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

For the three and nine months ended August 31, 2011

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, 2011

AGF MANAGEMENT LIMITED REPORTS THIRD QUARTER FINANCIAL RESULTS

AGF reports 13.6% increase in assets under management

Net income increases 7.6% to $29.9 million

Toronto | September 28, 2011

AGF Management Limited (AGF) today announced financial results for the third quarter ended August 31, 2011, with net income of $29.9 million, up 7.6% or $2.1 million from net income of $27.8 million reported in the third quarter of 2010. The increase was the result of higher Investment Management Operations revenue corresponding to higher average levels of AUM, including the acquisition of Acuity.

Earnings per share in the third quarter of 2011, on a diluted basis, was $0.31 compared to $0.31 in the third quarter of 2010. Excluding the one-time acquisition and integration costs related to Acuity in the third quarter of 2011, adjusted earnings per share was $0.32.

“Market volatility as a global phenomenon has impacted the asset management industry,” said Chairman and CEO Blake C. Goldring. “Against this backdrop, we believe we are well positioned to address this cycle of volatility and will continue to look for ways to deliver value to shareholders and remain focused on our strategy to improve sales and performance.”

Total assets under management (AUM) increased 13.6% to $48.4 billion at August 31, 2011, from $42.6 billion at August 31, 2010, as a result of the acquisition of Acuity. Total retail fund AUM, including retail pooled funds, increased 11.7% to $24.0 billion at the end of August 2011 compared to $21.4 billion the prior year. Institutional and sub-advisory accounts AUM increased 16.6% to $21.2 billion from $18.2 billion a year earlier. High-net-worth AUM increased 8.5% year-over-year to $3.3 billion from $3.0 billion.

During the quarter, total consolidated revenue increased 17.4% to $174.5 million compared to $148.7 million in the third quarter of last year. Earnings before interest, taxes, depreciation and amortization (EBITDA) totalled $72.2 million for the three months ended August 31, 2011, an increase of 18.4% compared to $61.0 million for the three months ended August 31, 2010. For the third quarter of 2011, EBITDA margins improved to 41.4% from 41.0% in the same period a year earlier. Excluding the one-time costs mentioned above, adjusted EBITDA for the three months ended August 31, 2011, increased 21.1% to $73.9 million, while EBITDA margin increased to 42.3%.

AGF Trust loan assets declined 9.4% year-over-year to $2.9 billion as at August 31, 2011. Provision for loan losses decreased 38.3% and loan originations increased 154.3% to $112.4 million in the third quarter, compared to $44.2 million in the third quarter of 2010.

In keeping with our commitment to return value to shareholders, AGF repurchased 500,000 Class B Non-Voting shares during the quarter for a total consideration of $8.0 million and returned $25.8 million in the form of dividends paid, including dividends reinvested to holders of our Class A Voting common shares and Class B Non-Voting shares.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels, size and default experience on our loan portfolio and cost efficiency in our loan operations and investment management operations, as well as interest and foreign-exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of AGF's 2010 Annual Report MD&A.

Dear fellow shareholders

Since the acquisition of Acuity in February, we have achieved positive results with the integration of our business and the synergies have surpassed our original expectations. During the quarter, AGF Investments Inc. and Acuity Funds Ltd. fund mergers and transfer agency conversion was successfully completed.

Total AUM increased 13.6% to $48.4 billion compared to $42.9 billion in 2010. Revenue increased 17.4% to $174.5 million, compared to the same period in 2010, and EBITDA increased 18.4% to $72.2 million for the three months ended August 31, 2011, compared to $61.0 million a year earlier. During the quarter, we incurred $1.7 million in costs associated with the acquisition and integration of Acuity. Excluding these one-time costs, EBITDA increased 21.1% to $73.9 million, while EBITDA margin increased to 42.3%.

While AGF experienced retail net redemptions of $585.0 million compared to $526.0 million in the third quarter of last year, gross sales in the retail business were up 8.1% year-over-year. On the institutional side of the business, investors continued to show strong interest in placing new mandates and we are encouraged by these trends.

Our earnings per share in the third quarter of 2011, on a diluted basis, were $0.31 compared to $0.31 in the third quarter of 2010. Excluding the one-time costs, diluted earnings per share were $0.32 in the third quarter of 2011.

AGF Trust experienced a 9.4% decline in loan assets compared to the third quarter of 2010, while loan originations were 154.3% higher and provision for loan losses decreased 38.3%. AGF Trust remains focused on quality growth through its mortgage broker channel and leveraging strong relationships with financial advisors. In the third quarter of 2011, AGF Management Limited received a $10 million dividend from AGF Trust.

In keeping with our commitment to return value to our shareholders, we repurchased 500,000 Class B Non-Voting shares during the third quarter for a total consideration of $8.0 million. We returned $25.8 million in the form of dividends paid, including dividends reinvested to holders of our Class A Voting common shares and Class B Non-Voting shares.

In early September we announced some very important appointment notices and believe that we have assembled a team that can deliver outstanding results. We have some of the most experienced asset management leaders in Canada and consider our bench strength to be a competitive advantage as we remain focused on delivering value to our shareholders, clients and unitholders.

With 54 years of experience, we have strategically diversified our business lines, client channels, products and regions, positioning AGF for enduring stability, success and future growth.

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
September 28, 2011

[1] Cash flow from operations, free cash flow and EBITDA are non-GAAP measures. Please refer to page 19 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, 2011

This Management's Discussion and Analysis (MD&A) is as of September 28, 2011, and presents an analysis of the financial condition of AGF Management Limited and its subsidiaries (AGF) as at August 31, 2011, compared to November 30, 2010. The MD&A also includes the results of operations for the three and nine months ended August 31, 2011, compared to the corresponding periods of 2010. This discussion should be read in conjunction with our 2010 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 2010 Annual MD&A: 'Risk Factors and Management of Risk,' 'Controls and Procedures,' 'Contractual Obligations' and 'Intercompany and Related Party Transactions.' The 'Key Performance Indicators and Non-GAAP Measures' section contains a reconciliation of non-GAAP measures to GAAP measures.

Overview

AGF Management Ltd. consists of two distinct businesses: AGF Investments and AGF Trust. AGF Investments, with $48.4 billion in assets under management (AUM) as at August 31, 2011, is one of the largest independent Canadian-based investment management firms, with operations and investments in Canada, the United States, the United Kingdom, Ireland and Asia. On February 1, 2011, we completed the acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity), which added approximately $7.5 billion in AUM. AGF Trust, with $2.9 billion in loan assets as at August 31, 2011, offers mortgage, deposit and consumer lending products to clients of financial advisors and mortgage brokers.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund (AGF), the first mutual fund available to Canadians seeking to invest in the United States. As of August 31, 2011, our products and services include a diversified family of award-winning mutual funds, mutual fund wrap programs and pooled funds. AGF also manages assets on behalf of institutional investors including pension plans, foundations and endowments as well as for private clients. In addition, AGF Trust is a complementary business that offers GICs, loans and mortgages through financial advisor and mortgage broker channels.

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, sub-advisory 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 is committed to providing world-class financial solutions to clients in Canada and abroad. We look to expand our business through strategic acquisitions and organic growth while focusing on our key financial priorities to create long-term value for shareholders, clients and unitholders.

Our Investment Management Operations provide a diverse suite of investment solutions to retail, institutional and sub-advisory 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 Operation complements our Investment Management Operations and contributes to the profitability of AGF Management Limited. AGF Trust supports the AGF brand through delivery of value-added products and services, effectively leveraging our advisor distribution channel.

During the third quarter of 2011:

- Total AUM increased 13.6% to $48.4 billion at August 31, 2011 from $42.6 billion at August 31, 2010, with the Acuity acquisition in the first quarter of 2011 adding approximately $7.5 billion in AUM.
- Retail fund gross sales increased 8.1% year-over-year.
- Net redemptions continued to occur in our retail fund business. In the third quarter of 2011, retail fund net redemptions increased $59.0 million to $585.0 million compared to net redemptions of $526.0 million in the third quarter of last year.
- Institutional net flows for the quarter were approximately $980 million.
- Revenue increased 17.4% to $174.5 million compared to the same period in 2010, driven by a 22.1% increase in Investment Management Operations revenue, which was related to higher year-over-year AUM levels, resulting from the acquisition of Acuity.
- Earnings before interest, taxes, depreciation and amortization (EBITDA) increased 18.4% to $72.2 million from $61.0 million in the third quarter of 2010. EBITDA margin increased to 41.4% compared to 41.0% in the third quarter of 2010.
- Excluding one-time expenses of $1.7 million in integration costs related to Acuity in the third quarter of 2011, EBITDA increased 21.1% to $73.9 million.
- Diluted EPS in the third quarter of 2011 was $0.31 per share compared to $0.31 per share in the third quarter of 2010. Excluding one-time costs referenced above, diluted EPS was $0.32.
- AGF Trust total loan assets declined 9.4% year-over-year, as real estate secured loan assets declined 8.1% and investment loans declined 11.0% year-over-year. Loan originations of $112.4 million increased 154.3% from the third quarter of 2010, due to higher volumes associated with the mortgage loan product.
- We delivered value directly to our shareholders through dividend payments and share buybacks. Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $25.8 million in the third quarter of 2011 compared to $23.2 million in the same period in 2010. During the quarter, we repurchased 500,000 Class B Non-Voting shares at a cost of $8.0 million.
- During the third quarter, the Acuity fund mergers and transfer agency conversion was successfully completed.
- On August 31, 2011, we arranged an additional $125.0 million in long-term debt through a five-year revolving term facility. To hedge AGF's exposure to interest-rate variability, the Company entered into an interest-rate swap to fully hedge the $125.0 million at a fixed rate over five years. As at August 31, 2011, we have a $300.0 million committed undrawn line of credit.
- In addition to many fund performance awards received this year by the firm, in the third quarter of 2011, three of our portfolio managers received the Brendan Wood Top 15 Investment Minds Award.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three and nine months ended August 31, 2011 and 2010:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2011	2010	% change	2011	2010	% change
Revenue						
Investment Management Operations	$ 151.7	$ 124.2	22.1%	$ 448.8	$ 387.1	15.9%
Trust Company Operations	21.4	24.3	(11.9%)	65.5	73.0	(10.3%)
Other	1.4	0.2	600.0%	3.2	(1.4)	n/m
	174.5	148.7	17.4%	517.5	458.7	12.8%
Expenses						
Investment Management Operations	90.3	74.0	22.0%	266.9	227.1	17.5%
Trust Company Operations	12.0	13.7	(12.4%)	39.0	40.9	(4.6%)
	102.3	87.7	16.6%	305.9	268.0	14.1%
EBITDA[1]	72.2	61.0	18.4%	211.6	190.7	11.0%
Amortization	26.2	21.5	21.9%	74.9	66.0	13.5%
Interest expense	2.9	0.6	383.3%	8.5	4.5	88.9%
Income taxes	13.0	10.9	19.3%	37.2	33.7	10.4%
Net income attributable to non-controlling interest	0.2	0.2	–	0.7	0.7	–
Net income attributable to equity owners of the Company	$ 29.9	$ 27.8	7.6%	$ 90.3	$ 85.8	5.2%
Earnings per share – diluted	$ 0.31	$ 0.31	–	$ 0.95	$ 0.95	–

[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, 2011, increased by 17.4% and 12.8% from the corresponding periods in 2010. Revenue in the Investment Management Operations segment increased 22.1% and 15.9% for the three and nine months ended August 31, 2011. This corresponds to higher average levels of AUM, as a result of the acquisition of Acuity. The Trust Company Operations segment reported a decrease in revenue of 11.9% and 10.3% in the three and nine months ended August 31, 2011, compared to the same periods in 2010, as average loan balances declined by 8.9% and 11.6% in the respective periods. Revenue from Other, which represents the results of our 30.9% equity interest in S&WHL, were gains of $1.4 million and $3.2 million for the three and nine months ended August 31, 2011, compared to a gain of $0.2 million and a loss of $1.4 million for the same periods in 2010.

Expenses for the three and nine months ended August 31, 2011, increased 16.6% and 14.1%, compared to the same periods in 2010. Investment Management Operations' expenses, excluding one-time acquisition and integration costs related to Acuity, increased 19.7% and 12.9% for the three and nine months ended August 31, 2011. Trust Company Operations' expenses decreased 12.4% and 4.6% in the three- and nine-month periods ended August 31, 2011, compared to the same periods in 2010. For further details refer to each of the segment discussions.

The impact of the above items resulted in an increase in total EBITDA of 18.4% and 11.0% for the three- and nine-month periods ended August 31, 2011, over the respective 2010 periods. Excluding one-time charges, EBITDA increased 21.1% and 16.5% for the three and nine months ended August 31, 2011. Amortization expense for the three and nine months ended August 31, 2011, increased by 21.9% and 13.5%, compared to the corresponding periods in 2010. Amortization of deferred selling commissions for the three and nine months ended August 31, 2011, accounted for $19.2 million and $57.7 million (2010 – $19.5 million and $59.3 million) of the total amortization expense, while amortization related to definite life intangibles increased to $5.8 million and $14.0 million related to the Acuity acquisition. Interest expense increased because of higher debt levels and increased rates.

Income tax expense for the three and nine months ended August 31, 2011, was $13.0 million and $37.2 million, as compared to $10.9 million and $33.7 million in 2010. The effective tax rate for the nine months ended August 31, 2011, was 29.0%, compared to 28.0% in the same period of 2010.

The impact of the above revenue and expense items resulted in net income attributable to equity owners of the Company of $29.9 million and $90.3 million for the three and nine months ended August 31, 2011, as compared to $27.8 million and $85.8 million in the prior year. Basic earnings per share were $0.31 and $0.96 for the three and nine months ended August 31, 2011, compared to $0.31 and $0.96 in the same periods of 2010. Diluted earnings per share were $0.31 and $0.95 for the three and nine months ended August 31, 2011, compared to $0.31 and $0.95 in the same periods of 2010. Excluding one-time costs, diluted earnings per share was $0.32 for the three months ended August 31, 2011, and $1.03 for the nine months ended August 31, 2011.

A further discussion follows of the results of each business segment for the three and nine months ended August 31, 2011, compared to August 31, 2010.

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 and pooled 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 investment management operation servicing Canadian and international investors through our retail, institutional and high-net-worth businesses.

