003 (UNAUDITED)
(IN DOLLARS, EXCEPT AS OTHERWISE STATED)

These unaudited interim consolidated financial statements of AGF Management Limited ("AGF" or "Corporation") have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF's consolidated financial statements for the year ended November 30, 2003, except for the change in accounting policy described in note 1. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2003, as set out in AGF's 2003 Annual Report. Certain comparative amounts have been reclassified to conform with the current period's presentation. At December 1, 2003, cash and cash equivalents were reclassified to include cash and term deposits and exclude short-term investments.

1.
CHANGE IN ACCOUNTING POLICY

Hedging Relationships

On December 1, 2003, AGF adopted CICA Accounting Guideline 13 "Hedging Relationships" ("AcG 13"). AcG 13 addresses the identification, designation, documentation and assessment of effectiveness of hedging transactions for the purpose of applying hedge accounting.

Under this new guideline the Corporation is required to document its hedging transactions and demonstrate that the hedges are sufficiently effective in order to use hedge accounting for positions hedged with derivatives.

The Corporation reviewed its hedging relationships as of December 1, 2003, and determined that its cross-currency swap transaction and certain interest rate swap transactions do not qualify for hedge accounting. As such, the Corporation recorded these swaps at fair value, which increased both assets and liabilities as at December 1, 2003 by $1.4 million. The deferred asset is being amortized over the remaining term of the swap and the expense of such amortization for the six months ended May 31, 2004, was $81,000 (2003 – nil). A credit of $28,000 (2003 – nil) on the mark-to-market of the swap transactions has been included in interest expense for the six months ended May 31, 2004. In each subsequent reporting period, the change in fair value of these swaps will be recorded as income or expense for the period.

Certain other interest rate swaps entered into by AGF Trust Company are designated as hedges, and the interest payable or receivable under the swap transactions is accrued and recorded as interest expense.

The foreign exchange forward contracts used to hedge the investment in Smith & Williamson Holdings Limited ("S&WHL") are designated as hedges and qualify for hedge accounting. The unrealized foreign exchange gains or losses on the forward contracts are recorded in a separate component of shareholders' equity as a foreign currency translation adjustment.

2.
ACQUISITION OF P.J. DOHERTY & ASSOCIATES CO. LTD.

On January 15, 2004, the Corporation completed the acquisition of 100% of the shares of P.J. Doherty & Associates Co. Ltd. for consideration of $12.2 million, including $0.3 million of acquisition costs. Cash consideration paid amounted to $9.4 million, with future payments of $2.8 million due within one year. A portion of these future payments are contingent on the business maintaining certain revenue levels. There is also potential additional consideration that may become payable based on revenue growth during the two-year period subsequent to completion of the acquisition. These amounts are not determinable at the present date. The acquired business, which is based in Ottawa, is an investment counselling firm for high-net-worth individuals and institutions. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

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

		$(000s)
Net Assets Acquired		
Cash	$	**468**
Other assets		**318**
Customer contracts		**13,015**
Goodwill		**3,360**
Current liabilities		**(233)**
Future income tax		**(4,701)**
	$	**12,227**
Consideration Paid (including acquisition costs)		
Cash	$	**9,451**
Future payments due within one year		**2,776**
	$	**12,227**

3.
CAPITAL STOCK

(a) Authorized Capital

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

(b) Movement During the Period
The movement in capital stock during the six months ended May 31, 2004 is summarized as follows:

	Number of shares issued		Amount $(000s)
Class B Shares			
Balance, November 30, 2003	**92,214,723**	**$**	**395,168**
Issued through dividend reinvestment plan	**6,767**		**118**
Stock options exercised	**212,662**		**1,720**
Purchased for cancellation	**(1,600,000)**		**(6,862)**
Balance, May 31, 2004	**90,834,152**	**$**	**390,144**
Class A Shares			
Balance, November 30, 2003 and May 31, 2004	**57,600**		**–**
Total Capital Stock		**$**	**390,144**

(c) Class B Shares Purchased for Cancellation
AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the Toronto Stock Exchange. Present approval for such purchases extends through to February 2005.

