AGF MANAGEMENT LIMITED | FIRST QUARTER REPORT 2020

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Financial Highlights

(from continuing operations)

(in millions of dollars, except share data) Three months ended	Feb. 29, 2020[1]	Nov. 30, 2019[2]	Aug. 31, 2019[2]	May 31, 2019[2]	Feb 28, 2019[2]	Nov 30, 2018	Aug. 31, 2018	May 31, 2018
Assets under management	$ 37,426	$ 38,781	$ 37,421	$ 38,338	$ 38,824	$ 37,712	$ 38,818	$ 38,471
Mutual fund net sales (redemptions)	(344)	(181)	(103)	(498)	(104)	111	(9)	100
Income	106.7	114.5	107.4	109.8	105.0	108.5	116.5	114.2
Selling, general & administrative	45.3	45.4	47.3	48.6	48.0	48.8	51.0	60.4
EBITDA before commissions[3]	30.2	38.7	29.0	29.2	12.9	28.7	32.2	20.6
Adjusted EBITDA before commissions[4]	30.2	35.8	30.2	30.4	28.5	28.4	33.3	26.9
Net income (loss) before tax	13.6	27.5	16.9	14.1	(1.3)	17.2	19.8	11.3
Net income (loss)	10.8	22.2	14.4	11.5	(0.2)	14.7	20.7	17.0
Adjusted net income[4]	10.8	19.4	14.6	11.7	11.3	13.3	16.3	11.2
Earnings per share								
Basic	$ 0.14	$ 0.28	$ 0.18	$ 0.15	$ –	$ 0.19	$ 0.26	$ 0.21
Diluted	0.13	0.28	0.18	0.14	–	0.19	0.26	0.21
Adjusted diluted [4]	0.13	0.24	0.18	0.14	0.14	0.17	0.20	0.14
Free cash flow[4]	14.5	18.3	9.7	8.2	16.6	16.1	12.8	2.1
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Long-term debt[4]	216.9	207.3	158.9	164.9	168.7	188.6	168.7	168.6
Average basic shares	78,570,122	78,503,480	78,715,118	78,699,275	78,664,067	78,996,510	79,318,325	79,666,007
Average fully diluted shares	80,530,285	79,624,609	79,818,712	79,771,774	79,836,248	79,900,283	80,885,103	81,214,021

[1] Refer to Note 3 in the 2020 Interim Consolidated Financial Statements for more information on the adoption of IFRS 16.
[2] Refer to Note 3 in the 2019 Consolidated Financial Statements for more information on the adoption of IFRS 15.
[3] For the definition of EBITDA before commissions, see the ‘Key Performance Indicators, Additional IFRS and Non-IFRS Measures’ section. The items required to reconcile EBITDA before commission to net income, a defined term under IFRS, are detailed in the Condensed Consolidated Interim Statement of Income.
[4] Adjusted net income, adjusted diluted earnings per share, free cash flow, adjusted EBITDA before commissions and long-term debt are not standardized earnings measures prescribed by IFRS. Descriptions of these non-IFRS measures, as well as others, and reconciliations to IFRS, where necessary, are provided in the MD&A.

AGF Management Limited

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three months ended February 29, 2020 and February 28, 2019

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, the possible effects of war or terrorist activities, outbreaks of disease or illness that affect local, national or international economies (such as COVID-19), natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply or other 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 2019 Annual MD&A.

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is as of March 24, 2020 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 29, 2020, compared to the three-month period ended February 28, 2019. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three months ended February 29, 2020 and our 2019 Annual Report. The financial statements for the three months ended February 29, 2020, 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 2019 Annual MD&A: 'Contractual Obligations' and 'Intercompany and Related Party Transactions.'

Our Business and Strategy

Founded in 1957, AGF Management Limited 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. AGF has investment operations and client servicing teams in North America, Europe and Asia. AGF trades on the Toronto Stock Exchange (TSX) under the symbol AGF.B.

AGF provides fund administration services to the AGF mutual funds through its subsidiary AGF CustomerFirst Inc. (AGFC), and provides the capability to deliver complete trading infrastructure to support ETFs and 40-Act vehicles in the U.S. through its subsidiary AGF Investments LLC.

AGF holds a 30.5% 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 $37.1 billion (£21.6 billion) of funds under management and advice as at February 29, 2020.

Smith & Williamson Sale

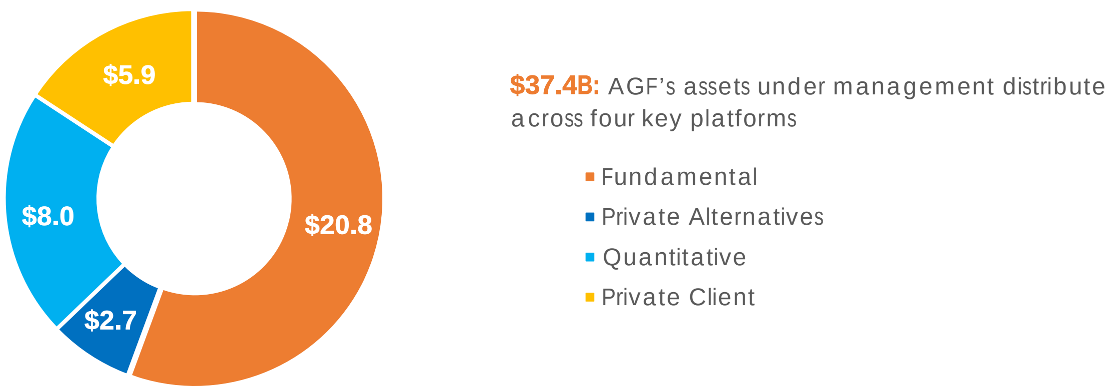
On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney Group (Tilney) to create one of the U.K.'s leading integrated wealth management and professional services groups with over £45 billion in assets under management. Based on the terms of the arrangement, the Company will divest its minority stake and estimates that the transaction will result in total cash and equity proceeds of approximately £193.2 million (approximately C$332.1 million[1]), excluding one-time expenses and subject to

[1]Canadian dollar figure assumes an exchange rate of 1.7190 as at February 29, 2020.

closing adjustments and taxes, compared to a book value as at November 30, 2019 of $146.8 million. AGF is expected to receive a special cash distribution estimated to be £19.8 million (approximately C$34.0 million[1]). During the three months ended February 29, 2020, AGF received £2.7 million (C$4.5 million) in dividends as partial payment of this distribution. At closing, AGF will receive cash proceeds of approximately £147.4 million (approximately C$253.4 million[1]) and retain approximately 2.3% interest in the newly combined entity. AGF has entered into a hedge at a strike price of 1.6130 to protect AGF's cash consideration if the British pound declines below that level. The hedge expires on March 31, 2020. The transaction is subject to regulatory approvals. On January 20, 2020, the Company announced that the Financial Conduct Authority (FCA) informed Tilney Group that the proposed transaction structure for the merger of Smith & Williamson and Tilney Group has not met with its approval. Discussions with the FCA are ongoing to determine the required steps forward. All parties remain fully committed to the merger and continue to believe very strongly in the underlying strategic rationale of bringing the respective businesses together. It is anticipated that the completion of the transaction, which remains subject to regulatory approval, may be delayed.

Our Investment Capabilities

As a diversified global asset management firm, AGF offers individuals and institutions a broad array of investment strategies through four key investment management platforms - fundamental, quantitative, private alternatives and private client.



Fundamental

AGF's fundamental investment management teams are focused on consistently delivering on investment objectives for its clients by leveraging its industry experience. AGF's fundamental teams' lead equity and fixed income portfolio managers have a combined 280+ years of experience in investment management, with deep relationships across the industry.

Throughout the years, as AGF has embraced change and innovation, its motivation has remained consistent. AGF carries a deep sense of accountability to investors to deliver on its objectives, allowing them to achieve their goals.

In an increasingly challenging environment, the ability to meet these objectives requires substantial experience and skill. At AGF, tenure, expertise and access to global firm resources has allowed the firm to maintain a disciplined approach while at the same time embracing a spirit of research and innovation to adapt.

AGF believes a culture of curiosity, open dialogue and challenging each other's ideas leads to better investment outcomes and helps to continually raise the bar for all of AGF's clients.

AGF's fundamental, actively managed platform includes a broad range of equity and fixed income strategies covering a spectrum of objectives from wealth accumulation and risk management to income-generating solutions. In addition to AGF's Global and North American equity and fixed income capabilities the firm has demonstrated specialist expertise in the areas of sustainable and alternative investing.

Quantitative

AGFiQ is the quantitative platform for AGF powered by an intellectually diverse, multidisciplined team. Led by pioneers in factor-based investing, the team's approach is grounded in the belief that investment outcomes can be improved by assessing and targeting the factors that drive market returns. Utilizing disciplined, factor-based approaches allows the firm to view risk through multiple lenses, while working to achieve its objective of providing better risk-adjusted returns.

The AGFiQ team collectively believes that in quantitative approaches, it's the people behind the strategies that truly drive innovation. AGF prides itself on thinking differently and does so by combining diverse and complementary strengths, which leads to innovative investment approaches.

AGF's relentless passion for research and understanding drives its ability to advance the wealth accumulation and preservation goals of investors.

AGF has found that external, third-party systems are not keeping pace with its ideas, its research and the flexibility and customization requirements needed to deliver better outcomes.

As a result, AGF has developed an in-house research and database platform that enables the firm to define customized factors and build risk models and portfolio optimizations tailored for the unique investment objectives of each strategy.

Private Alternatives

At AGF, our expertise and partnerships across the alternatives spectrum allows investors to have access to and benefit from allocations to alternative investments as part of a disciplined investment approach. From alternative asset classes to alternatives strategies, AGF offers solutions for a wide range of objectives.

AGF's private alternatives business, with a focus on private investments from infrastructure to credit, is central to its mission to bring stability to the world of investing. In an ever-evolving and increasingly complex market environment, investors are actively seeking out opportunities to diversify their sources of return away from traditional equity and fixed income investments.

AGF's private alternatives business, with $2.7 billion in AUM, includes a joint venture with Instar Group Inc. (Instar): InstarAGF Asset Management Inc. (InstarAGF). InstarAGF is an alternative asset management firm with an emphasis on essential infrastructure in the North American middle market, with the goal of delivering sustainable and attractive returns to investors. AGF also has a partnership with Stream Asset Financial Management LP (SAFM LP), a Canadian-based private equity and structured credit investment firm with expertise constructing bespoke financial products across the capital structure, providing opportunities linked to real assets including, but not limited to, the oil and gas sector, and metals and mining.