Our investment management teams provide a diverse range of investment strategies and philosophies and unique research-driven investment processes including Socially Responsible Investing products.

Our retail business delivers a wide range of products across a number of investment strategies including AGF mutual funds, the AGF Elements portfolios and the Harmony asset management program. We compete with numerous domestic and foreign players serving the market. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have seven sales offices located across Canada serving regional advisors and their clients while our strategic accounts team serves our corporate distribution partners.

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

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

Segment Strategy and Highlights

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

In a consolidating industry, AGF's ability to increase scale through strategic acquisitions and organic growth strengthens our position as one of Canada's largest independent investment management firms. On February 1, 2011, AGF completed the acquisition of Acuity, which managed approximately $7.5 billion in retail and institutional assets. The acquisition further strengthens AGF's commitment to diversification and providing excellence in money management to meet the needs of a diverse range of clients in both the retail and institutional markets.

In May 2011, AGF Investments Inc. and Acuity Funds Ltd. announced the fund mergers were approved at the special investor meetings. The fund mergers have since been approved by the regulators and the majority of fund mergers took effect on August 26, 2011.

As a result of the acquisition, total AUM grew by 13.6% to $48.4 billion, compared to $42.6 billion in the previous year. Our retail fund AUM, including retail pooled funds, grew 11.7% to $24.0 billion. Gross sales were up 8.1% for the three months ended August 31, 2011, compared to the same period last year. Retail fund net redemptions, including retail pooled funds, increased $59.0 million to $585.0 million from $526.0 million in the third quarter of last year. On the institutional side, institutional and sub-advisory accounts AUM increased 16.6% to $21.2 billion from $18.2 billion in the third quarter of last year.

Our high-net-worth AUM increased 8.5% to $3.3 billion for the three months ended August 31, 2011, compared to $3.2 billion in the third quarter of 2010.

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, which in turn are dependent upon investment performance and net sales. Under the management and investment advisory contracts between AGF and each of the mutual funds, we are entitled to monthly fees. These fees are based on a specified percentage of the average daily net asset value of the respective fund. In addition, we earn fees on our institutional and sub-advisory accounts and high-net-worth client AUM. As a result, the level of AUM has a significant influence on financial results.

The following table illustrates the composition of the changes in total AUM during the three and nine months ended August 31, 2011 and 2010:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2011	2010	% change	2011	2010	% change
Mutual fund AUM, beginning of period	$ 25,327	$ 21,374	18.5%	$ 22,264	$ 22,746	(2.1%)
Acquisition of Acuity[1]	–	–	–	2,845	–	n/m
Gross sales	553	532	3.9%	2,159	1,933	11.7%
Redemptions	(1,122)	(1,058)	6.0%	(3,662)	(3,272)	11.9%
Net mutual fund sales	(569)	(526)	8.2%	(1,503)	(1,339)	12.2%
Market appreciation (depreciation) of fund portfolios	(1,628)	595	(373.6%)	(476)	36	n/m
Mutual fund AUM, end of period	$ 23,130	$ 21,443	7.9%	$ 23,130	$ 21,443	7.9%
Retail pooled fund AUM, beginning of period	$ 899	$ –	n/m	$ –	$ –	–
Acquisition of Acuity[1]	–	–	–	923	–	n/m
Gross sales	22	–	n/m	60	–	n/m
Redemptions	(38)	–	n/m	(118)	–	n/m
Net retail pooled funds sales	(16)	–	n/m	(58)	–	n/m
Market appreciation (depreciation) of fund portfolios	(58)	–	n/m	(40)	–	n/m
Retail pooled fund AUM, end of period	$ 825	$ –	n/m	$ 825	$ –	n/m
Total retail fund AUM (including retail pooled funds)	$ 23,955	$ 21,443	11.7%	$ 23,955	$ 21,443	11.7%
Average daily retail fund AUM for the period	$ 25,243	$ 21,276	18.6%	$ 25,245	$ 22,020	14.6%
Institutional and sub-advisory accounts AUM, beginning of period	$ 22,115	$ 18,548	19.2%	$ 17,585	$ 18,921	(7.1%)
Acquisition of Acuity[1]	–	–	–	3,754	–	n/m
Net change in institutional and sub-advisory accounts	(942)	(386)	144.0%	(166)	(759)	(78.1%)
Total institutional and sub-advisory accounts AUM	$ 21,173	$ 18,162	16.6%	$ 21,173	$ 18,162	16.6%
High-net-worth AUM	$ 3,256	$ 3,001	8.5%	$ 3,256	$ 3,001	8.5%
Total AUM, end of period	$ 48,384	$ 42,606	13.6%	$ 48,384	$ 42,606	13.6%

[1] Acuity was acquired on February 1, 2011.

The addition of $3.7 billion in retail AUM from the acquisition of Acuity, offset by declines in the global market and redemptions, resulted in an increase in retail fund AUM, including retail pooled funds, to $24.0 billion at August 31, 2011, from $21.4 billion as at August 31, 2010. The average daily retail fund AUM for the nine months ended August 31, 2011, increased 18.6% to $25.2 billion, compared to $22.0 billion for the same period in 2010. Institutional and sub-advisory accounts AUM increased by $3.0 billion to $21.2 billion primarily because of the Acuity acquisition, which added $3.8 billion to our institutional assets. High-net-worth AUM increased 8.5% to $3.3 billion at August 31, 2011. Overall, these factors resulted in a total AUM increase of 13.6% to $48.4 billion.

Stock market performance influences the level of AUM. During the three and nine months ended August 31, 2011, the Canadian-dollar-adjusted S&P 500 Index decreased 8.0% and 0.1%, the Canadian-dollar-adjusted NASDAQ Index decreased 8.1% and 1.6%, the S&P/TSX Composite Index decreased 6.9% and increased 0.4%, and the MSCI World Index decreased 9.2% and 1.3%. The aggregate market depreciation of our retail fund portfolios for the three months ended August 31, 2011, divided by the average daily retail fund AUM for the period, was 6.4% after management fees and expenses paid by the funds. The aggregate market depreciation of our retail fund portfolios for the nine months ended August 31, 2011, divided by the average daily retail fund AUM for the period, was 1.9% 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 AGF mutual funds for the three months ended August 31, 2011, has been an increase in AUM of approximately $56.6 million. The impact of the U.S. dollar depreciation relative to the Canadian dollar on the market value of AGF mutual funds for the nine months ended August 31, 2011, has been a decrease in AUM of approximately $289.7 million. For the three and nine months ended August 31, 2010, the impact of the U.S. dollar appreciation relative to the Canadian dollar on the market value of AUM was an increase in AUM of approximately $74.0 million and $25.5 million.

The impact of the euro appreciation relative to the Canadian dollar on the market value of AUM for the three and nine months ended August 31, 2011, has been an increase in AUM of approximately $23.5 million and $101.5 million, respectively. In the third quarter of 2010, 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, was an increase in AUM of approximately $152.8 million. The impact of the euro depreciation relative to the Canadian dollar on the market value of AUM for the nine months ended August 31, 2010, was 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, 2011 and 2010:

($ millions)	Three months ended August 31, 2011	2010	% change	Nine months ended August 31, 2011	2010	% change
Revenue						
Management and advisory fees	$ 142.6	$ 117.4	21.5%	$ 425.9	$ 365.5	16.5%
Deferred sales charges	5.6	5.3	5.7%	18.0	17.1	5.3%
Investment income and other revenue	3.5	1.5	133.3%	4.9	4.5	8.9%
	151.7	124.2	22.1%	448.8	387.1	15.9%
Expenses						
Selling, general and administrative	46.5	38.3	21.4%	130.1	116.8	11.4%
Business acquisition and integration	1.7	–	n/m	10.6	–	n/m
Trailing commissions	39.8	33.5	18.8%	119.0	103.4	15.1%
Investment advisory fees	2.3	2.2	4.5%	7.2	6.9	4.3%
	90.3	74.0	22.0%	266.9	227.1	17.5%
EBITDA[1]	61.4	50.2	22.3%	181.9	160.0	13.7%
Amortization	25.9	21.1	22.7%	73.9	64.3	14.9%
Income before taxes and non-segmented items	$ 35.5	$ 29.1	22.0%	$ 108.0	$ 95.7	12.9%

[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, 2011, revenue for the Investment Management Operations segment increased by 22.1% and 15.9% 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 18.6% and 14.6% increase in average daily retail fund AUM for the three and nine months ended August 31, 2011, combined with a 16.6% increase in institutional and sub-advisory accounts and high-net-worth AUM at August 31, 2011, contributed to a 21.5% and 16.5% increase in management and advisory fee revenue for the three and nine months ended August 31, 2011, compared to 2010.

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 1.5% to 5.5%, 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 5.7% and 5.3% in the three and nine months ended August 31, 2011, compared to 2010, due to higher redemptions levels.

Investment Income and Other Revenue

Investment income and other revenue increased by $2.0 million and $0.4 million in the three and nine months ended August 31, 2011, over the same periods in 2010. The third quarter of 2011 included a favourable $1.7 million fair-value adjustment related to the acquisition consideration payable associated with future share payments.

Expenses

For the three- and nine-month periods ended August 31, 2011, expenses for the Investment Management Operations segment increased 22.0% and 17.5% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by $8.2 million in the three months ended August 31, 2011, and increased by $13.3 million in the nine months ended August 31, 2011, compared to the same periods in 2010. This represents increases of 21.4% and 11.4% over the same periods in 2010. The changes are made up of the following amounts:

($ millions)		Three months ended August 31, 2011		Nine months ended August 31, 2011
Increase in compensation-related expenses	$	6.7	$	19.2
Increase (decrease) in other expenses		1.3		(1.5)
Increase (decrease) in fund absorption expenses		0.2		(4.4)
	$	8.2	$	13.3

The following explains expense changes in the three- and nine-month periods ended August 31, 2011, compared to the same periods in the prior year:

- Compensation-related expenses increased $6.7 million. The increase was driven by the acquisition of Acuity, higher headcount levels, a $2.9 million charge recorded in the quarter related to the Dublin reorganization and higher performance-based bonus costs.
- Other expenses increased $1.3 million for the three months ended August 31, 2011, due to increased operational activity and the acquisition of Acuity, offset by lower legal costs as the third quarter of 2010 included a $3.5 million charge associated with a class action settlement. Year-to-date, other operating expenses decreased $1.5 million due to lower legal costs and lower costs associated with the funds, offset by Acuity costs.
- Fund absorption expenses increased $0.2 million and decreased $4.4 million for the three and nine months ended August 31, 2011. The lower absorption costs reflect an increase of the management expense ratio cap on certain funds in 2010, combined with the achievement of our revenue commitment with Citigroup Fund Services, which reduced absorption.

Business Acquisition and Integration

Business acquisition and integration costs related to Acuity totalled $1.7 million and $10.6 million for the three and nine months ended August 31, 2011. The costs incurred in the three months ended August 31, 2011, are primarily related to the fund

mergers announced in the quarter as well as the integration and conversion of back office fund accounting systems. The costs in the nine months ended August 31, 2011, include integration costs as well as severance and acquisition-related costs.

Trailing Commissions

Trailing commissions paid to distribution depend on total AUM, the proportion of retail fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily retail fund AUM were 0.64% and 0.63% for the three and nine months ended August 31, 2011, compared to 0.63% and 0.63% in the same periods of 2010.

Investment Advisory Fees

External investment advisory fees increased by $0.1 million and $0.3 million during the three and nine months ended August 31, 2011 as compared to the same periods in 2010.

EBITDA and EBITDA Margin

EBITDA for the Investment Management Operations segment increased to $61.4 million and $181.9 million for the three and nine months ended August 31, 2011, a 22.3% and 13.7% increase from $50.2 million and $160.0 million for the same periods a year earlier. Excluding one-time costs, EBITDA for the three and nine months ended August 31, 2011, increased to $63.1 million and $192.5 million. The increase is primarily attributable to the acquisition of Acuity.

EBITDA margins adjusted for one-time acquisition and integration costs associated with Acuity increased to 41.6% and 42.9% for the three and nine months ended August 31, 2011.

Amortization

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment and computer software. Deferred selling commission amortization represents the most significant category of amortization. We internally finance all selling commissions paid. The 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 $19.2 million and $57.7 million for the three and nine months ended August 31, 2011, compared to $19.5 million and $59.3 million for the same periods of 2010.

During the three and nine months ended August 31, 2011, we paid $9.9 million and $40.4 million in selling commissions, compared to $9.5 million and $38.6 million in the same periods of 2010, reflecting an 8.1% increase in gross sales in the three-month period and a 14.8% increase in gross sales in the nine-month period. As at August 31, 2011, the unamortized balance of deferred selling commissions financed was $228.2 million (November 30, 2010 – $243.9 million).

As a result of the intangible assets acquired as a result of the Acuity acquisition, additional amortization of approximately $5.1 million was recognized in the quarter. Customer contracts related to the Acuity acquisition are amortized over seven years and other intangible assets are amortized over periods of three to 10 years.

Pre-Tax Profit Margin

Pre-tax profit margin was stable at 23.4% and 24.1% for the three and nine months ended August 31, 2011, compared to 23.4% and 24.7% in 2010, reflecting one-time acquisition and integration costs and higher amortization associated with $68.3 million of definite life assets acquired on the acquisition of Acuity.

Trust Company Operations

Business and Industry Profile

AGF Trust has offered mortgage, deposit and consumer lending products to the clients of financial advisors and mortgage brokers for more than 20 years. Our product offerings serve to complement wealth management products sold by financial advisors and reinforce sales relationships with our parent company. We remain committed to helping financial advisors serve their clients and supporting AGF Investments Inc. in its mutual fund sales efforts.

The residential mortgage market in Canada remains a key driver of balance sheet growth for financial institutions of all sizes. The domestic housing sector, despite signs of stretched valuations in certain markets, continues to be supported by economic fundamentals. The mortgage brokers' share of total loan origination has been resilient in the past year, and our expectation is that mortgage brokers will retain a significant market share. Our strategy is to partner with select mortgage brokerage firms to capture a greater share of mortgage origination volumes. The depth of our management's experience in the broker channel, the strength of the AGF brand and our ability to deploy a substantial capital base relative to current lending assets will all support our efforts to grow our mortgage book.

