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

For the three and six months ended May 31, 2014 and 2013

What are you doing after work?®

What are you doing after work?®

AGF MANAGEMENT LIMITED
Second Quarter Report to Shareholders for the three and six months ended May 31, 2014

AGF MANAGEMENT LIMITED REPORTS SECOND QUARTER FINANCIAL RESULTS

Adjusted earnings per share increased 30.8%

Toronto | June 24, 2014

AGF Management Limited (AGF or the Company) today announced financial results for the second quarter ended May 31, 2014, reporting diluted earnings per share (EPS) from continuing operations of $0.17, compared to a loss of $0.12 for the three months ended May 31, 2013. Excluding one-time adjustments recorded during the second quarter of 2013, diluted EPS increased 30.8% to $0.17 from $0.13.

"We continued to execute on our key priorities throughout the second quarter and to see improvements year over year in our investment management performance," said Blake C. Goldring, Chairman and Chief Executive Officer, AGF. "We start the third quarter with the welcome addition of Kevin McCreadie as President and Chief Investment Officer and look forward to his contributions to our continued success. His investment acumen and solid leadership track record will continue to elevate our investment management capabilities and contribute to the growth of the organization."

Total assets under management (AUM) were $35.9 billion as at May 31, 2014, compared to $37.6 billion as at May 31, 2013. Total retail fund AUM remained stable at $19.7 billion as at May 31, 2014, compared to $19.5 billion in the second quarter of 2013. The trend of lower retail outflows continued into the second quarter of 2014 with 16 consecutive months of improvements. Net redemptions were 16.9% lower compared to the three months ended May 31, 2013. Institutional and sub-advisory AUM were $12.0 billion as at May 31, 2014, compared to $14.4 billion as at May 31, 2013. High-net-worth AUM increased to $4.2 billion, compared to $3.7 billion for the corresponding period in 2013.

During the second quarter of 2014, revenue from continuing operations was $119.1 million, compared to $126.9 million for the three months ended May 31, 2013. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations was $38.1 million, compared to $46.1 million in the second quarter of 2013. For the three months ended May 31, 2014, net income from continuing operations was $14.5 million compared to a net loss from continuing operations of $10.4 million for the three months ended May 31, 2013.

For the three months ended May 31, 2014, AGF declared a 27 cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable July 18, 2014 to shareholders on record as at July 9, 2014.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including revenues, earnings or growth rates), ongoing business strategies or prospects, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, competitive fee levels for investment management products and administration, and competitive dealer compensation levels 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 2013 Annual MD&A.

Dear fellow shareholders,

For the three months ended May 31, 2014, global equities posted solid gains thanks to significant advances in Asia with North American and European shares rising more modestly. U.S. equity markets reached all-time highs during the period, as measured by the S&P 500 Index. These positive developments were countered by heightened geopolitical concerns, particularly the escalated tensions between Ukraine and Russia. The U.S. Federal Reserve Board continued to taper its quantitative easing program, reducing it to a monthly pace of US$45.0 billion in purchases in April.

The European economy continued to demonstrate improvement, as manufacturing activity expanded across most eurozone economies and the region reached its fastest pace of growth in almost three years. Muted inflation toward the end of the period left the European Central Bank (ECB) concerned about deflation, which prompted market participants to increase their expectations that the ECB would announce stimulative policy measures at its June meeting. Lower bond yields continued to benefit government bond returns and particularly longer-duration securities. Corporate bonds performed strongly due to tightening credit spreads during the quarter.

The second quarter of 2014 was an exciting one for AGF, as we announced the appointment of Kevin McCreadie as President and Chief Investment Officer (CIO), AGF Investments Inc. Kevin, who joined AGF on June 17th, brings more than 30 years of investment management experience to the Company, including over a decade of combined experience as CIO for two major U.S. financial services firms. I welcome Kevin's leadership and investment acumen as we continue to focus on growing the business and delivering exceptional investment performance.

We are encouraged by the improvements in our business and the progress we have made on our strategic priorities. Redemption levels continued to decline with 16 consecutive months of improvements. Over 48% of our mutual fund assets were above median on a one-year basis as at May 31, 2014, as compared to 22% at May 31, 2013. AGF Floating Rate Income Fund, AGF Focus Funds and AGF U.S. AlphaSector Class continued to produce strong results, with assets of over $1.0 billion as at May 31, 2014. In addition, the U.S. AlphaSector Class was added to a major bank's platform.

During the quarter, as part of our "Rethink Risk" campaign, we rolled out tools through our website to help investors understand three key risks: the risk of losing money, the risk of rising rates and the risk of not diversifying. Our industry is critical to the long-term financial success of Canadians and we have a great opportunity to reshape how investors approach savings and how they think about risk. We also made changes to several of our funds during the quarter. We completed the merger of certain funds to simplify and streamline our product offering. In addition, we announced a reduction in management fees on select funds sold through our fee-based series, providing increased pricing flexibility as part of our commitment to helping advisors meet their client needs.

We continue to make progress on our infrastructure capability through our joint venture with InstarAGF Inc. On June 2, 2014, we successfully completed the first close of Stream Asset Financial Fund, with total commitments of $174.0 million.

Total assets under management (AUM) remained stable at $35.9 billion compared to $36.1 billion at February 28, 2014, while retail net redemptions improved 16.9% over the second quarter of 2013.

Financially, AGF's earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations were $38.1 million, compared to $46.1 million in the second quarter of 2013. EBITDA margin was 32.0% compared to 36.3% in 2013. Diluted earnings per share (EPS) from continuing operations for the three months ended May 31, 2014 increased to $0.17, compared to a loss of $0.12 in the second quarter of 2013. Our balance sheet remains strong with $255.6 million in cash and investments as at May 31, 2014 and a modest debt-to-equity ratio of 32.5%.

In closing, 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 priorities and the continued expansion of our business throughout 2014 and beyond.

Sincerely,

Blake Golding

Blake C. Goldring, M.S.M., CFA
Chairman and Chief Executive Officer
June 24, 2014

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

This Management's Discussion and Analysis (MD&A) is as of June 23, 2014, and presents an analysis of the financial condition of AGF and its subsidiaries for the three- and six-month period ended May 31, 2014, compared to the three- and six-month period ended May 31, 2013. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended May 31, 2014 and our 2013 Annual Report. The financial statements for the three and six months ended May 31, 2014, 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, unless otherwise noted.

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. Certain totals, subtotals and percentages may not reconcile due to rounding.

There have been no material changes to the information discussed in the following sections of the 2013 Annual MD&A: 'Contractual Obligations,' 'Intercompany and Related Party Transactions' and 'Government Regulations.'

Our Business

AGF Management Limited, with $35.9 billion in assets under management (AUM) as at May 31, 2014, 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 May 31, 2014, our products and services include a diversified family of award-winning mutual funds, mutual fund wrap programs and pooled funds. AGF also manages assets on behalf of institutional investors including pension plans, foundations, sovereign wealth funds and endowments as well as for 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 50.1% interest in InstarAGF Inc. (InstarAGF), an alternative asset management platform. On June 2, 2014, we completed the first close on our private investment fund in the midstream energy sector. The initial fund, Stream Asset Financial Fund (SAF), was formed as a limited partnership and has total commitments of $174.0 million. AGF's portion of this commitment is $50.0 million, of which $27.5 million has been funded at May 31, 2014. In addition, InstarAGF also acquired a 37.0% interest in the general partnership (GP). The GP will receive management and incentive fees associated with the management of SAF.

We hold a 31.7% 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 £15.3 billion of funds under management and advice as at May 31, 2014.

For the purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as 'we,' 'us,' 'our,' 'the firm,' or 'the Company.'

Key Performance Drivers

AUM levels are critical to our business. The primary sources of revenue for AGF are management and advisory fees. These fees are calculated based on a specific percentage of the average AUM. The amount of management and advisory fees depends on the level and composition of AUM, which in turn is dependent upon investment performance and net sales. These fees are generated from our mutual fund, institutional and sub-advisory accounts and high-net-worth relationships. AUM will fluctuate in value as a result of sales and redemptions, investment performance and acquisitions.

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, increases revenues for the firm.

Gross sales and redemptions are monitored separately and the sum of these two amounts comprises net sales (redemptions). Net sales (redemptions) also impact AUM levels. Net sales increase AUM and, in turn, increase revenues for the firm. Net redemptions decrease AUM and, in turn, reduce revenues for the firm. The reduction to revenue may be offset by an increase in deferred sales charge revenue.

Acquisitions will also affect the level of AGF's AUM. AGF may consider strategic acquisitions that could supplement existing investment capabilities and fund new product growth.

AGF uses several key performance indicators (KPIs) to measure the success of our business strategies. Refer to the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A.

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

Year-over-year improvement in these measures is expected to result in improved cash flows as well as improved return on equity. Our objective is the return of a fair share of the annual cash flow to shareholders in the form of dividends and through share buybacks, with the remaining cash flow being invested in a manner intended to support future growth.

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.

Update on Our Priorities and Progress

As outlined in our 2013 Annual Report, our key priorities are:

- Investment performance
- Offering our retail advisors and clients innovative product solutions
- International expansion and organic growth

Our focus remains on these priorities and we continue to see progress.

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. To date we have achieved the following:

- On May 13, 2014, we announced the appointment of Kevin McCreadie as President and Chief Investment Officer (CIO), an experienced investment management executive with over 30 years of experience.
- We have substantially completed the build-out of our North American team, with the strengthening of our research team and the hiring of respected Canadian growth manager Peter Imhof.
- In 2013, we refined our investment process and improved the research capabilities at Highstreet and Dublin, resulting in improved performance in the related mandates.
- We are in the process of implementing a new risk management tool to enhance our existing capabilities.

