AGF Management Limited
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

For the three and nine months ended August 31, 2010

What are you doing after work?

What are you doing after work?

AGF MANAGEMENT LIMITED
Third Quarter Report to Shareholders for the three and nine months ended August 31, 2010

AGF MANAGEMENT LIMITED REPORTS THIRD QUARTER FINANCIAL RESULTS

AGF net income increases 21.9% to $27.8 million

Toronto | September 29, 2010

AGF Management Limited (AGF) today announced that third quarter net income increased nearly 22% from $22.8 million to $27.8 million for the period ended August 31, 2010, compared to the previous year. The increase was the result of higher Investment Management Operations revenue and a decline in expenses at AGF Trust.

Earnings per share in the third quarter of 2010, on a fully diluted basis, were $0.31 compared to $0.25 in the third quarter of 2009. Total assets under management (AUM) increased 3.8% to $42.6 billion at August 31, 2010, from $41.0 billion at August 31, 2009 as a result of market appreciation as well as the addition of new institutional mandates over the past 12 months. Although mutual fund assets declined 3.2% to $21.4 billion at the end of August 2010 compared to $22.1 billion the prior year, institutional and strategic accounts AUM increased 13.4% to $18.2 billion and high-net-worth AUM increased 4.4% year-over-year to $3.0 billion.

"We continue to execute our growth plans and strategic initiatives," said Chairman and CEO Blake C. Goldring. "Our goal, as always, is to help investors succeed in all market environments and life stages."

During this quarter, total consolidated revenue increased to $148.7 million compared to $146.9 million in the third quarter of last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 8.7% to $61.0 million for the three months ended August 31, 2010, compared to $56.1 million for the three months ended August 31, 2009. For the third quarter of 2010, EBITDA margins improved to 41.0% from 38.2% in the same period a year earlier.

AGF Trust continued to be a meaningful contributor to the firm's overall profitability. While loan assets declined 14.4% year-over-year to $3.2 billion at August 31, 2010, profits increased with a 34.7% decline in the provision for loan losses contributing to a 15.2 % increase in EBITDA to $10.6 million. AGF Trust continues to position itself for future growth with product enhancements and new product development.

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 material factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations, as well as interest and foreign exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of AGF's 2009 Annual Report MD&A.

Dear fellow shareholders

Economic data pointing to a slower than expected recovery around the globe and continued weakness in the U.S. contributed to stock market volatility during the third quarter. Here in Canada, the economy continues to perform well albeit with more muted growth expectations given the recent slowing in job growth, a cooling in the housing market and a slowdown in exports to the U.S. Mutual fund investors remain cautious in face of this uncertainty and continue to favour less risky assets offering safety and income. Fixed income and balanced funds remain the industry's top sellers while equity funds remain in net redemptions. AGF is well positioned to gain traction in these categories with the launch of new products and enhancements earlier this year further diversifying our product mix.

We continue to execute our growth plans and strategic initiatives, believing that our long-term focus will overcome short-term volatility. Our goal, as always, is to help investors succeed in all market environments and life stages and to provide investment solutions that deliver strong long-term investment performance.

At the end of the third quarter of 2010, AGF's total assets under management (AUM) grew to $42.6 billion, up 3.8% from August 31, 2009. Mutual fund AUM stood at $21.4 billion while institutional, strategic accounts and high-net-worth AUM collectively increased 12.0% to $21.2 billion as a result of new institutional mandates as well as market appreciation over the 12-month period. Mutual fund net redemptions were $526.0 million in the third quarter compared to $167.0 million a year earlier. We continue to work diligently to increase mutual fund sales and are confident that our product offering and sales initiatives combined with our commitment to strong long-term investment performance will reverse the redemption trend.

Consolidated revenue increased to $148.7 million, compared to $146.9 million in the third quarter of the prior year due to higher Investment Management revenues which were up 3.2% year-over-year driven by higher levels of AUM. Earnings before interest, taxes, depreciation and amortization[1] (EBITDA) increased to $61.0 million from $56.1 million in the third quarter of 2009.

AGF Trust continued to be a meaningful contributor to AGF's overall profitability. While loan assets declined 14.4% year-over-year to $3.2 billion at August 31, 2010, profits increased with a 34.7% decline in the provision for loan losses contributing to a 15.2 % increase in EBITDA to $10.6 million. AGF Trust continues to position itself for future growth with product enhancements and new product development. For example, AGF Trust launched a prime residential mortgage product in the advisor channel in Ontario in the second quarter of the year which was well received and is now available in most provinces.

For the three months ended August 31, 2010, AGF reported cash flow from operations[1] (before net change in non-cash balances related to operations) of $51.8 million, compared to $49.0 million a year ago. Free cash flow[1] (cash flow from operations less selling commissions paid) for the same period was $42.3 million, compared to $35.9 million one year ago.

In keeping with our commitment to return value to our shareholders we repurchased 846,100 Class B Non-Voting shares during the third quarter for a total consideration of $12.2 million and returned $23.2 million in the form of dividends paid or reinvested to holders of our Class A Voting common and Class B Non-Voting shares.

We will continue to build on our strategic priorities to create long-term value for shareholders, clients and unitholders.

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
September 29, 2010

[1] Cash flow from operations, free cash flow and EBITDA 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, 2010

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, 2010, compared to November 30, 2009. The MD&A also includes the results of operations for the three and nine months ended August 31, 2010, compared to the corresponding periods in 2009. This discussion should be read in conjunction with our 2009 annual MD&A and annual audited Consolidated Financial Statements and Notes. The financial information presented herein has been prepared on the basis of Canadian Generally Accepted Accounting Principles (GAAP). Percentage changes are calculated using numbers, rounded to the decimals that appear in this MD&A. All dollar amounts are in Canadian dollars unless otherwise indicated.

There have been no material changes to the information discussed in the following sections of the 2009 annual MD&A: "Risk Factors and Management of Risk", "Controls and Procedures", "Contractual Obligations", "Intercompany and Related Party Transactions" and "Government Regulations". The "Key Performance Indicators and Non-GAAP Measures" section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

With $42.6 billion in assets under management (AUM) as at August 31, 2010, AGF is a premier Canadian-based investment solutions firm, with operations and investments in Canada, the United States, Europe and Asia. To serve the needs of a broad range of diversified clients worldwide, the firm consists of two distinct businesses: AGF Investments and AGF Trust.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund, the first mutual fund available to Canadians seeking to invest in the United States. As of August 31, 2010, our products and services include a diversified family of award-winning mutual funds, AGF Elements portfolios, the Harmony asset management program, services for institutional and high-net-worth clients, as well as AGF Trust GICs, loans and mortgages.

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, 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 & Williamson Holdings Limited (S&WHL).

Strategy and Quarterly Overview

AGF Management Limited fosters the development of best-in-class operating segments to provide world-class financial solutions to clients in Canada and internationally. We continue to identify opportunities within our business segments, ensuring that the appropriate resources are allocated to each of these segments in a cost-effective manner so that shareholder value is maximized over the long-term.

Our Investment Management Operations provide a diverse suite of investment solutions to retail, institutional and high-net-worth clients. We are focused on delivering strong long-term investment performance and excellence in client service while continuing to build and maintain strong relationships with distribution partners. Our Trust Company Operations complement our Investment Management Operations and contribute to the profitability of AGF Management Limited. AGF Trust supports the AGF brand through the delivery of value added products and services, contributing to the growth of our products and effectively leveraging the advisor distribution channel.

During the third quarter of 2010:

- Revenue increased 1.2% to $148.7 million compared to the same period in 2009, driven by a 3.2% increase in Investment Management Operations revenue which was directly related to higher year-over-year AUM levels.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 8.7% to $61.0 million from $56.1 million in the third quarter of 2009.
- EBITDA margin improved to 41.0% compared to 38.2% in the third quarter of 2009.
- Net income increased to $27.8 million from $22.8 million in the same period in 2009 primarily due to an increase in Investment Management Operations revenue and a decrease in the provision for loan losses at AGF Trust.

- Total AUM increased 3.8% to $42.6 billion at August 31, 2010, from $41.0 billion at August 31, 2009.
- Mutual fund net redemptions were $526.0 million in the third quarter of 2010 compared to net redemptions of $167.0 million in the third quarter of the previous year.
- AGF Trust real estate secured loan assets declined 25.3% over the previous year and investment loans declined 6.5% with total loan assets declining 14.4% year-over-year.
- AGF Trust remained a strong contributor in the third quarter of 2010, representing 25.8% of AGF's pre-tax income.
- We delivered value to our shareholders through dividend payments and share repurchases.
  - Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.2 million in the third quarter of 2010 compared to $22.2 million in the same period in 2009.
  - Under our current normal course issuer bid, 846,100 Class B Non-Voting shares were purchased for a total consideration of $12.2 million at an average price of $14.44 during the third quarter of 2010. No Class B Non-Voting shares were purchased under our previous normal course issuer bid in the third quarter of 2009.

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 non-GAAP measures which are not defined under 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 our potential to deliver cash flow.

We derive our revenue principally from a combination of:

- management and advisory fees based on AUM
- deferred sales charges (DSC) earned from investors when mutual fund securities sold on a DSC basis are redeemed
- net interest income earned on AGF Trust's loan portfolio

EBITDA

We define EBITDA as earnings before interest, taxes, depreciation, amortization and non-controlling interest. EBITDA is a standard measure used in the mutual fund industry by management, investors and investment analysts to understand and compare results. We believe this is an important measure as it allows us to assess our investment management businesses without the impact of non-operational items. 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 12 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.

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
Net cash provided by operating activities	$ 61.7	$ 59.8	$ 127.5	$ 117.8
Less: net changes in non-cash balances related to operations	9.9	10.8	(45.6)	(22.6)
Cash flow from operations	$ 51.8	$ 49.0	$ 173.1	$ 140.4

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 and for general corporate purposes.

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
Cash flow from operations (defined above)	$ 51.8	$ 49.0	$ 173.1	$ 140.4
Less: selling commissions paid	9.5	13.1	38.6	41.0
Free cash flow	$ 42.3	$ 35.9	$ 134.5	$ 99.4

EBITDA Margin

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
EBITDA	$ 61.0	$ 56.1	$ 190.7	$ 147.9
Divided by revenue	148.7	146.9	458.7	428.4
EBITDA margin	41.0%	38.2%	41.6%	34.5%

Pre-Tax Profit Margin

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
Net income	$ 27.8	$ 22.8	$ 85.8	$ 52.2
Add: income taxes	10.9	7.6	33.7	17.5
Income before taxes	$ 38.7	$ 30.4	$ 119.5	$ 69.7
Divided by revenue	148.7	146.9	458.7	428.4
Pre-tax profit margin	26.0%	20.7%	26.1%	16.3%

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 in the quarter annualized by average shareholders' equity.

For the three months ended ($ millions)	August 31, 2010	August 31, 2009
Net income (annualized)	$ 111.2	$ 91.2
Divided by average shareholders' equity	1,141.5	1,098.8
Return on equity	9.7%	8.3%

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 quarter divided by EBITDA for the quarter annualized.

For the three months ended ($ millions)	August 31, 2010	August 31, 2009
Long-term debt	$ 155.7	$ 182.6
Divided by EBITDA (annualized)	244.0	224.4
Long-term debt to EBITDA	63.8%	81.4%

b) Investment Management Operations

Assets Under Management (AUM)

The amount of AUM is critical to our business since these assets 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 determines 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

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders, and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2009 Annual MD&A 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, which is the basis on which management fees are charged. The average daily mutual fund AUM is equal to the aggregate average daily net asset value of the AGF mutual funds.

We monitor inflows and outflows in our high-net-worth and institutional businesses separately. We do not compute an average daily AUM figure for them.

EBITDA Margin – Investment Management

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.

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
EBITDA	$ 50.2	$ 45.8	$ 160.0	$ 122.4
Divided by revenue	124.2	120.4	387.1	343.3
EBITDA margin	40.4%	38.0%	41.3%	35.7%

Pre-Tax Profit Margin – Investment Management

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 since it assesses the extent we are able to earn profit from each dollar of revenue. We define pre-tax profit margin as the ratio of income before taxes and non-segmented items to revenue.

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
Income before taxes and non-segmented items	$ 29.1	$ 22.6	$ 95.7	$ 51.5
Divided by revenue	124.2	120.4	387.1	343.3
Pre-tax profit margin	23.4%	18.8%	24.7%	15.0%

c) Trust Company Operations

Loan Asset Growth

In the Trust Company Operations segment (AGF Trust), we focus on long-term, profitable growth and credit quality 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.

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2010	2009	2010	2009
Interest income	$ 46.0	$ 52.2	$ 137.5	$ 177.5
Less: interest expense	24.4	29.9	71.9	103.0
Net interest income	$ 21.6	$ 22.3	$ 65.6	$ 74.5

Net Interest Margin

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

	Three months ended August 31,	
($ millions)	2010	2009
Annualized net interest income	$ 86.4	$ 89.2
Divided by average quarterly total loan balance	3,271.1	3,870.3
Net interest margin	2.6%	2.3%

Efficiency Ratio

The efficiency ratio is a financial services industry KPI that measures the efficiency of the organization. We use this ratio to ensure non-interest expenses are contained as the Trust Company 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, 2010	Three months ended August 31, 2009	Nine months ended August 31, 2010	Nine months ended August 31, 2009
Selling, general and administrative expenses	$ 9.0	$ 9.0	$ 27.4	$ 26.0
Add: amortization expense	0.5	0.8	1.8	2.2
Non-interest expense	9.5	9.8	29.2	28.2
Other revenue	$ 2.0	$ 2.5	$ 5.7	$ 6.6
RSP loan securitization income (loss), net of impairment	0.7	0.6	1.7	(0.4)
Non-interest income	2.7	3.1	7.4	6.2
Net interest income	$ 21.6	$ 22.3	$ 65.6	$ 74.5
Add: non-interest income	2.7	3.1	7.4	6.2
Total of net interest income and non-interest income	24.3	25.4	73.0	80.7
Efficiency ratio	39.1%	38.6%	40.0%	34.9%

EBITDA Margin – Trust

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

($ millions)	Three months ended August 31, 2010	Three months ended August 31, 2009	Nine months ended August 31, 2010	Nine months ended August 31, 2009
EBITDA	$ 10.6	$ 9.2	$ 32.1	$ 21.1
Divided by revenue	24.3	25.4	73.0	80.7
EBITDA margin	43.6%	36.2%	44.0%	26.1%

Pre-Tax Profit Margin – Trust

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

($ millions)	Three months ended August 31, 2010	Three months ended August 31, 2009	Nine months ended August 31, 2010	Nine months ended August 31, 2009
Income before taxes and non-segmented items	$ 10.1	$ 8.4	$ 30.3	$ 18.9
Divided by revenue	24.3	25.4	73.0	80.7
Pre-tax profit margin	41.6%	33.1%	41.5%	23.4%

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, and expresses the extent by which capital is leveraged into the assets of the DTI.

