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

For the three months ended February 28, 2015 and 2014

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AGF MANAGEMENT LIMITED
First Quarter Report to Shareholders for the three months ended February 28, 2015

AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER FINANCIAL RESULTS

- *Total AUM increased to $36.7 billion at February 28, 2015, from $36.1 billion at February 28, 2014*
- *51% of ranked AUM performed above median for the three-year period ended February 28, 2015*

Toronto | March 25, 2015

AGF Management Limited (AGF or the Company) today announced financial results for the first quarter ended February 28, 2015. Total assets under management (AUM) increased to $36.7 billion as at February 28, 2015, compared to $36.1 billion as at February 28, 2014. Total retail fund AUM remained stable at $20.0 billion as at February 28, 2015. The trend of lower retail redemption levels continued into the first quarter of 2015 as net redemptions were 18.6% lower than during the first quarter of 2014, decreasing from net redemptions of $0.6 billion for the three months ended February 28, 2014 to $0.5 billion in the same period in 2015. Institutional and sub-advisory AUM was $11.8 billion as at February 28, 2015, compared to $12.1 billion as at February 28, 2014. High-net-worth AUM increased to $4.6 billion, compared to $4.1 billion for the same period in 2014. AUM related to the alternative asset management platform increased to $0.3 billion.

"Our primary objective is to help our clients succeed and in doing so, create shareholder value," said Kevin McCreadie, President and Chief Investment Officer, AGF Investments Inc. "Our investment performance is improving as is reflected by 51% of our ranked AUM for the three-year period now above median, a significant improvement from 22% a year ago. AGF has a number of attractive investment platforms that – along with a sustained focus on improving investment performance – will support growth in our business."

InstarAGF Inc. (InstarAGF) announced the acquisition of the Billy Bishop Toronto City Airport passenger terminal by Nieuport Aviation Infrastructure Partners GP, a consortium of Canadian and international investors led by InstarAGF, during the first quarter of 2015. AGF has committed and invested $103.4 million related to this investment, which will be a seed asset for the essential infrastructure fund. The fund is expected to achieve its first closing with external investors in the first half of 2015, at which point the Company will receive a return of its capital in excess of its proportionate participation.

The Company participated in the Annual Brand Study conducted by Credo Consulting Inc. during the first quarter of 2015. The results of the survey showed significant improvement in AGF's brand recognition and perception.

"We are pleased with the results of a recent industry survey of advisors which recognized the progress we have made to further help advisors and our clients succeed," said Blake C. Goldring, Chairman and Chief Executive Officer, AGF. "We remain focused on our key priorities, including our advancement in the alternative asset management space. During the quarter, AGF continued to return value to shareholders in the form of dividends and its share buyback program."

During the first quarter of 2015, revenue from continuing operations was $111.7 million, compared to $116.9 million for the three months ended February 28, 2014, largely due to lower average retail AUM levels. For the three months ended February 28, 2015, net income from continuing operations was $13.6 million compared to $17.1 million for the same quarter of 2014. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations was $33.9 million, compared to $43.9 million in the first quarter of 2014. Diluted earnings per share (EPS) from continuing operations of $0.16 compared to $0.20 for the three months ended February 28, 2014.

Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.0 million in the first quarter of 2015. Under its normal course issuer bid, AGF repurchased a total of 2,788,040 Class B Non-Voting shares for $21.7 million at an average price of $7.80. For the three months ended February 28, 2015, AGF declared an eight cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable April 17, 2015 to shareholders on record as at April 9, 2015.

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, pipeline, competitive fee levels for investment management products and administration, and competitive dealer compensation levels and cost efficiency in our 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 the 2014 Annual MD&A.

Dear fellow shareholders,

The first quarter of 2015 was productive and encouraging for AGF. Our continued focus on our priorities is garnering results. Total AUM increased 1.5% to $36.7 billion from $36.1 billion a year earlier, reflecting an increase in high-net-worth AUM and the growth of our alternative asset management platform. Our investment performance improved during the three-year period, with 51% of ranked AUM performing above median compared to 22% in 2014, while our one-year AUM performance was 34% compared to 38% in 2014. We continue to provide new and innovative product solutions for our advisors and clients. We recently launched AGF Global Convertible Bond Fund, an investment solution that complements fixed-income holdings, while giving investors the opportunity to participate in rising equity. Our growth in the alternative platform space continued, as we invested $110.3 million during the quarter, of which $103.4 million related to InstarAGF's acquisition of an interest in the passenger terminal at Billy Bishop Toronto City Airport alongside other Canadian and international equity investors in January 2015. Our focus on building and improving our client relationships is garnering results as I recently met with a number of our supporters across the country and was encouraged by their feedback. This sentiment was mirrored in the results of a recent brand survey, which showed significant improvement in AGF's brand recognition and perception.

U.S. economic data released during the quarter indicated that economic growth moderated in the fourth quarter of 2014. Oil prices continued to slide in December and January, which weighed on energy stocks, inflation expectations and bond yields globally. Consequently, the Bank of Canada surprised markets by cutting interest rates and its economic growth forecast for the year. While equity markets in both the U.S. and Canada performed well, Canada outperformed the U.S. during the three-month period, led by the Health Care, Information Technology and Materials sectors.

Equities in the developed markets outperformed those in the emerging markets during the period as the U.S. dollar continued to appreciate against most major currencies. In Europe, weak economic growth and falling inflation led to the announcement of a greater-than-expected quantitative easing program, which strongly benefited equities in the region. Economic growth in China continued to slow, which led the People's Bank of China to announce further stimulus measures for financial institutions, intended to stimulate economic growth in the world's second largest economy.

Retail mutual fund flows continued to see global balanced funds dominate flows in December and January, with equity fund flows showing more moderation. Bond fund sales have picked up as a result of the decline in long-term interest rates, which began at the beginning of 2014.

AGF remains committed to returning value to our shareholders. During the quarter, we returned a total of $44.7 million to our shareholders through a combination of cash dividends and share buybacks. The Board of Directors declared an eight cent per share quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares, payable April 17, 2015 to shareholders on record as at April 9, 2015.

In closing, AGF continues to execute on our strategic priorities, including improving our investment performance through supporting the most promising investment platforms while ensuring we have the talent to achieve our goals. I would like to express my sincere thanks to all of our stakeholders for their continued support and confidence. We remain focused on our strategic goals and look forward to the continued expansion of our business throughout 2015 and beyond.

Sincerely,

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
March 25, 2015

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

This Management's Discussion and Analysis (MD&A) is as of March 24, 2015, and presents an analysis of the financial condition of AGF and its subsidiaries for the three-month period ended February 28, 2015, compared to the three-month period ended February 28, 2014. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three months ended February 28, 2015, and our 2014 Annual Report. The financial statements for the three months ended February 28, 2015, including required comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting.

We also utilize non-IFRS financial measures to assess our overall performance. Details of non-IFRS measures used are outlined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section, which provides calculations of the non-IFRS measures.

All dollar amounts are in Canadian dollars unless otherwise indicated. Throughout this discussion, percentage changes are calculated based on results rounded to the nearest thousand. Results, except per share information, are presented in millions of dollars. Percentage changes are calculated using numbers rounded to the decimals that appear in this MD&A.

There have been no material changes to the information discussed in the following sections of the 2014 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations,' 'Intercompany and Related Party Transactions' and 'Government Regulations.'

Our Business

AGF Management Limited, with $36.7 billion in assets under management (AUM) as at February 28, 2015, is one of the largest independent Canadian-based investment management firms, with operations and investments in Canada, the United States, the United Kingdom, Ireland and Asia.

The origin of our Company dates back to 1957 with the introduction of the American Growth Fund, the first mutual fund available to Canadians seeking to invest in the United States. As of February 28, 2015, our products and services include a diverse lineup of investment solutions for retail, institutional and high-net-worth clients. Our multi-disciplined investment management teams have expertise across the balanced, fixed income, equity and specialty asset categories and are located in Toronto, Dublin and Singapore.

Our retail business delivers a wide range of products across a number of investment strategies, including AGF mutual funds, the AGF Elements portfolios and the Harmony Private Investment Program. Our products are delivered through multiple channels, including advisors, financial planners, banks, life insurance companies and brokers. We have sales organizations 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. Our global institutional business provides investment management services for a variety of clients including institutions, pension funds, foundations, sovereign wealth funds and endowments. We offer a diverse range of investment strategies and have sales and client service offices in Toronto, London (Ontario), Boston, Dublin, London (England), Hong Kong and Beijing.

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

We hold a 50.0% interest in InstarAGF Inc. (InstarAGF), a joint venture with Instar Group Inc. (Instar), to develop an alternative asset management platform offering new alternative investment products to support our retail, institutional and high-net-worth channels. InstarAGF holds a 37.0% interest in Stream Asset Financial Management LP (SAFMLP), manager of a midstream oil and gas infrastructure fund. Earnings of SAFMLP are fully accrued to the benefit of AGF. In addition, InstarAGF expects to achieve first close of its essential infrastructure fund in the first half of 2015. AGF is a cornerstone investor in this fund, with $103.4 million invested as at February 28, 2015. Upon close, the Company will receive a return of its capital in excess of its proportionate participation. The fund will invest in utilities, civil, social and power infrastructure assets, including renewable energy.