Segment Strategy and Highlights

During the past year, AGF Trust has been positioning for renewed balance sheet growth by negotiating distribution agreements with key partners, building underwriting, sales and distribution capacity and updating and reviewing credit and collection policies.

For the three and nine months ended August 31, 2011, loan originations were $112.4 million and $248.8 million compared to $44.2 million and $134.5 million in the corresponding periods in 2010. Net loan write-offs were $3.2 million and $12.5 million for the three and nine months ended August 31, 2011, compared to $5.7 million and $19.5 million in the corresponding periods in 2010. AGF Trust loan assets declined 9.4% from August 31, 2010.

AGF Trust is expanding its mortgage programs in both the broker and advisor channel, which are expected to gradually increase levels of new originations. A partnership program with a large national mortgage broker firm was launched in January 2011, featuring a co-branded mortgage with a distinctive compensation structure and AGF Trust plans to expand this program to other partners. AGF Trust views the mortgage broker market as an attractive source of high-quality loan originations. AGF Trust intends to introduce product offerings to better match the competitive dynamics of the mortgage broker marketplace and purchase mortgage assets that fit the Company's desired risk characteristics. In addition, AGF Trust continues to support the advisor channel and is looking to expand on the advisor-focused mortgage loan program introduced in 2010 in collaboration with another key partner. The Company is also enhancing its RSP loan program and providing additional sales support to increase originations during the 2011/2012 RSP season.

Financial and Operational Results

The Trust Company Operations segment results for the three and nine months ended August 31, 2011 and 2010 are as follows:

	Three months ended August 31,			Nine months ended August 31,		
($ millions)	2011	2010	% change	2011	2010	% change
Interest income						
Loan interest	$ 38.4	$ 42.1	(8.8)%	$ 118.4	$ 127.1	(6.8)%
Investment interest	3.8	3.9	(2.6)%	11.4	10.4	9.6%
	42.2	46.0	(8.3)%	129.8	137.5	(5.6)%
Interest expense						
Deposit interest	23.8	30.2	(21.2)%	75.0	97.0	(22.7)%
Hedging interest income	(4.6)	(10.4)	55.8%	(17.0)	(39.2)	56.6%
Other interest expense	4.3	4.6	(6.5)%	12.9	14.1	(8.5)%
	23.5	24.4	(3.7)%	70.9	71.9	(1.4)%
Net interest income	18.7	21.6	(13.4)%	58.9	65.6	(10.2)%
Other revenue	2.1	2.0	5.0%	4.7	5.7	(17.5)%
RSP loan securitization income (loss), net of impairment	0.6	0.7	(14.3)%	1.9	1.7	11.8%
Total revenue	21.4	24.3	(11.9)%	65.5	73.0	(10.3)%
Expenses						
Selling, general and administrative	9.1	9.0	1.1%	29.5	27.4	7.7%
Provision for loan losses	2.9	4.7	(38.3)%	9.5	13.5	(29.6)%
	12.0	13.7	(12.4)%	39.0	40.9	(4.6)%
EBITDA[1]	9.4	10.6	(11.3)%	26.5	32.1	(17.4)%
Amortization	0.3	0.5	(40.0)%	1.0	1.8	(44.4)%
Income before taxes and non-segmented items	$ 9.1	$ 10.1	(9.9)%	$ 25.5	$ 30.3	(15.8)%

[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, 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 13.4% and 10.2% for the three and nine months ended August 31, 2011, compared to the same periods in 2010. The decreases were primarily due to declines in average loan portfolio balances of 8.9% and 11.6% for the three and nine months ended August 31, 2011, compared to the prior year periods. The average net interest margin on lending products was 2.5% and 2.6% for the three and nine months ended August 31, 2011 (2010 – 2.6% and 2.6%). AGF Trust manages its interest-rate risk through the use of interest-rate swaps. Interest expense includes hedging interest income of $4.6 million and $17.0 million related to interest-rate swaps for the three and nine months ended August 31, 2011 (2010 – $10.4 million and $39.2 million). Other revenue increased 5.0% for the three months ended August 31, 2011 and decreased 17.5% for the nine months ended August 31, 2011. The decrease in the nine months ended August 31, 2011 is primarily due to a $1.1 million decline in hedge ineffectiveness and other fees and income. These factors resulted in an overall revenue decrease of 11.9% and 10.3% in the three and nine months ended August 31, 2011, as compared to 2010.

Selling, General and Administrative Expenses

SG&A expenses increased to $9.1 million and $29.5 million in the three and nine months ended August 31, 2011, compared to $9.0 million and $27.4 million in the same periods in 2010. Expense control remains a focus and management will effectively leverage its cost base as it repositions its loan book over time. SG&A expenses were up 1.1% for the third quarter and 7.7% for the nine months ended August 31, 2011, as compared to the same periods in 2010. The increases are related primarily to the additional personnel hired to support product re-launches. The Trust business intends to supplement existing sales staff in the fourth quarter to ensure its successful expansion in the loan book in future periods.

Provision for Loan Losses

The total provision for loan losses decreased $1.8 million and $4.0 million to $2.9 million and $9.5 million for the three and nine months ended August 31, 2011, compared to $4.7 million and $13.5 million in 2010.

EBITDA and EBITDA Margin

A decrease in the loan loss provision, offset by a decline in revenue and an increase in SG&A costs, contributed to a decrease in EBITDA for the three and nine months ended August 31, 2011, to $9.4 million and $26.5 million compared to $10.6 million and $32.1 million in the same periods in 2010. EBITDA margin increased to 43.9% for the three months ended August 31, 2011 compared to 43.6% for the three months ended August 31, 2010. For the nine months ended August 31, 2011, EBITDA margin decreased to 40.5% from 44.0% over the same periods of 2010.

Pre-Tax Profit Margin

As a result of the factors outlined above, pre-tax margin increased to 42.5% and decreased to 38.9% for the three and nine months ended August 31, 2011, from 41.6% and 41.5% in the same periods in 2010.

Operational Performance

The table below highlights our key operational measures for the segment for the three and nine months ended August 31, 2011 and 2010:

($ millions)	August 31, 2011	August 31, 2010	% change
Real estate secured loans[1]			
Insured mortgage loans	$ 415.1	$ 425.5	(2.4)%
Conventional mortgage loans	461.3	455.9	1.2%
HELOCs	211.1	301.8	(30.1)%
	1,087.5	1,183.2	(8.1)%
Investment loans[1]			
Secured investment loans	1,497.7	1,666.3	(10.1)%
RSP loans	332.3	388.7	(14.5)%
Other loans	0.8	2.6	(69.6)%
	1,830.8	2,057.6	(11.0)%
Total loan assets	2,918.3	3,240.8	(10.0)%
Other assets	761.9	858.4	(11.2)%
Total assets	$ 3,680.2	$ 4,099.2	(10.2)%

	Three months ended August 31,			Nine months ended August 31,		
	2011	2010	% change	2011	2010	% change
Net interest income	$ 18.7	$ 21.6	(13.4)%	$ 58.9	$ 65.6	(10.2)%
RSP loan securitization income (loss), net of impairment	0.6	0.7	(14.3)%	1.9	1.7	11.8%
Other revenue	2.1	2.0	5.0%	4.7	5.7	(17.5)%
Non-interest expenses[2]	(9.4)	(9.5)	(1.1)%	(30.5)	(29.2)	4.5%
Provision for loan losses	(2.9)	(4.7)	(38.3)%	(9.5)	(13.5)	(29.6)%
Income before taxes and non-segmented items	$ 9.1	$ 10.1	(9.9)%	$ 25.5	$ 30.3	(15.8)%
Efficiency ratio[3]	43.9%	39.1%		46.6%	40.0%	
Assets-to-capital multiple[3]	8.7	10.3		8.7	10.3	

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 Assets

Real estate secured loan assets decreased by 8.1% to $1.1 billion, compared to the third quarter of 2010. Secured investment loans decreased by 10.1% year-over-year to $1.5 billion as at August 31, 2011, while RSP loan balances decreased $56.4 million or 14.5% year-over-year.

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 measure the efficiency of the organization. During the three months ended August 31, 2011, the efficiency ratio experienced an unfavourable change to 43.9% from 39.1% in the third quarter of 2010. The efficiency ratio for the nine-month period ended August 31, 2011, was 46.6%, compared to 40.0% for the nine-month period ended August 31, 2010. The increase is due to lower interest revenue as a result of declining loan balances and higher expenses related to increased staffing levels to support growth initiatives.

Balance Sheet

Total assets decreased to $3.7 billion as at August 31, 2011, compared to $4.1 billion in the same period in 2010 and decreased 10.6% compared to November 30, 2010. As at August 31, 2011, our assets-to-capital multiple stood at 8.7 times, compared to 10.3 times at the same time last year and 10.2 times at November 30, 2010. Our risk-based capital ratio was 25.4% as at August 31, 2011, compared to 21.7% as at August 31, 2010 and 22.5% at November 30, 2010. Liquid assets remained high with $678.1 million in cash and cash equivalents as well as investments available for sale as at August 31, 2011 (2010 – $752.1 million).

Loan Portfolio Credit

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

- Employment rates: higher unemployment rates will likely result in higher default rates as individuals' ability to pay deteriorates.
- Residential property prices and sales volume: declining residential property prices and reduced volumes of residential property sales may result in lower resale prices and longer disposal times, thereby increasing losses incurred on the disposition of the property.
- Equity market performance: 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 decreased to $7.0 million as compared to $8.9 million a year ago. This included a general allowance for insured mortgage loans of $1.8 million (2010 – $3.8 million), which was set up 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 $0.1 million and $0.2 million of insured mortgage loans during the three and nine months ended August 31, 2011 (2010 – $1.3 million and $1.3 million). As at August 31, 2011, approximately 47.4% (2010 – 48.3%) of real estate secured loan assets, excluding HELOCs, were 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 $1.3 million and $5.2 million for the three and nine months ended August 31, 2011 (2010 – $2.8 million and $10.5 million). For the balance of our loan products, the amount written off net of recoveries for the three and nine months ended August 31, 2011, was $2.2 million and $7.2 million (2010 – $3.0 million and $9.0 million).

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 $54.8 million and $174.5 million for the three and nine months ended August 31, 2011, compared to $51.8 million and $173.1 million in the prior year. The primary uses of cash during the three and nine months ended August 31, 2011, were as follows:

- We paid $9.9 million and $40.4 million in selling commissions for the three and nine months ended August 31, 2011, which were capitalized and are being amortized for accounting purposes, compared to $9.5 million and $38.6 million in 2010.
- We paid $25.3 million and $72.2 million in dividends for the three and nine months ended August 31, 2011, compared to $22.6 million and $66.8 million in 2010.
- We repurchased 500,000 shares in the three and nine months ended August 31, 2011, for $8.0 million. We repurchased 846,100 shares for $12.2 million in the three and nine months ended August 31, 2010.
- For the nine months ended August 31, 2011, we paid $173.4 million in cash consideration related to the acquisition of Acuity, with an additional $27.2 million payable in cash within three years.
- For the nine months ended August 31, 2011, we funded the cash portion of the Acuity acquisition by way of a one-time drawdown of $185.0 million through a four-year non-amortization bank loan facility.
- During the third quarter, AGF Trust paid a $10 million dividend to AGF Management Limited.

Consolidated cash and cash equivalents of $347.6 million decreased by $109.0 million from the November 30, 2010 level of $456.6 million (2010 – increased by $4.1 million). Aside from cash held in the Trust Company Operations segment, which is held to fund loans to clients and GIC maturities, AGF had $56.0 million of cash as at August 31, 2011 (August 31, 2010 – $33.7 million).

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

On August 31, 2011, the Company arranged a syndicated revolving committed term loan with two Canadian chartered banks to a maximum of $125.0 million. As at August 31, 2011 the facility was fully drawn. To hedge AGF's exposure to interest-rate variability, the Company entered into an interest-rate swap to fully hedge the $125.0 million at a fixed rate over a five-year term.

We also have a four-year prime rate-based revolving term loan facility to a maximum of $300.0 million, of which $300.0 million was available to be drawn as at August 31, 2011. 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, Executive Vice-President and CFO, and the Executive Vice-President, Chief Operating Officer and General Counsel. 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. Minimum regulatory capital requirements are set by the Trust and Loan Companies Act and the Office of the Superintendent of Financial Institutions (OSFI). AGF Trust adopted the Standardized Approach for credit risk and the Basic Indicator Approach for operational risk.

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

Normal Course Issuer Bid

In January 2011, the Company's Board of Directors authorized the renewal of AGF's normal course issuer bid for the purchase of up to 7,430,257 Class B Non-Voting shares, or 10% of the public float for such shares. The Company received approval from the Toronto Stock Exchange on March 3, 2011, for the renewal of its normal course issuer bid. This allows AGF to purchase up to 7,430,257 Class B Non-Voting shares through the facilities of the Toronto Stock Exchange (or as otherwise permitted by the Toronto Stock Exchange) between March 7, 2011 and March 6, 2012. The Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the Toronto Stock Exchange.

During the three and nine months ended August 31, 2011, under the current normal course issuer bid, 500,000 Class B Non-Voting shares were repurchased for a total consideration of $8.0 million at an average price of $16.06.

AGF's previous normal course issuer bid allowed for the repurchase of up to 7,167,620 Class B Non-Voting shares between February 26, 2010 and February 25, 2011, at prevailing market prices. Under the previous normal course issuer bid, AGF purchased 846,100 Class B Non-Voting shares for a total consideration of $12.2 million at an average price of $14.44.

Dividends

For the three months ended August 31, 2011, we declared a 27-cent per share dividend on Class A Voting Common shares and Class B Non-Voting shares. This dividend will be payable on October 20, 2011, to shareholders of record on October 7, 2011.

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. 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	2011[1]	2010	2009	2008	2007
Per share	$ 1.06	$ 1.04	$ 1.00	$ 0.95	$ 0.78
Percentage increase	–	4%	5%	22%	13%

[1] The total of dividends paid in January 2011, April 2011, July 2011 and to be paid in October 2011.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on July 20, 2011, was $0.27 per share.

Outstanding Share Data

Set out below is our outstanding share data as at August 31, 2011 and 2010. On February 1, 2011, we issued 6.5 million Class B Non-Voting shares as part consideration related to the acquisition of Acuity. For additional detail, see Note 9 to the Q3 2011 Consolidated Financial Statements.