($ millions)	August 31, 2010	November 30, 2009
Total assets per OSFI guidelines[1]	$ 4,097.1	$ 4,497.4
Divided by adjusted Tier 1 and Tier 2 capital	398.0	375.5
Assets-to-capital multiple	10.3	12.0

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

Loan-to-Value Ratio

Loan-to-value ratio on our conventional mortgage loans is calculated using the 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.

($ millions)	August 31, 2010	November 30, 2009
Conventional mortgage loans[1]	$ 455.9	$ 556.5
Divided by fair value of collateral	715.2	851.7
Loan-to-value ratio	63.7%	65.3%

[1] Includes loan provision and deferred sales commission of $8.7 million at August 31, 2010 and $9.5 million at November 30, 2009.

Impaired Loans as a Percentage of Loans Outstanding

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

($ millions)	August 31, 2010	November 30, 2009
Impaired loans	$ 44.5	$ 48.9
Divided by total loans outstanding[1]	3,240.8	3,594.8
Impaired loans as a percentage of loans outstanding	1.4%	1.4%

[1] Includes loan provision and deferred sales commission of $30.5 million at August 31, 2010 and $34.7 million at November 30, 2009.

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2009 Annual Consolidated Financial Statements.

Future Accounting Changes

Transition to International Financial Reporting Standards

Canadian public companies will be required to prepare their financial statements in accordance with International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB), for fiscal years beginning on or after January 1, 2011. Effective December 1, 2011, we will adopt IFRS as the basis for preparing our consolidated financial statements. We will report our financial results for the quarter ended February 29, 2012 prepared on an IFRS basis. We will also provide comparative data on an IFRS basis, including an opening balance sheet as at December 1, 2010.

To meet the requirement to transition to IFRS, in 2008 we established an enterprise-wide project. We are following a transition plan comprising three phases: (1) IFRS diagnostic assessment, (2) impact analysis, evaluation and design, and (3) implementation and review. The project remains on track: we have completed the diagnostic assessment, and the impact analysis, evaluation and design phase of our transition is well advanced.

The IFRS diagnostic assessment is complete. Through this assessment, the areas identified to be the most impactful to AGF are those that deal with provision for credit losses on loans, hedge accounting, asset securitization, and deferred sales commission.

The second phase, impact analysis, evaluation and design include identifying and implementing the necessary changes within our existing financial reporting or data collection processes to address the IFRS differences identified in our diagnostic assessment; developing and executing internal training and awareness programs; and selecting accounting policy options permitted under IFRS. The impact to our data collection processes and existing financial reporting and data collection processes is minimal. No significant changes to IT systems were identified. As a result, the amendments to our financial systems were assessed and have been completed. Our internal training is ongoing, with the identification and continuing training of key finance and operational staff responsible for IFRS.

We provide updates to the Audit Committee on a quarterly basis. These updates include a review of timelines, disclosure requirements, expected impact of the new standards on the financial statements and note disclosures as well as an update on the progress of the IFRS project. Based on our diagnostic, we are currently reviewing and determining accounting policy options permitted under IFRS that are expected to impact AGF. The assessment and selection of accounting policy options is complete and in the process of final review. In addition, we have assessed the exemptions to full restatement that are permitted under IFRS. Generally, with the adoption of IFRS, any change to our existing accounting policies must be applied retroactively and reflected in our opening balance sheet of the comparative period. There are, however, a number of exemptions from full restatement available under IFRS. The most impactful election under IFRS 1 to AGF is related to business combinations. Under IFRS 1, a company can elect to (a) restate retrospectively all business combinations after a particular date in accordance with IFRS 3 or; (2) apply IFRS 3 prospectively, the value at transition is considered deemed cost under IFRS. Under both options, goodwill must be tested for impairment at transition and on a periodic basis thereafter. We intend to apply IFRS 3 prospectively.

As each accounting policy option is selected, we will complete a review of its impact to our internal controls over financial reporting as well as disclosure controls and procedures and make changes where necessary.

In response to financial reporting issues emerging from the global financial crisis, the IASB plans to make revisions to or replace existing IFRS standards that address many of these areas. Recently, the IASB amended its work plan, which indicates that there would be no further changes to existing standards that would require adoption at the transition date. Changes expected after transition that may have a significant impact on AGF are:

Replacement of IAS 39 – Financial Instruments

The IASB's project plan reflects the replacement of its existing financial instruments standard in several phases. The first phase was recently completed with the publication of IFRS 9 – Financial Instruments, which addresses the classification and measurement of financial instruments, including securities. This new standard will not be mandatory until fiscal 2014, which is post-IFRS implementation for AGF.

The second phase of the financial instruments replacement is to replace the recognition and measurement requirement for impairment of financial instruments recorded at amortized cost, which includes loans. Based on draft papers issued by the IASB, significant changes to the existing standard are anticipated; however, the IASB indicated that the new standard is unlikely to require adoption until at least fiscal 2014.

The IASB's third phase will deal with hedge accounting. The IASB is scheduled to issue draft papers on this topic in the fourth quarter of 2010 and finalize the standard by the second half of 2011. It is unclear when adoption will be required.

Derecognition – Replacement of Existing Requirements within IAS 39

The IASB is addressing the derecognition requirements for when a financial asset or financial liability would be removed from an entity's statement of financial position, which could impact whether securitized assets remain off the balance sheet. The IASB has provided a tentative publication date for the latter half of the 2010 calendar year. It is unclear when adoption will be required.

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 2009 annual MD&A in the section entitled "Risk Factors and Management of Risk". The Company has not identified any material changes to the risk factors affecting its business or in the management of those risks. Refer to Note 15 of the Consolidated Financial Statements and Notes for risks arising from the use of financial instruments.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no material weaknesses identified relating to the design of the ICFR. There have been no changes to AGF's internal controls for the quarter ended August 31, 2010, that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three and nine months ended August 31, 2010 and 2009:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2010	2009	% change	2010	2009	% change
Revenue						
Investment Management Operations	$ 124.2	$ 120.4	3.2%	$ 387.1	$ 343.3	12.8%
Trust Company Operations	24.3	25.4	(4.3%)	73.0	80.7	(9.5%)
Other	0.2	1.1	(81.8%)	(1.4)	4.4	n/m
	148.7	146.9	1.2%	458.7	428.4	7.1%
Expenses						
Investment Management Operations	74.0	74.6	(0.8%)	227.1	220.9	2.8%
Trust Company Operations	13.7	16.2	(15.4%)	40.9	59.6	(31.4%)
	87.7	90.8	(3.4%)	268.0	280.5	(4.5%)
EBITDA [1]	61.0	56.1	8.7%	190.7	147.9	28.9%
Amortization	21.5	23.9	(10.0%)	66.0	73.1	(9.7%)
Interest expense	0.6	1.6	(62.5%)	4.5	4.7	(4.3%)
Non-controlling interest	0.2	0.2	(0.0%)	0.7	0.4	75.0%
Income taxes	10.9	7.6	43.4%	33.7	17.5	92.6%
Net income	$ 27.8	$ 22.8	21.9%	$ 85.8	$ 52.2	64.4%
Earnings per share – diluted	$ 0.31	$ 0.25	24.0%	$ 0.95	$ 0.58	63.8%

[1] 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 for the three and nine months ended August 31, 2010, increased by 1.2% and 7.1% from the corresponding periods in 2009. Revenue in the Investment Management Operations segment increased 3.2% and 12.8% for the three and nine months ended August 31, 2010. This corresponds to higher levels of institutional, strategic accounts and high-net-worth AUM in the three and nine month periods ended August 31, 2010, and higher levels of average mutual fund AUM in the nine month period ended August 31, 2010, compared to the prior year. The Trust Company Operations segment reported a decrease in revenue of 4.3% and 9.5% in the three and nine months ended August 31, 2010, compared to the same periods in 2009 as average loan balances declined by 15.5% and 17.7% in the respective periods. Results for Other, which represents the results of our 30.5% equity interest in S&WHL, were $0.2 million and a loss of $1.4 million for the three and nine months ended August 31, 2010, compared to income of $1.1 million and $4.4 million for the same periods in 2009.

Expenses for the three and nine months ended August 31, 2010, decreased 3.4% and 4.5% compared to the same periods in 2009 primarily due to lower loan loss provisions at AGF Trust. For further details refer to each of the segment discussions.

The impact of the above items resulted in an increase in total EBITDA of 8.7% and 28.9% for the three and nine month periods ending August 31, 2010, over the respective 2009 periods. Amortization expense for the three and nine months ended August 31, 2010, decreased by 10.0% and 9.7% compared to the corresponding periods in 2009. The decline was primarily due to lower amortization of deferred selling commissions in the Investment Management Operations segment. Amortization of deferred selling commissions for three and nine months ended August 31, 2010, accounted for $19.5 million and $59.3 million (2009 – $20.8 million and $64.1 million) of the total amortization expense.

Interest expense was $0.6 million and $4.5 for the three and nine months ended August 31, 2010, as compared to $1.6 million and $4.7 million in the same periods in 2009.

Income tax expense for the three and nine months ended August 31, 2010, was $10.9 million and $33.7 million as compared to $7.6 million and $17.5 million in 2009. The effective tax rate for the first nine months of 2010 was 28.0% compared to 25.0% in the same period in 2009.

The impact of the above revenue and expense items resulted in net income of $27.8 million and $85.8 million for the three and nine months ended August 31, 2010, as compared to $22.8 million and $52.2 million in the prior year. Basic earnings per share were $0.31 and $0.96 for the three and nine months ended August 31, 2010, as compared to $0.26 and $0.59 in the same periods in 2009. Diluted earnings per share were $0.31 and $0.95 for the three and nine months ended August 31, 2010, as compared to $0.25 and $0.58 in the same periods in 2009.

A further discussion follows of the results of each business segment for the three and nine months ended August 31, 2010, compared to August 31, 2009.

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 fund operations, institutional investment management and high-net-worth client investment counselling services. The Trust Company Operations segment offers a range of 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 interest expense.

Investment Management Operations

Business and Industry Profile

We are an independent and diversified investment management operation serving retail, institutional and high-net-worth clients in Canada and internationally.

Our retail business delivers a diversified suite of products including AGF mutual funds, the AGF Elements portfolios and the Harmony asset management program. The mutual fund industry is currently a $674 billion industry in Canada and we compete with numerous domestic and foreign players serving the market. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have seven regional sales offices located across Canada serving our advisor and strategic account clients.

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

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

Segment Strategy and Highlights

Our goal is to deliver strong long-term investment performance and client service excellence to the retail mutual fund, institutional and high-net-worth markets. We continue to grow and strengthen our relationships with advisors and strategic distribution partners and provide a diverse suite of investment solutions. We strive to build strong portfolio management teams to ensure continuity and strength in investment management and to leverage our in-house investment management expertise across multiple client channels.

Our mutual fund AUM was $21.4 billion at the end of the third quarter of 2010. Mutual fund net redemptions were $526.0 million compared to $167.0 million in the third quarter of last year. We are working diligently to return to positive mutual fund sales through a variety of activities and initiatives.

Our sales teams continue to maintain high levels of client engagement activities across the country to ensure the AGF brand remains top of mind among advisors and our strategic account partners. We continue to aggressively pursue new strategic partnerships and placement of our products on more platforms and recommended lists.

On the institutional side, our institutional and strategic accounts AUM increased 13.4% to $18.2 billion from $16.0 billion in the third quarter of last year due to positive sales over the 12-month period. We continue to experience good momentum across all regions and investment mandates.

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 depend 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, 2010 and 2009:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2010	2009	% change	2010	2009	% change
Mutual fund AUM, beginning of period	$ 21,374	$ 20,907	2.2%	$ 22,746	$ 19,761	15.1%
Gross sales of mutual funds	532	592	(10.1%)	1,933	1,930	0.2%
Redemptions of mutual funds	(1,058)	(759)	39.4%	(3,272)	(2,436)	34.3%
Net mutual fund sales	(526)	(167)	215.0%	(1,339)	(506)	164.6%
Market appreciation of fund portfolios	595	1,402	(57.6%)	36	2,887	(98.8%)
Mutual fund AUM, end of period	$ 21,443	$ 22,142	(3.2%)	$ 21,443	$ 22,142	(3.2%)
Institutional and strategic accounts AUM	18,162	16,018	13.4%	18,162	16,018	13.4%
High-net-worth AUM	3,001	2,874	4.4%	3,001	2,874	4.4%
Total AUM, end of period	$ 42,606	$ 41,034	3.8%	$ 42,606	$ 41,034	3.8%
Average daily mutual fund AUM for the period	$ 21,276	$ 21,399	(0.6%)	$ 22,020	$ 20,069	9.7%

Higher redemptions in 2010 and lower market appreciation resulted in a decrease in mutual fund AUM to $21.4 billion at August 31, 2010, compared to $22.1 billion as at August 31, 2009. The average daily mutual fund AUM for the nine months ended August 31, 2010, increased 9.7% to $22.0 billion, compared to $20.1 billion for the same period in 2009. Institutional and strategic accounts AUM increased by $2.1 billion to $18.2 billion as a result of new institutional mandates over the past 12 months. High-net-worth AUM increased by 4.4% to $3.0 billion at August 31, 2010. This resulted in a total AUM increase of 3.8% to $42.6 billion.

