

Q3

**AGF Management Limited Third Quarter Report**

For the nine months ended **August 31, 2005**



What are you doing after work?



## dear fellow shareholders

In the third quarter of fiscal 2005, AGF continued to generate strong cash flow and value to shareholders. We acted with resolve on our commitment to review all support businesses by announcing the sale of Unisen Holdings Inc. to Citifinancial Canada, Inc., a subsidiary of the world's largest financial services company, Citigroup, for US\$97.5 million in an all-cash deal. AGF will remain a client by outsourcing all our processing and certain administrative services needs for AGF funds under a 10-year contract.

This sale represents a significant win for shareholders, clients and investors, by unlocking the hidden value in this investment. As well, by partnering with a large global provider like Citigroup, we can drive further economies of scale and give our clients access to the best in professional client services and administrative processing.

In order to generate greater value to shareholders, this quarter we purchased one million AGF Class B shares at an average price of \$17.39 per share, which brings to 2.2 million the number of shares bought back by AGF during the 2005 fiscal year.

In the third quarter of fiscal 2005, consolidated revenue from continuing operations rose to \$153.0 million compared with \$144.9 million in the third quarter of the prior year. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were \$65.2 million compared with \$71.6 million for the quarter ended August 31, 2004.

During the three months ended August 31, 2004, cash flow from operations and consolidated net income benefited by \$3.6 million (\$0.04 per share diluted) due to a lower effective income tax rate resulting from the acquisition of tax-related benefits.

For the three months ended August 31, 2005, AGF reported cash flow from continuing operations (before net change in non-cash balances related to operations) of \$53.9 million, or \$0.60 per share diluted, compared with \$59.0 million or \$0.64 per share diluted in 2004.

Consolidated net income from continuing operations for the three months ended August 31, 2005 was \$20.8 million or \$0.23 per share diluted, compared with \$26.7 million or \$0.29 per share diluted for the same period last year.

AGF's Trust Company operations continued to grow significantly. Mortgage loan assets grew 80.8 per cent and consumer loans increased by 84.6 per cent compared with August 31, 2004. As the Trust Company achieves scale, financial benefits are expected to be more apparent. EBITDA for the Trust Company Operations segment grew 25.7 per cent for the three months ended August 31, 2005, over the same period in 2004.

With the completion of the sale of Unisen, our goal is to focus on our core investment management business and introduce new products and services that respond to the needs of advisors and their clients.

During the quarter, AGF completed the acquisition of \$276 million in mutual fund assets from ING Investment Management Inc., a subsidiary of ING Canada Inc., for \$9.1 million. As part of this acquisition, AGF added the top-selling and highly rated AGF Dividend Income Fund (formerly ING Canadian Dividend Fund) to its suite of yield-generating funds. AGF also launched AGF U.S. Risk-Managed Class, subadvised by INTECH, one of the fastest growing and most successful investment managers in the U.S.

Subsequent to quarter end, AGF announced an innovative portfolio solutions product that offers an unprecedented commitment to excellence in money management with the addition of a feature that gives investors new fund units if their portfolio does not outperform its customized benchmark. AGF Elements is expected to be available in November upon receipt of the final prospectus by securities regulators.

Total assets under management increased 7.2 per cent, rising to \$33.3 billion at the end of the third quarter of 2005 from \$31.1 billion at August 31, 2004.

As we head into the end of the year, we are committed to building on this momentum and reinforcing AGF's broad investment management capabilities.



Blake C. Goldring, CFA  
President and Chief Executive Officer  
September 28, 2005

### **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. 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 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 factors such as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, catastrophic events 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. 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. This discussion should be read in conjunction with our 2004 Annual MD&A and 2004 audited Consolidated Financial Statements and Notes. Please see the 2004 Annual MD&A "Factors that May Affect Future Results" section for a further discussion of factors that may affect actual results.

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

For the nine months ended August 31, 2005

Management's Discussion and Analysis ("MD&A") presents an analysis of the financial condition of AGF Management Limited and its subsidiaries as at August 31, 2005 compared with November 30, 2004, and the results of operations for the three and nine months ended August 31, 2005 compared with the corresponding periods of 2004. This discussion should be read in conjunction with our 2004 Annual MD&A and 2004 Annual audited Consolidated Financial Statements and Notes. The financial information presented herein has been prepared on the basis of Canadian generally accepted accounting principles ("GAAP"). Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

Other than the sale of Unisen, which is explained in detail under the 'Strategy & Highlights' section of this MD&A, there have been no material changes to the information discussed in the following sections of the 2004 Annual MD&A: 'Critical Accounting Policies', 'Factors that May Affect Future Results', 'Off Balance Sheet Arrangements', 'Contractual Obligations' and 'Intercompany and Related Party Transactions'.

There is one update to the 'Government Regulations' section. The 2005 Federal Budget eliminated the restriction on foreign content in tax deferred savings plans such as RSPs. Accordingly, readers should refer to our 2004 Annual MD&A to gain a further understanding of how these matters may impact our operating results.

## Overview

AGF Management Limited ("AGF"), with \$33.3 billion in Assets Under Management ("AUM"), is one of Canada's largest independent mutual fund and investment management companies with operations and investments in Canada, the United Kingdom, Ireland and Asia. We commenced operations in 1957 with one of the first mutual funds available to Canadians wishing to invest internationally and as at August 31, 2005 offered more than 50 mutual funds to investment advisors and their clients.

AGF's profile and composition of revenues is changing. While the Canadian mutual fund business remains the mainstay of our operations, representing 66.6% of AUM, a growing portion of our revenues are now being earned from our institutional and private investment management AUM.

Organic growth resulted in institutional and private investment management AUM increasing to \$11.1 billion at August 31, 2005, or 33.4% of total AUM. This is an increase of 37.1% over August 31, 2004, when institutional and private investment management AUM were \$8.1 billion and made up only 26.1% of our total AUM.

In addition, our Trust Company Operations also experienced substantial organic growth and now contribute a more significant amount to financial results. Mortgage Loan assets grew 80.8% and Consumer Loans grew 84.6%, when compared with August 31, 2004. Total Trust Company assets are now approximately \$1.3 billion. This growth has been managed prudently, with well-controlled processes, rigorous risk management, and conservative loan loss provisions set up at the time the loan is originated. We expect that the Trust business will provide AGF with an increasing contribution to revenue and profit growth going forward.

For purposes of this discussion, the operations of AGF Management Limited and our subsidiary companies are referred to as 'we', 'us', 'our' or the 'Company'. The financial results relating to the operations have been reported in two segments: Investment Management Operations and Trust Company Operations. On July 11, 2005, we announced the sale of Unisen Holdings Inc. ("Unisen"), which is expected to close prior to our fiscal year-end of November 30, 2005. As a result of the sale of Unisen, we no longer report a Fund Administration Operations segment. Investmaster Group Limited ("Investmaster"), which was formerly reported as part of the Fund Administration Operations segment, is now included in the "Other" segment.

## Key Performance Indicators and Non-GAAP Measures

We measure the success of our strategies using a number of key performance indicators that are defined and described in our 2004 Annual MD&A. With the exception of revenue, the following key performance indicators are not measurements in accordance with Canadian GAAP and should not be considered as an alternative to net income or any other measure of performance under Canadian GAAP. Segment discussions include a review of key performance indicators that are relevant to each segment. Key performance indicators include:

- assets under management
- investment performance (market appreciation of fund portfolios)
- net sales
- revenue
- EBITDA
- cash flow from operations
- return on equity (ROE) and return on investment (ROI)
- loan asset growth
- efficiency ratio

Two non-GAAP measures that we use throughout this discussion are defined as follows:

### EBITDA

We define EBITDA as income before interest expense, income taxes, depreciation and amortization. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts in understanding and comparing results. We believe this is an important measure as it allows us to assess our ongoing businesses without the impact of amortization and is an indicator of our ability to incur or service debt, invest in our business, finance sales commissions, pay dividends and execute share repurchase programs.

### Cash Flow from Operations

We report cash flow from operations before net change in non-cash balances related to operations. Cash flow from operations helps to assess the ability of the business to generate cash, which is used to pay dividends, repurchase shares, pay down debt and fund other needs for cash.

## Strategy and Highlights

As stated in our 2004 Annual MD&A, our overall business strategy is to help identify and facilitate opportunities for our business segments and ensure segment strategies are aligned with the overall corporate strategy of targeting sustainability, profitability and value for our shareholders over the long term.

During the third quarter of 2005, we demonstrated our ability to realize previously unrecognized shareholder value when we announced an agreement to sell 100% of Unisen to Citifinancial Canada, Inc. ("Citifinancial") for US\$97.5 million in an all-cash deal.

In the interest of long-term shareholder value, we have also nurtured the growth of AGF Trust, which has continued to prosper with substantial growth in assets. Trust Company Operations EBITDA in the three months ended August 31, 2005, grew 25.7% compared with the prior-year period and made up 6.7% of our consolidated EBITDA. Trust Company Operations EBITDA was 4.7% of consolidated EBITDA in the three months ended August 31, 2004.

The result of this long-term focus has been steadily increasing dividends. On March 30, 2005 we announced a 36.4% increase in the dividend rate to bring the quarterly rate to \$0.15 per share, up from \$0.11 per share. We are also committed to creating shareholder value through share repurchases. As of August 31, 2005, we have repurchased for cancellation 2,160,100 AGF Class B non-voting shares under our normal course issuer bid.