We hold a 31.6% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the UK. S&WHL is one of the top 10 largest firms of accountants in the UK and its investment management business has over £16.2 billion of funds under management and advice as at February 28, 2015.

Our Strategy

AGF is a firm focused exclusively on investment management. The Company believes that superior investment performance and product innovation are key to its success. It also believes strongly in diversification, both in terms of investment styles and product solutions offered to clients, and in the client segments in which it operates. Finally, AGF is a global firm, with investment research capabilities and institutional sales offices in Canada and abroad.

Measuring long-term shareholder growth, we look to the following KPIs:

- AUM growth
- Revenue growth driven by new sales, investment performance and client retention
- Earnings before interest, taxes, depreciation, amortization and non-controlling interest (EBITDA) growth
- Pre-tax margins

Improvement in these measures is expected to result in improved cash flows as well as improved return on equity. We believe in returning value to our shareholders through share buybacks, dividend payments and reinvesting in our business.

Our strategy also recognizes that our business will experience cycles related to the global stock markets, credit availability, employment levels and other economic factors. We believe that a successful strategy is founded on the ability of our operations to effectively operate through economic downturns and upturns by controlling cost and maintaining an effective operating infrastructure.

Our Priorities and Progress

AGF is committed to our mission of 'Helping Investors Succeed.' Our three key priorities are:

- Improving our investment performance
- Offering our advisors and clients innovative product solutions
- Achieving international expansion and organic growth

Improving Investment Performance

We are focused on improving our investment performance. We are doing this through supporting our most promising investment platforms while ensuring we have the talent to achieve our stated goal. For the one-year period ended February 28, 2015, 34% of ranked AUM performed above median. For the three-year period ended February 28, 2015, 51% of ranked AUM performed above median.

Offering Our Advisors and Clients Innovative Product Solutions

Our strategy is to provide our advisors and clients a product platform that offers innovative solutions around specific needs, resulting in organic AUM growth.

- During the past three years, we have addressed investor needs related to rising rates and market volatility with the launch of several funds, including AGF U.S. AlphaSector Class, AGF Floating Rate Income Fund and AGF Focus Funds. During the first quarter of 2015, we announced the launch of AGF Global Convertible Bond Fund, an investment solution that complements fixed-income holdings, while giving investors the opportunity to participate in rising equity markets.
- We intend to develop products that leverage our alternatives capability.
- We are actively promoting the AGF brand, ensuring brand recognition throughout the market.

Achieving International Expansion and Organic Growth

Our strategy is to leverage our world-class global equity capabilities and distribute our products through structures and platforms that work within their local markets. To date, we have made the following advancements:

- Through InstarAGF we have launched an alternative asset management platform which has $315.0 million of fee-bearing AUM as at February 28, 2015 (2014 – nil). AGF has allocated a total of $150.0 million to funds and investments associated with the alternative asset management platform. As at February 28, 2015, of the $150.0 million, AGF has committed $50.0 million to Stream Asset Financial LP (Stream), a midstream oil and gas infrastructure fund with equity commitments of approximately $210.0 million, including AGF's $50.0 million. As at February 28, 2015, AGF had invested $23.6 million in Stream, with $26.4 million remaining committed capital to be invested in the Stream fund.

- On January 27, 2015, InstarAGF announced the acquisition of the Billy Bishop Toronto City Airport passenger terminal by Nieuport Aviation Infrastructure Partners GP, a consortium of Canadian and international investors led by InstarAGF. AGF has committed and invested $103.4 million related to this investment, which will be a seed asset for the essential infrastructure fund. The fund is expected to achieve its first closing with external investors in the first half of 2015, at which point the Company will receive a return of its capital in excess of its proportionate participation.

Summary of Key Financial and Operational Results for the First Quarter of 2015:

- Total AUM increased to $36.7 billion at February 28, 2015, as compared to $36.1 billion at February 28, 2014.
- Retail AUM remained stable at $20.0 billion, consistent with $20.0 billion at February 28, 2014.
- Retail fund net redemptions improved to $0.5 billion for the three months ended February 28, 2015, compared to net redemptions of $0.6 billion for the three months ended February 28, 2014.
- Institutional AUM was $11.8 billion, compared to $12.1 billion at February 28, 2014.
- High-net-worth AUM increased 13.2% to $4.6 billion, compared to $4.1 billion at February 28, 2014.
- For the one-year period ended February 28, 2015, 34% of ranked AUM performed above median, compared to 38% in 2014. For the three-year period ended February 28, 2015, 51% of ranked AUM performed above median, compared to 22% in 2014.
- We delivered value directly to our shareholders through dividend payments and share buybacks. During the first quarter of 2015, we paid dividends of $0.27 per share (2014 – $0.27 per share). Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.0 million in the first quarter of 2015, compared to $23.3 million in the same period of 2014. Under the normal course issuer bid, 2,788,040 Class B Non-Voting shares were repurchased for a total consideration of $21.7 million at an average price of $7.80.
- On December 9, 2014, we announced our intention to reduce the quarterly dividend in fiscal 2015 to $0.08 per share as part of our amended capital allocation strategy.
- We invested $110.3 million in our alternative asset management platform.
- We repaid $40.0 million of long-term debt.
- Revenue from continuing operations was $111.7 million, compared to $116.9 million in the same period of 2014, reflecting lower AUM levels.
- EBITDA from continuing operations was $33.9 million, compared to $43.9 million in 2014.
- Diluted EPS from continuing operations for the three months ended February 28, 2015 was $0.16 per share, compared to diluted EPS of $0.20 per share in 2014.

Assets Under Management

The following table illustrates the composition of the changes in total AUM during the three months ended February 28, 2015 and 2014:

(in millions of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**	**% change**
Retail fund AUM (including retail pooled funds), beginning of period	$ 19,109	$ 19,591	(2.5%)
Gross sales[1]	602	553	8.9%
Redemptions[1]	(1,093)	(1,156)	(5.4%)
Net redemptions	(491)	(603)	(18.6%)
Market appreciation of fund portfolios	1,337	1,007	32.8%
Retail fund AUM (including retail pooled funds), end of period	$ 19,955	$ 19,995	(0.2%)
Average daily retail fund AUM for the period	$ 19,137	$ 19,632	(2.5%)
Institutional and sub-advisory accounts AUM, beginning of period	$ 11,342	$ 10,877	4.3%
Net change in institutional and sub-advisory accounts, including market performance	453	1,177	(61.5%)
Institutional and sub-advisory accounts AUM, end of period	$ 11,795	$ 12,054	(2.1%)
High-net-worth AUM	$ 4,617	$ 4,078	13.2%
AUM, end of period	$ 36,367	$ 36,127	0.7%
Alternative asset management platform AUM[2]	$ 315	$ –	n/m
Total AUM, including alternative asset management platform, end of period	$ 36,682	$ 36,127	1.5%

[1] Gross sales and redemptions include rebalancing of AGF Concert Series of $76.9 million (2014 – $12.3 million).
[2] Represents fee-earning committed capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is $150.0 million, of which $127.0 million has been funded as at February 28, 2015. InstarAGF holds a 37.0% interest in the manager of the Stream fund.

Institutional Pipeline

The following represents forward-looking information. We define the institutional pipeline as client commitments to fund or redeem a portion or all of their account. As at February 28, 2015, AGF had a gross pipeline of $32.0 million in sales and a net redemptions pipeline of $37.0 million. Commitments are not necessarily contractual obligations. Actual amounts funded or redeemed may vary.

Consolidated Operating Results

The table below summarizes our consolidated operating results for the three months ended February 28, 2015 and 2014:

(in millions of Canadian dollars, except per share data) **Three months ended**	**February 28, 2015**	**February 28, 2014**	**% change**
Income			
Management and advisory fees	$ 102.5	$ 108.3	(5.4%)
Deferred sales charges	2.6	3.9	(33.3%)
Share of profit of associate and joint ventures	3.9	2.4	62.5%
Fair value adjustments and other income	2.7	2.3	17.4%
	111.7	116.9	(4.4%)
Expenses			
Selling, general and administrative	44.8	40.3	11.2%
Trailing commissions	31.4	31.2	0.6%
Investment advisory fees	1.6	1.5	6.7%
	77.8	73.0	6.6%
EBITDA from continuing operations[1]	33.9	43.9	(22.8%)
Amortization, derecognition and depreciation	13.0	17.7	(26.6%)
Interest expense	2.8	3.0	(6.7%)
Income before taxes	18.1	23.2	(22.0%)
Income taxes	4.5	6.1	(26.2%)
Net income from continuing operations	13.6	17.1	(20.5%)
Net income from discontinued operations	–	2.8	n/m
Net income attributable to equity owners of the Company	$ 13.6	$ 19.9	(31.7%)
Diluted earnings per share			
From continuing operations	$ 0.16	$ 0.20	(20.0%)
From discontinued operations	–	0.03	n/m
Diluted earnings per share	$ 0.16	$ 0.23	(30.4%)

[1] For the definition of EBITDA, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA to net income from continuing operations, a defined term under IFRS, are detailed above.