Stock market performance influences the level of AUM. During the three and nine months ended August 31, 2010, the Canadian-dollar-adjusted S&P 500 Index decreased 1.6% and 2.2%, the Canadian-dollar-adjusted NASDAQ Index decreased 4.8% and 0.9%, and the S&P/TSX Composite Index increased 2.0% and 6.3%. The aggregate market appreciation of our mutual fund portfolios for the three and nine months ended August 31, 2010, divided by the average daily mutual fund AUM for the period was 2.8% and 0.2%, respectively, after management fees and expenses paid by the funds.

The impact of the U.S. dollar appreciation relative to the Canadian dollar on the market value of AUM for the three months and nine months ended August 31, 2010, has been an increase in AUM of approximately $74.0 million and $25.5 million, respectively.

The impact of the Euro appreciation relative to the Canadian dollar on the market value of AUM for the three months ended August 31, 2010, has been an increase in AUM of approximately $152.8 million. The impact of the Euro depreciation relative to the Canadian dollar for the nine months ended August 31, 2010, has been a decrease in AUM of approximately $536.8 million.

Financial and Operational Results

The table below highlights the Investment Management Operations segment results for the three and nine months ended August 31, 2010 and 2009:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2010	2009	% change	2010	2009	% change
Revenue						
Management and advisory fees	$ 117.4	$ 114.8	2.3%	$ 365.5	$ 322.7	13.3%
Deferred sales charges	5.3	4.9	8.2%	17.1	16.5	3.6%
Investment income and other revenue	1.5	0.7	114.3%	4.5	4.1	9.8%
	124.2	120.4	3.2%	387.1	343.3	12.8%
Expenses						
Selling, general and administrative	38.3	39.5	(3.0%)	116.8	122.7	(4.8%)
Trailing commissions	33.5	32.8	2.1%	103.4	90.3	14.5%
Investment advisory fees	2.2	2.3	(4.3%)	6.9	7.9	(12.7%)
	74.0	74.6	(0.8%)	227.1	220.9	2.8%
EBITDA [1]	50.2	45.8	9.6%	160.0	122.4	30.7%
Amortization	21.1	23.2	(9.1%)	64.3	70.9	(9.3%)
Income before taxes and non-segmented items	$ 29.1	$ 22.6	28.8%	$ 95.7	$ 51.5	85.8%

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

Revenue

For the three and nine months ended August 31, 2010, revenue for the Investment Management Operations segment increased by 3.2% and 12.8% over the previous year, with changes in the categories as follows:

Management and Advisory Fees

Management and advisory fees are directly related to our AUM levels. The 0.6% decrease and 9.7% increase in average daily mutual fund AUM for the three and nine months ended August 31, 2010, combined with a 12.0% increase in institutional, strategic accounts and high-net-worth AUM at August 31, 2010, contributed to a 2.3% and 13.3% increase in management and advisory fee revenue for the three and nine months ended August 31, 2010, compared to 2009.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 2.5% to 5.0%, depending on the commission option, of the original subscription price of the funds purchased if the funds are redeemed within the first two years, and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenues increased by 8.2% and 3.6% in the three and nine months of 2010 compared to 2009, due to higher redemptions of back-end assets as well as a higher proportion of redemptions at a higher DSC rate in the nine month period.

Expenses

For the three and nine month periods ended August 31, 2010, expenses for the Investment Management Operations segment decreased 0.8% and increased 2.8% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased by $1.2 million in the three months ended August 31, 2010, and decreased by $5.9 million in the nine months ended August 31, 2010, compared to same periods in 2009. This represents decreases of 3.0% and 4.8% over the same periods in 2009. The changes are made up of the following amounts:

($ millions)	Three months ended August 31, 2010	Nine months ended August 31, 2010
Decrease in severance and restructuring expenses	$ –	$ (5.9)
Increase (decrease) in compensation-related expenses	0.1	(1.2)
Increase in other expenses	2.3	7.1
Decrease in fund absorption expenses	(3.6)	(5.9)
	$ (1.2)	$ (5.9)

The following explains expense changes in the three and nine month periods ended August 31, 2010, compared to the same periods in the prior year:

- Severance and restructuring expenses decreased $5.9 million for the nine months ended August 31, 2010, reflecting the restructuring that took place in the first half of 2009.
- Compensation-related expenses were relatively flat during the quarter and decreased $1.2 million during the nine months ended August 31, 2010, due to staff reductions offset by higher stock-based compensation.
- Other expenses increased $2.3 million and $7.1 million due primarily to higher sales and marketing costs associated with increased operational activity and additional IT costs related to new operational systems. In addition, during the quarter, the Company recorded a $3.5 million charge for a proposed settlement related to legal proceedings. The settlement is dependent upon certain conditions being met and court approval.
- Fund absorption expenses declined $3.6 million and $5.9 million reflecting higher AUM levels as well as an increase of the management expense ratio cap on certain funds.

Trailing Commissions

Trailing commissions paid 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. Trailing commissions as a percentage of average daily mutual fund AUM were 0.63% and 0.63% for the three and nine months ended August 31, 2010, compared to 0.61% and 0.60% in same periods in 2009.

Investment Advisory Fees

External investment advisory fees decreased by 4.3% and 12.7% during the three and nine months ended August 31, 2010, as compared to the same periods in 2009. The decrease relates to the repatriation of certain mandates.

EBITDA and EBITDA margin

EBITDA for the Investment Management Operations segment were $50.2 million and $160.0 million for the three and nine months ended August 31, 2010, a 9.6% and 30.7% increase from $45.8 million and $122.4 million for the same periods a year earlier. The increase is directly attributable to higher revenue levels resulting from higher levels of AUM.

EBITDA margins improved to 40.4% and 41.3% for the three and nine months ended August 31, 2010, compared to 38.0% and 35.7% in 2009.

Amortization

The most significant component 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 $19.5 million and $59.3 million for the three and nine months ended August 31, 2010, compared to $20.8 million and $64.1 million for the same periods in 2009.

During the three and nine months ended August 31, 2010, we paid $9.5 million and $38.6 million in selling commissions, compared to $13.1 million and $41.0 million in the same periods in 2009 reflecting a 10.1% decrease in gross sales in the three month period and a 0.2% increase in gross sales in the nine month period. As at August 31, 2010, the unamortized balance of deferred selling commissions financed was $252.3 million (November 30, 2009 – $274.0 million).

Trust Company Operations

Business and Industry Profile

Through AGF Trust, we offer financial solutions, including GICs, real estate secured and investment loans.

AGF Trust investment loans consist of secured investment loans and RSP loans distributed through 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 many years and have a well-established reputation for quality service.

We offer real estate secured loans to Canadians who have sound credit, but whose circumstances may not meet the traditional requirements of Canada's large banks to qualify for their lowest rate real estate secured loan products. Real estate secured loan products are distributed through the mortgage broker channel. 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. AGF Trust also offers a prime residential mortgage product which is distributed through the advisor channel.

Segment Strategy and Highlights

In 2009 our strategy to effectively manage through the economic downturn was to reduce loan balances with the objective of improving our regulatory capital position. As a result of this strategy, we have strengthened our capital position and, with an improving economic backdrop, are in a position to focus on controlled growth in our lending programs.

We remain focused on responsible management of our loan portfolios and continuous improvement in our credit, underwriting and collections' policies and procedures to mitigate risk and reduce potential losses. The majority of funding for the lending and investment activity continues to be through the sale of GICs and we remain confident in our ability to raise funds through this channel.

For the three and nine months ended August 31, 2010, loan originations were $44.2 million and $134.5 million compared to $8.1 million and $71.6 million in the previous year. Net loan writeoffs were $5.7 million and $19.5 million for the three and nine months ended August 31, 2010, compared to $12.3 million and $26.6 million in the previous year.

As at August 31, 2010, collateral value declines have resulted in approximately $350.3 million of unsecured exposures in our secured investment loan portfolio compared to approximately $315.0 million of unsecured exposures as at November 30, 2009 and $364.5 million of unsecured exposures as at August 31, 2009. Collateral values are impacted by changes in equity markets. Our investment loan program is used by independent investment advisors as part of their overall investment strategy for their clients. We believe that investment advisors are an integral part of their clients' investment strategies. Combined with other mitigating factors such as relatively high credit scores, sound underwriting and historical experience of other financial institutions with this type of product with little evident correlation between collateral values and propensity to default, we expect that clients will continue to service their debt despite a decline in equity values.

The weighted average loan-to-value ratio on our conventional mortgage loan portfolio, as at August 31, 2010, was 63.7% (November 30, 2009 – 65.3%).

Financial and Operational Results

The Trust Company Operations segment results for the three and nine months ended August 31, 2010 and 2009 are as follows:

($ millions)	Three months ended August 31, 2010	2009	% change	Nine months ended August 31, 2010	2009	% change
Interest income						
Loan interest	$ 42.1	$ 50.2	(16.1%)	$ 127.1	$ 165.1	(23.0%)
Investment interest	3.9	2.0	95.0%	10.4	12.4	(16.1%)
	46.0	52.2	(11.9%)	137.5	177.5	(22.5%)
Interest expense						
Deposit interest	30.2	42.2	(28.4%)	97.0	137.1	(29.2%)
Hedging interest income	(10.4)	(18.1)	42.5%	(39.2)	(52.2)	24.9%
Other interest expense	4.6	5.8	(20.7%)	14.1	18.1	(22.1%)
	24.4	29.9	(18.4%)	71.9	103.0	(30.2%)
Net interest income	21.6	22.3	(3.1%)	65.6	74.5	(11.9%)
Other revenue	2.0	2.5	(20.0%)	5.7	6.6	(13.6%)
RSP loan securitization income (loss), net of impairment	0.7	0.6	16.7%	1.7	(0.4)	n/m
Total revenue	24.3	25.4	(4.3%)	73.0	80.7	(9.5%)
Expenses						
Selling, general and administrative	9.0	9.0	-	27.4	26.0	5.4%
Provision for loan losses	4.7	7.2	(34.7%)	13.5	33.6	(59.8%)
	13.7	16.2	(15.4%)	40.9	59.6	(31.4%)
EBITDA [1]	10.6	9.2	15.2%	32.1	21.1	52.1%
Amortization	0.5	0.8	(37.5%)	1.8	2.2	(18.2%)
Income before taxes and non-segmented items	$ 10.1	$ 8.4	20.2%	$ 30.3	$ 18.9	60.3%

[1] 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 expenses, was lower by 3.1% and 11.9% for the three and nine months ended August 31, 2010, compared to the same periods in 2009. The decreases were primarily due to decreases in average loan balances of 15.5% and 17.7% for the three and nine months ended August 31, 2010, compared to the prior year periods. The average net interest margin on lending products was 2.6% during the three months ended August 31, 2010 (2009 – 2.3%). AGF Trust manages its interest rate risk through the use of interest rate swaps. Interest expense includes hedging interest income of $10.4 million and $39.2 million related to interest rate swaps for the three and nine months ended August 31, 2010 (2009 – $18.1 million and $52.2 million). Other revenue decreased by 20.0% and 13.6% for the three and nine months ended August 31, 2010, compared to the same periods in 2009.The decrease in the three months ended August 31, 2010, was primarily due to lower activity fees due to lower loan levels. The decline for the nine months ended August 31, 2010, was primarily due to hedge ineffectiveness and lower fees due to a decline in loan balances. During the three and nine months ended August 31, 2010, the Trust Company recognized nil and $0.6 million writedown of its retained interest in securitized RSP loans compared to a $0.3 million and $3.1 million writedown in the same periods in 2009. These factors resulted in an overall revenue decrease of 4.3% and 9.5% in the three and nine months ended August 31, 2010, as compared to 2009.

Selling, General and Administrative Expenses

SG&A expenses were unchanged at $9.0 million in the three months ended August 31, 2010, but increased to $27.4 million in the nine months ended August 31, 2010, compared to $26.0 million in the same period in 2009. The increase in the nine months ended August 31, 2010, reflects higher information technology costs.

Provision for Loan Losses

The total provision for loan losses decreased $2.5 million to $4.7 million in the third quarter of 2010 compared to $7.2 million in 2009 reflecting improved economic conditions in 2010.

Based on our analysis of the RSP portfolio, we had approximately $24.9 million of loan accounts which, based on certain loan characteristics, were assessed as having a significantly higher risk of default. Accordingly, we have recorded an allowance for loan losses of $2.8 million against these accounts and in addition, we have written off $17.7 million of these loans as at August 31, 2010.

EBITDA and EBITDA margin

A decrease in the loan loss provision, partly offset by a decline in revenue and an increase in SG&A costs, contributed to an increase in EBITDA for the three and nine months ended August 31, 2010, to $10.6 million and $32.1 million compared to $9.2 million and $21.1 million in the same periods in 2009. EBITDA margin increased to 43.6% and 44.0% from 36.2% and 26.1% over the same periods in 2009.

Pre-Tax Profit Margin

As a result of the factors outlined above, pre-tax margin increased to 41.6% and 41.5% in the three and nine months ended August 31, 2010, from 33.1% and 23.4% in the same periods in 2009.