Private Client

AGF's private client platform – which includes Cypress Capital Management Ltd., Doherty & Associates Ltd. and Highstreet Asset Management Inc. – provides investment solutions for high-net-worth individuals, endowments and foundations in key markets across Canada.

Cypress Capital Management provides quality investment services at a reasonable cost, where the best interest of the client is paramount. They are committed to being honest and transparent regarding return expectations, risks, fees and their capabilities as investment managers.

Doherty & Associates was founded on the principle that their clients come first in all they do. Their philosophy of "Great Companies at Great Prices" coupled with a disciplined investment process guides them to grow wealth responsibly over time.

Highstreet Asset Management is committed to their core principles of doing two things exceptionally well – serving their clients and managing money. They believe that investment success can be achieved through blending quantitative and fundamental analysis to capture alpha drivers.

Corporate Responsibility

AGF Sustainability Council

AGF's Sustainability Council provides oversight on the firm's policies, programs and related risks that concern key public policy and sustainability matters, including public issues of significance to AGF and its stakeholders that may affect AGF's business, strategy, operations, performance and/or reputation.

Council Objectives Include:

Employees

At AGF, the most important asset is its people as they play an integral role in the firm's success. AGF is committed to being an employer of choice, which means looking at responsible practices and initiatives to attract, develop and reward employees.

AGF believes that embracing the strength of diversity and providing a satisfying human and physical environment increases its ability to serve and support each other, its clients and its communities.

Workforce Diversity

AGF is committed to employing a diverse workforce that reflects the diversity of its communities.

The Living Wage

AGF believes in the philosophy of The Living Wage and practices paying employees a higher base pay than established by government standards.

CEO-to-Employee Pay Ratio

AGF measures and evaluates vertical pay ratios to ensure fair salaries for its employees.

Clients

AGF is committed to the principles of good stewardship and responsible investing, and believes that integrating Environmental, Social and Governance (ESG) issues into its investment decision-making and ownership practices across platforms will help deliver better investment outcomes to clients.

Environmental, Social, and Governance (ESG) Integration

*AGF Management Limited is a member of the 30% Club. AGF Investments Inc. is a member/signatory of UNPRI, CERES, RIA, CDP and Climate Action 100.

Foundations of Investment Stewardship

Research and Analysis

AGF recognizes that effective research, analysis and evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the medium and longer term and that this analysis should inform asset allocation, stock selection, portfolio construction, shareholder engagement and voting.

Risk Oversight

Portfolio-level ESG investment risk is monitored in the AGF portfolio analytics and risk management process and reviewed at the quarterly review with every Portfolio Manager, CIO and Risk and Portfolio Analytics team.

Active Ownership

Proxy voting is an important component of active ownership. AGF adopted Sustainability Proxy Voting Guidelines to support sustainable business practices and enhance shareholder value. AGF votes proxies in the best interests of the Funds.

Engagement

AGF engages in dialogue with companies and policy makers to influence and promote ESG value-adding practices, better understand the quality of the businesses that it invests in and how they are positioned for future challenges. AGF also participates in broader discussions about standards and best practices in responsible investing.

Shareholders

AGF is committed to ensuring its corporate governance practices evolve with best practices. Each of AGF's directors is actively engaged in his or her duties as a steward of the corporation, tasked with the protection and promotion of shareholders' interests.

Direct Ownership

All directors are required to own at least three times their annual retainer in AGF Class B Non-Voting shares and/or Deferred Share Units. New directors have 24 months upon appointment to obtain such ownership.

Annual Assessment

AGF's Board conducts an annual review of its performance, the performance of each of the Board's committees, and the performance of each director.

Ethical Conduct

All directors, officers and employees of AGF are subject to a code of business conduct and ethics and must acknowledge their adherence annually to AGF's Code of Business Conduct and Ethics.

Board

When it comes to diversity, AGF believes that smart corporate decision-making requires different points of view, which come from people with diverse backgrounds, experiences and perspectives working together. AGF's Board is comprised of talented and dedicated directors who bring new ideas and distinct voices to help the firm succeed.

AGF is a member of the 30% Club Canada, which encourages and supports companies to appoint more women at board level as well as senior management levels.

Communities

Sponsorships and partnerships help AGF fulfil its commitment to the firm's social responsibility pillars while raising awareness of and supporting these important causes. AGF employees also contribute beyond their jobs and are encouraged to lead by example and make a difference in their communities.

Education

AGF fosters educational development and opportunities to invest in its future.

Environment

AGF is considerate of its environmental impact and promotes the sustainability of our planet.

Diversity

AGF embraces diverse backgrounds, experiences and perspectives and champions social change.

Assets Under Management

(in millions of dollars)	Three months ended Feb. 29, 2020	Nov. 30, 2019	Aug. 31, 2019	May 31, 2019	Feb. 28, 2019
Mutual fund AUM beginning of the period[1]	$ 19,346	$ 18,839	$ 18,725	$ 19,028	$ 18,713
Gross sales	562	479	492	560	514
Redemptions	(906)	(660)	(595)	(1,058)	(618)
Net redemptions	(344)	(181)	(103)	(498)	(104)
Market appreciation (depreciation) of fund portfolios	$ (510)	$ 688	$ 217	$ 195	$ 419
Mutual fund AUM end of the period[1]	$ 18,492	$ 19,346	$ 18,839	$ 18,725	$ 19,028
Average daily mutual fund AUM[1]	$ 19,462	$ 19,015	$ 18,915	$ 19,250	$ 18,451
Institutional, sub-advisory, ETF AUM beginning of period	$ 10,755	$ 10,391	$ 11,712	$ 12,023	$ 12,475
Net change including market performance	(442)	364	(1,321)	(311)	(452)
Institutional, sub-advisory, ETF AUM end of the period	$ 10,313	$ 10,755	$ 10,391	$ 11,712	$ 12,023
Private client AUM	$ 5,905	$ 6,100	$ 5,778	$ 5,722	$ 5,633
Subtotal before private alternatives AUM, end of the period	**$ 34,710**	**$ 36,201**	**$ 35,008**	**$ 36,159**	**$ 36,684**
Private alternatives AUM[2]	$ 2,716	$ 2,580	$ 2,413	$ 2,179	$ 2,140
Total AUM end of the period	**$ 37,426**	**$ 38,781**	**$ 37,421**	**$ 38,338**	**$ 38,824**

[1] Mutual fund AUM includes retail AUM, pooled funds 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 $207.4 million, of which $146.1 million has been funded as at February 29, 2020. Of the $2.7 billion of AUM, 20% are non-fee earning assets.

Change in Assets Under Management

Total assets under management was $37.4 billion at February 29, 2020, compared to $38.8 billion at February 28, 2019. The decline in AUM is mainly due to partners repositioning their platforms and internalizing investment management capabilities.

Reported mutual funds net redemptions were $344.0 million for the three months ended February 29, 2020, compared to net redemptions of $104.0 million for the three months ended February 28, 2019. Excluding net flows from institutional clients invested in mutual funds[1], net redemptions were $141.0 million for the quarter compared to $104.0 million in prior year. During the quarter and subsequent quarter, AGF received redemption notifications of approximately $1.3 billion. As a result, we expect a reduction in our sub-advisory and institutional AUM of $759.0 million in the second quarter and $557.0 million in the third quarter, with an annualized revenue impact of approximately $0.3 million and $2.0 million respectively.

[1]Net sales (redemptions) 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.

Investment Performance

AGF aims to deliver consistent and repeatable investment performance, targeting an average percentile versus peers of 50% above median over one-year and 60% over three-years. Starting this quarter, AGF has reported performance versus peers using gross returns, which removes the impact of significant fee structure differences. As at February 29, 2020, our average mutual fund percentile over the past one year was 40%[1] and our average mutual fund percentile over the past three years was 46%[1]. During the quarter, AGF Global Convertible Bond Fund, AGF Global Select Fund and AGFiQ Global Income ETF Portfolio (QMY) earned FundGrade A+® Awards, which are presented annually to Canadian investment funds that achieve consistently high FundGrade scores through an entire calendar year.

Consolidated Operating Results

(in millions of dollars, except per share data)	Three months ended February 29, 2020		November 30, 2019		February 28, 2019	
Income						
Management, advisory and administration fees[1]	$	97.8	$	100.5	$	91.0
Deferred sales charges		1.6		1.9		1.6
Share of profit of associate and joint ventures[2]		0.1		7.9		4.5
Fair value adjustments and other income[3]		7.2		4.2		7.9
Total income	$	106.7	$	114.5	$	105.0
Expenses						
Selling, general and administrative		45.3		45.4		48.0
Restructuring provision		–		–		14.4
Trailing commissions		30.8		29.9		29.0
Investment advisory fees		0.4		0.5		0.7
	$	76.5	$	75.8	$	92.1
EBITDA before commission[4]	**$**	**30.2**	**$**	**38.7**	**$**	**12.9**
Deferred selling commissions		12.5		8.9		11.1
Amortization, derecognition and depreciation		1.9		1.0		1.1
Interest expense		2.2		1.3		2.0
Net income (loss) before income taxes	$	13.6	$	27.5	$	(1.3)
Income tax expense (benefit)[5]		2.8		5.3		(1.1)
Net income (loss) for the period	**$**	**10.8**	**$**	**22.2**	**$**	**(0.2)**
Basic earnings per share	$	0.14	$	0.28	$	–
Diluted earnings per share	$	0.13	$	0.28	$	–

[1] Three months ended November 30, 2019 includes $4.1 million of one-time fund expense tax recovery.
[2] Three months ended November 30, 2019 includes $6.9 million of dividends recognized as income.
[3] Three months ended February 29, 2020 includes $4.5 million of dividends recognized as income.
[4] For the definition of EBITDA before commissions, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA before commissions to net income, a defined term under IFRS, are detailed above.
[5] Three months ended February 28, 2019 includes $3.1 million tax benefit related to the restructuring provision.

[1] Percentile rank of 99% means all other data within the data set is lower and a percentile rank of 1% means all other data within the data set is higher.

