AGF Management Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and six months ended May 31, 2012

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AGF MANAGEMENT LIMITED
Second Quarter Report to Shareholders for the three and six months ended May 31, 2012

AGF MANAGEMENT LIMITED REPORTS SECOND QUARTER FINANCIAL RESULTS

Company reports earnings per share of $0.25 and increases focus on its core business of investment management following the sale of AGF Trust

Toronto | June 27, 2012

AGF Management Limited (AGF) today announced financial results for the second quarter ended May 31, 2012. The quarter included improved retail fund performance, the successful launch of new mutual fund products in partnership with Eaton Vance Management and the strategic sale of AGF Trust.

Earnings per share (EPS) were $0.25 for the three months ended May 31, 2012, as compared to $0.35 in the same period of 2011. Diluted EPS from the continuing investment management operations, excluding AGF Trust as a result of the sale, was $0.17 per share in the second quarter of 2012.

Total assets under management (AUM) decreased 16.6% from $51.8 billion at May 31, 2011 to $43.2 billion as of May 31, 2012. AUM decreases were driven primarily by market depreciation from continuing global volatility as well as redemptions from the investment management segment. Given these lower AUM levels, revenue from continuing operations decreased 15.6% to $133.5 million compared to the same period in 2011.

Earnings before interest, taxes depreciation and amortization (EBITDA) from continuing operations decreased to $50.3 million compared to $66.2 million in the second quarter of 2011.

Over the quarter, AGF announced a new partnership with Eaton Vance Management, which included the launch of the AGF Floating Rate Income Fund in Canada and the AGF sub-advised Eaton Vance Global Natural Resources Fund in the United States. Also during the quarter, AGF one-year investment management performance improved with 40.3% of retail mutual funds ranked by Morningstar as being in the1st or 2nd quartile, as compared to only 29.3% a year ago.

AGF announced the sale of AGF Trust Company for approximately $415 million in total cash proceeds to B2B Trust on June 6, 2012. The sale of the Trust business allows AGF to focus exclusively on investment management and use the capital to accelerate business growth for its Canadian operations, expand its global asset management business and provide a return of capital to shareholders in the form of share buybacks and dividends. The sale of AGF Trust is expected to close August 1, 2012, subject to regulatory approval.

"This has been a very busy quarter for AGF. We have seen improvements in our investment management performance and developed a new partnership with Eaton Vance Management, one of the oldest investment management firms in the United States. Further, the sale of AGF Trust strengthens our position as a leader focused on our retail and institutional asset management business," said Blake C. Goldring, Chairman and CEO, AGF Management Limited. "AGF has solid cash flow, a diverse product line-up and strong relationships with the advisor community. I am proud of what we have already achieved this year in a very difficult market environment and see many opportunities for the growth of our investment management operations, both in Canada and internationally."

For the three months ended May 31, 2012, AGF declared a 27 cent per share dividend on Class A Voting common shares and Class B Non-Voting shares or $1.08 per share on an annualized basis.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations and investment management operations, as well as interest and foreign-exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of this MD&A.

Dear fellow shareholders,

Europe's deepening credit troubles along with slowing growth in the BRIC countries and an uncertain economic horizon in the United States all continue to weigh heavily on global markets. While Canada has largely escaped the worst of the economic issues affecting much of the world, we live in a global economy and cannot avoid the effects of the continuing volatility. At AGF, it speaks to the need to focus our efforts on our core strength of investment management with an eye on domestic and international growth opportunities particularly during this period of market uncertainty.

We have already started seeing some of the results of this sharpened focus. There have been improvements in our investment management performance, with 40% of our retail mutual funds ranked by Morningstar as 1^{st} or 2^{nd} quartile on a one-year basis, up from just over 29% a year ago.

We also continue to offer advisors and clients a broad array of investment products. In the second quarter, we announced a new partnership with Eaton Vance Management and launched the new AGF Floating Rate Income Fund in Canada and the AGF sub-advised Eaton Vance Global Natural Resources Fund in the United States. I attended the launch and met with advisors and believe it was one of the most successful product launches we have ever had at AGF.

In June, we announced the sale of AGF Trust to B2B Trust for approximately $415 million in total cash proceeds. We had successfully grown the Trust business from a small, single product lending operation with only $200 million in loan assets to the over $3 billion multi-product loan business that it is today. By selling now, AGF can use the proceeds from the sale, current unused debt capacity and cash-on-hand to accelerate growth in our retail and institutional investment management operations, and provide value to our shareholders. We are dedicated to our advisors and clients and are now better positioned to continue to exceed their expectations for investment management excellence and grow our business through new products, partnerships and investment management opportunities.

We also recognize that there is much more to do. While we saw a drop in our total assets under management by 16.6% and a corresponding 15.6% drop in revenue in the second quarter of 2012 versus one year ago, we remain a highly profitable company with a solid cash flow. Sales of new retail mutual funds were $514 million, down from $712 million a year earlier, but we also saw a slowing in redemptions during the second quarter of 2012 versus that of 2011.

Market volatility continues to shake the confidence of many investors around the world but we approach the second half of 2012 with confidence and optimism. With a renewed focus on our core business and the resources to invest in it, our continuing strong relationships with the advisor community and an enviable product offering, we look upon this period of uncertainty as one that presents great opportunities that can further strengthen our firm and deliver on our commitment to our clients and investors.

Sincerely,

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
June 27, 2012

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

For the three and six months ended May 31, 2012

This Management's Discussion and Analysis (MD&A) is as of June 26, 2012, and presents an analysis of the financial condition of AGF Management Limited (AGF) and its subsidiaries as at May 31, 2012, compared to November 30, 2011. On December 1, 2011, AGF adopted the International Financial Reporting Standards (IFRS) for financial reporting purposes, using a transition date of December 1, 2010. The financial statements for the three and six months ended May 31, 2012, including required comparative information, have been prepared in accordance with IFRS 1, *First-time Adoption of International Financial Reporting Standards* and with International Accounting Standards (IAS) 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board (IASB). Prior to the adoption of IFRS, AGF prepared its Interim and Annual Consolidated Financial Statements in accordance with Canadian Generally Accepted Accounting Principles (GAAP). Unless otherwise noted, 2011 comparative information has been prepared in accordance with IFRS.

The adoption of IFRS has not had an impact on AGF's operations, strategic decisions and cash flow. Information on the IFRS adjustments is provided in the Notes to Consolidated Financial Statements for the three and six months ended May 31, 2012. Information on opening adjustments as a result of the adoption of IFRS are provided in the Notes to the Consolidated Financial Statements for the three months ended February 29, 2012.

On June 6, 2012, AGF signed a definitive agreement under which B2B Trust, a subsidiary of Laurentian Bank, will acquire 100% of AGF Trust Company (AGF Trust), a subsidiary offering mortgage, deposit and consumer lending products to clients of financial advisors and mortgage brokers. The results of AGF Trust for the three and six months ended May 31, 2012 and 2011 have been presented as discontinued operations.

The MD&A should be read in conjunction with our 2011 Annual MD&A and 2011 Annual Audited Consolidated Financial Statements and Notes. 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 and Non-IFRS Measures' section, which provides calculations of the non-IFRS measures along with reconciliation of non-IFRS financial measures to GAAP financial statements. 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 2011 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations,' 'Intercompany and Related Party Transactions' and 'Government Regulations.'

Overview

AGF Management Limited, with $43.2 billion in assets under management (AUM) as at May 31, 2012, 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 May 31, 2012, 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 and endowments as well as for high-net-worth clients.

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

On June 6, 2012, the Company signed a definitive agreement under which B2B Trust, a subsidiary of Laurentian Bank, will acquire 100% of AGF Trust in a share purchase transaction. B2B Trust will acquire AGF Trust for a consideration corresponding to the net book value of AGF Trust at closing and will also cause AGF Trust to repay subordinated indebtedness owed to AGF and redeem preferred shares held by AGF for a consideration of $173.5 million. Based on the March 31, 2012, net book value of AGF Trust of $242.0 million, total consideration of approximately $415.5 million will be received in cash. At May 31, 2012, the net book value of AGF Trust was $246.3 million, which implies total cash consideration of $419.8 million. The agreement also includes a contingent consideration of a maximum of $20.0 million over five years if credit quality reaches certain criteria. The transaction is expected to close on August 1, 2012, subject to applicable regulatory notifications and approvals.

During the quarter, we transitioned the Emerging Markets and Global mandates under a new team as a result of the departure of a senior portfolio manager. The transition is complete and performance within these mandates continues to perform above industry benchmarks. The impact to AUM to date as a result of this transition has been minimal. Investment performance within our other mandates continues to be a concern and a focus for the Company.

Strategy and Quarterly Overview

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

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

As part of a continued focus on our core investment management business, AGF Management Limited announced the sale of its subsidiary AGF Trust. The sale will allow AGF to focus exclusively on investment management and use the capital to accelerate business growth for its Canadian operations, expand its global asset management business and provide a return of capital to shareholders in the form of share buybacks and dividends.

During the second quarter of 2012:

- On June 6, 2012, AGF Management Limited (AGF) announced the sale of AGF Trust to B2B Trust, a subsidiary of Laurentian Bank, for approximately $415.5 million in cash. AGF expects the transaction to close on August 1, 2012, subject to regulatory approvals.
- Total AUM decreased 16.6% from $51.8 billion at May 31, 2011, to $43.2 billion at May 31, 2012.
- Global market volatility continued and the decline in markets resulted in a 6% or $1.4 billion decline in retail AUM during the quarter.
- Retail fund net redemptions were $729.0 million in the second quarter of 2012, compared to net redemptions of $574.0 million in the second quarter of last year.
- Revenue from continuing operations decreased 15.6% to $133.5 million compared to the same period in 2011, which was related to lower AUM levels.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations decreased to $50.3 million compared to $66.2 million in the second quarter of 2011. EBITDA margin decreased to 37.7% compared to 41.9% in the second quarter of 2011. The second quarter of 2011 included $3.6 million in acquisition and integration costs related to Acuity. Adjusted EBITDA of $69.8 million, excluding one-time expenses in 2011, decreased 27.9%.
- Diluted EPS from continuing operations in the second quarter of 2012 was $0.17 per share compared to $0.28 per share in the second quarter of 2011. Excluding one-time items referenced above, diluted EPS from continuing operations was $0.31 per share in the second quarter of 2011.
- We delivered value directly to our shareholders through dividend payments. Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $26.0 million in the second quarter of 2012 compared to $24.8 million in the same period in 2011.
- AGF one-year investment management performance improved during the quarter, with 40.3% of retail mutual funds ranked by Morningstar being in the 1st and 2nd quartile, as compared to only 29.3% a year ago.
- On May 2, 2012, AGF and Eaton Vance Management (Eaton Vance) announced a strategic partnership which included the launch of AGF Floating Rate Income Fund in Canada and the AGF sub-advised Eaton Vance Global Natural Resources Fund in the United States.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three and six months ended May 31, 2012 and 2011:

	Three months ended May 31,			Six months ended May 31,		
($ millions, except per share data)	2012	2011	% change	2012	2011	% change
Revenue						
Investment Management Operations	$ 131.4	$ 157.1	(16.4%)	$ 261.9	$ 294.3	(11.0%)
Share of profit of associated company	2.1	1.0	110.0%	3.5	1.8	94.4%
	133.5	158.1	(15.6%)	265.4	296.1	(10.4%)
Expenses						
Investment Management Operations	83.2	91.9	(9.5%)	162.7	176.0	(7.6%)
	83.2	91.9	(9.5%)	162.7	176.0	(7.6%)
EBITDA[1]	50.3	66.2	(24.0%)	102.7	120.1	(14.5%)
Amortization	25.1	25.2	(0.4%)	49.2	46.0	7.0%
Interest expense	2.5	3.7	(32.4%)	5.8	5.5	5.5%
Income taxes	5.9	9.8	(39.8%)	13.6	18.4	(26.1%)
Net income from continuing operations	16.8	27.5	(38.9%)	34.1	50.2	(32.1%)
Net income from discontinued operations	7.1	6.7	6.0%	15.9	13.5	17.8%
Net income attributable to non-controlling interest	0.1	0.3	(66.7%)	0.1	0.6	(83.3%)
Net income attributable to equity owners of the Company	$ 23.8	$ 33.9	(29.8%)	$ 49.9	$ 63.1	(20.9%)
Diluted earnings per share						
From continuing operations	$ 0.17	$ 0.28	(39.3%)	$ 0.35	$ 0.53	(34.0%)
From discontinued operations	0.08	0.07	14.3%	0.17	0.14	21.4%
From net income for the period	$ 0.25	$ 0.35	(28.6%)	$ 0.52	$ 0.67	(22.4%)

[1] For the definition of EBITDA, see the 'Key Performance Indicators 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

A summary of the results from continuing operations is as follows:

Revenue for the three and six months ended May 31, 2012, decreased by 15.6% and 10.4% from the corresponding periods in 2011. Revenue in the Investment Management Operations decreased 16.4% and 11.0% for the three and six months ended May 31, 2012. Revenue from share of profit of associated company, which represents the results of our 30.7% equity interest in S&WHL, increased to $2.1 million and $3.5 million for the three and six months ended May 31, 2012, compared to $1.0 million and $1.8 million for the same period in 2011.

Expenses for the three and six months ended May 31, 2012, decreased 9.5% and 7.6% compared to the same periods in 2011. Excluding one-time costs in 2011, expenses decreased 5.8% and 3.1%.

The impact of the above items resulted in a 24.0% and 14.5% decrease in EBITDA for the three and six months ended May 31, 2012, over the respective 2011 period. Excluding one-time costs in 2011, EBITDA decreased 27.9% and 19.9% for the three and six months ended May 31, 2012. Amortization expense for the three and six months ended May 31, 2012, decreased by 0.4% and increased 7.0% compared to the corresponding periods in 2011. Amortization of deferred selling commissions for the three and six months ended May 31, 2012, accounted for $16.8 million and $33.7 million (2011 – $18.4 million and $36.1 million) of the total amortization expense, while amortization related to definite life intangibles accounted for $7.4 million and $13.8 million of the total amortization expense (2011 – $6.1 million and $8.6 million). The increase in amortization from the prior year is related to the derecognition of certain customer contracts as a result of redemptions and the full year of amortization of intangible assets related to the Acuity acquisition. Interest expense increased due to higher debt levels and increased rates.

Income tax expense for the three and six months ended May 31, 2012, was $5.9 million and $13.6 million as compared to $9.8 million and $18.4 million in the corresponding periods in 2011. The effective tax rate for the first six months of 2012 was 28.6% compared to 26.8% in the same period of 2011 for continuing operations. The increase in the effective tax rate for the three and six months ended May 31, 2012, compared to the same periods in 2011, related to a number of items, including a change in earnings of foreign subsidiaries relative to the earnings of the consolidated group.

The impact of the above revenue and expense items resulted in net income from continuing operations of $16.8 million and $34.1 million for the three and six months ended May 31, 2012, as compared to $27.5 million and $50.2 million in the prior year. Diluted earnings per share from continuing operations were $0.17 and $0.35 for the three and six months ended May 31, 2012, as compared to $0.28 and $0.53 in the same periods of 2011. Excluding one-time costs in 2011, diluted earnings per share from continuing operations were $0.31 and $0.59 for the three and six months ended May 31, 2011. Diluted EBITDA per share from continuing operations for the three and six months ended May 31, 2012, was $0.52 and $1.06, compared to $0.68 and $1.27 in the same periods in 2011. Excluding one-time costs in 2011, diluted EBITDA per share from continuing operations was $0.72 and $1.36 for the three and six months ended May 31, 2011.

A further discussion of the results is as follows for the three and six months ended May 31, 2012, compared to May 31, 2011.

Results from Continuing Operations

Business and Industry Profile

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

Our investment management teams provide a diverse range of investment strategies and philosophies and unique research-driven investment processes.

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. We compete with numerous domestic and foreign players serving the market. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have seven sales offices located across Canada serving regional advisors and their clients, while our strategic accounts team serves our corporate distribution partners.

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

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

We hold a 30.7% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the U.K. This interest is accounted for using the equity method.

Strategy and Highlights

Building on our over 50-year tradition of being independent, fostering innovation and maintaining integrity, we work to provide excellent products and services across all client segments while building enduring relationships and delivering value to shareholders, clients and unitholders. Our goal is to deliver strong long-term investment performance and client service excellence to the retail mutual fund, institutional and high-net-worth markets. We continue to foster our relationships with advisors and strategic distribution partners and provide a diverse suite of investment solutions. We strive to build strong portfolio management teams to ensure continuity and strength in investment management and to leverage our in-house investment management expertise across multiple client channels.