August 31,	2011	2010
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	95,143,630	88,512,951
Stock Options		
Outstanding options	5,630,279	5,613,799
Exercisable options	3,110,597	2,680,989

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 that are not defined under Canadian GAAP. They should not be considered as an alternative to net income attributable to equity owners of the Company or any other measure of performance under 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 6 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 sales commissions, pay down debt and fund other needs.

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2011	2010	2011	2010
Net cash provided by operating activities	$ 59.8	$ 61.7	$ 133.4	$ 127.5
Less: net changes in non-cash balances related to operations	5.0	9.9	(41.1)	(45.6)
Cash flow from operations	$ 54.8	$ 51.8	$ 174.5	$ 173.1

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)	2011	2010	2011	2010
Cash flow from operations (defined above)	$ 54.8	$ 51.8	$ 174.5	$ 173.1
Less: selling commissions paid	9.9	9.5	40.4	38.6
Free cash flow	$ 44.9	$ 42.3	$ 134.1	$ 134.5

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)	2011	2010	2011	2010
EBITDA	$ 72.2	$ 61.0	$ 211.6	$ 190.7
Divided by revenue	174.5	148.7	517.5	458.7
EBITDA margin	41.4%	41.0%	40.9%	41.6%

Pre-Tax Profit Margin

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2011	2010	2011	2010
Net income attributable to equity owners of the Company	$ 29.9	$ 27.8	$ 90.3	$ 85.8
Add: income taxes	13.0	10.9	37.2	33.7
Income before taxes	$ 42.9	$ 38.7	$ 127.5	$ 119.5
Divided by revenue	174.5	148.7	517.5	458.7
Pre-tax profit margin	24.6%	26.0%	24.6%	26.1%

Return on Equity (ROE)

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

For the three months ended ($ millions)	August 31, 2011	August 31, 2010
Net income attributable to equity owners of the Company (annualized)	$ 119.6	$ 111.2
Divided by average shareholders' equity	1,212.3	1,141.5
Return on equity	9.9%	9.7%

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, 2011	August 31, 2010
Long-term debt[1]	$ 317.2	$ 155.7
Divided by EBITDA (annualized)	288.8	244.0
Long-term debt to EBITDA	109.8%	63.8%

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

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 and sub-advisory accounts and high-net-worth relationships. AUM will fluctuate in value as a result of investment performance, sales and redemptions. Mutual fund sales and AUM determines a significant portion of our expenses because we pay upfront commissions on gross sales and trailing commissions to financial advisors as well as investment advisory fees based on the value of AUM.

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders, and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2010 Annual MD&A for further information.

Net Sales (Redemptions)

Gross sales and redemptions are monitored separately and the sum of these two amounts comprises net sales (redemptions). Net sales (redemptions), together with investment performance and fund expenses, determine the level of average daily retail fund AUM, which is the basis on which management fees are charged. The average daily retail fund AUM is equal to the aggregate average daily net asset value of the AGF retail funds. We monitor AUM in our institutional, sub-advisory and high-net-worth businesses separately. We do not compute an average daily retail fund AUM figure for them.

EBITDA Margin – Investment Management

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 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)	2011	2010	2011	2010
EBITDA	$ 61.4	$ 50.2	$ 181.9	$ 160.0
Divided by revenue	151.7	124.2	448.8	387.1
EBITDA margin	40.5%	40.4%	40.5%	41.3%

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2011	2010	2011	2010
Income before taxes and non-segmented items	$ 35.5	$ 29.1	$ 108.0	$ 95.7
Divided by revenue	151.7	124.2	448.8	387.1
Pre-tax profit margin	23.4%	23.4%	24.1%	24.7%

c) Trust Company Operations

Loan Assets

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

Net Interest Income

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2011	2010	2011	2010
Interest income	$ 42.2	$ 46.0	$ 129.8	$ 137.5
Less: interest expense	23.5	24.4	70.9	71.9
Net interest income	$ 18.7	$ 21.6	$ 58.9	$ 65.6

Net Interest Margin

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2011	2010	2011	2010
Annualized net interest income	$ 74.8	$ 86.4	$ 78.5	$ 87.5
Divided by average total loan balance	2,925.2	3,271.1	2,991.1	3,404.3
Net interest margin	2.6%	2.6%	2.6%	2.6%

Efficiency Ratio

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

	Three months ended August 31,		Nine months ended August 31,	
($ millions)	2011	2010	2011	2010
Selling, general and administrative expenses	$ 9.1	$ 9.0	$ 29.5	$ 27.4
Add: amortization expense	0.3	0.5	1.0	1.8
Non-interest expense	9.4	9.5	30.5	29.2
Other revenue	$ 2.1	$ 2.0	$ 4.7	$ 5.7
RSP loan securitization income (loss), net of impairment	0.6	0.7	1.9	1.7
Non-interest income	2.7	2.7	6.6	7.4
Net interest income	$ 18.7	$ 21.6	$ 58.9	$ 65.6
Add: non-interest income	2.7	2.7	6.6	7.4
Total of net interest income and non-interest income	21.4	24.3	65.5	73.0
Efficiency ratio	43.9%	39.1%	46.6%	40.0%

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, 2011	2010	Nine months ended August 31, 2011	2010
EBITDA	$ 9.4	$ 10.6	$ 26.5	$ 32.1
Divided by revenue	21.4	24.3	65.5	73.0
EBITDA margin	43.9%	43.6%	40.5%	44.0%

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, 2011	2010	Nine months ended August 31, 2011	2010
Income before taxes and non-segmented items	$ 9.1	$ 10.1	$ 25.5	$ 30.3
Divided by revenue	21.4	24.3	65.5	73.0
Pre-tax profit margin	42.5%	41.6%	38.9%	41.5%

Assets-to-Capital Multiple

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

($ millions)	August 31, 2011	November 30, 2010
Total assets per OSFI[1] guidelines	$ 3,714.8	$ 4,112.7
Divided by adjusted Tier 1 and Tier 2 capital	424.9	403.8
Assets-to-capital multiple	8.7	10.2

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

Impaired Loans as a Percentage of Loans Outstanding

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

($ millions)	August 31, 2011	November 30, 2010
Impaired loans	$ 29.1	$ 35.7
Divided by total loans outstanding[1]	2,917.8	3,122.2
Impaired loans as a percentage of loans outstanding	1.0%	1.1%

[1] Includes loan provision and deferred sales commission of $24.4 million at August 31, 2011, and $28.6 million at November 30, 2010.

Government Regulations

The following section should be read in conjunction with the 'Government Regulations' section of the 2010 Annual MD&A.

Acuity Funds Ltd.

Acuity Funds Ltd. (AFL) is registered with the OSC as an investment fund manager and mutual fund dealer. AFL is also registered with the OSC as an exempt market dealer for the purposes of facilitating the distribution of certain securities to clients and is subject to oversight by federal and provincial Privacy Commissions and FINTRAC.

Acuity Investment Management Inc.

Acuity Investment Management Inc. (AIMI) is registered with the OSC as a portfolio manager and maintains equivalent registration in each of the other provinces in Canada in which it does business. AIMI is also registered as an exempt market dealer in certain jurisdictions for the purposes of facilitating the distribution of certain securities to clients and is subject to oversight by federal and provincial Privacy Commissions and FINTRAC.

Significant Accounting Policies

A summary of AGF's significant accounting policies can be found in Note 1 of our 2010 Annual Consolidated Financial Statements.

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Effective December 1, 2010, the Company elected to adopt early the CICA's "Handbook Section 1582, Business Combinations" (Section 1582), "Handbook Section 1601, Consolidated Financial Statements" (Section 1601) and "Handbook Section 1602, Non-Controlling Interests" (Section 1602). In accordance with the transitional provisions, these standards were applied on a prospective basis, with the exception of the presentation and disclosure requirements for non-controlling interest, which were applied retrospectively. The adoption of these standards did not have a significant impact on the Company's consolidated financial statements other than the reclassification of non-controlling interests, as described below, and the Company's accounting for the acquisition of Acuity as described in Note 4(a) of the Consolidated Financial Statements.

Pursuant to Section 1582 (equivalent to IFRS 3 "Business Combinations"), business combinations completed on or after December 1, 2010, were accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes any cash paid plus the fair value at the date of exchange of assets given, liabilities incurred and equity instruments issued by the Company or its subsidiaries. The consideration transferred also includes contingent consideration arrangements recorded at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within operating expenses. At the date of acquisition, the Company recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the fair value of consideration paid is less than the fair value of net assets acquired, the excess is recognized in the Consolidated Statement of Income. Any pre-existing equity interests in an acquiree are re-measured to fair value at the date of the business combination and any resulting gain or loss is recognized in the Consolidated Statement of Income.

Business combinations completed prior to December 1, 2010, were accounted for using the purchase method under previous Canadian GAAP. The fundamental requirements of the purchase method of accounting are similar to the acquisition method of accounting described above except that, among other differences, the purchase method required that share consideration issued by the acquirer be measured by reference to its market price for a reasonable period before and after the acquisition was announced, acquisition-related costs were included as part of the fair value of the purchase consideration, contingent consideration was generally not recognized initially as part of the consideration transferred, and identifiable assets acquired and liabilities assumed were adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree when that interest was less than 100%. Furthermore, where the fair value of consideration paid was less than the fair value of net assets acquired, the excess amount was first deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts were reduced to nil. Only then was any remaining excess recognized in the Consolidated Statement of Income.

A non-controlling interest may be measured at fair value or at the proportionate share of identifiable net assets acquired. Under previous Canadian GAAP, a non-controlling interest was recorded at the proportionate share of the carrying value of the acquiree.

Section 1601 carries forward existing guidance on aspects of the preparation of consolidated financial statements subsequent to the acquisition date other than those pertaining to a non-controlling interest. Section 1602 provides guidance on the treatment of a non-controlling interest after acquisition in a business combination and requires: a non-controlling interest to be presented clearly in equity, but separately from the parent's equity; the amount of consolidated net income and other comprehensive income attributable to the parent and to a non-controlling interest to be clearly identified and presented on the Consolidated Statement of Income and Consolidated Statements of Comprehensive Income, respectively; and changes in ownership interests of a subsidiary that do not result in a loss or acquisition of control to be accounted for as an equity transaction.

Future Accounting Changes

Transition to International Financial Reporting Standards

Canadian public companies are 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, in accordance with International Accounting Standard 34 *Interim Financial Reporting* ('IAS 34') as issued by the IASB. 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 followed a transition plan comprising three phases: (1) IFRS diagnostic assessment, (2) impact analysis, evaluation and design, and (3) implementation and review. We have completed all phases of the plan and are completing the final review of the adjustments to the financial statements.

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. We have identified the areas that would be impactful to AGF. Those areas included provision for credit losses on loans, hedge accounting, asset securitization, deferred sales commission and customer contracts. The company will record adjustments to its opening balance sheet under IFRS as follows:

1. Deferred Sales Commissions – under Canadian GAAP, sales commissions paid to brokers on mutual fund securities sold on a deferred sales charge (DSC) basis are recorded at cost and are amortized on a straight-line basis over the applicable DSC schedule (which ranges from three to seven years). No adjustment is recognized to the cost on redemption of mutual funds and the DSC asset is tested annually for impairment. Under IFRS, sales commissions will continue to be recorded at cost and amortized similar to Canadian GAAP. However, upon redemption, the asset will be derecognized and the unamortized amount will be charged to income through amortization.
2. Customer Contracts – under Canadian GAAP, customer contracts are recorded at cost and amortized on a straight-line basis over seven to 15 years based on the estimated useful lives of these assets. No adjustment is recognized to the cost on redemption of mutual funds and the asset is tested annually for impairment. Under IFRS, customer contracts will continue to be recorded at cost and amortized similar to Canadian GAAP. However, upon redemption, the asset will be derecognized and the unamortized amount will be charged to income through amortization.
3. Goodwill – Management is currently reviewing the identification of cash generating units (CGU). Impairments related to goodwill may occur depending on the level of CGUs determined.

In addition, we have assessed the exemptions to full restatement that are permitted under IFRS 1. We have applied the following exemptions that impact business combinations, cumulative translation account (CTA) and securitization. Under IFRS 1, a company can elect to (a) restate retrospectively all business combinations after a particular date in accordance with IFRS 3; or (b) apply IFRS 3 prospectively, whereby the value at transition is considered deemed cost under IFRS. Under both options, goodwill must be tested for impairment at transition and on an annual basis thereafter or more frequently if required. We intend to apply IFRS 3 prospectively. In addition, IFRS 1 allows entities to elect to charge the CTA to retained earnings at transition. AGF intends to apply this election. During 2010, a revision was made to IFRS 1 that amended the derecognition date from January 1, 2004, to the date of transition. As a result, we will not recognize securitized assets on the balance sheet at transition.

We will report the impact of each accounting policy choice in our 2011 Annual MD&A.

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 2010 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 14 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 has been no material weaknesses identified relating to the design of the ICFR. On February 1, 2011, the Company completed its acquisition of Acuity. During the first quarter of 2011, certain internal controls over financial reporting were impacted and interim controls were relied upon. During the second quarter of 2011, the financial reporting processes were fully integrated within AGF.

Selected Quarterly Information

For the three-month period ended ($ millions, except per share amounts)	Aug. 31, 2011	May 31, 2011	Feb. 28, 2011	Nov. 30, 2010
Revenue	$ 174.5	$ 180.1	$ 162.9	$ 155.9
Cash flow [1]	54.8	67.7	52.0	50.1
EBITDA [2]	72.2	75.4	64.0	66.1
Pre-tax income	42.9	45.4	39.1	43.3
Net income attributable to equity owners of the Company	29.9	32.7	27.7	30.9
EBITDA per share				
Basic	0.76	0.79	0.70	0.75
Diluted	0.75	0.78	0.70	0.74
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.31	$ 0.34	$ 0.31	$ 0.35
Diluted	$ 0.31	$ 0.34	$ 0.30	$ 0.34
Weighted average basic shares	95,518,051	95,568,899	90,799,935	88,616,451
Weighted average fully diluted shares	96,446,821	96,794,115	92,010,135	89,665,401

For the three-month period ended ($ millions, except per share amounts)	Aug. 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 attributable to equity owners of the Company	27.8	27.5	30.6	45.5
EBITDA per share				
Basic	0.68	0.70	0.75	0.80
Diluted	0.68	0.69	0.74	0.79
Earnings per share attributable to equity owners of the Company				
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

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

[2] As previously defined, see the '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, 2011, our 2010 Annual MD&A and Consolidated Financial Statements, our 2010 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, 2011

What are you doing after work?

