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

For the three and six months ended May 31, 2018 and 2017

AGF MANAGEMENT LIMITED

Second Quarter Report to Shareholders for the three and six months ended May 31, 2018

AGF MANAGEMENT LIMITED REPORTS SECOND QUARTER 2018 FINANCIAL RESULTS

- *Second consecutive quarter of positive retail mutual fund net sales*
- *Institutional net sales of $1.2 billion*
- *AUM increases to $38.5 billion*

Toronto | June 27, 2018

AGF Management Limited (AGF or the Company) (TSX: AGF.B) today announced financial results for the second quarter ended May 31, 2018.

Total assets under management (AUM) increased 5.6% to $38.5 billion compared to the same period in 2017, with growth across all lines of business.

During the quarter ended May 31, 2018, mutual fund net sales were $100.0 million, an improvement from net redemptions of $107.0 million for the quarter ended May 31, 2017, reflecting the Company's continued focus on investment performance and customer service excellence. Adjusting for net sales from institutional clients invested in mutual funds, net sales of retail mutual funds were $85.0 million in the quarter[1].

"While the industry experienced a slowdown with net sales of mutual funds declining more than 30% year over year, AGF continued to deliver consistent improvements in net flows," said Blake Goldring, Chairman and Chief Executive Officer, AGF. "Our focus on providing our clients the products and service they demand is contributing to our success."

Key Operating Highlights:

- Net sales of retail mutual funds for the second consecutive quarter, with improvement in both the MFDA and IIROC channels.
- Institutional net sales of $1.2 billion in the quarter with AGFiQ, as well as fundamental strategies sold to clients in multiple jurisdictions.
- AGF's "Invested in Discipline" campaign was the winner of the Best Advertising Campaign Award at the Wealth Professional Awards ceremony held on May 31, 2018. This Award recognized AGF for an outstanding individual campaign directed at wealth professionals in terms of its effectiveness, reach, currency and creativity.
- Announced the extension of AGF's preferred pricing offering to allow eligible investors to automatically benefit from the lowest fee option as well as fee reductions on AGF Emerging Markets Fund/Class and AGF Fixed Income Plus Fund/Class.
- Substantially resolved AGF's transfer pricing case, resulting in a tax provision release of $9.6 million and receipt of $27.8 million in cash.

"I am encouraged by the early success of our AGFiQ platform within the institutional channel, as investors look for products that provide better risk-adjusted returns through a disciplined multi-factor process," said Kevin McCreadie, President and Chief Investment Officer, AGF Investments Inc. "We will continue to focus on offering our clients custom solutions that deliver consistent outcomes."

Income for the three months ended May 31, 2018 was $114.2 million, compared to $117.1 million for the three months ended May 31, 2017. EBITDA was $20.6 million for the three months ended May 31, 2018, compared to $29.2 million for the same period in 2017. Adjusting for one-time items, EBITDA was $25.8 million, compared to $29.2 million for the same period in 2017.

Diluted earnings per share (EPS) for the three months ended May 31, 2018 was $0.21 compared to $0.16 for the comparative period. Adjusted diluted EPS for the three months ended May 31, 2018 was $0.14 compared to $0.16 for the comparative period.

For the three months ended May 31, 2018, AGF declared an eight cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable July 18, 2018 to shareholders on record as at July 10, 2018.

(from continuing operations)	Three months ended			Six months ended	
(in millions of Canadian dollars, except per share data)	May 31, 2018	February 28, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Income	$ 114.2	$ 110.9	$ 117.1	$ 225.2	$ 224.3
Net income attributable to equity owners of the Company	17.0	21.5	13.2	38.5	22.4
EBITDA[2]	20.6	24.9	29.2	45.6	54.8
Adjusted EBITDA[2]	25.8	24.9	29.2	50.8	54.8
Diluted earnings per share attributable to equity owners of the Company	0.21	0.27	0.16	0.47	0.28
Adjusted diluted earnings per share attributable to equity owners of the Company[2]	0.14	0.14	0.16	0.28	0.28
Free Cash Flow[2]	2.1	10.5	10.4	12.6	20.9
Dividends per share	0.08	0.08	0.08	0.16	0.16
Long-term debt	168.6	168.6	168.4	168.6	168.4

