

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

For the three months ended February 28, 2018 and 2017





AGF MANAGEMENT LIMITED

First Quarter Report to Shareholders for the three months ended February 28, 2018

AGF MANAGEMENT LIMITED REPORTS FIRST QUARTER 2018 FINANCIAL RESULTS

- *Retail mutual fund net sales of \$20 million¹*
- *61% of AUM performed above median over three years ended February 28, 2018*
- *Adjusted EPS increased 27% compared to sequential and prior year quarters*
- *Cash refund of \$16 million expected related to transfer pricing case*

TORONTO | March 28, 2018

AGF Management Limited (AGF or the Company) today announced financial results for the first quarter ended February 28, 2018.

Total assets under management (AUM) increased 5.3% to \$37.0 billion compared to the same period in 2017. Market growth, improved sales trajectory and growth in our alternative business contributed to the year-over-year improvement.

During the quarter ended February 28, 2018, mutual fund net redemptions improved to \$68.0 million compared to net redemptions of \$119.0 million for the quarter ended February 28, 2017, reflecting the Company's continued focus on investment performance and customer service excellence. Adjusting for net redemptions from institutional clients invested in mutual funds, net sales in our retail mutual fund business were \$20.0 million in the quarter¹.

"We are proud to have achieved net sales in our retail mutual fund business," said Blake Goldring, Chairman and Chief Executive Officer, AGF Management Limited. "Our strong investment performance and on-going sales momentum bodes well for future results. Despite recent market volatility, our momentum has continued into March, with retail mutual fund net sales of \$58 million as at March 26, 2018."

Key Operating Highlights:

- 49% of AUM performed above median over one year and 61% of AUM performed above median over three years ended February 28, 2018.
- On February 12, 2018, AGF launched two new ETFs on the NEO Exchange, further growing AGF's factor-based ETFs and leveraging the expertise of the AGFiQ team.
- On March 8, 2018, AGF announced risk rating changes and fee reductions to AGF Emerging Markets Fund/Class and AGF Fixed Income Plus Fund/Class. The management fee reductions are across the MF series, F series and high-net-worth series (Q/W), and range from 10 bps to 50 bps.

"We continue to look for opportunities to leverage the AGFiQ platform to establish this unique capability in the area of quantitative investing and ETFs," said Kevin McCreadie, President and Chief Investment Officer, AGF Investments Inc. "We believe our diverse offerings allow us to be responsive to changing market environments and the evolving needs of our clients."

Income from continuing operations for the three months ended February 28, 2018 increased to \$110.9 million compared to \$107.2 million for the three months ended February 28, 2017. EBITDA from continuing operations was \$24.9 million for the three months ended February 28, 2018, compared to \$25.7 million for the same periods in 2017.

On March 8, 2018, AGF announced the receipt of a tax reassessment from a foreign tax authority in relation to a transfer pricing case, which resulted in a \$10.0 million provision release and an expected cash refund of \$16.0 million.

Diluted earnings per share (EPS) from continuing operations for the three months ended February 28, 2018 was \$0.27 compared to \$0.11 for the comparative period. Adjusted diluted EPS from continuing operations for the three months ended February 28, 2018 was \$0.14 compared to \$0.11 for the comparative period.

For the three months ended February 28, 2018, AGF declared an eight cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable April 18, 2018 to shareholders on record as at April 10, 2018.

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

| (from continuing operations) | Three months ended | | |
|---|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| (in millions of Canadian dollars, except per share data) | | | |
| Income | \$ 110.9 | \$ 120.9 | \$ 107.2 |
| Net income from continuing operations attributable to equity owners of the Company | 21.5 | 17.3 | 9.2 |
| EBITDA ² | 24.9 | 33.1 | 25.7 |
| Adjusted EBITDA ² | 24.9 | 23.1 | 25.7 |
| Diluted earnings per share attributable to equity owners of the Company | 0.27 | 0.21 | 0.11 |
| Adjusted diluted earnings per share attributable to equity owners of the Company ² | 0.14 | 0.11 | 0.11 |
| Free Cash Flow ² | 10.5 | 21.6 | 10.4 |
| Dividends per share | 0.08 | 0.08 | 0.08 |
| Long-term debt | 168.6 | 138.6 | 198.3 |

| (end of period) | Three months ended | | | | |
|---|----------------------|----------------------|--------------------|-----------------|----------------------|
| | February 28, 2018 | November 30, 2017 | August 31, 2017 | May 31, 2017 | February 28, 2017 |
| (in millions of Canadian dollars) | | | | | |
| Mutual fund assets under management (AUM) ³ (including retail pooled funds) | \$ 19,056 | \$ 19,111 | \$ 18,165 | \$ 18,884 | \$ 18,299 |
| Institutional, sub-advisory and ETF accounts AUM | 11,545 | 11,782 | 10,665 | 11,336 | 10,960 |
| Private client AUM | 5,471 | 5,517 | 5,221 | 5,323 | 5,143 |
| Alternative asset management platform AUM ⁴ | 902 | 902 | 902 | 902 | 712 |
| Total AUM, including alternative asset management platform | 36,974 | 37,312 | 34,953 | 36,445 | 35,114 |
| Net mutual fund redemptions ³ | 68 | 139 | 40 | 107 | 119 |
| Average daily mutual fund AUM ³ | 18,675 | 18,220 | 18,239 | 18,579 | 17,875 |

¹ Net sales in retail mutual funds are calculated as reported mutual fund net sales (redemptions) less non-recurring institutional net sales (redemptions) in excess of \$5.0 million invested in our mutual funds.

² EBITDA (earnings before interest, taxes, depreciation and amortization), adjusted EBITDA, adjusted diluted earnings per share and Free Cash Flow are not standardized measures prescribed by IFRS. The Company utilizes non-IFRS measures to assess our overall performance and facilitate a comparison of quarterly and full-year results from period to period. They allow us to assess our investment management business without the impact of non-operational items. These non-IFRS measures may not be comparable with similar measures presented by other companies. These non-IFRS measures and reconciliations to IFRS, where necessary, are included in the Management's Discussion and Analysis available at www.agf.com.

³ Mutual fund AUM includes retail AUM and institutional client AUM invested in customized series offered within mutual funds.

⁴ Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is \$150.0 million, of which \$86.0 million has been funded as at February 28, 2018, which includes \$10.1 million return of capital related to the monetization of its seed assets.

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,' 'estimates,' '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 income, revenues, earnings or growth rates), ongoing business strategies or prospects, fund performance, 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, client-driven asset allocation decisions, pipeline, competitive fee levels for investment management products and administration, and competitive dealer compensation levels and cost efficiency in our investment management operations, as well as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, catastrophic events, and our ability to complete strategic transactions and integrate acquisitions, and attract and retain key personnel. 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 2017 Annual MD&A.

Summary of Quarterly Results

(from continuing operations)

| Three months ended (in million of Canadian dollars, except per share amounts) | Feb. 28, 2018 ¹ | Nov. 30, 2017 ² | Aug. 31, 2017 | May 31, 2017 |
|--|-------------------------------|-------------------------------|-------------------------------|------------------------------|
| Income | \$ 110.9 | \$ 120.9 | \$ 110.3 | \$ 117.1 |
| Expenses ⁶ | 86.0 | 87.8 | 81.7 | 87.9 |
| EBITDA ⁷ | 24.9 | 33.1 | 28.6 | 29.2 |
| Pre-tax income | 14.1 | 19.8 | 15.5 | 16.7 |
| Net income from continuing operations attributable to equity owners of the Company | 21.5 | 17.3 | 12.3 | 13.2 |
| Earnings per share attributable to equity owners of the Company | | | | |
| Basic | \$ 0.27 | \$ 0.22 | \$ 0.16 | \$ 0.17 |
| Diluted | 0.27 | 0.21 | 0.15 | 0.16 |
| Free cash flow ⁷ | 10.5 | 21.6 | 16.4 | 10.4 |
| Dividends per share | 0.08 | 0.08 | 0.08 | 0.08 |
| Long-term debt | 168.6 | 138.6 | 148.5 | 168.4 |
| Weighted average basic shares | 79,616,259 | 79,256,388 | 79,397,164 | 79,359,653 |
| Weighted average fully diluted shares | 81,081,521 | 81,608,744 | 81,276,280 | 80,934,689 |
| Three months ended (in million of Canadian dollars, except per share amounts) | Feb. 28, 2017 | Nov. 30, 2016 ³ | Aug. 31, 2016 ⁴ | May 31, 2016 ⁵ |
| Income | \$ 107.2 | \$ 104.8 | \$ 109.4 | \$ 111.1 |
| Expenses ⁶ | 81.5 | 74.1 | 84.1 | 84.9 |
| EBITDA ⁷ | 25.7 | 30.7 | 25.3 | 26.2 |
| Pre-tax income | 9.8 | 17.6 | 10.3 | 11.8 |
| Net income attributable to equity owners of the Company | 9.2 | 14.6 | 8.2 | 9.6 |
| Earnings per share attributable to equity owners of the Company | | | | |
| Basic | \$ 0.12 | \$ 0.18 | \$ 0.10 | \$ 0.12 |
| Diluted | 0.11 | 0.18 | 0.10 | 0.12 |
| Free cash flow ⁷ | 10.4 | 21.2 | 12.9 | 16.4 |
| Dividends per share | 0.08 | 0.08 | 0.08 | 0.08 |
| Long-term debt | 198.3 | 188.2 | 228.0 | 228.9 |
| Weighted average basic shares | 79,398,426 | 79,117,939 | 79,296,221 | 79,252,324 |
| Weighted average fully diluted shares | 80,615,418 | 80,248,027 | 80,306,141 | 80,097,391 |

¹ February 28, 2018 includes \$10.0 million provision release related to the transfer pricing case.

² November 30, 2017 includes \$10.0 million of income related to a litigation settlement.

³ November 30, 2016 includes \$5.2 million net expense recovery related to a reversal of a provision from prior years related to HST offset by fund transition costs.

⁴ August 31, 2016 includes a \$2.1 million charge in income related to the Company's share of a one-time tax levy for Smith & Williamson Holdings Limited.

⁵ May 31, 2016 includes fund transition costs of \$1.5 million.

⁶ Includes selling, general and administrative (SG&A) expenses, trailing commissions and investment advisory fees.

⁷ See 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section.