Offering Our Retail 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 two years we have had significant success and we expect to continue to deliver in this area:

- During the second quarter, we merged certain funds to simplify and streamline our product offering. Also, we improved pricing flexibility by reducing fees on select funds sold through our fee-based series.
- During the past 24 months, we have addressed investor needs related to rising rates and market volatility with the launch of several new funds:
  - AGF U.S. AlphaSector Class has generated approximately $200.0 million in net inflows since August 2013,
  - AGF Floating Rate Income Fund has had net inflows of over $370.0 million since its launch, and
  - AGF Focus Funds have brought in over $180.0 million in net inflows since their launch.
- The trend of reduced redemption rates and improving net outflows continued into the second quarter of 2014 with 16 consecutive months of improvements over prior year.

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. We have begun to lay the foundation to achieve our goal and are encouraged by the results to date:

- During the first quarter of 2014, we launched our Undertakings for Collective Investment in Transferable Securities (UCITS) platform, with over $500.0 million in AUM from external investors. The platform offers AGF's emerging markets and global strategy mandates and can be marketed throughout the European Union and Asia.
- We had additional AUM flows of $500.0 million into these mandates through a segregated account from a UK-based client.
- In January 2014, we announced a joint venture, InstarAGF, related to the formation of an alternative asset management platform. This platform, which will provide our clients with the ability to invest in the growing core infrastructure space, is expected to be a longer-term growth driver of profitability.
- On June 2, 2014, we completed the first close on our private investment fund in the midstream energy sector. SAF was formed as a limited partnership and has total commitments of $174.0 million. AGF's portion of this commitment is $50.0 million, of which $27.5 million has been funded at May 31, 2014. In addition, InstarAGF also acquired a 37.0% interest in the GP.

Summary of Key Financial and Operational Results for the Second Quarter of 2014:

- Total AUM was $35.9 billion at May 31, 2014, as compared to $37.6 billion at May 31, 2013.
- Retail fund net outflows improved 16.9% to $0.5 billion for the three months ended May 31, 2014, compared to net redemptions of $0.6 billion for the three months ended May 31, 2013. Retail AUM increased 1.3% to $19.7 billion, as compared to $19.5 billion at May 31, 2013.
- High-net-worth AUM increased 14.3% to $4.2 billion, compared to $3.7 billion at May 31, 2013.
- Institutional AUM was $12.0 billion, compared to $14.4 billion at May 31, 2013.

- We delivered value directly to our shareholders through dividend payments. During the second quarter of 2014, we paid dividends of $0.27 per share (2013 – $0.27 per share). Dividends paid, including dividends reinvested, on Class A Voting common shares and Class B Non-Voting shares were $23.2 million in the second quarter of 2014, compared to $24.0 million in the second quarter of 2013.
- Revenue from continuing operations was $119.1 million, compared to $126.9 million in the same period of 2013, reflecting lower institutional AUM levels.
- EBITDA from continuing operations was $38.1 million in the second quarter of 2014, compared to $42.4 million in the same period of 2013, adjusted for one-time items. EBITDA margin was 32.0% compared to adjusted EBITDA margin of 34.4% in the second quarter of 2013.
- Diluted earnings per share (EPS) from continuing operations, for the three months ended May 31, 2014 increased to $0.17, compared to $0.13 per share in 2013, excluding one-time items.
- Our balance sheet remains strong with $255.6 million in cash and short-term investments and a modest long-term debt-to-equity level of 32.5%. Subsequent to the quarter, we received approximately $21.0 million in cash, of which $10.0 million related to the sale of AGF Trust and $11.0 million related to the return of capital on our investment in SAF.
- For the one-year period ended May 31, 2014, 48% of ranked AUM performed above median, compared to 22% at May 31, 2013.

Assets Under Management

The following table illustrates the composition of the changes in total AUM during the three and six months ended May 31, 2014 and 2013:

	Three months ended May 31,		
(in millions of Canadian dollars)	2014	2013	% change
Retail fund AUM (including retail pooled funds), beginning of period	$ 19,995	$ 20,034	(0.2%)
Gross sales	471	520	(9.4%)
Redemptions	(978)	(1,130)	(13.5%)
Net redemptions	(507)	(610)	(16.9%)
Market appreciation of fund portfolios	235	52	351.9%
Retail fund AUM (including retail pooled funds), end of period	$ 19,723	$ 19,476	1.3%
Average daily retail fund AUM for the period	$ 19,893	$ 19,711	0.9%
Institutional and sub-advisory accounts AUM, beginning of period	$ 12,054	$ 15,592	(22.7%)
Net change in institutional and sub-advisory accounts, including market performance	(104)	(1,190)	(91.3%)
Institutional and sub-advisory accounts AUM, end of period	$ 11,950	$ 14,402	(17.0%)
High-net-worth AUM	$ 4,227	$ 3,698	14.3%
Total AUM, end of period	$ 35,900	$ 37,576	(4.5%)

(in millions of Canadian dollars)	Six months ended May 31, 2014	2013	% change
Retail fund AUM (including retail pooled funds), beginning of period	$ 19,591	$ 20,096	(2.5%)
Gross sales	1,024	1,057	(3.1%)
Redemptions	(2,135)	(2,389)	(10.6%)
Net redemptions	(1,111)	(1,332)	(16.6%)
Market appreciation of fund portfolios	1,243	712	74.6%
Retail fund AUM (including retail pooled funds), end of period	$ 19,723	$ 19,476	1.3%
Average daily retail fund AUM for the period	$ 19,763	$ 19,914	(0.8%)
Institutional and sub-advisory accounts AUM, beginning of period	$ 10,877	$ 15,677	(30.6%)
Net change in institutional and sub-advisory accounts, including market performance	1,073	(1,275)	n/m
Institutional and sub-advisory accounts AUM, end of period	$ 11,950	$ 14,402	(17.0%)
High-net-w orth AUM	$ 4,227	$ 3,698	14.3%
Total AUM, end of period	$ 35,900	$ 37,576	(4.5%)

Retail fund AUM increased by 1.3% to $19.7 billion, compared to $19.5 billion as at May 31, 2013. Retail fund net redemptions, including retail pooled funds, improved 16.9% to $0.5 billion from $0.6 billion for the three months ended May 31, 2014, compared to the same period in the prior year. The average daily retail fund AUM for the three months ended May 31, 2014 increased to $19.9 billion, compared to $19.7 billion in the corresponding period in 2013. Our institutional and sub-advisory accounts AUM decreased to $12.0 billion as at May 31, 2014, compared to $14.4 billion as at May 31, 2013. The decline in institutional AUM was primarily due to client redemptions. Our high-net-worth AUM increased 14.3% to $4.2 billion at May 31, 2014, compared to $3.7 billion at May 31, 2013. Overall, total AUM decreased to $35.9 billion, compared to $37.6 billion as at May 31, 2013.

Institutional Pipeline

We define the institutional pipeline as client commitments to fund or redeem a portion or all of their account. As at May 31, 2014, AGF had a net 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 and six months ended May 31, 2014 and 2013:

	Three months ended May 31,			Six months ended May 31,		
($ millions, except per share data)	2014	2013	% change	2014	2013	% change
Revenue						
Management and advisory fees	$ 110.1	$ 113.6	(3.1%)	$ 218.4	$ 228.4	(4.4%)
Deferred sales charges	3.4	4.4	(22.7%)	7.3	9.0	(18.9%)
Share of profit of associates and joint ventures	4.4	3.3	33.3%	6.8	4.7	44.7%
Fair value adjustments and other income	1.2	5.6	(78.6%)	3.4	7.4	(54.1%)
	119.1	126.9	(6.1%)	235.9	249.5	(5.5%)
Expenses						
Selling, general and administrative	46.8	47.9	(2.3%)	87.1	92.0	(5.3%)
Trailing commissions	32.7	31.7	3.2%	63.9	63.2	1.1%
Investment advisory fees	1.5	1.2	25.0%	3.0	2.8	7.1%
	81.0	80.8	0.2%	154.0	158.0	(2.5%)
EBITDA[1]	38.1	46.1	(17.4%)	81.9	91.5	(10.5%)
Amortization, derecognition and depreciation	15.5	22.7	(31.7%)	33.2	43.5	(23.7%)
Interest expense	3.1	2.9	6.9%	6.0	5.7	5.3%
Income from continuing operations before taxes	19.5	20.5	(4.9%)	42.7	42.3	0.9%
Income taxes	5.0	30.9	(83.8%)	11.1	37.1	(70.1%)
Net income (loss) from continuing operations, net of taxes	14.5	(10.4)	n/m	31.6	5.2	507.7%
Net income from discontinued operations, net of taxes	–	–	n/m	2.8	–	n/m
Net income (loss) attributable to equity owners of the Company	$ 14.5	$ (10.4)	n/m	$ 34.5	$ 5.2	563.5%
Diluted earnings (loss) per share						
From continuing operations	$ 0.17	$ (0.12)	n/m	$ 0.37	$ 0.06	537.1%
From discontinued operations	–	–	n/m	0.03	–	n/m
Diluted earnings (loss) per share	$ 0.17	$ (0.12)	n/m	$ 0.40	$ 0.06	566.7%

[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.

