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AGF MANAGEMENT LIMITED

Third Quarter Report to Shareholders for the three and nine months ended August 31, 2008

AGF MANAGEMENT LIMITED REPORTS THIRD QUARTER FINANCIAL RESULTS

AGF reports 4.3% increase in net income driven by lower interest, amortization and tax expense

Toronto | September 24, 2008

AGF Management Limited (AGF) today announced financial results for the third quarter ended August 31, 2008 with net income from continuing operations up 4.3% over the previous year, driven by reductions in interest, amortization and taxes. This resulted in a 7.0% increase in earnings per share on a fully diluted basis over the third quarter of last year. Global stock market volatility prevailed in the third quarter, resulting in a 7.3% decline in revenue and a 10.7% decrease in earnings before interest, taxes, depreciation and amortization (EBITDA) compared with the third quarter of 2007.

“As our industry faces turbulence in the financial markets, we are sticking with a long-term view and remain committed to our long-term business strategy. Our business fundamentals are solid and we will continue to employ a client-centric focus to realize our key growth initiatives,” said Chairman and CEO Blake C. Goldring. “Our best strategy, especially during periods of volatility, is to closely monitor expenses and be prudent with capital by paying down debt and strengthening our balance sheet. In the third quarter, we continued to achieve success in controlling expenses in our investment management operations, paid down debt and realized significant year-over-year growth in our Trust Company loan assets and profitability.”

In the third quarter of fiscal 2008, total consolidated revenue from continuing operations decreased to \$184.7 million compared with \$199.2 million in the third quarter of the prior year. EBITDA from continuing operations totalled \$81.5 million for the three months ended August 31, 2008, compared with \$91.3 million for the three months ended August 31, 2007. For the third quarter of 2008, EBITDA margins declined slightly to 44.1% from 45.8% in the same period a year earlier. In addition, the company paid down \$24.2 million of long-term debt.

Total assets under management (AUM) decreased 9.4% to \$48.7 billion at August 31, 2008 from \$53.8 billion as at August 31, 2007. Over the same period, mutual fund assets declined by 12.2% as a result of market depreciation and lower levels of gross sales. Average mutual fund assets for the quarter decreased 11.9% over the third quarter of 2007 and 5.4% year-over-year. Institutional and high-net-worth client assets declined 5.8% year-over-year primarily as a result of client rebalancing and redemptions. Our Trust Company operations, however, continued to grow with loans assets increasing substantially by 31.0% over August 31, 2007 to \$4.4 billion as at August 31, 2008.

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, performance and opportunities. 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 level of assets under our management, volume of sales and redemption 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, 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 law, 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 'Managing Risk – Overview' section of this MD&A and to the 'Risk Factors and Management' section of our 2007 annual MD&A.

Dear fellow shareholders

Our industry continued to be challenged during the third quarter of 2008 with significant swings in global stock markets. This volatility has caused investors to be cautious, as evidenced by the continued substantial flows into money market funds throughout the industry. Yet, AGF remained focused on executing its long-term strategic plan for future growth, continuing to enhance client relationships and recognizing that market volatility is part of our industry and a short-term obstacle.

Consistent with the overall industry, gross sales of mutual funds were down in the third quarter of 2008 compared to 2007. While redemptions of long-term funds were higher year-over-year due in part to a client rebalancing, we were encouraged that they were at their lowest level in over a year in August 2008. This indicates that our clients are committed to keeping funds invested in the market. We continue to work in close partnership with advisors to help them guide their clients through this market downturn by providing strong investment expertise that focuses on long-term financial success.

Mutual fund assets under management (AUM) were \$26.4 billion, institutional and strategic accounts AUM were \$18.6 billion and high-net-worth AUM were \$3.8 billion at the end of the third quarter of 2008. While AUM were lower than expected, we successfully reduced expenses in our Investment Management operations and continued to enhance our product offering with the introduction of innovative client solutions. With the new Harmony Non-traditional Pool launched at the end of August, we became one of the first fund companies in Canada to give investors access to global non-traditional investments such as infrastructure, water, agriculture, oil sands, mining and real estate in a managed assets program.

Our Trust Company continued to experience substantial growth with loan assets increasing 31.0% year-over-year by the end of the third quarter of 2008 and revenue up 17.4% over the third quarter of 2007. The Trust Company's funding sources remain stable since our loans are primarily funded by selling Guaranteed Investment Certificates (GICs) with Canada Deposit Insurance Corporation (CDIC) insurance and we continue to closely monitor the collateral values on our secured loans given the current market conditions.¹

Consolidated revenue was \$184.7 million, compared with \$199.2 million in the third quarter of the prior year. Earnings before interest, taxes, depreciation and amortization² (EBITDA) from continuing operations were \$81.5 million, compared with \$91.3 million for the three months ended August 31, 2007. EBITDA margins² for the three months ended August 31, 2008, were 44.1% compared with 45.8% in the three-month period ended August 31, 2007.

For the three months ended August 31, 2008, AGF reported cash flow from continuing operations² (before net change in non-cash balances related to operations) of \$66.2 million, compared with \$69.7 million one year ago. Free cash flow² (cash flow from continuing operations less selling commissions paid) for the same period was \$48.6 million, compared with \$38.1 million one year ago as a result of a decrease in deferred selling commissions paid.

With over 50 years in business, we have lived through many bull and bear markets. Our long-term success is based on prudent management that will allow our organization to weather the storm.

We remain committed to achieving our long-term objectives and are well-positioned to participate strongly when markets stabilize and deliver superior value to our shareholders, advisors and unitholders.



Blake C. Goldring, CFA, M.S.M.
Chairman and Chief Executive Officer
August 31, 2008

¹ Refer to page 16 of this report for further information on our conventional mortgage loan-to-value ratio, and our unsecured exposure on our investment loan portfolio.

² Cash flow from continuing operations, free cash flow, EBITDA and EBITDA margins are non-GAAP measures. Please refer to pages 5 and 6 of this report for definitions of these metrics.

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

For the three and nine months ended August 31, 2008

This Management's Discussion and Analysis (MD&A) presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (AGF) as at August 31, 2008, compared with November 30, 2007. The MD&A also includes the results of operations for the three and nine months ended August 31, 2008, compared with the corresponding period of 2007. This discussion should be read in conjunction with our 2007 annual MD&A and 2007 annual audited Consolidated Financial Statements and Notes. Certain comparative amounts in these financial statements have been reclassified to conform with the current year's presentation. 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.

There have been no material changes to the information discussed in the following sections of the 2007 annual MD&A: "Risk Factors and Management", "Controls and Procedures", "Contractual Obligations", "Intercompany and Related Party Transactions" and "Government Regulations". There has been additional disclosure regarding the adoption of new accounting policies, which are discussed in the "Significant Accounting Policies" section of this MD&A. The "Key Performance Indicators and Non-GAAP Measures" section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

With approximately \$49 billion in assets under management (AUM), AGF is one of Canada's largest independent investment management companies, with operations and investments in Canada, the United Kingdom, Ireland and Asia. We commenced operations in 1957 by introducing the first mutual fund available to Canadians seeking to invest in the United States. As of August 31, 2008, we offered more than 50 domestic and international mutual funds, as well as managed-asset programs, sold under our Elements and Harmony brands. We also have a substantial institutional investment management business, high-net-worth business and a growing trust company.

For purposes of this discussion, the operations of AGF 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 three segments: Investment Management Operations, Trust Company Operations and Other.

The Investment Management Operations segment includes the results of our retail mutual fund, institutional and high-net-worth client businesses. The Trust Company Operations segment includes the results of AGF Trust Company, and the Other segment includes our equity interest in Smith and Williamson Holdings Limited (S&WHL).

Investmaster Holdings Limited (Investmaster) was divested on April 30, 2007, and, as such, Investmaster's results have been reported as discontinued operations for the periods disclosed prior to the sale.

Strategy and Quarterly Overview

As stated in our 2007 annual MD&A, our overall business strategy is to foster the development of best-in-class operating segments to provide premier financial services and to maximize shareholder value over the long term. During the third quarter of 2008:

- Revenue decreased 7.3% in the quarter as compared with the same period in 2007. Year-over-year declines in the Investment Management segment were partly offset by revenue growth in the Trust Company segment. Earnings before interest, taxes, depreciation and amortization (EBITDA) decreased 10.7% during the same period.
- Net income from continuing operations in the third quarter of 2008 increased 4.3% over the same period of 2007, primarily due to the effective tax rate declining to 22.3% from 25.0% in 2007, as well as lower interest and amortization expenses.
- Market volatility continued, resulting in total AUM declining 9.4% from \$53.8 billion at August 31, 2007 to \$48.7 billion as at August 31, 2008.
- AGF Trust real estate secured loan assets grew 25.9% over the previous year and investment loans grew 35.7% with total loan assets rising 31.0% year-over-year.
- Credit profiles of the AGF Trust borrowers remain consistent, with impaired loans expressed as a percentage of total loans outstanding representing 0.5% and 0.7% at August 31, 2008 and November 30, 2007.

- We delivered value directly to our shareholders through dividend payments. Dividends paid, including dividends reinvested, on Class A voting common shares (Class A shares) and Class B non-voting shares (Class B shares) increased 23.8% to \$22.4 million in the third quarter of 2008. This is compared with \$18.1 million in the same period in 2007.
- During the quarter, we continued to pay down long-term debt repaying \$24.2 million and reducing our long-term debt to EBITDA ratio to 45.3%, which is amongst the lowest compared to our publicly-traded peers.

Key Performance Indicators and Non-GAAP 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 not measurements in accordance with Canadian GAAP. They 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 KPIs that are relevant to each segment.

(a) Consolidated Operations

Revenue

Revenue is a measurement defined by Canadian GAAP and is recorded net of fee rebates, sales taxes and distribution fees paid to limited partnerships. Revenue is indicative of the 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
- net interest income earned on AGF Trust's loan portfolio

EBITDA

We define EBITDA as earnings before interest, taxes, depreciation and amortization. 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 because it allows us to assess our investment management businesses without the impact of amortization. EBITDA for the Trust Company Operations segment includes interest expense related to deposits. These deposits fund our investment loan and real estate secured loan programs and are therefore considered an operating cost directly related to generating interest revenue. We include this interest expense in Trust Company Operations EBITDA to provide a meaningful comparison to our other business segments and our competitors.

Please see the "Consolidated Operating Results" section on page 11 of this MD&A for a schedule showing how EBITDA reconciles to our GAAP financial statements.

Cash Flow from Operations

We report cash flow from operations before net changes 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.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Net cash provided by continuing operating activities	\$ 97.0	\$ 130.0	\$ 283.0	\$ 288.5
Less: net changes in non-cash balances related to operations	30.8	60.3	62.9	65.7
Cash flow from continuing operations	\$ 66.2	\$ 69.7	\$ 220.1	\$ 222.8

Free Cash Flow from Operations

We define free cash flow 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 represents cash available for distribution to our shareholders or for general corporate purposes.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Cash flow from continuing operations (defined above)	\$ 66.2	\$ 69.7	\$ 220.1	\$ 222.8
Less: selling commissions paid	17.6	31.6	72.2	124.9
Free cash flow	\$ 48.6	\$ 38.1	\$ 147.9	\$ 97.9

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.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
EBITDA	\$ 81.5	\$ 91.3	\$ 259.7	\$ 269.7
Divided by revenue	184.7	199.2	573.4	581.2
EBITDA margin	44.1%	45.8%	45.3%	46.4%

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, non-controlling interest and non-segmented items to revenue.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Income before taxes and non-segmented items	\$ 51.3	\$ 57.3	\$ 165.8	\$ 169.6
Divided by revenue	184.7	199.2	573.4	581.2
Pre-tax profit margin	27.8%	28.8%	28.9%	29.2%

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 by average shareholders' equity.

Long-term Debt to EBITDA Ratio

Long-term debt to EBITDA ratio provides useful information to management and investors as an indicator of our ability to service our long-term debt. We define long-term debt to EBITDA ratio as long-term debt at the end of the period divided by EBITDA in the quarter annualized.

(\$ millions)	Three months ended August 31,	
	2008	2007
Long-term debt	\$ 147.8	\$ 169.2
EBITDA (annualized)	326.0	365.2
Long-term debt to EBITDA	45.3%	46.3%

(b) Investment Management Operations

Assets Under Management (AUM)

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

Investment Performance (Market Appreciation (Depreciation) of Investment Portfolios)

Investment performance, which 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 relative investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to gross sales growth or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the Managing Risk section of this report for further information.

Net Sales

One of the goals of our mutual fund business is to generate positive net sales on an annual basis, which allows for increasing revenues. Gross sales and redemptions as a percentage of AUM are monitored separately and the sum of these two amounts comprises net sales. Net sales, together with investment performance and fund expenses, determine the level of average daily mutual fund AUM. This is the basis on which management fees are charged. The average daily mutual fund AUM is equal to the average daily net asset value of the AGF mutual funds.

We monitor inflows and outflows in our high-net-worth client and institutional businesses separately. Due to the reporting systems used in these businesses, we do not compute an average daily AUM figure for them.