Operational Performance

The table below highlights our key operational measures for the segment for the three and nine months ended August 31, 2010 and 2009:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2010	2009	% change	2010	2009	% change
Real estate secured loans[1]						
Insured mortgage loans	$ 425.5	$ 533.7	(20.3)	$ 425.5	$ 533.7	(20.3)
Conventional mortgage loans	455.9	605.9	(24.8)	455.9	605.9	(24.8)
HELOCs	301.8	444.8	(32.1)	301.8	444.8	(32.1)
	1,183.2	1,584.4	(25.3)	1,183.2	1,584.4	(25.3)
Investment loans[1]						
Secured investment loans	1,666.3	1,748.1	(4.7)	1,666.3	1,748.1	(4.7)
RSP loans	388.7	447.2	(13.1)	388.7	447.2	(13.1)
Other loans	2.6	6.3	(58.7)	2.6	6.3	(58.7)
	2,057.6	2,201.6	(6.5)	2,057.6	2,201.6	(6.5)
Other assets	858.4	1,013.8	(15.3)	858.4	1,013.8	(15.3)
Total assets	4,099.2	4,799.8	(14.6)	4,099.2	4,799.8	(14.6)
Net interest income	21.6	22.3	(3.1)	65.6	74.5	(11.9)
RSP loan securitization income (loss), net of impairment	0.7	0.6	16.7	1.7	(0.4)	n/m
Other revenue	2.0	2.5	(20.0)	5.7	6.6	(13.6)
Non-interest expenses[2]	(9.5)	(9.8)	(3.1)	(29.2)	(28.2)	3.5
Provision for loan losses	(4.7)	(7.2)	(34.7)	(13.5)	(33.6)	(59.8)
Income before taxes and non-segmented items	$ 10.1	$ 8.4	20.2	$ 30.3	$ 18.9	60.3
Efficiency ratio[3]	39.1%	38.6%		40.0%	34.9%	
Assets-to-capital multiple[3]	10.3	13.0		10.3	13.0	

[1] Includes loan provision and deferred sales commission.

[2] Includes SG&A and amortization expenses.

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

Loan Asset Growth

Real estate secured loan assets decreased by 25.3% year-over-year as at August 31, 2010. Secured investment loans decreased by 4.7% to $1.7 billion as at August 31, 2010, compared to 2009 while RSP loan balances and other loans decreased $62.2 million or 13.7%.

Efficiency Ratio

The efficiency ratio is defined as non-interest expenses divided by the total of net interest income and non-interest income. It is a key industry performance indicator used to ensure expenses are contained as the Trust business grows. During the three months ended August 31, 2010, the efficiency ratio increased to 39.1% from 38.6% in the third quarter of 2009. The efficiency ratio for the nine month period ended August 31, 2010, was 40.0% compared to 34.9% for the nine month period ended August 31, 2009.

The increase is due to lower revenue as a result of the declining loan balances combined with an increase in non-interest expense in the nine month period ended August 31, 2010, compared to the same period in 2009.

Balance Sheet

Total assets decreased 14.6% to $4.1 billion as at August 31, 2010, compared to the same period in the previous year and decreased 8.9% compared to November 30, 2009. As at August 31, 2010, our assets-to-capital multiple stood at 10.3 times, compared to 13.0 times at the same time last year and 12.0 times at November 30, 2009. Our risk-based capital ratio was 21.7% as at August 31, 2010, compared to 19.0% at November 30, 2009. Liquid assets remained high with $752.1 million in cash and cash equivalents as well as investments available for sale as at August 31, 2010 (2009 – $865.6 million).

Loan Portfolio Credit

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

- Employment rates: higher unemployment rates will likely result in higher default rates as individuals' ability to pay deteriorates.
- Residential property prices and sales volume: declining residential property prices and reduced volumes of residential property sales may result in lower resale prices and longer disposal times, therefore, increasing losses incurred on the disposition of the property.
- Equity market performance: declining global equity markets present increased risk on the secured investment loan portfolio as the value of the underlying collateral is lower. While the Trust Company has recourse to the personal assets |of clients with respect to investment loans, the global macro-economic situation and employment levels may impede the Trust Company's ability to realize on the full value of the loan.

The general allowance for real estate secured loan losses increased to $8.9 million as compared to $6.8 million a year ago. This included a general allowance for insured mortgage loans of $3.8 million (August 31, 2009 – nil) which was set up in the fourth quarter of 2009 in response to certain mortgage insurers taking a stricter interpretation of policy exclusions for fraud and misrepresentation as a result of the current environment. We have written off $1.3 million of insured mortgage loans in the three and nine months ended August 31, 2010 (August 31, 2009 – nil) .The general allowance for investment loan losses decreased to $13.9 million from $16.5 million in 2009 due to improving collateral values. Approximately 48.3% 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 amount of RSP loans written off, net of recoveries (excluding securitized RSP loans) was $10.5 million for the nine months ended August 31, 2010 (2009 – $18.4 million). For our other loan products, loan writeoffs, net of recoveries, for the nine months ended August 31, 2010, were $4.9 million (2009 – $4.0 million) in the secured investment loan portfolio, $3.9 million (2009 – $4.1 million) in the mortgage loan portfolio and $0.2 million (2009 – nil) in HELOC receivables.

Impaired loans expressed as a percentage of loans outstanding was at 1.4% as at August 31, 2010, compared to 1.5% at August 31, 2009.

AGF Management Limited

Liquidity and Capital Resources

Consolidated cash flow generated from operating activities, before net change in non-cash balances related to operations, was $51.8 million and $173.1 million for the three and nine months ended August 31, 2010, compared to $49.0 million and $140.4 million in the prior year.

In the three and nine months ended August 31, 2010, we paid $9.5 million and $38.6 million in selling commissions, which were capitalized and amortized for accounting purposes, compared to $13.1 million and $41.0 million in 2009. Accordingly, our free cash flow (defined as cash flow from operations less selling commissions paid) was $42.3 million and $134.5 million for the three and nine months ended August 31, 2010, compared to $35.9 million and $99.4 million in the prior year.

In addition, during the quarter, we paid $22.6 million in dividends and repurchased Class B Non-Voting shares for a total consideration of $12.2 million.

Our revolving term loan balance of $155.7 million decreased $6.5 million from May 31, 2010 and decreased $1.0 million from November 30, 2009 (2009 – decreased $12.1 million and increased $58.9 million in the comparable periods). Consolidated cash and cash equivalents of $279.0 million increased by $4.1 million from November 30, 2009 levels of $274.9 million and decreased by $12.1 million from May 31, 2010 levels of $291.1 million (2009 – decreased by $201.3 million and increased by $34.9 million in the comparable periods).

We have a three-year, prime rate-based revolving term loan facility to a maximum of $300.0 million, of which $138.9 million was available to be drawn as at August 31, 2010. Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had $33.7 million of cash as at August 31, 2010 (November 30, 2009 – $32.6 million). 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, to invest in future growth opportunities, including acquisitions, and to ensure that the regulatory capital requirements are met for each of our subsidiary companies.

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

Investment Management Operations – Regulatory Capital

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

AGF Trust – Capital Management Framework

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

AGF Trust actively manages regulatory capital levels in conjunction with management's internal assessment of capital. Consideration is given to many factors including regulatory guidance, strategic planning, shareholder interests, interests of depositors and internally generated target capital ratios. Regulatory capital is set by regulatory authorities. Effective January 1, 2008, AGF Trust calculates and reports regulatory capital ratios in accordance with the framework specified by the Bank for International Settlements (BIS) (commonly known as Basel II). AGF Trust adopted the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk.

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

Normal Course Issuer Bid

In January 2010, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,167,620 Class B Non-Voting shares, or 10% of the public float for such shares. The Company received approval from the Toronto Stock Exchange on February 24, 2010, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,167,620 Class B Non-Voting shares through the facilities of the Toronto Stock Exchange (or as otherwise permitted by the Toronto Stock Exchange) between February 26, 2010 and February 25, 2011. The Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange. AGF's previous normal course issuer bid allowed for the repurchase of up to 7,108,630 Class B Non-Voting shares between February 26, 2009 and February 25, 2010, at prevailing market prices.

During the three and nine months ended August 31, 2010, under this current normal course issuer bid, 846,100 Class B Non-Voting shares were purchased for a total consideration of $12.2 million at an average price of $14.44. Under the previous normal course issuer bid, AGF purchased no Class B Non-Voting shares.

Dividends

For the three months ended August 31, 2010, we declared a 26-cents per share dividend on Class A Voting common and Class B Non-Voting shares. This dividend will be payable on October 20, 2010, to shareholders of record on October 8, 2010.

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

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

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

Years ended November 30,	2010[1]	2009	2008	2007	2006
Per share	$ 1.03	$ 1.00	$ 0.95	$ 0.78	$ 0.69
Percentage increase	3%	5%	22%	13%	23%

[1]The total of dividends paid in January 2010, April 2010 and July 2010 and to be paid in October 2010.

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.

Outstanding Share Data

Set out below is our outstanding share data as at August 31, 2010 and 2009. For additional detail, see Note 10 to the Q3 2010 Consolidated Financial Statements.

August 31,	2010	2009
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	88,512,951	88,947,873
Stock Options		
Outstanding options	5,613,799	5,895,249
Exercisable options	2,680,989	2,383,233

Selected Quarterly Information

For the three-month period ended ($ millions, except per share amounts)	August 31, 2010	May 31, 2010	Feb. 28, 2010	Nov. 30, 2009
Revenue	$ 148.7	$ 153.8	$ 156.2	$ 157.7
Cash flow [1]	51.8	61.9	59.4	65.7
EBITDA [2]	61.0	62.6	67.1	71.6
Pre-tax income	38.7	38.3	42.6	46.6
Net income	27.8	27.5	30.6	45.5
Earnings per share				
Basic	$ 0.31	$ 0.31	$ 0.34	$ 0.51
Diluted	$ 0.31	$ 0.30	$ 0.34	$ 0.50
Weighted average basic shares	89,286,335	89,332,374	89,211,983	89,072,123
Weighted average fully diluted shares	90,232,708	90,482,468	90,390,172	90,331,497

For the three-month period ended ($ millions, except per share amounts)	Aug. 31, 2009	May 31, 2009	Feb. 28, 2009	Nov. 30, 2008
Revenue	$ 146.9	$ 143.5	$ 138.0	$ 152.2
Cash flow [1]	49.0	44.7	46.7	57.4
EBITDA [2]	56.1	49.0	42.8	54.0
Pre-tax income	30.4	23.0	16.3	(24.1)
Net income	22.8	17.2	12.2	(19.3)
Earnings per share				
Basic	$ 0.26	$ 0.19	$ 0.14	$ (0.21)
Diluted	$ 0.25	$ 0.19	$ 0.14	$ (0.21)
Weighted average basic shares	88,914,200	88,826,605	88,564,160	89,446,562
Weighted average fully diluted shares	89,931,517	89,234,015	88,564,160	90,679,048

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

[2] As previously defined, see 'Key Performance Indicators and Non-GAAP Measures – EBITDA' section.

Additional Information

Additional information relating to the Company can be found in our Consolidated Financial Statements and accompanying Notes for the three and nine months ended August 31, 2010, our 2009 annual MD&A and Consolidated Financial Statements, our 2009 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 FINANCIAL STATEMENTS

For the three and nine months ended August 31, 2010

What are you doing after work?

AGF Management Limited
Consolidated Balance Sheet

($ thousands)	August 31, 2010 (unaudited)	November 30, 2009 (audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 279,020	$ 274,870
Investments available for sale (note 2(a))	526,568	550,480
Accounts receivable, prepaid expenses and other assets	84,355	98,745
Current portion of retained interest from securitization (note 3)	2,722	3,550
Real estate secured and investment loans due within one year (note 6)	466,694	537,683
	1,359,359	1,465,328
Retained interest from securitization (note 3)	36,558	36,898
Real estate secured and investment loans (note 6)	2,774,075	3,057,072
Investment in associated company (note 2(b))	79,608	90,447
Management contracts	504,269	504,269
Customer contracts, net of accumulated amortization	12,092	14,221
Goodwill	173,708	173,708
Trademarks	1,935	1,935
Deferred selling commissions, net of accumulated amortization	252,289	273,959
Property, equipment and computer software, net of accumulated amortization	11,419	14,127
Other assets (note 7)	27,285	43,958
Total assets	$ 5,232,597	$ 5,675,922
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 247,107	$ 284,043
Future income taxes	20,027	22,190
Long-term debt due within one year (note 8)	–	13,083
Deposits due within one year (note 6(f))	1,616,355	1,884,235
	1,883,489	2,203,551
Deposits (note 6(f))	1,898,810	2,034,328
Long-term debt (note 8)	155,714	143,648
Future income taxes	132,885	146,909
Other long-term liabilities (note 9)	16,605	16,675
Total liabilities	4,087,503	4,545,111
Non-controlling interest	468	408
Shareholders' equity		
Capital stock (note 10)	438,107	438,612
Contributed surplus	22,141	19,964
Retained earnings	694,114	685,063
Accumulated other comprehensive loss (note 11)	(9,736)	(13,236)
Total shareholders' equity	1,144,626	1,130,403
Total liabilities and shareholders' equity	$ 5,232,597	$ 5,675,922