## Investment Management Operations

The strategic priorities for our investment management operations, which are detailed in the 2004 Annual MD&A, include reinforcing AGF's investment management excellence, building a client-centric organization focused on multi-channel distribution and pursuing strategic acquisitions to supplement organic growth. Consistent with our stated strategy, during the third quarter of fiscal 2005 we achieved the following:

- We announced completion of the acquisition of management rights to \$276 million in mutual fund assets from ING Investment Management Inc., a subsidiary of ING Canada Inc. The purchase price was \$9.1 million. The transaction received approval of the unitholders of the ING funds in a vote held June 8, 2005. The \$170 million AGF Dividend Income Fund, formerly the ING Canadian Dividend Fund, has attracted strong daily net inflows, and has been an important addition to AGF's yield continuum products, a full suite of dividend and income products offered by AGF.
- To take advantage of the recent elimination of the restrictions on foreign content in tax deferred retirement accounts, our Investment Management Operations segment has continued to improve its capabilities in the area of providing products that invest outside of Canada. For example, we changed the manager on AGF American Growth Class in January 2005. The new manager, Tony Genua, has taken the fund from 4th quartile to 1st and 2nd quartile over three and six months. This fund, along with other internally managed funds such as AGF Global Government Bond Fund, AGF European Equity Class and AGF International Stock Class, which are all 1st quartile over almost every measured period, contribute to what we believe is a sustainable competitive advantage.
- Our two new income-generating funds: AGF Monthly High Income Fund and AGF Diversified Dividend Income Fund, which were launched during our first fiscal quarter, have already attracted approximately \$75 million in assets.
- Harmony, AGF's wrap program, which reached more than \$1 billion in assets under management earlier in the year, now has more than \$1.3 billion in assets.

## Trust Company Operations

Over the course of the current fiscal year, the implementation of AGF Trust's growth plan has resulted in an increasing financial contribution. The Trust Company Operations segment has experienced strong growth in assets and profitability over the past year. Mortgage Loan assets grew at a rate of 80.8% and Consumer Loans grew at a rate of 84.6%, when compared with August 31, 2004. This is approximately twice the rate of growth experienced during the comparable period in 2004, when the total loan growth rate was 39.9%. For the three months ended August 31, 2005, loan balances grew 16.8%. This compares with growth of 5.4% during the same quarter in 2004. This accelerated growth is due to increased traction in the mortgage broker channel and a more consistent consumer loan program. In prior years, the consumer loan program was seasonal, with most activity during RSP season. Today, the consumer loan program is active throughout the year. This increase in assets also translated into growth in EBITDA of 25.7% for the three months ended August 31, 2005, compared with the prior-year period. EBITDA growth to date is less than asset growth due to the initial costs of loan originations and loan loss provisions, which are recognized in the period in which the loan is booked.

In addition to its growing financial contribution, AGF Trust has substantial synergies with the Investment Management Operations segment. A portion of AGF Trust Company RSP and investment loans are invested in AGF Funds. In addition, AGF Trust utilizes the advisor channel to originate new mortgage business.

AGF Trust is employing a strategy to sustain responsible financial growth and enhance synergies with the investment management business. The strategy is as follows:

- Expand geographically within Canada. Currently, the majority of business is originated in Ontario.
- Introduce new products.
- Utilize effective targeted marketing, providing tailored products that directly serve advisor needs.
- Adhere to disciplined loan-underwriting standards and manage expenses to keep costs stable while assets grow.

We expect demand for mortgages and consumer loans to remain strong. We believe growth will be sustained by executing our stated strategy.

### Fund Administration Operations

During 2004, we announced our initiative to perform a disciplined review of support entities, including Unisen and Investmaster. These two entities made up our Fund Administration Operations segment. On July 11, 2005, we announced an agreement to sell 100% of Unisen to Citifinancial, for US\$97.5 million in an all-cash deal. The sale price is subject to three adjustments that may have the impact of increasing or decreasing the consideration received. The transaction is expected to close prior to AGF's fiscal year-end of November 30, 2005. The transaction is subject to certain regulatory approvals and other closing conditions. The results of Unisen have been reported as discontinued operations and the previously reported comparatives have been reclassified to conform to this presentation.

The sale of Unisen is expected to have a number of near-term and long-term benefits to our shareholders and the unitholders of our funds. In the near term, we will receive cash consideration that can be used for general corporate purposes including, but not limited to, debt reduction. In addition, in conjunction with the sale of Unisen, we have capped the management expense ratio on all funds for the next three years to the lower of actual or the lower of levels incurred in 2004 and 2005. We believe the relationship with Citifinancial and the structure of our agreement will ensure lower management expense ratios for our unitholders. In addition, we believe the Citifinancial strategic relationship will serve us well in the years to come in other areas of our business.

Investmaster does not meet the criteria with respect to segment reporting under Canadian GAAP. Therefore, the results of Investmaster are now reported in the "Other" segment. Investmaster is being reviewed with an aim to maximize shareholder value and a full range of strategic alternatives are being considered. Investmaster will continue to provide a high level of service and support to existing customer relationships and build on this reputation to expand market share.



## Consolidated Operating Results

Our Consolidated Operating Results for the three and nine months ended August 31, 2005 and 2004 are as follows:

(\$ millions, except per share amounts)	Three months ended August 31,			Nine months ended August 31,		
	2005	2004	% change	2005	2004	% change
Revenue (continuing operations)						
Investment management operations	\$ 131.7	\$ 129.3	1.9%	\$ 386.9	\$ 393.7	(1.7%)
Trust company operations	18.0	10.7	68.2%	46.7	30.9	51.1%
Other	4.0	4.9	(18.4%)	12.9	17.5	(26.3%)
Intersegment eliminations	(0.7)	–	n/m	(0.7)	–	n/m
	153.0	144.9	5.6%	445.8	442.1	0.8%
Expenses (continuing operations)						
Investment management operations	71.1	60.7	17.1%	200.8	186.0	8.0%
Trust company operations <sup>1</sup>	13.6	7.2	88.9%	37.1	22.7	63.4%
Other	3.8	5.4	(29.6%)	14.7	17.6	(16.5%)
Intersegment eliminations	(0.7)	–	n/m	(0.7)	–	n/m
	87.8	73.3	19.8%	251.9	226.3	11.3%
EBITDA <sup>2</sup> (continuing operations)	65.2	71.6	(8.9%)	193.9	215.8	(10.1%)
Amortization	34.2	38.6	(11.4%)	104.1	112.8	(7.7%)
Interest expense	1.3	1.3	–	4.2	4.9	(14.3%)
Income taxes	8.9	5.1	74.5%	25.0	15.8	58.2%
Net income from continuing operations	20.8	26.6	(21.8%)	60.6	82.3	(26.4%)
Results of discontinued operations	(0.5)	1.0	(150.0%)	3.2	3.1	3.2%
Net income	20.3	27.6	(26.4%)	63.8	85.4	(25.3%)
Cash flow from continuing operations <sup>3</sup>	53.9	59.0	(8.6%)	169.4	181.6	(6.7%)
<b>Per Share Amounts from continuing operations – Diluted</b>						
Cash flow from operations	\$ 0.60	\$ 0.64	(6.3%)	\$ 1.87	\$ 1.97	(5.1%)
Earnings	\$ 0.23	\$ 0.29	(20.7%)	\$ 0.67	\$ 0.90	(25.6%)

<sup>1</sup> Includes interest expense related to deposits, the funds of which are used in our consumer loan and mortgage programs.

<sup>2</sup> As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section. The items required to reconcile EBITDA to Net Income, a defined term under Canadian GAAP, are detailed above.

<sup>3</sup> Cash flow from operations before net change in non-cash balances related to operations.

## Results from Continuing Operations

Revenue for the three and nine months ended August 31, 2005 increased by 5.6% and 0.8%, respectively, as compared with the corresponding periods in 2004. For the three months ended August 31, 2005, the increase is attributable to 68.2% revenue growth in Trust Company Operations and 1.9% revenue growth in Investment Management Operations, offset in part by an 18.4% decline in Other Segment revenues. For the nine months ended August 31, 2005, revenue from Investment Management and Other Segment Operations were down from the prior year by 1.7% and 26.3%, respectively, but these declines were offset by revenue from Trust Company Operations, which was up by 51.1%.

Other revenue, which consists of Investmaster, and our equity interest in Smith & Williamson Holdings Limited ("S&WHL"), declined for the three and nine months ended August 31, 2005 as compared with the corresponding periods in 2004. The decline was primarily a result of premises relocation expenses to accommodate the consolidation of the business operations of Smith & Williamson with those of NCL in a single location in London.

Expenses from continuing operations for the three and nine months ended August 31, 2005 increased by 19.8% and 11.3%, respectively, as compared with the corresponding periods in 2004. Investment Management Operations expenses increased by 17.1% and 8.0%, respectively, for the three and nine months ended August 31, 2005 as compared with the corresponding periods in 2004. Expenses are higher due to the continued building of the investment management team, sales and marketing efforts, and the impact of Cypress, which was acquired on June 30, 2004. The three months ended August 31, 2005 includes \$5.9 million of compensation-related expenses that did not occur in the comparable prior-year period. Trust Company Operations expenses increased by 88.9% and 63.4%, respectively, for the three and nine months ended August 31, 2005 as compared with the corresponding periods in 2004. These increases were driven by the strong growth in loan assets. The expense percentage increases exceeded the percentage increases in revenue because the trust company incurs costs to acquire business and is required to establish a general loan loss provision during the period in which a loan is originated.