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. We believe EBITDA margin is a valuable measure since 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.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
EBITDA	\$ 66.0	\$ 76.6	\$ 212.3	\$ 224.3
Divided by revenue	155.2	173.4	483.3	501.7
EBITDA margin	42.5%	44.2%	43.9%	44.7%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations segment. 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.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Income before taxes and non-segmented items	\$ 38.8	\$ 45.7	\$ 127.8	\$ 132.2
Divided by revenue	155.2	173.4	483.3	501.7
Pre-tax profit margin	25.0%	26.4%	26.4%	26.4%

(c) Trust Company Operations

Loan Asset Growth

In the Trust Company Operations segment (AGF Trust), we focus on the growth in our investment and real estate secured loans. New originations net of repayments drive the outstanding balance of loans on which we charge interest. Loan asset growth increases our revenue and assists with our ability to grow our profits in AGF Trust.

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.

Net Interest Margin

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

Efficiency Ratio

The efficiency ratio is a lending industry KPI that measures the efficiency of the organization. We use this ratio to ensure that expenses are contained as AGF Trust grows. The ratio is calculated from AGF Trust results by dividing non-interest expenses by the total of net interest income and non-interest income.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Selling, general and administrative expenses	\$ 10.6	\$ 8.7	\$ 32.8	\$ 26.5
Add: amortization expense	0.9	0.4	1.9	1.0
Non-interest expense	\$ 11.5	\$ 9.1	\$ 34.7	\$ 27.5
Other revenue	\$ 2.6	\$ 2.4	\$ 8.6	\$ 5.0
Gain on RSP loan securitization and related income (loss), net of impairment	0.2	1.4	0.3	11.4
Non-interest income	\$ 2.8	\$ 3.8	\$ 8.9	\$ 16.4
Net interest income	\$ 25.6	\$ 20.4	\$ 73.4	\$ 57.0
Add: non-interest income	2.8	3.8	8.9	16.4
Total of net interest income and non-interest income	\$ 28.4	\$ 24.2	\$ 82.3	\$ 73.4
Efficiency ratio	40.5%	37.6%	42.2%	37.5%

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in AGF Trust. 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.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
EBITDA	\$ 14.4	\$ 13.1	\$ 39.6	\$ 39.3
Divided by revenue	28.4	24.2	82.3	73.4
EBITDA margin	50.7%	54.1%	48.1%	53.5%

Pre-Tax Profit Margin

Pre-tax profit margin provides useful information to management and investors as an indicator of the operating performance in AGF Trust. 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 net interest income. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to total revenue.

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Income before taxes and non-segmented items	\$ 13.4	\$ 12.7	\$ 37.7	\$ 38.2
Divided by revenue	28.4	24.2	82.3	73.4
Pre-tax profit margin	47.2%	52.5%	45.8%	52.0%

Assets-to-Capital Multiple

Federally regulated deposit-taking institutions (DTI) 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.

Loan-to-Value Ratio

Loan-to-value ratio on our conventional mortgage loans is calculated using outstanding balance of conventional mortgage loans divided by the estimated fair value of the real estate serving as collateral for the conventional mortgage loans as at the date the loans were funded.

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2007 audited Consolidated Financial Statements.

Changes in Significant Accounting Policies

Capital Disclosures

Effective December 1, 2007, AGF adopted the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures". This standard requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not have any impact on the financial position or earnings of the Company. Refer to Note 13 of our Q3 2008 Consolidated Financial Statements.

Financial Instruments Disclosures and Presentation

Effective December 1, 2007, AGF adopted the accounting and disclosure requirements of the CICA's two new accounting standards: "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation". The new standards did not have any impact on the financial position or earnings of the Company. Refer to Note 14 of our Q3 2008 Consolidated Financial Statements.

Future Accounting Changes

The Canadian Accounting Standards Board (AcSB) confirmed a plan to adopt the International Financial Reporting Standards (IFRS) in 2011, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS. The impact of the adoption of IFRS is not known at this time.

On December 1, 2008, the Company will adopt "CICA 3064, Goodwill and Intangible Assets". This standard contains revised rules on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operation.

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 2007 annual MD&A in the section entitled 'Risk Factors and Management'. Refer to Note 14 of the Consolidated Financial Statements and Notes for risks arising from the use of financial instruments.

Market Risk in Assets under Management (AUM)

AUM are exposed to various market risks, including changes in equity prices, interest rates and foreign exchange rates. These risks transfer to the Company as our management fee revenue is calculated as a percentage of the average net asset value of each mutual fund or portfolio managed. The Company does not quantify these risks in isolation, however, in general, for every \$1 billion reduction of AUM, management fee revenues would decline by approximately \$20 million. The Company monitors these risks as they may impact earnings, however, it is at the discretion of the fund manager to decide on the appropriate risk-mitigating strategies for each fund.

To provide additional details on the Company's exposure to these market risks, the following provides further information on our AUM by asset type and base currency:

As at August 31, 2008	
AUM by Asset Type	
Equity	77.7%
Balanced	12.0%
Fixed Income	8.7%
AUM by Base Currency	
Canadian dollar	65.2%
Other	34.8%

Foreign Exchange Risk

The Company is exposed to foreign exchange risks through its 30.4% equity interest in Smith and Williamson Holdings Limited (S&WHL), which is denominated in U.K. pounds. The investment is translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Unrealized translation gains and losses are reported in other comprehensive income. Based on the carrying value at August 31, 2008, a 5% change in the value of the Canadian dollar would result in a change in other comprehensive income of \$5.1 million.

Changes in Internal Controls over Financial Reporting

Pursuant to Multilateral Instrument 52-109, the Chief Executive Officer and Chief Financial Officer must certify that they are responsible for the design of internal controls over financial reporting (or caused them to be designed under their supervision). Internal controls over financial reporting are designed to provide reasonable assurance about the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. During the nine-month period ended August 31, 2008, there was no significant change to the systems of internal controls within AGF.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three and nine months ended August 31, 2008, and August 31, 2007.

(\$ millions, except per share amounts)	Three months ended August 31,			Nine months ended August 31,		
	2008	2007	% change	2008	2007	% change
Revenue						
Investment Management Operations	\$ 155.2	\$ 173.4	(10.5%)	\$ 483.3	\$ 501.7	(3.7%)
Trust Company Operations ¹	28.4	24.2	17.4%	82.3	73.4	12.1%
Other	1.1	1.6	(31.3%)	7.8	6.1	27.9%
	184.7	199.2	(7.3%)	573.4	581.2	(1.3%)
Expenses						
Investment Management Operations	89.2	96.8	(7.9%)	271.0	277.4	(2.3%)
Trust Company Operations	14.0	11.1	26.1%	42.7	34.1	25.2%
	103.2	107.9	(4.4%)	313.7	311.5	0.7%
EBITDA ² (continuing operations)	81.5	91.3	(10.7%)	259.7	269.7	(3.7%)
Amortization	28.1	31.2	(9.9%)	86.4	93.1	(7.2%)
Interest expense	2.1	2.8	(25.0%)	7.5	7.0	7.1%
Non-controlling interest	0.2	0.2	0.0%	0.5	0.7	(28.6%)
Income taxes	10.0	17.7	(43.5%)	17.5	42.4	(58.7%)
Net income from continuing operations	\$ 41.1	\$ 39.4	4.3%	\$ 147.8	\$ 126.5	16.8%
Loss on dissolution of limited partnerships, net of tax	–	–		–	(2.1)	
Gain on sale of discontinued operations, net of tax	–	–		–	4.7	
Net earnings (loss) from discontinued operations, net of tax ³	–	–		–	0.2	
Net income	\$ 41.1	\$ 39.4	4.3%	\$ 147.8	\$ 129.3	14.3%
Earnings per share from continuing operations – diluted	\$ 0.46	\$ 0.43	7.0%	\$ 1.65	\$ 1.39	18.7%

¹ The nine months ended August 31, 2007 include an \$8.0 million securitization gain.

² For the definition of EBITDA, see the “Key Performance Indicators and Non-GAAP Measures” section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

³ On April 30, 2007, AGF sold 100% of Investmaster. Accordingly, Investmaster's results have been reported as discontinued operations.

Revenue for the three and nine months ended August 31, 2008, declined by 7.3% and 1.3%, respectively, from the corresponding periods in 2007. Revenue in the Investment Management Operations segment declined 10.5% and 3.7% for the three and nine months ended August 31, 2008. This corresponds to lower average levels of AUM offset by higher DSC revenue. The Trust Company Operations segment, excluding an \$8.0 million securitization gain in the nine months ended August 31, 2007, reported increases in revenue of 17.4% and 25.8% for the three and nine months ended August 31, 2008, resulting from loan assets being up 31.0% year-over-year. Revenue from Other, which represents the results of our 30.4% equity interest in S&WHL, were lower for the three months ended August 31, 2008 and increased for the nine months ended August 31, 2008. Traditionally, S&WHL experiences seasonality in earnings related to the billing of work in progress for its tax, audit and business sources operations.

Expenses for the three and nine months ended August 31, 2008, decreased by 4.4% and increased 0.7% compared with the same periods in 2007. The Investment Management operations' decline in expenses was consistent with the decline in AUM and reduced SG&A expenses, while Trust operations experienced higher overall expenses related to volumes and a move to new office premises. For further details refer to the segment discussions.

The combination of declining revenue and expenses served to decrease EBITDA by 10.7% and 3.7% for the three and nine months ended August 31, 2008, from the corresponding periods of 2007. Excluding the \$8.0 million securitization gain in the nine months ended August 31, 2007, EBITDA has remained relatively stable, declining only 1.0% for the nine months ended August 31, 2008.

Amortization expense decreased 9.9% and 7.2% for the three and nine months ended August 31, 2008, compared to the same periods in 2007. The decline was due to lower amortization of deferred selling commissions in the Investment Management Operations segment. Amortization of deferred selling commissions for the three and nine months ended August 31, 2008 accounted for \$23.9 million and \$74.8 million (2007 – \$27.5 million and \$81.2 million) of the total amortization expense.

Interest expense was \$2.1 million and \$7.5 million for the three and nine months ended August 31, 2008, as compared with \$2.8 million and \$7.0 million in the same periods of 2007. Lower interest expense in the quarter is reflective of declining average debt levels and interest rates.

For the three and nine months ended August 31, 2008, income tax expense was \$10.0 million and \$17.5 million as compared with \$17.7 million and \$42.4 million in the same periods in 2007. Results from the nine months ended August 31, 2008 include an income reduction of \$19.5 million related to the reduction in the federal income tax rate to 15% from 18.5% by January 1, 2012. Excluding the impact of this tax reduction, the effective tax rate for the first nine months of 2008 was 22.3% compared with 25.0% in the same period in 2007.

The impact of the above revenue and expense items resulted in net income from continuing operations of \$41.1 million and \$147.8 million for the three and nine months ended August 31, 2008. This compares with \$39.4 million and \$126.5 million in the same periods of 2007. Basic earnings per share from continuing operations were \$0.46 and \$1.66 for the three and nine months ending August 31, 2008, compared with \$0.44 and \$1.41 per share in the same periods of 2007. For the nine months ending August 31, 2008, excluding the impact of the tax reduction of \$19.5 million, income from continuing operations was \$128.3 million or \$1.43 per share diluted. This compares to \$1.39 for the nine months ended August 31, 2007.

Net income was \$41.1 million and \$147.8 million for the three and nine-month period ended August 31, 2008. This compares with \$39.4 million and \$129.3 million in the same periods of 2007. Excluding the impact of income tax as previously discussed, net income for the nine-month period ended August 31, 2008 was \$128.3 million. The nine-month period ended August 31, 2007 included a gain of \$4.7 million net of tax related to the gain on sale of discontinued operations, and a loss of \$2.1 million net of tax related to the dissolution of limited partnerships.

A further discussion follows of the results of each business segment for the three and nine months ended August 31, 2008, compared with August 31, 2007.

Business Segment Performance

We report on three business segments: Investment Management Operations, Trust Company Operations and Other. AGF's reportable segments are strategic business units that offer different products and services. The Investment Management Operations segment provides investment management and advisory services. It is responsible for the management and distribution of AGF investment products and services, including retail mutual funds, institutional investment management and high-net-worth client investment counselling services. The Trust Company Operations segment offers a wide range of trust services and products, including GICs, real estate secured loans and investment loans. The Other segment includes the results of S&WHL, which is accounted for by the equity method, as well as our interest expense.

Investment Management Operations

Business and Industry Profile

Our Investment Management Operations segment provides products and services, including mutual funds, managed-asset programs and private investment management. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies, brokers and consultants.

Investment management remains a highly-competitive business, with numerous domestic and foreign players serving the market. Although the mutual fund business is reaching the early stages of maturity, we believe there are opportunities for growth.

Segment Strategy and Quarterly Overview

The strategic priorities for our Investment Management Operations, detailed in the 2007 annual MD&A, are to continue to build predictable excellence in three core areas: investment management, relationship management and product management.

Despite the volatile markets in 2008, we continue to focus on our strategy to better serve our clients. During the quarter:

- We launched an innovative managed assets solution called the Harmony Non-traditional Pool which gives investors access to global non-traditional investments such as infrastructure, water, agriculture, oil sands, mining and real estate. The new pool will also be offered along with three other Harmony pools and four Harmony portfolios, within the new Harmony Tax Advantage Group Limited, a new mutual fund corporation that houses a range of corporate class offerings allowing investors to switch between them without generating immediate tax consequences on the switch.