Income

For the three months ended February 28, 2015, income decreased by 4.4% over the previous year, with changes in the categories as follows:

Management and Advisory Fees

Management and advisory fees are directly related to our AUM levels. For the three months ended February 28, 2015, a 2.5% decrease in average daily retail fund AUM and lower institutional and sub-advisory accounts AUM, combined with a reduction in higher fee-earning investment assets offset by an increase in lower fee-earning assets, contributed to a 5.4% decrease in management and advisory fees revenue compared to 2014.

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 decreased by 33.3% for the three months ended February 28, 2015 as compared to 2014, reflecting lower redemption levels and redemption of a larger proportion of older, lower-yielding DSC assets.

Share of Profit of Associate and Joint Ventures

Share of profit of associate and joint ventures increased to $3.9 million for the three months ended February 28, 2015, compared to a profit of $2.4 million during the same period in 2014, reflecting the growth in S&WHL's business, and includes earnings from our joint venture with InstarAGF. A breakdown is as follows:

(in millions of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**
Share of profit of S&WHL	$ 3.7	$ 2.6
Share of profit of joint ventures (SAFMLP)	0.2	(0.2)
	$ 3.9	$ 2.4

Fair Value Adjustments and Other Income

The following table illustrates the fair value adjustments and other income for the three months ended February 28, 2015 and 2014:

(in thousands of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**
Fair value adjustment related to investment in AGF mutual funds	$ 0.9	$ 0.2
Fair value adjustment related to acquisition consideration payable	–	0.4
Fair value adjustment and distributions from alternative asset management platform	1.3	–
Interest income	0.7	1.4
Other	(0.2)	0.3
	$ 2.7	$ 2.3

During the three months ended February 28, 2015, we recorded $1.3 million (2014 – nil) as fair value adjustment and income distributions related to the investments in our alternative asset management platform. This consisted of $0.6 million (2014 – nil) related to our participation in Stream, net of return of capital, and $0.7 million (2014 – nil) related to the mark to market adjustment related to our participation in the essential infrastructure fund.

Expenses

For the three months ended February 28, 2015, expenses increased 6.6% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses increased by $4.5 million, or 11.2%, for the three months ended February 28, 2015, compared to the same period in 2014. A breakdown of the increase is as follows:

(in millions of Canadian dollars)	**Three months ended February 28, 2015**
Increase in salaries and benefits expenses	$ 0.7
Increase in stock-based compensation expenses	3.1
Increase in fund absorption expenses and other fund costs	1.0
Increase in other expenses	(0.3)
	$ 4.5

The following explains expense changes in the three months ended February 28, 2015, compared to the same period in the prior year:

- Salaries and benefits expenses increased $0.7 million for the three months ended February 28, 2015, compared to the prior year as a result of the cost-of-living increase.

- Stock-based compensation increased $3.1 million for the three months ended February 28, 2015, compared to the same period in 2014. On February 11, 2014, AGF amended its plan agreements to effectively hedge the expense related to Restricted Share Units. The related liability up to that date was marked to market, resulting in an expense recovery in the first quarter of 2014. For additional information, refer to Note 3.14 of AGF's 2014 Annual Consolidated Financial Statements.
- Absorption expenses and other fund costs increased $1.0 million for the three months ended February 28, 2015 as a result of increased fund activity costs.

Trailing Commissions

Trailing commissions paid to distributors depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily retail fund AUM increased to 0.66% for the three months ended February 28, 2015, compared to 0.64% in 2014, reflecting an increase in rates associated with mature assets.

Investment Advisory Fees

External investment advisory fees increased 6.7% for the three months ended February 28, 2015, as compared to 2014, reflecting the addition of certain externally managed funds combined with higher AUM levels.

EBITDA, EBITDA Margin and EBITDA per Share

As a result of the factors explained above, EBITDA from continuing operations were $33.9 million for the three months ended February 28, 2015, compared to $43.9 million for the same period of 2014. EBITDA margin was 30.3% for the three months ended February 28, 2015, compared to 37.6% in the corresponding period in 2014. Diluted EBITDA per share from continuing operations for the three months ended February 28, 2015 was $0.40, compared to $0.51 for the three months ended February 28, 2014.

Amortization and Interest Expense

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment, and computer software and interest expense. Deferred selling commissions amortization represents the most significant category of amortization. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Unamortized deferred selling commissions related to units redeemed prior to the end of the schedule are immediately expensed. Amortization expense related to deferred selling commissions was $10.4 million for the three months ended February 28, 2015, compared to $12.6 million for the same period of 2014. During the three months ended February 28, 2015, we paid $9.6 million in selling commissions, compared to $9.9 million in the same period of 2014, reflecting stable sales. As at February 28, 2015, the unamortized balance of deferred selling commissions financed was $104.0 million (November 30, 2014 – $104.8 million).

Customer contracts amortization decreased $0.4 million for the three months ended February 28, 2015, as a result of fewer redemptions and a lower net book value. Customer contracts are immediately expensed upon redemption of the AUM.

Other intangibles amortization decreased $1.6 million for the three months ended February 28, 2015, as a result of certain assets related to the Acuity acquisition being fully amortized at February 1, 2014.

Interest expense decreased as a result of lower rates.

Income Tax Expense

Income tax expense for the three months ended February 28, 2015 was $4.5 million, as compared to $6.1 million in the corresponding period in 2014. The estimated effective tax rate for the three months ended February 28, 2015 was 25.0% (2014 – 26.2%).

The Company believes that it has adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases, however, requires significant judgement in interpreting tax rules and regulations. The Company's tax filings are subject to audits, which could materially change the amount of the current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

In November 2013, the Company received a notice of reassessment (NOR) from the CRA relating to the transfer pricing and allocation of income between one of the Company's Canadian legal entities and a foreign subsidiary, which would increase the Company's taxes payable from its original tax filings by $10.0 million, $10.5 million and $15.4 million (before the application of any interest and penalties of $21.6 million) for its 2005, 2006 and 2007 fiscal years, respectively. In November 2014, the Company also received a NOR from the CRA relating to the same matter, which would increase the Company's taxes payable from its original tax filings by $13.6 million (before the application of any interest and penalties of $6.3 million) for its 2008 fiscal year.

The Company strongly disagrees with the CRA's position and filed an objection to the NOR for 2005, 2006 and 2007 in February 2014 and also objected to the NOR for 2008 in February 2015. In connection with the filing of an objection to the NOR for the 2008 fiscal year, the Company was required to pay, and has paid, approximately $14.5 million (including interest and penalties) during the three months ended February 28, 2015, even though the ultimate outcome may differ from this amount. The Company is not expected to make any further significant payments with respect to the 2005-2008 NOR until the resolution of this matter. Including the payments made during the three months ended February 28, 2015, the Company has paid approximately $54.0 million with respect to the 2005-2008 NOR.

In consultation with its external advisors, the Company believes that its tax filing positions continue to be reasonable based on its transfer pricing methodology and the Company is contesting the CRA's position and any related transfer pricing penalty. The company believes it is likely that the CRA will reassess its taxes for subsequent years on a similar basis and that these may result in future cash payments on receipt of the reassessments. During the three months ended February 28, 2015, the Company has recorded a tax provision of $0.4 million (2014 – $0.3 million) in relation to this transfer pricing audit. The amount of tax provision recorded on the consolidated interim statement of financial position reflects management's best estimate of the final payment to be made on the ultimate resolution of this matter and includes any related estimated interest and penalties for the 2005 to 2015 fiscal years. The final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in valuing its income tax assets and liabilities.

Further to the Company's objection to the NOR, the Company is also seeking Competent Authority relief from double taxation under the applicable tax treaty. While it is uncertain whether relief from double taxation will be granted, the Company's provision which reflects its best estimate of the final payment to be made on the ultimate resolution of this matter includes an expected recovery of approximately $10.5 million for the tax years 2005 through 2008 that are not covered in the Bilateral Advance Pricing Arrangement (BAPA) as described below.

The Company has been accepted by the CRA into a BAPA between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2009 through 2016. Under a BAPA, the taxpayer can avoid potential double taxation on transactions covered by the BAPA according to the provisions of the income tax treaty between Canada and the foreign country.

Net Income

The impact of the above revenue and expense items resulted in a net income from continuing operations of $13.6 million for the three months ended February 28, 2015, as compared to net income from continuing operations of $17.1 million in the corresponding period in 2014.

Earnings per Share

Diluted earnings per share from continuing operations was $0.16 per share for the three months ended February 28, 2015, as compared to earnings of $0.20 per share in the corresponding period of 2014.