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

This Management's Discussion and Analysis (MD&A) is as of March 27, 2018, and presents an analysis of the financial condition of AGF Management Limited (AGF or the Company) and its subsidiaries for the three-month period ended February 28, 2018, compared to the three-month period ended February 28, 2017. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three months ended February 28, 2018 and our 2017 Annual Report. The financial statements for the three months ended February 28, 2018, 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 and facilitate a comparison of quarterly and full-year results from period to period. These non-IFRS measures may not be comparable with similar measures presented by other companies. 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 numbers rounded to the decimals that appear in this MD&A. Results, except per share information, are presented in millions of dollars. Certain totals, subtotals and percentages may not reconcile due to rounding. For purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as 'we,' 'us,' 'our,' 'the firm' or 'the Company.'

There have been no material changes to the information discussed in the following sections of the 2017 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations' and 'Intercompany and Related Party Transactions.'

Our Business and Strategy

Founded in 1957, AGF Management Limited (AGF) is a diversified global asset management firm offering investment solutions to a wide range of clients, from individual investors and financial advisors to institutions, including pension plans, corporate plans, sovereign wealth funds, endowments and foundations. With \$37.0 billion in total assets under management (AUM) as at February 28, 2018, AGF serves more than one million investors. AGF trades on the Toronto Stock Exchange (TSX) under the symbol AGF.B.

AGF holds a 32.3% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the U.K. S&WHL is one of the top 10 largest chartered accountancy firms in the U.K. and its investment management business has over \$35.1 billion (£19.9 billion) of funds under management and advice as at February 28, 2018.

AGF, through its subsidiary AGF CustomerFirst Inc. (AGFC), provides fund administration services to the AGF mutual funds.

As an independent firm, AGF brings a disciplined approach to delivering excellence in investment management and providing an exceptional client experience. Being independent has allowed us to improve our client service experience and enabled us to offer new and innovative products, while enhancing our research capabilities. As a global firm, AGF has investment operations and client servicing teams on the ground in North America, Europe and Asia. We are committed to delivering best-in-class quality of service, consistent and repeatable investment performance that delivers long-term capital growth with downside protection, and innovative products designed to meet the evolving needs of today's investors.

Our Investment Approach

We aim to deliver consistent and repeatable investment performance, targeting 50% of our AUM above median over one year and 60% of our AUM above median over three years. To ensure we meet these targets, our investment approach is defined by three principles: (1) shared intelligence; (2) a measured approach; and (3) active accountability. These principles are the basis of creating a disciplined process that is transparent and repeatable, delivering consistent outcomes for our clients. Our team of over 65 investment professionals work together to form a global perspective, applying research, data and analytics across everything we do to minimize volatility and protect long-term growth. We promote team-based decision making, while maintaining the autonomy required to deliver on distinct investment philosophies. Our teams apply consistent processes designed to deliver repeatable results where active management truly equals active expectations. We have dedicated investment professionals who manage risk metrics across AGF's investment platform. Our AGFiQ investment professionals have over 20 years of factor-based and quantitative investing experience.

Investment Stewardship

AGF is a signatory to the United Nations-supported Principles for Responsible Investment (PRI). We are committed to the principles of good stewardship and responsible investing is a positive differentiator for AGF. We believe integrating Environmental, Social and Governance (ESG) issues into our investment decision-making and ownership practices across platforms will help deliver better investment outcomes to our clients. AGF's ESG Committee has oversight related to corporate governance and responsible investing matters. Portfolio-level ESG investment risk is monitored and reviewed regularly. AGF also has Sustainability Proxy Voting Guidelines to support sustainable business practices.

Our Investment Strategies

As a diversified global asset management firm, we offer individuals and institutions a broad array of investment strategies through four key business platforms as follow:

Fundamental

AGF's fundamental actively-managed platform, with \$25.0 billion in AUM, operates under the AGF brand and includes a broad range of investment strategies, including equities, asset allocation and fixed income. Our equities strategies include global, North American, emerging markets and sustainable investment solutions. Our asset allocation strategy offers managed solutions and balanced funds to investors. AGF's Asset Allocation Committee consists of senior investment professionals who analyze and allocate across global bond and equity markets. They provide an active asset allocation outlook for many of AGF's products, including the AGF Elements Portfolios. AGF also offers investor solutions within resources and precious metals. Fixed income strategy offers both domestic and global solutions.

Quantitative

AGF's quantitative platform, with approximately \$5.6 billion in AUM, operates under the AGFiQ brand. AGFiQ's portfolio and investment management team has extensive experience in quantitative investing and research with a core investment discipline focused on factor-based investing. AGFiQ is grounded in the belief that investment outcomes can be improved by assessing and targeting the factors that drive market returns with the objective to provide better risk-adjusted returns by utilizing a flexible, multi-factor process centred on the principle of viewing risk through multiple lenses. All of its research and analysis is done internally, backed by an investment team with a diverse skill set ranging from scientists to academics to traditional fundamental analysts.

Private Client

AGF's private client platform, with approximately \$5.5 billion in AUM, includes Cypress Capital Management Limited (Cypress), located in Vancouver, Doherty & Associates Ltd. (Doherty), with offices in Ottawa and Montreal, and the private client business of Highstreet Asset Management Inc. (Highstreet), located in London, Ontario. This platform provides solutions for high-net-worth individuals, endowments and foundations in key markets across Canada.

Alternatives Business

AGF's alternative platform, with \$0.9 billion in AUM as at February 28, 2018, includes Stream Asset Financial LP (Stream) and the InstarAGF Essential Infrastructure Fund (EIF). In 2014, AGF established a joint venture with Instar Group Inc. (Instar) to form InstarAGF Inc. (InstarAGF), in which AGF holds a 51% economic interest. InstarAGF, which is an integral element of AGF's alternative business strategy, is an alternative asset management firm with an emphasis on real assets, including essential infrastructure in the North American middle market, with the goal of delivering sustainable and attractive returns to investors. EIF invests in and manages high-quality infrastructure assets in the energy, utilities, civil and social infrastructure categories in Canada and the United States. Stream invests in oil and gas infrastructure assets and structured products linked to oil and gas infrastructure investments. As alternative assets continue to grow in prominence and represent a greater proportion of institutional portfolios, AGF is well positioned to deliver the long-duration, risk-adjusted solutions that institutional, retail and high-net-worth investors are seeking to generate predictable cash flow and meet long-dated liabilities.

Our Distribution Channels

Retail and Strategic Accounts

Our sales teams manage a national integrated distribution strategy including advisor and strategic account relationships via regional sales offices across Canada. AGF's wholesaler teams cover over 35,000 external advisors and 200 investment dealers in support of our retail products. We provide products and services to both the Mutual fund Dealers Association (MFDA) and Insurance Managing General Agent (MGA) advisors, who distribute mutual funds and Investment Industry Regulatory Organization of Canada (IIROC) advisors who offer mutual funds as well as exchange traded investment

solutions. Strategic account relationships are often with the same firms that employ advisors. These firms have centralized groups that approve products that can be offered by advisors and control allocations made to subadvisors, such as AGF, within internal products. We are sustaining net sales by developing new strategic relationships while capitalizing on our existing relationships. We will do this by providing innovative products and solutions around specific needs and delivering consistent and repeatable investment performance. In 2017, we launched our suite of AGFiQ ETFs and continue to expand this offering, with the launch of two additional ETFs in the first quarter of 2018. We are also committed to providing investors and their advisors with choice. Through our fee-based product offerings, we offer a series of our mutual funds that are suitable for wrap accounts, which are fee based series typically used by IIROC advisors, to provide advisors and their clients with the product and pricing options that they require.

Institutional

AGF's institutional sales team covers North America, Europe and Asia. AGF has strong relationships and markets directly to plan sponsors including pension plans, corporate plans, sovereign wealth funds, endowments and foundations. AGF also has a consultant relations program and has earned buy ratings from a number of major firms. Investment consultants act as gatekeepers in the industry, and advise their clients on issues such as asset allocation and manager selection. This constituency is important, as a buy rating from a major consultant can lead to an increased number of request for proposal (RFP) searches, which in turn enhances the chance of winning new business. Our key competencies in global equities are aligned with the increasing appetite for global equity, emerging markets and ESG strategies. We also distribute products managed by our alternatives platform within InstarAGF to North American and international financial institutions and asset managers through this channel.

Our institutional clients have an option to invest in custom series offerings within our mutual fund products reported under our mutual fund AUM category. Net redemptions of such investment totaled \$88.0 million during the first quarter of 2018¹.

Operating Highlights for the First Quarter of 2018

- As at February 28, 2018, 49% (2017 – 44%) of our AUM was above median over one year and 61% (2017 – 37%) of our AUM was above median over three years.
- Mutual fund net redemptions improved 42.9% to \$68.0 million as compared to 2017.
- Net sales in our retail mutual fund business, which excludes non-recurring institutional movements were \$20.0 million in the quarter¹.
- Revenue from continuing operations was \$110.9 million, compared to \$107.2 million in the same period of 2017, reflecting higher AUM levels.
- EBITDA from continuing operations was \$24.9 million, compared to \$25.7 million in 2017.
- We announced the receipt of a tax reassessment from a foreign tax authority in relations to our transfer pricing matter, resulting in the release of \$10.0 million of our transfer pricing tax provision and expected cash refunds of \$16.0 million.
- Adjusted diluted EPS from continuing operations for the three months ended February 28, 2018 was \$0.14 per share, compared to adjusted diluted EPS of \$0.11 per share in 2017.
- We declared dividends of \$0.08 per share for the three months ended February 28, 2018, to be paid on April 18, 2018.
- We expanded in the ETF marketplace with the launch of two new ETF funds traded on the NEO Exchange.
- We announced management fee reductions across several AGF funds.

¹ Net sales in retail mutual funds are calculated as reported mutual fund net sales (redemptions) less non-recurring institutional net sales (redemptions) in excess of \$5.0 million invested in our mutual funds.