To enhance our focus on our investment management operations, we have announced the sale of AGF Trust. The capital raised from this will allow AGF to focus exclusively on investment management, expand its global asset management business and provide a return of capital to shareholders in the form of share buybacks and dividends.

During the quarter, as a result of the departure of a senior portfolio manager, we transitioned the Emerging Markets and Global mandates under a new team. To date, performance continues to track to previous levels and the impact to AUM under these mandates has been minimal. On February 1, 2011, AGF completed the acquisition of Acuity, which managed approximately $7.5 billion in retail and institutional assets. By the end of 2011, AGF fully integrated the operations of Acuity. The acquisition strengthened AGF's commitment to diversification and providing excellence in wealth management to meet the needs of a diverse range of clients in both the retail and institutional markets.

Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations are management and advisory fees. 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. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees. These fees are based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and sub-advisory accounts and high-net-worth client AUM. As a result, the level of AUM has a significant influence on financial results.

The following table illustrates the composition of the changes in total AUM during the three and six months ended May 31, 2012 and 2011:

	Three months ended May 31,		
($ millions)	2012	2011	% change
Retail fund AUM (including retail pooled funds), beginning of period	$ 22,975	$ 26,842	(14.4%)
Gross sales	514	712	(27.8%)
Redemptions	(1,243)	(1,286)	(3.3%)
Net sales (redemptions)	(729)	(574)	27.0%
Market appreciation (depreciation) of fund portfolios	(1,400)	(42)	n/m
Retail fund AUM (including retail pooled funds), end of period	$ 20,846	$ 26,226	(20.5%)
Average daily retail fund AUM for the period	$ 21,956	$ 26,384	(16.8%)
Institutional and sub-advisory accounts AUM	$ 19,039	$ 22,115	(13.9%)
High-net-worth AUM	$ 3,297	$ 3,460	(4.7%)
Total AUM, end of period	$ 43,182	$ 51,801	(16.6%)

	Six months ended May 31,		
($ millions)	2012	2011	% change
Retail fund AUM (including retail pooled funds), beginning of period	$ 22,703	$ 22,264	2.0%
Acquisition of Acuity[1]	–	3,768	n/m
Gross sales	1,085	1,644	(34.0%)
Redemptions	(2,494)	(2,620)	(4.8%)
Net sales (redemptions)	(1,409)	(976)	44.4%
Market appreciation (depreciation) of fund portfolios	(448)	1,170	(138.3%)
Retail fund AUM (including retail pooled funds), end of period	$ 20,846	$ 26,226	(20.5%)
Average daily retail fund AUM for the period	$ 22,334	$ 25,246	(11.5%)
Institutional and sub-advisory accounts AUM, beginning of period	$ 20,119	$ 17,585	14.4%
Acquisition of Acuity[1]	–	3,754	n/m
Net change in institutional and sub-advisory accounts	(1,080)	776	(239.2%)
Total institutional and sub-advisory accounts AUM	$ 19,039	$ 22,115	(13.9%)
High-net-worth AUM	$ 3,297	$ 3,460	(4.7%)
Total AUM, end of period	$ 43,182	$ 51,801	(16.6%)

[1]Acuity was acquired on February 1, 2011

Global market volatility and redemptions resulted in a decrease in retail fund AUM, including retail pooled funds, of 20.5% to $20.8 billion at May 31, 2012, from $26.2 billion as at May 31, 2011. Retail fund net redemptions, including retail pooled funds, increased to $729.0 million from $574.0 million at May 31, 2011. The average daily retail fund AUM for the three months ended May 31, 2012, decreased 16.8% to $22.0 billion, compared to $26.4 billion for the same period in 2011. Our institutional and sub-advisory accounts AUM decreased 13.9% to $19.0 billion as at May 31, 2012, compared to $22.1 billion as at May 31, 2011. The decline in institutional AUM is primarily due to investment performance within certain institutional mandates. Our high-net-worth AUM declined 4.7% to $3.3 billion at May 31, 2012, compared to $3.5 billion in the same period in 2011.

Stock market performance influences our AUM levels. Returns for the three and six months ended May 31, 2012, are as follows:

Stock market performance	Three months ended May 31, 2012	Six months ended May 31, 2012
AGF Retail Fund Portfolios	(6.4%)	(2.0%)
S&P 500[1]	1.1%	7.7%
NASDAQ[1]	(0.2%)	9.4%
S&P/TSX Composite	(8.2%)	(4.3%)
MSCI	(4.0%)	2.5%

[1] Canadian dollar adjusted

The impact of the U.S. dollar depreciation relative to the Canadian dollar on the market value of AGF mutual funds for the three and six months ended May 31, 2012, has been a decrease in AUM of approximately $33.7 million and $109.2 million (2011 – $29.8 million and $324.0 million).

The impact of the euro depreciation relative to the Canadian dollar on the market value of AUM for the three and six months ended May 31, 2012, has been a decrease in AUM of approximately $63.9 million and $66.4 million. The impact of the euro appreciation relative to the Canadian dollar on the market value of AUM for the three and six months ended May 31, 2011, has been an increase in AUM of approximately $73.8 million and $82.5 million.

Financial and Operational Results

The table below highlights the results from continuing operations for the three and six months ended May 31, 2012 and 2011:

	Three months ended May 31,			Six months ended May 31,		
($ millions)	2012	2011	% change	2012	2011	% change
Revenue						
Management and advisory fees	$ 125.7	$ 150.7	(16.6)%	$ 253.1	$ 283.3	(10.7)%
Deferred sales charges	5.6	6.5	(13.8)%	11.3	12.4	(8.9)%
Fair value adjustments and other income	0.1	(0.1)	(200.0)%	(2.5)	(1.4)	78.6%
Share of profits of associated company	2.1	1.0	110.0%	3.5	1.8	94.4%
	133.5	158.1	(15.6)%	265.4	296.1	(10.4)%
Expenses						
Selling, general and administrative	47.0	43.9	7.1%	90.1	83.7	7.6%
Business acquisition and integration	–	3.6	n/m	–	8.2	n/m
Trailing commissions	34.2	41.8	(18.2)%	68.5	79.2	(13.5)%
Investment advisory fees	2.0	2.6	(23.1)%	4.1	4.9	(16.3)%
	83.2	91.9	(9.5)%	162.7	176.0	(7.6)%
EBITDA[1]	50.3	66.2	(24.0)%	102.7	120.1	(14.5)%
Amortization	25.1	25.2	(0.4)%	49.2	46.0	7.0%
Income before taxes and non-segmented items	$ 25.2	$ 41.0	(38.5)%	$ 53.5	$ 74.1	(27.8)%

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

Revenue

For the three and six months ended May 31, 2012, revenue decreased by 15.6% and 10.4% 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 16.8% and 11.5% decrease in average daily retail fund AUM for the three and six months ended May 31, 2012, combined with a 13.9% decrease in institutional and sub-advisory accounts AUM at May 31, 2012, contributed to a 16.6% and 10.7% decrease in management and advisory fee revenue compared to 2011.

Deferred Sales Charges (DSC)
We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 2.5% to 5.0%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the second 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 13.8% and 8.9% for the three and six months ended May 31, 2012 as compared to 2011, reflecting the redemption of a larger proportion of older, lower yielding DSC assets.

Fair Value Adjustments and Other Income
Fair value adjustments and other income increased by $0.2 million and decreased $1.1 million in the three and six months ended May 31, 2012, over the same periods in 2011. The three and six months ended May 31, 2012, include a $2.3 million and nil fair market value gain on future contingently returnable consideration related to the Acuity acquisition (2011 – $0.8 million and $1.7 million loss), offset by a $1.5 million and $2.6 million loss (2011 – $0.7 million and $0.3 million gain) on put options related to non-controlling interest, and losses of $1.2 million and $0.6 million (2011 – $0.2 million and nil gain) related to the market to market on investments held for fair value through profit and loss.

Share of Profit of Associated Company
Share of profit of associated company increased to $2.1 million and $3.5 million for the three and six months ended May 31, 2012, compared to $1.0 million and $1.8 million during the same periods in 2011.

Expenses
For the three and six months ended May 31, 2012, expenses decreased 9.5% and 7.6% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses
Selling, general and administrative (SG&A) expenses increased by $3.1 million in the three months ended May 31, 2012, and increased by $6.4 million in the six months ended May 31, 2012, compared to the same periods in 2011. A breakdown of the increases is as follows:

($ millions)	Three months ended May 31, 2012	Six months ended May 31, 2012
Decrease in compensation-related expenses	$ (3.9)	$ (4.4)
Increase in other expenses	3.0	8.1
Increase in fund absorption expenses	4.0	2.7
	$ 3.1	$ 6.4

The following explains expense changes in the three and six months ended May 31, 2012 compared to the same periods in the prior year:

- Compensation-related expenses declined in the three and six months ended May 31, 2012, reflecting a decline in stock-based compensation due to a lower share price, combined with lower headcount levels.
- Other expenses increased $3.0 million in the quarter due to costs associated with fund mergers. These costs, combined with higher IT costs and a full year of Acuity operations, resulted in an $8.1 million increase for the six months ended May 31, 2012, compared to the prior year.
- Fund absorption expenses increased in the three and six months ended May 31, 2012, reflecting lower AUM levels and expense caps lowered on certain funds offset by a reduction in our revenue commitment with Citigroup fund services.

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 were 0.62% and 0.61% for the three and six months ended May 31, 2012, compared to 0.63% and 0.63% in the same periods of 2011.

Investment Advisory Fees

External investment advisory fees decreased 23.1% and 16.3% for the three and six months ended May 31, 2012, as compared to the three and six months ended May 31, 2011, reflecting lower AUM levels.

EBITDA and EBITDA Margin

EBITDA from continuing operations were $50.3 million and $102.7 million for the three and six months ended May 31, 2012, a 24.0% and 14.5% decrease from $66.2 million and $120.1 million for the same periods of the previous year. Excluding one-time acquisition and integration costs related to Acuity in 2011, EBITDA decreased 27.9% and 19.9%. EBITDA margin was 37.7% and 38.7% in the three and six months ended May 31, 2012, compared to 41.9% and 40.6% in the same periods in 2011. Adjusted EBITDA margin was 44.1% and 43.3% for the three and six months ended May 31, 2011.

Amortization

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment and computer software. Deferred selling commission amortization represents the most significant category of amortization. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. 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 $16.8 million and $33.7 million for the three and six months ended May 31, 2012, compared to $18.4 million and $36.1 million for the same periods of 2011.

During the three and six months ended May 31, 2012, we paid $11.2 million and $21.3 million in selling commissions, compared to $15.9 million and $30.4 million in the same periods of 2011, reflecting lower sales in the quarter. As at May 31, 2012, the unamortized balance of deferred selling commissions financed was $155.6 million (November 30, 2011 – $217.6 million).

Amortization related to intangible assets acquired as a result of the Acuity acquisition was approximately $6.2 million and $11.8 million for the three and six months ended May 31, 2012 (2011 – $5.1 million and $6.7 million). Customer contracts related to the Acuity acquisition are amortized over seven years and other intangible assets are amortized over periods of three and 10 years. Unamortized customer contracts related to AUM redeemed are immediately expensed.

Pre-tax Profit Margin

Pre-tax profit margin decreased to 17.0% and 18.0% for the three and six months ended May 31, 2012, compared to 23.6% and 23.2% for 2011, reflecting the impact of lower revenues as a result of lower AUM.

Results from Discontinued Operations

On June 6, 2012, AGF Management Limited (AGF) announced the sale of AGF Trust to B2B Trust, a subsidiary of Laurentian Bank. AGF expects the transaction to close by August 1, 2012, subject to regulatory approvals and financing. As a result, AGF Trust has been reported as a discontinued operation. Results from discontinued operations also include other revenue attributable to discontinued operations and transaction costs related to the sale.

Financial and Operational Results

The Trust Company Operations segment results for the three and six months ended May 31, 2012 and 2011 are as follows:

	Three months ended May 31,			Six months ended May 31,		
($ millions)	2012	2011	% change	2012	2011	% change
Interest income						
Loan interest	$ 38.1	$ 39.6	(3.8)%	$ 75.7	$ 79.7	(5.0)%
Investment interest	4.0	3.3	21.2%	7.8	7.5	4.0%
	42.1	42.9	(1.9)%	83.5	87.2	(4.2)%
Interest expense						
Deposit interest	19.1	25.3	(24.5)%	38.9	51.2	(24.0)%
Hedging interest income	(2.1)	(5.7)	63.2%	(4.8)	(12.4)	61.3%
Other interest expense	6.4	4.3	48.8%	11.8	8.6	37.2%
	23.4	23.9	(2.1)%	45.9	47.4	(3.2)%
Net interest income	18.7	19.0	(1.6)%	37.6	39.8	(5.5)%
Other revenue	1.1	1.4	(21.4)%	2.9	2.6	11.5%
RSP loan securitization income (loss), net of impairment	–	0.7	n/m	1.3	1.3	–
Total revenue	19.8	21.1	(6.2)%	41.8	43.7	(4.3)%
Expenses						
Selling, general and administrative	9.3	9.7	(4.1)%	19.0	20.5	(7.3)%
Provision for loan losses	1.0	2.9	(65.5)%	2.8	6.2	(54.8)%
	10.3	12.6	(18.3)%	21.8	26.7	(18.4)%
EBITDA[1]	9.5	8.5	11.8%	20.0	17.0	17.6%
Amortization	0.2	0.3	(33.3)%	0.4	0.7	(42.9)%
Income before taxes and non-segmented items	$ 9.3	$ 8.2	13.4%	$ 19.6	$ 16.3	20.2%

[1] For the definition of EBITDA, see the 'Key Performance Indicators and Non-IFRS Measures' section.

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expenses, was lower by 1.6% and 5.5% compared to the same periods in 2011. The decrease is primarily related to a decrease in investment loans and HELOC receivable balances of 8.2% and 23.4%, respectively. The average net interest margin on lending products was 2.4% and 2.5% for the three and six months ended May 31, 2012 (2011 – 2.5% and 2.6%). AGF Trust manages its interest rate risk through the use of interest rate swaps. Interest expense includes hedging interest income of $2.1 million and $4.8 million for the three and six months ended May 31, 2012 (2011 – $5.7 million and $12.4 million). Other revenue decreased 21.4% and increased 11.5% in the three and six months ended May 31, 2012. The decrease in the three months ended May 31, 2012, is primarily due to a $0.4 million decrease in fees and other income partially offset by a $0.1 million increase in hedge ineffectiveness. The increase in the six months ended May 31, 2012, is primarily due to a $0.9 million gain on sale of investments and a $0.3 million increase in hedge ineffectiveness, offset by a $0.9 million decrease related to lower fees and other income. During the six months ended May 31, 2012, AGF Trust had $1.0 million in securitization income (2011 – $1.3 million). These factors resulted in an overall revenue decrease of 6.2% and 4.3% in the three and six months ended May 31, 2012 as compared to the same periods in 2011.

Selling, General and Administrative Expenses

SG&A expenses decreased $0.4 million and $1.5 million to $9.3 million and $19.0 million for the three and six months ended May 31, 2012, compared to $9.7 million and $20.5 million in the same periods in 2011. The decrease reflects lower compensation costs combined with lower deposit insurance and capital tax expense for the three and six months ended May 31, 2012, compared to the same periods in 2011.

Provision for Loan Losses

The total provision for loan losses decreased $1.9 million and $3.4 million to $1.0 million and $2.8 million in the three and six months ended May 31, 2012, compared to $2.9 million and $6.2 million in 2011, reflecting improved credit quality of the loan book in 2012.

EBITDA and EBITDA Margin

As a result of the above factors, EBITDA increased 11.8% and 17.6% to $9.5 million and $20.0 million for the three and six months ended May 31, 2012, compared to the same periods in 2011. EBITDA margin for the three and six months ended May 31, 2012, increased to 48.0% and 47.8% from 40.3% and 38.9% over the same periods in 2011.

Pre-tax Profit Margin

As a result of the factors outlined above, pre-tax margin was 47.0% and 46.9% in the three and six months ended May 31, 2012, compared to 38.9% and 37.3% in 2011.