(d) Stock Option Plans

Stock-Based Compensation

On December 1, 2002, AGF adopted the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments," for stock options granted on or after that date. Under this standard, the fair value of stock options are determined on their grant date and recorded as compensation expense over the period that the stock options vest. During the six months ended May 31, 2004, the Corporation granted 770,000 options and recorded $861,000 in compensation expense in respect of the options granted during that period. The fair value of options granted during the period has been estimated at between $2.72 to $5.41 per share using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options on the date of grant:

Risk-free interest rate	4.09%
Expected dividend yield	1.82%
Expected share price volatility	33.19%
Option term	7.0 to 10.0 years

Stock options to purchase an aggregate maximum of 6,685,008 Class B shares could have been granted as at May 31, 2004. The options vest over a three- to four-year period and have terms ranging from seven to 10 years. The Corporation or employee is required to meet performance criteria for certain of the options to vest.

The movement in stock options during the six months ended May 31, 2004, is summarized as follows:

	Number of options	Weighted average exercise price
Class B Share Options		
Balance outstanding, November 30, 2003	**3,270,080**	**$ 16.84**
Options granted	**770,000**	**$ 18.89**
Options cancelled	**(42,600)**	**$ 22.04**
Options exercised	**(212,662)**	**$ 8.09**
Balance outstanding, May 31, 2004	**3,784,818**	**$ 17.69**

4.
LONG-TERM DEBT

$(000s)	May 31, 2004	November 30, 2003
Bank Loans		
Fully amortizing term loan	**$ 53,100**	$ 70,800
Revolving term loan	**95,300**	54,300
Notes payable due November 22, 2004	**4,354**	4,970
Notes payable due April 30, 2013	**19,958**	21,230
Consort Information Systems Limited payment due January 31, 2006	**1,067**	1,067
Capital lease obligations	**2,526**	2,883
Loan notes due September 30, 2004	**201**	235
	176,506	155,485
Less: amount included in current liabilities	**40,755**	41,371
	$ 135,751	$ 114,114

Bank Loans

Fully Amortizing Term Loan

At May 31, 2004, the Corporation has drawn the facility in the form of a 92-day bankers' acceptance ("BA") at an effective interest rate of 2.49% per annum.

Revolving Term Loan

As at May 31, 2004, the Corporation has drawn $95.3 million against the available loan amount of $150.0 million in the form of one- to 95-day BAs at an effective interest rate of 2.50% per annum.

5. INTEREST RATE SWAP AND FOREIGN EXCHANGE HEDGE TRANSACTIONS

To hedge its currency exposure in connection with its investment in U.K.-based S&WHL, an associated company, the Corporation has entered into foreign exchange forward contracts to sell U.K. £50,000,000 on November 29, 2004, at an average exchange rate of 2.1820 for CDN $109,102,000. The fair value of the forward contracts at May 31, 2004, have been recorded in a separate component of shareholders' equity as a foreign currency translation adjustment.

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions with three Canadian chartered banks as noted below. The swap transactions expire between June 19, 2004, and May 31, 2009, and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. As at May 31, 2004, the aggregate notional amount of the swap transactions was $484,200,000. The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust Company if the transactions were terminated at May 31, 2004, was $1,890,000.

$(000s)

Notional amount of swap	Maturity date	Fixed interest rate received
$ 76,000	2004	2.63%–4.41%
63,500	2005	3.06%–4.17%
87,000	2006	2.35%–4.57%
111,700	2007	3.00%–5.11%
96,000	2008	3.17%–4.43%
50,000	2009	3.49%–4.06%

6.
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

$(000s)	Three months ended May 31		Six months ended May 31	
	2004	2003	**2004**	2003
Interest payments	**$ 5,022**	$ 7,503	**$ 12,124**	$ 14,579
Income tax paid, net of amounts recovered	**$ 9,690**	$ 13,096	**$ 47,273**	$ 35,282

7.
SEGMENT INFORMATION

AGF has three reportable segments: wealth management operations, fund administration operations and trust company operations. The wealth management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. Fund administration offers fund administrative services and transfer agency solutions to institutional clients including the Corporation's group of mutual funds. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RSP loans. AGF's reportable segments are strategic business units that offer different products and services.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in AGF's 2003 annual financial statements.