Discontinued Operations

On August 1, 2012, the Company completed its sale of 100% of the shares of AGF Trust for cash consideration corresponding to the net book value of AGF Trust at closing of $246.3 million. The agreement included a contingent consideration to a maximum of $20.0 million over five years if the credit performance of AGF Trust's loan portfolio met certain thresholds. In May 2014, the Company finalized an early settlement of the contingent consideration receivable for $10.0 million. The amount receivable was settled on June 4, 2014. During the three months ended February 28, 2014, the Company realized a gain on discontinued operations related to this settlement of $3.9 million, or $2.8 million after tax. In addition, the Company indemnified the purchaser of AGF Trust against unenforceable loans outstanding or committed as at the date of closing, which may be put back to the Company on a quarterly basis, subject to certain conditions. The put option will expire on October 31, 2017 and indemnifies only against errors in underwriting and not credit deterioration. The carrying value of the loans subject to indemnification was $3.1 billion at the date of sale. The Company records a provision for indemnified loans when a loan is in default and the put option becomes probable of being exercised, which generally coincides with the receipt of notification by the purchaser that it intends to exercise the put. During the three months ended February 28, 2015, the Company recorded a provision of nil (2014 – nil).

Liquidity and Capital Resources

As at February 28, 2015, the Company had total cash and cash equivalents of $36.9 million. Free cash flow, as defined on page 15, generated from continuing operating activities was $15.4 million for the three months ended February 28, 2015, compared to $19.8 million in the prior year. During the three months ended February 28, 2015, we used $224.6 million in cash to fund the following:

- We invested $110.3 million in the alternative asset management platform.
- We repurchased a total of 2,788,040 (2014 – 1,762,200) shares for $21.7 million (2014 – $22.1 million).
- We paid $22.7 million in cash dividends, compared to $22.6 million in 2014.
- We repaid $40.0 million of long-term debt.
- We paid $14.5 million to the CRA in relation to the NOR received in November 2014.

Total long-term debt outstanding at February 28, 2015 was $268.5 million (November 30, 2014 – $308.2 million). The Company, through its subsidiary AGF Investments Inc., has a four-year unsecured revolving credit facility with a maximum aggregate principal amount of $400.0 million and includes an accordion feature providing for an additional $100.0 million. As at February 28, 2015, $124.9 million was available to be drawn. The loan facility will be available to meet future operational and investment needs. We anticipate that cash balances and 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 and tax requirements, service debt repayment obligations, pay quarterly dividends, and fund any future share buybacks.

On January 26, 2015, the Company arranged a $100.0 million bridge facility through a Canadian chartered bank to fund its alternative asset investment. The bridge facility was secured by the Company's term deposits held by the bank and was fully repaid on February 2, 2015.

On December 9, 2014, we announced our intention to reduce the quarterly dividend in fiscal 2015 to $0.08 per share as part of our amended capital allocation strategy.

Capital Management Activities from Continuing Operations

We actively manage our capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders, to invest in future growth opportunities, including acquisitions, and to ensure that the regulatory capital requirements are met for each of our subsidiary companies.

AGF capital consists of shareholders' equity and long-term debt. On an annual basis, AGF prepares a three-year plan detailing projected operating budgets and capital requirements. AGF is required to prepare and submit a three-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, the Executive Vice-President and Chief Operating Officer, and President and CIO. Once approved by the Finance Committee, the three-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 expansion through organic growth and strategic investments.

Normal Course Issuer Bid

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 Toronto Stock Exchange (TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, 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 TSX. AGF may purchase up to 6,707,999 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX) between February 4, 2015 and February 3, 2016.

During the three months ended February 28, 2015, under the previous normal course issuer bid, 2,788,040 Class B Non-Voting shares were repurchased for a total consideration of $21.7 million at an average price of $7.80.

Dividends

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

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

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

Years ended November 30	2015 [1]	2014	2013	2012	2011
Per share	$ 0.35	$ 1.08	$ 1.08	$ 1.08	$ 1.07

[1] Represents the total dividends paid in January 2015 and to be paid in April 2015.

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 January 16, 2015 was $0.27 per share. On December 9, 2014 we announced a change in our capital allocation strategy that will result in retained capital being deployed to initiatives with greater potential to increase shareholder value. As part of this strategy, the Company announced an intention to adjust the quarterly dividend to $0.08 per share on both the Class B Non-Voting shares and the Class A Voting common shares for the first quarter of 2015. This change in strategy will provide us with increased flexibility to execute our growth strategy and invest in the growth of the business, while being active in AGF's share buyback program.

Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2015 and 2014. For additional detail, see Note 10 and Note 14 of the unaudited condensed consolidated interim financial statements.

February 28	2015	2014
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	83,334,838	85,925,353
Stock Options		
Outstanding options	5,609,135	4,686,285
Exercisable options	2,741,349	2,503,849

Key Performance Indicators, Additional IFRS and Non-IFRS Measures

We measure the success of our business strategies using a number of KPIs, which are outlined below. With the exception of revenue, the following KPIs are non-IFRS measures, which are not defined under IFRS. They should not be considered as an alternative to net income attributable to equity owners of the Company or any other measure of performance under IFRS.

Revenue

Revenue is a measurement defined by IFRS and is recorded net of fee rebates and sales taxes. 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,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 31.6% equity interest in S&WHL,
- equity interest in InstarAGF, and
- long-term investments in the alternative asset management platform.

EBITDA

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

Please see the Consolidated Operating Results section on page 9 of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

Free Cash Flow

Free cash flow from continuing operations represents cash available for distribution to our shareholders, share buybacks and general corporate purposes. We define free cash flow from continuing operations as cash flow from operations before net changes in non-cash balances related to operations less interest paid and adjusted to exclude prior years' cash taxes paid or refunded and include anticipated cash taxes to be paid or refunded related to the current year continuing operations. Free cash flow is a relevant measure in the investment management business since a substantial amount of cash is spent on upfront commission payments.

(in millions of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**
Net cash provided by continuing operating activities	$ (24.5)	$ (47.6)
Adjusted for:		
Net changes in non-cash working capital balances related to continuing operations	23.4	31.3
Taxes paid related to transfer pricing audit	14.5	38.8
Interest paid	(2.7)	(3.0)
Prior years' cash taxes paid (refunded) and anticipated cash taxes to be refunded (paid) related to the current year continuing operations	4.7	0.3
Free cash flow	$ 15.4	$ 19.8

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.

(in millions of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**
EBITDA	$ 33.9	$ 43.9
Divided by revenue	111.7	116.9
EBITDA margin	30.3%	37.6%

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.

(in millions of Canadian dollars) Three months ended	February 28, 2015	February 28, 2014
Net income from continuing operations	$ 13.6	$ 17.1
Add: income taxes	4.5	6.0
Income before taxes	$ 18.1	$ 23.1
Divided by revenue	111.7	116.9
Pre-tax profit margin	16.2%	19.8%

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.

(in millions of Canadian dollars) Three months ended	February 28, 2015	February 28, 2014
Net income from continuing operations (annualized)	$ 54.4	$ 68.4
Divided by average shareholders' equity	918.7	962.6
Return on equity	5.9%	7.1%

Long-term Debt to EBITDA Ratio

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

(in millions of Canadian dollars) Three months ended	February 28, 2015	February 28, 2014
Long-term debt	$ 268.5	$ 308.2
Divided by EBITDA (annualized)	135.6	175.6
Long-term debt to EBITDA ratio	198.0%	175.5%

Assets Under Management

The amount of AUM and the related fee rates are important to our business as these are the drivers of our revenue 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 determine a significant portion of our expenses because we pay upfront commissions on gross sales and trailing commissions to financial advisors as well as investment advisory fees based on the value of AUM.

Investment Performance

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

Net Sales (Redemptions)

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

EBITDA Margin (Excluding Share of Profit of Associates and Joint Ventures)

EBITDA margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations, excluding share of profit of associated company and joint ventures. 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.

(in millions of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**
EBITDA	$ 30.0	$ 41.5
Divided by revenue	107.8	114.5
EBITDA margin (excluding share of profit of associates and joint ventures)	27.8%	36.2%

Pre-tax Profit Margin (Excluding Share of Profit of Associates and Joint Ventures)

Pre-tax profit margin provides useful information to management and investors as an indicator of our operating performance in our Investment Management Operations, excluding share of profit of associated company and joint ventures. 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.

(in millions of Canadian dollars) **Three months ended**	**February 28, 2015**	**February 28, 2014**
Income before taxes	$ 14.2	$ 20.7
Divided by revenue	107.8	114.5
Pre-tax profit margin (excluding share of profit of associates and joint ventures)	13.2%	18.1%

Managing Risk

AGF is subject to a number of risk factors that may impact our operating and financial performance. These risks and the management of these risks are detailed in our 2014 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 these risks.