Operational Performance

The table below highlights our key operational measures for the segment for the three and six months ended May 31, 2012 and 2011:

($ millions)	May 31, 2012	May 31, 2011	% change
Real estate secured loans[1]			
Insured mortgage loans	$ 610.3	$ 404.9	50.7%
Conventional mortgage loans	560.3	428.3	30.8%
HELOCs	176.5	230.5	(23.4)%
	1,347.1	1,063.7	26.6%
Investment loans[1]			
Secured investment loans	1,381.6	1,540.6	(10.3)%
RSP loans	361.1	356.3	1.3%
Other loans	0.2	1.1	(81.8)%
	1,742.9	1,898.0	(8.2)%
Total loan assets	3,090.0	2,961.7	4.3%
Other assets	839.8	762.8	10.1%
Total assets	$ 3,929.8	$ 3,724.5	5.5%

	Three months ended May 31,			Six months ended May 31,		
	2012	2011	% change	2012	2011	% change
Net interest income	$ 18.7	$ 19.0	(1.6)%	$ 37.6	$ 39.8	(5.5)%
RSP loan securitization income (loss), net of impairment	–	0.7	n/m	1.3	1.3	–
Other revenue	1.1	1.4	(21.4)%	2.9	2.6	11.5%
Non-interest expenses[2]	(9.5)	(10.0)	(5.0)%	(19.4)	(21.2)	(8.5)%
Provision for loan losses	(1.0)	(2.9)	(65.5)%	(2.8)	(6.2)	(54.8)%
Income before taxes and non-segmented items	$ 9.3	$ 8.2	13.4%	$ 19.6	$ 16.3	20.2%
Efficiency ratio[3]	48.0%	47.4%		46.4%	48.5%	
Assets-to-capital multiple[3]	9.3	8.8		9.3	8.8	

[1] Includes loan provision and deferred sales commission

[2] Includes SG&A and amortization expenses

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

Loan Assets

Real estate secured loan assets increased by 26.6% year-over-year primarily due to expansion of the business in the loan origination channels. Secured investment loans decreased to $1.4 billion as at May 31, 2012, compared to the same period in 2011, while RSP loan balances and other loans increased $3.9 million or 1.1%.

Efficiency Ratio

The efficiency ratio is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. During the three months ended May 31, 2012, the efficiency ratio experienced an unfavourable change to 48.0% from 47.4% in the second quarter of 2011. The efficiency ratio for the six-month period ended May 31, 2012, was 46.4%, compared to 48.5% for the six-month period ended May 31, 2011. The decrease was due to lower interest income and other revenue offset by lower non-interest expenses.

Balance Sheet

Total assets increased 5.5% to $3.9 billion as at May 31, 2012, compared to the same period in the previous year, and increased 5.4% compared to November 30, 2011. As at May 31, 2012, our assets-to-capital multiple stood at 9.3 times, compared to 8.8 times at the same time last year and 8.7 times at November 30, 2011. AGF Trust's total capital ratio was 26.2% as at May 31, 2012, compared to 26.9% at November 30, 2011. Liquid assets remained high, with $808.2 million in cash and cash equivalents as well as investments available for sale as at May 31, 2012 (2011 – $685.5 million).

Loan Portfolio Credit

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

- Employment rates: higher unemployment rates will likely result in higher default rates as individuals' ability to pay deteriorates.
- Residential property prices and sales volume: declining residential property prices and reduced volumes of residential property sales may result in lower resale prices and longer disposal times, thereby increasing losses incurred on the disposition of the property.
- Equity market performance: declines in collateral values present increased risk on the secured investment loan portfolio. The Trust Company has recourse to the personal assets of clients with respect to investment loans.

The collective allowance for real estate secured loan losses decreased to $5.1 million as compared to $7.2 million a year ago. Approximately 52.1% of real estate secured loan assets, excluding HELOCs, are insured. The collective allowance for investment loan losses decreased to $13.3 million from $13.5 million in 2011. We have security for non-RSP investment loans, consisting of mutual funds and other investments. The value of this collateral fluctuates with the changes in the underlying investments. The amount of RSP loans written off, net of recoveries (excluding securitized RSP loans), was $1.7 million and $3.9 million for the three and six months ended May 31, 2012 (2011 – $1.9 million and $3.9 million). For the balance of our loan products, the amount written off net of recoveries for the three and six months ended May 31, 2012, was $2.2 million and $4.5 million (2011 – $2.6 million and $5.1 million).

Liquidity and Capital Resources

Cash flow generated from continuing operating activities, before net change in non-cash balances related to operations, was $44.4 million and $85.8 million for the three and six months ended May 31, 2012, compared to $58.3 million and $100.4 million in the prior year. The primary uses of cash for the three and six months ended May 31, 2012 were as follows:

- We paid $11.2 million and $21.3 million in selling commissions for the three and six months ended May 31, 2012, which were capitalized and are being amortized for accounting purposes, compared to $15.9 million and $30.4 million in 2011.
- We paid $25.3 million and $50.4 million in dividends for the three and six months ended May 31, 2012, compared to $24.3 million and $46.9 million in 2011.
- Consolidated cash and cash equivalents of $ 31.5 million decreased by $30.6 million from the November 30, 2011 level of $62.1 million (2011 – decreased by $1.9 million).
- During the six months ended May 31, 2012, we repurchased 262,240 shares for $4.1 million.
- For the six months ended May 31, 2012, AGF Trust paid a $20 million dividend to AGF Management Limited.

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

We also have a four-year prime rate-based revolving term loan facility to a maximum of $300.0 million, of which $294.9 million was available to be drawn as at May 31, 2012. The loan facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs, pay quarterly dividends and fund any future share buybacks.

Upon the sale of AGF Trust, the revolving term loan facility is expected to reduce to a maximum of $200.0 million from the current level of $300.0 million.

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

Investment Management Operations – Regulatory Capital

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

Normal Course Issuer Bid

In January 2012, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,435,369 Class B Non-Voting shares, or 10% of the public float for such shares. The Company received approval from the Toronto Stock Exchange on January 25, 2012, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,435,369 Class B Non-Voting shares through the facilities of the Toronto Stock Exchange (or as otherwise permitted by the Toronto Stock Exchange) between January 27, 2012 and January 26, 2013. The Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

During the three months ended May 31, 2012, under the current normal course issuer bid, no Class B Non-Voting shares were repurchased.

During the three months ended February 29, 2012, under the previous normal course issuer bid, 262,240 Class B Non-Voting shares were repurchased for a total consideration of $4.1 million at an average price of $15.73.

Capital Management Activities from Discontinued Operations

AGF Trust – Capital Management Framework

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

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

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

Dividends

For the three months ended May 31, 2012, we declared a 27 cent per share dividend on Class A Voting common and Class B Non-Voting shares. This dividend will be payable on July 20, 2012, to shareholders of record on July 9, 2012.

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

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

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

Years ended November 30	2012 [1]	2011	2010	2009	2008
Per share	$ 0.81	$ 1.07	$ 1.04	$ 1.00	$ 0.95
Percentage increase	–	3%	4%	5%	22%

[1] Represents the total dividends paid in January 2012 and April 2012, and to be paid in July 2012

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 April 20, 2012, was $0.27 per share.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2012 and 2011. For additional detail, see Note 7 to the Q2 2012 Consolidated Financial Statements.

	As at May 31,	
	2012	2011
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	96,121,066	95,561,092
Stock Options		
Outstanding options (including discontinued operations)	5,184,226	5,695,679
Exercisable options (including discontinued operations)	3,316,060	3,152,147

Key Performance Indicators and Non-IFRS Measures

We measure the success of our business strategies using a number of key performance indicators (KPIs), which are outlined below. With the exception of revenue, the following KPIs are non-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. Segment discussions include a review of KPIs that are relevant to each segment.

a) Consolidated Continuing Operations

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
- deferred sales charges (DSC) earned from investors when mutual fund securities sold on a DSC basis are redeemed

EBITDA

We define EBITDA as earnings before interest, taxes, depreciation, amortization and non-controlling interest. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts to understand and compare results. We believe this is an important measure as it allows us to assess our investment management businesses without the impact of non-operational items.

Please see the Consolidated Operating Results section on page 6 of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

Cash Flow from Continuing Operations

We report cash flow from continuing operations before net changes in non-cash balances related to continuing operations and other items as outlined below. Cash flow from continuing operations helps to assess the ability of the business to generate cash, which is used to pay dividends, repurchase shares, pay sales commissions, pay down debt and fund other needs.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Net cash provided by continuing operating activities	$ 31.2	$ 44.7	$ 36.5	$ 49.9
Adjusted for:				
Net changes in non-cash working capital balances related to continuing operations	0.6	8.4	22.5	29.5
Interest expense	(2.5)	(3.6)	(5.8)	(5.6)
Deferred selling commissions paid	11.2	15.9	21.3	30.4
Current income tax expense, net of payment	3.9	(7.1)	11.3	(3.8)
Cash flow from continuing operations	$ 44.4	$ 58.3	$ 85.8	$ 100.4

Free Cash Flow from Continuing Operations

We define free cash flow from continuing operations as cash flow from operations before net changes in non-cash balances related to operations less selling commissions paid. This is a relevant measure in the investment management business since a substantial amount of cash is spent on upfront commission payments. Free cash flow from continuing operations represents cash available for distribution to our shareholders and for general corporate purposes.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Cash flow from continuing operations (defined above)	$ 44.4	$ 58.3	$ 85.8	$ 100.4
Less:				
Deferred selling commissions paid	(11.2)	(15.9)	(21.3)	(30.4)
Free cash flow from continuing operations	$ 33.2	$ 42.4	$ 64.5	$ 70.0

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.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
EBITDA	$ 50.3	$ 66.2	$ 102.7	$ 120.1
Divided by revenue	133.5	158.1	265.4	296.1
EBITDA margin	37.7%	41.9%	38.7%	40.6%

Pre-tax Profit Margin

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

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Net income from continuing operations	$ 16.8	$ 27.5	$ 34.1	$ 50.2
Add: income taxes	5.9	9.8	13.6	18.4
Income before taxes	$ 22.7	$ 37.3	$ 47.7	$ 68.6
Divided by revenue	133.5	158.1	265.4	296.1
Pre-tax profit margin	17.0%	23.6%	18.0%	23.2%

Return on Equity (ROE)

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

	Three months ended May 31,	
($ millions)	2012	2011
Net income from continuing operations (annualized)	$ 67.2	$ 110.0
Divided by average shareholders' equity	1,195.8	1,199.4
Return on equity	5.6%	9.2%

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 year divided by EBITDA for the year.

	Three months ended May 31,	
($ millions)	2012	2011
Long-term debt[1]	$ 312.1	$ 315.5
Divided by EBITDA (annualized)	201.2	264.8
Long-term debt to EBITDA	155.1%	119.1%

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

Assets Under Management (AUM)

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

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders, and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of 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 – Investment Management Operations

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 associated company. 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.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
EBITDA	$ 48.2	$ 65.2	$ 99.2	$ 118.3
Divided by revenue	131.4	157.1	261.9	294.3
EBITDA margin	36.7%	41.5%	37.9%	40.2%

Pre-tax Profit Margin – Investment Management Operations

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 associated company. We believe pre-tax profit margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Income before taxes and non-segmented items	$ 23.1	$ 40.0	$ 50.0	$ 72.3
Divided by revenue	131.4	157.1	261.9	294.3
Pre-tax profit margin	17.6%	25.5%	19.1%	24.6%

b) Discontinued Operations – Trust Company

Loan Assets

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

Net Interest Income

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

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Interest income	$ 42.1	$ 42.9	$ 83.5	$ 87.2
Less: interest expense	23.4	23.9	45.9	47.4
Net interest income	$ 18.7	$ 19.0	$ 37.6	$ 39.8

Net Interest Margin

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

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Annualized net interest income	$ 74.8	$ 76.0	$ 75.2	$ 79.6
Divided by average total loan balance	3,077.5	2,997.7	3,048.5	3,031.2
Net interest margin	2.4%	2.5%	2.5%	2.6%

Efficiency Ratio

The efficiency ratio is a financial services industry KPI that measures the efficiency of the organization. We use this ratio to monitor expenses, excluding loan loss provisions. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Selling, general and administrative expenses	$ 9.3	$ 9.7	$ 19.0	$ 20.5
Add: amortization expense	0.2	0.3	0.4	0.7
Non-interest expense	9.5	10.0	19.4	21.2
Other revenue	$ 1.1	$ 1.4	$ 2.9	$ 2.6
RSP loan securitization income, net of impairment	–	0.7	1.3	1.3
Non-interest income	1.1	2.1	4.2	3.9
Net interest income	$ 18.7	$ 19.0	$ 37.6	$ 39.8
Add: non-interest income	1.1	2.1	4.2	3.9
Total of net interest income and non-interest income	19.8	21.1	41.8	43.7
Efficiency ratio	48.0%	47.4%	46.4%	48.5%

EBITDA Margin – Trust

EBITDA margin provides useful information to management and investors as an indicator of AGF Trust's operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of revenue. We define EBITDA margin as the ratio of EBITDA to revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
EBITDA	$ 9.5	$ 8.5	$ 20.0	$ 17.0
Divided by revenue	19.8	21.1	41.8	43.7
EBITDA margin	48.0%	40.3%	47.8%	38.9%

Pre-tax Profit Margin – Trust

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

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2012	2011	2012	2011
Income before taxes and non-segmented items	$ 9.3	$ 8.2	$ 19.6	$ 16.3
Divided by revenue	19.8	21.1	41.8	43.7
Pre-tax profit margin	47.0%	38.9%	46.9%	37.3%

Assets-to-Capital Multiple

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

($ millions)	May 31, 2012	November 30, 2011
Total assets per OSFI[1] guidelines	$ 3,943.3	$ 3,731.3
Divided by adjusted Tier 1 and Tier 2 capital	425.3	429.7
Assets-to-capital multiple	9.3	8.7

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

Impaired Loans as a Percentage of Loans Outstanding

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

($ millions)	May 31, 2012	November 30, 2011
Impaired loans	$ 16.2	$ 25.9
Divided by total loans outstanding[1]	3,090.1	2,951.6
Impaired loans as a percentage of loans outstanding	0.5%	0.9%

[1] Includes loan provision and deferred sales commission of $17.4 million as at May 31, 2012, and $22.7 million as at November 30, 2011

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 3 of our Q1 2012 Consolidated Interim Financial Statements.

Adoption of International Financial Reporting Standards

AGF adopted IFRS effective December 1, 2011, with a transition date of December 1, 2010. The adoption of IFRS has not had a material impact on AGF's operations, strategic decisions and cash flow. AGF's IFRS accounting policies are provided in Note 3 of the Q1 2012 Consolidated Financial Statements. In addition, Note 21 of the Q1 2012 Consolidated Financial Statements presents reconciliations between AGF's GAAP results and IFRS results and explanations of the adjustments on transition to IFRS. The reconciliation includes the Consolidated Statement of Financial Position for the transition date of December 1, 2010 and the year ended November 30, 2011. Note 16 of our Q2 2012 Consolidated Financial Statements includes reconciliations of the Consolidated Statements of Income, Comprehensive Income and Cash Flows for the quarter ended May 31, 2011.

Managing Risk

AGF is subject to a number of company and non-company specific risk factors that may impact our operating and financial performance. These risks and the management of those risks are detailed in our 2011 Annual MD&A in the section entitled 'Risk Factors and Management of Risk.' The Company has not identified any material changes to the risk factors affecting its business or in the management of those risks.

Internal Controls Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes to AGF's internal controls for the quarter ended May 31, 2012 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting. On February 1, 2011, the Company completed its acquisition of Acuity. During the second quarter of 2011, certain internal controls over financial reporting were impacted and interim controls were relied upon. The financial reporting processes were fully integrated with AGF in the second quarter of 2011.