- We introduced new series options on two Harmony portfolios (both in the trust and corporate class structures) that provide monthly income and tax efficiencies.

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 depends 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. 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, strategic 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 nine months ended August 31, 2008, and August 31, 2007.

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2008	2007	% change	2008	2007	% change
Mutual fund AUM, beginning of period	\$ 28,627	\$ 30,606	(6.5%)	\$ 30,052	\$ 26,857	11.9%
Gross sales of mutual funds	854	1,345	(36.5%)	2,927	5,529	(47.1%)
Redemptions of mutual funds	(1,426)	(1,003)	42.2%	(3,983)	(3,242)	22.9%
Net mutual fund sales	(572)	342	(267.2%)	(1,056)	2,287	(146.2%)
Market appreciation (depreciation) of fund portfolios	(1,684)	(924)	82.3%	(2,625)	880	(398.3%)
Mutual fund AUM, end of period	\$ 26,371	\$ 30,024	(12.2%)	\$ 26,371	\$ 30,024	(12.2%)
Institutional and strategic accounts AUM	18,579	19,773	(6.0%)	18,579	19,773	(6.0%)
High-net-worth AUM	3,787	3,973	(4.7%)	3,787	3,973	(4.7%)
Total AUM, end of period	\$ 48,737	\$ 53,770	(9.4%)	\$ 48,737	\$ 53,770	(9.4%)
Average daily mutual fund AUM for the period	\$ 26,725	\$ 30,333	(11.9%)	\$ 27,901	\$ 29,477	(5.4%)

Global market declines and an industry trend of reduced gross sales of long-term funds resulted in a decrease in mutual fund AUM to \$26.4 billion at August 31, 2008, from \$30.0 billion as at August 31, 2007. The average daily mutual fund AUM for the three months ended August 31, 2008, decreased 11.9% to \$26.7 billion, compared with the same period in 2007. The average daily mutual fund AUM for the nine months ended August 31, 2008, decreased 5.4% to \$27.9 billion, compared with the same period in 2007. During the past 12 months, institutional and strategic accounts AUM decreased by \$1.2 billion to \$18.6 billion. This was as a result of market volatility and client rebalancing as well as redemptions. High-net-worth AUM decreased by \$0.2 billion to \$3.8 billion due to market volatility. These decreases resulted in total AUM decreasing by 9.4% to \$48.7 billion.

Market performance influences the level of AUM. During the three and nine months ended August 31, 2008, the Canadian-dollar-adjusted S&P 500 Index decreased 1.5% and 6.5%, the Canadian-dollar-adjusted NASDAQ Index increased 0.3% and decreased 5.5%, and the S&P/TSX Composite Index decreased 5.8% and increased 2.7%. The aggregate market depreciation of our mutual fund portfolios for the three months ended August 31, 2008, divided by the average daily mutual fund AUM for the period was 6.3%, after management fees and expenses paid by the funds. For the nine months ended August 31, 2008, this represented a market depreciation of 9.4%.

The impact of the U.S. dollar increase relative to the Canadian dollar on the market value of AGF mutual funds for the three months ended August 31, 2008, has been an increase in AUM of \$0.3 billion. For the nine months ended August 31, 2008, the impact of the U.S. dollar has been an increase 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, 2008, and August 31, 2007, are as follows:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2008	2007	% change	2008	2007	% change
Revenue						
Management and advisory fees	\$ 146.8	\$ 166.6	(11.9%)	\$ 457.2	\$ 482.9	(5.3%)
Deferred sales charges	6.4	4.9	30.6%	18.6	15.0	24.0%
Investment income and other revenue	2.0	1.9	5.3%	7.5	3.8	97.4%
	155.2	173.4	(10.5%)	483.3	501.7	(3.7%)
Expenses						
Selling, general and administrative	44.8	49.5	(9.5%)	135.3	142.1	(4.8%)
Trailing commissions	40.7	43.7	(6.9%)	124.2	124.5	(0.2%)
Investment advisory fees	3.7	3.6	2.8%	11.5	10.8	6.5%
	89.2	96.8	(7.9%)	271.0	277.4	(2.3%)
EBITDA*	66.0	76.6	(13.8%)	212.3	224.3	(5.4%)
Amortization	27.2	30.9	(12.0%)	84.5	92.1	(8.3%)
Income before taxes and non-segmented items	\$ 38.8	\$ 45.7	(15.1%)	\$ 127.8	\$ 132.2	(3.3%)

* For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section.

Revenue

For the three and nine-month periods ended August 31, 2008, revenue for the Investment Management Operations segment decreased by 10.5% and 3.7% compared with the previous-year periods, with changes in the following categories:

Management and Advisory Fees

The 11.9% and 5.4% decline in average daily mutual fund AUM in the three and nine months ended August 31, 2008, contributed to a 11.9% and 5.3% decrease in management and advisory fee revenue from the same periods in 2007. Management and advisory fee revenue is reported net of distribution fees paid to limited partnerships and other third-party financing entities. These distribution fees totalled \$1.5 million (2007 – \$2.1 million) for the three months ended August 31, 2008 and \$4.9 million (2007 – \$6.9 million) for the nine months ended August 31, 2008.

Deferred Sales Charges (DSC)

We receive DSC upon redemption of securities sold on the contingent DSC or back-end commission basis for which we finance 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 for the three and nine months ended August 31, 2008, increased by 30.6% and 24.0% from the same periods in 2007, reflecting higher retail mutual fund redemptions of DSC AUM that are subject to a charge.

Expenses

For the three and nine-month periods ended August 31, 2008, expenses decreased by 7.9% and 2.3% from the previous-year period. Changes in specific categories are described in the discussion that follows.

Selling, General and Administrative Expenses

Selling, general and administrative expenses (SG&A) for the three and nine-month periods ended August 31, 2008, were \$44.8 million and \$135.3 million. This represents a 9.5% and 4.8% decrease over the same periods in 2007. The decrease is made up of the following amounts:

(\$ millions)	Three months ended August 31,	Nine months ended August 31,
	2008	2008
Increase in fund absorption expenses	\$ 1.7	\$ 2.2
Decrease in compensation-related expenses	(5.6)	(5.5)
Decrease in other expenses	(0.8)	(3.5)
	\$ (4.7)	\$ (6.8)

The following explains expense changes in the three and nine-month periods ended August 31, 2008, compared with the previous-year periods:

- Our current estimate for 2008 absorption expense increased during the quarter as a result of lower average levels of AUM as compared to 2007.
- Compensation-related expenses decreased due to lower estimates for performance based payouts and lower severance payments.
- Other expenses decreased primarily as a result of reduced spending across a number of expense categories as we continue to focus on controlling expenses.

Trailing Commissions

Trailing commissions paid to investment dealers 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 mutual fund AUM increased to 0.61% and 0.59% for the three and nine months ended August 31, 2008, from 0.58% and 0.56% in the same 2007 periods. The trend in increasing trailers expressed as a percentage of AUM is attributable to an increased proportion of mutual fund AUM sold on a front-end basis. It is also attributable to a change in the mix of assets toward managed products, such as Harmony and Elements, which generally have higher trailer commissions.

Investment Advisory Fees

External investment advisory fees increased 2.8% and 6.5% for the three and nine-month periods ended August 31, 2008, compared with the previous-year period. The year-over-year increase relates primarily to the AGF Dividend Income Fund, which was managed internally for a portion of 2007.

EBITDA

EBITDA for the Investment Management Operations segment were \$66.0 million and \$212.3 million for the three and nine months ended August 31, 2008. This represents a decrease of 13.8% and 5.4% from \$76.6 million and \$224.3 million for the same periods of fiscal 2007. The decrease is directly attributable to lower revenue levels resulting from lower average AUM.

Amortization

The largest item in this category is amortization of deferred selling commissions. The category also represents amortization of property, equipment, customer contracts and other intangible assets. 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. Amortization expense related to deferred selling commissions was \$23.9 million and \$74.8 million in the three and nine months ended August 31, 2008, compared with \$27.5 million and \$81.2 million in the same periods in 2007.

During the third quarter of fiscal 2008, we paid \$17.6 million in selling commissions, compared with \$31.6 million in 2007. The decline is due to lower sales in 2008. As at August 31, 2008, the unamortized balance of deferred selling commissions stood at \$313.1 million. This is a decrease of \$6.0 million from the balance of \$319.1 million as at May 31, 2008. The contingent DSC that would be received if all of the DSC securities were redeemed at August 31, 2008, were estimated to be approximately \$414.7 million (August 31, 2007 – \$405.2 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust, we offer financial solutions, including GICs, real estate secured and investment loans, and Home Equity Lines of Credit (HELOC).

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through financial advisors. The market for these products derives from the efforts of financial advisors who continue to broaden their suite of products to meet the needs of their clients. AGF Trust has a competitive edge in the advisor channel as we leverage AGF's mutual fund wholesaler relationships. Our mutual fund wholesalers have operated successfully in the advisor channel for over 50 years.

We offer real estate secured loans to Canadians who have sound credit, but whose circumstances may not meet the requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed primarily through the mortgage broker channel, which has experienced strong growth. Borrowers have chosen to deal with mortgage brokers to take advantage of independent advice and competitive rates. Lenders have provided real estate secured loans in this channel to reduce distribution costs. HELOC loans are distributed through financial advisors to clients who generally have superior credit profiles.

Segment Strategy and Highlights

We strive to earn a high financial return and maximize synergies with the Investment Management Operations segment.

Specific strategies include:

- continuing to focus on organic growth in our real estate secured and investment loan portfolios
- introducing new products that directly serve the needs of advisors' clients
- developing effective sales strategies and targeted marketing
- using disciplined loan-underwriting standards and enterprise risk-management measures

For the three and nine months ended August 31, 2008, loan originations were \$362.0 million and \$1.3 billion. The majority of the funding for lending and investment activity comes from the ability to attract funds through the sale of GICs and the sale of loans through securitization. With the current global market volatility and the Asset-Backed Commercial Paper (ABCP) situation, AGF Trust continues to adapt to changing business conditions and increased funding costs across the industry. As previously reported, AGF Trust holds only bank-sponsored ABCP investments, and in the current and prior fiscal years, has used only a small portion of its funding in ABCP investments.

Net loan write-offs were \$3.2 million and \$6.7 million for the three and nine months ended August 31, 2008, compared to \$0.9 million and \$2.9 million in the same periods in the previous year. The increase in write-offs was due primarily to a 45% increase in the average balances, aging of the portfolio and equity market declines (which decrease the value of collateral on the investment loan portfolio). As at August 31, 2008, collateral value declines have resulted in approximately \$174.0 million of unsecured exposures in our secured investment loan portfolio. Our weighted average loan-to-value ratio on our conventional mortgage loan portfolio as at August 31, 2008 was 68.0%.

Total impaired loans expressed as a percentage of total loans outstanding were 0.5% as at August 31, 2008 and 0.7% as at November 30, 2007.

Securitization Transaction

In the second quarter of 2007, AGF Trust securitized \$263.6 million of RSP loans, recognizing a gain of \$8.0 million. There have been no securitization transactions in 2008.

Financial and Operational Results

The Trust Company Operations segment results for the three and nine months ended August 31, 2008 and August 31, 2007, are as follows:

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2008	2007	% change	2008	2007	% change
Interest income						
Loan interest	\$ 68.6	\$ 56.5	21.4%	\$ 203.8	\$ 150.6	35.3%
Investment interest	7.7	6.1	26.2%	25.2	14.2	77.5%
	76.3	62.6	21.9%	229.0	164.8	39.0%
Interest expense						
Deposit interest	52.6	36.2	45.3%	149.9	93.5	60.3%
Other interest expense	(1.8)	6.0	(130.0%)	5.7	14.3	(60.1%)
	50.7	42.2	20.1%	155.6	107.8	44.3%
Net interest income	25.6	20.4	25.5%	73.4	57.0	28.8%
Other revenue	2.6	2.4	8.3%	8.6	5.0	72.0%
Gain on RSP loan securitization and related income (loss), net of impairment ¹	0.2	1.4	(85.7%)	0.3	11.4	(97.4%)
Total revenue	28.4	24.2	17.4%	82.3	73.4	12.1%
Expenses						
Selling, general and administrative	10.6	8.7	21.8%	32.8	26.5	23.8%
Provision for loan losses	3.4	2.4	41.7%	9.9	7.6	30.3%
	14.0	11.1	26.1%	42.7	34.1	25.2%
EBITDA ²	14.4	13.1	9.9%	39.6	39.3	0.8%
Amortization	0.9	0.4	125.0%	1.9	1.1	72.7%
Income before taxes and non-segmented items	\$ 13.5	\$ 12.7	6.3%	\$ 37.7	\$ 38.2	(1.3%)

¹ The nine months ended August 31, 2007 includes an \$8.0 million securitization gain.

² For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section. The items required to reconcile EBITDA to net income, a defined term under Canadian GAAP, are detailed above.