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes in AGF's internal controls during the three months ended February 28, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Selected Quarterly Information

(in millions of Canadian dollars, except per share amounts) For the three-month period ended	Feb. 28, 2015	Nov. 30, 2014	Aug. 31, 2014	May 31, 2014
Income (continuing operations)	$ 111.7	$ 111.7	$ 116.9	$ 119.1
Free cash flow [1]	15.4	22.8	22.2	18.0
EBITDA (continuing operations)[1]	33.9	34.4	38.5	38.1
Pre-tax income (continuing operations)	18.1	16.7	19.6	19.5
Net income attributable to equity owners of the Company	13.6	12.6	14.8	14.5
Net income (continuing operations)	13.6	11.9	14.8	14.5
EBITDA per share (continuing operations)				
Basic	$ 0.40	$ 0.40	$ 0.45	$ 0.44
Diluted	$ 0.40	$ 0.40	$ 0.45	$ 0.44
Earnings per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.16	$ 0.15	$ 0.17	$ 0.17
Diluted (continuing operations)	$ 0.16	$ 0.14	$ 0.17	$ 0.17
Basic	$ 0.16	$ 0.14	$ 0.17	$ 0.17
Diluted	$ 0.16	$ 0.13	$ 0.17	$ 0.17
Weighted average basic shares	84,644,212	85,812,669	85,950,736	86,009,993
Weighted average fully diluted shares	85,447,450	87,000,054	86,459,914	86,563,621

(in millions of Canadian dollars, except per share amounts) For the three-month period ended	Feb. 28, 2014	Nov. 30, 2013	Aug. 31, 2013	May 31, 2013
Income (continuing operations)	$ 116.9	$ 117.4	$ 117.7	$ 126.9
Free cash flow [1]	19.8	23.1	26.3	24.2
EBITDA (continuing operations)[1]	43.9	33.6	38.6	46.1
Pre-tax income (continuing operations)	23.2	9.7	14.1	20.5
Net income (loss) attributable to equity owners of the Company	19.9	7.1	10.1	(10.4)
Net income (loss) (continuing operations)	17.1	7.1	10.1	(10.4)
EBITDA per share (continuing operations)				
Basic	$ 0.51	$ 0.39	$ 0.44	$ 0.52
Diluted	$ 0.51	$ 0.38	$ 0.44	$ 0.52
Earnings (loss) per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.20	$ 0.08	$ 0.12	$ (0.12)
Diluted (continuing operations)	$ 0.20	$ 0.08	$ 0.11	$ (0.12)
Basic	$ 0.23	$ 0.08	$ 0.12	$ (0.12)
Diluted	$ 0.23	$ 0.08	$ 0.11	$ (0.12)
Weighted average basic shares	86,188,463	87,145,604	87,411,167	88,880,598
Weighted average fully diluted shares	86,742,830	87,911,391	88,026,012	89,395,236

[1] As previously defined, see 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section.

Additional Information

Additional information relating to the Company can be found in the Company's Consolidated Financial Statements and accompanying notes for the three months ended February 28, 2015, the Company's 2014 Annual Report, the Company's 2014 Annual Information Form (AIF) and other documents filed with applicable securities regulators in Canada and may be accessed at www.sedar.com.

AGF Management Limited
CONSOLIDATED FINANCIAL STATEMENTS

For the three months ended February 28, 2015 and 2014

(unaudited) (in thousands of Canadian dollars)	Note	February 28, 2015	November 30, 2014
Assets			
Current Assets			
Cash and cash equivalents		$ 36,898	$ 261,498
Investments	4	27,270	23,832
Accounts receivable, prepaid expenses and other assets	5	40,714	42,227
		104,882	327,557
Investment in associate and joint venture	5	102,670	91,948
Long-term investments	5	130,067	19,671
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition	8	5,834	6,595
Goodwill	8	244,549	244,549
Other intangibles, net of accumulated amortization and derecognition	8	11,370	12,548
Deferred selling commissions, net of accumulated amortization and derecognition	8	104,021	104,773
Property, equipment and computer software, net of accumulated depreciation		9,536	9,353
Deferred income tax assets		3,785	4,503
Other assets		167	167
Total assets		$ 1,406,640	$ 1,511,423
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities		$ 40,786	$ 65,961
Income tax liability	15, 20	2,505	20,702
Provision for Elements Advantage		1,822	2,045
Derivative financial instrument		2,099	1,596
		47,212	90,304
Long-term debt	9	268,455	308,199
Deferred income tax liabilities		175,480	175,472
Derivative financial instrument		1,024	1,032
Provision for Elements Advantage		1,300	1,419
Other long-term liabilities	14	5,507	5,222
Total liabilities		498,978	581,648
Equity			
Equity attributable to owners of the Company			
Capital stock	10	504,565	517,467
Contributed surplus	14	37,339	39,584
Retained earnings		347,267	361,628
Accumulated other comprehensive income	11	18,491	11,096
Total equity		907,662	929,775
Total liabilities and equity		$ 1,406,640	$ 1,511,423

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars, except per share data)	Note	February 28, 2015	February 28, 2014
Income			
Management and advisory fees		$ 102,513	$ 108,282
Deferred sales charges		2,599	3,863
Share of profit of associate and joint ventures	5	3,905	2,361
Fair value adjustments and other income	12	2,698	2,345
Total income		111,715	116,851
Expenses			
Selling, general and administrative	13	44,753	40,317
Trailing commissions		31,361	31,235
Investment advisory fees		1,606	1,466
Amortization and derecognition of deferred selling commissions		10,385	12,644
Amortization and derecognition of customer contracts		762	1,127
Amortization and derecognition of other intangibles		1,177	2,802
Depreciation of property, equipment and computer software		655	1,090
Interest expense		2,943	3,028
		93,642	93,709
Income before income taxes		**18,073**	**23,142**
Income tax expense (benefit)			
Current	15	4,211	8,400
Deferred	15	307	(2,337)
		4,518	6,063
Income from continuing operations, net of tax		13,555	17,079
Income from discontinued operations, net of tax	6	–	2,840
Net income for the period		**$ 13,555**	**$ 19,919**
Earnings per share for the period attributable to the equity owners of the Company			
Basic earnings per share			
Continuing operations	16	$ 0.16	$ 0.20
Discontinued operations	16	–	0.03
		$ 0.16	$ 0.23
Diluted earnings per share			
Continuing operations	16	$ 0.16	$ 0.20
Discontinued operations	16	–	0.03
		$ 0.16	$ 0.23

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

(unaudited)	Three months ended	
(in thousands of Canadian dollars)	February 28, 2015	February 28, 2014
Net income for the period	$ 13,555	$ 19,919
Other comprehensive income (losses), net of tax		
Cumulative translation adjustment		
Foreign currency translation adjustments related to net investments in foreign operations	7,475	5,533
	7,475	5,533
Net unrealized gains on investments		
Unrealized gains	314	549
	314	549
Net unrealized losses on cash flow hedge		
Unrealized losses	(654)	(277)
Reclassification of realized loss to earnings	260	255
	(394)	(22)
Total other comprehensive income from continuing operations, net of tax	7,395	6,060
Comprehensive income	$ 20,950	$ 25,979

All items presented in other comprehensive income will be reclassified to the consolidated statement of income in subsequent years.

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

(unaudited) (in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity attributable to owners of the Company
Balance, December 1, 2013	$ 524,681	$ 28,440	$ 405,989	$ 7,117	**$ 966,227**
Net income for the period	–	–	19,919	–	**19,919**
Other comprehensive income (net of tax)	–	–	–	6,060	**6,060**
Comprehensive income for the period	–	–	19,919	6,060	**25,979**
Issued through dividend reinvestment plan	680	–	–	–	**680**
Stock options	3,981	155	–	–	**4,136**
AGF Class B Non-Voting shares repurchased for cancellation	(10,623)	–	(11,486)	–	**(22,109)**
AGF Class B Non-Voting shares issued on acquisition of Acuity	1,941	–	–	–	**1,941**
Dividends on AGF Class A Voting Voting common shares and AGF Class B Non-Voting shares, including tax of $0.3 million	–	–	(23,605)	–	**(23,605)**
Equity-settled Restricted Share Units and Partner Points	–	6,261	–	–	**6,261**
Treasury stock	(562)	–	–	–	**(562)**
Balance, February 28, 2014	$ 520,098	$ 34,856	$ 390,817	$ 13,177	**$ 958,948**
Balance, December 1, 2014	$ 517,467	$ 39,584	$ 361,628	$ 11,096	**$ 929,775**
Net income for the period	–	–	13,555	–	**13,555**
Other comprehensive income (net of tax)	–	–	–	7,395	**7,395**
Comprehensive income for the period	–	–	13,555	7,395	**20,950**
Issued through dividend reinvestment plan	296	–	–	–	**296**
Stock options	101	371	–	–	**472**
AGF Class B Non-Voting shares repurchased for cancellation	(16,918)	–	(4,820)	–	**(21,738)**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.1 million	–	–	(23,096)	–	**(23,096)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,616)	–	–	**(2,616)**
Treasury stock	3,619	–	–	–	**3,619**
Balance, February 28, 2015	**$ 504,565**	**$ 37,339**	**$ 347,267**	**$ 18,491**	**$ 907,662**