Assets Under Management

| (in millions of Canadian dollars) | Three months ended | | | | |
|---|----------------------|----------------------|--------------------|-----------------|----------------------|
| | February 28, 2018 | November 30, 2017 | August 31, 2017 | May 31, 2017 | February 28, 2017 |
| Mutual fund AUM (including retail pooled funds) ¹ , beginning of period | \$ 19,111 | \$ 18,165 | \$ 18,884 | \$ 18,299 | \$ 17,774 |
| Gross sales | 663 | 481 | 516 | 558 | 641 |
| Redemptions | (731) | (620) | (556) | (665) | (760) |
| Net redemptions | (68) | (139) | (40) | (107) | (119) |
| Market appreciation (depreciation) of fund portfolios | \$ 13 | \$ 1,085 | \$ (679) | \$ 692 | \$ 644 |
| Mutual fund AUM (including retail pooled funds) ¹ , end of the period | \$ 19,056 | \$ 19,111 | \$ 18,165 | \$ 18,884 | \$ 18,299 |
| Average daily mutual fund AUM ¹ | \$ 18,675 | \$ 18,220 | \$ 18,239 | \$ 18,579 | \$ 17,875 |
| Institutional, sub-advisory and ETF accounts AUM, beginning of period | \$ 11,782 | \$ 10,665 | \$ 11,336 | \$ 10,960 | \$ 10,810 |
| Net change in institutional, sub-advisory and ETF accounts, including market performance | (237) | 1,117 | (671) | 376 | 150 |
| Institutional, sub-advisory and ETF accounts AUM, end of the period | \$ 11,545 | \$ 11,782 | \$ 10,665 | \$ 11,336 | \$ 10,960 |
| Private client AUM | \$ 5,471 | \$ 5,517 | \$ 5,221 | \$ 5,323 | \$ 5,143 |
| AUM, end of the period | \$ 36,072 | \$ 36,410 | \$ 34,051 | \$ 35,543 | \$ 34,402 |
| Alternative asset management platform AUM ² | \$ 902 | \$ 902 | \$ 902 | \$ 902 | \$ 712 |
| Total AUM, including alternative asset management platform, end of the period | \$ 36,974 | \$ 37,312 | \$ 34,953 | \$ 36,445 | \$ 35,114 |

¹ Mutual fund AUM includes retail AUM and institutional client AUM invested in customized series offered within mutual funds.

² Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is \$150.0 million, of which \$86.0 million has been funded as at February 28, 2018, which includes \$10.1 million return of capital related to the monetization of its seed assets.

Consolidated Operating Results

| (in millions of Canadian dollars, except per share data) | Three months ended | | |
|--|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Income | | | |
| Management, advisory and administration fees | \$ 103.6 | \$ 102.4 | \$ 99.5 |
| Deferred sales charges | 1.6 | 1.6 | 1.8 |
| Share of profit of associate and joint ventures | 4.5 | 3.5 | 3.0 |
| Fair value adjustments and other income | 1.2 | 13.4 | 2.9 |
| | 110.9 | 120.9 | 107.2 |
| Expenses | | | |
| Selling, general and administrative | 53.1 | 56.1 | 50.4 |
| Trailing commissions | 31.8 | 31.2 | 30.4 |
| Investment advisory fees | 1.1 | 0.5 | 0.7 |
| | 86.0 | 87.8 | 81.5 |
| EBITDA from continuing operations¹ | 24.9 | 33.1 | 25.7 |
| Amortization, derecognition and depreciation | 9.5 | 10.6 | 14.3 |
| Interest expense | 1.3 | 2.7 | 1.6 |
| Income before income taxes | 14.1 | 19.8 | 9.8 |
| Income taxes ² | (6.9) | 2.8 | 2.6 |
| Income from continuing operations, net of tax | 21.0 | 17.0 | 7.2 |
| Loss from discontinued operations, net of tax | – | (0.2) | – |
| Net income for the period | 21.0 | 16.8 | 7.2 |
| Net income (loss) attributable to: | | | |
| Equity owners of the Company | \$ 21.5 | \$ 17.1 | \$ 9.2 |
| Non-controlling interest | (0.5) | (0.3) | (2.0) |
| | 21.0 | 16.8 | 7.2 |
| Earnings per share attributable to equity owners of the Company | | | |
| Basic earnings per share | \$ 0.27 | \$ 0.22 | \$ 0.12 |
| Diluted earnings per share | \$ 0.27 | \$ 0.21 | \$ 0.11 |

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.

² Three months ended February 28, 2018 includes \$10.0 million provision release related to the transfer pricing case.

One-time Adjustments

| (in millions of Canadian dollars, except per share data) | Three months ended | | |
|---|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| EBITDA from continuing operations ¹ | \$ 24.9 | \$ 33.1 | \$ 25.7 |
| Add (deduct): | | | |
| One-time litigation settlement | – | (10.0) | – |
| Adjusted EBITDA from continuing operations ¹ | \$ 24.9 | \$ 23.1 | \$ 25.7 |
| Net income from continuing operations attributable to equity owners of the Company | \$ 21.5 | \$ 17.3 | \$ 9.2 |
| Add (deduct): | | | |
| Adjustments to EBITDA from above | – | (10.0) | – |
| One-time net recovery related to transfer pricing provision | (10.0) | – | – |
| Tax impact on the adjustments to EBITDA above | – | 1.3 | – |
| Adjusted net income from continuing operations attributable to equity owners of the Company ¹ | \$ 11.5 | \$ 8.6 | \$ 9.2 |
| Adjusted diluted EPS from continuing operations ¹ | \$ 0.14 | \$ 0.11 | \$ 0.11 |

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

Income

For the three months ended February 28, 2018, income increased by 3.5% over the previous year, with changes in the categories as follows:

Management, Advisory and Administration Fees

Management and advisory fees are directly related to our AUM levels while administration fees are directly related to the number of client accounts and transactions incurred. Management, advisory and administration fees are recognized on an accrual basis. For the three months ended February 28, 2018, management, advisory and administration fees were \$103.6 million compared to \$99.5 million in 2017. The increase relates to a 4.5% increase in average daily mutual fund AUM due to improved net redemptions and market appreciation. These positive effects were partially offset by a declining revenue rate resulting from a trend towards lower fee earning AUM.

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 revenue was \$1.6 million for the three months ended February 28, 2018, compared to \$1.8 million for the same period in 2017, reflecting lower redemption levels.

Share of Profit of Associate and Joint Ventures

Share of profit of associate and joint ventures includes earnings from S&WHL as well as our ownership interest in infrastructure joint ventures. These investments are accounted for under the equity method. Share of profit of associates and joint ventures was \$4.5 million for the three months ended February 28, 2018, compared to \$3.0 million during the same period in 2017.

For the three months ended February 28, 2018, earnings from our 32.3% ownership in S&WHL increased to \$4.4 million (2017 – \$2.9 million) due to improved results compared to the same period prior year and an increase of the British pound.

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

For the three months ended February 28, 2018, earnings related to our ownership in the joint ventures that manage our infrastructure funds was \$0.1 million (2017 – \$0.1 million). Earnings from joint ventures depends on the level of fee-earning commitments, invested capital and its expense levels. For additional information, see Note 5(b) of the Condensed Consolidated Interim Financial Statements.

A breakdown of the share of profit of associate and joint ventures is as follows:

| (in millions of Canadian dollars) | Three months ended | | |
|--|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Share of profit of S&WHL | \$ 4.4 | \$ 3.4 | \$ 2.9 |
| Share of profit of joint ventures ¹ | 0.1 | 0.1 | 0.1 |
| | \$ 4.5 | \$ 3.5 | \$ 3.0 |

¹ Excludes the Company's portion of the estimated carried interest to be distributed to AGF on crystallization.

Fair Value Adjustments and Other Income

Fair value adjustments and other income include mark to market adjustments related to AGF mutual funds that are held as seed capital investments and fair value adjustments and distributions associated with our long-term investments. Long-term investments include investments in Stream and EIF, which are accounted for at fair value through profit or loss. During the three months ended February 28, 2018, we recorded \$0.7 million (2017 – \$1.7 million) as fair value adjustments and income distributions related to our economic interest in the investments in our alternative asset management platform. The amounts recorded as income fluctuate primarily with the amount of capital invested and changes in fair value. Upon final close of the EIF fund in the third quarter of 2017, our proportionate share in EIF was rebalanced to 13.5% from 19.2% as at February 28, 2017, resulting in lower fair value adjustment and distributions related to our long-term investments.

| (in millions of Canadian dollars) | Three months ended | | |
|--|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Fair value adjustment related to investment in AGF mutual funds | \$ – | \$ 0.5 | \$ 0.9 |
| Fair value adjustment and distributions related to long-term investments | 0.7 | 1.2 | 1.7 |
| Interest income | 0.1 | 0.1 | 0.1 |
| Other ¹ | 0.4 | 11.6 | 0.2 |
| | \$ 1.2 | \$ 13.4 | \$ 2.9 |

¹ Three months ended November 30, 2017 includes \$10.0 million related to a one-time litigation settlement.

Expenses

For the three months ended February 28, 2018, expenses increased 5.5% from the same period in 2017. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A increased by \$2.7 million or 5.4% for the three months ended February 28, 2018, compared to the same period in 2017.

A breakdown of the increase is as follows:

| (in millions of Canadian dollars) | Three months ended February 28, 2018 |
|---|---|
| Increase in compensation expenses | \$ 0.8 |
| Increase in information technology and facilities costs | 0.8 |
| Increase in other expenses | 0.3 |
| SG&A increase excluding non-recurring compensation | \$ 1.9 |
| Increase in non-recurring compensation costs | 0.8 |
| Total change in SG&A | \$ 2.7 |

The following explains expense changes in the three months ended February 28, 2018, compared to the same period in the prior year:

- Salaries and benefits increased \$0.8 million primarily due to increase performance-based compensation related to higher sales.
- Information technology and facilities increased \$0.8 million due to timing of expenditures, compared to the same period in 2017 and higher spend related to market data costs.
- Non-recurring compensation cost related to severance was \$0.8 million higher compared to the same period in 2017.

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 mutual fund AUM was 0.68% for the three months ended February 28, 2018, compared to 0.68% for the same period in 2017.

EBITDA and EBITDA Margin (Non-IFRS Measures)

EBITDA from continuing operations was \$24.9 million for the three months ended February 28, 2018, compared to \$25.7 million for the same period of 2017. EBITDA margin was 22.5% for the three months ended February 28, 2018, compared to 24.0% in the corresponding period in 2017.

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 \$8.3 million for the three months ended February 28, 2018, compared to \$8.5 million for the same period in 2017. During the three months ended February 28, 2018, we paid \$10.3 million in selling commissions, compared to \$8.0 million in the same period of 2017. As at February 28, 2018, the unamortized balance of deferred selling commissions financed was \$92.9 million (November 30, 2017 – \$91.0 million).

Customer contracts amortization and derecognition decreased \$3.4 million for the three months ended February 28, 2018, compared to the same period in 2017, reflecting higher redemptions in 2017. Customer contracts are immediately expensed upon redemption of the AUM.