Selected Quarterly Information

($ millions, except per share amounts) For the three-month period ended	IFRS May 31, 2012	IFRS Feb. 29, 2012	IFRS Nov. 30, 2011	IFRS Aug. 31, 2011
Revenue (continuing operations)	$ 133.5	$ 131.9	$ 138.1	$ 151.4
Cash flow from continuing operations[1]	44.4	41.4	39.2	45.2
EBITDA (continuing operations)[2]	50.3	52.4	56.2	61.6
Pre-tax income (continuing operations)	22.7	25.0	28.1	18.0
Net income attributable to equity owners of the Company	23.8	26.1	25.1	15.4
EBITDA per share (continuing operations)				
Basic	$ 0.52	$ 0.55	$ 0.59	$ 0.64
Diluted	$ 0.52	$ 0.54	$ 0.59	$ 0.64
Earnings per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.17	$ 0.18	$ 0.19	$ 0.09
Diluted (continuing operations)	$ 0.17	$ 0.18	$ 0.19	$ 0.09
Basic	$ 0.25	$ 0.27	$ 0.26	$ 0.16
Diluted	$ 0.25	$ 0.27	$ 0.26	$ 0.16
Weighted average basic shares	96,143,964	95,662,657	95,230,703	95,518,051
Weighted average fully diluted shares	96,735,309	96,372,419	95,932,850	96,446,821

($ millions, except per share amounts) For the three-month period ended	IFRS May 31, 2011	IFRS Feb. 28, 2011	GAAP Nov. 30, 2010	GAAP Aug. 31, 2010
Revenue (continuing operations)	$ 158.1	$ 138.0	$ 131.5	$ 122.9
Cash flow from continuing operations[1]	58.3	42.1	38.3	39.1
EBITDA (continuing operations)[2]	66.2	53.9	55.3	48.9
Pre-tax income (continuing operations)	37.3	31.3	33.2	27.4
Net income attributable to equity owners of the Company	33.9	29.2	31.0	27.7
EBITDA per share (continuing operations)				
Basic	$ 0.69	$ 0.59	$ 0.62	$ 0.55
Diluted	$ 0.68	$ 0.59	$ 0.62	$ 0.54
Earnings per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.28	$ 0.25	$ 0.27	$ 0.22
Diluted (continuing operations)	$ 0.28	$ 0.25	$ 0.27	$ 0.22
Basic	$ 0.35	$ 0.33	$ 0.35	$ 0.31
Diluted	$ 0.35	$ 0.32	$ 0.35	$ 0.31
Weighted average basic shares	95,568,899	90,799,935	88,616,451	89,286,335
Weighted average fully diluted shares	96,794,115	92,010,135	89,665,401	90,232,708

1 Cash flow from continuing operations as previously defined, see 'Key Performance Indicators and Non-IFRS Measures – Cash flow from continuing operations' section

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

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the three and six months ended May 31, 2012, our 2011 Annual MD&A and Consolidated Financial Statements, our 2011 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada. They may be accessed at www.sedar.com.

AGF Management Limited
CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended May 31, 2012

What are you doing after work?®

(unaudited) (in thousands of Canadian dollars)	Note	May 31, 2012	November 30, 2011
Assets			
Current Assets			
Cash and cash equivalents		$ 31,548	$ 246,634
Investments	3	31,715	517,486
Accounts receivable, prepaid expenses and other assets		57,141	71,805
Derivative financial instruments	4	–	10,038
Current portion of retained interest from securitization	4	–	38,939
Real estate secured and investment loans due within one year	4	–	465,489
Assets classified as discontinued operations	4	3,932,997	–
		4,053,401	1,350,391
Real estate secured and investment loans	4	–	2,486,128
Investment in associated company		76,443	76,616
Management contracts		715,769	715,769
Customer contracts, net of accumulated amortization		26,903	35,971
Goodwill		254,588	254,588
Other intangibles, net of accumulated amortization		17,229	21,959
Deferred selling commissions, net of accumulated amortization		155,641	167,950
Property, equipment and computer software, net of accumulated amortization		8,536	11,027
Deferred income tax assets		13,160	13,339
Derivative financial instruments	4	–	14,271
Other assets		5,818	7,310
Total assets		$ 5,327,488	$ 5,155,319
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		$ 71,025	$ 101,934
Income tax liability	12	21,905	23,104
Provision for Elements Advantage		2,711	4,137
Secured financing	4	–	41,998
Acquisition consideration payable	5	3,688	31,663
Derivative financial instrument		1,621	1,747
Deposits due within one year	4	–	1,769,709
Liabilities associated with assets classified as discontinued operations	4	3,513,247	–
		3,614,197	1,974,292
Deposits	4	–	1,260,090
Long-term debt	6	308,417	308,269
Secured financing	4	–	196,626
Acquisition consideration payable	5	5,148	10,717
Deferred income tax liabilities		193,674	198,822
Derivative financial instrument		3,369	3,302
Provision for Elements Advantage		1,804	2,506
Other long-term liabilities		5,662	10,924
Total liabilities		4,132,271	3,965,548
Equity			
Equity attributable to owners of the Company			
Capital stock	7	574,516	560,838
Contributed surplus		25,919	24,797
Retained earnings		588,061	594,804
Accumulated other comprehensive income	8	6,252	8,860
		1,194,748	1,189,299
Non-controlling interest		469	472
Total equity		1,195,217	1,189,771
Total liabilities and equity		$ 5,327,488	$ 5,155,319

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

(unaudited) (in thousands of Canadian dollars, except per share data)	Note	Three months ended May 31, 2012		Three months ended May 31, 2011	
Revenue					
Management and advisory fees		$	125,716	$	150,716
Deferred sales charges			5,593		6,454
Share of profit of associated company			2,071		962
Fair value adjustments and other income	9		71		(63)
Total revenue			133,451		158,069
Expenses					
Selling, general and administrative	10		46,929		43,976
Business acquisition and integration	5, 10		–		3,584
Trailing commissions			34,229		41,789
Investment advisory fees			2,012		2,587
Amortization of deferred selling commissions			16,792		18,433
Amortization of customer contracts			5,281		3,974
Amortization of other intangibles			2,141		2,096
Amortization of property, equipment and computer software			905		740
Interest expense			2,483		3,640
			110,772		120,819
Income before income taxes			**22,679**		**37,250**
Income tax expense (benefit)					
Current	12		6,321		11,977
Deferred	12		(421)		(2,205)
			5,900		9,772
Income from continuing operations, net of tax			**16,779**		**27,478**
Income from discontinued operations, net of tax	4		7,050		6,668
Net income for the period		**$**	**23,829**	**$**	**34,146**
Net income attributable to:					
Equity owners of the Company		$	23,772	$	33,891
Non-controlling interest			57		255
		$	23,829	$	34,146
Earnings per share for the period attributable to the equity owners of the Company					
Basic earnings per share					
Continuing operations	13	$	0.17	$	0.28
Discontinued operations	13		0.08		0.07
	13	$	0.25	$	0.35
Diluted earnings per share					
Continuing operations	13	$	0.17	$	0.28
Discontinued operations	13		0.08		0.07
	13	$	0.25	$	0.35

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

(unaudited)		Six months ended	
(in thousands of Canadian dollars, except per share data)	Note	May 31, 2012	May 31, 2011
Revenue			
Management and advisory fees		$ 253,066	$ 283,257
Deferred sales charges		11,271	12,384
Share of profit of associated company		3,474	1,807
Fair value adjustments and other income	9	(2,409)	(1,338)
Total revenue		265,402	296,110
Expenses			
Selling, general and administrative	10	90,096	83,720
Business acquisition and integration	5, 10	–	8,152
Trailing commissions		68,484	79,204
Investment advisory fees		4,072	4,877
Amortization of deferred selling commissions		33,658	36,086
Amortization of customer contracts		9,067	5,773
Amortization of other intangibles		4,730	2,794
Amortization of property, equipment and computer software		1,758	1,381
Interest expense		5,814	5,569
		217,679	227,556
Income before income taxes		**47,723**	**68,554**
Income tax expense (benefit)			
Current	12	16,190	22,369
Deferred	12	(2,558)	(3,992)
		13,632	18,377
Net income from continuing operations		34,091	50,177
Net income from discontinued operations, net of taxes	4	15,919	13,479
Net income for the period		**$ 50,010**	**$ 63,656**
Net income attributable to:			
Equity owners of the Company		$ 49,906	$ 63,123
Non-controlling interest		104	533
		$ 50,010	$ 63,656
Earnings per share for the period attributable to the equity owners of the Company			
Basic earnings per share			
Continuing operations	13	$ 0.35	$ 0.53
Discontinued operations	13	0.17	0.15
	13	$ 0.52	$ 0.68
Diluted earnings per share			
Continuing operations	13	$ 0.35	$ 0.53
Discontinued operations	13	0.17	0.14
	13	$ 0.52	$ 0.67

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

(unaudited)	Three months ended May 31,				Six months ended May 31,			
(in thousands of Canadian dollars)		2012		2011		2012		2011
Net income for the period	**$**	23,829	$	34,146	$	50,010	$	63,656
Other comprehensive income (losses), net of tax								
Cumulative translation adjustment								
Foreign currency translation adjustments related to net investments in foreign operations		1,304		404		114		(298)
		1,304		404		114		(298)
Net unrealized gains (losses) on available for sale securities								
Unrealized gains (losses)		(655)		(208)		19		(145)
Reclassification of realized gain to earnings		–		(1)		–		–
		(655)		(209)		19		(145)
Net unrealized gains (losses) on cash flow hedge								
Unrealized losses		(701)		–		(483)		–
Reclassification of realized loss to earnings		256		–		523		–
		(445)		–		40		–
Total other comprehensive income (loss) from continuing operations, net of tax	$	204	$	195	$	173	$	(443)
Total other comprehensive income (loss) from discontinued operations, net of tax	$	(498)	$	2,450	$	(2,781)	$	(6,905)
Comprehensive income	$	23,535	$	36,791	$	47,402	$	56,308
Comprehensive income attributable to:								
Equity holders of the Company	$	23,478	$	36,536	$	47,298	$	55,775
Non-controlling interest		57		255		104		533
	$	23,535	$	36,791	$	47,402	$	56,308

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

(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, 2010	$ 439,216	$ 22,580	$ 599,667	$ 16,010	**$ 1,077,473**	$ 497	**$ 1,077,970**
Net income for the period	–	–	63,123	–	**63,123**	533	**63,656**
Other comprehensive loss (net of tax)	–	–	–	(7,348)	**(7,348)**	–	**(7,348)**
Comprehensive income (loss) for the period	–	–	63,123	(7,348)	**55,775**	533	**56,308**
Issued through dividend reinvestment plan	1,011	–	–	–	**1,011**	–	**1,011**
Stock options	5,103	1,129	–	–	**6,232**	–	**6,232**
AGF Class B Non-Voting shares repurchased for cancellation	–	–	–	–	**–**	–	**–**
Issued on acquisition of Acuity	114,679	–	–	–	**114,679**	–	**114,679**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	–	–	(47,918)	–	**(47,918)**	–	**(47,918)**
Increase in ownership interest in Highstreet Partners Limited	–	–	(1,596)	–	**(1,596)**	–	**(1,596)**
Dividends to non-controlling interest	–	–	–	–	**–**	(432)	**(432)**
Balance, May 31, 2011	$ 560,009	$ 23,709	$ 613,276	$ 8,662	**$ 1,205,656**	$ 598	**$ 1,206,254**
Balance, December 1, 2011	$ 560,838	$ 24,797	$ 594,804	$ 8,860	**$ 1,189,299**	$ 472	**$ 1,189,771**
Net income for the period	–	–	49,906	–	**49,906**	104	**50,010**
Other comprehensive loss (net of tax)	–	–	–	(2,608)	**(2,608)**	–	**(2,608)**
Comprehensive income (loss) for the period	–	–	49,906	(2,608)	**47,298**	104	**47,402**
Issued through dividend reinvestment plan	1,361	–	–	–	**1,361**	–	**1,361**
Stock options	538	1,122	–	–	**1,660**	–	**1,660**
AGF Class B Non-Voting shares repurchased for cancellation	(1,543)	–	(2,581)	–	**(4,124)**	–	**(4,124)**
Issued on acquisition of Acuity	13,322	–	–	–	**13,322**	–	**13,322**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax	–	–	(53,484)	–	**(53,484)**	–	**(53,484)**
Increase in ownership interest in Highstreet Partners Limited	–	–	(584)	–	**(584)**	–	**(584)**
Dividends to non-controlling interest	–	–	–	–	**–**	(107)	**(107)**
Balance, May 31, 2012	$ 574,516	$ 25,919	$ 588,061	$ 6,252	**$ 1,194,748**	$ 469	**$ 1,195,217**

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

(unaudited)		Six months ended	
(in thousands of Canadian dollars)	Note	May 31, 2012	May 31, 2011
Operating Activities			
Net income for the period		$ 50,010	$ 63,656
Adjustments for			
Net income from discontinued operations		(15,919)	(13,479)
Amortization		49,213	46,034
Interest expense		5,814	5,569
Income tax expense, net of payments		(13,839)	(149)
Stock-based compensation		503	5,345
Share of profit of associated company		(3,474)	(1,807)
Dividends from associated company		4,151	1,247
Deferred selling commissions paid		(21,349)	(30,421)
Other		3,828	3,429
		58,938	79,424
Net change in non-cash working capital balances related to operations			
Accounts receivable		14,592	(1,459)
Other assets		(1,803)	(2,038)
Accounts payable and accrued liabilities		(25,592)	(25,765)
Other liabilities		(9,667)	(221)
		(22,470)	(29,483)
Net cash provided by continuing operating activities		36,468	49,941
Net cash used in discontinued operating activities	4	(96,614)	(143,733)
Net cash used in operating activities		(60,146)	(93,792)
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation		(4,124)	–
Issue of Class B Non-Voting shares		503	4,251
Dividends paid		(50,367)	(46,907)
Decrease in long-term debt related to Facility 1	6	–	(19,000)
Increase in long-term debt related to Facility 2 and Acquisition facility	6	–	185,000
Investment Management interest paid		(5,677)	(5,231)
Net cash provided by (used in) continuing financing activities		(59,665)	118,113
Net cash provided by discontinued financing activities	4	330,475	–
Net cash provided by financing activities		270,810	118,113
Investing Activities			
Increase in ownership interest in Highstreet Partners Limited	5	(584)	(1,596)
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	5	(20,976)	(173,415)
Purchase of property, equipment and computer software		(2,330)	(845)
Purchase of Investment Management investments	3	(14,784)	(1,945)
Proceeds from sale of Investment Management investments	3	3,588	9,327
Net cash used in continuing investing activities		(35,086)	(168,474)
Net cash used in discontinued investing activities	4	(164)	(74)
Net cash used in investing activities		(35,250)	(168,548)
Increase (decrease) in cash and cash equivalents during the period		175,414	(144,227)
Balance of cash and cash equivalents, beginning of period		246,634	456,921
Balance of cash and cash equivalents, end of period		$ 422,048	$ 312,694
Represented by:			
Cash and cash equivalents per the balance sheet		$ 31,548	$ 33,368
Cash and cash equivalents included in assets classified as discontinued operations		390,500	279,326
		$ 422,048	$ 312,694
Supplemental disclosure of cash flow information:			
Income taxes paid - Investment Management		$ 27,471	$ 18,526

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

Notes to Consolidated Interim Financial Statements

For the three and six months ended May 31, 2012 (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; and trust products and services as detailed in Note 4. The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Acuity, Elements and Harmony (collectively, AGF Investments). The Company conducts its trust business under the name AGF Trust Company (AGF Trust). On June 6, 2012, the Company signed a definitive agreement under which B2B Trust, a subsidiary of Laurentian Bank, will acquire 100% of AGF Trust in a share purchase transaction. Refer to Note 4 for further details.

These consolidated interim financial statements were authorized for issue by the Board of Directors on June 26, 2012.

Note 2: Basis of Preparation and Adoption of IFRS

The Company prepares its consolidated financial statements in accordance with Canadian generally accepted accounting principles (GAAP) as set out in the Handbook of the Canadian Institute of Chartered Accountants (CICA Handbook). In 2010, the CICA Handbook was revised to incorporate International Financial Reporting Standards (IFRS), and require publicly accountable enterprises to apply such standards effective for years beginning on or after January 1, 2011. Accordingly, the Company has commenced reporting on this basis in its 2012 consolidated interim financial statements. In these consolidated financial statements, the term 'Canadian GAAP' refers to Canadian GAAP before the adoption of IFRS.

These consolidated interim financial statements have been prepared in accordance with IFRS applicable to the preparation of interim financial statements, including IAS 34 and IFRS 1. The accounting policies followed in these consolidated interim financial statements are the same as those applied in the Company's consolidated interim financial statements for the period ended February 29, 2012. The Company has consistently applied the same accounting policies throughout all periods presented, as if these policies had always been in effect. Note 16 discloses the impact of the transition to IFRS on the Company's reported financial position as at May 31, 2011, financial performance for the three and six months ended May 31, 2011 and cash flows for the six months ended May 31, 2011.

The accounting policies applied in these consolidated interim financial statements are based on IFRS effective for the year ending November 30, 2012, as issued and outstanding as of the date the Board of Directors authorized the statements for issue. Any subsequent changes to IFRS that are given effect in the Company's annual consolidated financial statements for the year ending November 30, 2012, could result in restatement of these consolidated interim financial statements, including the transition adjustments recognized on changeover to IFRS.

These consolidated interim financial statements should be read in conjunction with the Company's Canadian GAAP annual consolidated financial statements for the year ended November 30, 2011, and the Company's consolidated interim financial statements for the quarter ended February 29, 2012 prepared in accordance with IFRS applicable to interim financial statements.

Note 3: Investments

(in thousands of Canadian dollars)	**May 31, 2012**	**November 30, 2011**
Investment Management		
Canadian government debt - Federal	$ 1,246	$ 299
AGF mutual funds and other	25,878	15,673
Equity securities	4,591	5,040
	31,715	21,012
Investments related to discontinued operations (Note 4)	–	496,474
	$ 31,715	$ 517,486

Investment Management's investment in Canadian government debt is composed of fixed-rate treasury bonds with maturity dates within one year and credit ratings of AAA. During the three and six months ended May 31, 2012 and 2011, no impairment charges were required.