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars)	Note	February 28, 2015	February 28, 2014
Operating Activities			
Net income for the period		$ 13,555	$ 19,919
Adjustments for			
Net income from discontinued operations	6	–	(2,840)
Amortization, derecognition and depreciation		12,979	17,663
Interest expense		2,943	3,028
Income tax expense	15	4,518	6,063
Income taxes paid		(22,552)	(46,852)
Stock-based compensation	14	2,183	(853)
Share of profit of associate and joint venture	5	(3,905)	(2,361)
Deferred selling commissions paid		(9,633)	(9,924)
Other		(1,235)	(176)
		(1,147)	(16,333)
Net change in non-cash working capital balances related to operations			
Accounts receivable		1,513	11,476
Other assets		(33)	(850)
Accounts payable and accrued liabilities		(24,586)	(38,970)
Other liabilities		(264)	(2,944)
		(23,370)	(31,288)
Net cash used in operating activities		(24,517)	(47,621)
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	10	(21,738)	(22,109)
Issue of Class B Non-Voting shares	10	91	3,654
Purchase of treasury stock	10	–	(562)
Dividends paid	17	(22,660)	(22,607)
Repayment of long-term debt	9	(40,000)	–
Issuance of short-term bridge facility	9	89,100	–
Repayment of short-term bridge facility	9	(89,100)	–
Interest paid		(2,677)	(3,047)
Net cash used in financing activities		(86,984)	(44,671)
Investing Activities			
Acquisition of Acuity Funds Ltd. and Acuity Investment Management, net of cash acquired	7	–	(4,440)
Purchase of investment in joint venture	5	–	(1)
Purchase of long-term investments	5	(110,303)	(20,000)
Purchase of property, equipment and computer software, net of disposals		(838)	(100)
Purchase of investments	4	(2,839)	(4,262)
Proceeds from sale of investments	4	881	116
Net cash used in investing activities		(113,099)	(28,687)
Decrease in cash and cash equivalents		(224,600)	(120,979)
Balance of cash and cash equivalents, beginning of period		261,498	369,865
Balance of cash and cash equivalents, end of period		$ 36,898	$ 248,886

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

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2015 and 2014 (unaudited)

Note 1: General Information

AGF Management Limited (AGF or the Company) is a limited liability company incorporated and domiciled in Canada under the *Business Corporations Act* (Ontario). The address of its registered office and principal place of business is TD Bank Tower, 66 Wellington Street West, Toronto, Ontario.

The Company is an integrated, global wealth management corporation whose principal subsidiaries provide investment management for mutual funds, institutions and corporations, as well as high-net-worth clients. The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Acuity, Elements and Harmony (collectively, AGF Investments). The Company also holds investments in an associate, Smith & Williamson Holdings Limited (S&WHL), and in joint ventures InstarAGF Inc. (InstarAGF), Stream Asset Financial Management LP (SAFMLP) and Stream Asset Financial LP (Stream).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 24, 2015.

Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The accounting policies in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2014, with the exception of the changes described below. The condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2014, which have been prepared in accordance with IFRS as issued by the IASB.

Note 3: Adoption of New and Revised Accounting Standards

The Company has adopted the following new and revised standards, along with all consequential amendments to other standards, effective December 1, 2014. These changes were adopted in accordance with the applicable transitional provisions of each new or revised standard.

Amendment to IAS 32, 'Financial instruments: Presentation' on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company's financial statements.

Amendments to IAS 36, 'Impairment of assets', on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment did not have a significant effect on the Company's financial statements.

Amendment to IAS 39, 'Financial instruments: Recognition and measurement' on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to 'over-the-counter' derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. There was no impact to the Company as a result of the adoption of the amended standard.

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	February 28, 2015	November 30, 2014
Fair value through profit or loss		
AGF mutual funds and other	$ 20,874	$ 17,676
Equity securities	593	544
	21,467	18,220
Available for sale		
Equity securities and term deposits	5,495	5,304
Loans and receivables		
Canadian government debt – Federal	308	308
	$ 27,270	$ 23,832

During the three months ended February 28, 2015 and 2014, no impairment charges were required.

Note 5: Investment in Associate, Joint Ventures and Long-term Investments

(a) Investment in Associate

The Company holds a 31.6% investment in S&WHL accounted for using the equity method. At February 28, 2015, the carrying value was $102.2 million (November 30, 2014 – $91.6 million). During the three months ended February 28, 2015, the Company recognized earnings of $3.7 million (2014 – $2.6 million) from S&WHL.

(b) Investment in Joint Ventures

As at February 28, 2015, the Company held a 50.0% interest in InstarAGF, a joint venture with Instar Group Inc. (Instar), and a 37.0% interest in SAFMLP, both of which are alternative asset management companies. The Company accounts for these investments using the equity method.

The Company has recorded losses with respect to its equity investment in InstarAGF only to the extent of its initial investment which has a carrying value of nil, because it is not contractually obligated to fund the losses. During the three months ended February 28, 2015, the Company accumulated unrecognized losses of $0.4 million (2014 – $0.3 million) related to its interest in InstarAGF. In addition, AGF has agreed to advance up to $5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. The loan facility is non-interest bearing and is repayable on a priority basis once InstarAGF begins to earn fees from funds under management. As at February 28, 2015, the Company had recorded a receivable of $3.8 million (November 30, 2014 – $2.1 million), which was included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

In addition, during the three months ended February 28, 2015, AGF advanced $1.0 million to Instar in the form of a promissory note, which bears interest at prime. This amount has been included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

At February 28, 2015, the carrying value of SAFMLP was $0.5 million (November 30, 2014 – $0.3 million). During the three months ended February 28, 2015, the Company recognized earnings of $0.2 million (2014 – nil) related to its investment in SAFMLP.

(c) Investment in Long-term Investments

The Company has committed a total of $150.0 million to funds and investments associated with the alternative asset management platform. The Company may temporarily provide capital to warehouse investments prior to formation of a fund. Upon closing of a fund with external investors, the Company receives a return of its capital in excess of its proportionate participation in the fund. The Company has designated its long-term investments at fair value through profit or loss (FVTPL).

As at February 28, 2015, of its $150.0 million allocation, the Company had committed $50.0 million to Stream Asset Financial LP (Stream), a midstream oil and gas infrastructure fund. As at February 28, 2015, the Company had invested $23.6 million with $26.4 million remaining committed capital to be invested in the Stream fund.

At February 28, 2015, the carrying value of Stream was $22.9 million (November 30, 2014 – $16.5 million), which represents the Company's maximum exposure to loss related to this investment and is recorded in long-term investments on the consolidated interim statement of financial position. During the three months ended February 28, 2015, the Company recognized $1.1 million (2014 – nil) of income distributions and $0.5 million in charges (2014 – nil) related to the fair value adjustment on the mark to market of its participation in Stream. The fair value adjustment represents a return of capital received through income distributions.

The Company has committed $100.0 million to InstarAGF's essential infrastructure fund. During the three months ended February 28, 2015, the Company invested $103.4 million in the essential infrastructure fund. This Fund is expected to achieve its first closing with external investors in the first half of 2015, at which point the Company will receive a return of its capital in excess of its proportionate participation. On January 27, 2015, the capital invested by the Company, together with amounts invested by Instar, was deployed to acquire an interest in the passenger terminal at Billy Bishop Toronto City Airport alongside other Canadian and international equity investors.

At February 28, 2015, the carrying value of the essential infrastructure fund was $104.0 million (November 30, 2014 – nil), which represents the Company's maximum exposure to loss related to this investment and is recorded in long-term investments on the consolidated interim statement of financial position. During the three months ended February 28, 2015, the Company recognized $0.7 million (2014 – nil) related to the fair value adjustment on the mark to market of its participation in the essential infrastructure fund.

Note 6: Discontinued Operations

On August 1, 2012, the Company completed its sale of 100% of the shares of AGF Trust for cash consideration corresponding to the net book value of AGF Trust at closing of $246.3 million. The agreement included a contingent consideration to a maximum of $20.0 million over five years if the credit performance of AGF Trust's loan portfolio met certain thresholds. In May 2014, the Company finalized an early settlement of the contingent consideration receivable for $10.0 million. The amount receivable was settled on June 4, 2014. During the three months ended February 28, 2014, the Company realized a gain on discontinued operations related to this settlement of $3.9 million, or $2.8 million after tax. In addition, the Company indemnified the purchaser of AGF Trust against unenforceable loans outstanding or committed as at the date of closing, which may be put back to the Company on a quarterly basis, subject to certain conditions. The put option will expire on October 31, 2017 and indemnifies only against errors in underwriting and not credit deterioration. The carrying value of the loans subject to indemnification was $3.1 billion at the date of sale. The Company records a provision for indemnified loans when a loan is in default and the put option becomes probable of being exercised, which generally coincides with the receipt of notification by the purchaser that it intends to exercise the put. During the three months ended February 28, 2015, the Company recorded a provision of nil (2014 – nil).