Other intangibles amortization and derecognition decreased \$1.2 million for the three months ended February 28, 2018, compared to the same period in 2017, as a result of a lower carrying value.

Depreciation decreased \$0.1 million for the three months ended February 28, 2018, compared to the same period in 2017, as a result of a lower cost base.

Interest expense decreased \$0.3 million for the three months ended February 28, 2018, compared to the same period in 2017, as a result of lower average debt levels. During the three months ended November 30, 2017, \$1.3 million representing interest on certain tax provisions was reallocated from income taxes.

Income Tax Expense

Income tax expense for the three months ended February 28, 2018 was a recovery of \$6.9 million, as compared to \$2.6 million of expense in the corresponding period in 2017. The estimated effective tax rate for the three months ended February 28, 2018 was a recovery of 48.7% (2017 – expense of 26.4%). During the three months ended February 28, 2018, the Company recorded a tax contingencies recovery of \$10.0 million (2017 – expense of \$0.4 million) with the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies, the estimated effective tax rate for the three months ended February 28, 2018 was 22.2% (2017 – 22.3%).

There are certain claims and potential claims against the Company. None of these claims or potential claims are expected to have a material adverse effect on the consolidated financial position of the Company.

The Company 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.

The Company has several ongoing disputes with the CRA, of which 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 determining the amounts of its income tax assets and liabilities.

(a) CRA Audit – Transfer Pricing

As previously disclosed in the 2017 Annual Consolidated Financial Statements, the CRA reassessed the Company for additional income as a result of its transfer pricing audit of the Company's 2005 to 2010 taxation years. The Company objected to those reassessments. As well, the Company was accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between CRA and the tax authority in the foreign jurisdiction to establish the appropriate transfer pricing methodologies for the tax years 2011 through 2016.

On November 2, 2017, the Company reached a settlement with the CRA and the applicable tax authority in the relevant foreign jurisdiction, subject to uncertainties in implementing the settlements. The settlements related to the allocation of income for tax purposes between one of the Company's Canadian legal entities and a foreign subsidiary relating to the 2005 to 2016 taxation years. Taxation years prior to 2005 are statute barred with the CRA.

Under the settlements, the Company accepted the agreements between the CRA and the tax authority in the foreign jurisdiction (i) under the Mutual Agreement Procedure under the relevant tax treaty for the Company's 2005 to 2010 taxation years and (ii) for a Bilateral Advance Pricing Arrangement for the Company's 2011 to 2016 taxation years. As a result of these agreements, the Company is required to pay as reassessments reflecting the agreements are received. During the three months ended February 28, 2018, the Company received such reassessments from the CRA for certain years under the above settlements and has paid \$10.0 million in relation to these received reassessments. Subject to the implementation of the settlements, the \$10.0 million paid will be refunded and the Company may be able to recover additional amounts from the CRA.

Subsequent to February 28, 2018, one of the uncertainties was resolved as the Company received the reassessments from the tax authority in the foreign jurisdiction. The reassessments reduce the taxes of a foreign subsidiary; as a result, the Company expects to receive cash refunds of approximately \$16.0 million from the foreign tax authority and released \$10.0 million from its transfer pricing provision. The provision release is net of contingencies for uncertainty related to the implementation of the settlements.

The amount of tax provision recorded on the interim consolidated statement of financial position as at February 28, 2018 incorporates management's views on the level of uncertainty over ultimate settlement, and includes related interest and penalties for the 2005 to 2016 fiscal years.

(b) CRA Audit – Acquisition of Tax-related Benefits

In July 2015, the Company received a notice of reassessment (NOR) from the CRA denying \$30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by \$10.9 million (before the application of interest and penalties of \$9.7 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid \$13.5 million (including interest and penalties) during the year ended November 30, 2015 and

\$0.1 million during the year ended November 30, 2017, which was recorded as income tax receivable on the consolidated statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

Net Income

The impact of the above income and expense items resulted in net income from continuing operations attributable to the equity owners of the Company of \$21.5 million for the three months ended February 28, 2018 as compared to net income from continuing operations attributable to the equity owners of the Company of \$9.2 million in the corresponding period in 2017. Adjusting for the one-time \$10.0 million tax provision release that occurred during the three months ended February 28, 2018, adjusted net income from continuing operations attributable to the equity owners of the Company was \$11.5 million.

Earnings per Share

Diluted earnings per share from continuing operations was \$0.27 per share for the three months ended February 28, 2018, as compared to earnings of \$0.11 per share in the corresponding period of 2017. Adjusted diluted earnings per share from continuing operations was \$0.14 per share for the three months ended February 28, 2018, as compared to earnings of \$0.11 per share in the corresponding period of 2017.

Liquidity and Capital Resources

As at February 28, 2018, the Company had total cash and cash equivalents of \$22.9 million (November 30, 2017 – \$25.8 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated from continuing operating activities was \$10.5 million for the three months ended February 28, 2018, compared to \$10.4 million in the comparative prior period. During the three months ended February 28, 2018, we used \$3.0 million (2017 – \$16.7 million) in cash as follows:

| (in millions of Canadian dollars) | | |
|---|-------------------|-------------------|
| Three months ended | February 28, 2018 | February 28, 2017 |
| Net cash used in operating activities less amounts paid to CRA in relation to ongoing tax matters | \$ (17.1) | \$ (24.5) |
| Paid to CRA in relation to transfer pricing settlement process | (10.0) | – |
| Purchase of treasury stock for employee benefit trust (EBT) | (1.0) | – |
| Dividends paid | (6.3) | (6.3) |
| Return of capital, net of investments, in the alternative asset management platform | – | 3.0 |
| Issuance of long-term debt | 30.0 | 10.0 |
| Net proceeds from sale of short-term investments | 2.0 | 3.1 |
| Interest paid | (1.1) | (1.4) |
| Other | 0.5 | (0.6) |
| Change in cash and cash equivalents | \$ (3.0) | \$ (16.7) |

The Company's working capital increased \$40.4 million for the three months ended February 28, 2018, primarily due to the settlement of annual compensation liabilities. During the quarter, we borrowed \$30.0 million under our revolving credit facility.

Total long-term debt outstanding at February 28, 2018 was \$168.6 million (November 30, 2017 – \$138.6 million). The Company's revolving credit facility has a maximum aggregate principal amount of \$320.0 million and includes a \$10.0 million swingline facility commitment. As at February 28, 2018, \$144.9 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, fund our alternative asset management platform commitments, 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, while ensuring there is available capital to fund our capital commitments related to the alternative asset management platform.

As part of our ongoing strategic and capital planning, the Company regularly reviews its holdings in short- and long-term investments, including its investments in associates and joint ventures, to determine the best strategic use of these assets in order to achieve our long-term capital and strategic goals.

AGF capital consists of shareholders' equity and long-term debt. The Company reviews its three-year capital plan annually while detailing projected operating budgets and capital requirements. AGF is required to submit this plan to AGF's Executive Management Committee for approval prior to seeking Board approval. AGF's Executive Management Committee consists of the Chairman and CEO, the Vice-Chairman, Senior Vice-President and CFO, the Executive Vice-President and Chief Operating Officer, and the President and CIO. Once approved by the Executive Management Committee, the three-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B Non-Voting shares and, combined with the reasonable use of leverage, the source of funds for expansion through organic growth and strategic investments.

Normal Course Issuer Bid

On February 2, 2018, AGF announced that the TSX had approved AGF's notice of intention to renew its normal course issuer bid (NCIB) in respect of its Class B Non-Voting shares. Purchase for cancellation by AGF of outstanding Class B Non-Voting shares may also be used to offset the dilutive effect of treasury stock released for the employee benefit trust and of shares issued through the Company's stock option plans and dividend reinvestment plan. 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 NCIB, 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 for amounts as follows:

- Between February 6, 2018 and February 5, 2019, up to 6,124,051 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); and
- Between February 6, 2017 and February 5, 2018, up to 4,899,168 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).

During the three months ended February 28, 2018 and 2017, AGF did not repurchase shares for cancellation under its NCIB.

During the three months ended February 28, 2018, under its NCIB, AGF purchased 147,432 (2017 – nil) Class B Non-Voting shares for the employee benefit trust for a total consideration of \$1.0 million (2017 – nil) at an average price of \$6.98 (2017 – nil) per share.

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 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 | 2018 ¹ | 2017 | 2016 | 2015 | 2014 |
|-------------------------|-------------------|---------|---------|---------|---------|
| Per share | \$ 0.16 | \$ 0.32 | \$ 0.32 | \$ 0.51 | \$ 1.08 |

¹ Represents the total dividends paid in January 2018 and to be paid in April 2018.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on January 16, 2018 was \$0.08 per share.

On March 27, 2018, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of \$0.08 per share in respect of the three months ended February 28, 2018.

Outstanding Share Data

Set out below is our outstanding share data as at February 28, 2018 and February 28, 2017. For additional detail, see Notes 7 and 11 of the Condensed Consolidated Interim Financial Statements.

| | February 28, 2018 | February 28, 2017 |
|------------------------------|-------------------|-------------------|
| Shares | | |
| Class A Voting common shares | 57,600 | 57,600 |
| Class B Non-Voting shares | 79,628,627 | 79,374,531 |
| Stock Options | | |
| Outstanding options | 7,737,910 | 7,814,241 |
| Exercisable options | 4,483,841 | 3,784,691 |

Key Performance Indicators, Additional IFRS and Non-IFRS Measures

We measure the success of our business strategies using a number of key performance indicators (KPI), which are outlined below. With the exception of income, the following KPIs are non-IFRS measures, which are not defined under IFRS. They should not be considered as an alternative to or comparable with net income attributable to equity owners of the Company or any other measure of performance under IFRS. Non-IFRS measures may not be comparable with similar measures presented by other companies.

Income

Income is a measurement defined by IFRS and is recorded net of fee rebates. Income is indicative of our potential to deliver cash flow.

We derive our income principally from a combination of:

- Management and advisory fees directly related to AUM from our retail, institutional and private client lines of businesses,
- Fund administration fees based on the number of client accounts and transactions incurred,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 32.3% equity interest in S&WHL, and
- General partnership interest and long-term investments in the alternative asset management platform.