The revenue and expense impacts contributed to the declines in EBITDA from continuing operations of 8.9% and 10.1% for the three and nine months ended August 31, 2005, respectively, from the corresponding periods of 2004.

Amortization expenses from continuing operations decreased by 11.4% and 7.7% in the three and nine months ended August 31, 2005, respectively, compared with the corresponding periods in 2004. For the three and nine months ended August 31, 2005, amortization of deferred selling commissions in the Investment Management Operations segment accounted for \$27.8 million and \$84.8 million (2004 – \$31.5 million and \$92.7 million), respectively, of the total amortization expense and was the primary driver of the period-over-period decreases.

Interest expense was flat compared with the prior-year period for the three months ended August 31, 2005; however, interest expense decreased by 14.3% from the comparable prior-year period for the nine months ended August 31, 2005. Interest expense is dependent upon the average outstanding loan balances and interest rates, after including the effect of marking to market interest rate swaps.

Income tax expense related to continuing operations for the three months ended August 31, 2005 was \$8.9 million as compared with \$5.1 million in the third quarter of fiscal 2004. For the nine months ended August 31, 2005, income tax expense related to continuing operations was \$25.0 million as compared with \$15.8 million in the corresponding period in 2004. The effective tax rate for the first nine months of 2005 was 29.2% as compared with 16.1% in the corresponding period of the prior year. Our tax rate and corresponding tax expense were higher in 2005 than in 2004 because we acquired and utilized certain tax benefits during 2004.

## Results from Discontinued Operations

On July 11, 2005, AGF signed a purchase and sale agreement with Citifinancial to sell Unisen. The results of Unisen have been reported as discontinued operations in accordance with Canadian generally accepted accounting principles and previously reported periods have been reclassified to reflect the current period's presentation of results.

Unisen's revenues for the three months ended August 31, 2005 amounted to \$25.9 million, 1.9% lower than the prior-year period revenues of \$26.4 million. For the nine months ended August 31, 2005, revenues amounted to \$76.5 million, a decrease of 6.8% compared with the prior-year period. The declines are due to a decrease in transfer agency revenues.

Unisen's selling, general & administrative expenses for the three and nine months ended August 31, 2005 amounted to \$22.7 million and \$61.6 million, representing an increase of 4.1% and a decrease of 8.5% from the prior year, respectively.

For the three months ended August 31, 2005, Unisen incurred a net loss of \$0.5 million compared with net income of \$1.0 million in the comparable period of fiscal 2004. For the nine months ended August 31, 2005, Unisen's net income amounted to \$3.2 million, up \$0.1 million from a year ago.

## Net Earnings

The impact of the above revenue and expense items resulted in net income of \$20.3 million in the three months ended August 31, 2005 as compared with \$27.6 million in the comparable period of 2004. For the nine months ended August 31, 2005, net income was \$63.8 million compared with \$85.4 million in the prior-year period.

Basic and fully diluted earnings per share from continuing operations were \$0.23 per share in the third quarter of 2005 as compared with \$0.29 per share in the third quarter of 2004.

Diluted cash flow from continuing operations per share declined by 6.3% and 5.1%, respectively, for the three and nine months ended August 31, 2005 from the corresponding periods of 2004. On a diluted per share basis, cash flow from continuing operations for the three and nine months ended August 31, 2005 were \$0.60 per share and \$1.87 per share (2004 – \$0.64 and \$1.97 per share), respectively.

A further discussion of the results of each business segment for the three and nine months ended August 31, 2005 as compared with August 31, 2004 follows.

## Business Segment Performance

We report on two business segments: Investment Management Operations and Trust Company Operations. The "Other" segment includes the results of wholly owned subsidiary Investmaster; S&WHL, which is accounted for by the equity method; and the interest expense on our long-term debt. AGF's reportable segments are strategic business units that offer different products and services.

## Investment Management Operations

### Business and Industry Profile

Our Investment Management Operations segment provides products and services across the wealth continuum, including mutual funds, wrap products and private investment management. Our products are delivered through multiple channels including advisors, financial planners, banks, life insurance companies and consultants.

Investment management remains a highly competitive business with numerous domestic, as well as foreign, players serving the market. We believe that although the mutual fund business is reaching the early stages of maturity, there are opportunities for growth.

## Assets Under Management

The primary sources of revenue for AGF's Investment Management Operations segment are management and advisory fees. The amount of management and advisory fees is dependent on the level and composition of AUM. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees 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 private investment management 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 nine months ended August 31, 2005 and August 31, 2004:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2005	2004	% change	2005	2004	% change
Mutual fund AUM, beginning of period	\$ 21,650	\$ 24,232	(10.7%)	\$ 22,747	\$ 23,168	(1.8%)
Gross sales of mutual funds	902	553	63.1%	2,268	2,052	10.5%
Redemptions of mutual funds	(1,086)	(1,111)	(2.3%)	(4,683)	(3,398)	37.8%
Net mutual fund redemptions	(184)	(558)	(67.0%)	(2,415)	(1,346)	79.4%
Market appreciation (depreciation) of fund portfolios	732	(685)	n/m	1,866	1,167	59.9%
Mutual fund AUM, end of period	\$ 22,198	\$ 22,989	(3.4%)	\$ 22,198	\$ 22,989	(3.4%)
Institutional and PIM AUM	11,147	8,130	37.1%	11,147	8,130	37.1%
Total AUM	\$ 33,345	\$ 31,119	7.2%	\$ 33,345	\$ 31,119	7.2%
Average daily mutual fund AUM for the period	\$ 21,558	\$ 23,406	(7.9%)	\$ 21,471	\$ 24,094	(10.9%)

In the nine-month period ended August 31, 2005, strong investment performance was offset by \$2.4 billion in net redemptions, including \$1.2 billion in institutional mutual fund redemptions, resulting in a decline in mutual fund AUM from \$22.7 billion at November 30, 2004 to \$22.2 billion as at August 31, 2005. For the three months ended August 31, 2005, net redemptions of \$0.2 billion offset by market appreciation of \$0.7 billion contributed to a 2.5% increase in mutual fund AUM since May 31, 2005. The ING transaction, which is explained in the "Strategy and Highlights" section of this MD&A, resulted in AGF including \$276 million of sales in the three and nine months ended August 31, 2005. Total AUM, however, has increased by 7.2% compared with August 31, 2004 on the strength of growing institutional and private investment management (PIM) AUM. During the first nine months of 2005, institutional and PIM assets were up \$2.5 billion, primarily due to new domestic and international mandates.

Stock market performance influences the level of AUM. During the three- and nine-month periods ended August 31, 2005, the Canadian-dollar-adjusted S&P 500 Index fell by 2.7% and rose 3.8%, respectively. Over the same periods, the Canadian-dollar-adjusted NASDAQ Index fell 1.1% and rose 2.5%, respectively, and the S&P/TSX Composite Index rose by 11.1% and 18.2%. The aggregate market appreciation of our mutual fund portfolios for the three and nine months ended August 31, 2005 divided by the average daily mutual fund AUM for the period was 3.4% and 8.7%, respectively.

The impact of the U.S. dollar decrease relative to the Canadian dollar on the market value of AGF mutual funds since November 30, 2004 is not significant. Since May 31, 2005, the impact of the U.S. dollar decrease relative to the Canadian dollar has been a decrease in AUM of \$0.3 billion.

## Financial and Operational Results

The Investment Management Operations segment results for the three and nine months ended August 31, 2005 and 2004 are as follows:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2005	2004	% change	2005	2004	% change
Revenue						
Net management and advisory fees	\$ 100.6	\$ 107.6	(6.5%)	\$ 305.9	\$ 331.3	(7.7%)
Administration fees and other revenue	17.0	12.0	41.7%	46.1	28.5	61.8%
Deferred sales charges	8.7	8.9	(2.2%)	29.1	32.7	(11.0%)
Investment income	5.4	0.8	575.0%	5.8	1.2	383.3%
	131.7	129.3	1.9%	386.9	393.7	(1.7%)
Expenses						
Selling, general and administrative	36.8	25.0	47.2%	98.2	77.3	27.0%
Trailing commissions	27.8	28.2	(1.4%)	82.5	85.1	(3.1%)
Investment advisory fees	6.5	7.5	(13.3%)	20.1	23.6	(14.8%)
	71.1	60.7	17.1%	200.8	186.0	8.0%
EBITDA <sup>1</sup>	60.6	68.6	(11.7%)	186.1	207.7	(10.4%)
Amortization	33.3	37.4	(11.0%)	101.0	109.6	(7.8%)
Income before taxes and non-segmented items	\$ 27.3	\$ 31.2	(12.5%)	\$ 85.1	\$ 98.1	(13.2%)

<sup>1</sup> As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

### Revenue

For the three- and nine-month periods ended August 31, 2005, revenue for the Investment Management Operations segment increased 1.9% and declined 1.7%, respectively, from the previous-year periods, with changes in the categories being:

#### Net Management and Advisory Fees

The year-over-year decline in average daily mutual fund AUM in the third quarter of fiscal 2005 of 7.9% directly contributed to a 6.5% decrease in net management and advisory fee revenue from the corresponding period in 2004. For the nine months ended August 31, 2005, average daily mutual fund AUM declined by 10.9%, directly contributing to a 7.7% drop in net management and advisory fee revenue as compared with the corresponding period in 2004.

Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities of \$3.1 million (2004 – \$3.9 million) for the three months ended August 31, 2005 and \$10.0 million (2004 – \$12.7 million) for the nine months ended August 31, 2005.