Note 7: Acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc.

On February 1, 2011, the Company completed its acquisition of 100% of the shares of Acuity Funds Ltd. and Acuity Investment Management Inc. (Acuity) for a purchase price of $335.5 million.

On February 1, 2014, the Company fully extinguished its acquisition consideration payable to the Acuity vendors with a payment of $6.4 million, consisting of $4.4 million in cash and a settlement of the Class E exchangeable preferred shares through the issuance of 175,367 Class B Non-Voting shares valued at $1.9 million. As part of the consideration paid, 185,119 Class B Non-Voting shares held in escrow were released to the Acuity vendors on February 1, 2014.

During the three months ended February 28, 2014, a $0.3 million recovery was recognized related to the fair value adjustment on the mark to market related to the AGF Class B Non-Voting shares and interest accretion on the acquisition consideration payable.

Note 8: Intangible Assets

Management regularly monitors its intangible assets for indications of potential impairment. There have been no significant changes to the recoverable amounts of the Company's cash generating units (CGUs) and related inputs from those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2014. At February 28, 2015, the Company's Investment Management Retail CGU had assets under management (AUM) of $20.0 billion (November 30, 2014 – $19.1 billion) and its Investment Management Institutional CGU had AUM of $11.1 billion (November 30, 2014 – $11.3 billion).

Note 9: Long-term Debt

(a) During the three months ended February 28, 2015, the Company repaid $40.0 million of its revolving credit facility (the Facility). The Facility has a maximum aggregate principal amount of $400.0 million. As at February 28, 2015, AGF had drawn $270.0 million (November 30, 2014 – $310.0 million) against the Facility in the form of two one-month bankers' acceptances at an effective average interest rate of 3.0% per annum.

(b) On January 26, 2015, the Company arranged for a seven-day $100.0 million short-term bridge facility (the Bridge Facility) through a Canadian chartered bank to fund an alternative asset investment. On January 26, 2015, AGF drew $89.1 million against the Bridge Facility, which was secured by the Company's term deposits held by the bank. The Bridge Facility was fully repaid on February 2, 2015. Refer to Note 5(c) for additional information on the alternative asset investment.

Note 10: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Three months ended	**February 28, 2015**		**February 28, 2014**	
(in thousands of Canadian dollars, except share amounts)	**Shares**	**Stated value**	**Shares**	**Stated value**
Class A Voting common shares	57,600	$ –	57,600	$ –
Class B Non-Voting shares				
Balance, beginning of the period	85,703,751	$ 517,467	87,091,646	$ 524,681
Issued through dividend reinvestment plan	36,279	296	52,456	680
Stock options exercised	10,179	101	418,084	3,981
Issued on acquisition of Acuity	–	–	175,367	1,941
Repurchased for cancellation	(2,788,040)	(16,918)	(1,762,200)	(10,623)
Treasury stock purchased for employee benefit trust	–	–	(50,000)	(562)
Treasury stock released for employee benefit trust	372,669	3,619	–	–
Balance, end of the period	83,334,838	$ 504,565	85,925,353	$ 520,098

(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). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. 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 6,707,999 shares through to February 3, 2016. During the three months ended February 28, 2015, under AGF's previous normal course issuer bid, 2,788,040 (2014 – 1,762,200) Class B Non-Voting shares were repurchased at a cost of $21.7 million (2014 – $22.1 million) and the excess paid of $4.8 million (2014 – $11.5 million) over the recorded capital stock value of the shares repurchased for cancellation was charged to retained earnings.

(d) Class B Non-Voting Shares Purchased as Treasury Stock for Employee Benefit Trust

During the three months ended February 28, 2015, the Company purchased nil (2014 – 50,000) Class B Non-Voting shares for the employee benefit trust. Shares purchased for the trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three months ended February 28, 2015, 372,669 (2014 – nil) Class B Non-Voting shares purchased as treasury stock were released. As at February 28, 2015, 92,532 (2014 – 50,000) Class B Non-Voting shares were held as treasury stock.

Note 11: Accumulated Other Comprehensive Income (Loss)

(in thousands of Canadian dollars)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening composition of accumulated other comprehensive income (loss) at November 30, 2013				
Accumulated other comprehensive income (loss)	$ 6,625	$ 3,154	$ (3,046)	$ 6,733
Income tax recovery (expense)	–	(424)	808	384
Balance, November 30, 2013	6,625	2,730	(2,238)	7,117
Transactions during the year ended November 30, 2014				
Other comprehensive income (loss)	2,717	358	731	3,806
Income tax recovery (expense)	–	367	(194)	173
Balance, November 30, 2014	9,342	3,455	(1,701)	11,096
Transactions during the period ended February 28, 2015				
Other comprehensive income	7,475	360	(536)	7,299
Income tax recovery (expense)	–	(46)	142	96
Balance, February 28, 2015	$ 16,817	$ 3,769	$ (2,095)	$ 18,491

Note 12: Fair Value Adjustments and Other Income

Three months ended (in thousands of Canadian dollars)	**February 28, 2015**	**February 28, 2014**
Fair value adjustment related to investment in AGF mutual funds (Note 4)	$ 935	$ 187
Fair value adjustment related to acquisition consideration payable (Note 7)	–	422
Fair value adjustment related to long-term investments (Note 5(c))	156	–
Distributions from long-term investments (Note 5(c))	1,100	–
Interest income	682	1,449
Other	(175)	287
	$ 2,698	$ 2,345

Note 13: Expenses by Nature

Three months ended (in thousands of Canadian dollars)	**February 28, 2015**	**February 28, 2014**
Selling, general and administrative		
Employee benefit expense	$ 27,821	$ 24,064
Sales and marketing	2,664	2,555
Information technology and facilities	5,238	5,403
Professional fees	3,617	3,878
Fund absorption and other fund costs	4,221	3,482
Other	1,192	935
	$ 44,753	$ 40,317

Note 14: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 2,776,803 Class B Non-Voting shares could have been granted as at February 28, 2015 (November 30, 2014 – 3,977,755).

The change in stock options during the three months ended February 28, 2015 and 2014 is summarized as follows:

Three months ended	**February 28, 2015**			**February 28, 2014**		
	Options		**Weighted average exercise price**	**Options**		**Weighted average exercise price**
Class B Non-Voting share options						
Balance, beginning of the period	4,428,542	$	12.86	4,823,331	$	14.37
Options granted	1,195,862		7.88	417,705		11.43
Options forfeited	(5,090)		8.93	–		–
Options expired	–		–	(136,667)		18.94
Options exercised	(10,179)		8.93	(418,084)		8.74
Balance, end of the period	5,609,135	$	11.81	4,686,285	$	14.47

During the three months ended February 28, 2015, 1,195,862 (2014 – 417,705) stock options were granted and compensation expense and contributed surplus of $0.4 million (2014 – $0.3 million) was recorded. The fair value of options granted during the three months ended February 28, 2015 has been estimated at $1.40 per option (2014 – $1.16) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the three months ended February 28, 2015 and 2014:

Three months ended	**February 28, 2015**	**February 28, 2014**
Risk-free interest rate	0.7%	1.6%
Expected dividend yield	4.1%	9.6%
Five-year historical-based expected share price volatility	33.1%	33.3%
Option term	5.0 years	5.0 years

(b) Other Stock-based Compensation

Other stock-based compensation includes RSUs, PSUs, DSUs and PIP. Compensation expense for the three months ended February 28, 2015 related to these share units was $1.8 million (2014 – $1.2 million recovery). As at February 28, 2015, the Company recorded a liability of $3.8 million (November 30, 2014 – $3.9 million) related to other cash-settled stock-based compensation. As at February 28, 2015, the Company recorded contributed surplus of $8.0 million (2014 – $10.3 million), net of tax, related to equity-settled RSUs and PIP.

The change in share units of RSUs, PSUs and DSUs during the three months ended February 28, 2015 and 2014 is as follows:

Three months ended	**February 28, 2015**	**February 28, 2014**
	Number of share units	**Number of share units**
Outstanding, beginning of the period		
Non-vested	1,662,192	1,311,817
Issued		
Initial grant	644,290	381,025
In lieu of dividends	45,158	26,882
Settled in cash	(36,106)	(40,998)
Settled in equity	(372,669)	–
Forfeited and cancelled	(30,449)	(5,592)
Outstanding, end of the period	1,912,416	1,673,134

Note 15: Income Tax Expense

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year. The estimated effective tax rate for the three months ended February 28, 2015 was 25.0% (2014 – 26.2%).

During the three months ended February 28, 2015, the Company recorded tax contingencies of $0.4 million (2014 – $0.3 million) with respect to the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies, the estimated effective tax rate for the three months ended February 28, 2015 was 22.9% (2014 – 24.1%). Refer to Note 20 for additional information on tax contingencies.