Revenue

For the three and six months ended May 31, 2014, revenue decreased by 6.1% and 5.5% 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. During the three months ended May 31, 2014, a decrease in institutional and sub-advisory accounts AUM offset by a 0.9% increase in average daily retail fund AUM contributed to a 3.1% decrease in management and advisory fees revenue compared to the three months ended May 31, 2013. During the six months ended May 31, 2014, a 0.8% decrease in average daily retail fund AUM, combined with a decrease in institutional and sub-advisory accounts AUM at May 31, 2014, contributed to a 4.4% decrease in management and advisory fees revenue compared to the same period in 2013.

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 22.7% and 18.9% for the three and six months ended May 31, 2014 as compared to 2013, reflecting lower redemption levels, redemption of a larger proportion of older, lower-yielding DSC assets and a reduced level of back-end assets.

Share of Profit of Associates and Joint Ventures

Share of profit of associates and joint ventures increased to $4.4 million and $6.8 million for the three and six months ended May 31, 2014, compared to $3.3 million and $4.7 million during the same period in 2013, reflecting the growth in S&WHL's business and includes earnings from our investment in SAF.

Fair Value Adjustments and Other Income

The following table illustrates the fair value adjustments and other income for the three and six months ended May 31, 2014 and 2013:

	Three months ended May 31,	
($ millions)	2014	2013
Fair value adjustment related to investment in AGF mutual funds	$ –	$ 0.4
Fair value adjustment related to acquisition consideration payable	–	(0.1)
Fair value adjustment related to put agreement with non-controlling shareholders	–	0.4
Interest income	1.1	1.4
Other	0.1	3.5
	$ 1.2	$ 5.6

	Six months ended May 31,	
($ millions)	2014	2013
Fair value adjustment related to investment in AGF mutual funds	$ 0.2	$ 0.7
Fair value adjustment related to acquisition consideration payable	0.4	(0.8)
Fair value adjustment related to put agreement with non-controlling shareholders	–	0.7
Interest income	2.4	3.3
Other	0.4	3.5
	$ 3.4	$ 7.4

During the three and six months ended May 31, 2013, the Company recognized $3.7 million of one-time other income.

Expenses

For the three months ended May 31, 2014, expenses increased 0.2% from the previous year. For the six months ended May 31, 2014, expenses decreased 2.5% from the previous year. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses

Selling, general and administrative (SG&A) expenses decreased by $1.1 million and $4.9 million, for the three and six months ended May 31, 2014, compared to the same period in 2013. A breakdown of the decrease is as follows:

(in millions of Canadian dollars)	Three months ended May 31, 2014	Six months ended May 31, 2014
Increase in salaries and benefits expenses	$ 2.1	$ 2.7
Decrease in stock-based compensation expenses	(0.9)	(4.8)
Decrease in fund absorption expenses and other fund costs	(0.5)	(1.5)
Decrease in other expenses	(1.8)	(1.3)
	$ (1.1)	$ (4.9)

The following explains expense changes in the three and six months ended May 31, 2014, compared to the same period in the prior year:

- Salaries and benefits expenses increased $2.1 million and $2.7 million for the three and six months ended May 31, 2014, compared to the prior year, reflecting higher performance-based compensation.
- Stock-based compensation decreased $0.9 million and $4.8 million for the three and six months ended May 31, 2014, compared to the same period in 2013, related to a decrease in the Class B Non-Voting share price prior to the establishment of the employee benefit trust. For additional information see Note 3.3 of the condensed consolidated interim financial statements.
- Absorption expenses decreased $0.5 million and $1.5 million for the three and six months ended May 31, 2014, as a result of an amendment on certain funds to replace MER reductions with a management fee waiver, which is accounted for as an offset to revenue.
- Other expenses decreased $1.8 million and $1.3 million for the three and six months ended May 31, 2014, due to timing of sales and marketing expenditures combined with lower harmonized sales tax provisions.

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% and 0.65% for the three and six months ended May 31, 2014, compared to 0.64% and 0.63% in 2013, reflecting an increase in rates associated with mature assets.

Investment Advisory Fees

External investment advisory fees increased 25.0% and 7.1% for the three and six months ended May 31, 2014, as compared to 2013, reflecting the addition of certain externally managed funds offset by lower AUM levels.

EBITDA, EBITDA Margin and EBITDA per Share

EBITDA from continuing operations was $38.1 million and $81.9 million for the three and six months ended May 31, 2014, a 17.4% and 10.5% decrease from $46.1 million and $91.5 million for the same period of 2013. EBITDA margin was 32.0% and 34.7% for the three and six months ended May 31, 2014, compared to 36.3% and 36.7% in the corresponding periods in 2013. Diluted EBITDA per share from continuing operations for the three and six months ended May 31, 2014 was $0.44 and $0.95, compared to $0.52 and $1.02 for the three and six months ended May 31, 2013.

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 $12.2 million and $24.8 million for the three and six months ended May 31, 2014, compared to $14.7 million and $29.7 million for the same periods of 2013. During the three and six months ended May 31, 2014, we paid $12.1 million and $22.0 million in selling commissions, compared to $11.2 million and $20.8 million in the same period of 2013, reflecting stable sales. As at May 31, 2014, the unamortized balance of deferred selling commissions financed was $112.0 million (November 30, 2013 – $114.8 million).

Customer contracts amortization decreased $0.9 million and $1.9 million for the three and six months ended May 31, 2014, as a result of fewer redemptions and a lower net book value. Customer contracts are immediately expensed upon redemption of the AUM. Interest expense increased as a result of higher interest rates.

Other intangibles amortization decreased $3.4 million and $3.2 million for the three and six months ended May 31, 2014.

Pre-tax Profit Margin

Pre-tax profit margin increased to 16.4% and 18.1% for the three and six months ended May 31, 2014, compared to 16.2% and 17.0% margin in the corresponding periods in 2013.

Income Tax Expense

Income tax expense related to continuing operations for the three and six months ended May 31, 2014 was $5.0 million and $11.1 million, as compared to $30.9 million and $37.1 million in the corresponding period in 2013. The estimated effective tax rate for the six months ended May 31, 2014 was 26.0% (2013 – 87.8%). Excluding the tax contingencies recorded for the

Canada Revenue Agency (CRA) transfer pricing audit, the estimated effective tax rate related to continuing operations for the first six months of fiscal 2014 was 23.6% (2013 – 25.8%).

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.

The Company strongly disagrees with the CRA's position and filed an objection to the NOR in February 2014. In connection with the filing of an objection to the NOR, the Company was required to pay, and has paid, approximately $39.5 million (including interest and penalties) during the six months ended May 31, 2014, even though the ultimate outcome may differ from this amount.

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. 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 2014 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.

The Company has been accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2009 through 2016.

Net Income

The impact of the above revenue and expense items resulted in a net income from continuing operations of $14.5 million and $31.6 million for the three and six months ended May 31, 2014, as compared to a net loss from continuing operations of $10.4 million and net income of $5.2 million in the corresponding period in 2013.

Earnings per Share

Diluted earnings per share from continuing operations were $0.17 and $0.37 for the three and six months ended May 31, 2014, as compared to a loss of $0.12 and earnings of $0.06 in the corresponding periods of 2013. Adjusted for one-time items for the three and six months ended May 31, 2013, the adjusted diluted earnings per share from continuing operations were $0.13 and $0.31.

Discontinued Operations

On August 1, 2012, the Company completed its sale of 100% of the shares of AGF Trust Company (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 with the purchaser and revised the consideration receivable to $10.0 million (November 30, 2013 – $6.1 million), which was included in accounts receivable on the consolidated interim statement of financial position. As a result, for the six months ended May 31, 2014, the Company realized a gain on discontinued operations of $3.9 million, or $2.8 million after tax (2013 – nil). The amount receivable was settled on June 4, 2014.

One-time Adjustments

The table below summarizes the one-time adjustments for the three and six months ended May 31, 2014 and 2013:

	Three months ended May 31,			Six months ended May 31,		
($ millions, except per share data)	2014	2013	% change	2014	2013	% change
EBITDA from continuing operations	$ 38.1	$ 46.1	(17.4%)	$ 81.9	$ 91.5	(10.5%)
Add:						
Other income	–	(3.7)	n/m	–	(3.7)	n/m
Adjusted EBITDA from continuing operations	$ 38.1	$ 42.4	(10.1%)	$ 81.9	$ 87.8	(6.7%)
Net income (loss) from continuing operations	$ 14.5	$ (10.4)	n/m	$ 31.6	$ 5.2	507.7%
Add:						
Adjustments to EBITDA from above	–	(3.7)	n/m	–	(3.7)	n/m
One-time true-up tax provision for the CRA transfer pricing audit	–	25.0	n/m	–	25.0	n/m
Tax impact on the adjustments to EBITDA above	–	1.0	n/m	–	1.0	n/m
Adjusted net income from continuing operations	$ 14.5	$ 11.9	21.8%	$ 31.6	$ 27.5	14.9%
Adjusted diluted EPS from continuing operations	$ 0.17	$ 0.13	30.8%	$ 0.37	$ 0.31	19.4%

Liquidity and Capital Resources

Free cash flow, as defined on page 16, generated from continuing operating activities was $16.0 million and $35.4 million for the three and six months ended May 31, 2014, compared to $27.7 million and $52.2 million in the prior year. The primary uses of cash for the three and six months ended May 31, 2014 were as follows:

- During the three and six months ended May 31, 2014, we repurchased a total of 1,762,200 (2013 – 1,508,565) shares for $22.1 million (2013 – $17.1 million).
- We paid $22.6 million and $45.2 million in dividends for the three and six months ended May 31, 2014, compared to $23.4 million and $46.9 million in 2013.
- We invested $7.5 million and $27.5 million in SAF during the three and six months ended May 31, 2014, of which $11.0 million was subsequently received as a return of capital.
- We paid $0.7 million and $39.5 million to the CRA in relation to the NOR received during the three and six months ended May 31, 2014.