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

AGF Management Limited
Consolidated Statement of Income

(unaudited)	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2010	2009	2010	2009
Revenue				
Management and advisory fees	$ 117,396	$ 114,775	$ 365,465	$ 322,670
Deferred sales charges	5,296	4,872	17,138	16,454
RSP loan securitization income (loss), net of impairment (note 3)	731	544	1,667	(437)
Investment income and other revenue	3,670	4,372	8,806	15,181
	127,093	124,563	393,076	353,868
AGF Trust interest income (note 13)	45,947	52,182	137,446	177,501
AGF Trust interest expense (note 13)	(24,362)	(29,883)	(71,846)	(103,012)
AGF Trust net interest income	21,585	22,299	65,600	74,489
Total revenue	148,678	146,862	458,676	428,357
Expenses				
Selling, general and administrative	47,319	48,391	144,208	148,718
Trailing commissions	33,436	32,819	103,374	90,272
Investment advisory fees	2,236	2,288	6,934	7,888
Amortization of deferred selling commissions	19,476	20,763	59,330	64,128
Amortization of customer contracts	709	1,263	2,128	3,299
Amortization of property, equipment and computer software	1,349	1,896	4,583	5,649
Interest expense	503	1,633	4,390	4,764
Provision for AGF Trust loan losses (note 6(e))	4,725	7,243	13,488	33,596
	109,753	116,296	338,435	358,314
Income before income taxes and non-controlling interest	38,925	30,566	120,241	70,043
Income tax expense (recovery)				
Current	15,539	14,431	41,723	35,512
Future	(4,641)	(6,789)	(8,056)	(18,001)
	10,898	7,642	33,667	17,511
Non-controlling interest (note 5)	259	181	738	381
Net income for the period	$ 27,768	$ 22,743	$ 85,836	$ 52,151
Earnings per share (note 10(g))				
Basic	$ 0.31	$ 0.26	$ 0.96	$ 0.59
Diluted	$ 0.31	$ 0.25	$ 0.95	$ 0.58

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

AGF Management Limited
Consolidated Statement of Changes in Shareholders' Equity

(unaudited)	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2010	2009	2010	2009
Capital Stock				
Balance, beginning of period	$ 441,605	$ 434,814	$ 438,612	$ 431,897
Issued through dividend reinvestment plan	681	578	1,996	1,959
Stock options exercised	9	1,161	1,687	1,161
Issued on acquisition of Highstreet Partners Limited (note 5)	–	–	–	1,536
Repurchased for cancellation (note 10(c))	(4,188)	–	(4,188)	–
Balance, end of period	438,107	436,553	438,107	436,553
Contributed surplus				
Balance, beginning of period	21,345	18,803	19,964	17,127
Stock options	796	809	2,177	2,485
Balance, end of period	22,141	19,612	22,141	19,612
Retained earnings				
Balance, beginning of period	697,610	661,267	685,063	676,190
Net income for the period	27,768	22,743	85,836	52,151
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	(23,235)	(22,220)	(68,756)	(66,551)
Excess paid over recorded capital stock value of AGF Class B non-voting shares repurchased for cancellation (note 10(c))	(8,029)	–	(8,029)	–
Balance, end of period	694,114	661,790	694,114	661,790
Accumulated other comprehensive loss				
Balance, beginning of period	(22,216)	(20,300)	(13,236)	(17,792)
Other comprehensive income	12,480	5,352	3,500	2,844
Balance, end of period	(9,736)	(14,948)	(9,736)	(14,948)
Total shareholders' equity	$ 1,144,626	$ 1,103,007	$ 1,144,626	$ 1,103,007

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

AGF Management Limited
Consolidated Statement of Comprehensive Income

(unaudited)	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2010	2009	2010	2009
Net income for the period	$ 27,768	$ 22,743	$ 85,836	$ 52,151
Other comprehensive income (loss), net of tax				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations[1]	4,677	792	(4,929)	(4,850)
	4,677	792	(4,929)	(4,850)
Net unrealized gain on available for sale securities				
Unrealized gain[2]	7,947	3,765	8,501	6,425
Reclassification of realized (gain) loss or other than temporary impairment to earnings	(157)	737	(157)	1,087
	7,790	4,502	8,344	7,512
Net unrealized gain (loss) on cash flow hedge				
Reclassification of realized loss on cash flow hedge[3]	13	58	85	182
	13	58	85	182
Total other comprehensive income (loss), net of tax	$ 12,480	$ 5,352	$ 3,500	$ 2,844
Comprehensive income for the period	$ 40,248	$ 28,095	$ 89,336	$ 54,995

[1] Net of income tax expense of $0.7 million and income tax recovery of $0.7 million for the three and nine months ended August 31, 2010. Net of income tax expense of $0.2 million and recovery of $0.8 million for the three and nine months ended August 31, 2009.

[2] Net of income tax expense of $2.6 million and $2.8 million for the three and nine months ended August 31, 2010. Net of income tax expense of $1.3 million and $1.9 million for the three and nine months ended August 31, 2009.

[3] Relates to derivative designated as cash flow hedge in prior periods.

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

AGF Management Limited
Consolidated Statement of Cash Flow

(unaudited)	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2010	2009	2010	2009
Operating Activities				
Net income for the period	$ 27,768	$ 22,743	$ 85,836	$ 52,151
Items not affecting cash				
Amortization	21,534	23,922	66,041	73,076
Future income taxes	(4,641)	(6,789)	(8,056)	(18,001)
RSP loan securitization income (loss), net of impairment	(731)	(544)	(1,667)	437
Provision for AGF Trust loan losses	4,725	7,243	13,488	33,596
Stock-based compensation	1,327	1,248	4,854	4,054
Equity investment in S&WHL	(193)	(1,131)	1,422	(4,390)
Other	2,074	2,224	7,212	(1,595)
Dividends from S&WHL	–	–	3,962	1,031
	51,863	48,916	173,092	140,359
Net change in non-cash balances related to operations (note 12)	9,868	10,847	(45,595)	(22,570)
Net cash provided by operating activities	61,731	59,763	127,497	117,789
Financing Activities				
Purchase of Class B non-voting shares for cancellation	(12,217)	–	(12,217)	–
Issue of Class B Non-Voting shares	9	1,161	1,486	1,161
Dividends paid	(22,554)	(21,642)	(66,760)	(64,592)
Increase (decrease) in revolving term loan	(6,487)	(12,061)	(1,017)	58,853
Net decrease in AGF Trust deposits	(162,572)	(191,364)	(381,084)	(525,316)
Net cash used in financing activities	(203,821)	(223,906)	(459,592)	(529,894)
Investing Activities				
Deferred selling commissions paid	(9,454)	(13,073)	(38,576)	(40,978)
Proceeds from sale of discontinued operations (note 4)	607	–	607	702
Acquisition of subsidiaries, net of cash acquired (note 5)	–	–	–	(19,924)
Purchase of property, equipment and computer software	(1,080)	(578)	(1,875)	(1,622)
Net proceeds from sale (purchase) of investments available for sale	35,885	(55,025)	38,539	(333,066)
Net decrease in AGF Trust real estate secured and investment loans	104,069	267,694	337,550	605,710
Net cash provided by investing activities	130,027	199,018	336,245	210,822
Increase (decrease) in cash and cash equivalents	(12,063)	34,875	4,150	(201,283)
Balance of cash and cash equivalents, beginning of period	291,083	348,010	274,870	584,168
Balance of cash and cash equivalents, end of period	$ 279,020	$ 382,885	$ 279,020	$ 382,885
Represented by:				
Investment Management cash and cash equivalents			$ 33,685	$ 28,117
AGF Trust cash and cash equivalents			245,335	354,768
			$ 279,020	$ 382,885

Refer to Note 12 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, 2010 (unaudited)

These unaudited Q3 2010 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, 2009. 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, 2009.

Note 1: Changes in Accounting Policies

Future Accounting Changes

Transition to International Financial Reporting Standards

The CICA Accounting Standards Board requires all Canadian publicly accountable enterprises to adopt International Financial Reporting Standards (IFRS) for years beginning on or after January 1, 2011. The Company will adopt IFRS for the fiscal year 2012 starting December 1, 2011. The fiscal 2012 Consolidated Financial Statements will include comparative 2011 financial results under IFRS. The Company will report its financial results for the quarter ended February 29, 2012 on an IFRS basis, including comparative IFRS financial results and an opening balance sheet as at December 1, 2010.

Note 2: Investments Available for Sale and Investment in S&WHL

(a) The following table presents a breakdown of available for sale investments, excluding retained interest from securitization:

($ thousands)	August 31, 2010	November 30, 2009
AGF Trust:		
Canadian government debt[1]		
Federal	$ –	$ 10,179
Provincial	421,208	350,664
Deposits with regulated institutions	85,540	86,487
Other securities	–	83,426
	506,748	530,756
Investment Management:		
Canadian government debt		
Federal	297	297
AGF mutual funds and other	13,129	12,909
Equity securities	6,394	6,518
	19,820	19,724
	$ 526,568	$ 550,480

[1] Includes investments issued and/or guaranteed by the Canadian government.

The following table presents a breakdown of AGF Trust available for sale investments by maturity, excluding retained interest from securitization:

August 31, 2010 ($ thousands)	Credit rating	1 Year or Less	1 to 5 years	Greater than 5 years	Total
AGF Trust:					
Canadian government debt					
Federal	–	$ –	$ –	$ –	$ –
Provincial	A to AAA	60,880	333,043	27,285	421,208
Deposits with regulated institutions	AA	85,540	–	–	85,540
Other securities	–	–	–	–	–
		$ 146,420	$ 333,043	$ 27,285	$ 506,748

November 30, 2009 ($ thousands)	Credit rating	1 Year or Less	1 to 5 years	Greater than 5 years	Total
AGF Trust:					
Canadian government debt					
Federal	AAA	$ 10,179	$ –	$ –	$ 10,179
Provincial	A to AAA	45,842	264,572	40,250	350,664
Deposits with regulated institutions	AA	–	86,487	–	86,487
Other securities	AA High to AAA	83,426	–	–	83,426
		$ 139,447	$ 351,059	$ 40,250	$ 530,756

AGF Trust's available for sale investments include Government of Canada and provincial guaranteed bonds, bank-sponsored asset-backed commercial paper (ABCP), bank-sponsored asset-backed securities (ABSs), bank deposit notes and floating-rate notes (FRNs) with terms to maturity greater than three months. As at August 31, 2010, $85.1 million of AGF Trust's available for sale investments were floating-rate securities subject to repricing (November 30, 2009 – $114.7 million) and $421.7 million were fixed-rate securities (November 30, 2009 – $416.1 million). Other securities include FRN investments of nil (November 30, 2009 – $29.7 million), ABS investments of nil (November 30, 2009 – $28.7 million), and ABCP investments of nil (November 30, 2009 – $25.0 million).

Investment Management's available for sale investment in Canadian government debt is a fixed-rate treasury bond with a maturity date within one year and a credit rating of AAA.

During the three and nine months ended August 31, 2010 and 2009, no impairment charges were required.

(b) The Company holds a 30.5% investment in S&WHL accounted for using the equity method. At August 31, 2010, the carrying value was $79.6 million (November 30, 2009 – $90.4 million). During the three and nine months ended August 31, 2010, the Company recognized $0.2 million in earnings and $1.4 million in losses (2009 – $1.1 million in earnings and $4.4 million in earnings). During the three and nine months ended August 31, 2010, the Company received nil and $4.0 million in dividends (2009 – nil and $1.0 million) from S&WHL. The decrease in the carrying value of the investment in S&WHL during the three and nine months ended August 31, 2010, is in part due to the strength of the Canadian dollar relative to the U.K. pound. During the nine months ended August 31, 2010, S&WHL also recorded a goodwill impairment charge related to one of its subsidiaries and a one-time accounting charge for investment team recruitment agreements.

Note 3: Securitization of AGF Trust Loans

In 2006 and 2007, AGF Trust securitized $482.0 million of RSP loans. Cash flows of $459.2 million were received on the securitizations and gains of $17.9 million was recorded, net of transaction fees of $0.3 million. As at August 31, 2010, $76.5 million (November 30, 2009 – $108.3 million) of securitized loans were outstanding.

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. During the three and nine months ended August 31, 2010, a nil and $0.6 million writedown was booked as an other-than-temporary impairment (2009 – $0.3 million and $3.1 million).

The Company has recorded retained interests of $39.3 million (November 30, 2009 – $40.4 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 $3.5 million (November 30, 2009 – $6.0 million), ii) cash collateral of $13.4 million (November 30, 2009 – $12.8 million) and iii) over-collateralization of $22.4 million (November 30, 2009 – $21.6 million).

As at August 31, 2010, the impaired loans included in the securitized balances were equal to $0.1 million (November 30, 2009 – $0.2 million), and during the three and nine months ended August 31, 2010, $0.3 million and $1.2 million of securitized RSP loans were written off (2009 – $0.6 million and $2.0 million).

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 and nine months ended August 31, 2010, cash flows of $1.1 million and $3.5 million (2009 – $1.5 million and $4.4 million) related to the interest-only strip were received on the securitized loans. The total income recognized from securitization, net of securitization writedown, during the three and nine months ended August 31, 2010, was $0.7 million and $1.7 million (2009 – $0.6 million income and $0.4 million loss).

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

	August 31, 2010	November 30, 2009
Excess spread	4.9% - 5.0%	4.7% - 4.9%
Discount rate on interest-only strip	7.5%	7.5%
Expected credit losses	1.7% - 2.0%	1.7% - 2.0%
Prepayment rate	16.3% - 18.3%	16.3% - 18.3%
Expected weighted average life of RSP loans	1.7 years	1.8 years

AGF Trust retained servicing responsibilities for the securitized loans. A servicing liability of $0.3 million was recorded as at August 31, 2010 (November 30, 2009 – $0.6 million). This amount represents the estimated future cost of servicing the securitized loans. The amount amortized related to the servicing liability during the three and nine months ended August 31, 2010 was $0.1 million and $0.3 million (2009 – $0.1 million and $0.4 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, 2010 and November 30, 2009. 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.