One-time Adjustments and Adoption of IFRS 16

	Three months ended		
(in millions of dollars, except per share data)	February 29, 2020	November 30, 2019	February 28, 2019
Management, advisory and administration fees	$ 97.8	$ 100.5	$ 91.0
Deduct:			
One-time fund expense tax recovery	–	(4.1)	–
Adjusted management, advisory and administration fees	**$ 97.8**	**$ 96.4**	**$ 91.0**
Selling, general and administrative	$ 45.3	$ 45.4	$ 48.0
Deduct:			
IFRS 16 adjustments to prior year for comparative purposes	–	(1.2)	(1.2)
Adjusted selling, general and administrative	**$ 45.3**	**$ 44.2**	**$ 46.8**
EBITDA before commissions[1]	**$ 30.2**	**$ 38.7**	**$ 12.9**
Add (deduct):			
One-time fund expense tax recovery	–	(4.1)	–
One-time restructuring costs	–	–	14.4
IFRS 16 adjustments to prior year for comparative purposes	–	1.2	1.2
Adjusted EBITDA before commissions[1]	**$ 30.2**	**$ 35.8**	**$ 28.5**
Net income (loss) for the period	$ 10.8	$ 22.2	$ (0.2)
Add (deduct):			
One-time adjustments to EBITDA before commissions from above	–	(4.1)	14.4
Tax impact on the one-time adjustments to EBITDA before commissions	–	1.1	(3.1)
IFRS 16 adjustments to prior year for comparative purposes	–	0.2	0.2
Adjusted net income for the period	**$ 10.8**	**$ 19.4**	**$ 11.3**
Adjusted diluted EPS[1]	**$ 0.13**	**$ 0.24**	**$ 0.14**

[1] For the definition of EBITDA before commissions, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA before commission to net income, a defined term under IFRS, are detailed in the Consolidated Interim Statement of Income.

Results of Operations Adjusted for One-time Items and the Adoption of IFRS 16

The Company adopted IFRS 16 Leases, effective December 1, 2019. These changes were adopted in accordance with the application transitional provisions of the revised standard. Note 3 in the three months ended February 29, 2020 Condensed Consolidated Interim Financial Statements provides more information regarding the new accounting standard.

The below table shows results from operations adjusted for one-time items and prior year adjusted for IFRS 16.

	Three months ended		
(in millions of dollars, except per share data)	**February 29, 2020**	**November 30, 2019**	**February 28, 2019**
Income			
Adjusted management, advisory and administration fees	$ 97.8	$ 96.4	$ 91.0
Deferred sales charges	1.6	1.9	1.6
Share of profit of associate and joint ventures	0.1	7.9	4.5
Fair value adjustments and other income	7.2	4.2	7.9
Adjusted total income	$ 106.7	$ 110.4	$ 105.0
Expenses			
Adjusted selling, general and administrative	45.3	44.2	46.8
Trailing commissions	30.8	29.9	29.0
Investment advisory fees	0.4	0.5	0.7
	$ 76.5	$ 74.6	$ 76.5
Adjusted EBITDA before commissions[1]	**$ 30.2**	**$ 35.8**	**$ 28.5**
Adjusted net income for the period	**$ 10.8**	**$ 19.4**	**$ 11.3**
Adjusted diluted earnings per share	**$ 0.13**	**$ 0.24**	**$ 0.14**

[1] For the definition of EBITDA before commissions, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA before commission to net income, a defined term under IFRS, are detailed in the Consolidated Interim Statement of Income.

Financial Highlights

Total income for the three months ended February 29, 2020 was $106.7 million, compared to $105.0 million for the three months ended February 28, 2019, an increase of 1.6%. The increase is driven by $6.8 million in higher management, advisory and administrations fees driven by a 5.5% increase in daily average mutual fund AUM and a higher average revenue rate as a result of product mix. Fair value adjustments and other income was $7.2 million, a decrease of $0.7 million compared to $7.9 million in the prior year, as a result of lower fair value adjustments and distributions related to monetizations from our investments in our private alternatives business, partially offset by a $4.5 million dividend received from S&WHL after classification as 'held for sale'.

Total income decreased $3.7 million compared to the three months ended November 30, 2019. The decrease was largely driven by lower income from share of profit of associate and joint ventures. Effective September 19, 2019, our investment in S&WHL was classified as 'held for sale' and equity accounting ceased. Dividends received subsequent to September 18, 2019 have been recorded as income. For the three months ended February 29, 2020, the Company received a dividend of $4.5 million which was recorded as income compared to a dividend of $6.9 million for the three months ended November 30, 2019.

SG&A for the three months ended February 29, 2020 was $45.3 million, a decrease of $1.5 million or 5.6% compared to adjusted SG&A of $46.8 million for the three months ended February 28, 2019. The decrease is driven by expense savings initiatives and timing. Compared to the three months ended November 30, 2019, SG&A increased $1.1 million, driven by timing of expenses.

Adjusted EBITDA before commissions for the three months ended February 29, 2020 was $30.2 million compared to $28.5 million adjusted EBITDA before commissions for the same period of 2019. Adjusted EBITDA before commissions was $35.8 million for the three months ended November 30, 2019.

For the three months ended February 29, 2020, AGF reported net income of $10.8 million ($0.13 per diluted share) compared to adjusted net income of $11.3 million ($0.14 per diluted share) in the corresponding period in 2019. Adjusted net income decreased $8.6 million compared to the three months ended November 30, 2019. An increase in deferred selling commissions as a result of higher mutual funds gross sales in the quarter combined with lower dividend distributions from AGF's held for sale investment in S&WHL contributed to the decline in net income. Dividend distribution from S&WHL were $4.5 million compared to $7.9 million in the prior quarter.

Operating Highlights

- In January, AGF Global Convertible Bond Fund, AGF Global Select Fund and AGFiQ Global Income ETF Portfolio (QMY) earned FundGrade A+ Awards, which are given annually to investment funds and their managers who have shown consistent, outstanding, risk-adjusted performance throughout the year. AGF Global Convertible Bond Fund was a recipient of this award in 2018 as well.
- As at February 29, 2020 AGF Emerging Markets Equity Composite, AGF Global Select Composite, AGF Fixed Income Composite, and AGF Global Sustainable Growth Equity Composite were exceeding their respective benchmarks on a one-, two-, and three-year basis.
- AGF announced proposed fund mergers, portfolio manager changes and series terminations on February 19 to support efforts to further streamline its product suite. These changes reflect AGF's commitment to continually review its lineup to ensure clients have access to products that are relevant, competitive and responsive to market trends.
- On March 2, Damion Hendrickson joined AGF as Managing Director for the U.S. business to drive growth in key institutional markets.
- On the U.S. side, one of our funds is a finalist for 2019 ETF of the Year by ETF.com. The fund uses a long-short strategy to create a market neutral stance that has outperformed in the current environment.

While the precise impact of the recent novel coronavirus: COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. AGF is monitoring developments and is prepared for any impacts related to COVID-19. The firm has a comprehensive pandemic and business continuity plan that ensures its readiness to appropriately address and mitigate any business risks and impacts to clients and employees.

Furthermore, with the recent volatility in the markets, AGF is monitoring the potential impact of market risk to its capital position and profitability if these levels were sustained or continued to decline. A significant portion of AGF's revenue is driven by its total average AUM excluding private alternatives. These AUM levels are impacted by both net sales and changes in the market. In general, for every $1.0 billion reduction in average AUM excluding private alternatives, management fee revenues, net of trailer fees, would decline by approximately $7.4 million.

Consolidated Results of Operations

Income

For the three months ended February 29, 2020, income increased by 1.6% over the previous year, with changes in the categories as follows:

Management, Advisory and Administration Fees

Management, advisory fees and administration fees are directly related to our AUM levels and are recognized on an accrual basis. For the three months ended February 29, 2020, management, advisory and administration fees were $97.8 million, an increase of $6.8 million or 7.5%, compared to $91.0 million in the same period in 2019. A breakdown of the change is as follows:

(in millions of dollars)	Three months ended February 29, 2020
Increase in management, advisory and administration fees	$ 5.8
Decrease in fund expense and waivers	1.0
Total change in management, advisory and administration fees	**$ 6.8**

Management, advisory and administration fees increased by $5.8 million driven by a 5.5% increase in average mutual fund AUM compared to the prior year and a higher average revenue rate as a results of product mix. The decrease in fund expenses and waivers relate to fund mergers implemented in the second half of 2019.

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 29, 2020, compared to $1.6 million for the same period in 2019.

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 $0.1 million for the three months ended February 29, 2020, compared to $4.5 million during the same period in 2019. A breakdown of the share of profit of associate and joint ventures is as follows:

	Three months ended		
(in millions of dollars)	February 29, 2020	November 30, 2019	February 28, 2019
Share of profit of S&WHL[1]	$ –	$ 7.8	$ 4.4
Share of profit of joint ventures[2]	0.1	0.1	0.1
	$ 0.1	**$ 7.9**	**$ 4.5**

[1] Three months ended November 30, 2019 includes $6.9 million of dividends recognized as income.
[2] Excludes the Company's portion of the estimated carried interest to be distributed to AGF on crystallization.

Share of profit of S&WHL

On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney to create one of the U.K.'s leading integrated wealth management and professional services groups with over £45 billion in assets under management. The Company accounted for its investment in S&WHL using the equity method through to September 18, 2019. Effective September 19, 2019, the investment in S&WHL was classified as 'held for sale' and equity accounting ceased. Dividends received subsequent to September 18, 2019 have been recorded as income. Foreign exchange revaluation on the carrying value of S&WHL has continued to be recorded through other comprehensive income.

For the three months ended February 29, 2020, earnings from our 30.5% ownership (2019 – 33.6%) in S&WHL was nil (2019 – $4.4 million). During the three months ended February 29, 2020, the Company recorded a dividend of $4.5 million as dividend income. Refer to the section 'Fair Value Adjustments and Other Income' for more information.

Share of profit of joint ventures

Share of profit of joint ventures refers to earnings related to our ownership in the joint ventures that manage our private alternative funds. For the three months ended February 29, 2020, earnings were $0.1 million (2019 – $0.1 million). For additional information, see Note 5(a) of the Condensed Consolidated Interim Financial Statements.

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 our private alternatives business, which are accounted for at fair value through profit or loss. During the three months ended February 29, 2020, we recorded $2.7 million (2019 – $7.2 million) as fair value adjustments and income distributions related to our economic interest in the investments in our private alternatives business. The amounts recorded as income fluctuate primarily with the amount of capital invested, monetizations, and changes in fair value. During the three months ended February 29, 2020, the Company received dividends from S&WHL of $4.5 million and was recorded as dividend income after the asset was classified as 'held for sale'.