AGF's strategic plan calls for utilization of productive capacity and investments to foster future growth. Our free cash flow may be influenced in the short term as we seed initiatives. We believe that our free cash flow and capital position provide sufficient resources to sustain our dividend for the foreseeable future assuming no significant adverse changes in the markets in which we operate. We continually assess our dividend policy, initiatives and expense structure.

Consolidated cash and cash equivalents of $233.2 million decreased by $136.7 million from November 30, 2013. Total long-term debt outstanding at May 31, 2014 was $308.1 million (November 30, 2013 – $307.9 million). As at May 31, 2014, $84.9 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.

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, and the Executive Vice-President and Chief Operating Officer. 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 select acquisitions.

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. Shares purchased for the employee benefit trust are also purchased under the Company's normal course issuer bid. 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 6,904,647 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, 2014 and February 3, 2015.

During the three and six months ended May 31, 2014, under the previous normal course issuer bid, 1,762,200 Class B Non-Voting shares were repurchased for a total consideration of $22.1 million at an average price of $12.55 per share.

During the three months ended May 31, 2014, under the new normal course issuer bid, 100,000 Class B Non-Voting shares were purchased for the employee benefit trust for a total consideration of $1.3 million at an average price of $12.71 per share. During the six months ended May 31, 2014, under the new normal course issuer bid, 150,000 Class B Non-Voting shares were purchased for the employee benefit trust for a total consideration of $1.8 million at an average price of $12.22 per share. For additional information see Note 3.3 of the condensed consolidated interim financial statements.

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 credit facility or where such payment of dividends would create a default.

Our Board of Directors may determine that Class B Non-Voting shareholders shall have the right to elect to receive part or all of such dividend in the form of a stock dividend. They also determine whether a dividend in Class B Non-Voting shares is substantially equal to a cash dividend. This determination is based on the weighted average price at which the Class B Non-Voting shares traded on the 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	2014 [1]	2013	2012	2011	2010
Per share	$ 0.81	$ 1.08	$ 1.08	$ 1.07	$ 1.04

[1] Represents the total dividends paid January 2014 and April 2014, and to be paid in July 2014.

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 April 18, 2014 was $0.27 per share.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2014 and 2013. For additional detail, see Note 7 and Note 11 of the Condensed Consolidated Interim Financial Statements.

	As at May 31,	
	2014	2013
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	85,904,799	87,924,987
Stock Options		
Outstanding options (including discontinued operations)	4,641,393	5,694,416
Exercisable options (including discontinued operations)	2,462,774	3,016,275

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, sales taxes and distribution fees paid to limited partnerships. Revenue is indicative of our potential to deliver cash flow.

We derive our revenue principally from a combination of:

- management and advisory fees based on AUM,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 31.7% equity interest in S&WHL, and
- interest in an 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 10 of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

Free Cash Flow

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. Free cash flow for 2014 has been normalized to exclude taxes paid related to the transfer pricing audit. This is a relevant measure in the investment management business since a substantial amount of cash is spent on upfront commission payments. Free cash flow from continuing operations represents cash available for distribution to our shareholders, share buybacks and general corporate purposes.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2014	2013	2014	2013
Net cash provided by continuing operating activities	$ 23.8	$ 44.3	$ (23.9)	$ 45.0
Adjusted for:				
Net changes in non-cash working capital balances related to operations	(5.5)	(13.6)	25.8	13.0
Taxes paid related to transfer pricing audit	0.7	–	39.5	–
Interest paid	(3.0)	(3.0)	(6.0)	(5.8)
Free cash flow	$ 16.0	$ 27.7	$ 35.4	$ 52.2

EBITDA Margin

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

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2014	2013	2014	2013
EBITDA	$ 38.1	$ 46.1	$ 81.9	$ 91.5
Divided by revenue	119.1	126.9	235.9	249.5
EBITDA margin	32.0%	36.3%	34.7%	36.7%

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 from continuing operations before taxes to revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2014	2013	2014	2013
Net income (loss) from continuing operations	$ 14.5	$ (10.4)	$ 31.6	$ 5.2
Add: income taxes	5.0	30.9	11.1	37.1
Income before taxes	$ 19.5	$ 20.5	$ 42.7	$ 42.3
Divided by revenue	119.1	126.9	235.9	249.5
Pre-tax profit margin	16.4%	16.2%	18.1%	17.0%

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 (loss) attributable to equity owners of the Company by average shareholders' equity.

	Three months ended May 31,	
($ millions)	2014	2013
Net income (loss) from continuing operations (annualized)[1]	$ 58.0	$ 36.1
Divided by average shareholders' equity	957.7	1,027.0
Return on equity	6.1%	3.5%

[1] The $25.9 million tax provision included in net income for 2013 has not been annualized.

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.

	Three months ended May 31,	
($ millions)	2014	2013
Long-term debt[1]	$ 308.1	$ 308.7
Divided by EBITDA (annualized)	152.4	184.4
Long-term debt to EBITDA ratio	202.2%	167.4%

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 MD&A.

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 associates 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.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2014	2013	2014	2013
EBITDA	$ 33.7	$ 42.8	$ 75.1	$ 86.8
Divided by revenue	114.7	123.6	229.1	244.8
EBITDA margin (excluding share of profit of associates and joint ventures)	29.4%	34.6%	32.8%	35.5%

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 associates 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 from continuing operations before taxes and non-segmented items to revenue.

	Three months ended May 31,		Six months ended May 31,	
($ millions)	2014	2013	2014	2013
Income before taxes and non-segmented items	$ 15.1	$ 17.2	$ 35.9	$ 37.6
Divided by revenue	114.7	123.6	229.1	244.8
Pre-tax profit margin (excluding share of profit of associates and joint ventures)	13.2%	13.9%	15.7%	15.4%

Risk Factors and Management of Risk

Risk is the responsibility of the Executive Management Committee. The Executive Management Committee is made up of the Chairman and Chief Executive Officer (CEO); the Chief Financial Officer (CFO); the Chief Operating Officer; the CIO; the Chief Information Officer; the Head of Marketing, Product and Retail; and the Head of Institutional. The Chairman and CEO is directly accountable to the Board of Directors for all risk-related activities. The Executive Management Committee reviews and discusses significant risks that arise in developing and executing the enterprise-wide strategy and ensures risk oversight and governance at the most senior levels of management. Each of the business units and shared services owns and assumes responsibility for managing its risk. They do this by ensuring that policies, processes and internal controls are in place and by escalating significant risks identified in the business units to the Executive Management Committee.

AGF operates an Enterprise Risk Management (ERM) program. Key risks are identified and evaluated by senior management. Plans for addressing the key risks are developed by management and agreed to and monitored by the Executive Management Committee. The Board of Directors receives a quarterly report on ERM.

AGF's risk governance structure is designed to balance risk and reward and to promote business activities consistent with our standards and risk tolerance levels, with the objective of maximizing long-term shareholder value.

Risk Factors That May Affect Future Results

There are many factors that may affect our ability to execute against our strategy. Some of these factors are within our control and others, because of their nature, are beyond our control. These factors apply to our corporate strategy as well as the business-specific strategies. This segment includes only the discussion of the factors that have changed during the three and six months ended May 31, 2014. The complete discussions of the risk factors that may affect the Company can be found in the Company's 2013 Annual MD&A.

Company-specific Risk Factors

Demand for our products depends on the ability of our investment management team to deliver value in the form of strong investment returns, as well as the demand for specific investment products. A specific fund manager's style may fall out of favour with the market, resulting in lower sales and/or higher redemptions.

Our future financial performance will be influenced by our ability to successfully execute our strategy and generate net sales. If sales do not materialize as planned or key personnel cannot be retained, margins may erode.

Our strategy includes strategic acquisitions and investments in associates and joint ventures. There is no assurance that we will be able to complete acquisitions on the terms and conditions that satisfy our investment criteria. After transactions are completed, meeting target return objectives is contingent upon many factors, including retaining key employees and growth in AUM of the acquired companies.

Our investments in associates and joint ventures may involve risks and uncertainties including, but not limited to, our dependency on partners and co-venturers that are not under our control and that might become bankrupt or otherwise fail to fund their share of required capital contributions, or suffer reputational damage that could have an adverse impact on us. We do not have sole control over certain major decisions relating to these assets and businesses, which could affect our future returns on these investments.

Our retail AUM is obtained through third-party distribution channels including financial advisors or strategic partners that offer our products to investors along with competing products. Our future success is dependent on continued access to these distribution channels that are independent of our company.

Non-company Risk Factors

A general economic downturn, market volatility and an overall lack of investor confidence could result in lower sales, higher redemption levels and lower AUM levels. In addition, market uncertainty could result in retail investors avoiding traditional equity funds in favour of money market funds.

The level of competition in the industry is high. Sales and redemptions of mutual funds may be influenced by relative service levels, management fees, attributes of specific products in the marketplace and actions taken by competitors.

The success of our infrastructure investments may be influenced by government regulations, capital expenditure requirements, general economic conditions and other material disruptions.

We take all reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. Failure to comply with statutes, regulations or regulatory policies could result in sanctions or fines that could adversely affect earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could affect us by changing certain economic factors in our industry. See the 'Government Regulations' section for further details.