	Impact on fair value of retained interests	
($ thousands)	August 31, 2010	November 30, 2009
Discount rate		
+10%	$ (15)	$ (37)
+20%	(29)	(73)
Prepayment rate		
+10%	$ (17)	$ (54)
+20%	(35)	(110)
Expected credit losses		
+10%	$ (217)	$ (331)
+20%	(433)	(663)
Excess spread		
-10%	$ (360)	$ (650)
-20%	(720)	(1,297)

Note 4: Discontinued Operations

On April 30, 2007, AGF sold 100% of Investmaster for $6.8 million, recognizing a gain on the sale of $4.7 million. The purchase consideration included $5.0 million in cash and two notes receivable totalling £0.8 million or $1.8 million at the time of sale from the buyer. In 2009, AGF received a payment of £0.4 million or $0.7 million related to the first note receivable. In 2010, AGF received a payment of £0.4 million or $0.6 million related to the second note receivable. No additional contingent consideration is receivable by AGF.

Note 5: Acquisition of Highstreet Partners Ltd.

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet). The purchase consideration was payable in a combination of cash and the issue of Class B Non-Voting shares. On March 2, 2009, a final payment, excluding contingent consideration, of $21.5 million was paid, consisting of $20.0 million in cash and the issuance of 188,444 Class B Non-Voting shares valued at $1.5 million. The total consideration paid, including acquisition costs and imputed interest, was $65.4 million in cash and the issuance of 629,443 Class B Non-Voting shares valued at $12.3 million. During the year ended November 30, 2009, contingent consideration, based on certain financial profitability targets being achieved by Highstreet, of $0.7 million was recorded as an increase in goodwill. This amount was paid on March 3, 2010.

Note 6: AGF Trust

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

	Term to contractual repricing				
($ thousands)	Variable rate	1 year or less	1 to 5 years	August 31, 2010	November 30, 2009
Mortgage loans	$ 1,182	$ 341,803	$ 550,536	$ 893,521	$ 1,067,282
Home equity lines of credit (HELOC)	300,486	–	–	300,486	384,774
Total real estate secured loans	301,668	341,803	550,536	1,194,007	1,452,056
Investment loans	2,074,708	1,604	938	2,077,250	2,177,436
Total loans	2,376,376	343,407	551,474	3,271,257	3,629,492
Less: allowance for loan losses				(33,840)	(39,818)
Add: net deferred sales commissions and commitment fees				3,352	5,081
				3,240,769	3,594,755
Less: current portion				(466,694)	(537,683)
				$ 2,774,075	$ 3,057,072

(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, 2010 were $466.7 million (November 30, 2009 – $537.7 million).

As at August 31, 2010, AGF Trust's mortgage portfolio comprises a combination of fixed rate and variable rate residential mortgages with a weighted average term to repricing of 1.7 years (November 30, 2009 – 1.8 years) and a weighted average yield of 6.3% (November 30, 2009 – 6.6%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representment, were $428.9 million as at August 31, 2010 (November 30, 2009 – $501.3 million). HELOCs, which totalled $300.5 million as at August 31, 2010, had an average interest rate of 4.7% (November 30, 2009 – 4.2%). Investment loans, excluding RSP loans, totalled $1.7 billion as at August 31, 2010, and had an average interest rate (based on the prime interest rate) of 4.5% (November 30, 2009 – 4.0%). RSP loans totalled $402.5 million as at August 31, 2010, and had an average interest rate of 5.9% (November 30, 2009 – 5.3%). The average interest rate on all investment loans as at August 31, 2010, was 4.8% (November 30, 2009 – 4.3%). Mortgage and HELOC loans are secured primarily by residential real estate. Secured investment loans of $1.7 billion (November 30, 2009 – $1.7 billion) are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.4 billion (November 30, 2009 – $1.4 billion).

(b) Loans by Province and by Type

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

August 31, 2010 ($ millions)	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	$ 10.5	$ 26.6	$ 314.1	$ 36.2	$ 25.0	$ 0.1	$ 412.5
Alberta	56.9	117.5	197.7	41.2	226.1	0.6	640.0
Ontario	250.0	218.1	814.8	127.3	19.1	0.4	1,429.7
Quebec	110.3	99.9	122.1	162.2	0.2	0.6	495.3
Other	1.2	2.5	223.6	35.6	30.1	0.8	293.8
Total value of loans	$ 428.9	$ 464.6	$ 1,672.3	$ 402.5	$ 300.5	$ 2.5	$ 3,271.3

August 31, 2010	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	53	114	4,665	3,775	119	73	8,799
Alberta	249	588	3,443	3,247	960	318	8,805
Ontario	1,636	1,252	13,102	13,123	121	188	29,422
Quebec	637	711	2,274	15,657	4	301	19,584
Other	7	17	3,261	3,003	217	497	7,002
Total number of loans	2,582	2,682	26,745	38,805	1,421	1,377	73,612

November 30, 2009 ($ millions)	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	$ 9.9	$ 33.8	$ 326.9	$ 40.2	$ 37.5	$ 0.2	$ 448.5
Alberta	59.5	147.9	208.3	43.7	280.6	1.4	741.4
Ontario	299.7	246.9	848.0	143.3	28.4	0.8	1,567.1
Quebec	132.2	137.4	127.6	166.6	0.2	1.2	565.2
Other	–	–	230.7	37.0	38.1	1.5	307.3
Total value of loans	$ 501.3	$ 566.0	$ 1,741.5	$ 430.8	$ 384.8	$ 5.1	$ 3,629.5

November 30, 2009	Insured Mortgage Loans	Conventional Mortgage Loans	Secured Investment Loans	RSP Loans	HELOC Receivables	Finance Loans	Total
British Columbia	58	141	4,830	4,637	170	148	9,984
Alberta	269	709	3,613	3,867	1,213	649	10,320
Ontario	1,964	1,505	13,551	16,946	168	336	34,470
Quebec	750	935	2,354	16,374	4	552	20,969
Other	–	–	3,350	3,419	265	837	7,871
Total number of loans	3,041	3,290	27,698	45,243	1,820	2,522	83,614

(c) Impaired Loans

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. Loans that are insured by the federal government, an agency thereof, or a third-party insurer are classified as impaired when interest or principal is past due 365 days. As at August 31, 2010, impaired loans were $44.5 million (November 30, 2009 – $48.9 million) and $33.5 million (November 30, 2009 – $33.8 million), net of the specific allowance for loan losses.

($ thousands)	August 31, 2010	November 30, 2009
Impaired Loans:		
Insured mortgage loans	$ 7,769	$ 7,002
Conventional mortgage loans	30,822	35,523
Secured investment loans	1,983	1,619
RSP loans	2,078	3,840
HELOC receivables	1,841	931
	$ 44,493	$ 48,915

The following tables provide an aging of loans:

August 31, 2010 ($ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 375,883	$ 20,150	$ 6,147	$ 3,234	$ 23,476	$ 428,890
Conventional mortgage loans	408,070	19,075	4,715	2,950	29,821	464,631
Secured investment loans	1,657,576	10,152	2,088	493	1,934	1,672,243
RSP loans	394,210	4,131	2,324	741	1,058	402,464
HELOC receivables	293,066	4,139	–	–	3,281	300,486
Finance loans	2,543		–	–	–	2,543
	$ 3,131,348	$ 57,647	$ 15,274	$ 7,418	$ 59,570	$ 3,271,257

November 30, 2009 ($ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 436,177	$ 28,504	$ 6,521	$ 3,204	$ 26,853	$ 501,259
Conventional mortgage loans	479,042	33,173	12,112	6,151	35,545	566,023
Secured investment loans	1,722,616	12,713	3,550	1,011	1,619	1,741,509
RSP loans	420,096	6,023	1,785	1,329	1,560	430,793
HELOC receivables	377,865	5,398	147	403	961	384,774
Finance loans	5,134	–	–	–	–	5,134
	$ 3,440,930	$ 85,811	$ 24,115	$ 12,098	$ 66,538	$ 3,629,492

(d) Mortgages in Legal Action

The following table provides a summary of conventional mortgages in legal action, which includes demand for payment, power of sale and foreclosures. The table details opening mortgages in legal action for the period and related changes to the pool, being additions, discharged mortgages other than sold, proceeds on foreclosed mortgages discharged and related losses, to arrive at the ending balance of mortgages in legal action.

Nine months ended August 31, ($ thousands)	2010	2009
Balance outstanding, beginning of the period	$ 50,513	$ 44,987
Additions	24,366	40,833
Discharged mortgages other than sold	(20,863)	(16,401)
Proceeds on foreclosed mortgages discharged	(16,962)	(17,001)
Loss on foreclosed mortgages discharged	(2,363)	(2,729)
	$ 34,691	$ 49,689

In addition, as at August 31, 2010, there are $30.7 million (2009 – $33.9 million) of insured mortgages in legal action.

(e) Allowance for Credit Losses

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

Nine months ended August 31, 2010 ($ thousands)	**Specific allowances**	**General allowances**	**Total allowances**
Balance, beginning of period	$ 15,064	$ 24,754	$ 39,818
Amounts written off	(20,918)	–	(20,918)
Recoveries	1,452	–	1,452
Provision for loan losses	15,407	(1,919)	13,488
	$ 11,005	$ 22,835	$ 33,840
Breakdown by category as at August 31, 2010			
Insured mortgage loans	$ –	$ 3,800	$ 3,800
Conventional mortgage loans	4,686	4,422	9,108
Secured investment loans	2,151	4,190	6,341
RSP Loans	4,038	9,716	13,754
HELOC receivables	130	707	837
	$ 11,005	$ 22,835	$ 33,840

Nine months ended August 31, 2009 ($ thousands)	**Specific allowances**	**General allowances**	**Total allowances**
Balance, beginning of period	$ 14,163	$ 22,967	$ 37,130
Amounts written off	(27,766)	–	(27,766)
Recoveries	1,211	–	1,211
Provision for loan losses	33,232	364	33,596
	$ 20,840	$ 23,331	$ 44,171
Breakdown by category as at August 31, 2009			
Insured mortgage loans	$ –	$ –	$ –
Conventional mortgage loans	6,286	5,788	12,074
Secured investment loans	4,943	6,274	11,217
RSP Loans	9,401	10,216	19,617
HELOC receivables	210	1,053	1,263
	$ 20,840	$ 23,331	$ 44,171

(f) AGF Trust Deposits

	Term to Maturity				
($ thousands)	**Demand**	**1 year or less**	**1 to 5 years**	**August 31, 2010**	**November 30, 2009**
Deposits	$ 2,228	$ 1,614,127	$ 1,908,627	$ 3,524,982	$ 3,929,860
Less: deferred selling commissions				(9,817)	(11,297)
Less: current portion				(1,616,355)	(1,884,235)
Long-term deposits				$ 1,898,810	$ 2,034,328

As at August 31, 2010, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.4 years (November 30, 2009 – 1.4 years) and a weighted average interest rate of 3.2% (November 30, 2009 – 3.6%). Approximately 10.0% (November 30, 2009 – 15.3%) of deposits mature within 90 days.

(g) Interest Rate Swaps

To hedge its exposure to fluctuating interest rates, AGF Trust has entered into interest rate swap transactions with four Canadian chartered banks, as noted below. The swap transactions expire between September 2010 and March 2015. They involve the exchange of either the one-month bankers' acceptance (BA) rate or the three-month BA rate to receive fixed interest rates. The swap contracts designated as fair value hedging instruments for deposits are used by AGF Trust for balance sheet matching purposes and to mitigate net interest revenue volatility. As at August 31, 2010, the aggregate notional amount of the swap transactions was $2.4 billion (November 30, 2009 – $2.3 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, 2010, was $30.7 million (November 30, 2009 – $55.7 million). During the three and nine months ended August 31, 2010, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the Consolidated Statement of Income amounted to a loss of $0.1 million and $1.1 million (2009 – $0.4 million loss and $0.6 million loss), as it relates to fair value hedging relationships.

August 31, 2010 ($ thousands)	**Notional amount of swap**	**Fair value**	**Maturity date**	**Fixed interest rate received**
	$ 485,000	$ 1,322	2010	0.57% - 4.60%
	1,120,000	12,148	2011	0.61% - 5.08%
	535,000	11,655	2012	1.26% - 5.01%
	145,000	3,022	2013	1.86% - 2.71%
	40,000	1,417	2014	2.22% - 2.82%
	25,000	1,162	2015	2.82% - 2.93%
	$ 2,350,000	$ 30,726		

November 30, 2009 ($ thousands)	**Notional amount of swap**	**Fair value**	**Maturity date**	**Fixed interest rate received**
	$ 230,000	$ 209	2009	0.70% - 4.22%
	985,000	17,545	2010	0.71% - 5.05%
	695,000	24,952	2011	0.85% - 5.08%
	305,000	11,687	2012	1.60% - 5.01%
	35,000	686	2013	2.37% - 2.71%
	30,000	573	2014	2.70% - 2.82%
	$ 2,280,000	$ 55,652		

Note 7: Other Assets

($ thousands)	**August 31, 2010**	**November 30, 2009**
Long-term portion of derivatives used to manage interest rate exposure	$ 22,878	$ 40,637
Other	4,407	3,321
	$ 27,285	$ 43,958

The current portion of derivatives used to manage interest rate exposure is included under accounts receivable, prepaid expenses and other assets. As at August 31, 2010, the current portion was $7.8 million (November 30, 2009 – $15.0 million). Refer to Note 6(g) for details on the derivatives used to manage interest rate exposure. Refer to Note 15 for further details of the Company's derivative instruments.

Note 8: Long-term Debt

($ thousands)	**August 31, 2010**	**November 30, 2009**
Revolving term loan	$ 155,714	$ 156,731
Less: current portion	–	13,083
	$ 155,714	$ 143,648

AGF Investments Inc. has arranged a revolving committed term loan with a maximum aggregate principal of $300.0 million (November 30, 2009 – $300.0 million) with a Canadian chartered bank. Advances under the facility are made available by direct advance in US or Canadian dollars, under BAs, at cost of funds rates or by issuance of letters of credit. The facility is available for a term of two years from the commencement date (the commitment period) and the commitment period may be renewed annually. The current commitment period will expire on July 31, 2012 if not renewed. The current renewal date is July 31, 2011. If not renewed, the facility automatically converts to a non-revolving, amortizing term loan facility with a term of two years following the end of the commitment period. The term facility balance is repayable over a period of two years in equal quarterly installments of one-twelfth of the amount of principal outstanding, with the balance payable at the end of the term. As at August 31, 2010, AGF had drawn $155.7 million (November 30, 2009 – $156.7 million) against the facility in the form of 3- to 30-day BAs at an effective average interest rate of 2.4% (November 30, 2009 – 2.1%) per annum.