$(000s)

For the three months ended May 31, 2004	**Wealth management operations**	**Fund administration operations**	**Trust company operations**	**Other**	**Inter-segment elimination**	**Total**
External revenue	**$ 132,352**	**$ 21,944**	**$ 10,319**	**$ 1,372**	**$ –**	**$ 165,987**
Intersegment revenue	**1,098**	**12,565**	**297**	**–**	**(13,960)**	**–**
Segment revenue	**133,450**	**34,509**	**10,616**	**1,372**	**(13,960)**	**165,987**
Operating expenses	**63,711**	**29,969**	**7,287**	**1,294**	**(13,960)**	**88,301**
Amortization	**36,587**	**3,874**	**292**	**–**	**–**	**40,753**
Segment income before taxes	**$ 33,152**	**$ 666**	**$ 3,037**	**$ 78**	**$ –**	**$ 36,933**
Included in External Revenue						
Interest revenue	**$ 211**	**$ (4)**	**$ 9,626**	**$ –**	**$ –**	**$ 9,833**
Total assets	**$ 1,085,835**	**$ 174,120**	**$ 718,817**	**$ 122,650**	**$ –**	**$ 2,101,422**

$(000s)

For the three months ended May 31, 2003	Wealth management operations	Fund administration operations	Trust company operations	Other	Inter-segment elimination	Total
External revenue	$ 114,067	$ 17,469	$ 8,534	$ 747	$ –	$ 140,817
Intersegment revenue	1,203	13,443	297	–	(14,943)	–
Segment revenue	115,270	30,912	8,831	747	(14,943)	140,817
Operating expenses	52,548	28,722	7,727	2,663	(14,943)	76,717
Amortization	34,041	3,284	233	593	–	38,151
Segment income (loss) before taxes	$ 28,681	$ (1,094)	$ 871	$ (2,509)	$ –	$ 25,949
Included in External Revenue						
Interest revenue	$ 160	$ 37	$ 8,214	$ 5	$ –	$ 8,416
Total assets	$ 1,163,240	$ 157,115	$ 556,761	$ 110,625	$ –	$ 1,987,741

$(000s)

For the six months ended May 31, 2004	**Wealth management operations**	**Fund administration operations**	**Trust company operations**	**Other**	**Inter-segment elimination**	**Total**
External revenue	**$ 262,200**	**$ 41,303**	**$ 19,639**	**$ 1,951**	**$ –**	**$ 325,093**
Intersegment revenue	**2,212**	**24,994**	**578**	**–**	**(27,784)**	**–**
Segment revenue	**264,412**	**66,297**	**20,217**	**1,951**	**(27,784)**	**325,093**
Operating expenses	**125,322**	**57,631**	**15,459**	**3,669**	**(27,784)**	**174,297**
Amortization	**72,203**	**7,613**	**570**	**–**	**–**	**80,386**
Segment income (loss) before taxes	**$ 66,887**	**$ 1,053**	**$ 4,188**	**$ (1,718)**	**$ –**	**$ 70,410**
Included in External Revenue						
Interest revenue	**$ 393**	**$ –**	**$ 18,580**	**$ –**	**$ –**	**$ 18,973**
Total assets	**$ 1,085,835**	**$ 174,120**	**$ 718,817**	**$ 122,650**	**$ –**	**$ 2,101,422**

$(000s)

For the six months ended May 31, 2003	Wealth management operations	Fund administration operations	Trust company operations	Other	Inter-segment elimination	Total
External revenue	$ 234,733	$ 35,392	$ 16,537	$ 12,866	$ –	$ 299,528
Intersegment revenue	2,397	27,276	603	–	(30,276)	–
Segment revenue	237,130	62,668	17,140	12,866	(30,276)	299,528
Operating expenses	108,525	57,364	15,394	5,237	(30,276)	156,244
Amortization	68,961	6,503	464	1,142	–	77,070
Segment income (loss) before taxes	$ 59,644	$ (1,199)	$ 1,282	$ 6,487	$ –	$ 66,214
Included in External Revenue						
Interest revenue	$ 514	$ 66	$ 15,923	$ 5	$ –	$ 16,508
Total assets	$ 1,163,240	$ 157,115	$ 556,761	$ 110,625	$ –	$ 1,987,741

8.
SUBSEQUENT EVENT

On June 16, 2004, the Corporation signed a definitive purchase agreement to acquire Vancouver-based Cypress Capital Management Ltd., an investment counselling firm for high-net-worth individuals and institutions. The base purchase price is $26 million payable during the two-year period following closing. Additional consideration of up to $9 million may be payable three years after closing, contingent on the business achieving certain revenue levels. The purchase consideration is payable by a combination of cash and AGF Class B shares. The transaction is expected to close on or about June 30, 2004.

What are you doing after work?

AGF MUTUAL FUNDS	AGF TAILORED INVESTMENT PROGRAMS Harmony	AGF PRIVATE INVESTMENT MANAGEMENT	AGF TRUST

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