	Three months ended		
(in millions of dollars)	**February 29, 2020**	**November 30, 2019**	**February 28, 2019**
Fair value adjustment related to investment in AGF mutual funds	$ (0.6)	$ 0.6	$ 0.3
Fair value adjustment and distributions related to long-term investments	2.7	2.6	7.2
Dividend income	4.5	–	–
Interest income	0.2	0.7	0.2
Other	0.4	0.3	0.2
	$ 7.2	**$ 4.2**	**$ 7.9**

Expenses

For the three months ended February 29, 2020, expenses decreased by 16.9% from the same period in 2019. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A decreased by $2.7 million or 5.6% for the three months ended February 29, 2020, compared to the same period in 2019. A breakdown of the decrease is as follows:

(in millions of dollars)		Three months ended February 29, 2020
Increase in compensation expenses	$	0.6
Decrease in other expenses		(2.1)
Total SG&A decrease before IFRS 16	$	(1.5)
IFRS 16		(1.2)
Total decrease in SG&A	**$**	**(2.7)**

The following explains expense changes in the three months ended February 29, 2020, compared to the same period in the prior year:

- Compensation expenses increased by $0.6 million as a result of fair value adjustments on performance incentive bonus.
- Other expenses decreased by $2.1 million attributed to expense savings initiatives.
- As a result of the adoption of IFRS 16 on December 1, 2019, rent expenses related property and equipment leases will no longer be recognized in SG&A. Refer to Note 3 in the three months ended February 29, 2020 Condensed Consolidated Interim Financial Statements for more information regarding the new accounting standard.

Restructuring Provision

During the year ended November 30, 2019, the Company implemented a plan to achieve certain organizational and operational efficiencies, resulting in a restructuring charge of $14.4 million.

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 remained flat at 0.64% for the three months ended February 29, 2020, compared to 0.64% for the same period in 2019.

Deferred Selling Commissions

Deferred selling commissions are expensed on an accrual basis. For the three months ended February 29, 2020, the total deferred selling commissions expenses was $12.5 million (2019 – $11.1 million). The increase in deferred selling commissions is driven by an increase in mutual fund gross sales.

Amortization and Interest Expense

The category represents customer contracts, other intangible assets, right of use assets, property, equipment, and computer software and interest expense.

- Customer contracts amortization and derecognition decreased by $0.1 million for the three months ended February 29, 2020, compared to the same period in 2019. Customer contracts are immediately expensed upon redemption of the AUM.
- Other intangibles amortization and derecognition remained flat for the three months ended February 29, 2020, compared to the same period in 2019.
- Depreciation increased by $0.9 million for the three months ended February 29, 2020, compared to the same period in 2019 as a result of the adoption of IFRS 16.
- Interest expense increased by $0.3 million for the three months ended February 29, 2020, compared to the same period in 2019, as a result of the adoption of IFRS 16.

Income Tax Expense

Income tax expense for the three months ended February 29, 2020 was an expense of $2.8 million, as compared to a recovery of $1.1 million in the corresponding period in 2019. The effective tax rate for the three months ended February 29, 2020 was 20.7% (2019 –

84.6%). Excluding the restructuring provision of $14.4 million and the related tax benefit of $3.1 million, the effective tax rate for the three months ended February 28, 2019 was 15.3%. The main items impacting the effective tax rate in the period relates to tax-exempt investment income, gains from investment subject to different tax rates and temporary differences for which no deferred tax assets were recognized.

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 judgment 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 an ongoing dispute 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 – 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 $9.0 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 $13.9 million (including interest and penalties). The amount 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.

(b) CRA Audit – Transfer Pricing

As previously disclosed in the 2017 and 2018 Annual Consolidated Financial Statements, the Company reached a settlement with the CRA and the applicable tax authority in the relevant foreign jurisdiction on 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.

In 2018, the issue was resolved when the Company received tax reassessments reflecting the settlements, including the waiver of the transfer pricing penalties, and resolved the uncertainties in implementing the settlements with the CRA. As a result, the Company received a net refund of $18.2 million and released $24.1 million from its transfer pricing provision (including $21.9 million in tax expense and $2.2 million in reversal of interest expense) and recorded $1.5 million in interest income in 2018.

In 2019, the Company received $2.6 million of refund (including $0.3 million of interest) from the CRA. The Company expects to receive a further refund of approximately $1.2 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position.

Net Income

The impact of the above income and expense items resulted in net income of $10.8 million for the three months ended February 29, 2020 as compared to net loss of $0.2 million in the corresponding period in 2019. Adjusting for the one-time restructuring costs of $14.4 million that occurred during the three months ended February 28, 2019 and IFRS 16 adjustments, net income was $11.3 million. Refer to the 'One-time Adjustments and Adoption of IFRS 16' section of this MD&A for additional information about the one-time adjustments and the adoption of IFRS 16 for the three months ended February 29, 2020 and February 28, 2019.

Earnings per Share

Diluted earnings per share was $0.13 for the three months ended February 29, 2020, as compared to earnings of nil per share, which includes one-time items, in the corresponding period of 2019. Adjusted diluted earnings per share was $0.13 per share for the three months ended February 29, 2020, as compared to earnings of $0.14 per share in the corresponding period of 2019.

Liquidity and Capital Resources

As at February 29, 2020, the Company had total cash and cash equivalents of $30.0 million (November 30, 2019 – $51.7 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated was $14.5 million for the three months ended February 29, 2020, compared to $16.6 million in the comparative prior period. During the three months ended February 29, 2020, we used $21.7 million (2019 – $25.0 million) in cash as follows:

(in millions of dollars) **Three months ended**	**February 29, 2020**	**February 28, 2019**
Net cash used in operating activities less amounts received from CRA in relation to ongoing tax matters	$ (12.3)	$ (7.0)
Dividends paid	(6.2)	(6.2)
Issuance (payment) of long-term debt	9.5	(20.0)
Interest paid	(2.1)	(1.9)
Purchase of long-term investments, net of return on capital	(7.6)	(5.7)
Net proceeds from sale of short-term investments, including seed capital	(0.6)	16.0
Other	(2.4)	(0.2)
Change in cash and cash equivalents	**$ (21.7)**	**$ (25.0)**

The Company's working capital decreased $5.0 million for the three months ended February 29, 2020.

Total long-term debt outstanding at February 29, 2020 was $216.9 million (November 30, 2019 – $207.3 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 29, 2020, $106.9 million was available to be drawn from the revolving credit facility and swingline facility commitment. The loan facility will be available to meet future operational and investment needs. The Company has lease liabilities of $18.9 million recorded on the statement of financial position as at February 29, 2020. In addition, the Company also has commitments of $91.9 million related to service commitments not applicable under IFRS 16 as well as a future commitment of $70.9 million related to a future lease obligation. As well, the Company has funded $146.1 million, net of capital returns as at February 29, 2020 (November 30, 2019 – $138.5 million) in funds and investments associated with the private alternatives business and has $61.3 million (November 30, 2019 – $70.3 million) remaining of committed capital to be invested.

The cash balances and cash flow from operations, together with the available loan facility, will be sufficient in the near term to implement our business plan, fund our alternatives asset management business commitments, finance selling commissions, satisfy regulatory and tax requirements, service debt repayment obligations and pay quarterly dividends. We continue to closely monitor our capital plan and the related impacts of the current market volatility and will reassess and adjust our use of capital as required. Refer to the section 'Market Risk' of this MD&A for more information.

Capital Management Activities

We actively manage our capital to maintain a strong and efficient capital base to maximize risk-adjusted returns to shareholders, to invest in future growth opportunities, while ensuring there is available capital to fund our capital commitments related to the alternatives asset management business.

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 Executive Chairman, Chief Executive Officer and Chief Investment Officer, President and Head of Global Distribution, Senior Vice-President and CFO, and Chief Operating Officer. 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 4, 2020, 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 (EBT) 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. Shares purchased for the EBT are also purchased under the Company's NCIB and recorded as a reduction to capital stock. 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, 2020 and February 5, 2021, up to 5,947,786 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, 2019 and February 5, 2020, up to 5,980,078 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

During the three months ended February 29, 2020 and February 28, 2019, AGF did not repurchase shares for cancellation under its NCIB.

During the three months ended February 29, 2020 and February 28, 2019, AGF did not purchase any Class B Non-Voting shares for the EBT.

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	2020[1]	2019	2018	2017	2016
Per share	$ 0.16	$ 0.32	$ 0.32	$ 0.32	$ 0.32

[1] Represents the total dividends paid in January 2020, and to be paid in April 2020.

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, 2020 was $0.08 per share.

On March 24, 2020, 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 29, 2020.

Outstanding Share Data

Set out below is our outstanding share data as at February 29, 2020 and February 28, 2019. For additional detail, see Notes 10 and 16 of the Condensed Consolidated Interim Financial Statements.

	February 29, 2020	February 28, 2019
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	78,543,676	78,703,569
Stock Options		
Outstanding options	7,034,246	7,394,983
Exercisable options	5,057,339	4,950,599

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 are based on a fixed transfer agency administration fee,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 30.5% equity interest in S&WHL, and
- General partnership interest and long-term investments in the alternatives asset management business.

EBITDA before commissions and Adjusted EBITDA before commissions

We define EBITDA before commissions as earnings before interest, taxes, depreciation, amortization and deferred selling commissions and adjusted EBITDA before commissions as EBITDA before commissions net of one-time provisions and adjustments as well as IFRS 16 adjustments. EBITDA before commissions is an alternative measure of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. This non-IFRS measure may not be directly comparable to similar measures used by other companies.

The following table outlines how our EBITDA before commissions measures are determined:

	Three months ended		
(in millions of dollars)	February 29, 2020	November 30, 2019	February 28, 2019
Net income (loss)	$ 10.8	$ 22.2	$ (0.2)
Adjustments:			
Deferred selling commissions	12.5	8.9	11.1
Amortization, derecognition and depreciation	1.9	1.0	1.1
Interest expense	2.2	1.3	2.0
Income tax expense (benefit)[1]	2.8	5.3	(1.1)
EBITDA before commissions	**$ 30.2**	**$ 38.7**	**$ 12.9**
Other one-time adjustments and adoption of IFRS 16:			
One-time fund expense tax recovery	$ –	$ (4.1)	$ –
One-time restructuring costs	–	–	14.4
IFRS 16 adjustments to prior year for comparative purposes	–	1.2	1.2
Adjusted EBITDA before commissions	**$ 30.2**	**$ 35.8**	**$ 28.5**

[1] Three months ended February 28, 2019 includes $3.1 million tax benefit related to the restructuring provision.