Revenue, Net Interest Income and Net Interest Margin

Net interest income, which is expressed net of interest on deposits and other interest expense, increased 25.5% and 28.8% in the three and nine months ended August 31, 2008, over the same periods in 2007. Loan balances were approximately 31.0% higher as at August 31, 2008, compared to 2007. Other revenue increased by \$0.2 million and \$3.6 million in the three and nine-month periods ended August 31, 2008, over the same periods in the previous year. The increase in the nine-month period is due to higher loan balances and a gain from hedge ineffectiveness. Securitization gains and related items decreased \$1.2 million in the third quarter of 2008 versus the same quarter last year. The decrease is primarily due to a write down of retained interests, as a result of higher than anticipated prepayment rates on securitized loans in 2008. Total revenue increased by 17.4% and 12.1% for the three and nine months ended August 31, 2008.

The average net interest margin on lending products in the third quarter of 2008 was 2.33% (Q3 2007 – 2.55%). This spread decrease resulted from compression in the Prime-Canadian Dollar Offered Rate (CDOR) spread, an increase in the cost of GIC funding over the past nine months, a slight decrease in spreads on the investment loan portfolio and a change in the business mix to include a greater proportion of high credit-quality HELOCs. Since HELOCs are risk-priced, they earn lower spreads than the Trust Company's other lending products.

Selling, General and Administrative Expenses

The increases in SG&A expenses of 21.8% and 23.8% in the three and nine-month periods ended August 31, 2008, over the same periods in 2007, result from increased staffing levels to support the significant loan growth during the past 12 months and costs related to a move to new office premises.

Provision for Loan Losses

The total provision for loan losses increased 41.7% in the third quarter of 2008, compared with the previous-year period. This increase is attributable to the growth in the loan portfolio, the mix of loan types and an increase in loan write-offs primarily related to RSP loans. In addition, we have seen an increase in our loans past due but not impaired balances as at August 31, 2008, compared to November 30, 2007, as detailed in Note 7 of our Q3 2008 Consolidated Financial Statements. The majority of this increase is in the mortgage loans category and is reflective of seasonality issues surrounding collections of accounts.

EBITDA

EBITDA of \$14.4 million and \$39.6 million in the three and nine-month periods ended August 31, 2008 increased 9.9% and 0.8% compared with the same periods ended August 31, 2007. Excluding the securitization gain of \$8.0 million in the nine months ended August 31, 2007, EBITDA increased 26.5% in the nine-month period ended August 31, 2008, compared to the same period in 2007, which is consistent with the growth in loan assets.

Operational Performance

The table below highlights our key operational measures for the Trust Company Operations segment for the three and nine months ended August 31, 2008 and August 31, 2007.

(\$ millions)	Three months ended August 31,			Nine months ended August 31,		
	2008	2007	% change	2008	2007	% change
Real estate secured loans ¹						
Insured mortgage loans	\$ 626.2	\$ 532.0	17.7%	\$ 626.2	\$ 532.0	17.7%
Conventional mortgage loans	800.4	701.5	14.1%	800.4	701.5	14.1%
HELOCs	620.0	391.6	58.3%	620.0	391.6	58.3%
	2,046.6	1,625.1	25.9%	2,046.6	1,625.1	25.9%
Investment loans ¹						
Secured investment loans	1,759.0	1,368.2	28.6%	1,759.0	1,368.2	28.6%
RSP loans	589.2	356.9	65.1%	589.2	356.9	65.1%
Other loans	13.0	15.5	(16.1%)	13.0	15.5	(16.1%)
	2,361.2	1,740.6	35.7%	2,361.2	1,740.6	35.7%
Other assets	959.5	635.0	51.1%	959.5	635.0	51.1%
Total Assets	\$ 5,367.3	\$ 4,000.7	34.2%	\$ 5,367.3	\$ 4,000.7	34.2%
Net interest income	\$ 25.6	\$ 20.4	25.5%	\$ 73.4	\$ 57.0	28.8%
Gain on RSP loan securitization and related income (loss), net of impairment ²	0.2	1.4	(85.7%)	0.3	11.4	(97.4%)
Other revenue	2.6	2.4	8.3%	8.6	5.0	72.0%
Non-interest expenses ³	(11.5)	(9.1)	26.4%	(34.7)	(27.6)	25.7%
Provision for loan losses	(3.4)	(2.4)	41.7%	(9.9)	(7.6)	30.3%
Income before taxes and non-segmented items	\$ 13.5	\$ 12.7	6.3%	\$ 37.7	\$ 38.2	(1.3%)
Efficiency ratio ⁴	40.5%	37.6%		42.2%	37.5%	
Assets-to-capital multiple ⁴	15.1	15.4		15.1	15.4	

¹ Includes loan provision and deferred sales commission.

² The nine months ended August 31, 2007 includes an \$8.0 million securitization gain.

³ Includes SG&A and amortization expenses.

⁴ For the definition of efficiency ratio and assets-to-capital multiple, see the "Key Performance Indicators and Non-GAAP Measures" section.

Loan Asset Growth

Our continued sales efforts directed at the mortgage broker and advisor channels resulted in significant loan assets growth year-over-year. Real estate secured loan assets grew 25.9% year-over-year and benefited from a steady originations of HELOCs.

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

Secured investment loans increased 28.6% to \$1.8 billion as at August 31, 2008, over the same period in 2007. RSP loan balances increased by \$233.0 million as at August 31, 2008. This is a result of a strong RSP season despite volatile equity markets.

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. In the third quarter of 2008, the efficiency ratio experienced an unfavourable change to 40.5% from 37.6% in the same period of 2007. The efficiency ratio for the nine-month period ended August 31, 2008, also experienced an unfavourable change to 42.2% from 37.5% in the same period in 2007.

Balance Sheet

Our balance sheet has grown significantly during the past year, with our financial position remaining solid. Total assets increased 34.2% to \$5.4 billion as at August 31, 2008, compared with the previous year. As at August 31, 2008, our asset-to-capital multiple stood at 15.1 times, compared with 15.4 times at the same time last year. Our risk-based capital ratio was 15.6% as at August 31, 2008. AGF Trust received \$35.0 million in debt and equity capital from AGF Management Limited during the nine-month period ended August 31, 2008, to support increased asset levels. Liquid assets were high with \$689.8 million in cash and cash equivalents as at August 31, 2008 (November 30, 2007 – \$791.3 million), excluding cash currently pledged to counterparties.

Loan Portfolio Credit

The general allowance for real estate secured loan losses was increased during the year to \$9.2 million from \$7.4 million a year ago. The general allowance for investment loan losses increased to \$9.2 million from \$6.7 million a year ago. Approximately 43.9% of real estate secured loan assets, excluding HELOCs, are insured. 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 expense for impaired RSP loans, which consists of the increase in specific allowances, plus write-offs net of recoveries (excluding securitized RSP loans) was \$3.9 million for the nine months ended August 31, 2008 (2007 – \$2.1 million). For the balance of our loan products, the expense for impaired loans was \$2.8 million (2007 – \$0.8 million).

Liquidity and Capital Resources

Consolidated cash flow generated from continuing operating activities, before net change in non-cash balances related to operations, was \$66.2 million and \$220.1 million for the three and nine months ended August 31, 2008. This compares with \$69.7 million and \$222.8 million in the same periods of 2007.

Consolidated free cash flow is defined as cash flow from operations less selling commissions paid. It was \$48.6 million and \$147.9 million for the three and nine months ended August 31, 2008, compared with \$38.1 million and \$97.9 million in the same period of 2007. We paid \$17.6 million and \$72.2 million in selling commissions during the three and nine months ended August 31, 2008, which were deferred for accounting purposes. This compares with \$31.6 million and \$124.9 million paid and deferred in the same periods in 2007.

Our free cash flow was used primarily to fund the following:

(\$ millions)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Payment of dividends	\$ 21.5	\$ 17.5	\$ 58.5	\$ 49.0
Acquisitions of subsidiaries	0.0	7.8	20.8	27.7
Purchase of property, equipment and other intangible assets	2.6	3.5	5.3	6.1
Bank credit facility repayment (borrowing)	24.2	(5.0)	12.1	(89.0)
Investment in Trust Operations (eliminated on consolidation)	0.0	17.0	35.0	65.5
	\$ 48.3	\$ 40.8	\$ 131.7	\$ 59.3

During the three months ended August 31, 2008, our revolving term loan balance decreased \$24.2 million to \$147.8 million. Consolidated cash and cash equivalents of \$733.6 million decreased by \$94.3 million from November 30, 2007 levels of \$827.9 million (2007 – increased by \$200.1 million). This was primarily due to Trust investing \$140.0 million of cash into investments available for sale.

On May 26, 2008, the Company, under its current loan agreement, arranged an additional three-year prime-rate based reducing term loan to a maximum of \$60.0 million (Facility 2). Facility 2 will be used to finance share repurchases, permitting AGF to draw down the reducing term loan by direct advances or bankers' acceptances (BAs). No share repurchases were made in the third quarter and the availability of Facility 2 has been extended to the earlier of December 31, 2008 (from September 30, 2008), or the date the facility is fully drawn. Following this date, Facility 2 is payable in equal quarterly instalments over twelve quarters. Any undrawn portion of Facility 2 at the end of the availability date will be permanently cancelled.

We also have a six-year prime rate-based revolving term loan facility to a maximum of \$300.0 million, of which \$146.9 million was available to be drawn as at August 31, 2008. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had \$43.8 million of cash as at August 31, 2008. Some of this cash will be used to repay bank debt in the remainder of 2008. 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 and pay quarterly dividends.

Capital Management Activities

We actively manage our capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders, 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 Capital Committee for approval prior to seeking Board approval. AGF's Capital Committee consists of the Chairman and CEO, the Vice-Chairman, Senior Vice-President and CFO, and the Senior Vice-President and General Counsel. Once approved by the Capital 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 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 regarding regulatory capital requirements. 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.

AGF Trust – Regulatory Capital

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's policy is to maintain its regulatory capital ratios consistent with requirements as laid out by the Company's principal regulator. As of January 1, 2008, AGF Trust is monitoring its regulatory capital based on the Bank for International Settlements (BIS) regulatory risk-based capital framework (commonly known as Basel II). AGF Trust uses the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk. During the third quarter of 2008, AGF Trust has complied with these Basel II requirements. Refer to the following section for more information on Basel II and to Note 13 of the Q3 2008 Consolidated Financial Statements

A capital plan prepared annually specifies the target capital ratios by taking into account the projected risk-weighted asset levels and expected capital management initiatives. Regulatory capital ratios are reported monthly to management. Regulatory capital ratio monitoring reports are provided on a quarterly basis to the Trust Board.

AGF Trust – Basel II Capital Accord

AGF Trust is subject to the Basel II framework, which was developed by the Basel Committee on Banking Supervision. Its objectives are to improve the consistency of capital requirements internationally and make required regulatory capital more risk sensitive. Basel II sets out several options, which represent increasingly risk-sensitive approaches to calculating credit, market and operational risk-based regulatory capital. AGF Trust uses the Standardized Approach for credit risk under the Basel II capital adequacy regime. It is the simplest approach, which uses supervisory determined risk weights to measure risk-weighted assets. The Standardized Approach under Basel II is principally distinguished from the prior capital adequacy regime for AGF Trust in the following ways: Basel II allows some recognition of the credit risk mitigation provided by mutual funds as collateral for secured investment loans and imposes a somewhat lower risk weight for retail credit exposures.

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

AGF Trust uses the Basic Indicator Approach under the Basel II capital adequacy regime to determine the capital required for operational risk. The Basic Indicator Approach uses gross income as a proxy for the institution's overall operation risk. The capital required for operational risk is determined by multiplying the average of the trailing three years' gross income by a fixed percentage.

Regulatory capital at AGF Trust is detailed as follows:

(\$ thousands)	As at August 31, 2008	As at November 30, 2007 ¹
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,234	910
Retained earnings	105,299	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(18,802)	-
	234,499	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	18,357	15,277
Less: securitization and other	(7,165)	(26,669)
	120,692	78,108
Total capital	\$ 355,191	\$ 290,649

¹ Information based on capital adequacy requirements in force at that date.

Dividends

On September 23, 2008, we declared a 25-cents-per-share dividend on Class A and Class B shares, which approximates a 4.0% dividend yield. This dividend will be payable on October 21, 2008, to shareholders of record on October 10, 2008.

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

Our Board of Directors may determine that Class B 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 shares is substantially equal to a cash dividend. This determination is based on the weighted average price at which the Class B shares traded on the Toronto Stock Exchange (TSX) during the 10 trading days immediately preceding the record date applicable to such dividend.

The following table sets forth the dividends paid by AGF on Class B shares and Class A shares for the periods indicated:

Years Ended November 30	2008*	2007	2006	2005	2004
Per share	\$ 0.950	\$ 0.780	\$ 0.690	\$ 0.560	\$ 0.410
Percentage increase	22%	13%	23%	37%	39%

* Subject to quarterly review and approval by AGF's Board of Directors.

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.