The facility is guaranteed by AGF Management Limited and certain subsidiaries. Security for the facility includes a specific claim over the management fees owing from the mutual funds (subject to the existing claims of limited partnerships or other funding arrangements) for which AGF acts as manager and a pledge of assets by AGF Management Limited and certain subsidiaries, including AGF Investments Inc. and 20/20 Financial Corporation.

Note 9: Other Long-term Liabilities

($ thousands)	August 31, 2010	November 30, 2009
Long-term portion of derivative used to manage changes in share-based compensation	$ –	$ 1,498
Long-term compensation-related liabilities	13,141	11,637
Long-term portion of Elements Advantage	3,436	3,487
Other	28	53
	$ 16,605	$ 16,675

The current portion of the derivative used to manage changes in share-based compensation is included under accounts payable and accrued liabilities. As at August 31, 2010, the current portion was $1.7 million (November 30, 2009 – $2.4 million). The notional amount of the derivative used to manage share-based compensation is $3.4 million or 122,721 share units and matures in 2010. Refer to Note 15 for further details on the Company's derivative instruments.

The Elements Advantage Commitment is a commitment to investors that if their portfolio does not match or outperform its customized benchmark over a three-year period, AGF will provide each individual investor up to 90 basis points in additional units. This is calculated based on the value of such investment at the end of its related three-year period. As of June 22, 2009, the Company discontinued the Elements Advantage feature on its Elements products. Eligible units purchased prior to June 22, 2009, have been grandfathered and will retain the Elements Advantage feature. Refer to Note 1 of AGF's 2009 Annual Report for further details on the Elements Advantage Commitment. The current portion of the Elements Advantage liability is included under accounts payable and accrued liabilities. As at August 31, 2010, the current portion was $3.3 million (November 30, 2009 – $5.3 million).

Note 10: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Nine months ended August 31,	2010		2009	
($ thousands, except share amounts)	Shares	Stated value	Shares	Stated value
Class A Voting common shares	57,600	$ –	57,600	$ –
Class B Non-Voting shares				
Balance, beginning of period	89,097,400	$ 438,612	88,480,104	$ 431,897
Issued through stock dividend plan	122,351	1,996	199,325	1,959
Stock options exercised	139,300	1,687	80,000	1,161
Issued on acquisition of Highstreet Partners Limited (note 5)	–	–	188,444	1,536
Repurchased for cancellation	(846,100)	(4,188)	–	–
Balance, end of period	88,512,951	$ 438,107	88,947,873	$ 436,553

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

AGF has obtained applicable regulatory approval to repurchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may repurchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,167,620 shares through to February 25, 2011. During the three and nine months ended August 31, 2010, 846,100 Class B Non-Voting shares were repurchased at a cost of $12.2 million and the excess paid of $8.0 million over the recorded capital stock value of the shares repurchased for cancellation was charged to retained earnings. No shares were repurchased during the three and nine months ended August 31, 2009.

(d) Stock Option Plan

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,728,351 Class B Non-Voting shares could have been granted as at August 31, 2010 (2009 – 4,695,701). The stock options are issued at a price not less than the market price of the Class B Non-Voting shares immediately prior to the grant date. Stock options are vested to the extent of 25% to 33% of the individual's entitlement per annum, or in some instances, vest at the end of the term of the option.

The change in stock options during the nine months ended August 31, 2010 and 2009 is summarized as follows:

Nine months ended August 31,	2010		2009	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B Non-Voting share options				
Balance, beginning of period	6,627,398	$ 16.34	6,576,948	$ 16.59
Options granted	75,000	16.20	–	–
Options forfeited/expired	(949,299)	17.61	(601,699)	20.43
Options exercised	(139,300)	10.66	(80,000)	14.52
Balance, end of period	5,613,799	$ 16.26	5,895,249	$ 16.23

During the three months ended August 31, 2010, no stock options were granted (2009 – nil) and compensation expense and contributed surplus of $0.8 million (2009 – $0.8 million) were recorded.

During the nine months ended August 31, 2010, 75,000 stock options were granted (2009 – nil) and compensation expense and contributed surplus of $2.4 million (2009 – $2.5 million) were recorded.

The fair value of options granted during the nine months ended August 31, 2010, has been estimated at $3.60 per share using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the nine months ended August 31, 2010.

Risk-free interest rate	3.03%
Expected dividend yield	6.42%
Expected share price volatility	41.66%
Option term	5 years

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

The change in share units during the nine months ended August 31, 2010 and 2009 is as follows:

Nine months ended August 31,	2010	2009
	Number of share units	Number of share units
Outstanding, beginning of period		
Non-vested	685,862	680,889
Issued		
Initial allocation	12,122	–
In lieu of dividends	31,896	46,707
Settled in cash	(50,049)	(47,750)
Forfeited and cancelled	(72,176)	(72,666)
Outstanding, end of period	607,655	607,180

Compensation expense for the three months ended August 31, 2010 related to these share units was $0.3 million (2009 – $0.7 million), and for the nine months ended August 31, 2010, was $2.0 million (2009 – $2.2 million). AGF has entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs. As at August 31, 2010, AGF has economically hedged 38,039 (2009 – 210,061) share units at a fixed cost of $27.92 (2009 – $30.17). Refer to Note 15 for further details on the Company's derivative instruments.

(f) Deferred Share Unit (DSU) Plans

There is no unrecognized compensation expense related to directors' DSUs since these awards vest immediately upon grant. As at August 31, 2010, 55,745 (2009 – 38,641) DSUs were outstanding. Compensation expense related to these DSUs for the three months ended August 31, 2010 was $0.1 million (2009 – $0.1 million), and for the nine months ending August 31, 2010 was $0.1 million (2009 – $0.4 million).

(g) Earnings Per Share

The following table sets forth the calculation of both basic and diluted earnings per share:

	Three months ended August 31,		Nine months ended August 31,	
($ thousands, except per share amounts)	2010	2009	2010	2009
Numerator				
Net income for the period	$ 27,768	$ 22,743	$ 85,836	$ 52,151
Denominator				
Weighted average number of shares – basic	89,286,335	88,914,200	89,227,369	88,769,812
Dilutive effect of employee stock options	946,373	1,017,317	1,073,524	547,118
Weighted average number of shares – diluted	90,232,708	89,931,517	90,300,893	89,316,930
Earnings per share				
Basic	$ 0.31	$ 0.26	$ 0.96	$ 0.59
Diluted	$ 0.31	$ 0.25	$ 0.95	$ 0.58

Note 11: Accumulated Other Comprehensive Income

($ thousands)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening Balance				
Other comprehensive loss	$ (18,998)	$ (1,489)	$ (449)	$ (20,936)
Income tax recovery	2,851	141	152	3,144
Balance, November 30, 2008	(16,147)	(1,348)	(297)	(17,792)
Transactions during the year ended November 30, 2009				
Other comprehensive income (loss)	(8,608)	15,306	323	7,021
Income tax recovery (expense)	1,248	(3,608)	(105)	(2,465)
Balance, November 30, 2009	(23,507)	10,350	(79)	(13,236)
Transactions during the nine months ended August 31, 2010				
Other comprehensive income (loss)	(5,633)	11,126	126	5,619
Income tax recovery (expense)	704	(2,782)	(41)	(2,119)
Balance, August 31, 2010	$ (28,436)	$ 18,694	$ 6	$ (9,736)

Note 12: Supplemental Disclosure of Cash Flow Information

(a) Changes in Non-Cash Operating Working Capital Items

	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2010	2009	2010	2009
(Increase) decrease in accounts receivable	$ 3,529	$ (8,700)	$ 13,696	$ (24,070)
(Increase) decrease in other assets	(1,141)	3,199	(7,980)	24,923
Increase (decrease) in accounts payable and accrued liabilities	6,334	15,461	(39,440)	(24,866)
Increase (decrease) in deposits and other liabilities	1,146	887	(11,871)	1,443
	$ 9,868	$ 10,847	$ (45,595)	$ (22,570)

(b) Income Taxes and Interest Paid

	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2010	2009	2010	2009
Income taxes paid	$ 12,891	$ 11,709	$ 55,307	$ 49,508
Interest paid	20,921	25,552	61,131	88,998
	$ 33,812	$ 37,261	$ 116,438	$ 138,506

Note 13: AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

($ thousands)	Three months ended August 31, 2010	Three months ended August 31, 2009	Nine months ended August 31, 2010	Nine months ended August 31, 2009
AGF Trust interest income				
Loan interest	$ 42,106	$ 50,185	$ 127,089	$ 165,056
Investment interest	3,841	1,997	10,357	12,445
	45,947	52,182	137,446	177,501
AGF Trust interest expense				
Deposit interest	30,196	42,276	96,963	137,140
Hedging interest income	(10,376)	(18,138)	(39,205)	(52,199)
Other interest expense	4,542	5,745	14,088	18,071
	24,362	29,883	71,846	103,012
AGF Trust net interest income	$ 21,585	$ 22,299	$ 65,600	$ 74,489

Note 14: Capital Management

Detailed disclosure of the Company's capital, including management objectives and policies and regulatory capital requirements, are included in Note 21 to AGF's 2009 Annual Report. 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.

Regulatory capital for AGF Trust is detailed as follows:

($ thousands, except for risk-weighted assets in $ millions)	Basel II August 31, 2010	Basel II November 30, 2009
Risk-weighted assets[1]		
Credit risk	$ 1,608.5	$ 1,754.8
Operational risk	229.3	216.6
Total risk-w eighted assets	1,837.8	1,971.4
Tier 1 capital		
Common shares	$ 82,768	$ 82,768
Contributed surplus	1,704	1,476
Retained earnings	142,074	120,646
Non-cumulative preferred shares	64,000	64,000
Less: securitization and other	(9,668)	(11,378)
	280,878	257,512
Tier 2 capital		
Subordinated debentures	109,500	109,500
General allow ances	14,074	15,355
Less: securitization and other	(6,471)	(6,902)
	117,103	117,953
Total capital	$ 397,981	$ 375,465

[1] For operational risk, AGF Trust uses the Basic Indicator Approach - calculated as 15% of the previous three-year average of net interest income and other income, excluding gain or loss on investments. The risk-weighted equivalent is determined by multiplying the capital requirement for operational risk by 12.5.

Note 15: Financial Instruments

Financial instruments are classified based on categories according to CICA Handbook "Section 3855 Financial Instruments – Recognition and Measurement" as follows:

August 31, 2010	Carrying amount on balance sheet		
	Fair value		Amortized cost
($ thousands)	Available for Sale	Held for Trading	Loans and Receivables or Other Financial Liabilities
Cash and cash equivalents	$ –	$ 279,020	$ –
Investments	526,568	–	–
Retained interest from securitization	39,280	–	–
Accounts receivable	–	–	72,629
Real estate secured and investment loans	–	–	3,240,769
Derivatives	–	30,726	–
Other assets	–	–	4,407
Total financial assets	$ 565,848	$ 309,746	$ 3,317,805
Accounts payable and accrued liabilities	$ –	$ –	$ 245,448
Long-term debt	–	–	155,714
Deposits	–	–	3,515,165
Derivatives	–	1,659	–
Other long-term liabilities	–	–	16,605
Total financial liabilities	$ –	$ 1,659	$ 3,932,932

November 30, 2009	Carrying amount on balance sheet		
	Fair value		Amortized cost
($ thousands)	Available forSale	Held for Trading	Loans and Receivables or Other Financial Liabilities
Cash and cash equivalents	$ –	$ 274,870	$ –
Investments	550,480	–	–
Retained interest from securitization	40,448	–	–
Accounts receivable	–	–	80,968
Real estate secured and investment loans	–	–	3,594,755
Derivatives	–	55,652	–
Other assets	–	–	3,321
Total financial assets	$ 590,928	$ 330,522	$ 3,679,044
Accounts payable and accrued liabilities	$ –	$ –	$ 281,641
Long-term debt	–	–	156,731
Deposits	–	–	3,918,563
Derivatives	–	3,900	–
Other long-term liabilities	–	–	15,177
Total financial liabilities	$ –	$ 3,900	$ 4,372,112

Fair value hierarchy

Financial Instruments Carried at Fair Value

The financial instruments carried at fair value have been categorized under three levels of fair value hierarchy as follows:

Quoted Prices in an Active Market (Level 1)

This level of the hierarchy includes listed equity securities on major exchanges, investments in AGF mutual funds, highly liquid temporary deposits with Canadian and Irish Banks, as well as term deposits and bank deposit notes. The fair value of instruments that are quoted in active markets are determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Valuation Techniques with Observable Parameters (Level 2)

This level of the hierarchy includes derivative instruments with major Canadian chartered banks, as well as investments held by AGF Trust which include commercial paper, bank-sponsored ABCP and FRNs. These instruments are recorded at fair value on the settlement date. AGF Trust values its investment holdings primarily using counterparty mark to markets provided by the major financial institutions or investment brokerages with which it deals.

The fair value of derivatives used to manage interest rate exposure is calculated through discounting future expected cash flows using the BA-based swap curve. Since the BA-based swap curve is an observable input, these financial instruments are considered Level 2.