#### Administration Fees and Other Revenue

Administration fees and other revenue, which includes fees earned on Harmony, institutional and private investment management AUM, increased by 41.7% and 61.8% for the three and nine months ended August 31, 2005, respectively, as compared with the corresponding periods in 2004. The growth is primarily attributable to organic growth in PIM, institutional and Harmony.

### Deferred Sales Charges

We receive Deferred Sales Charges upon redemption of securities sold on the contingent DSC or "back-end" commission basis for which we financed the selling commissions paid to the dealer. The DSC is generally 5.5% of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after seven years. DSC revenue 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 2.2% and 11.0%, respectively, for the three and nine months ended August 31, 2005 from the corresponding periods in 2004.

### Investment Income

Investment income increased by \$4.6 million for both the three and nine months ended August 31, 2005. The increase in investment income is primarily attributable to capital gains on redemption of mutual fund seed capital.

### Expenses

For the three- and nine-month periods ended August 31, 2005, expenses increased by 17.1% and 8.0%, respectively, from the previous-year periods. Changes in specific categories are described in the discussion that follows.

### Selling, General and Administrative Expenses

SG&A expenses for the three- and nine-month periods ended August 31, 2005 were \$36.8 million and \$98.2 million, respectively, representing a 47.2% and 27.0% increase in SG&A expenses compared with the 2004 periods. These increases were the result of costs associated with the continued building of AGF's investment management and sales teams and the inclusion of operating expenses related to Cypress and P.J. Doherty and Associates Co. Ltd. The three months ended August 31, 2005 includes \$5.9 million of compensation-related expenses that did not occur in the comparable prior-year period, and excluding this amount the SG&A expense growth in the three months ended August 31, 2005 was 23.6%, which is more consistent with prior-quarter year-over-year expense growth.

### Trailing Commissions

Trailing commissions paid to investment dealers are dependent 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 mutual fund AUM increased to 0.516% for the three months ended August 31, 2005 from 0.482% in the comparable 2004 period. For the nine months ended August 31, 2005, annualized trailing commissions as a percentage of average daily mutual fund AUM increased to 0.512% from 0.471% in the 2004 period. The increases are due to an increased proportion of mutual fund AUM sold on a front-end basis and also to redemptions of institutional mutual fund AUM on which trailing commissions are not paid.

### Investment Advisory Fees

External investment advisory fees decreased by 13.3% and 14.8%, respectively, for the three- and nine-month periods ended August 31, 2005 compared with the prior-year periods. This is due to a reduction in mutual fund AUM managed by subadvisors compared with the prior year.

### EBITDA

EBITDA for the Investment Management Operations segment was \$60.6 million for the three months ended August 31, 2005, a decrease of 11.7% from \$68.6 million for the same period of fiscal 2004. For the nine months ended August 31, 2005, EBITDA was \$186.1 million compared with \$207.7 million in the prior-year period, representing a decrease of 10.4%.

### Amortization

The largest item in this category is amortization of deferred selling commissions. Amortization also includes amortization of property, equipment and other intangible assets and amortization of customer contracts, relationships and investment advisory contracts.

We have been internally financing all selling commissions paid in recent years. These selling commissions are capitalized and are amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Amortization expense related to deferred selling commissions was \$27.8 million and \$84.8 million, respectively, in the three and nine months ended August 31, 2005, moderately lower than the \$31.5 million and \$92.7 million in the comparable periods in 2004.

During the third quarter of fiscal 2005, we paid \$12.7 million in selling commissions, compared with \$11.2 million in 2004. As at August 31, 2005, the unamortized balance of deferred selling commissions stood at \$287.6 million, a decrease of \$40.0 million from the November 30, 2004 balance of \$327.6 million. The contingent deferred sales charges that would be received if all of the DSC securities were redeemed at August 31, 2005 were estimated to be \$386.8 million (2004 – \$432.3 million).

## Trust Company Operations

### Business and Industry Profile

Through AGF Trust we offer financial solutions including mortgages, investment loans, RSP loans and both non-registered and registered term deposits. Our products are distributed through independent financial advisors as well as mortgage brokers. The mortgage broker channel has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates, while lenders have provided mortgages in this channel to reduce distribution costs. Advisors continue to broaden their suite of products as they compete with banks for client relationships.

### Financial and Operational Results

Trust Company Operations segment results for the three and nine months ended August 31, 2005 and 2004 are as follows:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2005	2004	% change	2005	2004	% change
Interest, administration fees and other revenue	\$ 18.0	\$ 10.7	68.2%	\$ 46.7	\$ 30.9	51.1%
Expenses						
Selling, general and administrative	4.4	2.6	69.2%	12.4	7.9	57.0%
Interest on deposits	8.1	4.4	84.1%	20.9	12.8	63.3%
Provision for loan losses	1.1	0.2	450.0%	3.8	2.0	90.0%
	13.6	7.2	88.9%	37.1	22.7	63.4%
EBITDA <sup>1</sup>	4.4	3.5	25.7%	9.6	8.2	17.1%
Amortization	0.2	0.3	(33.3%)	0.7	0.9	(22.2%)
Income before taxes and non-segmented items	\$ 4.2	\$ 3.2	31.3%	\$ 8.9	\$ 7.3	21.9%

<sup>1</sup> As previously defined, see the "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

### Revenue

Revenue for the three- and nine-month periods ended August 31, 2005 increased by 68.2% and 51.1%, respectively, compared with the prior-year periods. The increases are attributable to an 80.8% year-over-year increase in the mortgage loan portfolio and an 84.6% year-over-year increase in the consumer loan portfolio. Revenue in the nine months ended August 31, 2004 included a \$0.9 million gain on sale of securities recorded in the second quarter of 2004.

### Selling, General and Administrative Expenses

The increases in SG&A expenses of 69.2% and 57.0%, respectively, in the three and nine months ended August 31, 2005 over the respective periods in 2004, are a result of increased business volume.

### Provision for Loan Losses

The provision for loan losses increased by 450.0% for the three months ended August 31, 2005 and by 90.0% in the first nine months of 2005, as compared with 2004. The provision increase in the third quarter of 2005, compared with the same period in 2004, is due to the fact that loan growth during the three-month period ended August 31, 2005 exceeded the rate of loan growth in the comparable period in 2004. During the three-month period ended August 31, 2005, mortgage and consumer loans grew at rates of 24.8% and 12.3%, respectively, compared with mortgage and consumer loan growth rates of 11.8% and 1.6%, respectively, in the three-month period ended August 31, 2004. The growth in the third quarter of 2005 is partly due to consumer loans, which attract a provision and were minimal outside of RSP season during 2004.

The rise in the loan provision in the nine-month period also relates to the increase in our loan portfolios. In addition, a higher proportion of mortgage loans originated during 2005 were conventional, which require a general provision. CMHC-insured mortgages, which do not require a provision, have made up a smaller portion of originations during this year. Actual loan write-off levels are similar to 2004.

### EBITDA

EBITDA for the three- and nine-month periods ended August 31, 2005 increased by 25.7% and 17.1%, respectively, compared with the prior-year periods. Excluding the \$0.9 million security sale gain recorded in 2004, EBITDA increased 31.5% in the nine months ended August 31, 2005.

### Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three- and nine-month periods ended August 31, 2005 and August 31, 2004.

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2005	2004	% change	2005	2004	% change
Net interest income <sup>1</sup>	\$ 8.2	\$ 5.0	64.0%	\$ 21.2	\$ 13.9	52.5%
Other income	0.9	0.8	12.5%	2.5	3.0	(16.7%)
Non-interest expenses	3.7	2.4	54.2%	11.0	7.6	44.7%
Provision for loan losses	1.2	0.2	500.0%	3.8	2.0	90.0%
Income before taxes and non-segmented items	\$ 4.2	\$ 3.2	31.3%	\$ 8.9	\$ 7.3	21.9%
Efficiency ratio <sup>2</sup>	40.7%	41.4%		46.4%	45.0%	
Assets-to-capital multiple	13.4	14.9		13.4	14.9	

<sup>1</sup> Net interest income above is reported net of agent commissions.

<sup>2</sup> The efficiency ratio is calculated by dividing non-interest expenses by the total of net interest income and fee income.



(\$ millions)	As at August 31,			As at August 31,		
	2005	2004	% change	2004	2003	% change
Mortgage loan assets	\$ 478.0	\$ 264.4	80.8%	\$ 264.4	\$ 210.5	25.6%
Consumer loan assets	747.3	404.8	84.6%	404.8	266.2	52.1%
Other assets	50.3	102.7	(51.0%)	102.7	52.7	94.9%
Total assets	\$ 1,275.6	\$ 771.9	65.3%	\$ 771.9	\$ 529.4	45.8%

(\$ millions)	As at:			As at:		
	August 31, 2005	May 31, 2005	% change	August 31, 2004	May 31, 2004	% change
Mortgage loan assets	\$ 478.0	\$ 383.1	24.8%	\$ 264.4	\$ 236.5	11.8%
Consumer loan assets	747.3	665.6	12.3%	404.8	398.5	1.6%
Other assets	50.3	77.8	(35.3%)	102.7	84.3	21.8%
Total assets	\$ 1,275.6	\$ 1,126.5	13.2%	\$ 771.9	\$ 719.3	7.3%

### Loan Asset Growth

Loan assets experienced substantial growth during the first three quarters of 2005 and for the third quarter of 2005 over 2004. Strong stock market returns and the addition of dedicated salespeople contributed to the growth in investment lending volumes. Mortgage loans have also experienced impressive growth, primarily due to traction in the mortgage broker channel. As at August 31, 2005, non-accrual loans were \$3.7 million, or 0.30% of the loan portfolios (2004 – \$1.0 million).