AGF Management Limited
Consolidated Balance Sheet

($ thousands)	August 31, 2011 (unaudited)	November 30, 2010 (audited)
Assets		
Current Assets		
Cash and cash equivalents	$ 347,572	$ 456,550
Investments available for sale (Note 2(a))	405,018	503,963
Accounts receivable, prepaid expenses and other assets	86,426	94,963
Current portion of retained interest from securitization (Note 3)	38,556	21,334
Real estate secured and investment loans due w ithin one year (Note 5)	440,381	433,537
	1,317,953	1,510,347
Retained interest from securitization (Note 3)	–	17,365
Real estate secured and investment loans (Note 5)	2,477,846	2,688,677
Investment in associated company (Note 2(b))	78,801	77,049
Management contracts (Note 4(a))	715,769	504,269
Customer contracts, net of accumulated amortization (Note 4(a))	41,593	11,383
Goodw ill (Note 4(a))	289,835	173,708
Other intangibles, net of accumulated amortization (Note 4(a))	24,110	–
Deferred selling commissions, net of accumulated amortization	228,171	243,861
Property, equipment and computer softw are, net of accumulated amortization	12,238	11,230
Other assets (Note 6)	21,620	15,972
Total assets	$ 5,207,936	$ 5,253,861
Liabilities and shareholders' equity		
Current Liabilities		
Accounts payable and accrued liabilities	$ 225,900	$ 258,728
Future income taxes	25,242	18,024
Acquisition consideration payable (Note 4(a))	31,926	–
Deposits due w ithin one year (Note 5(f))	1,639,947	1,814,701
	1,923,015	2,091,453
Deposits (Note 5(f))	1,492,932	1,721,264
Long-term debt (Note 7)	309,723	143,678
Future income taxes	179,195	129,574
Acquisition consideration payable (Note 4(a))	12,239	–
Other long-term liabilities (Note 8)	16,293	16,701
Total liabilities	3,933,397	4,102,670
Equity		
Equity attributable to ow ners of the Company		
Capital stock (Note 9)	558,281	439,216
Contributed surplus	24,494	22,580
Retained earnings	711,937	702,017
Accumulated other comprehensive loss (Note 10)	(20,784)	(13,119)
	1,273,928	1,150,694
Non-controlling interest	611	497
Total equity	1,274,539	1,151,191
Total liabilities and equity	$ 5,207,936	$ 5,253,861

(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)	2011	2010	2011	2010
Revenue				
Management and advisory fees	$ 142,658	$ 117,396	$ 425,915	$ 365,465
Deferred sales charges	5,661	5,296	18,045	17,138
RSP loan securitization income, net of impairment (Note 3)	636	731	1,931	1,667
Investment income and other revenue	6,723	3,670	12,656	8,806
	155,678	127,093	458,547	393,076
AGF Trust interest income	42,255	45,947	129,826	137,446
AGF Trust interest expense	(23,444)	(24,362)	(70,869)	(71,846)
AGF Trust net interest income (Note 12)	18,811	21,585	58,957	65,600
Total revenue	174,489	148,678	517,504	458,676
Expenses				
Selling, general and administrative	55,408	47,319	159,505	144,208
Business acquisition and integration (Note 4(a))	1,700	–	10,635	–
Trailing commissions	39,880	33,436	119,035	103,374
Investment advisory fees	2,278	2,236	7,155	6,934
Amortization of deferred selling commissions	19,248	19,476	57,666	59,330
Amortization of customer contracts	3,684	709	9,068	2,128
Amortization of other intangibles	2,096	–	4,890	–
Amortization of property, equipment and computer software	1,145	1,349	3,245	4,583
Interest expense	2,938	503	8,507	4,390
Provision for AGF Trust loan losses (Note 5(e))	2,948	4,725	9,536	13,488
	131,325	109,753	389,242	338,435
Income before income taxes	43,164	38,925	128,262	120,241
Income tax expense (recovery)				
Current	14,547	15,539	43,353	41,723
Future	(1,519)	(4,641)	(6,157)	(8,056)
	13,028	10,898	37,196	33,667
	$ 30,136	$ 28,027	$ 91,066	$ 86,574
Net income attributable to:				
Equity owners of the Company	$ 29,951	$ 27,768	$ 90,348	$ 85,836
Non-controlling interest	185	259	718	738
	$ 30,136	$ 28,027	$ 91,066	$ 86,574
Earnings per share attributable to equity owners of the Company (Note 9(h))				
Basic	$ 0.31	$ 0.31	$ 0.96	$ 0.96
Diluted	$ 0.31	$ 0.31	$ 0.95	$ 0.95

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

AGF Management Limited
Consolidated Statement of Changes in Equity

(unaudited) ($ thousands)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, May 31, 2010	$ 441,605	$ 21,345	$ 697,610	$ (22,216)	**$ 1,138,344**	$ 436	**$ 1,138,780**
Net income for the period	–	–	27,768	–	**27,768**	259	**28,027**
Other comprehensive income (net of tax)	–	–	–	12,480	**12,480**	–	**12,480**
Comprehensive income for the period	–	–	27,768	12,480	**40,248**	259	**40,507**
Issued through dividend reinvestment plan	681	–	–	–	**681**	–	**681**
Stock options	9	796	–	–	**805**	–	**805**
AGF Class B Non-Voting shares repurchased for cancellation (Note 9(c))	(4,188)	–	(8,029)	–	**(12,217)**	–	**(12,217)**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	–	–	(23,235)	–	**(23,235)**	–	**(23,235)**
Dividends to non-controlling interest	–	–	–	–	**–**	(227)	**(227)**
Balance, August 31, 2010	$ 438,107	$ 22,141	$ 694,114	$ (9,736)	**$ 1,144,626**	$ 468	**$ 1,145,094**
Balance, May 31, 2011	$ 560,009	$ 23,709	$ 712,900	$ (20,437)	**$ 1,276,181**	$ 598	**$ 1,276,779**
Net income for the period			29,951		**29,951**	185	**30,136**
Other comprehensive income (net of tax)				(347)	**(347)**		**(347)**
Comprehensive income for the period	–	–	29,951	(347)	**29,604**	185	**29,789**
Issued through dividend reinvestment plan	543	–	–	–	**543**	–	**543**
Stock options	663	785	–	–	**1,448**	–	**1,448**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	–	–	(25,818)	–	**(25,818)**	–	**(25,818)**
Increase in ownership interest in Highstreet Partners Limited (Note 4(b))	–	–	–	–	**–**	–	**–**
AGF Class B Non-Voting shares repurchased for cancellation (Note 9(c))	(2,934)	–	(5,096)	–	**(8,030)**	–	**(8,030)**
Dividends to non-controlling interest	–	–	–	–	**–**	(172)	**(172)**
Balance, August 31, 2011	$ 558,281	$ 24,494	$ 711,937	$ (20,784)	**$ 1,273,928**	$ 611	**$ 1,274,539**

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

AGF Management Limited
Consolidated Statement of Changes in Equity

(unaudited) ($ thousands)	Share capital	Contributed surplus	Retained earnings	Accumulated other comprehensive loss	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, November 30, 2009	$ 438,612	$ 19,964	$ 685,063	$ (13,236)	**$ 1,130,403**	$ 408	**$ 1,130,811**
Net income for the period	–	–	85,836	–	**85,836**	738	**86,574**
Other comprehensive income (net of tax)	–	–	–	3,500	**3,500**	–	**3,500**
Comprehensive income for the period	–	–	85,836	3,500	**89,336**	738	**90,074**
Issued through dividend reinvestment plan	1,996	–	–	–	**1,996**	–	**1,996**
Stock options	1,687	2,177	–	–	**3,864**	–	**3,864**
AGF Class B Non-Voting shares repurchased for cancellation (Note 9(c))	(4,188)	–	(8,029)	–	**(12,217)**	–	**(12,217)**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	–	–	(68,756)	–	**(68,756)**	–	**(68,756)**
Dividends to non-controlling interest	–	–	–	–	**–**	(678)	**(678)**
Balance, August 31, 2010	$ 438,107	$ 22,141	$ 694,114	$ (9,736)	**$ 1,144,626**	$ 468	**$ 1,145,094**
Balance, November 30, 2010	$ 439,216	$ 22,580	$ 702,017	$ (13,119)	**$ 1,150,694**	$ 497	**$ 1,151,191**
Net income for the period			90,348		**90,348**	718	**91,066**
Other comprehensive income (net of tax)				(7,665)	**(7,665)**		**(7,665)**
Comprehensive income (loss) for the period	–	–	90,348	(7,665)	**82,683**	718	**83,401**
Issued through dividend reinvestment plan	1,554	–	–	–	**1,554**	–	**1,554**
Stock options	5,766	1,914	–	–	**7,680**	–	**7,680**
Issued on acquisition of Acuity	114,679	–	–	–	**114,679**	–	**114,679**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares	–	–	(73,736)	–	**(73,736)**	–	**(73,736)**
Increase in ownership interest in Highstreet Partners Limited (Note 4(b))	–	–	(1,596)	–	**(1,596)**	–	**(1,596)**
AGF Class B Non-Voting shares repurchased for cancellation (Note 9(c))	(2,934)	–	(5,096)	–	**(8,030)**	–	**(8,030)**
Dividends to non-controlling interest	–	–	–	–	**–**	(604)	**(604)**
Balance, August 31, 2011	$ 558,281	$ 24,494	$ 711,937	$ (20,784)	**$ 1,273,928**	$ 611	**$ 1,274,539**

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

Consolidated Statement of Comprehensive Income

(unaudited)	Three months ended August 31,		Nine months ended August 31,	
($ thousands)	2011	2010	2011	2010
Net income for the period	$ 30,136	$ 28,027	$ 91,066	$ 86,574
Other comprehensive income (loss), net of tax				
Net unrealized gain (loss) on foreign exchange				
Foreign currency translation adjustments related to net investments in self-sustaining foreign operations	(17)	4,677	(315)	(4,929)
	(17)	4,677	(315)	(4,929)
Net unrealized gain (loss) on available for sale securities				
Unrealized gain (loss)	2,747	7,947	(4,570)	8,501
Reclassification of realized loss or other than temporary impairment to earnings	(364)	(157)	(67)	(157)
	2,383	7,790	(4,637)	8,344
Net change related to cash flow hedges				
Unrealized gains (losses)	(2,713)	–	(2,713)	–
Reclassification of realized loss on cash flow hedges	–	13	–	85
	(2,713)	13	(2,713)	85
Total other comprehensive income (loss), net of tax	$ (347)	$ 12,480	$ (7,665)	$ 3,500
Comprehensive income for the period	$ 29,789	$ 40,507	$ 83,401	$ 90,074
Comprehensive income attributable to:				
Equity owners of the Company	$ 29,604	$ 40,248	$ 82,683	$ 89,336
Non-controlling interests	185	259	718	738
	$ 29,789	$ 40,507	$ 83,401	$ 90,074

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

AGF Management Limited
Consolidated Statement of Cash Flow

(unaudited) ($ thousands)	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Operating Activities				
Net income for the period	$ 30,136	$ 28,027	$ 91,066	$ 86,574
Items not affecting cash				
Amortization	26,173	21,534	74,869	66,041
Future income taxes	(1,519)	(4,641)	(6,157)	(8,056)
RSP loan securitization income, net of impairment	(636)	(731)	(1,931)	(1,667)
Provision for AGF Trust loan losses	2,948	4,725	9,536	13,488
Stock-based compensation	560	1,327	6,287	4,854
Equity investment in S&WHL	(1,417)	(193)	(3,224)	1,422
Other	(1,495)	1,815	2,802	6,474
Dividends from S&WHL	–	–	1,247	3,962
	54,750	51,863	174,495	173,092
Net change in non-cash balances related to operations (Note 11)	5,035	9,868	(41,124)	(45,595)
Net cash provided by operating activities	59,785	61,731	133,371	127,497
Financing Activities				
Repurchase of Class B Non-Voting shares for cancellation	(8,030)	(12,217)	(8,030)	(12,217)
Issue of Class B Non-Voting shares	822	9	5,073	1,486
Dividends paid	(25,275)	(22,554)	(72,182)	(66,760)
Increase (decrease) in long-term debt	961	(6,487)	166,046	(1,017)
Net decrease in AGF Trust deposits	(40,687)	(162,572)	(407,411)	(381,084)
Net cash used in financing activities	(72,209)	(203,821)	(316,504)	(459,592)
Investing Activities				
Deferred selling commissions paid	(9,948)	(9,454)	(40,369)	(38,576)
Proceeds from sale of discontinued operations	–	607	–	607
Increase in ownership interest in Highstreet Partners Limited (Note 4(b))	–	–	(1,596)	–
Acquisition of subsidiaries, net of cash acquired (Note 4(a))	–	–	(173,415)	–
Purchase of property, equipment and computer software	(1,136)	(1,080)	(2,055)	(1,875)
Net proceeds from sale of investments available for sale	25,054	35,885	97,042	38,539
Net decrease in AGF Trust real estate secured and investment loans	33,650	104,069	194,548	337,550
Net cash provided by investing activities	47,620	130,027	74,155	336,245
Increase (decrease) in cash and cash equivalents	35,196	(12,063)	(108,978)	4,150
Balance of cash and cash equivalents, beginning of period	312,376	291,083	456,550	274,870
Balance of cash and cash equivalents, end of period	$ 347,572	$ 279,020	$ 347,572	$ 279,020
Represented by:				
Investment Management cash and cash equivalents			$ 55,985	$ 33,685
AGF Trust cash and cash equivalents			291,587	245,335
			$ 347,572	$ 279,020

Refer to Note 11 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, 2011 (unaudited)

These unaudited Q3 2011 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, 2010. 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, 2010.

Note 1: Changes in Accounting Policies

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

Effective December 1, 2010, the Company elected to early adopt the CICA's "Handbook Section 1582, Business Combinations" (Section 1582), "Handbook Section 1601, Consolidated Financial Statements" (Section 1601) and "Handbook Section 1602, Non-Controlling Interests" (Section 1602). In accordance with the transitional provisions, these standards were applied on a prospective basis, with the exception of the presentation and disclosure requirements for non-controlling interest, which were applied retrospectively. The adoption of these standards did not have a significant impact on the Company's consolidated financial statements other than the reclassification of non-controlling interests, as described below, and the Company's accounting for the acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity) as described in Note 4(a).