Normal Course Issuer Bid

In February 2008, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,253,822 Class B shares, or 10% of the public float for such shares. The Company received approval from the TSX on February 22, 2008, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,253,822 Class B shares through the facilities of the TSX (or as otherwise permitted by the TSX) between February 26, 2008 and February 25, 2009. The Class B shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX.

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

As at August 31, 2008, under this current normal course issuer bid, no Class B shares have been repurchased. AGF's previous normal course issuer bid, initiated on February 26, 2007, allowed for the repurchase of up to 7,303,844 Class B shares between February 26, 2007 and February 25, 2008, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased an aggregate of 1,437,800 Class B shares, for a total consideration of \$45.5 million at an average price of \$31.67 per share.

Outstanding Share Data

Set out below is our outstanding share data as at August 31, 2008. For additional details, see Note 9 of the Q3 2008 Consolidated Financial Statements.

As at August 31,	2008	2007
Shares		
Class A voting common shares	57,600	57,600
Class B non-voting shares	89,442,224	90,290,515
Stock Options		
Outstanding options	3,909,948	3,547,766
Exercisable options	1,943,192	1,545,034

Selected Quarterly Information

(\$ millions, except per share amounts) For the three-month period ended	Aug. 31, 2008	May 31, 2008	Feb. 29, 2008	Nov. 30, 2007
Revenue (continuing operations)	\$ 184.7	\$ 194.3	\$ 194.3	\$ 199.1
Cash flow from continuing operations ¹	66.2	71.5	82.3	90.7
EBITDA (continuing operations) ²	81.5	88.6	89.5	87.5
Pre-tax income (continuing operations)	51.3	57.9	56.6	53.9
Net income	41.1	44.0	62.7	49.4
Earnings per share				
Basic	\$ 0.46	\$ 0.49	\$ 0.70	\$ 0.55
Diluted	\$ 0.46	\$ 0.49	\$ 0.70	\$ 0.54
Weighted average basic shares	89,451,578	89,349,275	89,039,394	90,200,924
Weighted average fully diluted shares	89,870,475	89,785,796	89,807,506	91,566,659

(\$ millions, except per share amounts) For the three-month period ended	Aug. 31, 2007	May 31, 2007	Feb. 28, 2007	Nov. 30, 2006
Revenue (continuing operations)	\$ 199.2	\$ 204.9	\$ 177.0	\$ 158.5
Cash flow from operations ¹	69.7	84.4	68.7	53.1
EBITDA (continuing operations) ²	91.3	98.0	80.4	60.3
Pre-tax income (continuing operations)	57.3	63.3	49.1	26.2
Net income	39.4	53.6	36.3	21.0
Earnings per share				
Basic	\$ 0.44	\$ 0.60	\$ 0.41	\$ 0.24
Diluted	\$ 0.43	\$ 0.59	\$ 0.40	\$ 0.23
Weighted average basic shares	90,299,033	89,798,419	89,474,827	89,174,064
Weighted average fully diluted shares	91,847,103	91,316,967	90,640,734	89,890,105

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

² For the definition of EBITDA, see the "Key Performance Indicators and Non-GAAP Measures" section.

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying Notes for the three and nine months ended August 31, 2008, our 2007 annual MD&A and Consolidated Financial Statements, our 2007 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 Balance Sheets

(\$ thousands) (unaudited)	August 31, 2008	November 30, 2007
Assets		
Current Assets		
Cash and cash equivalents	\$ 733,597	\$ 827,874
Investments available for sale	163,429	26,149
Accounts receivable and prepaid expenses	78,078	93,141
Current portion of retained interest from securitization (note 2)	6,258	7,501
Real estate secured and investment loans due within one year (note 7)	627,043	492,756
	1,608,405	1,447,421
Retained interest from securitization (note 2)	40,549	43,424
Real estate secured and investment loans (note 7)	3,780,550	3,187,605
Investment in associated company	102,664	102,600
Management contracts	504,269	504,269
Customer contracts, net of accumulated amortization	59,981	65,805
Deferred selling commissions, net of accumulated amortization	313,104	315,275
Property, equipment and computer software, net of accumulated amortization	20,276	20,812
Goodwill	180,058	180,058
Trademarks	1,935	1,935
Other assets (notes 3 and 7(e))	45,403	7,608
Total assets	\$ 6,657,194	\$ 5,876,812
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 304,636	\$ 261,115
Future income taxes (note 12)	40,383	48,304
Long-term debt due within one year (note 8)	25,325	25,611
Deposits due within one year (note 7)	2,472,708	1,847,494
	2,843,052	2,182,524
Deposits (note 7)	2,317,434	2,235,848
Long-term debt (note 8)	147,759	184,486
Future income taxes (note 12)	183,966	202,923
Other long-term liabilities (note 9 (e))	5,510	1,638
Total liabilities	5,497,721	4,807,419
Non-controlling interest	242	391
Shareholders' equity		
Capital stock (note 9)	436,149	421,923
Contributed surplus	16,062	14,948
Retained earnings	720,728	635,369
Accumulated other comprehensive income	(13,708)	(3,238)
Total shareholders' equity	1,159,231	1,069,002
Total liabilities and shareholders' equity	\$ 6,657,194	\$ 5,876,812

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Income

(\$ thousands) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007 (note 3)	2008	2007 (note 3)
Revenue				
Management and advisory fees	\$ 146,827	\$ 166,609	\$ 457,201	\$ 482,919
Deferred sales charges	6,375	4,998	18,597	15,007
Gain on RSP loan securitization and related income (loss), net of impairment (note 2)	163	1,424	250	11,404
Investment income and other revenue	5,737	5,754	23,877	14,850
	159,102	178,785	499,925	524,180
AGF Trust interest income (note 11)	76,293	62,549	229,048	164,785
AGF Trust interest expense (note 11)	(50,729)	(42,151)	(155,620)	(107,812)
AGF Trust net interest income	25,564	20,398	73,428	56,973
Total Revenue	184,666	199,183	573,353	581,153
Expenses				
Selling, general and administrative	55,296	58,161	168,069	168,499
Trailing commissions	40,746	43,700	124,191	124,566
Investment advisory fees	3,719	3,615	11,516	10,815
Amortization of deferred selling commissions	23,907	27,502	74,760	81,209
Amortization of customer contracts	1,856	1,976	5,825	5,944
Amortization of property, equipment, computer software and other intangible assets	2,339	1,822	5,832	5,946
Interest expense	2,098	2,754	7,494	7,030
Provision for AGF Trust loan losses	3,396	2,412	9,857	7,597
	133,357	141,942	407,544	411,606
Income from continuing operations before income taxes and non-controlling interest	51,309	57,241	165,809	169,547
Income tax expense (reduction) (note 12)				
Current	17,813	22,150	42,281	38,996
Future	(7,793)	(4,471)	(24,763)	3,391
	10,020	17,679	17,518	42,387
Non-controlling interest (note 4)	150	211	446	678
Net income from continuing operations for the period	41,139	39,351	147,845	126,482
Loss on dissolution of Limited Partnerships, net of tax (note 6)	-	-	-	(2,128)
Gain on sale of discontinued operations, net of tax (note 3)	-	-	-	4,702
Net earnings from discontinued operations, net of tax (note 3)	-	-	-	247
Net income for the period	\$ 41,139	\$ 39,351	\$ 147,845	\$ 129,303
Earnings per share (note 9)				
Basic from continuing operations	\$ 0.46	\$ 0.44	\$ 1.66	\$ 1.41
Diluted from continuing operations	\$ 0.46	\$ 0.43	\$ 1.65	\$ 1.39
Basic	\$ 0.46	\$ 0.44	\$ 1.66	\$ 1.44
Diluted	\$ 0.46	\$ 0.43	\$ 1.65	\$ 1.42

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Changes in Shareholders' Equity

(\$ thousands) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Common shares				
Balance, beginning of period	\$ 434,621	\$ 425,122	\$ 421,923	\$ 403,566
Issued through dividend reinvestment plan	819	594	3,989	3,069
Stock options exercised	709	285	5,121	13,694
Issued on acquisition of Highstreet Partners Limited (note 4)	–	–	5,116	5,672
Issued for Cypress contingent consideration (note 5)	–	1,200	–	1,200
Balance, end of period	436,149	427,201	436,149	427,201
Contributed surplus				
Balance, beginning of period	14,962	12,720	14,948	10,470
Stock options	1,100	1,072	1,114	3,322
Balance, end of period	16,062	13,792	16,062	13,792
Retained earnings				
Balance, beginning of period	701,947	621,477	635,369	565,576
Transitional adjustment on adoption of new accounting policies	–	–	–	(25)
Balance, beginning of period, as restated	701,947	621,477	635,369	565,551
Net income for the period	41,139	39,351	147,845	129,303
Dividends on AGF Class A voting common shares and AGF Class B non-voting shares	(22,358)	(18,057)	(62,486)	(52,083)
Balance, end of period	720,728	642,771	720,728	642,771
Accumulated other comprehensive income (loss)				
Balance, beginning of period	(10,444)	2,917	(3,238)	3,792
Other comprehensive income (loss)	(3,264)	(1,774)	(10,470)	(2,649)
Balance, end of period	(13,708)	1,143	(13,708)	1,143
Total shareholders' equity	\$ 1,159,231	\$ 1,084,907	\$ 1,159,231	\$ 1,084,907

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Comprehensive Income

(\$ thousands) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Net income	\$ 41,139	\$ 39,351	\$ 147,845	\$ 129,303
Other comprehensive income (losses), net of tax				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations ¹	(1,594)	293	(5,570)	(5,276)
Reclassification of realized loss to earnings	–	(509)	–	–
	(1,594)	(216)	(5,570)	(5,276)
Net unrealized gains (losses) on available for sale securities				
Unrealized gains (losses) ²	(2,112)	(1,554)	(4,276)	2,631
Reclassification of realized loss or other than temporary impairment to earnings	–	(4)	(77)	(4)
	(2,112)	(1,558)	(4,353)	2,627
Net unrealized gains (losses) on cash flow hedges				
Unrealized gains (losses) ³	291	–	(946)	–
Reclassification of realized gain on cash flow hedges	151	–	399	–
	442	–	(547)	–
Total other comprehensive income (loss), net of tax	\$ (3,264)	\$ (1,774)	\$ (10,470)	\$ (2,649)
Comprehensive income	\$ 37,875	\$ 37,577	\$ 137,375	\$ 126,654

¹ Net of income tax reduction of \$0.2 million and \$0.9 million for the three and nine months ended August 31, 2008. Net of income tax expense of \$0.1 million and income tax reduction of \$1.0 million for the three and nine months ended August 31, 2007.

² Net of income tax reduction of \$0.4 million and \$0.9 million for the three and nine months ended August 31, 2008. Net of income tax reduction of \$0.6 million and income tax expense of \$0.5 million for the three and nine months ended August 31, 2007.

³ Net of income tax expense of \$0.1 million and net of income tax reduction of \$0.5 million for the three and nine months ended August 31, 2008.

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

AGF Management Limited
Consolidated Statements of Cash Flow

(\$ thousands) (unaudited)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Operating Activities				
Net income for the period	\$ 41,139	\$ 39,351	\$ 147,845	\$ 129,303
Loss on dissolution of limited partnerships, net of tax	–	–	–	2,128
Gain on sale of discontinued operation, net of tax	–	–	–	(4,702)
Earnings from discontinued operations, net of tax	–	–	–	(247)
Net income from continuing operations	41,139	39,351	147,845	126,482
Items not affecting cash				
Amortization	28,102	31,300	86,417	93,099
Future income taxes	(7,793)	(4,471)	(24,763)	3,391
Gain on RSP loan securitization and related income (loss), net of impairment	(163)	(1,424)	(250)	(11,404)
Stock-based compensation	2,225	1,593	6,684	4,841
Provision for AGF Trust loan losses	3,396	2,412	9,857	7,597
Other	(660)	941	(5,701)	(1,226)
	66,246	69,702	220,089	222,780
Net increase in non-cash balances related to operations	30,810	60,341	62,888	65,712
Net cash provided by continuing operating activities	97,056	130,043	282,977	288,492
Net cash used in discontinued operating activities	–	–	–	(1,271)
Net cash provided by operating activities	97,056	130,043	282,977	287,221
Financing Activities				
Issue of Class B non-voting shares	581	286	2,483	13,694
Dividends	(21,539)	(17,464)	(58,497)	(49,014)
Increase (decrease) in bank loan	(24,209)	5,000	(12,133)	89,000
Net increase in AGF Trust deposits	74,945	413,995	669,068	1,093,648
Net cash provided by continuing financing activities	29,778	401,817	600,921	1,147,328
Investing Activities				
Deferred selling commissions paid	(17,574)	(31,589)	(72,242)	(124,901)
Proceeds of RSP loan securitization	–	–	–	252,878
Acquisition of subsidiaries, net of cash acquired	–	(7,800)	(20,784)	(27,673)
Proceeds of sale of discontinued operations	–	–	–	2,747
Purchase of property, equipment and other intangible assets	(2,553)	(3,503)	(5,296)	(6,101)
Other investment activities	(2,543)	(2,070)	(142,709)	(5,440)
Net increase in AGF Trust real estate secured and investment loans	(119,058)	(390,986)	(737,144)	(1,325,964)
Net cash used in continuing investing activities	(141,728)	(435,948)	(978,175)	(1,234,454)
Increase (decrease) in cash and cash equivalents during the period	(14,894)	95,912	(94,277)	200,095
Balance of cash and cash equivalents beginning of period	748,491	508,298	827,874	404,115
Balance of cash and cash equivalents, end of period	\$ 733,597	\$ 604,210	\$ 733,597	\$ 604,210
Cash and cash equivalents related to:				
Continuing operations			\$ 733,597	\$ 604,210
Discontinued operations			–	–
			\$ 733,597	\$ 604,210
Represented by:				
Cash and cash equivalents			\$ 43,821	\$ 52,001
AGF Trust cash and cash equivalents			689,776	552,209
			\$ 733,597	\$ 604,210

Refer to note 10 for supplemental cash flow information.