Revenues are generally not subject to significant seasonal swings, but are directly correlated to global stock market volatility. We experience somewhat higher sales during the Retirement Savings Plan (RSP) season; however, the immediate impact of the level of sales on total revenue is not significant. The Selected Quarterly Information table shows key performance statistics for the past eight quarters.

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 May 31, 2014 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	May 31, 2014	Feb. 28, 2014	Nov. 30, 2013	Aug. 31, 2013
Revenue (continuing operations)	$ 119.1	$ 116.9	$ 117.4	$ 117.7
Free cash flow [1]	16.0	19.4	26.2	25.4
EBITDA (continuing operations)[2]	38.1	43.9	33.6	38.6
Pre-tax income (continuing operations)	19.5	23.2	9.7	14.1
Net income attributable to equity owners of the Company	14.5	19.9	7.1	10.1
Net income (continuing operations)	14.5	17.1	7.1	10.1
EBITDA per share (continuing operations)				
Basic	$ 0.44	$ 0.51	$ 0.39	$ 0.44
Diluted	$ 0.44	$ 0.51	$ 0.38	$ 0.44
Earnings per share attributable to equity owners of the Company				
Basic (continuing operations)	$ 0.17	$ 0.20	$ 0.08	$ 0.12
Diluted (continuing operations)	$ 0.17	$ 0.20	$ 0.08	$ 0.11
Basic	$ 0.17	$ 0.23	$ 0.08	$ 0.12
Diluted	$ 0.17	$ 0.23	$ 0.08	$ 0.11
Weighted average basic shares	86,009,993	86,188,463	87,145,604	87,411,167
Weighted average fully diluted shares	86,563,621	86,742,830	87,911,391	88,026,012

(in millions of Canadian dollars, except per share amounts) For the three-month period ended	May 31, 2013	Feb. 28, 2013	Nov. 30, 2012	Aug. 31, 2012
Revenue (continuing operations)	$ 126.9	$ 122.5	$ 124.9	$ 119.8
Free cash flow [1]	27.7	24.4	24.9	17.6
EBITDA (continuing operations)[2]	46.1	45.3	49.9	36.3
Pre-tax income (loss) (continuing operations)	20.5	21.8	23.4	(12.5)
Net income (loss) attributable to equity owners of the Company	(10.4)	15.6	15.7	(13.3)
Net income (loss) (continuing operations)	(10.4)	15.6	13.0	(19.3)
EBITDA per share (continuing operations)				
Basic	$ 0.52	$ 0.51	$ 0.55	$ 0.38
Diluted	$ 0.52	$ 0.51	$ 0.55	$ 0.38
Earnings (loss) per share attributable to equity owners of the Company				
Basic (continuing operations)	$ (0.12)	$ 0.18	$ 0.14	$ (0.20)
Diluted (continuing operations)	$ (0.12)	$ 0.17	$ 0.14	$ (0.20)
Basic	$ (0.12)	$ 0.18	$ 0.17	$ (0.14)
Diluted	$ (0.12)	$ 0.17	$ 0.17	$ (0.14)
Weighted average basic shares	88,880,598	89,229,202	90,329,013	94,311,520
Weighted average fully diluted shares	89,395,236	89,538,278	90,594,421	94,687,056

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

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

Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three and six months ended May 31, 2014, the Company's 2013 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
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended May 31, 2014 and 2013

What are you doing after work?®

(unaudited) (in thousands of Canadian dollars)	Note	May 31, 2014	November 30, 2013
Assets			
Current Assets			
Cash and cash equivalents		$ 233,173	$ 369,865
Investments	4	22,467	12,272
Accounts receivable, prepaid expenses and other assets	4, 5	47,253	49,173
		302,893	431,310
Investment in associates and joint ventures	4	121,152	84,876
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition		8,346	10,565
Goodwill		244,549	244,549
Other intangibles, net of accumulated amortization and derecognition		15,577	19,739
Deferred selling commissions, net of accumulated amortization and derecognition		112,040	114,848
Property, equipment and computer software, net of accumulated depreciation		10,509	12,169
Deferred income tax assets		4,326	3,951
Other assets	5	–	6,107
Total assets		$ 1,509,151	$ 1,617,873
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	11	$ 48,908	$ 84,494
Income tax liability	12, 17	14,227	53,034
Provision for Elements Advantage		1,860	1,652
Acquisition consideration payable	6	–	6,731
Derivative financial instrument		1,613	1,609
		66,608	147,520
Long-term debt		308,139	307,888
Deferred income tax liabilities		177,287	179,329
Derivative financial instrument		1,467	1,734
Provision for Elements Advantage		1,446	2,012
Other long-term liabilities	11	5,026	13,163
Total liabilities		559,973	651,646
Equity			
Equity attributable to owners of the Company			
Capital stock	7	519,759	524,681
Contributed surplus		36,082	28,440
Retained earnings		381,817	405,989
Accumulated other comprehensive income	8	11,520	7,117
Total equity		949,178	966,227
Total liabilities and equity		$ 1,509,151	$ 1,617,873

(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	May 31, 2014	May 31, 2013
Revenue			
Management and advisory fees		$ 110,142	$ 113,574
Deferred sales charges		3,441	4,392
Share of profit of associates and joint ventures	4	4,396	3,274
Fair value adjustments and other income	9	1,087	5,687
Total revenue		119,066	126,927
Expenses			
Selling, general and administrative	10	46,757	47,897
Trailing commissions		32,687	31,738
Investment advisory fees		1,516	1,213
Amortization and derecognition of deferred selling commissions		12,152	14,730
Amortization and derecognition of customer contracts		1,093	2,036
Amortization and derecognition of other intangibles		1,359	4,732
Depreciation of property, equipment and computer software		896	1,232
Interest expense		3,019	2,908
		99,479	106,486
Income from continuing operations before income taxes		**19,587**	**20,441**
Income tax expense (benefit)			
Current	12	5,273	33,306
Deferred	12	(227)	(2,438)
		5,046	30,868
Net income (loss) for the period, net of taxes		**$ 14,541**	**$ (10,427)**
Net income (loss) attributable to:			
Equity owners of the Company		$ 14,541	$ (10,422)
Non-controlling interest		–	(5)
		$ 14,541	$ (10,427)
Earnings (loss) per share for the period attributable to the equity owners of the Company			
Basic earnings (loss) per share	13	$ 0.17	$ (0.12)
Diluted earnings (loss) per share	13	$ 0.17	$ (0.12)

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

(unaudited)		Six months ended	
(in thousands of Canadian dollars, except per share data)	Note	May 31, 2014	May 31, 2013
Revenue			
Management and advisory fees		$ 218,424	$ 228,402
Deferred sales charges		7,304	9,031
Share of profit of associates and joint ventures	4	6,757	4,703
Fair value adjustments and other income	9	3,432	7,317
Total revenue		235,917	249,453
Expenses			
Selling, general and administrative	10	87,074	92,040
Trailing commissions		63,922	63,215
Investment advisory fees		2,982	2,792
Amortization and derecognition of deferred selling commissions		24,796	29,691
Amortization and derecognition of customer contracts		2,220	4,105
Amortization and derecognition of other intangibles		4,161	7,333
Depreciation of property, equipment and computer software		1,986	2,318
Interest expense		6,047	5,714
		193,188	207,208
Income from continuing operations before income taxes		**42,729**	**42,245**
Income tax expense (benefit)			
Current	12	13,673	40,588
Deferred	12	(2,564)	(3,506)
		11,109	37,082
Income from continuing operations, net of taxes		31,620	5,163
Income from discontinued operations, net of taxes	5	2,840	–
Net income for the period		**$ 34,460**	**$ 5,163**
Net income (loss) attributable to:			
Equity owners of the Company		$ 34,460	$ 5,196
Non-controlling interest		–	(33)
		$ 34,460	$ 5,163
Earnings per share for the period attributable to the equity owners of the Company			
Basic earnings per share			
Continuing operations	13	$ 0.37	$ 0.06
Discontinued operations	13	0.03	–
		$ 0.40	$ 0.06
Diluted earnings per share			
Continuing operations	13	$ 0.37	$ 0.06
Discontinued operations	13	0.03	–
		$ 0.40	$ 0.06

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

(unaudited) (in thousands of Canadian dollars)	Three months ended May 31, 2014	Three months ended May 31, 2013	Six months ended May 31, 2014	Six months ended May 31, 2013
Net income (loss) for the period	$ 14,541	$ (10,427)	$ 34,460	$ 5,163
Other comprehensive income (loss), net of tax				
Cumulative translation adjustment				
Foreign currency translation adjustments related to net investments in foreign operations	(1,841)	343	3,693	(754)
	(1,841)	343	3,693	(754)
Net unrealized gains (losses) on investments				
Unrealized gains (losses)	(28)	(22)	521	1,254
Reclassification of realized gain to earnings	–	(409)	–	(409)
	(28)	(431)	521	845
Net unrealized gains (losses) on cash flow hedge				
Unrealized gains (losses)	(42)	409	(319)	224
Reclassification of realized losses to earnings	253	248	508	509
	211	657	189	733
Total other comprehensive income (loss), net of tax	$ (1,658)	$ 569	$ 4,403	$ 824
Comprehensive income (loss)	$ 12,883	$ (9,858)	$ 38,863	$ 5,987
Comprehensive income (loss) attributable to:				
Equity holders of the Company	$ 12,883	$ (9,853)	$ 38,863	$ 6,020
Non-controlling interest	–	(5)	–	(33)
	$ 12,883	$ (9,858)	$ 38,863	$ 5,987