The fair value of the derivative used to manage changes in share-based compensation is calculated as the difference between the initial swap price and the market value of Class B Non-Voting shares on the valuation date, multiplied by the total number of shares outstanding. The initial price is equal to the price agreed to at the onset of the swap agreement, adjusted for dividends that have been reinvested by the equity holder. Since the market value of Class B Non-Voting shares is an observable input, this financial instrument is considered Level 2.

Valuation Techniques with Significant Unobservable Parameters (Level 3)

This level of the hierarchy includes the retained interest from securitization. Instruments classified in this category have a parameter input or inputs which are unobservable and which have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the retained interest from securitization is determined using the present value of future expected cash flows. The expected cash flow model incorporates expected credit losses, prepayment rates, discount rate and excess spread. Expected credit losses and prepayment rates are primarily based on historical portfolio performance, while discount rate and excess spread are based on portfolio performance combined with management's assessment of the impact of market and economic factors on expected cash flows.

The following table classifies the carrying value of the financial instruments held at fair value across the fair value hierarchy:

August 31, 2010	**Financial instruments at fair value**			
($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 279,020	$ –	$ –	$ 279,020
Investments	19,820	506,748	–	526,568
Retained interest from securitization	–	–	39,280	39,280
Derivatives	–	30,726	–	30,726
Total financial assets	$ 298,840	$ 537,474	$ 39,280	$ 875,594
Derivatives	$ –	$ 1,659	$ –	$ 1,659
Total financial liabilities	$ –	$ 1,659	$ –	$ 1,659

November 30, 2009	**Financial instruments at fair value**			
($ thousands)	**Level 1**	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 274,870	$ –	$ –	$ 274,870
Investments	19,724	530,756	–	550,480
Retained interest from securitization	–	–	40,448	40,448
Derivatives	–	55,652	–	55,652
Total financial assets	$ 294,594	$ 586,408	$ 40,448	$ 921,450
Derivatives	$ –	$ 3,900	$ –	$ 3,900
Total financial liabilities	$ –	$ 3,900	$ –	$ 3,900

During the nine months ended August 31, 2010, there were no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

The following is a reconciliation of Level 3 fair value measurements from November 30, 2009 to August 31, 2010:

($ thousands)	Fair value measurements using Level 3 inputs Retained interest from securitization
Balance at November 30, 2009	$ 40,448
Accretion income	2,032
Cash receipts, net of writeoffs	(2,537)
Securitization writedown	(618)
Unrealized losses recognized in other comprehensive income	(45)
Balance at August 31, 2010	$ 39,280

Financial Instruments not Carried at Fair Value

The following table presents the estimated fair value of the Company's financial instruments which are not carried at fair value in the balance sheet:

	August 31, 2010		November 30, 2009	
($ thousands)	Carrying value	Fair value	Carrying value	Fair value
Accounts receivable	$ 72,629	$ 72,629	$ 80,968	$ 80,968
Real estate secured loans and investment loans	3,240,769	3,260,567	3,594,755	3,611,473
Other assets	4,407	4,407	3,321	3,321
Total financial assets	$ 3,317,805	$ 3,337,603	$ 3,679,044	$ 3,695,762
Accounts payable and accrued liabilities	$ 245,448	$ 245,448	$ 281,641	$ 281,641
Long-term debt	155,714	155,714	156,731	156,731
Deposits	3,515,165	3,555,257	3,918,563	3,963,517
Other long-term liabilities	16,605	16,605	15,177	15,177
Total financial liabilities	$ 3,932,932	$ 3,973,024	$ 4,372,112	$ 4,417,066

For accounts receivable, other assets, accounts payable and accrued liabilities, long-term debt and other long-term liabilities, the carrying amount represents a reasonable approximation of fair value.

Real estate secured loans, investment loans, RSP loans, HELOC receivables, and finance loans are classified as loans and receivables and are recorded at amortized cost using the effective interest method, net of any allowance for loan losses and related deferred fees and charges. The fair value of mortgage loans and deposits is calculated based on the discounted present value of future cash flows associated with the loans and deposits. The discount rates used reflect prevailing market rates for loans and deposits with similar residual terms to maturity and product characteristics. For all other loan types, the carrying value is considered to be a reasonable approximation of fair value due to the variable interest rate nature of the loan.

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, or cash flows associated with, financial instruments will fluctuate due to changes in market factors. Market risk includes fair value risk, interest rate risk and foreign currency risk. The Company is exposed to these risks directly through its financial instruments.

Fair Value Risk

Fair value risk is the risk of loss due to adverse changes in prices other than from change in interest rates and foreign currency. The Company is exposed to fair value risk on certain investments available for sale and certain derivative positions. The Company's investments that have fair value risk include mutual funds managed by the Company and common shares of $19.5 million as at August 31, 2010 (2009 – $17.5 million). 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, 2010, the effect of a 10% decline or increase in the value of investments would result in a $2.0 million (2009 – $1.8 million) unrealized gain or loss to other comprehensive income.

Details of the Company's derivative instruments are as follows:

August 31, 2010 ($ thousands)	Interest rate	Maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure	0.57% - 5.08%	2015	2,350,000	30,726
Derivatives used to manage changes in share-based compensation	–	2010	3,426	(1,659)

November 30, 2009 ($ thousands)	Interest rate	Maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure	0.70% - 5.08%	2014	2,280,000	55,652
Derivatives used to manage changes in share-based compensation	–	2010	8,919	(3,900)

As at August 31, 2010, the effect of a 10% decline or increase in the value of the underlying reference asset of the derivatives used to manage changes in share-based compensation would result in a $0.2 million (November 30, 2009 – $0.4 million) increase or decrease in income.

Interest Rate Risk

Interest rate risk, inclusive of credit spread risk, is the risk of loss due to the following: changes in the level, slope and curvature of the yield curve; the volatility of interest rates; mortgage prepayment rates; changes in the market price of credit and the creditworthiness of a particular client.

The Company, through AGF Trust, is exposed to interest rate risk primarily through its cash and cash equivalents, investments available for sale, real estate secured and investment loans receivable and deposits, managed and supervised by AGF Trust's Asset and Liability Committee. AGF Trust employs a number of techniques to manage this risk, including the matching of asset and liability terms. AGF Trust also uses interest rate swaps to manage any residual mismatches. At August 31, 2010, a 1% increase in interest rates in the aforementioned financial instruments would result in an increase in annual net interest income of approximately $3.7 million (2009 – $4.6 million increase). As a result of current interest rate levels, a sensitivity analysis based on a 1% decrease would not provide meaningful information. Refer to Note 3 for the effect of changes to key assumptions on the fair value of retained interests.

The Company, excluding AGF Trust, is also exposed to interest rate risk through its floating-rate debt and cash balances. As at August 31, 2010, the effect of a 1% change in the variable interest rates on the average balances for the year would have resulted in an annualized change in interest expense of approximately $1.6 million (2009 – $1.5 million).

Foreign Exchange Risk

Foreign exchange risk is the risk of loss due to changes in spot and forward rates and the volatility of currency exchange rates. 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 are primarily paid on a monthly basis and 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 10 and 14. In its Investment Management segment, the Company manages its 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 pay out 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 aim to 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 aims to maintain 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:

August 31, 2010 ($ thousands)	**Demand**	**1 Year or Less**	**1 to 5 Years**
Accounts payable and accrued liabilities	$ –	$ 247,107	$ –
Long-term debt	–	–	155,714
Deposits[1]	2,228	1,637,976	2,044,974
Other liabilities	–	–	16,605
Total	$ 2,228	$ 1,885,083	$ 2,217,293

November 30, 2009 ($ thousands)	**Demand**	**1 Year or Less**	**1 to 5 Years**
Accounts payable and accrued liabilities	$ –	$ 284,043	$ –
Long-term debt	–	13,083	143,648
Deposits[1]	4,665	1,909,845	2,218,390
Other liabilities	–	–	16,675
Total	$ 4,665	$ 2,206,971	$ 2,378,713

[1] Includes future interest payments and excludes deferred selling commissions.

Credit Risk

Credit risk is the potential of financial loss arising from the failure of a borrower or counterparty to honour its financial or contractual obligations to the Company. The Company's overall credit risk strategy and credit risk policy are developed by senior management and further refined at the business unit level, through the use of policies, processes and internal controls, designed to promote business activities while ensuring these activities are within the standards of risk tolerance levels. As at August 31, 2010, financial assets of $4.2 billion, consisting of cash and cash equivalents, investments, retained interests from securitization, real estate secured loans and investment loans, accounts receivable and other assets, were exposed to credit risk up to the maximum of their respective carrying value.

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, BAs and FRNs.

Investments subject to credit risk consist primarily of FRNs, 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 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 maintains a list of approved securities dealers and counterparties, which are reviewed at least annually by the Trust Board. AGF Trust uses external credit rating agencies in assessing the credit quality of certain investments in financial assets. The credit rating agencies used include DBRS, S&P and Moody's. Refer to Note 2 for a breakdown of the credit ratings for AGF Trust's investments available for sale.

The Company's most significant credit risk is through AGF Trust's real estate secured loans and investment loans. AGF Trust mitigates this risk through stringent credit policies and lending practices. These policies aim to ensure that the authority to approve credit applications is appropriately delegated by senior management 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.

At August 31, 2010, AGF Trust's loan assets totalled $3.2 billion (November 30, 2009 – $3.6 billion) and were comprised of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, $0.9 billion (November 30, 2009 – $1.1 billion) was represented by mortgage loans and $0.3 billion (November 30, 2009 – $0.4 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At August 31, 2010, 48.3% of mortgage loans were insured by Canada Mortgage and Housing Corporation (CMHC) or another insurer (November 30, 2009 – 47.6%). Conventional uninsured mortgages have loan-to-value ratios of less than 80% of the appraised value of the property at the time the mortgage loan was granted. The average loan-to-value ratio of uninsured mortgage loans was 63.7% as at August 31, 2010 (2009 – 62.4%).

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 97.1% as at August 31, 2010 (November 30, 2009 – 97.0%). AGF Trust's credit risk on these loans is also mitigated through the use of collateral, primarily in the form of residential real estate. Under AGF Trust's lending criteria, management reviews all mortgage loans on a regular basis to determine the appropriate allowance for loss required by AGF Trust. Risk is also mitigated through residential mortgage insurance through CMHC or another insurer. As at August 31, 2010, $425.5 million of AGF Trust's residential mortgage portfolio was insured (November 30, 2009 – $501.3 million).

Credit risk for HELOCs and investment loans is mitigated by collateral in the form of residential mortgages and investment funds, respectively. Investment loans, excluding RSP loans, are secured primarily by the investment made using the initial loan proceeds. Refer to Note 6(a) for the carrying value of investment loans, excluding RSP loans, and the market value of related collateral.

RSP loans are used by borrowers to purchase assets in a retirement savings plan. The creditworthiness of each borrower is assessed prior to approval of the loan. Predictive scorecards are used to determine the probability of default and bankruptcy of the borrowers. On a regular basis, AGF Trust reviews the credit quality in the portfolio. Loans in arrears are also reviewed regularly to determine the appropriate loan loss reserves.

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 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 16: Segment Information

AGF has three reportable segments: Investment Management Operations, Trust Company Operations and Other. 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 offers a wide range of trust services including GICs, term deposits, real estate secured loans and investment loans. The results of Smith & Williamson Holdings Limited have been included in Other.

The results of the reportable segments are based upon the internal financial reporting systems of AGF. The accounting policies used in these segments are generally consistent with those described in the 'Summary of Significant Accounting Policies' detailed in AGF's 2009 Annual Report.

Three months ended August 31, 2010 ($ thousands)	**Investment Management Operations**	**Trust Company Operations**	**Other[1]**	**Total**
Revenue	$ 124,195	$ 24,290	$ 193	$ 148,678
Operating expenses	73,965	13,751	–	87,716
Amortization and other expenses	21,022	512	503	22,037
Segment income (loss) before taxes	$ 29,208	$ 10,027	$ (310)	$ 38,925

Three months ended August 31, 2009 ($ thousands)	**Investment Management Operations**	**Trust Company Operations**	**Other[1]**	**Total**
Revenue	$ 120,381	$ 25,350	$ 1,131	$ 146,862
Operating expenses	74,567	16,174	–	90,741
Amortization and other expenses	23,203	719	1,633	25,555
Segment income (loss) before taxes	$ 22,611	$ 8,457	$ (502)	$ 30,566

Nine months ended August 31, 2010 ($ thousands)	Investment Management Operations	Trust Company Operations	Other[1]	Total
Revenue	$ 387,138	$ 72,960	$ (1,422)	$ 458,676
Operating expenses	227,058	40,946	–	268,004
Amortization and other expenses	64,267	1,774	4,390	70,431
Segment income (loss) before taxes	$ 95,813	$ 30,240	$ (5,812)	$ 120,241
Total Assets	$ 1,133,441	$ 4,099,156	$ –	$ 5,232,597

Nine months ended August 31, 2009 ($ thousands)	Investment Management Operations	Trust Company Operations	Other[1]	Total
Revenue	$ 343,280	$ 80,687	$ 4,390	$ 428,357
Operating expenses	220,877	59,597	–	280,474
Amortization and other expenses	70,930	2,146	4,764	77,840
Segment income (loss) before taxes	$ 51,473	$ 18,944	$ (374)	$ 70,043
Total Assets	$ 1,175,584	$ 4,799,842	$ –	$ 5,975,426

[1] Other revenue relates to S&WHL.

Note 17: Contingent Liabilities

The Company, through its subsidiary AGF Investments Inc., is a party to two class action proceedings alleging inappropriate frequent trading market timing activity in certain funds. These proceedings were instituted in the provinces of Quebec and Ontario in 2004 and 2005, respectively. During the three months ended August 31, 2010, the Company recorded a $3.5 million charge related to a settlement of all outstanding claims pending certain conditions being met and court approval.

This report contains forward-looking statements with respect to AGF, including its business operations, strategy, financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially include, among other things, general economic and market factors including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.