EBITDA and Adjusted EBITDA

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

The following table outlines how our EBITDA measures are determined:

| (in millions of Canadian dollars) | Three months ended | | |
|--|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Net income for the period from continuing operations | \$ 21.0 | \$ 17.0 | \$ 7.2 |
| Adjustments: | | | |
| Amortization, derecognition and depreciation | 9.5 | 10.6 | 14.3 |
| Interest expense | 1.3 | 2.7 | 1.6 |
| Income taxes ¹ | (6.9) | 2.8 | 2.6 |
| EBITDA from continuing operations | \$ 24.9 | \$ 33.1 | \$ 25.7 |
| Other one-time adjustments: | | | |
| One-time litigation settlements | – | (10.0) | – |
| Adjusted EBITDA from continuing operations | \$ 24.9 | \$ 23.1 | \$ 25.7 |

¹ Three months ended February 28, 2018 includes a \$10.0 million provision release related to the transfer pricing case.

Free Cash Flow

Free cash flow represents cash available for distribution to our shareholders, share buybacks, investment in our alternative asset management platform and general corporate purposes. We define free cash flow as cash flow from operations before net changes in non-cash balances related to operations less interest paid and adjusted for certain tax items outlined below. We believe free cash flow is a relevant measure in our operations since a substantial amount of cash is spent on upfront deferred sales commission payments.

| (in millions of Canadian dollars) | Three months ended | | |
|--|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Net income | \$ 21.0 | \$ 16.8 | \$ 7.2 |
| Adjusted for non-cash items and non-cash working capital balances | (48.1) | 13.1 | (31.7) |
| Net cash provided by (used in) continuing operating activities | \$ (27.1) | \$ 29.9 | \$ (24.5) |
| Adjusted for: | | | |
| Net changes in non-cash working capital balances related to operations | 26.4 | (5.6) | 27.7 |
| Taxes paid related to transfer pricing audit and other tax contingencies | 10.0 | – | – |
| Interest paid | (1.1) | (1.5) | (1.4) |
| Prior years' cash taxes paid (refunded) and anticipated cash taxes to be refunded (paid) related to the current year continuing operations | 2.3 | (1.2) | 8.6 |
| Free cash flow | \$ 10.5 | \$ 21.6 | \$ 10.4 |

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our overall operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of income. We define EBITDA margin as the ratio of EBITDA from continuing operations to income. Please see the EBITDA section of this MD&A for a reconciliation between EBITDA and net income.

| (in millions of Canadian dollars) | Three months ended | | |
|-----------------------------------|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| EBITDA from continuing operations | \$ 24.9 | \$ 33.1 | \$ 25.7 |
| Divided by income | 110.9 | 120.9 | 107.2 |
| EBITDA margin | 22.5% | 27.4% | 24.0% |

Adjusted EBITDA Margin

We define adjusted EBITDA margin as the ratio of adjusted EBITDA from continuing operations to income. Please see the EBITDA and Adjusted EBITDA section of this MD&A for a reconciliation between adjusted EBITDA and net income.

| (in millions of Canadian dollars) | Three months ended | | |
|--|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Adjusted EBITDA from continuing operations | \$ 24.9 | \$ 23.1 | \$ 25.7 |
| Divided by adjusted income | 110.9 | 110.9 | 107.2 |
| Adjusted EBITDA margin | 22.5% | 20.8% | 24.0% |

Net Debt to EBITDA Ratio

Net debt to EBITDA ratio provides useful information to management and investors as an indicator of its leverage capabilities. We define the net debt to EBITDA ratio as long-term debt offset against cash and cash equivalents at the end of the period divided by the 12-month trailing EBITDA from continuing operations for the period.

| (in millions of Canadian dollars) | Three months ended | | |
|---------------------------------------|----------------------|----------------------|----------------------|
| | February 28, 2018 | November 30, 2017 | February 28, 2017 |
| Net debt | \$ 145.7 | \$ 112.8 | \$ 171.9 |
| Divided by EBITDA (12-month trailing) | 115.8 | 116.6 | 107.9 |
| Net debt to EBITDA ratio | 125.8% | 96.7% | 159.3% |

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, private client relationships and alternative asset management platform. AUM will fluctuate in value as a result of investment performance, sales and redemptions and crystallization of long-term investments. 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 our 2017 Annual MD&A.

Net Sales (Redemptions)

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

Market Capitalization

AGF's market capitalization is \$549.4 million as compared to its recorded net assets of \$952.2 million as at February 28, 2018. In 2017, we completed an assessment to determine the fair value of AGF's cash-generating units (CGUs). Based on the result of the assessment, the recoverable amount of each CGU exceeded its carrying value as at November 30, 2017. There have been no significant changes to the recoverable amount of each CGU as at February 28, 2018. Estimating the fair value of CGUs is a subjective process that involves the use of estimates and judgements, particularly related to cash flows, the appropriate discount rates, terminal growth rates, synergy inclusion rates and an applicable control premium.

Managing Risk

AGF is subject to a number of risk factors that may impact our operating and financial performance. These risks and the management of these risks are detailed in our 2017 Annual MD&A in the section entitled 'Risk Factors and Management of Risk.' The Company has not identified any material changes to the risk factors affecting its business or in the management of these risks.

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes in AGF's internal controls during the three months ended February 28, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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 months ended February 28, 2018, the Company's 2017 Annual Information Form (AIF) and Annual Report, 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 months ended February 28, 2018 and 2017



AGF Management Limited
Consolidated Interim Statement of Financial Position

| (unaudited) (in thousands of Canadian dollars) | Note | February 28, 2018 | November 30, 2017 |
|---|--------|----------------------|----------------------|
| Assets | | | |
| Current Assets | | | |
| Cash and cash equivalents | | \$ 22,867 | \$ 25,842 |
| Investments | 4 | 16,590 | 18,551 |
| Accounts receivable, prepaid expenses and other assets | | 49,138 | 47,549 |
| Income tax receivable | 12, 17 | 15,780 | – |
| | | 104,375 | 91,942 |
| Investment in associate and joint ventures | 5 | 108,291 | 104,642 |
| Long-term investments | 5 | 75,513 | 75,362 |
| Management contracts | | 689,759 | 689,759 |
| Customer contracts, net of accumulated amortization and derecognition | | 1,290 | 1,520 |
| Goodwill | | 250,830 | 250,830 |
| Other intangibles, net of accumulated amortization and derecognition | | 1,001 | 1,085 |
| Deferred selling commissions, net of accumulated amortization and derecognition | | 92,931 | 90,963 |
| Property, equipment and computer software, net of accumulated depreciation | | 10,905 | 11,141 |
| Deferred income tax assets | | 1,356 | 2,622 |
| Income tax receivable | 12, 17 | 13,610 | 13,610 |
| Total assets | | \$ 1,349,861 | \$ 1,333,476 |
| Liabilities | | | |
| Current Liabilities | | | |
| Accounts payable and accrued liabilities | 11 | \$ 48,980 | \$ 69,995 |
| Income tax liability | 12, 17 | – | 6,680 |
| Provision for Elements Advantage | | 1,192 | 1,317 |
| | | 50,172 | 77,992 |
| Long-term debt | 6 | 168,576 | 138,612 |
| Deferred income tax liabilities | | 170,837 | 171,077 |
| Provision for Elements Advantage | | 838 | 921 |
| Other long-term liabilities | 11 | 7,253 | 10,655 |
| Total liabilities | | 397,676 | 399,257 |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Capital stock | 7 | 482,968 | 478,883 |
| Contributed surplus | 11 | 37,825 | 40,453 |
| Retained earnings | | 420,421 | 405,345 |
| Accumulated other comprehensive income | 8 | 14,062 | 12,076 |
| | | 955,276 | 936,757 |
| Non-controlling interest | | (3,091) | (2,538) |
| Total equity | | 952,185 | 934,219 |
| Total liabilities and equity | | \$ 1,349,861 | \$ 1,333,476 |

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

AGF Management Limited
Consolidated Interim Statement of Income

| (unaudited) | | Three months ended | |
|---|------|----------------------|----------------------|
| (in thousands of Canadian dollars, except per share data) | Note | February 28, 2018 | February 28, 2017 |
| Income | | | |
| Management, advisory and administration fees | | \$ 103,592 | \$ 99,507 |
| Deferred sales charges | | 1,642 | 1,777 |
| Share of profit of associate and joint ventures | 5 | 4,510 | 2,983 |
| Fair value adjustments and other income | 5, 9 | 1,168 | 2,930 |
| Total income | | 110,912 | 107,197 |
| Expenses | | | |
| Selling, general and administrative | 10 | 53,109 | 50,376 |
| Trailing commissions | | 31,797 | 30,432 |
| Investment advisory fees | | 1,083 | 678 |
| Amortization and derecognition of deferred selling commissions | | 8,284 | 8,500 |
| Amortization and derecognition of customer contracts | | 230 | 3,604 |
| Amortization and derecognition of other intangibles | | 84 | 1,236 |
| Depreciation of property, equipment and computer software | | 877 | 977 |
| Interest expense | | 1,346 | 1,643 |
| | | 96,810 | 97,446 |
| Income before income taxes | | 14,102 | 9,751 |
| Income tax expense (benefit) | | | |
| Current | 12 | (7,715) | 2,574 |
| Deferred | 12 | 846 | – |
| | | (6,869) | 2,574 |
| Net income for the period | | \$ 20,971 | \$ 7,177 |
| Net income (loss) attributable to: | | | |
| Equity owners of the Company | | \$ 21,524 | \$ 9,247 |
| Non-controlling interest | | (553) | (2,070) |
| | | \$ 20,971 | \$ 7,177 |
| Earnings per share for the period attributable to equity owners of the Company | | | |
| Basic earnings per share | 13 | \$ 0.27 | \$ 0.12 |
| Diluted earnings per share | 13 | \$ 0.27 | \$ 0.11 |

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

AGF Management Limited
Consolidated Interim Statement of Comprehensive Income

| (unaudited) (in thousands of Canadian dollars) | Three months ended | |
|---|----------------------|----------------------|
| | February 28, 2018 | February 28, 2017 |
| Net income for the period | \$ 20,971 | \$ 7,177 |
| Other comprehensive income (loss), net of tax | | |
| Cumulative translation adjustment | | |
| Foreign currency translation adjustments related to net investments in foreign operations | 1,647 | (1,575) |
| | 1,647 | (1,575) |
| Net unrealized and realized gains (losses) on investments | | |
| Unrealized gains | 339 | 946 |
| Total other comprehensive income (loss), net of tax | \$ 1,986 | \$ (629) |
| Comprehensive income | \$ 22,957 | \$ 6,548 |
| Comprehensive income (loss) attributable to: | | |
| Equity owners of the Company | \$ 23,510 | \$ 8,618 |
| Non-controlling interest | (553) | (2,070) |
| Net comprehensive income | \$ 22,957 | \$ 6,548 |