### Efficiency Ratio

The efficiency ratio (non-interest expenses divided by the total of net interest income and fee income) is a key industry performance indicator utilized to ensure expenses are contained as the Trust Company business grows. The efficiency ratio improved during the three months ended August 31, 2005 relative to the same period in 2004, as the Trust Company has benefited from economies of scale. The ratio has increased slightly over the nine months ended August 31, 2005, primarily due to the impact of a \$0.9 million gain on sale of securities on the efficiency ratio during 2004. The improvement in the efficiency ratio during the third quarter is expected to continue for the balance of the year.

### Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 65.3% from \$771.9 million at August 31, 2004 to \$1,275.6 million at August 31, 2005. Our assets-to-capital multiple stood at 13.4 times, down from 14.9 times at August 31, 2004, and well below our authorized multiple of 17.5 times. Our risk-based capital ratio was 10.51% at August 31, 2005. Liquid assets were equal to \$31.8 million in cash and cash equivalents at August 31, 2005.

### Loan Portfolio Credit

Due to higher loan balances, the total allowance for mortgage loan losses was increased during the quarter to \$2.0 million. The total allowance for mortgage loan losses was \$1.0 million at August 31, 2004. The total allowance for consumer loan losses was increased during the quarter to \$5.1 million from \$2.8 million a year ago.

Approximately 58% of mortgage loan assets are insured. The average loan-to-value ratio in our mortgage business is 65%. RSP loan credit quality remains stable. We have strong security for non-RSP investment loans, and loan losses during the history of the program have been minimal.

## Liquidity and Capital Resources

Cash flow generated from continuing operating activities (before net change in non-cash balances related to operations) was \$53.9 million and \$169.4 million, respectively, for the three and nine months ended August 31, 2005, compared with \$59.0 million and \$181.6 million in the comparable periods of 2004. Our free cash flow (defined as cash flow from operations less selling commissions paid) was \$41.2 million and \$124.6 million, respectively, for the three and nine months ended August 31, 2005 compared with \$47.8 million and \$137.1 million in the comparable periods of 2004.

Cash flow was used primarily to fund the following:

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2005	2004	2005	2004
Repurchase of AGF Class B shares for cancellation	\$ 17.4	\$ 8.7	\$ 36.8	\$ 37.4
Payment of dividends	13.5	10.1	37.1	27.5
Decrease (increase) in bank loan & notes payable	(4.0)	33.2	1.6	11.8
Acquisitions and asset purchases	13.0	8.8	14.5	17.8
Net purchase (sale) of investments	(4.2)	(4.0)	(1.3)	8.8
Purchase of property, equipment and other intangible assets	2.1	1.2	3.4	6.0
Cash required to fund (generated from) working capital	(10.7)	(25.5)	(3.2)	14.0
Trust Company loan growth in excess of (less than) deposit growth	40.6	(13.2)	126.6	6.8
	\$ 67.7	\$ 19.3	\$ 215.5	\$ 130.1

Dividends paid in the third quarter of 2005 totaled \$13.5 million (2004 – \$10.1 million) reflecting the increase in our quarterly dividend rate from \$0.11 per share to \$0.15 per share. We announced the dividend rate increase on March 30, 2005.

During the three months ended August 31, 2005, we used \$17.4 million (2004 – \$8.7 million) of free cash flow to repurchase 1,000,000 Class B shares of AGF at an average price of \$17.39 per share. These shares repurchased are in addition to the 1,160,100 AGF Class B shares that were repurchased in the first and second quarters of 2005. We remain committed to the share buy back program and anticipate that we will remain active in the final quarter of fiscal 2005.

AGF Trust has experienced profitable loan growth, and to finance loans the Trust Company utilizes cash. During the three months ended August 31, 2005, the Trust Company's loan growth exceeded deposit growth by \$40.6 million (2004 – deposit growth exceeded loan growth by \$13.2 million). The Trust Company has now attained a critical mass that will allow it to be more flexible with its capital management. A securitization program, which is being contemplated, would make the Trust Company self-sustaining from a capital perspective.

Consolidated cash and cash equivalents related to continuing operations amounted to \$34.6 million as at August 31, 2005, compared with \$118.1 million at November 30, 2004 and \$59.1 million at May 31, 2005.

We have a six-year prime-rate-based revolving term loan facility to a maximum of \$200.0 million, of which \$96.0 million was available to be drawn as at August 31, 2005. This facility will be available to meet future operational and investment needs. We anticipate that cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, finance selling commissions, satisfy regulatory requirements, service debt repayment obligations, meet capital spending needs and pay quarterly dividends.

Our bank loan increased by \$4.2 million (2004 – decreased by \$32.9 million) in the three months ended August 31, 2005.

## Hedging

We determined in November 2004 that we would no longer hedge our currency exposure in connection with our U.K. pound denominated long-term investment in S&WHL. As a result of the U.K. pound weakening in value against the Canadian dollar during the nine months ended August 31, 2005, our investment in S&WHL decreased by \$6.1 million with a corresponding \$5.0 million decrease in the foreign currency translation adjustment account and a decrease of \$1.1 million in future income tax liabilities. Please refer to the 2004 Annual Consolidated Financial Statements and Notes as well as the Consolidated Financial Statements and Notes for the nine months ended August 31, 2005 for details.

Approximately 85% of AGF Trust Company's assets have a floating rate of interest whereas their liabilities have a fixed rate of interest. As a result, AGF Trust is exposed to movements in interest rates. To hedge this risk, AGF Trust Company has entered into interest rate swap transactions with four Canadian chartered banks. The swap transactions expire between October 31, 2005 and May 31, 2010 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. As at August 31, 2005, the aggregate notional amount of the swap transactions was \$769.7 million. The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust Company if the transactions were terminated at August 31, 2005, was \$11.0 million (2004 - \$4.8 million).

## Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Aug. 31, 2005	May 31, 2005	Feb. 28, 2005	Nov. 30, 2004
Revenue	\$ 153.0	\$ 147.1	\$ 145.7	\$ 143.4
Cash flow from operations <sup>1</sup>	53.9	57.6	57.9	13.6
EBITDA <sup>2</sup>	65.2	63.7	65.0	19.8
Pretax income (loss)	29.6	27.4	28.7	(17.6)
Net income (loss)	20.8	19.7	20.2	(7.4)
Net Income (Loss) Per Share				
Basic	\$ 0.23	\$ 0.22	\$ 0.22	\$ (0.07)
Diluted	\$ 0.23	\$ 0.22	\$ 0.22	\$ (0.08)
Cash Flow From Operations Per Share <sup>1</sup>				
Basic	\$ 0.60	\$ 0.63	\$ 0.63	\$ 0.15
Diluted	\$ 0.60	\$ 0.63	\$ 0.63	\$ 0.15
Weighted Average Fully Diluted Shares	89,915,618	90,886,073	91,085,474	91,798,233

(\$ millions, except per share amounts) For the three-month period ended	Aug. 31, 2004	May 31, 2004	Feb. 29, 2004	Nov. 30, 2003
Revenue	\$ 144.9	\$ 151.6	\$ 145.6	\$ 136.7
Cash flow from operations <sup>1</sup>	59.0	64.5	58.1	47.0
EBITDA <sup>2</sup>	71.6	73.5	70.7	59.2
Pretax income	31.7	34.7	31.8	20.1
Net income (loss)	26.7	32.7	22.9	(23.9)
Net Income (Loss) Per Share				
Basic	\$ 0.29	\$ 0.36	\$ 0.25	\$ (0.26)
Diluted	\$ 0.29	\$ 0.36	\$ 0.25	\$ (0.25)
Cash Flow From Operations Per Share <sup>1</sup>				
Basic	\$ 0.65	\$ 0.71	\$ 0.63	\$ 0.52
Diluted	\$ 0.64	\$ 0.70	\$ 0.63	\$ 0.51
Weighted Average Fully Diluted Shares	91,559,294	91,881,879	92,230,930	92,846,779

<sup>1</sup> Cash flow from operations before net change in non-cash balances related to operations.

<sup>2</sup> As previously defined, see "Key Performance Indicators and Non-GAAP Measures – EBITDA" section.

## Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying notes for the nine months ended August 31, 2005, our 2004 Annual MD&A and Consolidated Financial Statements, our 2004 AIF and other documents filed with applicable securities regulators in Canada and may be accessed at [www.sedar.com](http://www.sedar.com).