The income tax expense related to income from discontinued operations for the three months ended February 28, 2015 was nil (2014 – $1.0 million).

Note 16: Earnings per Share

Three months ended (in thousands of Canadian dollars)	**February 28, 2015**	**February 28, 2014**
Numerator		
Net income for the period from continuing operations attributable to the equity holders of the Company	$ 13,555	$ 17,079
Net income for the period from discontinued operations attributable to the equity holders of the Company	–	2,840
Net income for the period attributable to the equity holders of the Company	13,555	19,919
Denominator		
Weighted average number of shares – basic	84,644,212	86,188,463
Dilutive effect of employee stock-based compensation awards	803,238	554,367
Weighted average number of shares – diluted	85,447,450	86,742,830
Basic earnings per share		
Continuing operations	$ 0.16	$ 0.20
Discontinued operations	–	0.03
	0.16	0.23
Diluted earnings per share		
Continuing operations	$ 0.16	$ 0.20
Discontinued operations	–	0.03
	$ 0.16	$ 0.23

Note 17: Dividends

During the three months ended February 28, 2015, the Company paid dividends of $0.27 (2014 – $0.27) per share. Total dividends paid, including dividends reinvested, in the three months ended February 28, 2015 were $23.0 million (2014 – $23.3 million). On March 24, 2015, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.08 per share in respect of the three months ended February 28, 2015, amounting to a total dividend of approximately $6.7 million. These condensed consolidated interim financial statements do not reflect this dividend payable.

Note 18: Related Party Transactions

The Company is controlled by Blake C. Goldring, Chairman and Chief Executive Officer of AGF, through his indirect ownership of all the voting shares of Goldring Capital Corporation, which owns 80% of the Company's Class A Voting common shares. The remaining 20% of the Class A Voting common shares are held by the Vice-Chairman of AGF, who is also a Director.

The remuneration of Directors and other key management personnel of AGF is as follows:

Three months ended (in thousands of Canadian dollars)	**February 28, 2015**	**February 28, 2014**
Salaries and other short-term employee benefits	$ 1,365	$ 1,421
Share-based payments	389	(59)
	$ 1,754	$ 1,362

Note 19: Fair Value of Financial Instruments

Financial assets are classified as FVTPL, available for sale, or loans and receivables. Financial liabilities are classified as FVTPL or derivatives used for hedging.

The carrying value of accounts receivable and other assets, accounts payable and accrued liabilities and long-term debt approximates fair value.

The table below analyzes financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1 Quoted prices (unadjusted) in active markets for identical assets and liabilities,

Level 2 Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and

Level 3 Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the group's assets and liabilities that are measured at fair value at February 28, 2015:

(in thousands of Canadian dollars) **February 28, 2015**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 36,898	$ –	$ –	$ 36,898
AGF mutual funds and other	20,874	–	–	20,874
Equity securities	593	–	–	593
Long-term investments	–	–	130,067	130,067
Available for sale				
Equity securities and term deposits	5,495	–	–	5,495
Loans and receivables				
Canadian government debt – Federal	–	308	–	308
Total financial assets	$ 63,860	$ 308	$ 130,067	$ 194,235
Liabilities				
Derivatives used for hedging	$ –	$ 3,123	$ –	$ 3,123
Total financial liabilities	$ –	$ 3,123	$ –	$ 3,123

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2014:

(in thousands of Canadian dollars)

November 30, 2014	Level 1	Level 2	Level 3	Total
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 261,498	$ –	$ –	$ 261,498
AGF mutual funds and other	17,676	–	–	17,676
Equity securities	544	–	–	544
Long-term investments	–	–	19,671	19,671
Available for sale				
Equity securities	5,304	–	–	5,304
Loans and receivables				
Canadian government debt – Federal	–	308	–	308
Total financial assets	$ 285,022	$ 308	$ 19,671	$ 305,001
Liabilities				
Derivatives used for hedging	$ –	$ 2,628	$ –	$ 2,628
Total financial liabilities	$ –	$ 2,628	$ –	$ 2,628

The fair value of financial instruments traded in active markets is determined using the quoted prices where they represent those at which regularly and recently occurring transactions take place.

Level 1 instruments include listed equity securities on major exchanges, investments in AGF mutual funds, highly liquid temporary deposits with Canadian banks, an Irish bank and non-Irish banks in Ireland, as well as bank term deposits.

Level 2 instruments include derivative instruments with major Canadian chartered banks and Canadian federal government debt. 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. Canadian federal government debt is measured at amortized cost and its fair value approximates its carrying value due to its short-term nature.

Level 3 instruments include long-term investments related to the alternative asset management platform. 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 long-term investments is calculated using the Company's percentage ownership and the fair market value of the investment derived from financial information provided by investees. The fair value of the Company's investment in the essential infrastructure fund at February 28, 2015 has been estimated using cost plus undistributed earnings as there were no significant changes in the expected cash flows or other relevant variables during the one-month period from the date of the Company's investment to February 28, 2015. The fair value of the Company's investment in the Stream Fund is determined using net asset value (NAV) as calculated by the asset manager. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by $2.3 million. Refer to Note 5(c) for additional information.

The following table presents changes in level 3 instruments for the three months ended February 28, 2015:

(in thousands of Canadian dollars)

	Long-term investments
Balance at December 1, 2014	$ 19,671
Purchase of investment, net of return of capital	110,303
Fair value adjustment recognized in profit or loss	156
Reclassification of investment	(63)
Balance at February 28, 2015	$ 130,067

There were no transfers into or out of level 1 and level 2 during the three months ended February 28, 2015.

Note 20: Contingencies

(a) The Company believes that it has adequately provided for income taxes based on all of the information that is currently available. The calculation of income taxes in many cases, however, requires significant judgement in interpreting tax rules and regulations. The Company's tax filings are subject to audits, which could materially change the amount of the current and deferred income tax assets and liabilities, and could, in certain circumstances, result in the assessment of interest and penalties.

In November 2013, the Company received a notice of reassessment (NOR) from the CRA relating to the transfer pricing and allocation of income between one of the Company's Canadian legal entities and a foreign subsidiary, which would increase the Company's taxes payable from its original tax filings by $10.0 million, $10.5 million and $15.4 million (before the application of any interest and penalties of $21.6 million) for its 2005, 2006 and 2007 fiscal years, respectively. In November 2014, the Company also received a NOR from the CRA relating to the same matter, which would increase the Company's taxes payable from its original tax filings by $13.6 million (before the application of any interest and penalties of $6.3 million) for its 2008 fiscal year.

The Company strongly disagrees with the CRA's position and filed an objection to the NOR for 2005, 2006 and 2007 in February 2014 and also objected to the NOR for 2008 in February 2015. In connection with the filing of an objection to the NOR for the 2008 fiscal year, the Company was required to pay, and has paid, approximately $14.5 million (including interest and penalties) during the three months ended February 28, 2015, even though the ultimate outcome may differ from this amount. The Company is not expected to make any further significant payments with respect to the 2005-2008 NOR until the resolution of this matter. Including the payments made during the three months ended February 28, 2015, the Company has paid approximately $54.0 million with respect to the 2005-2008 NOR.

In consultation with its external advisors, the Company believes that its tax filing positions continue to be reasonable based on its transfer pricing methodology and the Company is contesting the CRA's position and any related transfer pricing penalty. The company believes it is likely that the CRA will reassess its taxes for subsequent years on a similar basis and that these may result in future cash payments on receipt of the reassessments. During the three months ended February 28, 2015, the Company has recorded a tax provision of $0.4 million (2014 – $0.3 million) in relation to this transfer pricing audit. The amount of tax provision recorded on the consolidated interim statement of financial position reflects management's best estimate of the final payment to be made on the ultimate resolution of this matter and includes any related estimated interest and penalties for the 2005 to 2015 fiscal years. The final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in valuing its income tax assets and liabilities.

Further to the Company's objection to the NOR, the Company is also seeking Competent Authority relief from double taxation under the applicable tax treaty. While it is uncertain whether relief from double taxation will be granted, the Company's provision, which reflects its best estimate of the final payment to be made on the ultimate resolution of this matter, includes an expected recovery of approximately $10.5 million for the tax years 2005 through 2008 that are not covered in the Bilateral Advance Pricing Arrangement (BAPA) as described below.

The Company has been accepted by the CRA into a BAPA between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2009 through 2016. Under a BAPA, the taxpayer can avoid potential double taxation on transactions covered by the BAPA according to the provisions of the income tax treaty between Canada and the foreign country.

(b) There are certain claims and potential claims against the Company. None of these claims or potential claims are expected to have a material adverse effect on the consolidated financial position of the Company. The Company has also been notified that the CRA is also reviewing the appropriateness of certain deductions claimed in various taxation years. The amount of such deductions under review is up to $32.2 million and any resulting taxes payable may also be subject to interest and penalties. Management continues to believe that the deductions were reasonable and that its position would be sustained if reassessed. The amounts of the losses related to these claims or potential claims, if any, cannot be determined at this time.

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.