All items presented in other comprehensive income (loss) will be reclassified to the consolidated statement of income (loss) in subsequent period

(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 (loss)	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2012	$ 533,684	$ 26,677	$ 495,323	$ (852)	**$ 1,054,832**	$ 490	**$ 1,055,322**
Net income for the period	–	–	5,196	–	**5,196**	(33)	**5,163**
Other comprehensive loss (net of tax)	–	–	–	824	**824**	–	**824**
Comprehensive income (loss) for the period	–	–	5,196	824	**6,020**	(33)	**5,987**
Issued through dividend reinvestment plan	1,239	–	–	–	**1,239**	–	**1,239**
Stock options	1,329	1,054	–	–	**2,383**	–	**2,383**
AGF Class B Non-Voting shares repurchased for cancellation	(9,063)	–	(8,004)	–	**(17,067)**	–	**(17,067)**
AGF Class B Non-Voting shares issued on acquisition of Acuity	1,231	–	–	–	**1,231**	–	**1,231**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.4 million	–	–	(48,537)	–	**(48,537)**	–	**(48,537)**
Increase in ownership interest in Highstreet Partners Limited	–	–	(998)	–	**(998)**	(454)	**(1,452)**
Dividends to non-controlling interest	–	–	–	–	**–**	(3)	**(3)**
Balance, May 31, 2013	$ 528,420	$ 27,731	$ 442,980	$ (28)	**$ 999,103**	$ –	**$ 999,103**
Balance, December 1, 2013	$ 524,681	$ 28,440	$ 405,989	$ 7,117	**$ 966,227**	$ –	**$ 966,227**
Net income for the period	–	–	34,460	–	**34,460**	–	**34,460**
Other comprehensive income (net of tax)	–	–	–	4,403	**4,403**	–	**4,403**
Comprehensive income for the period	–	–	34,460	4,403	**38,863**	–	**38,863**
Issued through dividend reinvestment plan	1,320	–	–	–	**1,320**	–	**1,320**
Stock options	4,259	347	–	–	**4,606**	–	**4,606**
AGF Class B Non-Voting shares repurchased for cancellation	(10,623)	–	(11,486)	–	**(22,109)**	–	**(22,109)**
AGF Class B Non-Voting shares issued on acquisition of Acuity	1,941	–	–	–	**1,941**	–	**1,941**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.6 million	–	–	(47,146)	–	**(47,146)**	–	**(47,146)**
Equity-settled Restricted Share Units	–	7,295	–	–	**7,295**	–	**7,295**
Treasury stock	(1,819)	–	–	–	**(1,819)**	–	**(1,819)**
Balance, May 31, 2014	$ 519,759	$ 36,082	$ 381,817	$ 11,520	**$ 949,178**	$ –	**$ 949,178**

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

(unaudited)		Six months ended	
(in thousands of Canadian dollars)	Note	May 31, 2014	May 31, 2013
Operating Activities			
Net income for the period		$ 34,460	$ 5,163
Adjustments for			
Net income from discontinued operations	5	(2,840)	–
Amortization, derecognition and depreciation		33,163	43,447
Interest expense		6,047	5,714
Income tax expense	12	11,109	37,082
Income taxes paid		(54,112)	(15,214)
Stock-based compensation	11	860	5,692
Share of profit of associates and joint venture	4	(6,757)	(4,703)
Distributions from associates	4	2,046	1,243
Deferred selling commissions paid		(21,988)	(20,808)
Other		(54)	412
		1,934	58,028
Net change in non-cash working capital balances related to operations			
Accounts receivable, prepaid expenses and other assets		11,919	9,794
Other assets		(1,074)	(1,165)
Accounts payable and accrued liabilities		(29,477)	(22,805)
Other liabilities		(7,156)	1,182
		(25,788)	(12,994)
Net cash provided by (used in) operating activities		(23,854)	45,034
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	7	(22,109)	(17,067)
Issue of Class B Non-Voting shares	7	3,906	1,243
Purchase of treasury stock	7	(1,833)	–
Dividends paid	14	(45,190)	(46,897)
Interest paid		(6,012)	(5,800)
Net cash used in continuing financing activities		(71,238)	(68,521)
Investing Activities			
Increase in ownership interest in Highstreet Partners Limited		–	(3,115)
Acquisition of Acuity Funds Ltd. and Acuity Investment Management Inc.	6	(4,440)	(2,713)
Purchase of investment in associate and joint venture	4	(27,501)	–
Purchase of property, equipment and computer software, net of disposals		(326)	(1,789)
Purchase of investments	4	(11,049)	(607)
Proceeds from sale of investments	4	1,716	17,468
Net cash provided by (used in) continuing investing activities		(41,600)	9,244
Decrease in cash and cash equivalents during the period		(136,692)	(14,243)
Balance of cash and cash equivalents, beginning of period		369,865	371,299
Balance of cash and cash equivalents, end of period		$ 233,173	$ 357,056

(The accompanying notes are an integral part of these condensed consolidated interim financial statements.)

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended May 31, 2014 and 2013 (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 Toronto-Dominion 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).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 23, 2014.

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, 2013, 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, 2013, which have been prepared in accordance with IFRS as issued by the IASB.

Note 3: Changes in Accounting Policies

3.1 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, 2013. These changes were adopted in accordance with the applicable transitional provisions of each new or revised standard.

IFRS 7, Financial Instruments: Disclosures, has been amended to address offsetting financial assets and financial liabilities. IFRS 7 requires additional disclosure to allow users of the financial statements to evaluate the effect or potential effect of master netting or other similar arrangements. The Company adopted the amended standard effective December 1, 2013 and certain disclosures have been added as a result.

IFRS 10, Consolidated Financial Statements, introduces a single consolidation model that uses the same criteria to determine control for entities of all types, irrespective of whether the investee is controlled by voting rights or other contractual arrangements. Under IFRS 10, an investee is consolidated only if the investor possesses power over the investee, has exposure to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect its returns. The principle that a consolidated entity presents a parent and its subsidiaries as a single entity remains unchanged, as do the mechanics of consolidation. IFRS 10 supersedes the guidance in IAS 27, Consolidated and Separate Financial Statements, and SIC-12, Consolidation – Special Purpose Entities. The adoption of IFRS 10 did not result in any changes to the entities which are consolidated by the Company.

IFRS 11, Joint Arrangements, establishes principles for financial reporting by parties to a joint arrangement, and only differentiates between joint operations and joint ventures. The option to apply proportionate consolidation when accounting for joint ventures has been removed and equity accounting where the fair value option has not been elected is now applied in accordance with IAS 28, Investments in Associates and Joint Ventures. IFRS 11 supersedes existing guidance under IAS 31, Interests in Joint Ventures and SIC-13, Jointly Controlled Entities – Non-Monetary Contributions by Venturers. As the Company did not have any interests in joint arrangements at December 1, 2013, there was no impact as a result of the adoption of IFRS 11.

IFRS 13, Fair Value Measurement, provides a single comprehensive framework for measuring fair value. IFRS 13 applies to fair value measurements where required or permitted by other IFRS but does not address when to measure fair value or require additional use of fair value. The measurement of the fair value of an asset or liability is based on assumptions that market participants would use when pricing the asset or liability under current market conditions, including assumptions about risk.

The new standard requires disclosures similar to those in IFRS 7, Financial Instruments: Disclosures, but applies to substantially all assets and liabilities measured at fair value, whereas IFRS 7 applies only to financial assets and liabilities measured at fair value. The Company adopted IFRS 13 prospectively on December 1, 2013. The adoption of IFRS 13 did not require any significant adjustments to the valuation techniques used by the Company to measure fair value and did not result in any significant measurement adjustments as at December 1, 2013. Certain interim disclosures under IAS 34, Interim Financial Reporting, related to the fair value of financial instruments have been expanded.

On December 1, 2013, the Company adopted IFRS 12, Disclosures of Interests in Other Entities, which integrates all of the disclosure requirements for interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities into a single standard. The required disclosures provide information to evaluate the nature of, and risks associated with, an entity's interests in other entities, and the effects of those interests on the entity's financial statements. The standard is expected to result in additional disclosures in the Company's annual consolidated financial statements.

Amendments to IAS 19, Employee Benefits, require changes to the recognition and measurement of defined benefit pension, post-retirement benefit expense and termination benefits and to the disclosures for all employee benefits. The Company adopted the amendments to IAS 19 retrospectively, which had no impact on the consolidated financial statements.

IAS 28, Investments in Associates and Joint Ventures, has been amended to be consistent with the changes to accounting for joint arrangements in IFRS 11. The amended standard prescribes the accounting for investments in associates and provides guidance on the application of the equity method when accounting for investments in associates and joint ventures. There was no impact to the Company as a result of the adoption of the amended standard.

3.2 Associates, Joint Ventures and Consolidated Structured Entities

Associates are entities over which the Company has significant influence, but not control, generally accompanying between 20% and 50% of the voting rights. Joint ventures are arrangements whereby the parties have joint control over, and rights to the net assets of, the arrangement.

The Company's interests in the associates and joint ventures are generally accounted for using the equity method of accounting. The Company's investment in associates includes goodwill and other intangible assets identified on acquisition. AGF's share of its associates' post-acquisition profits or losses is recognized in the consolidated interim statement of income and its share of post-acquisition other comprehensive income (loss) is recognized in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Company's share of losses in an associate equals or exceeds its interest in the associate, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealized gains on transactions between the Company and its associates are eliminated to the extent of the Company's interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Associates' accounting policies have been changed where necessary to ensure consistency with the policies adopted by AGF.