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

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

AGF Management Limited
Consolidated Interim Statement of Changes in Equity

| (unaudited) | | | | | | | |
|---|------------------|------------------------|----------------------|---|--|---------------------------------|--------------|
| (in thousands of Canadian dollars) | Capital stock | Contributed surplus | Retained earnings | Accumulated other comprehensive income | Attributable to equity owners of the Company | Non- controlling interest | Total equity |
| Balance, December 1, 2016 | \$ 477,290 | \$ 40,591 | \$ 379,202 | \$ 9,856 | \$ 906,939 | \$ 1,129 | \$ 908,068 |
| Net income (loss) for the period | – | – | 9,247 | – | 9,247 | (2,070) | 7,177 |
| Other comprehensive loss (net of tax) | – | – | – | (629) | (629) | – | (629) |
| Comprehensive income (loss) for the period | – | – | 9,247 | (629) | 8,618 | (2,070) | 6,548 |
| Issued through dividend reinvestment plan | 83 | – | – | – | 83 | – | 83 |
| Stock options | – | 442 | – | – | 442 | – | 442 |
| Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of \$0.1 million | – | – | (6,436) | – | (6,436) | – | (6,436) |
| Equity-settled Restricted Share Units and Partner Points, net of tax | – | (3,648) | – | – | (3,648) | – | (3,648) |
| Treasury stock released | 4,291 | – | – | – | 4,291 | – | 4,291 |
| Balance, February 28, 2017 | \$ 481,664 | \$ 37,385 | \$ 382,013 | \$ 9,227 | \$ 910,289 | \$ (941) | \$ 909,348 |
| Balance, December 1, 2017 | \$ 478,883 | \$ 40,453 | \$ 405,345 | \$ 12,076 | \$ 936,757 | \$ (2,538) | \$ 934,219 |
| Net income (loss) for the period | – | – | 21,524 | – | 21,524 | (553) | 20,971 |
| Other comprehensive income (net of tax) | – | – | – | 1,986 | 1,986 | – | 1,986 |
| Comprehensive income (loss) for the period | – | – | 21,524 | 1,986 | 23,510 | (553) | 22,957 |
| Issued through dividend reinvestment plan | 79 | – | – | – | 79 | – | 79 |
| Stock options | 1,417 | 227 | – | – | 1,644 | – | 1,644 |
| Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of \$0.1 million | – | – | (6,448) | – | (6,448) | – | (6,448) |
| Equity-settled Restricted Share Units and Partner Points, net of tax | – | (2,855) | – | – | (2,855) | – | (2,855) |
| Treasury stock purchased | (1,015) | – | – | – | (1,015) | – | (1,015) |
| Treasury stock released | 3,604 | – | – | – | 3,604 | – | 3,604 |
| Balance, February 28, 2018 | \$ 482,968 | \$ 37,825 | \$ 420,421 | \$ 14,062 | \$ 955,276 | \$ (3,091) | \$ 952,185 |

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

AGF Management Limited
Consolidated Interim Statement of Cash Flow

| (unaudited) | Three months ended | | |
|---|--------------------|----------------------|----------------------|
| (in thousands of Canadian dollars) | Note | February 28, 2018 | February 28, 2017 |
| Operating Activities | | | |
| Net income for the period | | \$ 20,971 | \$ 7,177 |
| Adjustments for | | | |
| Amortization, derecognition and depreciation | | 9,475 | 14,317 |
| Interest expense | | 1,346 | 1,643 |
| Income tax expense | 12 | (6,869) | 2,574 |
| Income taxes paid | | (14,820) | (10,882) |
| Stock-based compensation | 11 | 1,046 | 1,443 |
| Share of profit of associate and joint ventures | 5 | (4,510) | (2,983) |
| Distributions from associate | 5 | 2,882 | – |
| Deferred selling commissions paid | | (10,252) | (7,954) |
| Fair value adjustment on long-term investments | 5 | 135 | (362) |
| Net realized and unrealized gain on short-term investments | | (6) | (873) |
| Other | | (170) | (985) |
| | | (772) | 3,115 |
| Net change in non-cash working capital balances related to operations | | | |
| Accounts receivable and other current assets | | (1,641) | 4,728 |
| Accounts payable and accrued liabilities | | (21,843) | (32,454) |
| Other liabilities | | (2,881) | 72 |
| | | (26,365) | (27,654) |
| Net cash used in operating activities | | (27,137) | (24,539) |
| Financing Activities | | | |
| Issue of Class B Non-Voting shares | 7 | 1,416 | – |
| Purchase of treasury stock | 7 | (1,015) | – |
| Dividends paid | 14 | (6,288) | (6,271) |
| Issuance of long-term debt | 6 | 30,000 | 10,000 |
| Interest paid | | (1,051) | (1,360) |
| Net cash provided by financing activities | | 23,062 | 2,369 |
| Investing Activities | | | |
| Purchase of long-term investments | 5 | (286) | (3,094) |
| Return of capital from long-term investments | 5 | – | 6,083 |
| Purchase of property, equipment and computer software, net of disposals | | (642) | (622) |
| Purchase of short-term investments | 4 | (622) | (1,237) |
| Proceeds from sale of short-term investments | 4 | 2,650 | 4,344 |
| Net cash provided by investing activities | | 1,100 | 5,474 |
| Decrease in cash and cash equivalents | | (2,975) | (16,696) |
| Balance of cash and cash equivalents, beginning of the period | | 25,842 | 43,065 |
| Balance of cash and cash equivalents, end of the period | | \$ 22,867 | \$ 26,369 |

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

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2018 and February 28, 2017 (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, factor-based exchange-traded funds (ETF), institutions and corporations, as well as high-net-worth clients. The Company conducts the management and distribution of mutual funds and ETFs in Canada under the brand names AGF, Elements, Harmony and AGFIQ Asset Management (AGFIQ), (collectively, AGF Investments). The Company's wholly owned subsidiary AGF CustomerFirst Inc. (AGFC) provides fund administration services to the AGF mutual funds. The Company also holds a controlling interest in FFCM, LLC (FFCM) and investments in an associate, Smith & Williamson Holdings Limited (S&WHL), and in joint ventures InstarAGF Inc. (InstarAGF), Stream Asset Financial Management LP (SAFM LP) and Stream Asset Financial LP (Stream).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 27, 2018.

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, 2017. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2017, 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, effective December 1, 2017. These changes were adopted in accordance with the application transitional provisions of each new or revised standard.

Amendment to IAS 12, *Recognition of Deferred Tax Assets for Unrealized Losses*, on deferred income taxes assets. This amendment clarifies the accounting for recognizing deferred income tax assets on unrealized losses and other aspects of the accounting for deferred income tax assets. There was no significant impact on the Company's financial statements as a result of the adoption of the amended standard.

Amendments to IAS 7, *Statement of Cash Flow*. This amendment is part of the IASB's Disclosure Initiative to provide disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. There was no impact on the Company's financial statements as a result of the adoption of the amended standard.

The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

3.2 Accounting Standards Issued but Not Yet Applied

Certain new accounting standards and interpretations have been published that are not mandatory for the February 28, 2018 interim reporting period and have not been early adopted by the Company. The Company is currently evaluating the impact of the following new standards will have on its financial statements.

In July 2014, the IASB issued the final version of IFRS 9 that replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In addition, the IASB introduced a new impairment model. The standard provides a single, principle-based approach for determining the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. The impairment model will be an expected credit loss model,

which will apply to all financial instruments and require more timely recognition of expected credit losses. IFRS 9 is effective for financial years commencing on or after January 1, 2018. Early adoption is permitted. Retrospective application is required, but providing comparative information is not compulsory. The Company is in the process of assessing the impact of IFRS 9 and will adopt the new standards on December 1, 2018.

IFRS 15 was issued by the IASB in May 2014 and will replace IAS 18, which covers contracts for goods and services, and IAS 11, which covers construction contracts. The new standard is based on the principle that revenue is recognized at an expected amount of consideration in exchange for transferring promised goods or services to a customer. In April 2016, the IASB issued amendments to IFRS 15 to address several implementation issues discussed by the Joint Transition Resource Group for Revenue Recognition. IFRS 15 is effective for financial years commencing on or after January 1, 2018. Early adoption is permitted. The standard permits a modified retrospective approach for the adoption. Under this approach, entities will recognize transitional adjustments in retained earnings on the date of initial application without restating the comparative financial period. Otherwise, a full retrospective approach must be applied. The Company established a working group to assess the impact of the adoption of IFRS 15 and will adopt the new standard on December 1, 2018. The working group is in the process of reviewing customer contracts with a specific focus on assessing the impact the adoption will have on the recognition of certain revenue streams, including those with an element of variable considerations, for example, fee waivers and reimbursements, and carried interest, as well as the impact the adoption will have on the accounting for DSCs. In addition, the working group is assessing the principal versus agent considerations as they relates to the sub-advisory relationships and reimbursements made to the funds.

IFRS 16 was issued by the IASB in January 2016 and will replace IAS 17. The standard requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for most lease contracts. The standard includes two recognition exemptions for lessees having leases of 'low-value' assets and short-term leases with lease term of 12 months or less. IFRS 16 is effective for financial years commencing on or after January 1, 2019. Early adoption is permitted, but only in conjunction with IFRS 15. The standard permits a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application. The Company is in the process of assessing the impact of IFRS 16 and has not yet determined when it will adopt the new standard.

The IASB issued amendments to IFRS 2 *Share-based Payment* that address the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for financial years commencing on or after January 1, 2018. The amendments are applied prospectively, but retrospective application is permitted if certain criteria are met. Early adoption is permitted. The Company is analyzing the amendments to determine their impact on its consolidated financial statements and will adopt the new standard on December 1, 2018.