Pursuant to Section 1582 (equivalent to IFRS 3 "Business Combinations"), business combinations completed on or after December 1, 2010, have been accounted for using the acquisition method of accounting. Under the acquisition method of accounting, the consideration transferred in a business combination is measured at fair value at the date of acquisition. This consideration includes any cash paid plus the fair value at the date of exchange of assets given, liabilities incurred and equity instruments issued by the Company or its subsidiaries. The consideration transferred also includes contingent consideration arrangements recorded at fair value. Directly attributable acquisition-related costs are expensed in the current period and reported within operating expenses. At the date of acquisition, the Company recognizes the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquired business. The identifiable assets acquired and the liabilities assumed are initially recognized at fair value. Where the fair value of consideration paid is less than the fair value of net assets acquired, the excess is recognized in the Consolidated Statement of Income. Any pre-existing equity interests in an acquiree are re-measured to fair value at the date of the business combination and any resulting gain or loss is recognized in the Consolidated Statement of Income.

Business combinations completed prior to December 1, 2010, were accounted for using the purchase method under previous Canadian GAAP. The fundamental requirements of the purchase method of accounting are similar to the acquisition method of accounting described above except that, among other differences, the purchase method required that share consideration issued by the acquirer be measured by reference to its market price for a reasonable period before and after the acquisition was announced, acquisition-related costs were included as part of the fair value of the purchase consideration, contingent consideration was generally not recognized initially as part of the consideration transferred, and identifiable assets acquired and liabilities assumed were adjusted to reflect fair values only to the extent of the acquirer's interest in the acquiree when that interest was less than 100%. Furthermore, where the fair value of consideration paid was less than the fair value of net assets acquired, the excess amount was first deducted proportionally from the purchase price allocated to certain acquired non-current assets until their carrying amounts were reduced to nil. Only then was any remaining excess recognized in the Consolidated Statement of Income.

A non-controlling interest may be measured at fair value or at the proportionate share of identifiable net assets acquired. Under previous Canadian GAAP, a non-controlling interest was recorded at the proportionate share of the carrying value of the acquiree.

Section 1601 carries forward existing guidance on aspects of the preparation of consolidated financial statements subsequent to the acquisition date other than those pertaining to a non-controlling interest. Section 1602 provides guidance on the treatment of a non-controlling interest after acquisition in a business combination and requires: a non-controlling interest to be presented clearly in equity, but separately from the parent's equity; the amount of consolidated net income and other comprehensive income attributable to the parent and to a non-controlling interest to be clearly identified and presented on the Consolidated Statement of Income and Consolidated Statements of Comprehensive Income, respectively; and changes in ownership interests of a subsidiary that do not result in a loss or acquisition of control to be accounted for as an equity transaction.

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, 2011	November 30, 2010
AGF Trust:		
Canadian government debt[1]		
Provincial	$ 386,486	$ 392,261
Deposits with regulated institutions	–	85,557
	386,486	477,818
Investment Management:		
Canadian government debt		
Federal	299	297
AGF mutual funds and other	12,474	19,572
Equity securities	5,759	6,276
	18,532	26,145
	$ 405,018	$ 503,963

[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, 2011 ($ thousands)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust:					
Canadian government debt					
Provincial	A to AAA	$ 107,113	$ 279,373	$ –	$ 386,486
Deposits with regulated institutions	–	–	–	–	–
		$ 107,113	$ 279,373	$ –	$ 386,486

November 30, 2010 ($ thousands)	Credit rating	1 year or less	1 to 5 years	Greater than 5 years	Total
AGF Trust:					
Canadian government debt					
Provincial	A to AAA	$ 36,169	$ 328,545	$ 27,547	$ 392,261
Deposits with regulated institutions	AA	85,557	–	–	85,557
		$ 121,726	$ 328,545	$ 27,547	$ 477,818

AGF Trust's available for sale investments include provincial guaranteed bonds and floating-rate notes (FRNs) with original terms to maturity greater than three months. As at August 31, 2011, $25.1 million of AGF Trust's available for sale investments were floating-rate securities subject to repricing (November 30, 2010 – $85.1 million) and $361.4 million were fixed-rate securities (November 30, 2010 – $392.7 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, 2011 and 2010, no impairment charges were required.

(b) The Company holds a 30.9% investment in S&WHL accounted for using the equity method. At August 31, 2011, the carrying value was $78.8 million (November 30, 2010 – $77.0 million). During the three and nine months ended August 31, 2011, the Company recognized earnings of $1.4 million and $3.2 million, respectively (2010 – $0.2 million in earnings and $1.4 million in losses, respectively). During the nine months ended August 31, 2011, the Company received $1.2 million in dividends (2010 – $4.0 million) from S&WHL. No dividends were received from S&WHL during the third quarter of 2011 and 2010.

Note 3: Securitization of AGF Trust Loans

The Company has recorded retained interests of $38.6 million (November 30, 2010 – $38.7 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 $0.9 million (November 30, 2010 – $2.5 million), (ii) cash collateral of $14.2 million (November 30, 2010 – $13.6 million) and (iii) over-collateralization of $23.5 million (November 30, 2010 – $22.6 million).

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

	August 31, 2011	**November 30, 2010**
Excess spread	5.0%	4.9% - 5.0%
Discount rate on interest-only strip	7.5%	7.5%
Expected credit losses	2.3% - 2.4%	2.3% - 2.4%
Prepayment rate	16.2% - 17.0%	16.2% - 17.0%
Expected weighted average life of RSP loans	1.5 years	1.6 years

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, 2011 and 2010. 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, 2011**	**August 31, 2010**
Discount rate		
+10%	$ (1)	$ (15)
+20%	(3)	(29)
Prepayment rate		
+10%	$ (1)	$ (17)
+20%	(3)	(35)
Expected credit losses		
+10%	$ (152)	$ (217)
+20%	(304)	(433)
Excess spread		
-10%	$ (81)	$ (360)
-20%	(163)	(720)

Note 4: Acquisitions

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

On February 1, 2011, the Company completed its acquisition of 100% of the shares of Acuity for a purchase price of $335.6 million. Acuity is included in the Company's Investment Management Operations segment and manages retail and institutional assets. Goodwill of $116.0 million was recognized as the fair value of consideration paid in excess of the fair value of separately recognized tangible and intangible assets acquired, net of liabilities assumed.

The fair value of net assets acquired and consideration paid are summarized in the table below, based on the Company's preliminary purchase price allocation, which will be finalized in the fourth quarter of 2011:

($ thousands)		
Net assets acquired		
Cash	$	4,842
Other assets		12,844
Management contracts		211,500
Customer contracts		39,278
Non-competition agreement[1]		21,900
Finite-life management contracts[1]		5,500
Trademark[1]		1,600
Goodwill		115,997
Liabilities		(14,076)
Future income taxes		(63,836)
	$	335,549
Consideration paid		
Cash	$	178,257
Cash payments due February 1, 2012		18,391
Cash payments due February 1, 2013		3,644
Cash payments due February 1, 2014		3,579
Issuance of Class B Non-Voting shares (Note 9(b))		55,683
Issuance of Class B Non-Voting shares held in escrow (Note 9(b))		58,996
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012		9,756
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012		2,517
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013		2,400
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014		2,326
	$	335,549

[1] Grouped as Other Intangibles on the Consolidated Balance Sheet.

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

The deferred cash payments and Class B, C, D and E exchangeable preferred shares are subject to an adjustment based on Acuity's net sales of institutional AUM between the date of acquisition and the payment or redemption date of these preferred shares. The adjustment is not expected to be significant, but could range between the fair value of the acquisition consideration payable and an unlimited amount. The Class B, C, D and E exchangeable preferred shares are to be settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which is determined by reference to a fixed exchange ratio. The deferred cash payments and Class B, C, D and E exchangeable preferred shares are accounted for as contingently returnable consideration carried at fair value and have been classified on the Consolidated Balance Sheet as acquisition consideration payable.

The Class B Non-Voting shares held in escrow, as part of the consideration paid outlined in the above table, are to be released to the Acuity vendors between August 1, 2011 and February 1, 2014. Dividends declared on the Class B Non-Voting shares are paid to the vendors during the escrow period. Prior to the acquisition, the Company also advanced $14.0 million to Acuity, which was converted into common shares of Acuity upon closing and has been reflected above as cash consideration paid.

The following is a summary of the fair values of contingently returnable consideration as at August 31, 2011:

($ thousands)		August 31, 2011
Cash payments due February 1, 2012	$	19,565
Cash payments due February 1, 2013		3,863
Cash payments due February 1, 2014		3,776
Issuance of Class B exchangeable preferred shares, redeemable February 1, 2012		9,826
Issuance of Class C exchangeable preferred shares, redeemable February 1, 2012		2,535
Issuance of Class D exchangeable preferred shares, redeemable February 1, 2013		2,307
Issuance of Class E exchangeable preferred shares, redeemable February 1, 2014		2,293
	$	44,165
Less: current portion		31,926
	$	12,239

The following is a summary of post-acquisition amounts included in the Company's Consolidated Statement of Income for the three and nine months ended August 31, 2011:

($ thousands)		Three months ended August 31, 2011		Nine months ended August 31, 2011
Revenue	$	21,171	$	51,443
Net income[1]		7,580		17,324

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

During the three and nine months ended August 31, 2011, the Company recognized $1.7 million and $10.6 million (2010 – nil) in expenses related to the acquisition and integration of Acuity and $1.0 million recovery and $1.6 million in charges related to the fair value adjustment on the acquisition consideration payable.

(b) Acquisition of Highstreet Partners Ltd.

On December 1, 2006, AGF acquired 79.9% of Highstreet Partners Limited (Highstreet). 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. In March 2011, the Company increased their ownership interest in Highstreet to 81.7% for cash consideration of $1.6 million. The payment was recorded as an adjustment to retained earnings.

Note 5: AGF Trust

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

($ thousands)	Term to contractual repricing: Variable rate	1 year or less	1 to 5 years	August 31, 2011	November 30, 2010
Mortgage loans	$ 22,453	$ 333,111	$ 527,090	$ 882,654	$ 861,007
HELOCs	211,422	–	–	211,422	273,272
Total real estate secured loans	233,875	333,111	527,090	1,094,076	1,134,279
Investment loans	1,847,786	619	159	1,848,564	2,016,501
Total loans	2,081,661	333,730	527,249	2,942,640	3,150,780
Less: allowance for loan losses				(29,145)	(32,063)
Add: net deferred sales commissions and commitment fees				4,732	3,497
				2,918,227	3,122,214
Less: current portion				(440,381)	(433,537)
				$ 2,477,846	$ 2,688,677

(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, 2011, were $440.4 million (November 30, 2010 – $433.5 million).

As at August 31, 2011, 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, 2010 – 1.7 years) and a weighted average yield of 5.6% (November 30, 2010 – 6.1%). Insured mortgage loans, excluding loan loss allowance, deferred commissions and pending representment, were $415.2 million as at August 31, 2011 (November 30, 2010 – $413.9 million). HELOCs, which totalled $211.4 million as at August 31, 2011 (November 30, 2010 – $273.3 million), had an average interest rate of 4.9% (November 30, 2010 – 4.9%). Investment loans, excluding RSP loans, totalled $1.5 billion as at August 31, 2011 (November 30, 2010 – $1.6 billion) and had an average interest rate (based on the prime interest rate) of 4.8% (November 30, 2010 – 4.8%). RSP loans totalled $342.1 million as at August 31, 2011 (November 30, 2010 – $378.0 million) and had an average interest rate of 6.1% (November 30, 2010 – 6.2%). The average interest rate on all investment loans as at August 31, 2011, was 5.0% (November 30, 2010 – 5.0%). Mortgage and HELOC loans are secured primarily by residential real estate. Secured investment loans of $1.5 billion (November 30, 2010 – $1.6 billion) are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.2 billion (November 30, 2010 – $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, 2011 ($ millions)	**Insured mortgage loans**	**Conventional mortgage loans**	**Secured investment loans**	**RSP loans**	**HELOC receivables**	**Finance loans**	**Total**
British Columbia	$ 18.5	$ 38.6	$ 277.8	$ 29.8	$ 12.9	$ –	$ 377.6
Alberta	67.0	113.5	167.1	35.8	164.2	0.2	547.8
Ontario	222.7	217.9	737.8	104.3	13.7	0.1	1,296.5
Quebec	96.9	82.7	112.8	141.5	0.2	0.2	434.3
Other	10.1	14.8	210.1	30.7	20.4	0.3	286.4
Total value of loans	$ 415.2	$ 467.5	$ 1,505.6	$ 342.1	$ 211.4	$ 0.8	$ 2,942.6

August 31, 2011	**Insured mortgage loans**	**Conventional mortgage loans**	**Secured investment loans**	**RSP loans**	**HELOC receivables**	**Finance loans**	**Total**
British Columbia	80	148	4,223	3,358	63	31	7,903
Alberta	279	569	2,925	3,044	699	131	7,647
Ontario	1,409	1,212	11,980	11,520	85	83	26,289
Quebec	568	604	2,086	14,648	3	127	18,036
Other	57	96	3,053	2,801	148	239	6,394
Total number of loans	2,393	2,629	24,267	35,371	998	611	66,269

November 30, 2010 ($ millions)	**Insured mortgage loans**	**Conventional mortgage loans**	**Secured investment loans**	**RSP loans**	**HELOC receivables**	**Finance loans**	**Total**
British Columbia	$ 10.5	$ 26.2	$ 305.0	$ 33.4	$ 21.0	$ 0.1	$ 396.2
Alberta	59.1	115.7	190.0	38.5	207.5	0.5	611.3
Ontario	237.0	210.0	800.2	117.6	17.8	0.3	1,382.9
Quebec	104.0	90.3	120.4	154.8	0.3	0.5	470.3
Other	3.3	4.9	220.9	33.7	26.7	0.6	290.1
Total value of loans	$ 413.9	$ 447.1	$ 1,636.5	$ 378.0	$ 273.3	$ 2.0	$ 3,150.8

November 30, 2010	Insured mortgage loans	Conventional mortgage loans	Secured investment loans	RSP loans	HELOC receivables	Finance loans	Total
British Columbia	54	112	4,583	3,591	105	57	8,502
Alberta	262	576	3,332	3,094	877	260	8,401
Ontario	1,551	1,206	12,887	12,423	114	162	28,343
Quebec	604	653	2,234	15,281	4	253	19,029
Other	19	33	3,214	2,912	193	441	6,812
Total number of loans	2,490	2,580	26,250	37,301	1,293	1,173	71,087

(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, 2011, impaired loans were $29.1 million (November 30, 2010 – $35.7 million) and $19.8 million (November 30, 2010 – $25.8 million), net of the specific allowance for loan losses.