The Company assesses at each period-end whether there is any objective evidence that its interests in associates and joint ventures are impaired. If impaired, the carrying value of the Company's share of the underlying assets of associates or joint ventures is written down to its estimated recoverable amounts (being the higher of fair value less costs to sell and value in use) and charged to the consolidated interim statement of income.

Additionally, the Company has determined that any interests it holds in funds it manages are associates as a result of the Company's power conveyed through investment management and other agreements it has with the funds that permit the Company to make decisions about their investing and operating activities. None of these interests are individually significant and the Company has elected to designate its investments in these funds at fair value through profit or loss. These funds conduct their trading activities in Canada and Ireland, which may include trading of foreign denominated securities. The carrying amount of the Company's interests in investment funds that it manages was $17.6 million at May 31, 2014 (November 30, 2013 – $10.8 million) and the fair value adjustments related to the Company's interests in investment funds recognized on the consolidated interim statement of income were less than $0.1 million and $0.2 million for the three and six months ended May 31, 2014 (2013 – $0.5 million and $0.7 million).

None of the Company's interests in associates or joint ventures that are accounted for using the equity method are quoted in active markets. Refer to Note 4 for additional information about the Company's investments in funds that it manages and about its interests in other associates and joint ventures.

Consolidated structured entities are entities over which the Company has control by means of a contractual agreement. The Company established an employee benefit trust as a consolidated structured entity with the purpose of acquiring Class B Non-Voting shares to be delivered to employees upon vesting of their Restricted Share Units (RSUs). Under the contractual agreement, the Company will provide financial support to the trust to fund the purchase of these shares. Refer to Note 3.3 and Note 7 for additional information.

3.3 Employee Benefits

This note includes only the description of the policies that have changed during 2014 relating to employee benefits. The accounting policies for the Company's employee benefits in place at November 30, 2013 can be found in the Company's annual consolidated financial statements for the year ended November 30, 2013.

The Company has an Executive Share Unit Plan for senior employees under which certain employees are granted RSUs of Class B Non-Voting shares. RSUs vest three years from the grant date. On January 30, 2014, the Company amended its plan agreements to require share-based settlement of all RSUs granted to the employees of AGF and its Canadian subsidiaries and communicated this change to affected employees on February 11, 2014. In connection with the amendments, an employee benefit trust was established that is controlled and consolidated by the Company. The purpose of the trust is to acquire Class B Non-Voting shares of the Company in the open market to be delivered to employees upon vesting of their RSUs. Pursuant to the revised plan, the employees of AGF and its Canadian subsidiaries will not have an option to receive cash settlement for their RSUs and consequently, the Company has reclassified the liabilities related to these awards from liabilities to equity. Compensation expense and contributed surplus related to these awards is recognized over the remaining vesting period based on the fair value of the Class B Non-Voting shares at the date of the plan change communication to employees and taking into account forfeitures. Going forward, new grants will be expensed over the vesting period based on the fair value of the Class B Non-Voting shares at the date of grant and taking into account forfeitures.

Employees of non-Canadian subsidiaries participating in the plan continue to have the option to receive cash settlement for their RSUs. The compensation expense and the related liability for these awards are recorded equally or graded over the three-year vesting period, taking into account fluctuations in the market price of Class B Non-Voting shares, dividends paid and forfeitures. AGF will redeem all of the participants' RSUs in cash equal to the value of one Class B Non-Voting share for each RSU.

Note 4: Investments, Investments in Associated Companies and Joint Venture

(a) The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	May 31, 2014	November 30, 2013
Fair value through profit or loss		
AGF mutual funds and other	$ 17,550	$ 10,779
Equity securities	531	509
	18,081	11,288
Available for sale		
Equity securities and term deposits	4,080	679
Loans and receivables		
Canadian government debt – Federal	306	305
	$ 22,467	$ 12,272

AGF mutual funds and other are primarily composed of seed capital. Equity securities and term deposits are primarily composed of term deposits held by a foreign subsidiary with a maturity date of greater than three months at inception. The investment in Canadian government debt is composed of a fixed-rate Treasury bond with a maturity date within one year and a credit rating of AAA.

(b) The Company holds a 31.7% investment in S&WHL accounted for using the equity method. During the three and six months ended May 31, 2014, the Company recognized earnings of $3.8 million and $6.4 million (2013 – $3.3 million and $4.7 million) and received $1.6 million and $1.6 million (2013 – nil and $1.2 million) in dividends from S&WHL.

(c) During the three and six months ended May 31, 2014, as part of AGF's alternative investment strategy, the Company invested $7.5 million and $27.5 million in Stream Asset Financial. During the three and six months ended May 31, 2014, the Company recognized earnings of $0.4 million and received $0.4 million in distributions.

(d) On December 31, 2013, the Company entered into a shareholder agreement with Instar Group Inc. related to the formation of an alternative asset management platform, InstarAGF. As part of the agreement, the Company has committed to provide a capital commitment to the first fund to be launched under the platform of a minimum of $100.0 million subject to certain conditions being achieved. As at May 31, 2014, no capital has been committed by the Company as the required conditions have not been met. In addition, AGF will advance up to $5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. As at May 31, 2014, the Company has advanced $0.6 million, which was included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

Note 5: Discontinued Operations

On August 1, 2012, the Company completed its sale of 100% of the shares of AGF Trust Company (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 with the purchaser and revised the consideration receivable to $10.0 million (November 30, 2013 – $6.1 million), which was included in accounts receivable on the consolidated interim statement of financial position. As a result, for the six months ended May 31, 2014, the Company realized a gain on discontinued operations of $3.9 million, or $2.8 million after tax (2013 – nil). The amount receivable was settled on June 4, 2014.

Note 6: 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 $4.5 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 and six months ended May 31, 2014, nil and a $0.3 million recovery (2013 – $0.2 million and $1.0 million in charges) 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 7: 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:

Six months ended	**May 31, 2014**		**May 31, 2013**	
(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	87,091,646	$ 524,681	89,057,691	$ 533,684
Issued through dividend reinvestment plan	102,284	1,320	117,973	1,239
Stock options exercised	446,427	4,259	150,750	1,329
Issued on acquisition of Acuity (Note 6)	175,367	1,941	107,138	1,231
Repurchased for cancellation	(1,762,200)	(10,623)	(1,508,565)	(9,063)
Treasury stock purchased	(150,000)	(1,833)	–	–
Treasury stock released	1,275	14	–	–
Balance, end of the period	85,904,799	$ 519,759	87,924,987	$ 528,420

(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 6,904,647 shares through to February 3, 2015. During the three and six months ended May 31, 2014, under AGF's previous normal course issuer bid, 1,762,200 (2013 – 1,508,565) Class B Non-Voting shares were repurchased at a cost of $22.1 million (2013 – $17.1 million) and the excess paid of $11.5 million (2013 – $8.0 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

During the three and six months ended May 31, 2014, 100,000 and 150,000 (2013 – nil and nil) Class B Non-Voting shares were purchased for future share-based settlement of RSUs granted to the employees of AGF and its Canadian subsidiaries. Shares purchased for the employee benefit trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three and six months ended May 31, 2014, 1,275 and 1,275 (2013 – nil and nil) Class B Non-Voting shares purchased as treasury stock were released. As at May 31, 2014, 148,725 (November 30, 2013 – nil) Class B Non-Voting shares were held as treasury stock. Refer to Note 3.3 for additional information.

Note 8: 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, 2012				
Accumulated other comprehensive income (loss)	$ (673)	$ 3,265	$ (4,098)	$ (1,506)
Income tax recovery (expense)	–	(432)	1,086	654
Balance, November 30, 2012	(673)	2,833	(3,012)	(852)
Transactions during the year ended November 30, 2013				
Other comprehensive income (loss)	7,298	(111)	1,052	8,239
Income tax recovery (expense)	–	8	(278)	(270)
Balance, November 30, 2013	6,625	2,730	(2,238)	7,117
Transactions during the period ended May 31, 2014				
Other comprehensive income	3,693	601	257	4,551
Income tax expense	–	(80)	(68)	(148)
Balance, May 31, 2014	$ 10,318	$ 3,251	$ (2,049)	$ 11,520

All items presented in other comprehensive income (loss) will be reclassified to the consolidated statement of income (loss) in subsequent periods.

Note 9: Fair Value Adjustments and Other Income (Loss)

	Three months ended May 31,	
(in thousands of Canadian dollars)	**2014**	**2013**
Fair value adjustment related to investment in AGF mutual funds (Note 4)	$ 28	$ 473
Fair value adjustment related to acquisition consideration payable (Note 6)	–	(89)
Fair value adjustment related to put agreement with non-controlling shareholders	–	386
Interest income	955	1,367
Other	104	3,550
	$ 1,087	$ 5,687

(in thousands of Canadian dollars)	Six months ended May 31, 2014	2013
Fair value adjustment related to investment in AGF mutual funds (Note 4)	$ 215	$ 668
Fair value adjustment related to acquisition consideration payable (Note 6)	422	(800)
Fair value adjustment related to put agreement with non-controlling shareholders	–	677
Interest income	2,404	3,300
Other	391	3,472
	$ 3,432	$ 7,317

During the three and six months ended May 31, 2013, the Company recognized $3.7 million of one-time other income.