Note 4: Discontinued Operations

On June 6, 2012, the Company signed a definitive agreement under which B2B Trust, a subsidiary of Laurentian Bank, will acquire 100% of AGF Trust in a share purchase transaction. B2B Trust will acquire AGF Trust for a consideration corresponding to the net book value of AGF Trust at closing and will also cause AGF Trust to repay subordinated indebtedness owed to AGF and redeem preferred shares held by AGF for a consideration of $173.5 million. Based on the March 31, 2012, net book value of AGF Trust of $242.0 million, total consideration of approximately $415.5 million will be received in cash. At May 31, 2012, the net book value of AGF Trust was $246.3 million. The agreement also includes a contingent consideration of a maximum of $20.0 million over five years if credit quality reaches certain criteria. The transaction is expected to close on August 1, 2012, subject to applicable regulatory notifications and approvals.

As at May 31, 2012, the assets and liabilities related to AGF Trust have been presented as held for sale on the consolidated statement of financial position and are composed of the following:

(in thousands of Canadian dollars)		**May 31, 2012**
Current Assets		
Cash and cash equivalents	$	390,500
Investments		417,727
Accounts receivable, prepaid expenses and other assets		5,382
Income tax receivable		7,329
Derivative financial instruments		4,979
Real estate secured and investment loans due within one year		491,025
		1,316,942
Real estate secured and investment loans		2,599,041
Property, equipment and computer software, net of amortization		2,804
Deferred income tax assets		642
Derivative financial instruments		8,679
Other assets		4,889
Assets classified as discontinued operations	$	3,932,997
Current Liabilities		
Accounts payable and accrued liabilities	$	3,921
Secured financing		106,208
Deposits due within one year		1,724,469
		1,834,598
Deposits		1,215,449
Secured financing		462,889
Deferred income tax liabilities		235
Other long-term liabilities		76
Liabilities associated with assets classified as discontinued operations	$	3,513,247

For the three and six months ended May 31, 2012 and 2011, the operating performance of AGF Trust has been included in the Company's consolidated statement of income as discontinued operations and is composed of the following:

(in thousands of Canadian dollars)	Three months ended May 31, 2012	Three months ended May 31, 2011
Revenue		
RSP loan securitization income, net of impairment	$ –	$ 676
Other income	1,065	1,414
AGF Trust net interest income	18,756	19,015
Interest income on subordinated debt classified as discontinued operations	1,580	1,587
Total revenue	21,401	22,692
Expenses		
Selling, general and administrative	9,295	9,752
Amortization of property, equipment and computer software	209	329
Provision for AGF Trust loan losses	970	2,863
Expenses related to the sale of AGF Trust	970	–
	11,444	12,944
Income before income taxes	**9,957**	**9,748**
Income tax expense (benefit)		
Current	5,499	2,758
Deferred	(2,592)	322
	2,907	3,080
Net income from discontinued operations	**$ 7,050**	**$ 6,668**
Net income attributable to:		
Equity owners of the Company	$ 7,050	$ 6,668
Non-controlling interest	–	–
	$ 7,050	$ 6,668

(in thousands of Canadian dollars)	Six months ended May 31, 2012	May 31, 2011
Revenue		
RSP loan securitization income, net of impairment	$ 1,263	$ 1,295
Other income	2,971	2,646
AGF Trust net interest income	37,566	39,796
Interest income on subordinated debt classified as discontinued operations	3,150	3,140
Total revenue	44,950	46,877
Expenses		
Selling, general and administrative	19,001	20,444
Amortization of property, equipment and computer software	423	719
Provision for AGF Trust loan losses	2,768	6,238
Expenses related to the sale of AGF Trust	970	–
	23,162	27,401
Income before income taxes	**21,788**	**19,476**
Income tax expense (benefit)		
Current	8,226	6,437
Deferred	(2,357)	(440)
	5,869	5,997
Net income from discontinued operations	**$ 15,919**	**$ 13,479**
Net income attributable to:		
Equity owners of the Company	$ 15,919	$ 13,479
Non-controlling interest	–	–
	$ 15,919	$ 13,479

i) Investments

The following table presents a breakdown of AGF Trust's investments by maturity, excluding retained interest from securitization:

May 31, 2012 (in thousands of Canadian dollars)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust					
Canadian government debt - Provincial	A to AAA	$ 61,218	$ 334,956	$ –	$ 396,174
Mortgage-backed securities	AAA	–	21,553	–	21,553
		$ 61,218	$ 356,509	$ –	$ 417,727

November 30, 2011 (in thousands of Canadian dollars)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust					
Canadian government debt - Federal	AAA	$ –	$ –	$ 31,753	$ 31,753
Canadian government debt - Provincial	A to AAA	102,042	340,530	–	442,572
Mortgage-backed securities	AAA	–	10,496	11,653	22,149
		$ 102,042	$ 351,026	$ 43,406	$ 496,474

AGF Trust's investments include federal and provincial guaranteed bonds, mortgage-backed securities (MBSs) and floating-rate notes (FRNs) with original terms to maturity greater than three months. As at May 31, 2012, $30.0 million of AGF Trust's investments were FRNs subject to repricing (November 30, 2011 – $56.8 million) and $387.7 million were fixed-rate securities (November 30, 2011 – $439.7 million). During the three and six months ended May 31, 2012 and 2011, no impairment charges were required.

ii) Securitization of AGF Trust Loans

AGF Trust's financing activities include the securitization of certain RSP loans, insured real estate secured loans and uninsured real estate secured loans under agreements that assign the underlying RSP loans and real estate secured loans to a securitization trust. In these securitizations, the Company retains certain risks of ownership and obligations to pay future cash flows to the transferee. There are no expected credit losses on securitized insured real estate secured loans as they are insured against default, and the Company maintains collective and individual loan allowances for its securitized RSP loans and uninsured real estate secured loans. In all securitizations, the transferee has no recourse to other assets of the Company in the event of failure of debtors to pay their securitized loans when due.

As at May 31, 2012, the carrying amount of retained interests related to securitized RSP loans was nil (November 30, 2011 – $38.9 million). The Company securitized $111.7 million of insured real estate secured loans in December 2011 and $130.5 million of non-insured real estate secured loans in February 2012. In addition, in April 2012, the Company securitized $163.8 million of insured and non-insured real estate secured loans and exercised its right to repurchase $55.4 million of insured and non-insured real estate secured loans. As at May 31, 2012, the total carrying amount of the securitized real estate secured assets was $575.5 million (November 30, 2011 – $236.0 million), and consists of $402.5 million of insured real estate secured loans (November 30, 2011 – $236.0 million) and $173.0 million of uninsured real estate secured loans (November 30, 2011 – nil).

(a) RSP Loan Securitization

In January 2012, the Company exercised its right under the securitization agreement to reacquire all securitized RSP loans. The Company made a cash payment of $2.7 million to the securitization trust, which consists of $17.3 million in payment obligations, partly offset by the receipt of cash collateral of $14.6 million. On reacquisition, RSP loans totaling $39.6 million were recorded on the consolidated statement of financial position, retained interests of $38.5 million related to the securitization were removed from the consolidated statement of financial position, and the Company recorded a gain on repurchase of $1.1 million.

(b) Assets Pledged as Collateral

Real estate secured loans used in securitization activities are pledged against secured financing. In addition, cash collateral equal in value to 0.25% of the notional amount of the securitized insured real estate secured loans and 2.0% of the notional value of uninsured real estate secured loans was pledged as part of the secured financing transaction. The pledged cash collateral was $4.5 million at May 31, 2012 (November 30, 2011 – $0.6 million).

(c) Secured Financing

Secured financing represents the funding received through securitization of the Company's real estate secured loans. As at May 31, 2012, the Company's secured financing totaled $569.1 million (November 30, 2011 – $238.6 million) and consists of insured real estate secured loan financing of $402.9 million (November 30, 2011 – $238.6 million) and uninsured real estate secured loan financing of $166.2 million (November 30, 2011 – nil).

iii) AGF Trust Operations

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

(in thousands of Canadian dollars)	Term to contractual repricing: Variable rate	1 year or less	1 to 5 years	May 31, 2012	November 30, 2011
Mortgage loans	$ 114,183	$ 371,711	$ 685,745	$ 1,171,639	$ 987,246
Home equity lines of credit (HELOCs)	177,393	–	–	177,393	196,065
Total real estate secured loans	291,576	371,711	685,745	1,349,032	1,183,311
Investment loans	1,758,195	221	16	1,758,432	1,793,022
	2,049,771	371,932	685,761	3,107,464	2,976,333
Less: allowance for loan losses				(24,776)	(30,422)
Add: net deferred sales commissions and commitment fees				7,378	5,706
				3,090,066	2,951,617
Less: current portion				(491,025)	(465,489)
				$ 2,599,041	$ 2,486,128

(a) Real Estate Secured and Investment Loans

The table above represents the period of contractual repricing of interest rates on outstanding amounts. Principal repayments due on real estate and investment loans due within one year as at May 31, 2012, were $491.0 million (November 30, 2011 – $465.5 million).

As at May 31, 2012, AGF Trust's mortgage portfolio consists of a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.8 years (November 30, 2011 – 1.5 years) and a weighted average yield of 4.6% (November 30, 2011 – 5.2%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representment, were $606.4 million as at May 31, 2012 (November 30, 2011 – $529.3 million). HELOCs, which totaled $177.4 million as at May 31, 2012 (November 30, 2011 – $196.1 million), had an average interest rate of 4.9% (November 30, 2011 – 4.9%). Investment loans, excluding RSP loans, totaled $1.4 billion as at May 31, 2012 (November 30, 2011 – $1.5 billion), and had an average interest rate (based on the prime interest rate) of 4.8% (November 30, 2011 – 4.8%). RSP loans totaled $367.1 million as at May 31, 2012 (November 30, 2011 – $324.6 million), and had an average interest rate of 6.0% (November 30, 2011 – 6.1%). The average interest rate on all investment loans as at May 31, 2012, was 5.0% (November 30, 2011 – 5.0%). Mortgage and HELOC loans are secured primarily by residential real estate. Secured investment loans of $1.4 billion (November 30, 2011 – $1.5 billion) are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.0 billion (November 30, 2011 – $1.2 billion).

(b) Loans by Province and by Type

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

May 31, 2012 (in millions of Canadian dollars)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	$ 58.1	$ 79.6	$ 257.6	$ 30.7	$ 9.3	$ –	$ 435.3
Alberta	118.6	113.9	149.4	38.8	142.2	–	562.9
Ontario	294.9	263.5	680.5	109.8	9.5	–	1,358.2
Quebec	104.5	75.5	107.1	155.0	0.2	–	442.3
Other	30.3	32.8	196.6	32.8	16.2	0.1	308.8
Total value of loans	$ 606.4	$ 565.3	$ 1,391.2	$ 367.1	$ 177.4	$ 0.1	$ 3,107.5

May 31, 2012 (number of loans)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	194	269	3,930	3,542	47	13	7,995
Alberta	488	538	2,610	3,502	594	43	7,775
Ontario	1,667	1,271	11,090	12,589	61	43	26,721
Quebec	626	517	1,979	17,473	3	41	20,639
Other	147	194	2,850	3,262	120	115	6,688
Total number of loans	3,122	2,789	22,459	40,368	825	255	69,818

November 30, 2011 (in millions of Canadian dollars)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	$ 34.1	$ 49.5	$ 272.7	$ 27.7	$ 10.6	$ –	$ 394.6
Alberta	97.3	107.0	161.2	33.6	155.8	0.1	555.0
Ontario	270.8	210.5	716.9	97.9	10.7	0.1	1,306.9
Quebec	111.2	67.7	111.0	135.9	0.2	0.1	426.1
Other	15.9	23.3	206.0	29.5	18.8	0.2	293.7
Total value of loans	$ 529.3	$ 458.0	$ 1,467.8	$ 324.6	$ 196.1	$ 0.5	$ 2,976.3

November 30, 2011 (number of loans)	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	129	175	4,133	3,238	54	21	7,750
Alberta	423	508	2,830	2,956	652	87	7,456
Ontario	1,632	1,099	11,696	11,144	71	65	25,707
Quebec	663	489	2,051	14,386	3	86	17,678
Other	86	136	2,987	2,736	136	188	6,269
Total number of loans	2,933	2,407	23,697	34,460	916	447	64,860

(c) Impaired Loans

As at May 31, 2012, impaired loans were $16.2 million (November 30, 2011 – $25.9 million) and $9.9 million (November 30, 2011 – $14.0 million), net of the specific allowance for loan losses.

(in thousands of Canadian dollars)	May 31, 2012	November 30, 2011
Impaired Loans		
Insured mortgage loans	$ 2,171	$ 4,345
Conventional mortgage loans	11,118	16,541
Secured investment loans	677	1,404
RSP loans	558	2,306
HELOC receivables	1,685	1,257
	$ 16,209	$ 25,853

The following tables provide an aging of loans:

May 31, 2012 (in thousands of Canadian dollars)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 585,471	$ 8,523	$ 1,756	$ 685	$ 9,973	$ 606,408
Conventional mortgage loans	543,873	6,568	2,688	984	11,118	565,231
Secured investment loans	1,378,184	10,559	1,802	564	31	1,391,140
RSP loans	364,106	1,796	709	196	247	367,054
HELOC receivables	171,356	2,537	991	289	2,220	177,393
Finance loans	238	–	–	–	–	238
	$ 3,043,228	$ 29,983	$ 7,946	$ 2,718	$ 23,589	$ 3,107,464

November 30, 2011 (in thousands of Canadian dollars)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 496,132	$ 14,818	$ 2,098	$ 1,792	$ 14,478	$ 529,318
Conventional mortgage loans	429,270	10,006	1,590	898	16,164	457,928
Secured investment loans	1,451,403	13,390	1,826	704	536	1,467,859
RSP loans	319,590	2,323	622	314	1,775	324,624
HELOC receivables	191,518	1,737	610	325	1,875	196,065
Finance loans	539	–	–	–	–	539
	$ 2,888,452	$ 42,274	$ 6,746	$ 4,033	$ 34,828	$ 2,976,333

(d) Mortgages in Legal Action

As at May 31, 2012, there are $10.9 million (2011 – $20.1 million) of insured mortgages in legal action. In addition, the following table provides a summary of conventional mortgages in legal action, which includes demand for payment, power of sale and foreclosures. The table details opening mortgages in legal action for the period and related changes to the pool, being additions, discharged mortgages other than sold, proceeds on foreclosed mortgages discharged and related losses, to arrive at the ending balance of mortgages in legal action.

	Six months ended May 31,	
(in thousands of Canadian dollars)	**2012**	**2011**
Balance outstanding, beginning of the period	$ 15,455	$ 28,297
Additions	8,949	11,221
Discharged mortgages other than sold	(8,013)	(5,554)
Proceeds on foreclosed mortgages discharged	(3,557)	(7,341)
Loss on foreclosed mortgages discharged	(1,590)	(2,045)
Balance outstanding, end of the period	$ 11,244	$ 24,578

(e) Allowance for Credit Losses

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

	Six months ended May 31, 2012		
(in thousands of Canadian dollars)	Individual allowances	Collective allowances	Total allowances
Balance, beginning of the period	$ 9,972	$ 20,450	$ 30,422
Amounts written off	(9,824)	–	(9,824)
Recoveries	1,410	–	1,410
Provision for (recovery of) loan losses	4,773	(2,005)	2,768
Balance, end of the period	$ 6,331	$ 18,445	$ 24,776
Breakdown by category:			
Insured mortgage loans	$ –	$ 300	$ 300
Conventional mortgage loans	3,581	4,432	8,013
Secured investment loans	784	8,818	9,602
RSP loans	1,464	4,487	5,951
HELOC receivables	502	408	910
	$ 6,331	$ 18,445	$ 24,776

	Six months ended May 31, 2011		
(in thousands of Canadian dollars)	Individual allowances	Collective allowances	Total allowances
Balance, beginning of the period	$ 12,509	$ 22,197	$ 34,706
Amounts written off	(10,444)	–	(10,444)
Recoveries	1,482	–	1,482
Provision for (recovery of) loan losses	7,711	(1,472)	6,239
Balance, end of the period	$ 11,258	$ 20,725	$ 31,983
Breakdown by category:			
Insured mortgage loans	$ –	$ 2,400	$ 2,400
Conventional mortgage loans	6,101	4,254	10,355
Secured investment loans	1,329	5,544	6,873
RSP loans	3,475	8,000	11,475
HELOC receivables	353	527	880
	$ 11,258	$ 20,725	$ 31,983

(f) AGF Trust Deposits

	Term to maturity				
(in thousands of Canadian dollars)	Demand	1 year or less	1 to 5 years	May 31, 2012	November 30, 2011
Deposits	$ 4,493	$ 1,719,975	$ 1,221,978	$ 2,946,446	$ 3,036,998
Less: deferred sales commissions				(6,528)	(7,199)
Less: current portion				(1,724,469)	(1,769,709)
Long-term deposits				$ 1,215,449	$ 1,260,090

As at May 31, 2012, deposits generally consists of GICs with a weighted average term to maturity of 1.1 years (November 30, 2011 – 1.2 years) and a weighted average interest rate of 2.6% (November 30, 2011 – 2.7%). Approximately 13.5% (November 30, 2011 – 10.3%) of deposits mature within 90 days.