(in thousands of dollars)	August 31, 2005 (unaudited)	November 30, 2004 (audited, note 2)
<b>Assets</b>		
Current Assets		
Cash and term deposits	\$ 34,642	\$ 118,117
Short-term investments	22,382	20,110
Accounts receivable and prepaid expenses	55,953	35,714
Income taxes recoverable	-	1,232
Current assets held for sale (note 2)	24,418	28,373
	137,395	203,546
Mortgages and consumer loans	1,225,211	707,306
Investment in associated company (note 5)	102,953	108,802
Other investments	7,067	7,532
Management contracts	478,749	473,670
Customer contracts, relationships and investment advisory contracts, net of accumulated amortization	79,101	86,157
Deferred selling commissions, net of accumulated amortization	287,637	327,618
Property, equipment and other intangible assets, net of accumulated amortization	22,594	26,603
Goodwill	126,182	126,039
Other assets	2,962	3,892
Long-term assets held for sale (note 2)	93,471	98,213
	\$ 2,563,322	\$ 2,169,378
<b>Liabilities and Shareholders' Equity</b>		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 89,506	\$ 76,019
Long-term debt due within one year (note 8)	17,252	43,802
Income taxes payable	11,226	-
Current liabilities related to assets held for sale (note 2)	19,220	30,128
	137,204	149,949
Deposits	1,156,329	761,232
Long-term debt (note 8)	90,638	68,292
Participation units	6,157	6,157
Future income taxes	248,452	252,834
Leasehold inducements	187	226
Other liabilities	560	1,215
Long-term liabilities related to assets held for sale (note 2)	15,100	15,107
	1,654,627	1,255,012
Shareholders' Equity		
Capital stock (note 9)	390,850	394,125
Contributed surplus	4,997	1,781
Retained earnings	517,064	517,681
Foreign currency translation adjustment	(4,216)	779
	908,695	914,366
	\$ 2,563,322	\$ 2,169,378

(See accompanying notes to consolidated financial statements.)

AGF Management Limited  
consolidated statements of income

(in thousands of dollars, except per share amounts) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2005	2004 (note 2)	2005	2004 (note 2)
<b>Revenue</b>				
Net management and advisory fees	\$ 100,549	\$ 107,556	\$ 305,881	\$ 331,289
Administration fees, interest and other revenue	39,003	27,606	105,624	81,087
Deferred sales charges	8,725	8,916	29,128	28,532
Gain on sale of short-term investments (note 7)	4,478	-	4,478	-
Investment income	284	792	649	1,180
	153,039	144,870	445,760	442,088
<b>Expenses</b>				
Selling, general and administrative	44,938	32,934	125,112	102,734
Trailing commissions	27,835	28,217	82,517	85,052
Investment advisory fees	6,436	7,532	20,157	23,622
Amortization of deferred selling commissions	27,800	31,478	84,805	92,703
Amortization of customer contracts, relationships and investment advisory contracts	3,726	3,518	11,079	9,851
Amortization of property, equipment and other intangible assets	2,767	3,572	8,185	10,276
Interest on Trust Company deposits	7,446	4,402	20,219	12,807
Interest expense	1,313	1,283	4,150	4,870
Provision for Trust Company loan losses	1,157	206	3,838	2,006
	123,418	113,142	360,062	343,921
<b>Income from continuing operations before income taxes</b>	29,621	31,728	85,698	98,167
<b>Income Taxes</b>				
Current	11,278	11,955	28,727	32,446
Future	(2,415)	(6,892)	(3,693)	(16,620)
	8,863	5,063	25,034	15,826
<b>Net income from continuing operations for the period</b>	20,758	26,665	60,664	82,341
<b>Results of discontinued operations for the period (note 2)</b>	(464)	963	3,166	3,076
<b>Net income for the period</b>	\$ 20,294	\$ 27,628	\$ 63,830	\$ 85,417
<b>Earnings Per Share</b>				
<i>Basic from continuing operations</i>	\$ 0.23	\$ 0.29	\$ 0.67	\$ 0.90
<i>Diluted from continuing operations</i>	\$ 0.23	\$ 0.29	\$ 0.67	\$ 0.90
<i>Basic</i>	\$ 0.23	\$ 0.30	\$ 0.71	\$ 0.93
<i>Diluted</i>	\$ 0.23	\$ 0.30	\$ 0.70	\$ 0.93

(See accompanying notes to consolidated financial statements.)

(in thousands of dollars) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2005	2004 (note 2)	2005	2004 (note 2)
<b>Retained earnings, beginning of period</b>	\$ 523,291	\$ 524,793	\$ 517,681	\$ 506,274
Net income for the period	20,294	27,628	63,830	85,417
	543,585	552,421	581,511	591,691
Deduct:				
Dividends on AGF Class A voting common shares and AGF Class B non-voting shares	13,518	10,053	37,120	27,487
Excess paid over book value of AGF Class B non-voting shares purchased for cancellation	13,003	6,570	27,327	28,406
	26,521	16,623	64,447	55,893
<b>Retained earnings, end of period</b>	\$ 517,064	\$ 535,798	\$ 517,064	\$ 535,798

(See accompanying notes to consolidated financial statements.)

AGF Management Limited  
consolidated statements of cash flow

(in thousands of dollars) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2005	2004 (note 2)	2005	2004 (note 2)
<b>Operating Activities</b>				
Net income for the period	\$ 20,294	\$ 27,628	\$ 63,830	\$ 85,417
Results of discontinued operations	(464)	963	3,166	3,076
	20,758	26,665	60,664	82,341
Items not affecting cash				
Amortization of deferred selling commissions	27,800	31,478	84,805	92,703
Amortization of customer contracts, relationships and investment advisory contracts	3,726	3,518	11,079	9,851
Amortization of property, equipment and other intangible assets	2,767	3,572	8,185	10,276
Future income taxes	(2,415)	(6,892)	(3,693)	(16,620)
Gain on sale of short-term investments	(4,478)	-	(4,478)	-
Mark-to-market on swap transactions	(382)	(224)	(652)	(252)
Other	6,101	836	13,524	3,282
	53,877	58,953	169,434	181,581
Net (increase) decrease in non-cash balances related to operations	10,719	25,479	3,217	(13,992)
Net cash provided by continuing operating activities	64,596	84,432	172,651	167,589
Net cash provided by (used in) discontinued operating activities	4,383	(2,703)	12,608	1,840
Net cash provided by operating activities	68,979	81,729	185,259	169,429
<b>Financing Activities</b>				
Net change in Class B shares	(15,321)	(7,903)	(33,202)	(34,763)
Dividends	(13,518)	(10,053)	(37,120)	(27,487)
Increase (decrease) in bank loan	4,150	(32,850)	3,450	(9,550)
Decrease in notes payable	(167)	(341)	(1,153)	(2,290)
Increase in Trust Company deposits	136,997	47,594	395,097	170,122
Net cash provided by (used in) continuing financing activities	112,141	(3,553)	327,072	96,032
Net cash provided by (used in) discontinued financing activities	(244)	(181)	(1,530)	2,422
Net cash provided by (used in) financing activities	111,897	(3,734)	325,542	98,454
<b>Investing Activities</b>				
Deferred selling commissions paid	(12,657)	(11,170)	(44,824)	(44,484)
Purchase of management contracts and customer relationships	(9,104)	-	(9,104)	-
Acquisition of subsidiaries, net of cash acquired	(3,900)	(8,778)	(5,376)	(17,761)
Purchase of property, equipment and other intangible assets	(2,139)	(1,195)	(3,438)	(5,961)
Purchase of investments	(19,154)	-	(22,086)	(10,968)
Sale of investments	23,373	4,012	23,373	2,216
Increase in Trust Company mortgages and consumer loans	(177,589)	(34,371)	(521,743)	(176,900)
Net cash used in continuing investing activities	(201,170)	(51,502)	(583,198)	(253,858)
Net cash used in discontinued investing activities	(278)	(3,270)	(2,899)	(4,109)
Net cash used in investing activities	(201,448)	(54,772)	(586,097)	(257,967)
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>(20,572)</b>	<b>23,223</b>	<b>(75,296)</b>	<b>9,916</b>
<b>Balance of cash and cash equivalents, beginning of period</b>	<b>64,081</b>	<b>75,598</b>	<b>118,805</b>	<b>88,905</b>
<b>Balance of cash and cash equivalents, end of period</b>	<b>\$ 43,509</b>	<b>\$ 98,821</b>	<b>\$ 43,509</b>	<b>\$ 98,821</b>
<b>Cash and cash equivalents related to:</b>				
Continuing operations			34,642	98,055
Discontinued operations			8,867	766
			\$ 43,509	\$ 98,821
<b>Represented by:</b>				
Cash and cash equivalents			\$ 11,629	\$ 9,478
Trust Company cash and cash equivalents			31,880	89,343
			\$ 43,509	\$ 98,821



## notes to consolidated financial statements

For the nine months ended August 31, 2005 and August 31, 2004 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited interim consolidated financial statements of AGF Management Limited (“AGF” or the “Company”) have been prepared in accordance with Canadian generally accepted accounting principles using the same significant accounting policies as AGF’s consolidated financial statements for the year ended November 30, 2004. These financial statements do not contain all the disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the consolidated financial statements for the year ended November 30, 2004, as set out in AGF’s 2004 Annual Report.

Long-lived assets to be disposed of by sale are measured at the lower of their carrying amount or fair value less cost to sell, and are not depreciated while classified as held for sale.

As the Company intends to conclude a sale of its wholly owned subsidiary Unisen Holdings Inc. (“Unisen”) during the fourth quarter of 2005, Unisen’s assets and liabilities have been reclassified as held for sale. As such, Unisen’s operations for both the 2004 and 2005 periods have thus been reported as discontinued operations as if its operations and cash flows have been eliminated from the ongoing operations and AGF will not have any continuing involvement in the operations of Unisen after the disposition outlined in note 2.

### Note 1: Adoption of AcG 15 “Consolidation of Variable Interest Entities”

The CICA issued AcG 15, “Consolidation of Variable Interest Entities,” which provides guidance for applying consolidation principles to certain entities that are subject to control on a basis other than ownership of voting interests. AcG 15 became effective for all annual and interim periods beginning on or after December 1, 2004. An entity is a VIE when, by design, one or both of the following conditions exist: (a) total equity investment at risk is insufficient to permit the entity to finance its activities without additional subordinated support from others; (b) as a group, the holders of the equity investment at risk lack certain essential characteristics of a controlling financial interest.