Note 10: Expenses by Nature

(in thousands of Canadian dollars)	Three months ended May 31, 2014	2013
Selling, general and administrative		
Employee benefit expense	$ 28,546	$ 27,285
Sales and marketing	2,928	3,716
Information technology and facilities	5,746	5,622
Professional fees	4,143	4,067
Fund absorption and other fund costs	5,621	6,224
Other	(227)	983
	$ 46,757	$ 47,897

(in thousands of Canadian dollars)	Six months ended May 31, 2014	2013
Selling, general and administrative		
Employee benefit expense	$ 52,610	$ 54,655
Sales and marketing	5,483	5,818
Information technology and facilities	11,149	11,505
Professional fees	8,021	7,917
Fund absorption and other fund costs	9,103	10,596
Other	708	1,549
	$ 87,074	$ 92,040

Note 11: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 3,803,535 Class B Non-Voting shares could have been granted as at May 31, 2014 (November 30, 2013 – 4,068,024).

The change in stock options during the six months ended May 31, 2014 and 2013 is summarized as follows:

Six months ended	May 31, 2014 Options	May 31, 2014 Weighted average exercise price	May 31, 2013 Options	May 31, 2013 Weighted average exercise price
Class B Non-Voting share options[1]				
Balance, beginning of the period	4,823,331	$ 14.37	4,933,339	$ 15.33
Options granted	417,705	11.43	649,061	11.38
Options forfeited	(3,817)	8.93	(130,739)	24.32
Options expired	(149,399)	20.37	–	–
Options exercised	(446,427)	8.75	(111,750)	8.24
Balance, end of the period	4,641,393	$ 14.45	5,339,911	$ 15.02

[1] 2013 excludes 354,505 stock options related to AGF Trust, all of which were exercised during fiscal 2013.

During the three months ended May 31, 2014, nil (2013 – nil) stock options were granted and compensation expense and contributed surplus of $0.2 million (2013 – $0.4 million) was recorded. During the six months ended May 31, 2014, 417,705 (2013 – 649,061) stock options were granted and compensation expense and contributed surplus of $0.5 million (2013 – $0.8 million) was recorded. The fair value of options granted during the six months ended May 31, 2014 has been estimated at $1.16 per option (2013 – $1.64) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the six months ended May 31, 2014 and 2013:

Six months ended	May 31, 2014	May 31, 2013
Risk-free interest rate	1.6%	1.5%
Expected dividend yield	9.6%	9.6%
Five-year historical-based expected share price volatility	33.3%	41.9%
Option term	5.0 years	5.0 years

(b) Other Stock-based Compensation

Other stock-based compensation includes RSUs, Performance Share Units (PSUs), Deferred Share Units (DSUs) and Partners Incentive Plan (PIP). Compensation expense for the three and six months ended May 31, 2014 related to these share units was $1.5 million and $0.4 million (2013 – $2.2 million and $4.9 million). As at May 31, 2014, the Company recorded a liability of $3.9 million (November 30, 2013 – $16.1 million liability) related to other cash-settled stock-based compensation. As at May 31, 2014, the Company recorded contributed surplus of $7.3 million (November 30, 2013 – nil) related to equity-settled RSUs. During the six months ended May 31, 2014, $6.0 million of the amount recorded in contributed surplus was transferred from liabilities upon conversion of the RSU plan to an equity-settled plan effective February 11, 2014.

The change in share units of RSUs, PSUs and DSUs during the six months ended May 31, 2014 and 2013 is as follows:

Six months ended	May 31, 2014	May 31, 2013
	Number of share units	Number of share units
Outstanding, beginning of the period		
Non-vested	1,311,817	995,683
Issued		
Initial grant	405,897	556,866
In lieu of dividends	60,775	66,262
Settled in cash	(40,998)	(9,496)
Settled in equity	(1,275)	–
Forfeited and cancelled	(151,948)	(13,738)
Outstanding, end of the period	1,584,268	1,595,577

Note 12: 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 related to continuing operations for the six months ended May 31, 2014 was 26.0% (2013 – 87.8%). During the six months ended May 31, 2014, the Company recorded tax contingencies of $1.0 million (2013 – $26.2 million) with respect to the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies, the estimated effective tax rate for the six months ended May 31, 2014 was 23.6% (2013 – 25.8%).

The income tax expense related to income from discontinued operations for the six months ended May 31, 2014 was $1.0 million.

Refer to Note 17 for additional information on tax contingencies.

Note 13: Earnings per Share

(in thousands of Canadian dollars, except per share amounts)	Three months ended May 31, 2014	Three months ended May 31, 2013	Six months ended May 31, 2014	Six months ended May 31, 2013
Numerator				
Net income (loss) for the period from continuing operations attributable to the equity owners of the Company	$ 14,541	$ (10,422)	$ 31,620	$ 5,196
Net income for the period from discontinued operations attributable to the equity owners of the Company	–	–	2,840	–
Net income (loss) for the period attributable to the equity owners of the Company	14,541	(10,422)	34,460	5,196
Denominator				
Weighted average number of shares – basic	86,009,993	88,880,598	85,996,621	89,052,985
Dilutive effect of employee stock options	553,628	514,638	549,480	414,437
Weighted average number of shares – diluted	86,563,621	89,395,236	86,546,101	89,467,422
Basic earnings (loss) per share				
Continuing operations	$ 0.17	$ (0.12)	$ 0.37	$ 0.06
Discontinued operations	–	–	0.03	–
	$ 0.17	$ (0.12)	$ 0.40	$ 0.06
Diluted earnings (loss) per share				
Continuing operations	$ 0.17	$ (0.12)	$ 0.37	$ 0.06
Discontinued operations	–	–	0.03	–
	$ 0.17	$ (0.12)	$ 0.40	$ 0.06

Note 14: Dividends

During the three and six months ended May 31, 2014, the Company paid dividends of $0.27 and $0.54 (2013 – $0.27 and $0.54) per share. Total dividends paid, including dividends reinvested, in the three and six months ended May 31, 2014 were $23.2 million and $46.5 million (2013 – $24.1 million and $48.2 million). On June 23, 2014, 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 $0.27 per share in respect of the three months ended May 31, 2014, amounting to a total dividend of approximately $23.2 million. These condensed consolidated interim financial statements do not reflect this dividend payable.

Note 15: 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, including severance, paid to the Directors and other key management personnel of AGF is as follows:

(in thousands of Canadian dollars)	Three months ended May 31, 2014	Three months ended May 31, 2013	Six months ended May 31, 2014	Six months ended May 31, 2013
Salaries and other short-term employee benefits	$ 2,686	$ 1,252	$ 4,107	$ 2,495
Share-based payments	24	647	(35)	1,723
	$ 2,710	$ 1,899	$ 4,072	$ 4,218

Note 16: Fair Value of Financial Instruments

Financial assets are classified as fair value through profit or loss (FVTPL), available for sale, or loans and receivables. Financial liabilities are classified as FVTPL, other liabilities, or derivatives used for hedging.

The carrying value of accounts receivable and other assets, accounts payable and accrued liabilities and long-term debt approximate 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 Company's assets and liabilities measured at fair value on a recurring basis as at May 31, 2014:

(in thousands of Canadian dollars) **May 31, 2014**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 233,173	$ –	$ –	$ 233,173
AGF mutual funds and other	17,550	–	–	17,550
Equity securities	531	–	–	531
Available for sale				
Equity securities and term deposits	4,080	–	–	4,080
Loans and receivables				
Canadian government debt – Federal	–	306	–	306
Total financial assets	$ 255,334	$ 306	$ –	$ 255,640
Liabilities				
Derivatives used for hedging	$ –	$ 3,080	$ –	$ 3,080
Total financial liabilities	$ –	$ 3,080	$ –	$ 3,080

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 a major Canadian chartered bank 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.

The following table presents changes in level 3 instruments for the six months ended May 31, 2014:

(in thousands of Canadian dollars)	Acquisition consideration payable	Contingent consideration receivable	Total
Balance at December 1, 2013	$ 6,731	$ 6,107	$ 12,838
Gains and losses recognized in profit or loss	(350)	28	(322)
Gain recognized in profit or loss as discontinued operations[1]	–	3,865	3,865
Consideration paid	(6,381)	–	(6,381)
Reclassification to accounts receivable	–	(10,000)	(10,000)
Balance at May 31, 2014	$ –	$ –	$ –

[1] Before taxes of $1.0 million.

Level 3 instruments included acquisition consideration payable and contingent consideration receivable. Instruments classified in this category had a parameter input or inputs that were unobservable and that had a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument.

The acquisition consideration payable was settled on February 1, 2014 and comprised deferred cash payments and Class E exchangeable preferred shares that were subject to an adjustment based on Acuity's net sales of institutional assets under management between the date of acquisition and the payment or redemption date of these preferred shares. The Class E exchangeable preferred shares were settled by the issuance of a variable number of AGF Class B Non-Voting shares, the number of which was determined by reference to a fixed exchange ratio.

The contingent consideration receivable was determined based on an early settlement agreement with the purchaser for $10.0 million. During the six months ended May 31, 2014, the contingent consideration receivable was transferred from level 3 to accounts receivable as the amount became fixed and guaranteed upon the signing of the early settlement agreement. The amount was settled on June 4, 2014. Refer to Note 5 for additional information.

There were no transfers into or out of level 1 and level 2 during the three and six months ended May 31, 2014.

Note 17: Contingencies

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.

The Company strongly disagrees with the CRA's position and filed an objection to the NOR in February 2014. In connection with the filing of an objection to the NOR, the Company was required to pay, and has paid, approximately $39.5 million (including interest and penalties) during the six months ended May 31, 2014, even though the ultimate outcome may differ from this amount.

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. 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 2014 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.

The Company has been accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2009 through 2016.

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.