($ thousands)	August 31, 2011	November 30, 2010
Impaired Loans:		
Insured mortgage loans	$ 4,998	$ 6,488
Conventional mortgage loans	18,247	25,157
Secured investment loans	1,894	1,357
RSP loans	2,033	1,335
HELOC receivables	1,881	1,412
	$ 29,053	$ 35,749

The following tables provide an aging of loans:

August 31, 2011 ($ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 383,078	$ 12,693	$ 3,103	$ 2,107	$ 14,177	$ 415,158
Conventional mortgage loans	432,104	12,994	2,377	2,794	17,227	467,496
Secured investment loans	1,487,715	13,784	2,330	1,248	546	1,505,623
RSP loans	336,297	2,990	990	384	1,500	342,161
HELOC receivables	204,922	3,634	527	–	2,339	211,422
Finance loans	780	–	–	–	–	780
	$ 2,844,896	$ 46,095	$ 9,327	$ 6,533	$ 35,789	$ 2,942,640

November 30, 2010 ($ thousands)	Current	1 to 29 days	30 to 60 days	61 to 90 days	Over 90 days	Total
Insured mortgage loans	$ 371,731	$ 16,391	$ 2,518	$ 2,627	$ 20,588	$ 413,855
Conventional mortgage loans	400,783	17,722	2,866	1,174	24,607	447,152
Secured investment loans	1,617,556	14,701	2,525	862	898	1,636,542
RSP loans	371,553	4,301	1,043	661	420	377,978
HELOC receivables	266,663	4,289	375	–	1,945	273,272
Finance loans	1,981	–	–	–	–	1,981
	$ 3,030,267	$ 57,404	$ 9,327	$ 5,324	$ 48,458	$ 3,150,780

(d) Mortgages in Legal Action

As at August 31, 2011, there are $18.3 million (2010 – $30.7 million) of insured mortgages in legal action. In addition, the following table provides a summary of conventional mortgages in legal action, which includes demand for payment, power of sale and foreclosures. The table details opening mortgages in legal action for the period and related changes to the pool, being additions, discharged mortgages other than sold, proceeds on foreclosed mortgages discharged and related losses, to arrive at the ending balance of mortgages in legal action.

Nine months ended August 31, ($ thousands)	**2011**	**2010**
Balance outstanding, beginning of the period	$ 28,297	$ 50,513
Additions	19,060	24,366
Discharged mortgages other than sold	(12,685)	(20,863)
Proceeds on foreclosed mortgages discharged	(10,541)	(16,962)
Loss on foreclosed mortgages discharged	(2,593)	(2,363)
Balance outstanding, end of the period	$ 21,538	$ 34,691

(e) Allowance for Credit Losses

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

Nine months ended August 31, 2011 ($ thousands)	**Specific allowances**	**General allowances**	**Total allowances**
Balance, beginning of period	$ 9,866	$ 22,197	$ 32,063
Amounts written off	(14,681)	–	(14,681)
Recoveries	2,227	–	2,227
Provision for loan losses	11,854	(2,318)	9,536
Balance, end of period	$ 9,266	$ 19,879	$ 29,145
Breakdown by category as at August 31, 2011			
Insured mortgage loans	$ –	$ 1,800	$ 1,800
Conventional mortgage loans	3,745	4,693	8,438
Secured investment loans	1,625	6,499	8,124
RSP loans	3,477	6,403	9,880
HELOC receivables	419	484	903
Balance, end of period	$ 9,266	$ 19,879	$ 29,145

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
Balance, end of period	$ 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
Balance, end of period	$ 11,005	$ 22,835	$ 33,840

(f) AGF Trust Deposits

($ thousands)	Term to maturity: Demand	1 year or less	1 to 5 years	August 31, 2011	November 30, 2010
Deposits	$ 2,294	$ 1,637,653	$ 1,500,755	$ 3,140,702	$ 3,545,529
Less: deferred selling commissions				(7,823)	(9,564)
Less: current portion				(1,639,947)	(1,814,701)
Long-term deposits				$ 1,492,932	$ 1,721,264

As at August 31, 2011, deposits were substantially comprised of GICs with a weighted average term to maturity of 1.2 years (November 30, 2010 – 1.3 years) and a weighted average interest rate of 2.9% (November 30, 2010 – 3.1%). Approximately 18.8% (November 30, 2010 – 13.8%) 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 2011 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, 2011, the aggregate notional amount of the swap transactions was $2.1 billion (November 30, 2010 – $2.4 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, 2011, was $18.0 million (November 30, 2010 – $15.9 million). During the three and nine months ended August 31, 2011, the ineffective portion of accumulated changes in fair value of hedging relationships recognized in the Consolidated Statement of Income amounted to a loss of $0.2 million and $0.5 million (2010 – $0.1 million loss and $1.1 million loss), as it relates to fair value hedging relationships.

August 31, 2011 ($ thousands)	Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
	$ 540,000	$ 917	2011	1.14% - 4.64%
	960,000	6,273	2012	1.26% - 5.01%
	445,000	6,097	2013	1.47% - 2.71%
	80,000	2,407	2014	2.09% - 2.82%
	50,000	2,263	2015	2.48% - 2.93%
	$ 2,075,000	$ 17,957		

November 30, 2010 ($ thousands)	Notional amount of swap	Fair value	Maturity date	Fixed interest rate received
	$ 235,000	$ 140	2010	0.60% - 4.34%
	1,290,000	6,523	2011	0.61% - 5.08%
	685,000	6,252	2012	1.26% - 5.01%
	170,000	1,501	2013	1.86% - 2.71%
	40,000	797	2014	2.22% - 2.82%
	25,000	687	2015	2.82% - 2.93%
	$ 2,445,000	$ 15,900		

Note 6: Other Assets

($ thousands)	August 31, 2011	November 30, 2010
Long-term portion of derivatives used to manage interest rate exposure on deposits	$ 13,602	$ 9,746
Other	8,018	6,226
	$ 21,620	$ 15,972

The current portion of derivatives used to manage interest rate exposure on deposits is included under accounts receivable, prepaid expenses and other assets. As at August 31, 2011, the current portion was $4.4 million (November 30, 2010 – $6.2 million). Refer to Note 7(a) for details on the derivatives used to manage interest rate exposure on deposits. Refer to Note 14 for further details of the Company's derivative instruments.

Note 7: Long-Term Debt

($ thousands)	August 31, 2011	November 30, 2010
Revolving term loans (Note 7(a))		
Facility 1	$ –	$ 143,678
Facility 2	124,723	–
Acquisition facility (Note 7(b))	185,000	–
	$ 309,723	$ 143,678

On August 31, 2011, the Company amended and restated its loan agreements. All facilities are now under one syndicated agreement with two Canadian chartered banks as follows:

(a) Revolving Term Loans

On August 31, 2011, the Company amended and restated its revolving committed term loan (Facility 1). Facility 1 is a syndicated revolving term loan with two Canadian chartered banks and with a maximum aggregate principal of $300.0 million (November 30, 2010 – $300.0 million). Advances under Facility 1 are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. Facility 1, if not renewed, is due in full on January 28, 2015. As at August 31, 2011, AGF had not drawn against Facility 1. As at November 30, 2010, AGF had drawn down $143.7 million against Facility 1 at an effective average interest rate of 2.6% per annum.

On August 31, 2011, the Company arranged an additional syndicated revolving committed term loan with two major Canadian chartered banks (Facility 2). Facility 2 is a five-year revolving term loan with a maximum aggregate principal of $125.0 million. Advances under Facility 2 are made available by prime-rate loans in U.S. or Canadian dollars, under BAs or by issuance of letters of credit. Facility 2, if not renewed, is due in full on August 31, 2016. As at August 31, 2011, AGF had drawn down $124.7 million against Facility 2 in the form of a one-month BA at an effective average interest rate of 2.7% per annum.

Facility 1 and Facility 2 are guaranteed by AGF Management Limited and certain subsidiaries, including the Acuity group of companies and 20/20 Financial Corporation.

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

(b) Acquisition Facility

On August 31, 2011, the Company amended its syndicated four-year non-amortizing term loan credit facility with two Canadian chartered banks (acquisition facility). The acquisition facility was originally arranged on January 28, 2011, to partially fund the acquisition of Acuity and consists of a one-time drawdown of $185.0 million. The facility must be fully repaid by January 28, 2015, and is not renewable. Advances under the facility are made available by way of Canadian-dollar prime-rate loans or Canadian-dollar BAs. As at August 31, 2011, AGF had drawn $185.0 million against the facility in the form of a one-month BA at an effective average interest rate of 3.0% per annum.

The acquisition facility is guaranteed by AGF Management Limited and certain subsidiaries, including the Acuity group of companies and 20/20 Financial Corporation. Refer to Note 4(a) for further details of the Company's acquisition of Acuity.

Note 8: Other Long-Term Liabilities

($ thousands)	August 31, 2011	November 30, 2010
Long-term portion of derivative used to manage interest rate exposure on long-term debt	$ 2,142	$ –
Long-term compensation-related liabilities	11,087	12,772
Long-term portion of Elements Advantage	2,517	3,883
Other	547	46
	$ 16,293	$ 16,701

The current portion of the derivative used to manage interest rate exposure on long-term debt is included under accounts payable and accrued liabilities. As at August 31, 2011, the current portion was $1.8 million (November 30, 2011 – nil). Refer to Note 7(a) for details on the derivative used to manage interest rate exposure on long-term debt. Refer to Note 14 for further details on the Company's derivative instruments.

In November 2005, the Company launched AGF Elements, which consists of five diversified fund-of-fund portfolios. Until June 22, 2009, four of these portfolios included the Elements Advantage Commitment, which 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. The current portion of the Elements Advantage liability is included under accounts payable and accrued liabilities. As at August 31, 2011, the current portion was $3.4 million (November 30, 2010 – $3.1 million).

Note 9: 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,	**2011**		**2010**	
($ 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	88,606,196	$ 439,216	89,097,400	$ 438,612
Issued through stock dividend plan	81,131	1,554	122,351	1,996
Stock options exercised	469,100	5,766	139,300	1,687
Issued on acquisition of Acuity (Note 4)	6,487,203	114,679	–	–
Repurchased for cancellation	(500,000)	(2,934)	(846,100)	(4,188)
Balance, end of period	95,143,630	$ 558,281	88,512,951	$ 438,107

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 7,430,257 shares through to March 6, 2012. During the three and nine months ended August 31, 2011, 500,000 Class B Non-Voting shares were repurchased at a cost of $8.0 million and the excess paid of $5.1 million over the recorded capital stock value of the shares repurchased for cancellation was charged to retained earnings.

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.

(d) Stock Option Plan

AGF has established stock option plans for senior employees under which stock options to purchase an aggregate maximum of 4,191,371 Class B Non-Voting shares could have been granted as at August 31, 2011 (2010 – 4,728,351). 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, 2011 and 2010 is summarized as follows:

Nine months ended August 31,	2011		2010	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B Non-Voting share options				
Balance, beginning of period	5,540,399	$ 16.35	6,627,398	$ 16.34
Options granted	678,780	19.03	75,000	16.20
Options forfeited/expired	(119,800)	16.57	(949,299)	17.61
Options exercised	(469,100)	10.81	(139,300)	10.66
Balance, end of period	5,630,279	$ 17.13	5,613,799	$ 16.26

During the three months ended August 31, 2011 and 2010, no stock options were granted and compensation expense and contributed surplus of $0.9 million (2010 – $0.8 million) were recorded.

During the nine months ended August 31, 2011 and 2010, 678,780 stock options were granted (2010 – 75,000) and compensation expense and contributed surplus of $2.0 million (2010 – $2.4 million) were recorded. The fair value of options granted during the nine months ended August 31, 2011, has been estimated at $4.43 per share using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the nine months ended August 31, 2011.

Risk-free interest rate	2.45%
Expected dividend yield	5.47%
Expected share price volatility	41.37%
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, 2011 and 2010 is as follows:

Nine months ended August 31,	2011	2010
	Number of share units	Number of share units
Outstanding, beginning of period		
Non-vested	487,761	685,862
Issued		
Initial allocation	326,498	12,122
In lieu of dividends	28,945	31,896
Settled in cash	(7,420)	(50,049)
Forfeited and cancelled	(32,192)	(72,176)
Outstanding, end of period	803,592	607,655

Compensation benefit for the three months ended August 31, 2011, related to these share units was $0.8 million (2010 – $0.3 million in expense), and for the nine months ended August 31, 2011, was $2.8 million in expense (2010 – $2.4 million in expense). AGF entered into a swap agreement to fix the cost of compensation related to certain RSUs and PSUs. AGF had not economically hedged these share units as at August 31, 2011 (2010 – 38,039 share units at a fixed cost of $27.92). Refer to Note 14 for further details on the Company's derivative instruments. On December 3, 2010, AGF fully settled with its counterparty the remaining 124,626 units having a notional value of $3.4 million based on their November 30, 2010, fair value thereby terminating the hedging relationship.

(f) Deferred Share Unit (DSU) Plan

There is no unrecognized compensation expense related to directors' DSUs since these awards vest immediately upon grant. As at August 31, 2011, 65,939 (2010 – 55,745) DSUs were outstanding. Compensation benefit related to these DSUs for the three months ended August 31, 2011, was $0.1 million (2010 – $0.1 million in expense), and for the nine months ended August 31, 2011, was $0.2 million in expense (2010 – $0.1 million in expense).

(g) Partners Incentive Plan (PIP)

Compensation expense related to this incentive plan are recorded in payroll costs and amounted to $0.4 million for the three months ended August 31, 2011 (2010 – $0.9 million) and $1.3 million for the nine months ended August 31, 2011 (2010 – $2.7 million).