The Company has reviewed its relationships and determined that there are no entities whose financial results would be required to be included or disclosed in the consolidated results for the nine months ended August 31, 2005.

## Note 2: Discontinued Operations and Assets Held for Sale

On July 11, 2005 the Company announced an agreement to sell 100% of wholly owned subsidiary Unisen Holdings Inc. ("Unisen") to Citifinancial Canada Inc. ("Citifinancial"), for cash consideration of US\$97.5 million. As a result, Unisen's operations have been reported as discontinued operations and previously reported statements have been reclassified. The transaction is expected to close in the fourth quarter of 2005. The consideration is subject to three adjustments: i) a working capital adjustment provides that any working capital above a threshold is payable to AGF; ii) the purchase price is subject to a clawback should Unisen's revenue fall below a threshold during the 12-month period ended June 30, 2006; and iii) the Company has issued a put option in favour of Citifinancial relating to certain Unisen assets. The put option expires 18 months after the date of acquisition. Summarized financial information for the discontinued operations is as follows:

### Operations Summary of Discontinued Operations

	Three months ended August 31,		Nine months ended August 31,	
	2005	2004	2005	2004
Revenue	\$ 25,945	\$ 26,399	\$ 76,458	\$ 82,058
Net earnings (loss) from discontinued operations	(464)	963	3,166	3,076
Basic net earnings per share	\$ -	\$ 0.01	\$ 0.04	\$ 0.03
Diluted net earnings per share	\$ -	\$ 0.01	\$ 0.03	\$ 0.03

	August 31, 2005	November 30, 2004
<b>Current assets held for sale</b>		
Cash and term deposits	\$ 8,867	\$ 688
Accounts receivable and prepaid expenses	15,551	27,685
	\$ 24,418	\$ 28,373
<b>Long-term assets held for sale</b>		
Customer contracts	\$ 33,185	\$ 37,705
Property, equipment and other intangible assets, net	25,531	25,753
Goodwill	34,755	34,755
	\$ 93,471	\$ 98,213
<b>Current liabilities related to assets held for sale</b>		
Accounts payable and accrued liabilities	\$ 19,149	\$ 27,099
Long-term debt due within one year	1,364	751
Income taxes payable	(1,293)	2,278
	\$ 19,220	\$ 30,128
<b>Long-term liabilities related to assets held for sale</b>		
Long-term debt	\$ 2,019	\$ 1,414
Future income taxes	9,220	9,549
Leasehold inducements	3,861	4,144
	\$ 15,100	\$ 15,107

### Note 3: Acquisition of Mutual Fund Assets from ING Investment Management Inc.

On August 5, 2005, the Company acquired the management rights to \$276 million in mutual fund assets from ING Investment Management Inc. ("ING") for cash consideration of \$9.1 million. The acquisition has been accounted for by the purchase method of accounting with the results of operations of ING included in the consolidated financial statements from the date of acquisition. Thirteen ING funds have been merged into corresponding AGF funds. The agreement also includes the acquisition of the management contract for the ING Canadian Dividend Income Fund, which has been renamed the AGF Dividend Income Fund.

The purchase price for the assets acquired was allocated as follows:

Net assets acquired		
Management contracts	\$	5,081
Customer relationships		4,024
	\$	9,105

The portion allocated to customer relationships is being amortized over their estimated useful life of seven years. The purchase price is also subject to a future reduction based on the level of mutual fund redemptions during the first year subsequent to acquisition.

### Note 4: Acquisition of Cypress Capital Management Ltd.

On June 30, 2004, the Company acquired 100% of the shares of Cypress Capital Management Ltd. ("Cypress") for consideration of \$26.1 million including \$0.1 million of acquisition costs. The acquisition has been accounted for by the purchase method of accounting with the results of operations of Cypress included in the consolidated financial statements from the date of the acquisition. In addition to the future payments detailed below, there is also potential additional consideration due three years after the completion of the acquisition, subject to Cypress achieving certain revenue levels. These amounts are not determinable at the present time. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

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

Net Assets Acquired		
Cash	\$	351
Other assets		1,625
Customer contracts		28,480
Goodwill		7,269
Current liabilities		(1,351)
Future income tax		(10,287)
	\$	26,087
Consideration Paid (including acquisition costs)		
Cash	\$	7,887
285,553 AGF Class B shares issued		5,200
June 30, 2005 payment		6,500
Future payment due June 30, 2006		6,500
	\$	26,087

The June 30, 2005 payment consisted of \$3.9 million in cash and issuance of 159,696 AGF Class B shares valued at \$2.6 million.

## Note 5: Investment in Associated Company

On May 27, 2005, Smith & Williamson Holdings Limited ("S&WHL") completed the acquisition of 100% of the outstanding shares of Solomon Hare Personal Finance Limited ("SHPF") and the business of Solomon Hare LLP. The total consideration paid by S&WHL of £8.9 million included cash of £2.1 million and the issuance of 2.3 million shares valued at £6.8 million. Prior to this transaction, the Company had a 31.8% interest in S&WHL. After the transaction, the Company held a 30.4% interest in S&WHL. The dilution gain with respect to the completion of this transaction was \$0.1 million. S&WHL provides independent private client investment management, financial advisory, tax and accounting services in the U.K.

## Note 6: Acquisition of P.J. Doherty & Associates Co. Ltd.

On January 15, 2004, the Company acquired 100% of the shares of P.J. Doherty & Associates Co. Ltd. ("P.J. Doherty") for consideration of \$12.2 million, including \$0.3 million of acquisition costs. The acquisition was accounted for by the purchase method of accounting with the results of operations of P.J. Doherty included in the consolidated financial statements from the date of acquisition. Cash consideration paid amounted to \$9.4 million, with future payments of \$2.8 million due in the year following the acquisition.

There is also potential additional consideration, which may become payable based on revenue growth during the two-year period subsequent to completion of the acquisition. The value attributed to customer contracts is being amortized on a straight-line basis over 15 years.

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

Net Assets Acquired		
Cash	\$	468
Other assets		318
Customer contracts		13,015
Goodwill		3,360
Current liabilities		(233)
Future income tax		(4,701)
	\$	12,227
Consideration Paid (including acquisition costs)		
Cash	\$	9,451
Payments subsequent to acquisition date		2,776
	\$	12,227

During the three months ended February 28, 2004, the company paid \$1.5 million of the amount due subsequent to the acquisition. In February of 2005, payments of \$1.5 million were made in respect of this acquisition, of which \$1.3 million represented the final payment due within one year of the acquisition date. The Company also paid out \$0.2 million on the first anniversary of the acquisition based on revenue growth during the past year. The latter payment was recorded as an increase in goodwill.

## Note 7: Gain on Sale of Short-Term Investments

During the three months ended August 31, 2005 the Company recorded a \$4.5 million gain on the disposition of short-term investment funds.

## Note 8: Long-Term Debt

	August 31, 2005	November 30, 2004
Bank Loans		
Fully amortizing term loan	\$ 8,850	\$ 35,400
Revolving term loan	73,300	43,300
Notes payable due April 30, 2013	18,173	19,327
Payment re Consort Information Systems Limited due January 31, 2006	1,067	1,067
Cypress payment due June 30, 2005	-	6,500
Cypress payment due June 30, 2006	6,500	6,500
	107,890	112,094
Less: amount included in current liabilities	17,252	43,802
	\$ 90,638	\$ 68,292

### Bank Loans

#### Fully Amortizing Term Loan

As at August 31, 2005, the Company has drawn the facility in the form of a 91-day bankers' acceptance ("BA") at an effective interest rate of 3.23% per annum.

#### Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$200.0 million with a Canadian chartered bank. Under the loan agreement, the Company is permitted to avail the revolving term loan by direct advances and/or bankers' acceptances. The revolving term loan is available at any time for a period of 364 days from commencement of the loan (the "Commitment Period"). The expiration of the current commitment period is June 30, 2006. However, the Company may request by April 15, 2006, and prior to April 15 in any calendar year thereafter, a recommencement of the six-year term at the expiry of the then-current commitment period. No repayment of the principal amount outstanding pursuant to the revolving term loan is required during the first three years of the then-applicable term. Thereafter, the loan balance shall be repaid in minimum monthly instalments of at least one-thirty-sixth of the amount of principal outstanding.

As at August 31, 2005, the Company has drawn \$73.3 million against the available loan amount in the form of six- to 91-day BAs at an effective average interest rate of 3.28% per annum.

Security for the bank loans includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of related limited partnerships) for which the Company acts as manager and, depending upon the amount of the loan outstanding, an assignment of AGF's investments in 20/20 Financial Corporation and AGF International Company Limited.