(g) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between March 2012 and March 2015. They involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to manage interest expense volatility. As at May 31, 2012, the aggregate notional amount of the swap transactions was $1.8 billion (November 30, 2011 – $2.0 billion). The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust if the transactions were terminated at May 31, 2012, was $13.7 million (November 30, 2011 – $24.3 million). During the three and six months ended May 31, 2012, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the consolidated statement of income amounted to a loss of less than $0.1 million and $0.1 million (2011 – $0.1 million and $0.4 million loss), as it relates to fair value hedging relationships.

May 31, 2012 (in thousands of Canadian dollars)	**Notional amount of swap**	**Fair value**	**Maturity date**	**Fixed interest rate received**
	$ 905,000	$ 1,985	2012	0.92% - 5.01%
	570,000	5,076	2013	0.90% - 2.71%
	280,000	2,809	2014	1.09% - 2.82%
	85,000	3,788	2015	1.52% - 2.93%
	$ 1,840,000	$ 13,658		

November 30, 2011 (in thousands of Canadian dollars)	**Notional amount of swap**	**Fair value**	**Maturity date**	**Fixed interest rate received**
	$ 60,000	$ 55	2011	1.30% - 4.17%
	1,280,000	10,847	2012	0.92% - 5.01%
	510,000	7,068	2013	0.90% - 2.71%
	80,000	2,850	2014	2.09% - 2.82%
	50,000	3,489	2015	2.48% - 2.93%
	$ 1,980,000	$ 24,309		

iv) AGF Trust Net Interest Income

(in thousands of Canadian dollars)	**Three months ended May 31, 2012**	**2011**
AGF Trust interest income		
Loan interest	$ 38,160	$ 39,592
Investment interest	3,938	3,345
	42,098	42,937
AGF Trust interest expense		
Deposit interest	19,042	25,293
Hedging interest income	(2,098)	(5,682)
Other interest expense	6,398	4,311
	23,342	23,922
AGF Trust net interest income	$ 18,756	$ 19,015

(in thousands of Canadian dollars)	Six months ended May 31, 2012	2011
AGF Trust interest income		
Loan interest	$ 75,742	$ 79,670
Investment interest	7,710	7,552
	83,452	87,222
AGF Trust interest expense		
Deposit interest	38,852	51,233
Hedging interest income	(4,806)	(12,448)
Other interest expense	11,840	8,641
	45,886	47,426
AGF Trust net interest income	$ 37,566	$ 39,796

v) Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Refer to Note 11 for further details on the Company's stock option plans. The change in stock options related to AGF Trust during the six months ended May 31, 2012 and 2011 is summarized as follows:

Six months ended	May 31, 2012		May 31, 2011	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B Non-Voting share options related to AGF Trust				
Balance, beginning of the period	456,750	$ 17.93	507,300	$ 16.28
Options granted	31,505	15.87	48,400	19.03
Options expired	(10,000)	17.12	–	–
Options exercised	(2,850)	8.24	(98,000)	10.05
Balance, end of the period	475,405	$ 17.87	457,700	$ 17.91

During the three months ended May 31, 2012, no stock options were granted to AGF Trust employees (2011 – nil) and compensation expense and contributed surplus of less than $0.1 million (2011 – less than $0.1 million) were recorded. During the six months ended May 31, 2012, 31,505 stock options were granted to AGF Trust employees (2011 – 48,400) and compensation expense and contributed surplus of less than $0.1 million (2011 – $0.1 million) were recorded. The fair value of options granted during the six months ended May 31, 2012, has been estimated at $3.10 per share (2011 – $4.43 per share) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the six months ended May 31, 2012:

Risk-free interest rate	1.3%
Expected dividend yield	6.8%
Expected share price volatility	41.8%
Option term	5.0 years

(b) Restricted Share Unit (RSU)

The change in share units related to AGF Trust during the six months ended May 31, 2012 and 2011 is as follows:

Six months ended	May 31, 2012	May 31, 2011
	Number of share units	Number of share units
Outstanding, beginning of the period		
Non-vested	18,369	51,378
Issued		
Initial grant	17,458	10,824
In lieu of dividends	920	1,522
Forfeited and cancelled	(2,881)	(2,468)
Outstanding, end of the period	33,866	61,256

Compensation expense for the three months ended May 31, 2012, related to these share units was nil (2011 – $0.1 million), and for the six months ended May 31, 2012, was $0.1 million (2011 – $0.3 million).

vi) Capital Management

AGF Trust's objective when managing capital is to ensure that AGF Trust maintains the level of capital to adequately protect depositors and to meet the requirements of its principal regulator, the Office of the Superintendent of Financial Institutions Canada (OSFI).

AGF Trust's regulatory capital requirements are determined in accordance with guidelines issued by OSFI, which are based on a framework of risk-based capital standards developed by the Bank for International Settlements (BIS).

AGF Trust's regulatory capital consists of Tier 1 capital and Tier 2 capital, less certain deductions. Tier 1 capital consists of common shares, retained earnings, non-cumulative preference shares and contributed surplus. Gains on the sale of securitized assets and retained interests from securitized assets are deducted from capital. Tier 2 capital consists of subordinated debt and eligible collective allowances.

Regulatory capital ratios are reported monthly to management and quarterly to AGF Trust's Board of Directors. As at May 31, 2012, AGF Trust continues to be in compliance with its regulatory capital requirements. The regulatory capital ratios and assets-to-capital multiple for AGF Trust are as follows:

(in thousands of Canadian dollars)	May 31, 2012	November 30, 2011
Tier 1 capital	$ 303,232	$ 308,025
Total regulatory capital	425,282	429,716
Risk-weighted assets	1,624,491	1,599,973
Tier 1 capital ratio	18.7%	19.3%
Total capital ratio	26.2%	26.9%
Assets-to-capital multiple	9.3	8.7

Note 5: Acquisitions

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

On February 1, 2011, the Company completed its acquisition of 100% of the shares of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity) for a purchase price of $335.5 million. Acuity manages retail and institutional assets. Goodwill of $118.3 million was recognized as the fair value of consideration paid in excess of the fair value of separately recognized tangible and intangible assets acquired, net of liabilities assumed.

The fair values of net assets acquired and consideration paid are summarized in the table below:

(in thousands of Canadian dollars)		
Net assets acquired		
Cash	$	4,842
Other assets		10,646
Management contracts		211,500
Customer contracts		39,278
Non-competition agreement		21,900
Finite-life management contracts		5,500
Trademark		1,600
Goodwill		118,325
Liabilities		(14,028)
Future income taxes		(64,014)
	$	335,549
Consideration paid		
Cash	$	178,257
Cash payments due February 1, 2012		18,391
Cash payments due February 1, 2013		3,644
Cash payments due February 1, 2014		3,579
Issuance of Class B Non-Voting shares		55,683
Issuance of Class B Non-Voting shares held in escrow		58,996
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012		9,756
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012		2,517
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013		2,400
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014		2,326
	$	335,549

The non-competition agreement, finite-life management contracts, and trademarks are stated at cost (being the fair value at the date of acquisition), net of accumulated amortization and impairment, if any, on the consolidated statement of financial position under other intangibles. Amortization is computed on a straight-line basis over three to 10 years based on the estimated useful lives of these assets.

The deferred cash payments and Class B, C, D and E exchangeable preferred shares are subject to an adjustment based on Acuity's net sales of institutional AUM between the date of acquisition and the payment or redemption date of these preferred shares. As at May 31, 2012, the maximum adjustment to the acquisition consideration payable related to Acuity's net sales of institutional AUM is an increase of $6.7 million and a decrease of nil. The Class B, C, D and E exchangeable preferred shares are to be settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which is determined by reference to a fixed exchange ratio. The deferred cash payments and Class B, C, D and E exchangeable preferred shares are accounted for as contingently returnable consideration carried at fair value and have been classified on the consolidated statement of financial position as acquisition consideration payable.

The Class B Non-Voting shares held in escrow, as part of the consideration paid outlined in the above table, are released to the Acuity vendors between August 1, 2011, and February 1, 2014. Dividends declared on the Class B Non-Voting shares are paid to the vendors during the escrow period. During the three months ended May 31, 2012, no Class B Non-Voting shares were released from escrow. During the six months ended May 31, 2012, 3,105,516 Class B Non-Voting shares were released from escrow. As at May 31, 2012, 370,236 Class B Non-Voting shares continue to be held in escrow. Prior to the acquisition, the Company also advanced $14.0 million to Acuity, which was converted into common shares of Acuity upon closing and has been reflected above as cash consideration paid.

On February 1, 2012, $34.3 million was paid to the Acuity vendors, consisting of $21.0 million in cash and a settlement of the Class B and C exchangeable preferred shares through the issuance of 828,452 Class B Non-Voting shares valued at $13.3 million.

The following is a summary of the fair values of contingently returnable consideration as at May 31, 2012, and November 30, 2011:

(in thousands of Canadian dollars)	May 31, 2012	November 30, 2011
Cash payments due February 1, 2012	$ –	$ 19,693
Cash payments due February 1, 2013	2,585	3,563
Cash payments due February 1, 2014	3,718	3,306
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012	–	9,515
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012	–	2,455
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013	1,103	1,984
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014	1,430	1,864
	$ 8,836	$ 42,380
Less: current portion	3,688	31,663
	$ 5,148	$ 10,717

The following is a summary of post-acquisition amounts included in the Company's consolidated statement of income for the three and six months ended May 31, 2011:

(in thousands of Canadian dollars)	Three months ended May 31, 2011	Six months ended May 31, 2011
Revenue	$ 22,869	$ 30,272
Net income[1]	7,153	9,641

[1] Excluding integration costs and fair value adjustments related to the acquisition consideration payable

During the three and six months ended May 31, 2012, the Company recognized nil (2011 – $3.6 million and $8.2 million) in expenses related to the acquisition and integration of Acuity and a $2.0 million gain and $0.8 million in charges (2011 – $0.8 million and $2.6 million in charges) related to the fair value adjustment on the acquisition consideration payable.

(b) Acquisition of Highstreet Partners Ltd.

In the first quarter of 2012, the Company increased its ownership interest in Highstreet Partners Ltd. to 84.7% for cash consideration of $0.6 million. The payment was recorded as an adjustment to retained earnings.

Note 6: Long-term Debt

(in thousands of Canadian dollars)	May 31, 2012	November 30, 2011
Revolving term loans[1]		
Facility 1	$ –	$ –
Facility 2	124,323	124,269
Acquisition facility[1]	184,094	184,000
	$ 308,417	$ 308,269

[1] Net of transaction costs and discount

(a) Revolving Term Loans

On August 31, 2011, the Company amended and restated its revolving committed term loan (Facility 1). Facility 1 is a syndicated revolving term loan with two Canadian chartered banks and with a maximum aggregate principal of $300.0 million (November 30, 2011 – $300.0 million). Advances under Facility 1 are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. Facility 1, if not renewed, is due in full on January 28, 2015. As at May 31, 2012 and November 30, 2011, AGF had not drawn against Facility 1.

On August 31, 2011, the Company arranged an additional syndicated revolving committed term loan with two major Canadian chartered banks (Facility 2). Facility 2 is a five-year revolving term loan with a maximum aggregate principal of $125.0 million. Advances under Facility 2 are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. Facility 2, if not renewed, is due in full on August 31, 2016. As at May 31, 2012, AGF had drawn down $125.0 million (November 30, 2011 – $125.0 million) against Facility 2 in the form of a one-month BA at an effective average interest rate of 2.7% per annum (November 30, 2011 – 2.7%).

Facility 1 and Facility 2 are guaranteed by AGF Management Limited and certain subsidiaries, including 20/20 Financial Corporation.

To hedge the Company's exposure to fluctuating interest rates on its long-term debt, AGF has entered into an interest rate swap transaction with a Canadian chartered bank. The swap transaction expires in July 2016 and involves the exchange of the one-month BA rate to receive a fixed interest rate of 3.8%. The swap contract is designated as a cash flow hedging instrument and is used to mitigate interest expense volatility on Facility 2. As at May 31, 2012, the notional amount of the swap transaction was $125.0 million (November 30, 2011 – $125.0 million).

As part of the sale of AGF Trust, the Company expects to reduce the maximum aggregate principal of Facility 1 to $200.0 million from $300.0 million.

(b) Acquisition Facility

On August 31, 2011, the Company amended its syndicated four-year non-amortizing term loan credit facility with two Canadian chartered banks (acquisition facility). The acquisition facility was originally arranged on January 28, 2011, to partially fund the acquisition of Acuity, and consists of a one-time drawdown of $185.0 million. The facility must be fully repaid by January 28, 2015, and is not renewable. Advances under the facility are made available by way of Canadian-dollar prime-rate loans or Canadian-dollar BAs. As at May 31, 2012, AGF had drawn $185.0 million (November 30, 2011 – $185.0 million) against the facility in the form of a one-month BA at an effective average interest rate of 2.7% per annum (November 30, 2011 – 2.7%).

The acquisition facility is guaranteed by AGF Management Limited and certain subsidiaries, including 20/20 Financial Corporation. Refer to Note 5 for further details of the Company's acquisition of Acuity.

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:

Six months ended	**May 31, 2012**			**May 31, 2011**		
(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	95,406,796	$	560,838	88,606,196	$	439,216
Issued through dividend reinvestment plan	87,008		1,361	52,043		1,011
Stock options exercised	61,050		538	415,650		5,103
Issued on acquisition of Acuity	828,452		13,322	6,487,203		114,679
Repurchased for cancellation	(262,240)		(1,543)	–		–
Balance, end of the period	96,121,066	$	574,516	95,561,092	$	560,009

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,435,369 shares through to January 26, 2013. No shares were repurchased during the three months ended May 31, 2012. During the six months ended May 31, 2012, 262,240 Class B Non-Voting shares were repurchased at a cost of $4.1 million and the excess paid of $2.6 million over the recorded capital stock value of the shares repurchased for cancellation was charged to retained earnings.

Note 8: Accumulated Other Comprehensive Income

(in thousands of Canadian dollars)	Foreign currency translation	Available for sale securities	Cash flow hedge	Discontinued operations	Total
Opening Balance					
Other comprehensive income	$ –	$ 3,309	$ –	$ 19,098	$ 22,407
Income tax expense	–	(477)	–	(5,920)	(6,397)
Balance, November 30, 2010	–	2,832	–	13,178	16,010
Transactions during the year ended November 30, 2011					
Other comprehensive income (loss)	50	(6)	(4,772)	(5,463)	(10,191)
Income tax recovery (expense)	(6)	(5)	1,193	1,859	3,041
Balance, November 30, 2011	44	2,821	(3,579)	9,574	8,860
Transactions during the six months ended May 31, 2012					
Other comprehensive income (loss)	130	19	53	(3,936)	(3,734)
Income tax recovery (expense)	(16)	–	(13)	1,155	1,126
Balance, May 31, 2012	$ 158	$ 2,840	$ (3,539)	$ 6,793	$ 6,252

Note 9: Fair Value Adjustments and Other Income

	Three months ended May 31,	
(in thousands of Canadian dollars)	**2012**	**2011**
Fair value adjustment related to investment in AGF mutual funds (Note 3)	$ (1,249)	$ 220
Fair value adjustment related to acquisition consideration payable (Note 5)	2,251	(751)
Fair value adjustment related to put agreement with non-controlling shareholders (Note 11(e))	(1,528)	654
Other	597	(186)
	$ 71	$ (63)

	Six months ended May 31,	
(in thousands of Canadian dollars)	**2012**	**2011**
Fair value adjustment related to investment in AGF mutual funds (Note 3)	$ (573)	$ 35
Fair value adjustment related to acquisition consideration payable (Note 5)	(25)	(1,681)
Fair value adjustment related to put agreement with non-controlling shareholders (Note 11(e))	(2,624)	287
Other	813	21
	$ (2,409)	$ (1,338)

Note 10: Expenses by Nature

	Three months ended May 31,	
(in thousands of Canadian dollars)	**2012**	**2011**
Selling, general and administrative		
Employee benefit expense	$ 25,396	$ 29,203
Sales and marketing	3,358	2,641
Information technology and facilities	6,654	5,439
Professional fees	4,438	5,045
Fund absorption	3,320	664
Other	3,763	984
	$ 46,929	$ 43,976
Business acquisition and integration		
Professional fees	$ –	$ 3,534
Other	–	50
	$ –	$ 3,584

(in thousands of Canadian dollars)	Six months ended May 31, 2012		Six months ended May 31, 2011	
Selling, general and administrative				
Employee benefit expense	$	51,314	$	55,687
Sales and marketing		5,745		5,246
Information technology and facilities		11,666		9,599
Professional fees		9,495		8,117
Fund absorption		4,525		1,784
Other		7,351		3,287
	$	90,096	$	83,720
Business acquisition and integration				
Employee benefit expense	$	–	$	1,718
Professional fees		–		6,384
Other		–		50
	$	–	$	8,152

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

(a) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,345,524 Class B Non-Voting shares could have been granted as at May 31, 2012 (2011 – 4,179,421). The stock options are issued at a price not less than the market price of the Class B Non-Voting shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or in some instances, vest at the end of the term of the option.