EBITDA before commissions margin

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

	Three months ended		
(in millions of dollars)	February 29, 2020	November 30, 2019	February 28, 2019
EBITDA before commissions	$ 30.2	$ 38.7	$ 12.9
Divided by income	106.7	114.5	105.0
EBITDA before commissions margin	**28.3%**	**33.8%**	**12.3%**

Adjusted EBITDA before commissions margin

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

	Three months ended		
(in millions of dollars)	February 29, 2020	November 30, 2019	February 28, 2019
Adjusted EBITDA before commissions	$ 30.2	$ 35.8	$ 28.5
Divided by adjusted income	106.7	110.4	105.0
Adjusted EBITDA before commissions margin	**28.3%**	**32.4%**	**27.1%**

Net Debt to adjusted EBITDA before commissions ratio

Net debt to adjusted EBITDA before commissions ratio provides useful information to management and investors as an indicator of the Company's leverage capabilities. We define the net debt to adjusted EBITDA before commissions ratio as long-term debt offset against cash and cash equivalents at the end of the period divided by the 12-month trailing EBITDA before commissions for the period.

	Three months ended		
(in millions of dollars)	February 29, 2020	November 30, 2019	February 28, 2019
Net debt	$ 186.9	$ 155.6	$ 147.0
Divided by adjusted EBITDA before commissions (12-month trailing)	126.6	124.9	117.1
Net debt to adjusted EBITDA before commissions ratio	**147.7%**	**124.6%**	**125.5%**

Free Cash Flow

Free cash flow represents cash available for distribution to our shareholders, share buybacks, investment in our alternatives asset management business 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.

	Three months ended		
(in millions of dollars)	February 29, 2020	November 30, 2019	February 28, 2019
Net income (loss) for the period	$ 10.8	$ 22.2	$ (0.2)
Adjusted for non-cash items and non-cash working capital balances	(23.1)	4.1	(6.8)
Net cash provided by (used in) operating activities	$ (12.3)	$ 26.3	$ (7.0)
Adjusted for:			
Net changes in non-cash working capital balances related to operations	25.2	2.5	9.0
Interest paid	(2.1)	(1.8)	(1.9)
Prior years' cash taxes paid (refunded) and anticipated cash taxes to be refunded (paid) related to current year	4.9	(5.7)	5.2
Restructuring provision, net of anticipated cash tax to be refunded	–	–	11.3
Fund expense recovery, net of anticipated cash tax to be paid	–	(3.0)	–
Lease principal payments	(1.2)	–	–
Free cash flow	**$ 14.5**	**$ 18.3**	**$ 16.6**

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 alternatives asset management business. 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) 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 2019 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 alternatives businesses separately. We do not compute an average daily AUM figure for them.

Market Capitalization

AGF's market capitalization is $479.9 million as compared to its recorded net assets of $921.0 million as at February 29, 2020. In 2019, 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, 2019. There have been no significant changes to the recoverable amount of each CGU as at February 29, 2020, however, a sustained period of market volatility could become a triggering event requiring a write down of AGF's CGUs. Estimating the fair value of CGUs is a subjective process that involves the use of estimates and judgments, 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 2019 Annual MD&A in the section entitled 'Risk Factors and Management of Risk'.

Market Risk

Market risk is the risk of a financial loss resulting from adverse changes in underlying market factors. Market risk in our AUM transfer to the Company as our management fee revenue is calculated as a percentage of the average net asset value of each retail fund or portfolio managed.

While the precise impact of the recent novel coronavirus: COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. AGF is monitoring developments and is prepared for any impacts related to COVID-19. The firm has a comprehensive pandemic and business continuity plan that ensures its readiness to appropriately address and mitigate any business risks and impacts to clients and employees.

Furthermore, with the recent volatility in the markets, AGF is monitoring the potential impact of market risk to its capital position and profitability if these levels were sustained or continued to decline. A significant portion of AGF's revenue is driven by its total average AUM excluding private alternatives. These AUM levels are impacted by both net sales and changes in the market. In general, for every $1.0 billion reduction in average AUM excluding private alternatives, management fee revenues would decline by approximately $7.4 million. In addition, the uncertainty within the global markets may impact the level of merger and acquisition activity and is likely to create challenges in completing transactions.

Regulatory Risk

The current environment of heightened regulatory scrutiny in the financial services sector may reasonably be expected to lead to increasingly stringent interpretation and enforcement of existing laws and rules or additional regulations, changes in existing laws and rules, or changes in interpretation or enforcement of existing laws and rules. Regulatory developments may also impact product structures, pricing, and dealer and advisor compensation. While AGF actively monitors such initiatives, and where feasible comments upon or discusses them with regulators, the ability of AGF to mitigate the imposition of differential regulatory treatment of financial products or services is limited. AGF and its subsidiaries are also subject to regulatory reviews as part of the normal ongoing process of oversight by the various regulators.

On October 3, 2019, the Canadian Securities Administrators (the CSA) published final rule amendments (the Amendments) aimed at enhancing the client-registrant relationship, as set out in National Instrument 31-103 (*Registration Requirements, Exemptions and Ongoing Registrant Obligations*) – dubbed the "Client Focused Reforms". Among other things, the Amendments require registrants to promote the best interests of clients when addressing material conflicts of interest and to put clients' interests first when making suitability determinations. When implemented, the Amendments will also enhance registrants' obligations with respect to know-your-client (KYC), know-your-product (KYP) and disclosure obligations, and will require registrants to clarify for clients what they should expect from their registrants. The Amendments came into force on December 31, 2019, with a phased transition period over a two-year period. The Executive Management Committee meets on a regular basis to assess potential impacts to, and opportunities for, AGF as a result of the Amendments.

On December 19, 2019, the CSA released CSA Staff Notice 81-332 *Next Steps on Proposals to Prohibit Certain Investment Fund Embedded Commissions*. All members of the CSA (other than Ontario) will publish final amendments in 2020 to ban the payment of upfront sales commissions by fund organizations to dealers and, in so doing, discontinue sales charge options that involve such payments, such as all forms of the deferred sales charge option, including low-load options (the DSC Option). Further, all members of the CSA will publish final amendments later in 2020 to ban trailing commission payments by fund organizations to dealers who do not make a suitability determination, such as order-execution-only (OEO) dealers. The CSA anticipates that there will be a transition period of at least two years; more information will be included in the final amendments, when published.

On February 20, 2020, the Ontario Securities Commission (OSC) published proposed OSC Rule 81-502 *Restrictions on the Use of the Deferred Sales Charge Option for Mutual Funds* to limit (not ban) the use of the DSC Option in Ontario. The proposed restrictions on the DSC Option include, among others, shortening the maximum term of the redemption fee schedule to three years and limiting the use of the DSC Option to clients under the age of 60 and clients with smaller accounts, $50K or less. The OSC is proposing that OSC Rule 81-502 take effect on June 1, 2022 to coincide with the ban on the DSC Option by the other CSA members. Comments on OSC Rule 81-502 are due May 21, 2020.

As a long-standing participant in the Canadian financial services industry, the Company and its subsidiaries will continue to be an advocate for sound regulatory changes that are grounded in the needs of all investors. The Company strongly believes in upholding the value of advice, preserving investor choice, and limiting the negative effects of unintended consequences. While the impact of these regulatory initiatives still remains uncertain until they are effective, the Company and its subsidiaries will continue to monitor the implementation of these initiatives throughout the industry and will actively participate in engagement with the regulators as necessary.

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 29, 2020 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 29, 2020, the Company's 2019 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

(unaudited)

For the three months ended February 29, 2020 and February 28, 2019

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(unaudited) **(in thousands of dollars)**	**Note**	**February 29, 2020**	**November 30, 2019**
Assets			
Current Assets			
Cash and cash equivalents		$ 29,974	$ 51,660
Investments	4	21,332	21,245
Accounts receivable, prepaid expenses and other assets	5	40,569	45,502
Derivative instrument	7	6	4,787
		91,881	123,194
Investment in joint ventures	5	705	2,626
Long-term investments	5	144,954	136,664
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition		147	195
Goodwill		250,830	250,830
Other intangibles, net of accumulated amortization and derecognition		717	766
Right-of-use assets	3	14,921	–
Property, equipment and computer software, net of accumulated depreciation		9,370	8,889
Deferred income tax assets	3	7,659	5,122
Income tax receivable	17, 22	13,919	13,919
Other assets		1,884	1,523
		1,226,746	1,233,487
Assets classified as held for sale	6	146,979	146,812
Total assets		**$ 1,373,725**	**$ 1,380,299**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	8, 16	$ 54,431	$ 80,651
Provision for Elements Advantage		684	652
Current lease liability	3	4,653	–
Income tax liability	17, 22	1,402	6,154
		61,170	87,457
Long-term lease liability	3	14,230	–
Long-term debt	9	216,901	207,283
Deferred income tax liabilities		152,177	151,038
Provision for Elements Advantage		716	798
Other long-term liabilities	16	7,581	8,947
Total liabilities		452,775	455,523
Equity			
Equity attributable to owners of the Company			
Capital stock	10	476,294	474,178
Contributed surplus	16	38,380	40,781
Retained earnings	3, 8, 9	399,629	398,559
Accumulated other comprehensive income	11	6,647	11,258
Total equity		920,950	924,776
Total liabilities and equity		**$ 1,373,725**	**$ 1,380,299**

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF INCOME (LOSS)

(unaudited)		Three months ended			
(in thousands of dollars, except per share amounts)	**Note**		**February 29, 2020**		**February 28, 2019**
Income					
Management, advisory and administration fees	12	$	97,781	$	90,997
Deferred sales charges			1,642		1,609
Share of profit of associate and joint ventures	5, 6		91		4,481
Fair value adjustments and other income	5, 6, 13		7,198		7,908
			106,712		104,995
Expenses					
Selling, general and administrative	3, 14, 20		45,264		48,036
Restructuring provision	15		–		14,361
Trailing commissions			30,794		28,978
Investment advisory fees			413		695
Deferred selling commissions			12,453		11,073
Amortization and derecognition of customer contracts and other intangibles			97		232
Depreciation of property, equipment and computer software			1,025		926
Depreciation of right-of-use asset	3		836		–
Interest expense	3		2,215		2,041
			93,097		106,342
Income (loss) before income taxes			**13,615**		**(1,347)**
Income tax expense (benefit)					
Current	17		3,227		(2,063)
Deferred	3, 17		(408)		924
			2,819		(1,139)
Net income (loss) for the period		**$**	**10,796**	**$**	**(208)**
Earnings per share					
Basic	18	$	0.14	$	–
Diluted	18	$	0.13	$	–