(The accompanying notes are an integral part of these Consolidated Financial Statements.)

Notes to Consolidated Financial Statements

For the three and nine months ended August 31, 2008, and August 31, 2007 (tabular amounts in thousands of dollars, except per share amounts) (unaudited)

These unaudited Q3 2008 Consolidated Financial Statements of AGF Management Limited (AGF or the Company) have been prepared in accordance with Canadian Generally Accepted Accounting Principles (GAAP), using the same significant accounting policies as AGF's Consolidated Financial Statements for the year ended November 30, 2007. These financial statements do not contain all the disclosures required by Canadian GAAP for annual financial statements and should be read in conjunction with the Consolidated Financial Statements for the year ended November 30, 2007, published in AGF's 2007 Annual Report. Certain comparative amounts in these financial statements have been reclassified to conform to the current year's presentation.

Note 1: Changes in Accounting Policy

Capital Disclosures

Effective December 1, 2007, the CICA's new accounting standard "Handbook Section 1535, Capital Disclosures" was adopted. This requires the disclosure of both qualitative and quantitative information to enable users of financial statements to evaluate the entity's objectives, policies and processes for managing capital. The new standard did not have any impact on the financial position or earnings of the Company. Refer to Note 13.

Financial Instruments Disclosures and Presentation

Effective December 1, 2007, the accounting and disclosure requirements of the CICA's two new accounting standards were adopted: "Handbook Section 3862, Financial Instruments – Disclosures" and "Handbook Section 3863, Financial Instruments – Presentation". The new standards did not have any impact on the financial position or earnings of the Company. Refer to Note 14.

Future Accounting Changes

The Canadian Accounting Standards Board (AcSB) confirmed a plan to adopt the International Financial Reporting Standards (IFRS) in 2011, for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will adopt IFRS. The impact of the adoption of IFRS is not known at this time.

On December 1, 2008, the Company will adopt "CICA 3064, Goodwill and Intangible Assets". This standard contains revised rules on the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The adoption of this standard is not expected to have a significant impact on the Company's financial position or results of operation.

Note 2: Securitization of AGF Trust Loans

The Company, through its wholly-owned subsidiary AGF Trust Company (AGF Trust), has securitized RSP loans through the sale of these loans to a securitization trust. As at August 31, 2008, \$186.7 million (November 30, 2007 – \$291.1 million) of securitized loans were outstanding.

On March 30, 2007, AGF Trust securitized \$263.6 million of RSP loans. Cash flows of \$252.9 million were received and a gain of \$8.0 million was recorded, net of transaction fees of \$0.1 million.

When RSP loan receivables are sold in securitization to a securitization trust under terms that transfer control to third parties, the transaction is recognized as a sale and the related loan assets are removed from the Consolidated Balance Sheet. As part of the securitization, certain financial assets are retained. The retained interests are carried at fair value and are determined using the present value of future expected cash flows. A gain or loss on the sale of loan receivables is recognized immediately in income. The amount of the gain or loss is determined by estimating the fair value of future expected cash flows using management's best estimates of key assumptions: excess spread, discount rate on the interest-only strip, expected credit losses, prepayment rates and the expected weighted average life of RSP loans that are commensurate with the risks involved. The current fair value of retained interests is determined using the present value of future expected cash flows as discussed above.

The Company has recorded retained interests of \$46.8 million (November 30, 2007 – \$50.9 million) made up of i) the rights to future excess interest on these RSP loans after investors in the securitization trust have received the return for which they contracted, valued at \$14.7 million (November 30, 2007 – \$20.4 million), ii) cash collateral of \$11.9 million (November 30, 2007 – \$11.3 million) and iii) over-collateralization of \$20.2 million (November 30, 2007 – \$19.2 million).

As at August 31, 2008, the impaired loans included in the securitized balances were equal to \$0.3 million (November 30, 2007 – \$0.7 million), and during the three and nine months ended August 31, 2008, \$0.6 million (2007 – \$0.5 million) and \$2.2 million (2007 – \$1.1 million) of securitized RSP loans were written off.

The Company's claim on the retained interests is subordinate to investors' interests. Recourse available to investors and the securitization trust are limited to the retained interests. For the three months ended August 31, 2008, cash flows of \$1.9 million (2007 – \$5.7 million) were received on the securitized loans. Of this, \$1.9 million was related to the interest-only strip (2007 – \$3.4 million) and none related to the over-collateralization (2007 – \$2.3 million). For the nine months ended August 31, 2008, cash flows of \$6.1 million (2007 – \$13.4 million) were received on the securitized loans, of which \$6.1 million was related to the interest-only strip (2007 – \$8.6 million) and none related to the over-collateralization (2007 – \$4.8 million). The total other expense recognized from securitization during the three months ended August 31, 2008, was \$0.2 million (2007 – \$1.4 million income), net of securitization writedown. The total other income recognized from securitization during the nine months ended August 31, 2008, was \$0.3 million (2007 – \$3.4 million), net of securitization writedown.

The significant assumptions used to value the sold and retained interests were as follows:

Excess spread	3.7% – 3.9%
Discount rate on interest-only strip	7.5%
Expected credit losses	0.8%
Prepayment rate	16.3% – 18.3%
Expected weighted average life of RSP loans	23 – 25 months

The Trust Company retained servicing responsibilities for the securitized loans. A servicing liability of \$1.2 million was recorded as at August 31, 2008 (November 30, 2007 – \$1.8 million). This amount represents the estimated future cost of servicing the securitized loans and has been offset against the gain on the sale of the RSP loans. The amount amortized related to the servicing liability during the three and nine months ended August 31, 2008, was \$0.2 million (2007 - \$0.3 million) and \$0.6 million (2007 - \$0.7 million).

The following table presents key economic assumptions and the sensitivity of the current fair value of retained interests to two adverse changes in each key assumption, as at August 31, 2008. Since the sensitivity is hypothetical, it should be used with caution. The effect of changes in the fair value of retained interests was calculated using a discounted cash flow analysis.

(\$ thousands)	
Discount rate	
+10%	\$ 137
+20%	271
Prepayment rate	
+10%	\$ 290
+20%	517
Expected credit losses	
+10%	\$ 267
+20%	535
Excess spread	
+10%	\$ 1,117
+20%	2,246

Note 3: Discontinued Operations

On April 30, 2007, AGF sold 100% of Investmaster for \$6.8 million and the additional contingent consideration that is not determinable at this time, recognizing a gain on the sale of \$4.7 million. The purchase consideration included \$5.0 million in cash and two notes receivable from the buyer. The two notes receivable, totalling \$1.8 million at the time of sale, are included in account receivables and in other assets and are due on April 30, 2009, and April 30, 2010. The contingent consideration will be payable to AGF in 2009 and 2010 if certain working capital and revenue targets are reached by Investmaster. Accordingly, Investmaster's operations for the 2007 period have been reported as discontinued operations.

(\$ thousands, except per share amounts)	Three months ended August 31,		Nine months ended August 31,	
	2007		2007	
Revenue	\$	–	\$	4,342
Net earnings (loss) from discontinued operations, net of tax	\$	–	\$	247
Basic net earnings per share	\$	–	\$	–
Diluted net earnings per share	\$	–	\$	–

Note 4: Acquisition of Highstreet Partners Limited

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet), which wholly owns Highstreet Asset Management Inc., an investment counsel firm based in London, Ontario. The purchase consideration is payable in a combination of cash and the issue of Class B non-voting shares (Class B shares). As at August 31, 2008, AGF has made payments of \$41.0 million in cash and \$10.8 million through the issue of 440,999 AGF Class B shares, which approximates 66.6% of the expected total payments. An additional payment of \$25.9 million (principal and imputed interest) is due on February 28, 2009, for total minimum consideration, including acquisition costs, of \$74.4 million. In addition, a contingent consideration will be paid in 2010 if certain financial profitability targets are achieved by Highstreet. At this time, the amount of the contingent consideration is not determinable.

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

(\$ thousands)	
Net assets acquired	
Cash	\$ 354
Other assets	3,011
Management contracts	26,010
Customer contracts	14,160
Goodwill	45,895
Trademarks	1,935
Current liabilities	(2,955)
Future income taxes	(14,014)
	\$ 74,396
Consideration paid (including acquisition costs)	
Cash	\$ 20,228
Issue of Class B shares (note 9)	5,672
Payments subsequent to acquisition date (note 8)	47,896
Acquisition costs	600
	\$ 74,396

Note 5: Acquisition of Cypress Capital Management Limited

On June 30, 2004, AGF acquired 100% of the shares of Cypress Capital Management Limited (Cypress). At the time of purchase, contingent consideration of up to \$9.0 million was due to the vendors, subject to Cypress achieving certain revenue levels over the three-year period ended June 30, 2007. During 2007, AGF determined that these revenue levels were exceeded, and the consideration of \$9.0 million was paid. The payment consisted of \$7.8 million in cash and the issue of 33,367 Class B shares valued at \$1.2 million. The payment was recorded as an increase in goodwill on June 30, 2007.

Note 6: Dissolution of Partnerships

On February 28, 2007, the unitholders and the respective boards of directors of the following limited partnerships (LPs) – AGF Limited Partnership 1990, AGF Limited Partnership 1991, 20/20 Group 1990 Private Limited Partnership, 20/20 Group 1990 Limited Partnership and 20/20 Group 1992 Limited Partnership – approved dissolution of each LP. On March 1, 2007, as part of the LP dissolution process, AGF purchased the future distribution fees remaining payable by AGF to the LPs or purchased the outstanding units for total cash consideration of \$3.2 million (\$2.1 million net of taxes). As a result of the aforementioned transaction, no further distribution will be made to these LPs.

Note 7: AGF Trust

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:

(\$ thousands)	Term to contractual repricing			August 31, 2008	November 30, 2007
	Variable rate	1 year or less	1 to 5 years		
Mortgage loans	\$ 1,567	\$ 565,149	\$ 865,756	\$ 1,432,472	\$ 1,326,327
Home equity lines of credit (HELOC)	615,942	–	–	615,942	449,151
Total real estate secured loans	617,509	565,149	865,756	2,048,414	1,775,478
Investment loans	2,356,987	5,084	7,938	2,370,009	1,914,686
	2,974,496	570,233	873,694	4,418,423	3,690,164
Less: allowance for loan losses				(20,319)	(17,137)
Add: net deferred sales commissions and commitment fees				9,489	7,334
				4,407,593	3,680,361
Less: current portion				(627,043)	(492,756)
				\$ 3,780,550	\$ 3,187,605
Impaired loans included in above				\$ 23,448	\$ 25,821
Less: specific allowance for loan losses				(1,962)	(1,860)
				\$ 21,486	\$ 23,961

(a) Real Estate Secured and Investment Loans

The table 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 August 31, 2008, were \$627.0 million (November 30, 2007 – \$492.8 million).

As at August 31, 2008, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages, of which \$626.2 million (November 30, 2007 – \$563.5 million) is insured, with a weighted average term to repricing of 2.0 years (November 30, 2007 – 2.0 years) and a weighted average yield of 7.17% (November 30, 2007 – 7.20%). Investment loans have interest rates based on prime. As at August 31, 2008, the average interest rate on HELOCs was 4.79% (November 30, 2007 – 6.30%) and on investment loans was 6.09% (November 30, 2007 – 7.60%). Mortgage and HELOC loans are secured primarily by residential real estate. Investment loans, excluding RSP loans, are secured primarily by the investment made using the initial loan proceeds.