The change in stock options, excluding those related to AGF Trust, during the six months ended May 31, 2012 and 2011 is summarized as follows:

Six months ended	May 31, 2012 Options		May 31, 2012 Weighted average exercise price	May 31, 2011 Options		May 31, 2011 Weighted average exercise price
Class B Non-Voting share options, excluding AGF Trust						
Balance, beginning of the period	4,942,679	$	17.47	5,033,099	$	16.35
Options granted	469,750		15.87	630,380		19.03
Options forfeited	(189,508)		19.28	(107,850)		17.19
Options expired	(455,900)		17.05	–		–
Options exercised	(58,200)		8.24	(317,650)		11.04
Balance, end of the period	4,708,821	$	17.39	5,237,979	$	16.98

During the three months ended May 31, 2012, no stock options were granted (2011 – nil) and compensation expense and contributed surplus of $0.3 million (2011 – $0.7 million) were recorded. During the six months ended May 31, 2012, 469,750 stock options were granted (2011 – 630,380) and compensation expense and contributed surplus of $0.6 million (2011 – $1.0 million) were recorded. The fair value of options granted during the six months ended May 31, 2012, has been estimated at $3.10 per share (2011 – $4.43 per share) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the six months ended May 31, 2012:

Risk-free interest rate	1.3%
Expected dividend yield	6.8%
Expected share price volatility	41.8%
Option term	5.0 years

(b) Restricted Share Unit (RSU) and Performance Share Unit (PSU) Plans

The change in share units, excluding those related to AGF Trust, during the six months ended May 31, 2012 and 2011 is as follows:

Six months ended	May 31, 2012	May 31, 2011
	Number of share units	Number of share units
Outstanding, beginning of the period		
Non-vested	319,799	436,383
Issued		
Initial grant	589,056	305,053
In lieu of dividends	21,973	15,612
Settled in cash	(406)	(6,440)
Forfeited and cancelled	(118,930)	(9,967)
Outstanding, end of the period	811,492	740,641

Compensation recovery for the three months ended May 31, 2012, related to these share units was $0.9 million (2011 – $1.1 million recovery), and for the six months ended May 31, 2012, was $1.6 million expense (2011 – $3.7 million expense).

(c) Deferred Share Unit (DSU)

As at May 31, 2012, 152,283 (2011 – 61,126) DSUs were outstanding. Compensation recovery related to these DSUs for the three months ended May 31, 2012, was $0.1 million (2011 – less than $0.1 million recovery), and for the six months ended May 31, 2012, was $0.2 million expense (2011 – $0.3 million expense).

(d) Partners Incentive Plan (PIP)

Compensation expense related to this incentive plan was recorded in payroll costs and amounted to $0.5 million for the three months ended May 31, 2012 (2011 – $0.3 million), and $1.0 million for the six months ended May 31, 2012 (2011 – $0.9 million).

(e) Put Agreement with Non-controlling Shareholders

As at May 31, 2012, the Company has recorded an $8.1 million (November 30, 2011 – $5.5 million) liability related to the put agreement with non-controlling shareholders of one of its subsidiaries. In the three months ended May 31, 2012, the Company recorded a loss of $1.5 million (2011 – gain of $0.7 million) related to the change in the fair value of the put agreement. In the six months ended May 31, 2012, the Company recorded a loss of $2.6 million (2011 – gain of $0.3 million) related to the change in the fair value of the put agreement.

Note 12: Income Taxes

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 six months ended May 31, 2012, was 28.6% (2011 – 26.8%). The income tax expense related to income from discontinued operations for the six months ended May 31, 2012, was $5.9 million (2011 – $6.0 million).

Note 13: Earnings per Share

(in thousands of Canadian dollars, except per share amounts)	Three months ended May 31, 2012	Three months ended May 31, 2011	Six months ended May 31, 2012	Six months ended May 31, 2011
Numerator				
Net income for the period from continuing operations attributable to the equity holders of the Company	$ 16,722	$ 27,223	$ 33,987	$ 49,644
Net income for the period from discontinued operations attributable to the equity holders of the Company	7,050	6,668	15,919	13,479
Net income for the period attributable to the equity holders of the Company	23,772	33,891	49,906	63,123
Denominator				
Weighted average number of shares – basic	96,143,964	95,568,899	95,904,625	93,210,619
Dilutive effect of employee stock options	591,345	1,225,216	639,597	1,189,990
Weighted average number of shares – diluted	96,735,309	96,794,115	96,544,222	94,400,609
Basic earnings per share				
Continuing operations	$ 0.17	$ 0.28	$ 0.35	$ 0.53
Discontinued operations	0.08	0.07	0.17	0.15
	$ 0.25	$ 0.35	$ 0.52	$ 0.68
Diluted earnings per share				
Continuing operations	$ 0.17	$ 0.28	$ 0.35	$ 0.53
Discontinued operations	0.08	0.07	0.17	0.14
	$ 0.25	$ 0.35	$ 0.52	$ 0.67

Note 14: Dividends

The dividends paid, including dividends reinvested, in the three and six months ended May 31, 2012, were $26.0 million and $51.8 million, compared to $24.8 million and $47.9 million in 2011. On June 26, 2012, 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 May 31, 2012, amounting to a total dividend of approximately $26.0 million. These consolidated 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 are as follows:

(in thousands of Canadian dollars)	Three months ended May 31, 2012	Three months ended May 31, 2011	Six months ended May 31, 2012	Six months ended May 31, 2011
Salaries and other short-term employee benefits	$ 1,466	$ 1,633	$ 2,867	$ 3,113
Share-based payments	456	431	1,014	858
	$ 1,922	$ 2,064	$ 3,881	$ 3,971

Note 16: Transition to IFRS

First-time Application of IFRS

Until December 1, 2011, AGF prepared its consolidated financial statements in accordance with Canadian GAAP. The Company followed the provisions of IFRS 1 in preparing its opening IFRS consolidated statement of financial position as of the date of transition, December 1, 2010. Certain of the Company's IFRS accounting policies used for this opening consolidated statement of financial position differed from its Canadian GAAP policies applied at the same date. The resulting adjustments arose from events and transactions before the date of transition to IFRS. IFRS 1 generally requires that an entity apply all

IFRS effective at the end of its first IFRS reporting period retrospectively. Therefore, as required by IFRS 1, those adjustments were recognized directly through retained earnings (or another category of equity where appropriate) as of December 1, 2010. There are some exceptions required and some exceptions permitted by IFRS 1. AGF's first-time adoption decisions regarding these exemptions are detailed below. Other options available under IFRS 1, which are not discussed here, are not material to the Company's consolidated financial statements.

- **Business Combinations**

  IFRS 1 provides the option to apply IFRS 3, "Business Combinations," prospectively from the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date. The Company elected to apply IFRS 3 prospectively to business combinations occurring after its transition date. Business combinations prior to the transition date have not been restated.

- **Cumulative Translation Differences**

  IFRS permits cumulative translation gains and losses to be reset to zero at the transition date. This provides relief from determining cumulative currency translation differences in accordance with IAS 21, "The effects of changes in foreign exchange rates," from the date a subsidiary or equity method investee was formed or acquired. The Company elected to reset to zero all cumulative translation gains and losses at the transition date related to investments in foreign operations through an adjustment to retained earnings.

- **Securitization**

  In November 2010, the IASB approved amendments to IFRS 1 with regard to the derecognition exemption, which provides the option to grandfather certain securitization transactions occurring prior to an entity's transition date instead of the fixed mandatory date of January 1, 2004. The Company elected to apply the derecognition requirements in IAS 39 prospectively for transactions occurring on or after the transition date.

Effect of the Transition to IFRS

Until December 1, 2011, AGF prepared its consolidated financial statements in accordance with Canadian GAAP. The following sets out, by accounting topic, the main differences between the Company's Canadian GAAP accounting policies applied at that date and the IFRS accounting policies adopted.

(A) Finite-life intangibles

Under both IFRS and Canadian GAAP, customer contracts are amortized on a straight-line basis over the period that the economic benefit is expected to arise. Under IFRS, the unamortized customer contracts for which client attrition occurs is immediately charged to net income and included in the amortization of customer contracts. Under Canadian GAAP, the amortization of customer contracts was not adjusted for client attrition.

(B) Deferred selling commissions

Under Canadian GAAP, sales commissions paid to brokers on mutual fund securities sold on a DSC basis were recorded at cost and amortized on a straight-line basis over the applicable DSC schedule (which ranges from three to seven years). No adjustment was recognized to the cost on redemption of mutual funds and the DSC asset was tested annually for impairment. Under IFRS, sales commissions continue to be recorded at cost and amortized similar to Canadian GAAP; however, upon redemption, the asset is derecognized and the unamortized amount is charged to income through amortization.

(C) Investments in AGF mutual funds and investments available for sale

Under Canadian GAAP, investments in AGF mutual funds were designated as available for sale (AFS). These assets were initially recorded at fair value on the settlement date in the consolidated statement of financial position and remeasured at fair value with unrealized gains and losses recognized in OCI until the financial asset was disposed of or became impaired. Under IFRS, investments in AGF mutual funds are designated as fair value through profit and loss.

(D) Goodwill

Under Canadian GAAP, goodwill is tested at the reporting unit level. Under IFRS, goodwill must be tested annually at the lowest identifiable cash generating unit (CGU) level at which management monitors internally. Management has reviewed its CGUs and has identified its Highstreet business as a separate CGU. As a result, the Company determined that the carrying amount of the Highstreet CGU exceeded its recoverable amount, indicating an impairment of goodwill at

December 1, 2010 and subsequently at August 31, 2011. Under Canadian GAAP, goodwill associated with Highstreet was tested under the Investment Management reporting segment.

(E) Written put options on non-controlling interests

Under Canadian GAAP, put options written by the Company on non-controlling interests were accounted for as cash-settled share-based payments and carried at the intrinsic value of the vested options. Under IFRS, to the extent that such options are associated with the shareholder's employment, they are treated as cash-settled share-based payments and are recorded based on the fair value of the vested portion of the options, determined using graded vesting.

(F) Termination fees

Under Canadian GAAP, termination fees associated with contracts with referral agents, where the agent continues to have a relationship with the client, are recognized as an expense upon termination. Under IFRS, this cost is recognized over the service period or the contractual period.

(G) OCI tax changes

Under Canadian GAAP, changes in tax rates or laws relating to items previously recognized in OCI have been recognized in the consolidated statement of income. Under IFRS, the effect of these changes should be recognized in OCI or equity and charged directly to those items.

(H) Transaction costs

Under Canadian GAAP, entities could elect an accounting policy to account for transaction costs incremental to the acquisition of financial instruments either by capitalizing them on the consolidated statement of financial position or by recognizing them immediately on the consolidated statement of income. Under IFRS, transactions costs must be accounted for as an expense for financial instruments at fair value through profit or loss and capitalized to the initial carrying amount for all other financial instruments.

(I) Presentation reclassifications

Certain amounts have been reclassified to conform to IFRS, including deferred income tax assets and liabilities and accrued interest. Under IFRS, deferred income tax assets and liabilities must be classified as non-current whereas under Canadian GAAP, deferred income tax assets and liabilities were classified as current or non-current as appropriate. In addition, under IFRS, accrued interest is included in the financial statement line related to the financial assets and liabilities it is associated with. Previously, accrued interest on loans and GICs was recorded in accounts receivable or accounts payable as appropriate.

Reconciliation of the Company's consolidated statement of financial position prepared under Canadian GAAP and IFRS, including the impacts on shareholders' equity, as of May 31, 2011, is as follows:

(in thousands of Canadian dollars) May 31, 2011	Canadian GAAP	IFRS 1 election	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	Goodwill (D)	NCI put (E)	Termination fees (F)	OCI tax (G)	Transaction costs (H)	Presentation reclassification (I)	IFRS
Assets												
Current Assets												
Cash and cash equivalents	$ 312,376	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 318	$ 312,694
Investments	424,801	–	–	–	–	–	–	–	–	–	–	424,801
Accounts receivable and prepaid expenses and other assets	85,068	–	–	–	–	–	–	–	–	–	(21,418)	63,650
Derivative financial instruments	4,823	–	–	–	–	–	–	–	–	–	10,891	15,714
Current portion of retained interest from securitization	38,557	–	–	–	–	–	–	–	–	–	–	38,557
Real estate secured and investment loans due within one year	417,216	–	–	–	–	–	–	–	–	–	3,518	420,734
	1,282,841	–	–	–	–	–	–	–	–	–	(6,691)	1,276,150
Real estate secured and investment loans	2,537,436	–	–	–	–	–	–	–	–	–	3,466	2,540,902
Investment in associated company	77,348	–	–	–	–	–	–	–	–	–	–	77,348
Management contracts	715,769	–	–	–	–	–	–	–	–	–	–	715,769
Customer contracts, net of accumulated amortization	45,277	–	(1,446)	–	–	–	–	–	–	–	–	43,831
Goodwill	289,705	–	–	–	–	(24,019)	–	–	–	–	–	265,686
Other intangibles, net of accumulated amortization	26,205	–	–	–	–	–	–	–	–	–	–	26,205
Deferred selling commissions net of accumulated amortization	237,471	–	–	(50,562)	–	–	–	–	–	–	–	186,909
Property, equipment and computer software, net of accumulated depreciation	12,247	–	–	–	–	–	–	–	–	–	–	12,247
Deferred income tax assets	–	–	–	–	–	–	–	–	–	–	13,855	13,855
Derivative financial instruments	6,765	–	–	–	–	–	–	–	–	–	3,225	9,990
Other assets	8,137	–	–	–	–	–	–	–	–	–	–	8,137
Total assets	$ 5,239,201	$ –	$ (1,446)	$ (50,562)	$ –	$ (24,019)	$ –	$ –	$ –	$ –	$ 13,855	$ 5,177,029
Liabilities												
Current Liabilities												
Accounts payable and accrued liabilities	$ 206,078	$ –	$ –	$ –	$ –	$ –	$ 7,977	$ 770	$ –	$ –	$ (126,552)	$ 88,273
Income tax liability	11,699	–	–	–	–	–	–	–	–	–	–	11,699
Provision for Elements Advantage	3,542	–	–	–	–	–	–	–	–	–	–	3,542
Acquisition consideration payable	32,548	–	–	–	–	–	–	–	–	–	–	32,548
Deferred income tax liabilities	25,538	–	–	–	–	–	–	–	–	–	(25,538)	–
Deposits due within one year	1,552,918	–	–	–	–	–	–	–	–	–	84,101	1,637,019
	1,832,323	–	–	–	–	–	7,977	770	–	–	(67,989)	1,773,081
Deposits	1,613,404	–	–	–	–	–	–	–	–	–	42,451	1,655,855
Long-term debt	308,763	–	–	–	–	–	–	–	–	(716)	–	308,047
Acquisition consideration payable	12,643	–	–	–	–	–	–	–	–	–	–	12,643
Deferred income tax liabilities	181,225	–	(341)	(13,376)	–	–	–	(348)	–	–	39,393	206,553
Provision for Elements Advantage	2,868	–	–	–	–	–	–	–	–	–	–	2,868
Other long-term liabilities	11,196	–	–	–	–	–	–	532	–	–	–	11,728
Total liabilities	3,962,422	–	(341)	(13,376)	–	–	7,977	954	–	(716)	13,855	3,970,775
Equity												
Equity attributable to owners of the Company												
Capital stock	560,009	–	–	–	–	–	–	–	–	–	–	560,009
Contributed surplus	23,709	–	–	–	–	–	–	–	–	–	–	23,709
Retained earnings	712,900	(29,936)	(1,105)	(37,186)	909	(24,019)	(7,977)	(954)	(72)	716	–	613,276
Accumulated other comprehensive income	(20,437)	29,936	–	–	(909)	–	–	–	72	–	–	8,662
	1,276,181	–	(1,105)	(37,186)	–	(24,019)	(7,977)	(954)	–	716	–	1,205,656
Non-controlling interest	598	–	–	–	–	–	–	–	–	–	–	598
Total equity	1,276,779	–	(1,105)	(37,186)	–	(24,019)	(7,977)	(954)	–	716	–	1,206,254
Total liabilities and equity	$ 5,239,201	$ –	$ (1,446)	$ (50,562)	$ –	$ (24,019)	$ –	$ –	$ –	$ –	$ 13,855	$ 5,177,029