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(unaudited)		Three months ended			
(in thousands of dollars)	**Note**		**February 29, 2020**		**February 28, 2019**
Net income (loss) for the period		$	10,796	$	(208)
Other comprehensive income, net of tax					
Cumulative translation adjustment					
Other comprehensive income arising from assets classified as held for sale			155		–
Foreign currency translation adjustments related to net investments in foreign operations			25		3,594
			180		3,594
Net unrealized loss on investments					
Unrealized loss			(10)		–
			(10)		–
Net unrealized loss on derivative instrument					
Unrealized loss	7		(4,781)		–
			(4,781)		–
Total other comprehensive income (loss), net of tax		$	(4,611)	$	3,594
Net comprehensive income		**$**	**6,185**	**$**	**3,386**

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

(unaudited)

(in thousands of dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance, December 1, 2018	$ 474,319	$ 41,277	$ 376,133	$ 9,767	**$ 901,496**
Net loss for the period	–	–	(208)	–	**(208)**
Other comprehensive income (net of tax)	–	–	–	3,594	**3,594**
Comprehensive income (loss) for the period	–	–	(208)	3,594	**3,386**
AGF Class B Non-Voting shares issued through dividend reinvestment plan	79	–	–	–	**79**
Stock options	455	(44)	–	–	**411**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.1 million	–	–	(6,373)	–	**(6,373)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(3,366)	–	–	**(3,366)**
Treasury stock released	2,274	–	–	–	**2,274**
Balance, February 28, 2019	**$ 477,127**	**$ 37,867**	**$ 369,552**	**$ 13,361**	**$ 897,907**
Balance, November 30, 2019	$ 474,178	$ 40,781	$ 398,559	$ 11,258	**$ 924,776**
Change in accounting policy (Note 3) IFRS 16	–	–	(3,134)	–	**(3,134)**
Balance, December 1, 2019	474,178	40,781	395,425	11,258	**921,642**
Net income for the period	–	–	10,796	–	**10,796**
Other comprehensive income (net of tax)	–	–	–	(4,611)	**(4,611)**
Comprehensive income for the period	–	–	10,796	(4,611)	**6,185**
AGF Class B Non-Voting shares issued through dividend reinvestment plan	77	–	–	–	**77**
Stock options	321	123	–	–	**444**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.1 million	–	–	(6,366)	–	**(6,366)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,524)	–	–	**(2,524)**
Treasury stock released	1,718	–	(226)	–	**1,492**
Balance, February 29, 2020	**$ 476,294**	**$ 38,380**	**$ 399,629**	**$ 6,647**	**$ 920,950**

(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 dollars)	**Note**	**February 29, 2020**	**February 28, 2019**
Operating Activities			
Net income (loss) for the period		$ 10,796	$ (208)
Adjustments for			
Amortization, derecognition and depreciation		1,958	1,158
Interest expense		2,215	2,041
Income tax expense (benefit)	17	2,819	(1,139)
Income taxes paid		(8,059)	(3,225)
Stock-based compensation	16	1,290	1,221
Share of profit of associate and joint ventures	5	(91)	(4,481)
Distributions from associate	5	2,000	2,798
Fair value adjustment on long-term investments	5	(653)	4,170
Net realized and unrealized gain (loss) on short-term investments		657	(294)
Other		(38)	(47)
		12,894	1,994
Net change in non-cash working capital balances related to operations			
Accounts receivable and other current assets		4,796	2,834
Other assets		(362)	–
Accounts payable and accrued liabilities		(28,296)	(11,239)
Other liabilities		(1,304)	(568)
		(25,166)	(8,973)
Net cash used in operating activities		(12,272)	(6,979)
Financing Activities			
Issue of Class B Non-Voting shares	10	321	455
Dividends paid	19	(6,208)	(6,213)
Issuance (repayment) of long-term debt	9	9,500	(20,000)
Interest paid		(2,084)	(1,886)
Lease principal payments	3	(1,179)	–
Net cash provided by (used in) financing activities		350	(27,644)
Investing Activities			
Purchase of long-term investments	5	(9,000)	(26,974)
Return of capital from long-term investments	5	1,363	21,277
Purchase of property, equipment and computer software, net of disposals		(1,507)	(707)
Purchase of short-term investments	4	(1,043)	(2,248)
Proceeds from sale of short-term investments	4	423	18,226
Net cash provided by (used in) investing activities		(9,764)	9,574
Decrease in cash and cash equivalents		(21,686)	(25,049)
Balance of cash and cash equivalents, beginning of the period		51,660	46,791
Balance of cash and cash equivalents, end of the period		$ 29,974	$ 21,742

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

Notes to the Condensed Consolidated Interim Financial Statements

For the three months ended February 29, 2020 and February 28, 2019 (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, and 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's private alternatives business includes joint ventures with InstarAGF Asset Management Inc. (InstarAGF) and Stream Asset Financial Management LP (SAFM LP).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 24, 2020.

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. Amounts are expressed in Canadian dollars, unless otherwise stated. The accounting policies in these condensed consolidated interim financial statements reflect the adoption of IFRS 16 and are otherwise consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2019. 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, 2019, which have been prepared in accordance with IFRS as issued by the IASB. Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation in the current year.

Note 3: Changes in Accounting Policies

Adoption of New and Revised Accounting Standards

The Company has adopted the following new and revised standards, effective December 1, 2019. These changes were adopted in accordance with the application transitional provisions of each new or revised standard.

IFRS 16 Leases:

Effective December 1, 2019, the Company has adopted IFRS 16 Leases (IFRS 16) which replaced prior guidance, IAS 17 Leases, and related interpretations. The new standard provides guidance for the recognition, measurement and disclosure of the leases and requires a lessee to recognize right-of-use assets and lease liabilities for all qualified lease contracts, effectively eliminating the concept of an operating lease from a lessee perspective. A lessee recognizes depreciation expense on the right-of-use asset and interest expense on the lease liability.

The Company adopted the new standard under the modified retrospective approach and has elected not to restate its comparative financial information for the effect of applying IFRS 16, as permitted by the transitional provisions within IFRS 16. Under this approach, the Company recognized lease liabilities at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as at December 1, 2019. Right-of-use assets for property leases were measured at their carrying value on transition as if IFRS 16 had been applied since the inception of the lease but discounted using the Company's incremental borrowing rate as at December 1, 2019. All other right-of-use assets were measured at the amount of the lease liabilities on adoption. In addition, the Company assessed the classification of its sub-leased property with reference to the IFRS 16 guidance and concluded that it should be classified as operating lease under the new standard. The transitional adjustments were recognized as a reduction in opening retained earnings of $3.1 million on December 1, 2019.

The Company has elected the following practical expedients:

- Apply a single discount rate to a portfolio of assets that share the same characteristics.
- Use hindsight in areas for which the standard would otherwise require the lessee to reconstruct historical judgements and estimates.
- Exclude initial direct costs from the measurement of right-of-use assets at the date of initial application.
- Not recognize leases with a term of 12 months or less and with no purchase option.
- Not recognize leases of low value.

The application of IFRS 16 results in a reduction to selling, general and administrative expenses and an increase in depreciation and interest expense. There is not a significant impact on net income. Cash provided by operating activities increased and financing cash flows decreased as a result of the adoption of IFRS 16 as the lease payments moved from an operating activity to a financing activity. Total cash flows remained unchanged.

Impact of Adopting IFRS 16 Leases:

The application as at December 1, 2019 resulted in the following changes to the consolidated statement of financial position:

(in thousands of dollars)		November 30, 2019		IFRS 16 Transitional Adjustments		December 1, 2019
Assets						
Current Assets	$	123,194	$	–	$	123,194
Right-of-use assets		–		15,757		15,757
Deferred income tax assets		5,122		989		6,111
Other long-term assets		1,105,171		–		1,105,171
Assets classified as held for sale		146,812		–		146,812
Total assets	$	1,380,299	$	16,746	$	1,397,045
Liabilities						
Current lease liabilities	$	–	$	4,653	$	4,653
Other current liabilities		87,457		–		87,457
		87,457		4,653		92,110
Long-term lease liabilities		–		15,227		15,227
Other long-term liabilities		368,066		–		368,066
Total liabilities		455,523		19,880		475,403
Equity						
Capital stock		474,178		–		474,178
Contributed surplus		40,781		–		40,781
Retained earnings		398,559		(3,134)		395,425
Accumulated other comprehensive income		11,258		–		11,258
Total equity		924,776		(3,134)		921,642
Total liabilities and equity	$	1,380,299	$	16,746	$	1,397,045

The lease liabilities recognized as at December 1, 2019 can be reconciled to the operating lease commitments as at November 30, 2019 as follows:

(in thousands of dollars)		
Commitment as at November 30, 2019	$	178,311
Less:		
Service commitments not applicable under IFRS 16		(91,905)
Future commitment where control is not yet obtained as at December 1, 2019[1]		(70,863)
Add:		
Optional renewal period payments considered reasonably certain to be exercised		7,041
Gross lease liability as at December 1, 2019	**$**	**22,584**
Incremental borrowing rate as at December 1, 2019		3.71%
Present value of lease liability as at December 1, 2019	**$**	**19,880**
Current lease liability		4,653
Long-term lease liability		15,227

[1] This commitment represents a future lease obligation which will increase the Company's right of use asset and lease liability at the time the Company obtains right of use.

The following shows the carrying amounts of the Company's right-of-use assets and lease liabilities by class and the movements during the three-month period ended February 29, 2020.

	Right-of-use assets			Lease liabilities
(in thousands of dollars)	Property leases	Equipment	Total	
As at December 1, 2019	$ 14,569	$ 1,188	$ 15,757	$ 19,880
Depreciation expense	(770)	(66)	(836)	–
Interest expense	–	–	–	181
Payments	–	–	–	(1,179)
As at February 29, 2020	**$ 13,799**	**$ 1,122**	**$ 14,921**	**$ 18,882**

In addition to lease liabilities of $18.9 million recorded on the consolidated statement of financial position as at February 29, 2020, the Company also has commitments of $91.9 million related to service commitments not applicable under IFRS 16 as well as a future commitment of $70.9 million related to a future lease obligation.