The IASB issued IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments in June 2017. IFRIC 23 clarifies application of recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments, including whether an entity considers uncertain tax treatments separately; the assumptions an entity makes about the examination of tax treatments by taxation authorities; how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and how an entity considers changes in facts and circumstances. The interpretation is applicable for financial years commencing on or after January 1, 2019. The Company is analyzing the interpretation to determine the impact on its consolidated financial statements.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

Note 4: Investments

The following table presents a breakdown of investments:

| (in thousands of Canadian dollars) | February 28, 2018 | November 30, 2017 |
|-------------------------------------|----------------------|----------------------|
| Fair value through profit or loss | | |
| AGF mutual funds and other | \$ 11,758 | \$ 13,725 |
| | 11,758 | 13,725 |
| Available for sale | | |
| Equity securities and term deposits | 4,523 | 4,516 |
| Loans and receivables | | |
| Canadian government debt – Federal | 309 | 310 |
| | \$ 16,590 | \$ 18,551 |

During the three months ended February 28, 2018 and February 28, 2017, no impairment charges were recognized.

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

(a) Investment in Associate

The Company holds a 32.3% (November 30, 2017 – 32.7%) investment in S&WHL accounted for using the equity method. At February 28, 2018, the carrying value was \$106.2 million (November 30, 2017 – \$102.7 million). During the three months ended February 28, 2018, the Company recognized earnings of \$4.4 million (2017 – \$2.9 million) from S&WHL and received \$2.9 million (2017 – nil) in dividends from S&WHL.

(b) Investment in Joint Ventures

The Company accounts for Stream Asset Financial GP LP (SAF GP), SAFM LP and InstarAGF, a joint venture with Instar Group Inc. (Instar), using the equity method of accounting. The continuity for the three months ended February 28, 2018 and February 28, 2017 is as follows:

| Three months ended (in thousands of Canadian dollars) | February 28, 2018 | | | February 28, 2017 | | |
|--|-------------------|-----------|----------|-------------------|-----------|----------|
| | SAFM LP | InstarAGF | Total | SAFM LP | InstarAGF | Total |
| Balance, beginning of the period | \$ 1,991 | \$ – | \$ 1,991 | \$ 1,629 | \$ – | \$ 1,629 |
| Share of profit | 116 | – | 116 | 77 | – | 77 |
| Balance, end of the period | \$ 2,107 | \$ – | \$ 2,107 | \$ 1,706 | \$ – | \$ 1,706 |

The Company's share of profit excludes its portion of the estimated carried interest to be earned by SAF GP and InstarAGF and to be distributed to AGF on crystallization. Carried interest will be recognized when the amount of revenue can be reliably measured and it is probable that future economic benefits will flow to the Company, which is generally subsequent to the return of capital and contractual rate of return provided to investors.

The Company holds a 37.0% interest in SAFM LP. For the three months ended February 28, 2018, the Company recognized earnings of \$0.1 million (2017 – \$0.1 million) from SAFM LP.

The Company has recorded losses with respect to its equity investment in InstarAGF only to the extent of its initial investment, which has a carrying value of nil, because it is not contractually obligated to fund the losses. As at February 28, 2018, the Company accumulated unrecognized losses of \$0.6 million (November 30, 2017 – \$0.7 million) related to its interest in InstarAGF. In addition, AGF has agreed to advance up to \$5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. The loan facility is non-interest bearing and is repayable on a priority basis. As at February 28, 2018, the Company had recorded a receivable of \$4.5 million (November 30, 2017 – \$3.1 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at February 28, 2018, the Company had recorded a \$0.4 million promissory note receivable from Instar (November 30, 2017 – \$0.4 million). The note bears interest at prime and has been included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

(c) Investment in Long-term Investments

Fair value adjustments and income distributions related to Stream and InstarAGF Essential Infrastructure Fund (EIF) are included in fair value adjustments and other income in the consolidated interim statement of income.

The continuity for the Company's long-term investments, accounted for at fair value through profit or loss (FVTPL), for the three months ended February 28, 2018 and February 28, 2017 is as follows:

| Three months ended (in thousands of Canadian dollars) | February 28, 2018 | February 28, 2017 |
|--|----------------------|----------------------|
| Balance, beginning of the period | \$ 75,362 | \$ 78,231 |
| Purchase of long-term investments | 286 | 3,094 |
| Return of capital related to rebalancing | – | (6,083) |
| Fair value adjustment ¹ | (135) | 362 |
| Balance, end of the period | \$ 75,513 | \$ 75,604 |

¹ Fair value adjustment is based on the net assets of the fund less the Company's portion of the carried interest that would be payable by the fund upon crystallization.

The following table presents a breakdown of the fair value adjustment and distribution related to long-term investments in Stream and EIF.

| Three months ended (in thousands of Canadian dollars) | February 28, 2018 | February 28, 2017 |
|--|----------------------|----------------------|
| Distribution income | \$ 817 | \$ 1,366 |
| Fair value adjustment ¹ | (135) | 362 |
| | \$ 682 | \$ 1,728 |

¹ Fair value adjustment is based on the net assets of the fund less the Company's portion of the carried interest that would be payable by the fund upon crystallization.

The Company has committed a total of \$150.0 million to funds and investments associated with the alternative asset management platform. The Company may temporarily provide capital to warehouse investments prior to formation of a fund. Upon closing of a fund with external investors, the Company receives a return of its capital in excess of its proportionate participation in the fund.

As at February 28, 2018, of its \$150.0 million allocation, the Company had invested \$86.0 million (November 30, 2017 – \$86.0 million). As at February 28, 2018, the Company has \$64.0 million (November 30, 2017 – \$64.0 million) remaining committed capital to be invested in Stream and EIF.

As at February 28, 2018, the carrying value of the Company's long-term investments in the alternative asset management platform was \$75.2 million (November 30, 2017 – \$75.4 million).

Note 6: Long-term Debt

As at February 28, 2018, AGF had drawn \$170.0 million (November 30, 2017 – \$140.0 million) against the unsecured revolving credit facility (the Facility) in the form of a one-month banker's acceptance (BA) at an effective average interest rate of 3.1% (November 30, 2017 – 2.8%) per annum and a \$5.1 million (November 30, 2017 – \$5.1 million) letter of credit. The Company's revolving credit facility has a maximum aggregate principal amount of \$320.0 million and a \$10.0 million swingline facility commitment. As at February 28, 2018, \$144.9 million was available to be drawn from the revolving credit facility.

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:

| Three months ended (in thousands of Canadian dollars, except share amounts) | February 28, 2018 | | February 28, 2017 | |
|--|-------------------|--------------|-------------------|--------------|
| | 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 | 79,017,813 | \$ 478,883 | 78,951,603 | \$ 477,290 |
| Issued through dividend reinvestment plan | 9,640 | 79 | 13,398 | 83 |
| Stock options exercised | 245,918 | 1,417 | – | – |
| Treasury stock purchased for employee benefit trust | (147,432) | (1,015) | – | – |
| Treasury stock released for employee benefit trust | 502,688 | 3,604 | 409,530 | 4,291 |
| Balance, end of the period | 79,628,627 | \$ 482,968 | 79,374,531 | \$ 481,664 |

(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 6,124,051 shares for the period from February 6, 2018 to February 5, 2019 and up to 4,899,168 shares for the period from February 6, 2017 to February 5, 2018. During the three months ended February 28, 2018 and 2017, AGF did not repurchase any shares under its normal course issuer bid.

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

During the three months ended February 28, 2018, AGF purchased 147,432 (2017 – nil) Class B Non-Voting shares for the employee benefit trust at a cost of \$1.0 million (2017 – nil). Shares purchased for the trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three months ended February 28, 2018, 502,688 (2017 – 409,530) Class B Non-Voting shares purchased as treasury stock were released. As at February 28, 2018, 227,599 (November 30, 2017 – 582,855) Class B Non-Voting shares were held as treasury stock.

Note 8: Accumulated Other Comprehensive Income

| (in thousands of Canadian dollars) | Foreign currency translation | Available for sale securities | Total |
|---|------------------------------------|-------------------------------------|-----------|
| Opening composition of accumulated other comprehensive income (loss) at December 1, 2016 | | | |
| Other comprehensive income | \$ 4,484 | \$ 5,604 | \$ 10,088 |
| Income tax expense | – | (232) | (232) |
| Balance, December 1, 2016 | 4,484 | 5,372 | 9,856 |
| Transactions during the year ended November 30, 2017 | | | |
| Other comprehensive income (loss) | 4,073 | (2,048) | 2,025 |
| Income tax recovery | – | 195 | 195 |
| Balance, November 30, 2017 | 8,557 | 3,519 | 12,076 |
| Transactions during the period ended February 28, 2018 | | | |
| Other comprehensive income | 1,647 | 340 | 1,987 |
| Income tax expense | – | (1) | (1) |
| Balance, February 28, 2018 | \$ 10,204 | \$ 3,858 | \$ 14,062 |

Note 9: Fair Value Adjustments and Other Income

| (in thousands of Canadian dollars) | Three months ended | |
|---|----------------------|----------------------|
| | February 28, 2018 | February 28, 2017 |
| Fair value adjustment related to investment in AGF mutual funds and reclassification gain in OCI to earnings (Note 4) | \$ 32 | \$ 831 |
| Fair value adjustment related to long-term investments (Note 5(c)) | (135) | 362 |
| Distributions from long-term investments (Note 5(c)) | 817 | 1,366 |
| Interest income | 85 | 128 |
| Other | 369 | 243 |
| | \$ 1,168 | \$ 2,930 |

Note 10: Expenses by Nature

| (in thousands of Canadian dollars) | Three months ended | |
|---------------------------------------|----------------------|----------------------|
| | February 28, 2018 | February 28, 2017 |
| Selling, general and administrative | | |
| Employee benefit expense | \$ 32,758 | \$ 31,225 |
| Sales and marketing | 3,125 | 2,792 |
| Information technology and facilities | 8,938 | 8,129 |
| Professional fees | 4,279 | 4,856 |
| Fund absorption and other fund costs | 3,229 | 3,667 |
| Other | 780 | (293) |
| | \$ 53,109 | \$ 50,376 |

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 388,648 Class B Non-Voting shares could have been granted as at February 28, 2018 (November 30, 2017 – 653,277).