Reconciliations of the Company's consolidated statement of income for the three and six months ended May 31, 2011, prepared in accordance with Canadian GAAP and IFRS, are as follows:

(in thousands of Canadian dollars)

Three months ended May 31, 2011	Canadian GAAP	Finite-life intangibles	Deferred selling commissions	Investments	NCI put	Termination fees	Transaction costs	Presentation reclassification	Discontinued operations	IFRS
		(A)	(B)	(C)	(E)	(F)	(H)	(I)	Note 5	
Revenue										
Management and advisory fees	$ 150,716	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 150,716
Deferred sales charges	6,454	–	–	–	–	–	–	–	–	6,454
RSP loan securitization income (loss), net of impairment	676	–	–	–	–	–	–	–	(676)	–
Share of profit of associated company	962	–	–	–	–	–	–	–	–	962
Fair value adjustments and other income	2,064	–	–	220	654	–	–	–	(3,001)	(63)
AGF Trust net interest income	19,249	–	–	–	–	–	–	(234)	(19,015)	–
Total revenue	180,121	–	–	220	654	–	–	(234)	(22,692)	158,069
Expenses										
Selling, general and administrative	53,679	–	–	–	–	–	49	–	(9,752)	43,976
Business acquisition and integration	3,584	–	–	–	–	–	–	–	–	3,584
Trailing commissions	41,780	–	–	–	–	9	–	–	–	41,789
Investment advisory fees	2,587	–	–	–	–	–	–	–	–	2,587
Amortization of deferred selling commissions	19,174	–	(741)	–	–	–	–	–	–	18,433
Amortization of customer contracts	3,730	244	–	–	–	–	–	–	–	3,974
Amortization of other intangibles	2,096	–	–	–	–	–	–	–	–	2,096
Amortization of property, equipment and computer software	1,069	–	–	–	–	–	–	–	(329)	740
Provision for Trust Company loan losses	3,097	–	–	–	–	–	–	(234)	(2,863)	–
Interest expense	3,640	–	–	–	–	–	–	–	–	3,640
	134,436	244	(741)	–	–	9	49	(234)	(12,944)	120,819
Income before income taxes	**45,685**	**(244)**	**741**	**220**	**654**	**(9)**	**(49)**	**–**	**(9,748)**	**37,250**
Income tax expense (benefit)										
Current	14,735	–	–	–	–	–	–	–	(2,758)	11,977
Deferred	(1,997)	(72)	156	28	–	2	–	–	(322)	(2,205)
	12,738	(72)	156	28	–	2	–	–	(3,080)	9,772
Net income from continuing operations	32,947	(172)	585	192	654	(11)	(49)	–	(6,668)	27,478
Net income from discontinued operations, net of taxes	–	–	–	–	–	–	–	–	6,668	6,668
Net income for the period	**$ 32,947**	**$ (172)**	**$ 585**	**$ 192**	**$ 654**	**$ (11)**	**$ (49)**	**$ –**	**$ –**	**$ 34,146**
Net income attributable to:										
Equity owners of the Company	$ 32,692	$ (172)	$ 585	$ 192	$ 654	$ (11)	$ (49)	$ –	$ –	$ 33,891
Non-controlling interest	255	–	–	–	–	–	–	–	–	255
	$ 32,947	$ (172)	$ 585	$ 192	$ 654	$ (11)	$ (49)	$ –	$ –	$ 34,146

(in thousands of Canadian dollars) Six months ended May 31, 2011	Canadian GAAP	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	NCI put (E)	Termination fees (F)	Transaction costs (H)	Presentation reclassification (I)	Discontinued operations Note 5	IFRS
Revenue										
Management and advisory fees	$ 283,257	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 283,257
Deferred sales charges	12,384	–	–	–	–	–	–	–	–	12,384
RSP loan securitization income (loss), net of impairment	1,295	–	–	–	–	–	–	–	(1,295)	–
Share of profit of associated company	1,807	–	–	–	–	–	–	–	–	1,807
Fair value adjustments and other income	4,126	–	–	35	287	–	–	–	(5,786)	(1,338)
AGF Trust net interest income	40,146	–	–	–	–	–	–	(350)	(39,796)	–
Total revenue	343,015	–	–	35	287	–	–	(350)	(46,877)	296,110
Expenses										
Selling, general and administrative	104,097	–	–	–	–	–	67	–	(20,444)	83,720
Business acquisition and integration	8,935	–	–	–	–	–	(783)	–	–	8,152
Trailing commissions	79,155	–	–	–	–	49	–	–	–	79,204
Investment advisory fees	4,877	–	–	–	–	–	–	–	–	4,877
Amortization of deferred selling commissions	38,418	–	(2,332)	–	–	–	–	–	–	36,086
Amortization of customer contracts	5,384	389	–	–	–	–	–	–	–	5,773
Amortization of other intangibles	2,794	–	–	–	–	–	–	–	–	2,794
Amortization of property, equipment and computer software	2,100	–	–	–	–	–	–	–	(719)	1,381
Provision for Trust Company loan losses	6,588	–	–	–	–	–	–	(350)	(6,238)	–
Interest expense	5,569	–	–	–	–	–	–	–	–	5,569
	257,917	389	(2,332)	–	–	49	(716)	(350)	(27,401)	227,556
Income before income taxes	**85,098**	**(389)**	**2,332**	**35**	**287**	**(49)**	**716**	**–**	**(19,476)**	**68,554**
Income tax expense (benefit)										
Current	28,806	–	–	–	–	–	–	–	(6,437)	22,369
Deferred	(4,638)	(105)	309	5	–	(3)	–	–	440	(3,992)
	24,168	(105)	309	5	–	(3)	–	–	(5,997)	18,377
Net income from continuing operations	60,930	(284)	2,023	30	287	(46)	716	–	(13,479)	50,177
Net income from discontinued operations, net of taxes	–	–	–	–	–	–	–	–	13,479	13,479
Net income for the period	**$ 60,930**	**$ (284)**	**$ 2,023**	**$ 30**	**$ 287**	**$ (46)**	**$ 716**	**$ –**	**$ –**	**$ 63,656**
Net income attributable to:										
Equity owners of the Company	$ 60,397	$ (284)	$ 2,023	$ 30	$ 287	$ (46)	$ 716	$ –	$ –	$ 63,123
Non-controlling interest	533	–	–	–	–	–	–	–	–	533
	$ 60,930	$ (284)	$ 2,023	$ 30	$ 287	$ (46)	$ 716	$ –	$ –	$ 63,656

Reconciliations of the Company's consolidated statement of comprehensive income for the three and six months ended May 31, 2011, prepared in accordance with Canadian GAAP and IFRS, are as follows:

(in thousands of Canadian dollars) Three months ended May 31, 2011	Canadian GAAP	Finite-life intangibles (A)	Deferred selling commissions (B)	Investments (C)	NCI put (E)	Termination fees (F)	Transaction costs (H)	Discontinued operations Note 5	IFRS
Net income for the period	$ 32,947	$ (172)	$ 585	$ 192	$ 654	$ (11)	$ (49)	$ –	$ 34,146
Other comprehensive income (losses), net of tax									
Cumulative translation adjustment									
Foreign currency translation adjustments related to net investments in foreign operations	404	–	–	–	–	–	–	–	404
	404	–	–	–	–	–	–	–	404
Net unrealized gains (losses) on available for sale securities									
Unrealized gains (losses)	2,200	–	–	40	–	–	–	(2,448)	(208)
Reclassification of realized loss or impairment to earnings	233	–	–	(232)	–	–	–	(2)	(1)
	2,433	–	–	(192)	–	–	–	(2,450)	(209)
Total other comprehensive income (loss) from continuing operations, net of tax	$ 2,837	$ –	$ –	$ (192)	$ –	$ –	$ –	$ (2,450)	$ 195
Total other comprehensive income (loss) from discontinued operations, net of tax	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ 2,450	$ 2,450
Comprehensive income	$ 35,784	$ (172)	$ 585	$ –	$ 654	$ (11)	$ (49)	$ –	$ 36,791
Comprehensive income attributable to:									
Equity owners of the Company	$ 35,529	$ (172)	$ 585	$ –	$ 654	$ (11)	$ (49)	$ –	$ 36,536
Non-controlling interest	255	–	–	–	–	–	–	–	255
	$ 35,784	$ (172)	$ 585	$ –	$ 654	$ (11)	$ (49)	$ –	$ 36,791

(in thousands of Canadian dollars) Six months ended May 31, 2011	Canadian GAAP	Finite-life intangibles	Deferred selling commissions	Investments	NCI put	Termination fees	Transaction costs	Discontinued operations	IFRS
		(A)	(B)	(C)	(E)	(F)	(H)	Note 5	
Net income for the period	$ 60,930	$ (284)	$ 2,023	$ 30	$ 287	$ (46)	$ 716	$ –	$ 63,656
Other comprehensive income (losses), net of tax									
Cumulative translation adjustment									
Foreign currency translation adjustments related to net investments in foreign operations	(298)	–	–	–	–	–	–	–	(298)
	(298)	–	–	–	–	–	–	–	(298)
Net unrealized gains (losses) on available for sale securities									
Unrealized gains (losses)	(7,317)	–	–	291	–	–	–	6,881	(145)
Reclassification of realized loss or impairment to earnings	297	–	–	(321)	–	–	–	24	–
	(7,020)	–	–	(30)	–	–	–	6,905	(145)
Total other comprehensive income (loss) from continuing operations, net of tax	$ (7,318)	$ –	$ –	$ (30)	$ –	$ –	$ –	$ 6,905	$ (443)
Total other comprehensive income (loss) from discontinued operations, net of tax	$ –	$ –	$ –	$ –	$ –	$ –	$ –	$ (6,905)	$ (6,905)
Comprehensive income	$ 53,612	$ (284)	$ 2,023	$ –	$ 287	$ (46)	$ 716	$ –	$ 56,308
Comprehensive income attributable to:									
Equity owners of the Company	$ 53,079	$ (284)	$ 2,023	$ –	$ 287	$ (46)	$ 716	$ –	$ 55,775
Non-controlling interest	533								533
	$ 53,612	$ (284)	$ 2,023	$ –	$ 287	$ (46)	$ 716	$ –	$ 56,308

Reconciliation of the Company's consolidated statement of cash flows for the six months ended May 31, 2011, prepared in accordance with Canadian GAAP and IFRS, is as follows:

(in thousands of Canadian dollars) **Six months ended May 31, 2011**	**Canadian GAAP**	**IFRS adjustments**	**AGF Trust reclass**	**DSC reclass**	**Investments reclass**	**Interest reclass**	**Tax reclass**	**Discontinued operations**	**IFRS**
		(A) to (I)						**Note 5**	
Operating Activities									
Net income for the period	$ 60,930	$ 2,726	$ –	$ –	$ –	$ –	$ –	$ –	$ 63,656
Adjustments for									
Net income from discontinued operations	–	–	–	–	–	–	–	(13,479)	(13,479)
Amortization	48,696	(1,943)	–	–	–	–	–	(719)	46,034
Interest expense	–	–	–	–	–	5,569	–	–	5,569
AGF Trust interest expense, net of payments	–	–	(14,669)	–	–	–	–	14,669	–
Income tax expense, net of payments	(4,638)	206	–	–	–	–	(334)	4,617	(149)
RSP loan securitization income, net of impairment	(1,295)	–	–	–	–	–	–	1,295	–
Provision for AGF Trust loan losses	6,588	(350)	–	–	–	–	–	(6,238)	–
Stock-based compensation	5,727	–	–	–	–	–	–	(382)	5,345
Share of profit (loss) of associated company	(1,807)	–	–	–	–	–	–	–	(1,807)
Dividends from associated company	1,247	–	–	–	–	–	–	–	1,247
Deferred selling commissions paid	–	–	–	(30,421)	–	–	–	–	(30,421)
Purchase of AGF Trust investments available for sale	–	–	–	–	(39,580)	–	–	39,580	–
Proceeds from sale of AGF Trust investments available for sale	–	–	–	–	104,336	–	–	(104,336)	–
Other	4,297	–	–	–	–	–	–	(868)	3,429
	119,745	639	(14,669)	(30,421)	64,756	5,569	(334)	(65,861)	79,424
Net change in non-cash working capital balances related to operations									
Accounts receivable	13,938	(2,979)	(9,760)	–	–	–	–	(2,658)	(1,459)
Other assets	(5,428)	1,925	–	–	(150)	–	–	1,615	(2,038)
Accounts payable and accrued liabilities	(57,424)	18,783	24,429	–	–	(338)	334	(11,549)	(25,765)
Other liabilities	2,755	(19,021)	–	–	–	(1,631)	–	17,676	(221)
Net change in balances related to AGF Trust deposits and loans	–	1,316	(205,826)	–	–	–	–	204,510	–
	(46,159)	24	(191,157)	–	(150)	(1,969)	334	209,594	(29,483)
Net cash provided by (used in) continuing operating activities	73,586	663	(205,826)	(30,421)	64,606	3,600	–	143,733	49,941
Net cash provided by (used in) discontinued operating activities	–	–	–	–	–	–	–	(143,773)	(143,733)
Net cash provided by (used in) operating activities	73,586	663	(205,826)	(30,421)	64,606	3,600	–	–	(93,792)
Financing Activities									
Issue of Class B Non-Voting shares	4,251	–	–	–	–	–	–	–	4,251
Dividends paid	(46,907)	–	–	–	–	–	–	–	(46,907)
Increase in long-term debt related to Facility 1	(18,943)	–	–	–	–	(57)	–	–	(19,000)
Increase in long-term debt related to Facility 2 and Acquisition facility	184,028	(716)	–	–	–	1,688	–	–	185,000
Investment Management interest paid	–	–	–	–	–	(5,231)	–	–	(5,231)
Net decrease in AGF Trust deposits	(366,724)	–	366,724	–	–	–	–	–	–
Net cash provided by (used in) continuing financing activities	(244,295)	(716)	366,724	–	–	(3,600)	–	–	118,113
Net cash provided by (used in) discontinued financing activities	–	–	–	–	–	–	–	–	–
Net cash provided by (used in) financing activities	(244,295)	(716)	366,724	–	–	(3,600)	–	–	118,113
Investing Activities									
Deferred selling commissions paid	(30,421)	–	–	30,421	–	–	–	–	–
Acquisition of Highstreet Partners Limited	(1,596)	–	–	–	–	–	–	–	(1,596)
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	(173,415)	–	–	–	–	–	–	–	(173,415)
Purchase of property, equipment and computer software	(919)	–	–	–	–	–	–	74	(845)
Purchase of Investment Management investments available for sale	–	–	–	–	(1,945)	–	–	–	(1,945)
Proceeds from sale of Investment Management investments available for sale	–	–	–	–	9,327	–	–	–	9,327
Net proceeds from sale (purchase) of investments available for sale	71,988	–	–	–	(71,988)	–	–	–	–
Net decrease in AGF Trust real estate secured and investment loans	160,898	–	(160,898)	–	–	–	–	–	–
Net cash provided by (used in) continuing investing activities	26,535	–	(160,898)	30,421	(64,606)	–	–	74	(168,474)
Net cash provided by (used in) discontinued investing activities	–	–	–	–	–	–	–	(74)	(74)
Net cash provided by (used in) investing activities	26,535	–	(160,898)	30,421	(64,606)	–	–	–	(168,548)
Decrease in cash and cash equivalents, during the period	(144,174)	(53)	–	–	–	–	–	–	(144,227)
Balance of cash and cash equivalents, beginning of period	456,550	371	–	–	–	–	–	–	456,921
Balance of cash and cash equivalents, end of period	$ 312,376	$ 318	$ –	$ –	$ –	$ –	$ –	$ –	$ 312,694

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.