The following are the new accounting policy under IFRS 16:

A contract is determined to contain a lease under IFRS 16 if all the following criteria are met:

- The contract contains an identifiable asset
- The lessee obtains the right of direct use of the asset
- The lessee obtains substantially all the economic benefits of the asset

Recognition of eligible leases

Right-of-use asset and lease liability are recognized at the lease commencement date, which is defined as the date on which the lessor makes the underlying asset available for use by the lessee. The right-of-use asset is initially measured at cost less indirect costs, removal and restoration costs, prepaid lease payments and lease incentive received and subsequently amortized, on a straight-line basis, over the earlier of the useful life of the right-of-use asset or the term of the lease. The lease term includes the non-cancellable period of the lease and periods covered by an option to extend or terminate the lease if the Company is reasonably certain to exercise the option.

The lease liability is measured based on the present value of the fixed lease payments using either the implicit interest rate of the lease or the incremental borrowing rate. Subsequently, the lease liability is reduced by the lease payments made, partially offset by an increase in accretion interest expense using the effective interest rate method.

Any lease with variable lease payments that do not depend on an index or rate, a lease term less than 12 months or deemed as low value are exempt from IFRS 16 and will continue to be expensed on an accrual basis. The exempted leases do not have a material impact on the consolidated financial statements.

Subsequent lease modification

The right-of-use asset and lease liability are remeasured if a modification occurs. A modification includes increasing the scope of the lease by adding the right to use to one or more underlying assets, increasing the scope of the lease by extending the contractual lease term and changing the consideration in the lease by increasing or decreasing the lease payment. When the lease liability is remeasured due to a modification, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of dollars)	February 29, 2020	November 30, 2019
Fair value through profit or loss		
AGF mutual funds and other	$ 16,781	$ 16,356
Term deposits	3,719	4,045
	20,500	20,401
Fair value through other comprehensive income		
Equity securities	524	536
Amortized cost		
Canadian government debt – Federal	308	308
	$ 21,332	$ 21,245

During the three months ended February 29, 2020 and February 28, 2019, no impairment charges were recognized.

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

(a) Investment in Joint Ventures

The Company has ownership in joint ventures which manage our private alternative funds. These include SAF GP, SAFM LP, and InstarAGF and are accounted for using the equity method of accounting. The Company, through its interest in joint ventures, may be entitled to performance-based fees or carried interest distributions. These amounts are recognized by the Company and its joint ventures when the related performance thresholds are met and when the risk of reversal is low. The continuity for the three months ended February 29, 2020 and February 28, 2019 is as follows:

	Three months ended			
(in thousands of dollars)		February 29, 2020		February 28, 2019
Balance, beginning of the period	$	2,626	$	2,325
Share of profit		79		92
Dividends received		(2,000)		–
Balance, end of the period	$	705	$	2,417

For the three months ended February 29, 2020, the Company recognized earnings of $0.1 million (2019 – $0.1 million) and received dividends of $2.0 million (2019 – nil) from its private alternative business. For one of these joint ventures, the Company has recorded losses 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 29, 2020, the Company has accumulated unrecognized losses of $4.9 million (November 30, 2019 – $4.9 million), which includes an accrual for future compensation for which the ultimate amount that may be paid will depend on carried interest realized in the future. The compensation accrual represents a non-cash liability which will be funded through carried interest payments from the funds.

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 29, 2020, the Company had recorded a receivable of nil (November 30, 2019 – $4.5 million) included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position. In addition, as at February 29, 2020, the Company had recorded a $0.6 million promissory note receivable from InstarAGF (November 30, 2019 – $0.6 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.

(b) Investment in Long-term Investments

Fair value adjustments and income distributions related to the Company's long-term investments in private alternatives are included in fair value adjustments and other income in the consolidated 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 29, 2020 and February 28, 2019 is as follows:

	Three months ended			
(in thousands of dollars)		February 29, 2020		February 28, 2019
Balance, beginning of the period	$	136,664	$	105,377
Purchase of long-term investments		9,000		26,974
Return of capital		(1,363)		(21,277)
Fair value adjustment[1]		653		(4,170)
Balance, end of the period	$	144,954	$	106,904

[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.

As at February 29, 2020, the Company has funded $146.1 million, net of capital returns (November 30, 2019 – $138.5 million) in funds and investments associated with the private alternatives business and has $61.3 million (November 30, 2019 – $70.3 million) remaining committed capital to be invested. 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.

During the three months ended February 29, 2020, the Company recognized $2.7 million (2019 – $7.2 million) in fair value adjustment and distributions related to its long-term investments.

As at February 29, 2020, the carrying value of the Company's long-term investments in the private alternatives business was $145.0 million (November 30, 2019 – $136.7 million).

Note 6: Assets Classified as Held for Sale

The Company holds a 30.5% (November 30, 2019 – 35.0%) investment in S&WHL accounted for using the equity method through to September 18, 2019. On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney. The change in ownership percentage was related to the structuring of the transaction. Based on the terms of the arrangement, the Company will divest its minority stake and estimates that the transaction will result in total cash and equity proceeds of approximately £193.2 million (approximately C$332.1 million[1]), excluding one-time expenses and subject to closing adjustments and taxes, compared to a book value as at November 30, 2019 of $146.8 million. AGF is expected to receive a special cash distribution estimated to be £19.8 million (approximately C$34.0 million[1]). During the three months ended February 29, 2020, the Company received £2.7 million (C$4.5 million) in dividends as partial payment of this distribution. At closing, the Company will receive cash proceeds of approximately £147.4 million (approximately C$253.4 million[1]) and retain approximately 2.3% interest in the newly combined entity. The transaction is subject to regulatory approvals. On January 20, 2020, the Company announced that the Financial Conduct Authority (FCA) informed Tilney Group that the proposed transaction structure for the merger of Smith & Williamson and Tilney Group has not met with its approval. Discussions with the FCA are ongoing to determine the required steps forward. It is anticipated that the completion of the transaction, which remains subject to regulatory approval, may be delayed.

The investment in S&WHL was accounted for using the equity method through to September 18, 2019. Effective September 19, 2019, the long-term investment in S&WHL was classified as 'held for sale' and equity accounting ceased. Assets classified as 'held for sale' are measured at the lower of their carrying amount and fair value less costs to sell. Dividends received when S&WHL is classified as held for sale are recorded in other income and do not reduce the carrying value of the investment. Foreign exchange revaluation on the carrying value of S&WHL is recorded through other comprehensive income. As at February 29, 2020, the carrying value was $147.0 million (November 30, 2019 – $146.8 million). During the three months ended February 29, 2020, the Company received $4.5 million in dividends after the long-term asset was classified as 'held for sale' and was recorded as dividend income. Refer to Note 13 for additional information. During the three months ended February 28, 2019, $4.4 million was recorded as equity earnings from S&WHL and the Company received $2.8 million in dividends from S&WHL.

Note 7: Derivative Instrument

To reduce the Company's foreign exchange risk on the transaction value of the sale of S&WHL from the time of announcement until closing, the Company purchased a put option, which gives the Company the right, but not the obligation to sell £167.1 million at a strike price of 1.6130. The put option protects AGF's cash consideration if the British pound declines below 1.6130 and expires March 31, 2020.

The foreign currency put option is designated as a cash flow hedging instrument. The Company paid a premium of $5.8 million for the put option which is recorded in current assets and will be netted against the gain on S&WHL upon closing. In the event the sale of S&WHL does not occur, the premium will be recognized in the Consolidated Interim Statement of Income (Loss). Changes in the fair value of the option are recognized in other comprehensive income and any ineffective portion of fair value is recognized

[1]Canadian dollar figure assumes an exchange rate of 1.7190 as at February 29, 2020.

in the Consolidated Interim Statement of Income (Loss). Any accumulated gains or losses recorded in other comprehensive income will be reclassified to the Consolidated Interim Statement of Income (Loss) in the same period during which the consideration is received or at expiration of the put option. As at February 29, 2020, the value of the put option was nil (November 30, 2019 – $4.8 million). During the three months ended February 29, 2020, the fair value adjustment on the put option was an unrealized loss of $4.8 million (February 28, 2019 – nil), which has been recognized in other comprehensive income.

Note 8: Accounts Payable

(in thousands of dollars)		February 29, 2020		November 30, 2019
Compensation related payable	$	20,885	$	42,609
HST payable		8,148		10,131
Other		25,398		27,911
Accounts payable and accrued liabilities	$	54,431	$	80,651

Note 9: Long-term Debt

During the three months ended February 29, 2020, the Company borrowed $9.5 million (2019 – repaid $20.0 million). As at February 29, 2020, AGF had drawn $218.0 million (November 30, 2019 – $208.5 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 3.4% (November 30, 2019 – 3.7%) per annum and had a $5.1 million (November 30, 2019 – $5.1 million) letter of credit. Of the $218.0 million drawn (November 30, 2019 – $208.5 million), $1.1 million (November 30, 2019 – $1.2 million) has been deducted related to the transaction and stamping fees incurred on the Facility. 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 29, 2020, $106.9 million was available to be drawn from the revolving credit facility and swingline facility commitment.

Note 10: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

	Three months ended					
	February 29, 2020			February 28, 2019		
(in thousands of dollars, except share amounts)	Shares		Stated value	Shares		Stated value
Class A Voting common shares	57,600	$	–	57,600	$	–
Class B Non-Voting shares						
Balance, beginning of the period	78,223,104	$	474,178	78,260,674	$	474,319
Issued through dividend reinvestment plan	12,120		77	16,123		79
Stock options exercised	53,190		321	88,954		455
Treasury stock released for employee benefit trust	255,262		1,718	337,818		2,274
Balance, end of the period	78,543,676	$	476,294	78,703,569	$	477,127

(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 5,947,786 shares for the period from February 6, 2020 to February 5, 2021 and up to 5,980,078 shares for the period from February 6, 2019 to February 5, 2020. During the three months ended February 29, 2020 and February 28, 2019, 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 29, 2020 and February 28, 2019, AGF did not purchase Class B Non-Voting shares for the employee benefit trust. Shares purchased for the trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three months ended February 29, 2020, 255,262 (2019 – 337,818) Class B Non-Voting shares purchased as treasury stock were released. As at February 29, 2020, 124,346 (November 30, 2019 – 379,606) Class B Non-Voting shares were held as treasury stock.