(b) Loans Past Due but Not Impaired

Loans are considered to be past due where repayment of principal or interest is contractually in arrears. Loans are classified as impaired when, in the opinion of management, there is reasonable doubt as to the collectability, either in whole or in part, of principal or interest, or when principal or interest is 90 days past due, except where the loan is both well-secured and in the process of collection. The following table provides an analysis of loans that are past due but not impaired:

(\$ thousands) As at August 31, 2008	31 to 60 days	61 to 90 days	Total
Mortgage loans	\$ 22,459	\$ 10,586	\$ 33,045
Investment loans	2,207	997	3,204
RSP loans	4,024	1,830	5,854
HELOC receivable	147	–	147
	\$ 28,837	\$ 13,413	\$ 42,250

(\$ thousands) As at November 30, 2007	31 to 60 days	61 to 90 days	Total
Mortgage loans	\$ 15,840	\$ 12,297	\$ 28,137
Investment loans	1,882	580	2,462
RSP loans	2,796	1,260	4,056
HELOC receivable	970	294	1,264
	\$ 21,488	\$ 14,431	\$ 35,919

(c) Allowance for Credit Losses

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

(\$ thousands)	August 31, 2008		
	Specific allowances	General allowances	Total allowances
Balance, beginning of the year	\$ 1,860	\$ 15,277	\$ 17,137
Amounts written off	(7,327)	–	(7,327)
Recoveries	652	–	652
Provision for loan losses	6,777	3,080	9,857
	\$ 1,962	\$ 18,357	\$ 20,319

(\$ thousands)	August 31, 2007		
	Specific allowances	General allowances	Total allowances
Balance, beginning of the year	\$ 2,448	\$ 10,251	\$ 12,699
Amounts written off	(4,890)	–	(4,890)
Recoveries	2,006	–	2,006
Reduction due to RSP loan securitization	–	(1,766)	(1,766)
Provision for loan losses	1,981	5,616	7,597
	\$ 1,545	\$ 14,101	\$ 15,646

(d) AGF Trust Deposits

(\$ thousands)	Term to maturity			August 31, 2008	November 30, 2007
	Demand	1 year or less	1 to 5 years		
Deposits	\$ 5,244	\$ 2,467,464	\$ 2,332,195	\$ 4,804,903	\$ 4,099,663
Less: deferred selling commissions				(14,761)	(16,321)
Less: current portion				(2,472,708)	(1,847,494)
Long-term deposits				\$ 2,317,434	\$ 2,235,848

As at August 31, 2008, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.4 years (November 30, 2007 – 1.8 years) and a weighted average interest rate of 4.30% (November 30, 2007 – 4.38%).

(e) 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 September 2008 and October 2012. They involve the exchange of either the one-month bankers' acceptance rate or the three-month bankers' acceptance 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 mitigate net interest revenue volatility. As at August 31, 2008, the aggregate notional amount of the swap transactions was \$3.3 billion (November 30, 2007 – \$2.8 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 August 31, 2008, was \$44.6 million (November 30, 2007 – \$6.7 million).

Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
(\$ thousands)			
\$ 833,000	\$ 1,980	2008	3.39% - 4.73%
1,197,000	7,842	2009	2.74% - 4.97%
775,000	16,334	2010	3.08% - 5.05%
375,000	14,207	2011	3.38% - 5.08%
140,000	4,267	2012	3.60% - 5.01%

(f) Interest Rate Sensitivity

For AGF Trust, the impact of a 1% change in interest rates either up or down would be an increase or decrease of annual net interest income of approximately \$3.7 million. This sensitivity analysis is based on an immediate parallel shift of the yield curve and assumes no change in the repricing profile of the balance sheet after the balance sheet date.

Note 8: Long-Term Debt

(\$ thousands)	August 31, 2008	November 30, 2007
Revolving term loan	\$ 147,759	\$ 160,000
Payment related to acquisition of Highstreet Partners Limited (note 4)		
February 28, 2008	–	25,611
February 28, 2009	25,325	24,486
	173,084	210,097
Less: amount included in current liabilities	25,325	25,611
	\$ 147,759	\$ 184,486

(a) Revolving Term Loan

The Company has arranged a six-year prime-rate-based revolving term loan to a maximum of \$300.0 million (Facility 1) (November 30, 2007 – \$300.0 million) with a Canadian chartered bank. Under the loan agreement, AGF is permitted to draw down the revolving term loan by direct advances and/or bankers' acceptances (BAs). 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, 2009. However, AGF may request by April 15, 2009, 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 the principal outstanding.

On May 26, 2008, the Company, under its current loan agreement, arranged an additional three-year prime rate based reducing term loan to a maximum of \$60.0 million (Facility 2). Facility 2 will be used to finance share repurchases. Under this facility, AGF is permitted to draw down the reducing term loan by direct advances and/or BAs. The reducing term loan is available to the latest of December 31, 2008, or the date that the facility is fully drawn. Following this date, Facility 2 is payable in equal quarterly instalments over twelve quarters. Any undrawn portion of the facility at the end of the availability date will be permanently cancelled.

As at August 31, 2008, AGF has drawn \$147.8 million (2007 – \$160.0 million) against Facility 1 in the form of four to 55-day BAs at an effective average interest rate of 3.87% per annum. No amounts were drawn against Facility 2 as at August 31, 2008.

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 AGF acts as manager and a pledge of assets by AGF Management Limited and certain subsidiaries, including AGF Funds Inc. and 20/20 Financial Corporation.

(b) Payments Due Related to Acquisition of Highstreet Partners Limited

On December 1, 2006, AGF acquired 79.9% of Highstreet (Note 4). On February 29, 2008, a payment of \$25.9 million was paid. The payment consisted of \$20.8 million in cash and the issuance of 215,883 Class B shares valued at \$5.1 million. A final payment of \$25.9 million, which includes principal and imputed interest at the rate of 4.5% per annum, is due to the vendors on February 28, 2009 and will be satisfied through a combination of cash and Class B shares.

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 (TSX).

(b) Change During the Period

The change in capital stock during the nine months ended August 31, 2008, and 2007 is as follows:

Nine months ended August 31, (\$ thousands, except per share amounts)	2008		2007	
	Shares	Stated value	Shares	Stated value
Class A shares	57,600	\$ –	57,600	\$ –
Class B shares				
Balance, beginning of period	88,922,157	\$ 421,923	89,171,997	\$ 403,566
Issued through dividend reinvestment plan	174,034	3,989	94,435	3,069
Stock options exercised	130,150	5,121	765,600	13,694
Issued on acquisition of Highstreet Partners Limited (note 4)	215,883	5,116	225,116	5,672
Issued for Cypress contingent consideration (note 5)	–	–	33,367	1,200
Balance, end of period	89,442,224	\$ 436,149	90,290,515	\$ 427,201

(c) Class B Shares Purchased for Cancellation

AGF has obtained regulatory approval to purchase for cancellation, from time to time, certain of its Class B 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 7,253,822 shares through to February 25, 2009. No Class B shares were purchased during the nine months ended August 31, 2008 and August 31, 2007.

(d) Stock Option Plans

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 6,761,002 Class B shares could have been granted as at August 31, 2008 (2007 – 7,303,584). The stock options are issued at a price not less than the market price of these Class B 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 during the nine months ended August 31, 2008 and 2007, is summarized as follows:

Nine months ended August 31,	2008		2007	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B share options				
Balance, beginning of period	4,268,765	\$ 22.50	4,324,084	\$ 19.93
Options granted	40,000	22.36	12,732	35.70
Options cancelled	(268,667)	26.54	(23,450)	19.93
Options exercised	(130,150)	19.08	(765,600)	17.89
Balance, end of period	3,909,948	\$ 22.33	3,547,766	\$ 20.41

During the three months ended August 31, 2008, AGF granted 40,000 options (2007 – Nil) and recorded \$1.3 million (2007 – \$1.1 million) in compensation expense and contributed surplus.

During the nine months ended August 31, 2008, AGF granted 40,000 options (2007 – 12,732) and recorded \$3.8 million (2007 – \$3.3 million) in compensation expense and contributed surplus.

The following assumptions were used to determine the fair value of the options granted during the quarter:

Risk-free interest rate	3.4%
Expected dividend yield	4.7%
Expected share price volatility	26.0%
Option term	4.8 years

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

Under the Company's RSU and PSU plans, certain senior employees are issued either RSUs or PSUs. These units vest three years from the grant date provided the employee meets certain performance criteria. On the vesting dates, AGF will redeem all of the participants' share units in cash equal to the value of one Class B share for each RSU or PSU as applicable.

The changes in share units during the nine months ended August 31, 2008 and August 31, 2007, are as follows:

Nine months ended August 31,	2008		2007	
	Number of share units	Weighted average grant date fair value	Number of share units	Weighted average grant date fair value
Outstanding, beginning of period				
Non-vested	345,257	\$ 29.65	142,992	\$ 23.33
Issued				
Initial allocation	–	–	57,953	–
In lieu of dividends	10,180	–	2,664	–
Settled in cash	(340)	–	(334)	–
Forfeited and cancelled	(19,650)	–	(1,929)	–
Outstanding, end of period	335,447	–	201,346	–

Compensation expense for the three months ended August 31, 2008, related to these units was \$0.9 million (2007 – \$0.5 million), and for the nine months ended August 31, 2008, was \$1.4 million (2007 – \$1.4 million). AGF has entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs, a portion of which has been designated as a cash flow hedge. As at August 31, 2008, a \$2.6 million liability (2007 – \$0.7 million) related to the swap agreement has been included under other long-term liabilities. Compensation expense includes the effect resulting from the change in fair value of the swap held to economically hedge the RSU and PSU plans. As at August 31, 2008, AGF has hedged 312,295 share units at a fixed cost between \$30.36 and \$34.03.

(f) Deferred Share Unit (DSU) Plan

Under the Company's DSU plan for non-employee directors, AGF directors may elect to receive their remuneration in DSUs. On termination, AGF will redeem all of the participants' DSUs in cash or shares equal to the value of one Class B share at the termination date for each DSU. There is no unrecognized compensation related to directors' DSUs since these awards vest immediately when granted. As at August 31, 2008, 14,411 (2007 – 1,699) DSUs were outstanding. Compensation expense related to these DSUs for the three months ended August 31, 2008, was \$0.1 million (2007 – \$0.1 million), and for the nine months ended August 31, 2008, was \$0.3 million (2007 – \$0.1 million).

(g) Earnings Per Share

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

(\$ thousands, except per share amounts)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
Numerator				
Net income from continuing operations for the period	\$ 41,139	\$ 39,351	\$ 147,845	\$ 126,482
Loss on dissolution of partnerships, net of tax (note 6)	–	–	–	(2,128)
Gain on sale of discontinued operations, net of tax (note 3)	–	–	–	4,702
Net earnings from discontinued operations, net of tax (note 3)	–	–	–	247
Net income for the period	\$ 41,139	\$ 39,351	\$ 147,845	\$ 129,303
Denominator				
Weighted average number of shares – basic	89,451,578	90,299,033	89,280,734	89,860,219
Dilutive effect of employee stock options	418,897	1,548,070	518,892	1,363,927
Weighted average number of shares – diluted	89,870,475	91,847,103	89,799,626	91,224,146
Earnings per share				
Basic from continuing operations	\$ 0.46	\$ 0.44	\$ 1.66	\$ 1.41
Diluted from continuing operations	\$ 0.46	\$ 0.43	\$ 1.65	\$ 1.39
Basic	\$ 0.46	\$ 0.44	\$ 1.66	\$ 1.44
Diluted	\$ 0.46	\$ 0.43	\$ 1.65	\$ 1.42

Note 10: Supplemental Disclosure of Cash Flow Information

Interest payments for the three months ended August 31, 2008, were \$46.4 million (2007 – \$41.8 million). Interest payments for the nine months ended August 31, 2008 were \$144.3 million (2007 – \$102.3 million).

Income tax payments for the three months ended August 31, 2008, were \$7.9 million (2007 – \$0.1 million). Income tax payments for the nine months ended August 31, 2008 were \$29.0 million (2007 – \$15.6 million).

Note 11: AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

(\$ thousands)	Three months ended August 31,		Nine months ended August 31,	
	2008	2007	2008	2007
AGF Trust interest income:				
Loan interest	68,576	\$ 56,492	203,784	\$ 150,556
Investment interest	7,717	6,057	25,264	14,229
	76,293	62,549	229,048	164,785
AGF Trust interest expense:				
Deposit interest	52,557	36,236	149,926	93,491
Other interest expense	(1,828)	5,915	5,694	14,321
	50,729	42,151	155,620	107,812
AGF Trust net interest income	25,564	\$ 20,398	73,428	\$ 56,973

Note 12: Income Tax

On October 30, 2007, the Department of Finance Canada proposed to reduce the federal corporate income tax rate to 15% from 18.5% by January 1, 2012. The change was substantively enacted in December 2007. Accordingly, the Company has recognized a \$19.5 million reduction in future income tax liabilities.

Note 13: Capital Management

The Company's objectives when managing capital are to:

- Provide returns for shareholders through the payment of dividends, the repurchase of Class B shares and the reasonable use of leverage.
- Ensure that AGF Trust maintains the level of capital to meet the requirements of its principal regulator, the Office of the Superintendent of Financial Institutions Canada (OSFI).

The Company's capital consists of shareholders' equity. The AGF Capital Committee is responsible for the management of capital. The AGF Board of Directors is responsible for overseeing the Company's capital policy and management. The Company reviews its five-year capital plan annually.

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). Effective January 1, 2008, AGF Trust is monitoring its regulatory capital based on the BIS regulatory risk-based capital framework (Basel II). BIS standards require that AGF Trust maintain minimum Tier 1 and Total capital ratios of 4% and 8%. OSFI has established that Canadian deposit-taking financial institutions maintain Tier 1 and Total capital ratios of at least 7% and 10%. During the quarter, AGF Trust has complied with these regulatory capital requirements.

A capital plan prepared annually specifies the target capital ratios by taking into account the projected risk-weighted asset levels and expected capital management initiatives. Regulatory capital ratios are reported monthly to management. Regulatory capital ratio monitoring reports are provided on a quarterly basis to AGF Trust's Board of Directors.