(h) Earnings Per Share

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

($ thousands, except per share amounts)	Three months ended August 31, 2011	Three months ended August 31, 2010	Nine months ended August 31, 2011	Nine months ended August 31, 2010
Numerator				
Net income for the period attributable to equity owners of the Company	$ 29,951	$ 27,768	90,348	$ 85,836
Denominator				
Weighted average number of shares – basic	95,518,051	89,286,335	93,985,380	89,227,369
Dilutive effect of employee stock options	928,770	946,373	1,060,418	1,073,524
Weighted average number of shares – diluted	96,446,821	90,232,708	95,045,798	90,300,893
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.31	$ 0.31	$ 0.96	$ 0.96
Diluted	$ 0.31	$ 0.31	$ 0.95	$ 0.95

Note 10: Accumulated Other Comprehensive Loss

($ thousands)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening Balance				
Other comprehensive income (loss)	$ (27,606)	$ 13,817	$ (126)	$ (13,915)
Income tax recovery (expense)	4,099	(3,467)	47	679
Balance, November 30, 2009	(23,507)	10,350	(79)	(13,236)
Transactions during the year ended November 30, 2010				
Other comprehensive income (loss)	(7,347)	9,668	126	2,447
Income tax recovery (expense)	918	(3,201)	(47)	(2,330)
Balance, November 30, 2010	(29,936)	16,817	–	(13,119)
Transactions during the nine months ended August 31, 2011				
Other comprehensive loss	(360)	(6,729)	(3,639)	(10,728)
Income tax recovery	45	2,092	926	3,063
Balance, August 31, 2011	$ (30,251)	$ 12,180	$ (2,713)	$ (20,784)

Note 11: Supplemental Disclosure of Cash Flow Information

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

($ thousands)	Three months ended August 31, 2011	2010	Nine months ended August 31, 2011	2010
Decrease in accounts receivable	$ 3,468	$ 3,529	$ 17,406	$ 13,696
Increase in other assets	(2,047)	(1,141)	(7,475)	(7,980)
Increase (decrease) in accounts payable and accrued liabilities	2,857	6,334	(54,567)	(39,440)
Increase (decrease) in deposits and other liabilities	757	1,146	3,512	(11,871)
	$ 5,035	$ 9,868	$ (41,124)	$ (45,595)

(b) Income Taxes and Interest Paid

($ thousands)	Three months ended August 31, 2011	2010	Nine months ended August 31, 2011	2010
Income taxes paid	$ 13,310	$ 12,891	$ 42,450	$ 55,307
Interest paid	21,699	20,921	64,919	61,131
	$ 35,009	$ 33,812	$ 107,369	$ 116,438

Note 12: AGF Trust Net Interest Income

The breakdown of net interest income is as follows:

($ thousands)	Three months ended August 31, 2011	2010	Nine months ended August 31, 2011	2010
AGF Trust interest income				
Loan interest	$ 38,370	$ 42,106	$ 118,389	$ 127,089
Investment interest	3,885	3,841	11,437	10,357
	42,255	45,947	129,826	137,446
AGF Trust interest expense				
Deposit interest	23,752	30,196	74,985	96,963
Hedging interest income	(4,546)	(10,376)	(16,994)	(39,205)
Other interest expense	4,238	4,542	12,878	14,088
	23,444	24,362	70,869	71,846
AGF Trust net interest income	$ 18,811	$ 21,585	$ 58,957	$ 65,600

Note 13: Capital Management

Detailed disclosure of the Company's capital, including management objectives and policies and regulatory capital requirements, are included in Note 22 to AGF's 2010 Annual Report. The Company's 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 ratios and the asset-to-capital multiple for AGF Trust are detailed as follows:

($ thousands)	August 31, 2011	November 30, 2010
Tier 1 capital	$ 302,640	$ 287,183
Total regulatory capital	424,852	403,814
Risk-weighted assets	1,670,843	1,795,568
Tier 1 capital ratio	18.1%	16.0%
Total capital ratio	25.4%	22.5%
Assets-to-capital multiple	8.7	10.2

Note 14: Financial Instruments

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

August 31, 2011	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	$ –	$ 347,572	$ –
Investments	405,018	–	–
Retained interest from securitization	38,556	–	–
Accounts receivable	–	–	79,395
Real estate secured and investment loans	–	–	2,918,227
Derivatives	–	17,957	–
Other assets	–	–	6,083
Total financial assets	$ 443,574	$ 365,529	$ 3,003,705
Accounts payable and accrued liabilities	$ –	$ –	$ 224,403
Long-term debt	–	–	309,723
Deposits	–	–	3,132,879
Acquisition consideration payable	–	44,165	–
Derivatives	–	3,639	–
Other long-term liabilities	–	–	14,151
Total financial liabilities	$ –	$ 47,804	$ 3,681,156

November 30, 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	$ –	$ 456,550	$ –
Investments	503,963	–	–
Retained interest from securitization	38,699	–	–
Accounts receivable	–	–	85,925
Real estate secured and investment loans	–	–	3,122,214
Derivatives	–	15,900	–
Other assets	–	–	4,291
Total financial assets	$ 542,662	$ 472,450	$ 3,212,430
Accounts payable and accrued liabilities	$ –	$ –	$ 257,451
Long-term debt	–	–	143,678
Deposits	–	–	3,535,965
Derivatives	–	1,277	–
Other long-term liabilities	–	–	16,701
Total financial liabilities	$ –	$ 1,277	$ 3,953,795

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 banks, an Irish government guaranteed bank and non-Irish banks in Ireland, as well as bank term deposits. 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 FRNs. AGF Trust values its investment holdings primarily using a third party investment valuation service. If prices are not readily available, the Company relies on counterparty valuations from financial institutions and brokerages with which it deals.

The fair value of derivatives used to manage interest rate exposure on deposits and long-term debt 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 was 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 was equal to the price agreed to at the onset of the swap agreement, adjusted for dividends that had been reinvested by the equity holder. Since the market value of Class B Non-Voting shares is an observable input, this financial instrument was 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 that are unobservable and that 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.

Refer to Note 4(a) for a discussion of the fair value of the acquisition consideration payable. The following table classifies the carrying value of the financial instruments held at fair value across the fair value hierarchy:

August 31, 2011	Financial instruments at fair value			
($ thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 347,572	$ –	$ –	$ 347,572
Investments	18,532	386,486	–	405,018
Retained interest from securitization	–	–	38,556	38,556
Derivatives	–	17,957	–	17,957
Total financial assets	$ 366,104	$ 404,443	$ 38,556	$ 809,103
Acquisition consideration payable	$ –	$ –	$ 44,165	$ 44,165
Derivatives	–	3,639	–	3,639
Total financial liabilities	$ –	$ 3,639	$ 44,165	$ 47,804

November 30, 2010	Financial instruments at fair value			
($ thousands)	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 456,550	$ –	$ –	$ 456,550
Investments	26,145	477,818	–	503,963
Retained interest from securitization	–	–	38,699	38,699
Derivatives	–	15,900	–	15,900
Total financial assets	$ 482,695	$ 493,718	$ 38,699	$ 1,015,112
Derivatives	$ –	$ 1,277	$ –	$ 1,277
Total financial liabilities	$ –	$ 1,277	$ –	$ 1,277

During the three and nine months ended August 31, 2011 and 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, 2010 to August 31, 2011, and November 30, 2009 to August 31, 2010:

($ thousands)	Fair value measurements using Level 3 inputs Retained interest from securitization
Balance at November 30, 2010	$ 38,699
Accretion income	1,919
Cash receipts, net of write-offs	(1,816)
Securitization write-down	(153)
Unrealized losses recognized in other comprehensive income	(93)
Balance at August 31, 2011	$ 38,556

($ 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 write-offs	(2,537)
Securitization write-down	(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 that are not carried at fair value in the balance sheet:

($ thousands)	August 31, 2011 Carrying value	August 31, 2011 Fair value	November 30, 2010 Carrying value	November 30, 2010 Fair value
Accounts receivable	$ 79,395	$ 79,395	$ 85,925	$ 85,925
Real estate secured loans and investment loans	2,918,227	2,930,609	3,122,214	3,135,568
Other assets	6,083	6,083	4,291	4,291
Total financial assets	$ 3,003,705	$ 3,016,087	$ 3,212,430	$ 3,225,784
Accounts payable and accrued liabilities	$ 224,403	$ 224,403	$ 257,451	$ 257,451
Long-term debt	309,723	309,723	143,678	143,678
Deposits	3,132,879	3,161,082	3,535,965	3,568,319
Other long-term liabilities	14,151	14,151	16,701	16,701
Total financial liabilities	$ 3,681,156	$ 3,709,359	$ 3,953,795	$ 3,986,149

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 because of 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 financial instruments will fluctuate because of 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 changes in interest rates and foreign currency. The Company is exposed to fair value risk on certain investments available for sale and certain derivative positions. As at August 31, 2011, the Company's investments that have fair value risk include mutual funds managed by the Company of $12.5 million (November 30, 2010 – $19.6 million) and equity securities of $5.8 million (November 30, 2010 – $6.3 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 as at August 31, 2011, the effect of a 10% decline or increase in the value of investments would result in a $1.8 million (November 30, 2010 – $2.6 million) pre-tax unrealized gain or loss to other comprehensive income. The Company is also exposed to fair value risk on its acquisition consideration payable associated with future share payments. The Class B, C, D and E exchangeable preferred shares are to be settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which is determined by reference to a fixed exchange ratio. As at August 31, 2011, the effect of a $1.00 increase or decrease in the market value of the AGF Class B Non-Voting shares would result in a $1.2 million gain or loss to investment income and other revenue.

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

August 31, 2011 ($ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure on deposits	1.14% - 5.01%	2015	2,075,000	17,957
Derivatives used to manage interest rate exposure on long-term debt	3.83%	2016	125,000	(3,639)
Derivatives used to manage changes in share-based compensation	–	–	–	–

November 30, 2010 ($ thousands)	Interest rate	Hedging item maximum maturity date	Notional amount	Fair value
Derivatives used to manage interest rate exposure	0.60% - 5.08%	2015	2,445,000	15,900
Derivatives used to manage changes in share-based compensation	–	2010	3,426	(1,277)

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, 2011, a 1% increase in interest rates in the aforementioned financial instruments would result in an increase in annual net interest income of approximately $2.1 million, while a 1% decrease in interest rates would result in a decrease of net interest income of approximately $2.4 million. 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. As a result of interest rate levels in the prior year, a sensitivity analysis based on a 1% decrease would not have provided 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. AGF entered into an interest swap to manage interest rate exposure on the Facility 2 portion of its long-term debt. As at August 31, 2011, 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 (August 31, 2010 – $1.6 million).

Foreign Currency Risk

Foreign currency 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. 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 9 and 13. 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 and acquisition facilities. The key liquidity requirements within this segment are the funding of commissions paid on mutual funds, dividends paid to shareholders and the repayment of its acquisition facility. The Company is subject to certain financial loan covenants under its credit and acquisition facilities 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 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, 2011 ($ thousands)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 225,900	$ –
Long-term debt	–	–	310,000
Deposits[1]	2,294	1,660,099	1,590,342
Acquisition consideration payable	–	20,448	9,176
Other liabilities	–	–	16,293
Total	$ 2,294	$ 1,906,447	$ 1,925,811

November 30, 2010 ($ thousands)	Demand	1 year or less	1 to 5 years
Accounts payable and accrued liabilities	$ –	$ 258,728	$ –
Long-term debt	–	–	144,000
Deposits[1]	3,630	1,839,525	1,850,820
Other liabilities	–	–	16,701
Total	$ 3,630	$ 2,098,253	$ 2,011,521

[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, 2011, financial assets of $3.8 billion (November 30, 2010 – $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 banks, an Irish government guaranteed bank and non-Irish banks in Ireland, as well as bank term deposits.

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, for 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, 2011, AGF Trust's loan assets totalled $2.9 billion (November 30, 2010 – $3.2 billion) and were comprised of mortgage loans, investment loans, RSP loans, finance loans and HELOC receivables. Of this amount, $0.9 billion (November 30, 2010 – $0.9 billion) was represented by mortgage loans and $0.2 billion (November 30, 2010 – $0.3 billion) was represented by HELOC receivables, both of which are secured by residential real estate. At August 31, 2011, 47.0% of mortgage loans were insured by Canada Mortgage and Housing Corporation (CMHC) or another insurer (November 30, 2010 – 48.1%). 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.

Residential mortgages represent the largest component of the total mortgage portfolio, comprising 96.0% as at August 31, 2011 (November 30, 2010 – 97.2%). 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, 2011, AGF Trust's insured residential mortgage portfolio was $415.2 million, net of deferred sales commission and allowances (November 30, 2010 – $413.9 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, of $1.5 billion as at August 31, 2011, are secured primarily by the investment made using the initial loan proceeds. The market value of this investment loan collateral is approximately $1.2 billion as at August 31, 2011.

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 creditworthiness of the counterparties to minimize the risk of counterparty default under the agreements. AGF Trust only uses major Chartered banks with a minimum credit rating of AA as counterparties.

Note 15: 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 2010 Annual Report.

Three months ended August 31, 2011 ($ thousands)	Investment Management Operations	Trust Company Operations	Other[1]	Total
Revenue	$ 151,695	$ 21,377	$ 1,417	$ 174,489
Operating expenses	90,285	11,929		102,214
Amortization and other expenses	25,884	289	2,938	29,111
Segment income before taxes	$ 35,526	$ 9,159	$ (1,521)	$ 43,164

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 before taxes	$ 29,208	$ 10,027	$ (310)	$ 38,925

Nine months ended August 31, 2011 ($ thousands)	Investment Management Operations	Trust Company Operations	Other[1]	Total
Revenue	$ 448,816	$ 65,464	$ 3,224	$ 517,504
Operating expenses	266,906	38,960		305,866
Amortization and other expenses	73,861	1,008	8,507	83,376
Segment income before taxes	$ 108,049	$ 25,496	$ (5,283)	$ 128,262
Total Assets	$ 1,527,836	$ 3,680,100	$ –	$ 5,207,936

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 before taxes	$ 95,813	$ 30,240	$ (5,812)	$ 120,241
Total Assets	$ 1,133,441	$ 4,099,156	$ –	$ 5,232,597

[1] Other revenue relates to S&WHL and Other expenses relates to interest expense.

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.