Note 11: Accumulated Other Comprehensive Income

(in thousands of dollars)	Foreign currency translation	Fair value through OCI	Derivative instrument	Total
Opening composition of accumulated other comprehensive income at December 1, 2018				
Other comprehensive income	$ 5,753	$ 4,022	$ –	$ 9,775
Income tax benefit	–	(8)	–	(8)
Balance, December 1, 2018	5,753	4,014	–	9,767
Transactions during the year ended November 30, 2019				
Other comprehensive income (loss)	2,490	71	(1,062)	1,499
Income tax benefit	–	(8)	–	(8)
Balance, November 30, 2019	8,243	4,077	(1,062)	11,258
Transactions during the period ended February 29, 2020				
Other comprehensive income (loss)	180	(12)	(4,781)	(4,613)
Income tax expense	–	2	–	2
Balance, February 29, 2020	$ 8,423	$ 4,067	$ (5,843)	$ 6,647

Note 12: Management, Advisory and Administration Fees

	Three months ended	
(in thousands of dollars)	February 29, 2020	February 28, 2019
Management, advisory and administration fees	$ 99,806	$ 93,999
Fund expenses and waivers	(2,025)	(3,002)
	$ 97,781	$ 90,997

Note 13: Fair Value Adjustments and Other Income

	Three months ended	
(in thousands of dollars)	February 29, 2020	February 28, 2019
Fair value adjustment related to investment gain (loss) in OCI to earnings (Note 4)	$ (619)	$ 270
Fair value adjustment and distributions related to long-term investments (Note 5(b))	2,745	7,199
Dividend income (Note 6)	4,493	–
Interest income	164	195
Other	415	244
	$ 7,198	$ 7,908

Note 14: Expenses by Nature

	Three months ended	
(in thousands of dollars)	February 29, 2020	February 28, 2019
Selling, general and administrative		
Employee benefit expense	$ 31,649	$ 31,010
Sales and marketing	2,505	2,735
Information technology and facilities (Note 3)	7,033	8,753
Professional fees	3,610	4,387
Other fund costs (recovery)	(257)	226
Other	724	925
	$ 45,264	$ 48,036

Note 15: Restructuring Provision

During the year ended November 30, 2019, the Company implemented a plan to achieve certain organizational and operational efficiencies, resulting in a restructuring charge of $14.4 million.

Note 16: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 795,393 Class B Non-Voting shares could have been granted as at February 29, 2020 (November 30, 2019 – 465,900).

The change in stock options during the three months ended February 29, 2020 and February 28, 2019 is summarized as follows:

Three months ended	February 29, 2020			February 28, 2019		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B Non-Voting share options						
Balance, beginning of the period	7,416,929	$	6.91	7,854,300	$	7.52
Options expired	(329,493)		10.76	(370,363)		15.68
Options exercised	(53,190)		5.35	(88,954)		4.59
Balance, end of the period	7,034,246	$	6.74	7,394,983	$	7.15

During the three months ended February 29, 2020 and February 28, 2019, nil stock options were granted and contributed surplus of nil was recorded.

(b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs), Deferred Share Units (DSUs) and Partners Incentive Plan (PIP). Compensation expense related to cash-settled stock-based compensation for the three months ended February 29, 2020 was $0.3 million (2019 – $0.4 million) and the liability recorded as at February 29, 2020 related to cash-settled stock-based compensation was $4.7 million (November 30, 2019 – $4.6 million). Compensation expense related to equity-settled RSUs and PIP for the three months ended February 29, 2020 was $0.8 million (2019 – $0.8 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at February 29, 2020 was $4.0 million (November 30, 2019 – $5.5 million).

The change in share units of RSUs and DSUs during the three months ended February 29, 2020 and February 28, 2019 is as follows:

Three months ended	February 29, 2020	February 28, 2019
	Number of share units	Number of share units
Outstanding, beginning of the period, non-vested	3,216,960	3,259,769
Issued		
Initial grant	16,278	61,946
In lieu of dividends	31,303	41,142
Settled in cash	(329,477)	(448,271)
Settled in equity	(255,262)	(337,818)
Forfeited and cancelled	(38,380)	(52,943)
Outstanding, end of the period, non-vested	2,641,422	2,523,825

Note 17: 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 effective tax rate for the three months ended February 29, 2020 was 20.7% (2019 – 84.6%).

During the three months ended February 28, 2019, the company recorded a tax benefit of $3.1 million related to the restructuring provision. Excluding the restructuring provision of $14.4 million and the related tax benefit of $3.1 million, the effective tax rate for the three months ended February 28, 2019 was 15.3%. Refer to Note 22 for additional information on tax contingencies. The main items impacting the effective tax rate in the period relates to tax-exempt investment income, gains from investment subject to different tax rates and temporary differences for which no deferred tax assets were recognized.

Note 18: Earnings per Share

(in thousands of dollars, except per share amounts)		February 29, 2020		February 28, 2019
Numerator				
Net income (loss) for the period	$	10,796	$	(208)
Denominator				
Weighted average number of shares – basic		78,570,122		78,664,067
Dilutive effect of employee stock-based compensation awards		1,960,163		1,172,181
Weighted average number of shares – diluted		80,530,285		79,836,248
Earnings per share for the period				
Basic	$	0.14	$	–
Diluted	$	0.13	$	–

Note 19: Dividends

During the three months ended February 29, 2020, the Company paid dividends of $0.08 (2019 – $0.08) per share. Total dividends paid, including dividends reinvested, in the three months ended February 29, 2020 were $6.3 million (2019 – $6.3 million). On March 24, 2020, 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 29, 2020, amounting to a total dividend of approximately $6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 20: Related Party Transactions

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

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

	Three months ended			
(in thousands of dollars)		February 29, 2020		February 28, 2019
Salaries and other short-term employee benefits	$	2,129	$	1,949
Share-based payments		692		685
	$	2,821	$	2,634

Note 21: 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 29, 2020:

(in thousands of dollars) **February 29, 2020**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 29,974	$ –	$ –	$ 29,974
AGF mutual funds and other	16,781	–	–	16,781
Term deposits	3,719	–	–	3,719
Long-term investments	–	–	144,954	144,954
Financial assets at fair value through other comprehensive income				
Derivative instrument	–	6	–	6
Equity securities	524	–	–	524
Amortized cost				
Canadian government debt – Federal	–	308	–	308
Total financial assets	$ 50,998	$ 314	$ 144,954	$ 196,266

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2019:

(in thousands of dollars) **November 30, 2019**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 51,660	$ –	$ –	$ 51,660
AGF mutual funds and other	16,356	–	–	16,356
Equity securities	4,045	–	–	4,045
Long-term investments	–	–	136,664	136,664
Financial assets at fair value through other comprehensive income				
Derivative instrument	–	4,787	–	4,787
Equity securities	536	–	–	536
Amortized cost				
Canadian government debt – Federal	–	308	–	308
Total financial assets	$ 72,597	$ 5,095	$ 136,664	$ 214,356

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 alternatives asset management business. 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 long-term investments as at February 29, 2020 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. 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 $14.5 million. Refer to Note 5(b) for additional information.

The following table presents changes in level 3 instruments for the three months ended February 29, 2020:

(in thousands of dollars)		Long-term investments
Balance at December 1, 2019	$	136,664
Purchase of investment		9,000
Return of capital		(1,363)
Fair value adjustment recognized in profit or loss		653
Balance at February 29, 2020	$	144,954

The following table presents changes in level 3 instruments for the three months ended February 28, 2019:

(in thousands of dollars)		Long-term investments
Balance at December 1, 2018	$	105,377
Purchase of investment		26,974
Return of capital		(21,277)
Fair value adjustment recognized in profit or loss		(4,170)
Balance at February 28, 2019	$	106,904

There were no transfers into or out of level 1 and level 2 during the three months ended February 29, 2020.

Note 22: Contingencies

There are certain general tax claims against the Company, none of which 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 an ongoing dispute 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 – 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 $9.0 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 $13.9 million (including interest and penalties). The amount 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.

(b) CRA Audit – Transfer Pricing

As previously disclosed in the 2017 and 2018 Annual Consolidated Financial Statements, the Company reached a settlement with the CRA and the applicable tax authority in the relevant foreign jurisdiction on 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.

In 2018, the issue was resolved when the Company received tax reassessments reflecting the settlements, including the waiver of the transfer pricing penalties and resolved the uncertainties in implementing the settlements with the CRA. As a result, the Company received a net refund of $18.2 million and released $24.1 million from its transfer pricing provision (including $21.9 million in tax expense and $2.2 million in reversal of interest expense) and recorded $1.5 million in interest income in 2018.

In 2019, the Company received $2.6 million of refund (including $0.3 million of interest) from the CRA. The Company expects to receive a further refund of approximately $1.2 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position.

Note 23: Subsequent Event

While the precise impact of the recent novel coronavirus: COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. AGF is monitoring developments and is prepared for any impacts related to COVID-19. The firm has a comprehensive pandemic and business continuity plan that ensures its readiness to appropriately address and mitigate any business risks and impacts to clients and employees.

Furthermore, with the recent volatility in the markets, AGF is monitoring the potential impact of market risk to its capital position and profitability if these levels were sustained or continued to decline. A significant portion of AGF's revenue is driven by its total average AUM excluding private alternatives. These AUM levels are impacted by both net sales and changes in the market. In general, for every $1.0 billion reduction in average AUM excluding private alternatives, management fee revenues, net of trailer fees, would decline by approximately $7.4 million. In addition, the uncertainty within the global markets may impact the level of merger and acquisition activity and is likely to create challenges in completing transactions.

Goodwill represents the excess of fair value of consideration paid over the fair value of the Company's share of the identifiable net assets, including management contracts, of the acquired subsidiary at the date of acquisition. Impairment testing is completed annually and quarterly an assessment is made to evaluate any events which may trigger an impairment. An impairment loss is recognized when the recoverable amount of the cash-generating units (CGUs) is less than the carrying amount of the CGUs. As at February 29, 2020, no impairment was noted, however a sustained period of market volatility could become a triggering event requiring a write down of AGF's CGUs.

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.

Invested in Discipline

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