## Note 9: Capital Stock

(a) Authorized Capital

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

(b) Change During the Period

The change in capital stock during the nine months ended August 31, 2005 and the year ended November 30, 2004 is summarized as follows:

	Number of shares	Amount
<b>Class B shares</b>		
Balance, November 30, 2004	90,739,463	\$ 394,125
Issued on retirement of Cypress payment	159,696	2,600
Issued through dividend reinvestment plan	11,868	199
Stock options exercised	316,503	3,357
Purchased for cancellation	(2,160,100)	(9,431)
Balance, August 31, 2005	89,067,430	\$ 390,850
<b>Class A shares</b>		
Balance, November 30, 2004 and August 31, 2005	57,600	-
Total Capital Stock, August 31, 2005		\$ 390,850

	Number of shares	Amount
<b>Class B shares</b>		
Balance, November 30, 2003	92,214,723	\$ 395,168
Issued on acquisition of a subsidiary	285,553	5,200
Issued through dividend reinvestment plan	12,405	214
Stock options exercised	326,582	2,575
Purchased for cancellation	(2,099,800)	(9,032)
Balance, November 30, 2004	90,739,463	\$ 394,125
<b>Class A shares</b>		
Balance, November 30, 2004 and 2003	57,600	-
Total Capital Stock, November 30, 2004		\$ 394,125

**(c) Class B Shares Purchased for Cancellation**

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B shares through the facilities of the Toronto Stock Exchange. Present approval for such purchases extends through to February 17, 2006. Under this issuer bid, the Company may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,478,103 shares. During the nine months ended August 31, 2005, 2,160,100 Class B shares were purchased at a cost of \$36.8 million and the excess paid of \$27.3 million over the book value of the shares purchased for cancellation was charged to retained earnings.

**(d) Stock Option Plans****Stock-Based Compensation**

Under the CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments" for stock options granted on or after December 31, 2002, the fair value of stock options is determined on the grant date and recorded as compensation expense over the period that the stock options vest. During the nine months ended August 31, 2005, the Company granted 1,028,000 options (2004 - 770,000) and recorded \$3.1 million (2004 - \$1.3 million) in compensation expense in respect of the options granted since December 31, 2002. The fair value of options granted during the period has been estimated at between \$3.77 to \$4.25 per share using the Black-Scholes option-pricing model. The following range of assumptions were used to determine the fair value of the options on the date of grant:

Risk-free interest rate	4.09% - 4.63%
Expected dividend yield	1.68% - 2.54%
Expected share price volatility	27.00% - 33.19%
Option term	7.0 to 10.0 years

The options vest over a three- to four-year period and have terms ranging from seven to 10 years. The Company or employee is required to meet performance criteria for certain of the options to vest.

The change in outstanding stock options during the nine months ended August 31, 2005 is summarized as follows:

	Number of options	Weighted average exercise price
<b>Class B Share Options</b>		
Balance outstanding, November 30, 2004	3,566,604	\$ 17.86
Options granted	1,028,000	\$ 17.09
Options cancelled	(32,147)	\$ 19.56
Options exercised	(316,503)	\$ 10.61
Balance outstanding, August 31, 2005	4,245,954	\$ 18.20

Stock options to purchase an aggregate maximum of 6,284,585 Class B shares could have been granted as at August 31, 2005.

(e) Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share as well as earnings per share and diluted earnings per share from continuing operations:

I. Earnings per share

	Three months ended August 31,		Nine months ended August 31,	
	2005	2004	2005	2004
Numerator				
Net Income for the period	\$ 20,294	\$ 27,628	\$ 63,830	\$ 85,417
Denominator				
Weighted average number of shares – basic	89,615,145	91,116,928	90,496,185	91,409,749
Dilutive effect of employee stock options	300,474	442,366	321,166	532,306
Weighted average number of shares – diluted	89,915,619	91,559,294	90,817,351	91,942,055
Earnings per Share				
Basic	\$ 0.23	\$ 0.30	\$ 0.71	\$ 0.93
Fully Diluted	\$ 0.23	\$ 0.30	\$ 0.70	\$ 0.93

II. Earnings per share from continuing operations

	Three months ended August 31,		Nine months ended August 31,	
	2005	2004	2005	2004
Numerator				
Net Income from Continuing Operations for the period	\$ 20,758	\$ 26,665	\$ 60,664	\$ 82,341
Denominator				
Weighted average number of shares – basic	89,615,145	91,116,928	90,496,185	91,409,749
Dilutive effect of employee stock options	300,474	442,366	321,166	532,306
Weighted average number of shares – diluted	89,915,619	91,559,294	90,817,351	91,942,055
Earnings per Share from continuing operations				
Basic	\$ 0.23	\$ 0.29	\$ 0.67	\$ 0.90
Fully Diluted	\$ 0.23	\$ 0.29	\$ 0.67	\$ 0.90



## Note 10: Interest Rate Swap Transactions

To hedge its exposure to fluctuating interest rates, AGF Trust Company has entered into interest rate swap transactions with four Canadian chartered banks as noted below. The swap transactions expire between October 31, 2005 and May 31, 2010 and involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance rate, to receive fixed interest rates. As at August 31, 2005, the aggregate notional amount of the swap transactions was \$769.7 million. The aggregate fair value of the swap transactions, which represents the amount that would be received by AGF Trust Company if the transactions were terminated at August 31, was \$11.0 million.

Notional Amount of Swap	Maturity Date	Fixed Interest Rate Received
35,000	2005	3.06% - 3.91%
107,000	2006	2.35% - 4.57%
228,700	2007	3.00% - 5.11%
207,000	2008	3.17% - 4.43%
122,000	2009	3.49% - 4.59%
70,000	2010	3.77% - 4.17%

## Note 11: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended August 31, 2005 were \$8.8 million (2004 - \$5.7 million). Interest payments for the nine months ended August 31, 2005 were \$24.4 million (2004 - \$17.7 million).

Income tax payments for the three months ended August 31, 2005 were \$3.1 million (2004 - refund of \$234,709). Income tax payments for the nine months ended August 31, 2005 were \$17.8 million (2004 - \$44.2 million).

## Note 12: Segment Information

AGF has two reportable segments: Investment Management Operations and Trust Company Operations. The investment management segment provides investment management and advisory services and is responsible for the management and distribution of the AGF investment products. AGF Trust Company offers a wide range of trust services including GICs, mortgages, investment loans and RRSP loans. In prior periods the Company had reported a fund administration segment, which consisted of Unisen Holdings Inc. ("Unisen") and Investmaster Group Limited ("Investmaster"). As a result of the anticipated sale of Unisen (see note 2), Unisen's operations have been reported as discontinued operations. The results of Investmaster have been included in other operations as this entity does not meet the criteria for separate disclosure. AGF's reportable segments are strategic business units that offer different products and services.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the summary of significant accounting policies detailed in AGF's 2004 annual financial statements.

Three months ended August 31, 2005	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 131,203	\$ 17,818	\$ 4,018	\$ -	\$ 153,039
Intersegment revenue	460	247	-	(707)	-
Segment revenue	131,663	18,065	4,018	(707)	153,039
Operating expenses	71,068	13,575	5,189	(707)	89,125
Amortization	33,257	251	785	-	34,293
Segment income (loss) before taxes	\$ 27,338	\$ 4,239	\$ (1,956)	\$ -	\$ 29,621
<b>Included in External Revenue</b>					
Interest revenue	\$ 284	\$ 21,090	\$ -	\$ -	\$ 21,374
Total assets	\$ 1,053,897	\$ 1,275,565	\$ 115,971	\$ -	\$ 2,445,433

Three months ended August 31, 2004	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 129,585	\$ 10,376	\$ 4,909	\$ -	\$ 144,870
Intersegment revenue	(297)	297	-	-	-
Segment revenue	129,288	10,673	4,909	-	144,870
Operating expenses	60,712	7,223	6,639	-	74,574
Amortization	37,380	296	892	-	38,568
Segment income (loss) before taxes	\$ 31,196	\$ 3,154	\$ (2,622)	\$ -	\$ 31,728
<b>Included in External Revenue</b>					
Interest revenue	\$ 201	\$ 9,992	\$ -	\$ -	\$ 10,193
Total assets	\$ 1,083,209	\$ 771,133	\$ 133,305	\$ -	\$ 1,987,647

Nine months ended August 31, 2005	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 386,987	\$ 45,909	\$ 12,864	\$ -	\$ 445,760
Intersegment revenue	(96)	803	-	(707)	-
Segment revenue	386,891	46,712	12,864	(707)	445,760
Operating expenses	200,846	37,056	18,798	(707)	255,993
Amortization	100,955	738	2,376	-	104,069
Segment income (loss) before taxes	\$ 85,090	\$ 8,918	\$ (8,310)	\$ -	\$ 85,698
<b>Included in External Revenue</b>					
Interest revenue	\$ 995	\$ 44,241	\$ -	\$ -	\$ 45,236
Total assets	\$ 1,053,897	\$ 1,275,565	\$ 115,971	\$ -	\$ 2,445,433

Nine months ended August 31, 2004	Investment Management Operations	Trust Company Operations	Other	Inter- Segment Elimination	Total
External revenue	\$ 394,575	\$ 30,015	\$ 17,498	\$ -	\$ 442,088
Intersegment revenue	(875)	875	-	-	-
Segment revenue	393,700	30,890	17,498	-	442,088
Operating expenses	186,034	22,682	22,375	-	231,091
Amortization	109,583	866	2,381	-	112,830
Segment income (loss) before taxes	\$ 98,083	\$ 7,342	\$ (7,258)	\$ -	\$ 98,167
<b>Included in External Revenue</b>					
Interest revenue	\$ 594	\$ 28,571	\$ -	\$ -	\$ 29,165
Total assets	\$ 1,083,209	\$ 771,133	\$ 133,305	\$ -	\$ 1,987,647



What are you doing after work?

**AGF  
MUTUAL  
FUNDS**

**AGF TAILORED  
INVESTMENT  
PROGRAMS**  
Harmony

**AGF PRIVATE  
INVESTMENT  
MANAGEMENT**

**AGF  
TRUST**