Regulatory capital for AGF Trust is detailed as follows:

(\$ thousands)	As at August 31, 2008	As at November 30, 2007 ¹
Tier 1 capital		
Common shares	\$ 82,768	\$ 82,768
Contributed surplus	1,234	910
Retained earnings	105,299	79,863
Non-cumulative preferred shares	64,000	49,000
Less: securitization and other	(18,802)	–
	234,499	212,541
Tier 2 capital		
Subordinated debentures	109,500	89,500
General allowances	18,357	15,277
Less: securitization and other	(7,165)	(26,669)
	120,692	78,108
Total capital	\$ 355,191	\$ 290,649

¹ Information based on capital adequacy requirements in force at that date.

Note 14: Financial Instruments

The carrying values of the Company's financial instruments approximate their fair value. Financial instruments are classified based on categories according to CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement" as follows:

(\$ thousands)	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
As at August 31, 2008			
Cash and cash equivalents	\$ –	\$ 733,597	\$ –
Investments	163,429	–	–
Retained interest from securitization	46,807	–	–
Accounts receivable	–	–	74,553
Real estate secured and investment loans	–	–	4,407,593
Other assets	–	–	45,403
Total financial assets	\$ 210,236	\$ 733,597	\$ 4,527,549
Accounts payable and accrued liabilities	–	–	304,636
Long-term debt	–	–	173,084
Deposits	–	–	4,790,142
Other long-term liabilities	–	–	5,510
Total financial liabilities	\$ –	\$ –	\$ 5,273,372

(\$ thousands)	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
As at November 30, 2007			
Cash and cash equivalents	\$ —	\$ 827,874	\$ —
Investments	26,149	—	—
Retained interest from securitization	50,925	—	—
Accounts receivable	—	—	91,107
Real estate secured and investment loans	—	—	3,680,361
Other assets	—	—	7,608
Total financial assets	<u>\$ 77,074</u>	<u>\$ 827,874</u>	<u>\$ 3,779,076</u>
Accounts payable and accrued liabilities	\$ —	\$ —	\$ 261,115
Long-term debt	—	—	210,097
Deposits	—	—	4,083,342
Other long-term liabilities	—	—	1,638
Total financial liabilities	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 4,556,192</u>

Available for sale financial assets are measured at fair value with unrealized gains and losses, including changes in foreign exchange rates, recognized in other comprehensive income (OCI) until the financial asset is disposed of or becomes impaired.

Held for trading assets are measured at fair value, with the changes in fair value reported in earnings. Loans and receivable and other financial liabilities are measured at amortized costs using the effective interest method.

Risk Management

In the normal course of business, the Company manages risks that arise as a result of its use of financial instruments. These risks include market, liquidity and credit risk.

Market Risk

Market risk is the risk that the fair value of financial instruments will fluctuate because of changes in market factors. These include fair value risk, interest rate risks and foreign currency risk. The Company is exposed to these risks directly through its financial instruments.

Fair Value Risk

The Company is exposed to fair value risk on its investments available for sale and retained interest from securitization. Any unrealized gains or losses arising from changes in the fair value of these financial instruments available for sale are recorded in other comprehensive income. Based on the carrying value of these investments at August 31, 2008, the effect of a 10% decline or increase in the value of securities would result in a \$16.3 million unrealized gain or loss to other comprehensive income. Refer to Note 2 for the effect of changes to key assumptions on the fair value of retained interests.

The Company uses derivative financial instruments held for fair value hedging purposes to manage its exposure to interest rate risks and cash flow hedges to manage its exposure to increases in compensation costs arising from certain share-based compensation. The Company does not enter into derivative financial instruments for trading or speculative purposes. When derivative instruments are used, the Company determines whether hedge accounting can be applied. If it is determined that hedge accounting is applicable, a hedge relationship is designated as a fair-value or a cash-flow hedge. The hedge is documented at inception, detailing the particular risk management objective and the strategy for undertaking the hedge transaction. The derivative instrument must be highly effective in accomplishing the objective of offsetting either changes in the fair value or forecasted cash flows attributable to the risk being hedged both at inception and over the life of the hedge. The accumulated ineffectiveness of hedging relations is measured, and the ineffective portion of changes in fair value is recognized in the income statement through investment income and other revenue. Fair-value hedges are recognized at fair value and the changes in fair value are recognized through net interest income. Cash-flow hedges are held at fair value and the changes in fair value are recognized through OCI.

At August 31, 2008, details of the Company's derivative instruments are as follows:

(\$ thousands)	Interest Rate	Hedging item maximum maturity date	Notional amount	Fair Value
Derivatives used to manage interest rate exposure:	2.74% - 5.08%	2008-2012	3,320,000	44,630
Derivatives used to manage changes in share-based compensation:		2009-2010	10,275	(2,633)

Interest Rate Risk

The Company, through AGF Trust, is exposed to interest rate risk through its real estate secured and investment loans receivable. AGF Trust's management of this risk is supervised by AGF Trust's Asset and Liability Management Committee. AGF Trust employs a number of techniques to manage this risk, including the matching of asset and liability terms, that measure changes in the portfolios and the impact this will have on AGF Trust's earning capacity. AGF Trust also uses interest rate swaps to manage any residual mismatches.

A 1% change in interest rates, either up or down, would result in an increase or decrease in annual net interest income of approximately \$3.8 million. The Company is also exposed to interest rate risk through its floating rate debt. As at August 31, 2008, the effect of a 1% change in the variable interest rates on the average loan balance outstanding for the year would have resulted in an annualized change in interest expense of approximately \$1.5 million.

Foreign Exchange Risk

The Company is subject to foreign exchange risk on its integrated foreign subsidiaries in Ireland and Singapore, which provide investment advisory services. These subsidiaries retain minimal monetary exposure to the local currency, as the majority of revenues are earned in Canadian dollars and salaries and wages, which are paid for the most part monthly, represent the majority of the local currency expenses. As such, these foreign subsidiaries have limited use of financial instruments denominated in local currencies, thus resulting in minimal foreign exchange risk.

Liquidity Risk

Liquidity risk arises from the possibility that the Company cannot meet a demand for cash resources when required or meet its financial obligations.

The Company manages its liquidity risk through the management of its capital structure and financial leverage as outlined in Note 13. Through its Investment Management segment, it manages liquidity by monitoring actual and projected cash flows to ensure that it has sufficient liquidity through cash received from operations as well as borrowings under its credit facility. The key liquidity requirements within this segment are the funding of commissions paid on mutual funds and dividends paid to shareholders. The Company is subject to certain financial loan covenants under its credit facility and has met all of these conditions.

AGF Trust manages liquidity risk through deposit taking activities and through the securitization of loans. The key liquidity requirements within this segment are the funding of mortgages and loans and the ability to payout maturing GICs. AGF Trust's overall liquidity risk is managed by its treasury department and is supervised by AGF Trust's Asset and Liability Management Committee in accordance with the policies for management of assets and liabilities, liquidity and loan financing activities. These policies ensure that AGF Trust has sufficient cash resources to meet its current and future financial obligations in the regular course of business and under a variety of conditions.

Management monitors cash resources daily to ensure that AGF Trust's liquidity measurements are within the limits established by policies. In addition, management meets regularly to assess the timing of cash inflows and outflows related to loan and deposit maturities, and to review various possible stress scenarios. AGF Trust maintains a prudent reserve of unencumbered liquid assets that are readily available if required. It strives to maintain a stable volume of base deposits that originate from its deposit brokerage clientele.

The Company's internal audit department reviews the compliance of AGF Trust's liquidity policies. Internal audit reports are presented to the Audit Committee of the Trust Board for review.

The following table presents contractual terms to maturity of the financial liabilities owed by the Company at August 31, 2008:

	Demand	1 Year or Less	1 to 5 Years
Accounts payable and accrued liabilities	\$ –	\$ 304,636	\$ –
Long-term debt	–	25,325	147,759
Deposits*	5,244	2,467,464	2,332,195
Other liabilities	–	–	5,510
Total	\$ 5,244	\$ 2,797,425	\$ 2,485,464

* Excluding deferred commission.

Credit Risk

Credit risk is the potential of financial loss arising from a counterparty's inability or refusal to honour its contractual obligations to the Company. As at August 31, 2008, financial assets of \$5.5 billion, consisting of cash and cash equivalents, investments, retained interests from securitization, real estate secured and investment loans, accounts receivable and other assets, were exposed to credit risk.

Cash and cash equivalents consist primarily of highly liquid temporary deposits with Canadian and Irish banks, as well as commercial paper, bank-sponsored ABCP, bank deposit notes, reverse re-purchase agreements, BA's and floating rate notes.

Investments consist primarily of floating rate notes, senior debt instruments, investments in mutual funds of AGF and other securities. For investing activities done through AGF Trust, policies have been established that identify the types and rating of debt and equity investments in which AGF Trust can invest. These policies also restrict AGF Trust's transactions primarily to major chartered banks and recognized investment dealers who are members of the Investment Industry Regulatory Organization of Canada (IIROC). AGF Trust Executive Committee (EXCO) maintains a list of the approved securities and counterparties, which are review at least annually by the Trust Board.

The Company's most significant credit risk is through AGF Trust's real estate secured and investment loans. AGF Trust mitigates this risk through credit policies and lending practices. These policies ensure that the authority to approve credit applications is appropriately delegated by senior management or the Investment Committee of AGF Trust, depending on the risk and the amount of the credit application. The credit policies also provide guidelines for pricing based on risk, for reviewing any collateral pledged for a credit application, monitoring of impaired loans and for establishing and reviewing loan loss provisions to ensure they are adequate. The policies establish risk limits for credit concentration by counterparty, geographic location, and other risk factors that would impact AGF Trust's credit risk profile.

AGF Trust's credit risk on these loans is also mitigated through the use of collateral, primarily in the form of residential real estate and mutual fund investments. Risk is also mitigated through residential mortgage insurance through Canada Mortgage and Housing Corporation (CMHC) or another insurer. As at August 31, 2008, \$626.2 million of AGF Trust's residential mortgage portfolio was insured.

Derivative financial instruments expose AGF Trust to credit risk to the extent that if a counterparty default occurs, market conditions are such that AGF Trust would incur a loss in replacing the defaulted transaction. AGF Trust negotiates derivative master netting agreements with counterparties with which it contracts. These agreements reduce credit risk exposure. AGF Trust assesses the credit worthiness of the counterparties in order to minimize the risk of counterparty default under the agreements. AGF Trust only uses major Chartered banks as counterparties with a minimum credit rating of AA.

Note 15: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. The reportable segments are strategic business units that offer different products and services. The Investment Management Operations segment provides investment management and advisory services and is responsible for the management and distribution of AGF investment products. AGF Trust Company offers a wide range of trust services, including GICs, term deposits, real estate secured loans, investment loans and HELOC loans. The results of our equity interest in Smith and Williamson Holding Limited (S&WHL) are included in Other.

The results of the reportable segments are based on AGF's internal financial reporting systems. The accounting policies used in these segments are generally consistent with those described in the "Summary of Significant Accounting Policies" detailed in AGF's 2007 Annual Report.

Notes to Consolidated Financial Statements

(\$ thousands) Three months ended August 31, 2008	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 155,168	\$ 28,356	\$ 1,142	\$ 184,666
Operating expenses	89,190	13,967	–	103,157
Amortization and other	27,182	920	2,098	30,200
Segment income (loss) from continuing operations before taxes	\$ 38,796	\$ 13,469	\$ (956)	\$ 51,309

(\$ thousands) Three months ended August 31, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 173,410	\$ 24,176	\$ 1,597	\$ 199,183
Operating expenses	96,827	11,061	–	107,888
Amortization and other	30,873	427	2,754	34,054
Segment income (loss) from continuing operations before taxes	\$ 45,710	\$ 12,688	\$ (1,157)	\$ 57,241

(\$ thousands) Nine months ended August 31, 2008	Investment Management Operations	Trust Company Operations	Other	Total
Revenue	\$ 483,274	\$ 82,332	\$ 7,747	\$ 573,353
Operating expenses	270,963	42,670	–	313,633
Amortization and other	84,474	1,943	7,494	93,911
Segment income (loss) from continuing operations before taxes	\$ 127,837	\$ 37,719	\$ 253	\$ 165,809
Total assets	\$ 1,289,849	\$ 5,367,345	\$ –	\$ 6,657,194

(\$ thousands) Nine months ended August 31, 2007	Investment Management Operations	Trust Company Operations	Other	Total
Revenue ¹	\$ 501,659	\$ 73,439	\$ 6,055	\$ 581,153
Operating expenses	277,422	34,055	–	311,477
Amortization and other	92,016	1,083	7,030	100,129
Segment income from continuing operations before taxes	\$ 132,221	\$ 38,301	\$ (975)	\$ 169,547
Total assets	\$ 1,332,327	\$ 4,000,706	\$ –	\$ 5,333,033

¹ The Trust Company results for the nine months ended August 31, 2007 include an \$8.0 million securitization gain.

This report contains forward-looking statements with respect to AGF, including its business operations and strategy and 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.