The change in stock options during the three months ended February 28, 2018 and February 28, 2017 is summarized as follows:

| Three months ended | February 28, 2018 | | February 28, 2017 | |
|---|-------------------|---------------------------------|-------------------|---------------------------------|
| | Options | Weighted average exercise price | Options | Weighted average exercise price |
| Class B Non-Voting share options | | | | |
| Balance, beginning of the period | 7,719,199 | \$ 8.38 | 6,854,582 | \$ 8.85 |
| Options granted | 656,364 | 7.33 | 1,045,909 | 6.06 |
| Options forfeited | (7,500) | 5.15 | (11,250) | 5.15 |
| Options expired | (384,235) | 19.03 | (75,000) | 16.20 |
| Options exercised | (245,918) | 5.11 | – | – |
| Balance, end of the period | 7,737,910 | \$ 7.87 | 7,814,241 | \$ 8.41 |

During the three months ended February 28, 2018, 656,364 (2017 – 1,045,909) stock options were granted and contributed surplus of \$0.2 million (2017 – \$0.4 million) was recorded. The fair value of options granted during the three months ended February 28, 2018 has been estimated at \$1.19 per option (2017 – \$0.90) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the three months ended February 28, 2018 and February 28, 2017:

| Three months ended | February 28, 2018 | February 28, 2017 |
|--|-------------------|-------------------|
| Risk-free interest rate | 2.1% | 1.1% |
| Expected dividend yield | 4.7% | 5.3% |
| Five-year historical-based expected share price volatility | 28.5% | 30.3% |
| Forfeiture rate | 4.7% | 4.9% |
| Option term | 5.1 years | 5.0 years |

(b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs), Deferred Share Units (DSUs), Performance Share Units (PSUs) and Partners Incentive Plan (PIP). Compensation recovery related to cash-settled stock-based compensation for the three months ended February 28, 2018 was \$0.3 million (2017 – \$0.4 million expense) and the liability recorded as at February 28, 2018 related to cash-settled stock-based compensation was \$3.4 million (November 30, 2017 – \$3.4 million). Compensation expense related to equity-settled RSUs and PIP for the three months ended February 28, 2018 was \$1.0 million (2017 – \$0.7 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at February 28, 2018 was \$4.0 million (November 30, 2017 – \$6.8 million).

The change in share units of RSUs, PSUs and DSUs during the three months ended February 28, 2018 and February 28, 2017 is as follows:

| Three months ended | February 28, 2018 | February 28, 2017 |
|--------------------------------------|-----------------------|-----------------------|
| | Number of share units | Number of share units |
| Outstanding, beginning of the period | | |
| Non-vested | 2,060,771 | 1,924,613 |
| Issued | | |
| Initial grant | 560,445 | 512,388 |
| In lieu of dividends | 15,239 | 8,828 |
| Settled in cash | (52,673) | (44,012) |
| Settled in equity | (502,688) | (409,530) |
| Forfeited and cancelled | (28,901) | (22,945) |
| Outstanding, end of the period | 2,052,193 | 1,969,342 |

Note 12: Income Tax Expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. The estimated effective tax rate for the three months ended February 28, 2018 was a recovery of 48.7% (2017 – expense of 26.4%).

During the three months ended February 28, 2018, the Company recorded a tax contingencies recovery of \$10.0 million (2017 – \$0.4 million of expense) with respect to the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies, the estimated effective tax rate for the three months ended February 28, 2018 was 22.2% (2017 – 22.3%). Refer to Note 17 for additional information on tax contingencies.

Note 13: Earnings per Share

| (in thousands of Canadian dollars, except per share data) | Three months ended | |
|---|--------------------|-------------------|
| | February 28, 2018 | February 28, 2017 |
| Numerator | | |
| Net income for the period from continuing operations attributable to equity owners of the Company | \$ 21,524 | \$ 9,247 |
| Denominator | | |
| Weighted average number of shares – basic | 79,616,259 | 79,398,426 |
| Dilutive effect of employee stock-based compensation awards | 1,465,262 | 1,216,992 |
| Weighted average number of shares – diluted | 81,081,521 | 80,615,418 |
| Earnings per share for the period attributable to equity owners of the Company | | |
| Basic earnings per share | \$ 0.27 | \$ 0.12 |
| Diluted earnings per share | \$ 0.27 | \$ 0.11 |

Note 14: Dividends

During the three months ended February 28, 2018, the Company paid dividends of \$0.08 (2017 – \$0.08) per share. Total dividends paid, including dividends reinvested, in the three months ended February 28, 2018 were \$6.4 million (2017 – \$6.4 million). On March 27, 2018, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of \$0.08 per share in respect of the three months ended February 28,

2018, amounting to a total dividend of approximately \$6.4 million. These condensed consolidated interim financial statements do not reflect this dividend.

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

| (in thousands of Canadian dollars) | Three months ended | |
|---|----------------------|----------------------|
| | February 28, 2018 | February 28, 2017 |
| Salaries and other short-term employee benefits | \$ 1,583 | \$ 1,692 |
| Share-based payments | 141 | 678 |
| | \$ 1,724 | \$ 2,370 |

Note 16: Fair Value of Financial Instruments

The carrying value of accounts receivable and other assets, accounts payable and accrued liabilities approximate fair value due to their short-term nature. Long-term debt approximates fair value as a result of the floating rate portion of the effective interest rate.

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

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at February 28, 2018:

| (in thousands of Canadian dollars) | | | | |
|---|------------------|---------------|------------------|-------------------|
| February 28, 2018 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Cash and cash equivalents | \$ 22,867 | \$ – | \$ – | \$ 22,867 |
| AGF mutual funds and other | 11,758 | – | – | 11,758 |
| Long-term investments | – | – | 75,513 | 75,513 |
| Available for sale | | | | |
| Equity securities and term deposits | 4,523 | – | – | 4,523 |
| Loans and receivables | | | | |
| Canadian government debt – Federal | – | 309 | – | 309 |
| Total financial assets | \$ 39,148 | \$ 309 | \$ 75,513 | \$ 114,970 |

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2017:

| (in thousands of Canadian dollars) | | | | |
|---|------------------|---------------|------------------|-------------------|
| November 30, 2017 | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Cash and cash equivalents | \$ 25,842 | \$ – | \$ – | \$ 25,842 |
| AGF mutual funds and other | 13,725 | – | – | 13,725 |
| Long-term investments | – | – | 75,362 | 75,362 |
| Available for sale | | | | |
| Equity securities and term deposits | 4,516 | – | – | 4,516 |
| Loans and receivables | | | | |
| Canadian government debt – Federal | – | 310 | – | 310 |
| Total financial assets | \$ 44,083 | \$ 310 | \$ 75,362 | \$ 119,755 |

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 investments in AGF mutual funds, highly liquid temporary deposits with an Irish bank and non-Irish banks in Ireland, as well as Singapore bank term deposits.

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

Level 3 instruments include long-term investments related to the alternative asset management platform and included contingent consideration payable. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the long-term investments is calculated using the Company's percentage ownership and the fair market value of the investment derived from financial information provided by investees. The fair value of the Company's investment in EIF as at February 28, 2018 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. The fair value of the Company's investment in the Stream fund is determined using NAV as calculated by the asset manager. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by \$7.5 million. Refer to Note 5(c) for additional information.

The following table presents changes in level 3 instruments for the three months ended February 28, 2018:

| (in thousands of Canadian dollars) | | Long-term investments |
|--|-----------|--------------------------|
| Balance at December 1, 2017 | \$ | 75,362 |
| Purchase of investment | | 286 |
| Return of capital | | – |
| Fair value adjustment recognized in profit or loss | | (135) |
| Balance at February 28, 2018 | \$ | 75,513 |

The following table presents changes in level 3 instruments for the three months ended February 28, 2017:

| (in thousands of Canadian dollars) | | Long-term investments | | Contingent consideration payable |
|--|----|--------------------------|----|--|
| Balance at December 1, 2016 | \$ | 78,231 | \$ | 2,091 |
| Purchase of investment | | 3,094 | | – |
| Return of capital | | (6,083) | | – |
| Fair value adjustment recognized in profit or loss | | 362 | | (984) |
| Balance at February 28, 2017 | \$ | 75,604 | \$ | 1,107 |

There were no transfers into or out of level 1 and level 2 during the three months ended February 28, 2018.

Note 17: Contingencies

There are certain claims and potential claims against the Company. None of these claims or potential claims are expected to have a material adverse effect on the consolidated financial position of the Company.

The Company 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.

The Company has several ongoing disputes with the CRA, of which 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 determining the amounts of its income tax assets and liabilities.

(a) CRA Audit – Transfer Pricing

As previously disclosed in the 2017 Annual Consolidated Financial Statements, the CRA reassessed the Company for additional income as a result of its transfer pricing audit of the Company's 2005 to 2010 taxation years. The Company objected to those reassessments. As well, the Company was accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between CRA and the tax authority in the foreign jurisdiction to establish the appropriate transfer pricing methodologies for the tax years 2011 through 2016.

On November 2, 2017, the Company reached a settlement with the CRA and the applicable tax authority in the relevant foreign jurisdiction, subject to uncertainties in implementing the settlements. The settlements related to the allocation of income for tax purposes between one of the Company's Canadian legal entities and a foreign subsidiary relating to the 2005 to 2016 taxation years. Taxation years prior to 2005 are statute barred with the CRA.

Under the settlements, the Company accepted the agreements between the CRA and the tax authority in the foreign jurisdiction (i) under the Mutual Agreement Procedure under the relevant tax treaty for the Company's 2005 to 2010 taxation years and (ii) for a Bilateral Advance Pricing Arrangement for the Company's 2011 to 2016 taxation years. As a result of these agreements, the Company is required to pay as reassessments reflecting the agreements are received. During the three months ended February 28, 2018, the Company received such reassessments from the CRA for certain years under the above settlements and has paid \$10.0 million in relation to these received reassessments. Subject to the implementation of the settlements, the \$10.0 million paid will be refunded and the Company may be able to recover additional amounts from the CRA.

Subsequent to February 28, 2018, one of the uncertainties was resolved as the Company received the reassessments from the tax authority in the foreign jurisdiction. The reassessments reduce the taxes of a foreign subsidiary; as a result, the Company expects to receive cash refunds of approximately \$16.0 million from the foreign tax authority and released \$10.0 million from its transfer pricing provision. The provision release is net of contingencies for uncertainty related to the implementation of the settlements.

The amount of tax provision recorded on the interim consolidated statement of financial position as at February 28, 2018 incorporates management's views on the level of uncertainty over ultimate settlement, and includes related interest and penalties for the 2005 to 2016 fiscal years.

(b) CRA Audit – Acquisition of Tax-related Benefits

In July 2015, the Company received a notice of reassessment (NOR) from the CRA denying \$30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes

payable from its original tax filings by \$10.9 million (before the application of interest and penalties of \$9.7 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid \$13.5 million (including interest and penalties) during the year ended November 30, 2015 and \$0.1 million during the year ended November 30, 2017, which was recorded as income tax receivable on the consolidated statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

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.