(end of period)	Three months ended				
(in millions of Canadian dollars)	May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017	May 31, 2017
Mutual fund assets under management (AUM)[3] (including retail pooled funds)	$ 19,118	$ 19,056	$ 19,111	$ 18,165	$ 18,884
Institutional, sub-advisory and ETF accounts AUM	12,823	11,545	11,782	10,665	11,336
Private client AUM	5,521	5,471	5,517	5,221	5,323
Alternative asset management platform AUM[4]	1,009	902	902	902	902
Total AUM, including alternative asset management platform	38,471	36,974	37,312	34,953	36,445
Net mutual fund sales (redemptions)[3]	100	(68)	(139)	(40)	(107)
Average daily mutual fund AUM[3]	18,727	18,675	18,220	18,239	18,579

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

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

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

4 Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is $150.0 million, of which $112.9 million has been funded as at May 31, 2018, which includes $10.1 million return of capital related to the monetization of its seed assets.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'estimates,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including income, revenues, earnings or growth rates), ongoing business strategies or prospects, fund performance, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, client-driven asset allocation decisions, pipeline, competitive fee levels for investment management products and administration, and competitive dealer compensation levels and cost efficiency in our investment management operations, as well as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, catastrophic events, and our ability to complete strategic transactions and integrate acquisitions, and attract and retain key personnel. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of the 2017 Annual MD&A.

Summary of Quarterly Results
(from continuing operations)

Three months ended (in millions of Canadian dollars, except per share amounts)	**May 31, 2018**[1]	**Feb. 28, 2018**[2]	**Nov. 30, 2017**[3]	**Aug. 31, 2017**
Income	$ 114.2	$ 110.9	$ 120.9	$ 110.3
Expenses[6]	93.6	86.0	87.8	81.7
EBITDA[7]	20.6	24.9	33.1	28.6
Pre-tax income	11.3	14.1	19.8	15.5
Net income attributable to equity owners of the Company	17.0	21.5	17.3	12.3
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.21	$ 0.27	$ 0.22	$ 0.16
Diluted	0.21	0.27	0.21	0.15
Free cash flow[7]	2.1	10.5	21.6	16.4
Dividends per share	0.08	0.08	0.08	0.08
Long-term debt	168.6	168.6	138.6	148.5
Weighted average basic shares	79,666,007	79,616,259	79,256,388	79,397,164
Weighted average fully diluted shares	81,214,021	81,081,521	81,608,744	81,276,280

Three months ended (in millions of Canadian dollars, except per share amounts)	**May 31, 2017**	**Feb. 28, 2017**	**Nov. 30, 2016**[4]	**Aug. 31, 2016**[5]
Income	$ 117.1	$ 107.2	$ 104.8	$ 109.4
Expenses[6]	87.9	81.5	74.1	84.1
EBITDA[7]	29.2	25.7	30.7	25.3
Pre-tax income	16.7	9.8	17.6	10.3
Net income attributable to equity owners of the Company	13.2	9.2	14.6	8.2
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.17	$ 0.12	$ 0.18	$ 0.10
Diluted	0.16	0.11	0.18	0.10
Free cash flow[7]	10.4	10.4	21.2	12.9
Dividends per share	0.08	0.08	0.08	0.08
Long-term debt	168.4	198.3	188.2	228.0
Weighted average basic shares	79,359,653	79,398,426	79,117,939	79,296,221
Weighted average fully diluted shares	80,934,689	80,615,418	80,248,027	80,306,141

[1] May 31, 2018 includes $5.2 million of one-time restructuring and administrative costs, $7.4 million of provision release and $2.2 million of interest recovery related to the transfer pricing case.

[2] February 28, 2018 includes $10.0 million provision release related to the transfer pricing case.

[3] November 30, 2017 includes $10.0 million of income related to a litigation settlement.

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

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

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

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

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

This Management’s Discussion and Analysis (MD&A) is as of June 26, 2018, and presents an analysis of the financial condition of AGF Management Limited (AGF or the Company) and its subsidiaries for the three- and six-month periods ended May 31, 2018, compared to the three- and six-month periods ended May 31, 2017. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended May 31, 2018 and our 2017 Annual Report. The financial statements for the three and six months ended May 31, 2018, including required comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting, unless otherwise noted.

We also utilize non-IFRS financial measures to assess our overall performance and facilitate a comparison of quarterly and full-year results from period to period. These non-IFRS measures may not be comparable with similar measures presented by other companies. Details of non-IFRS measures used are outlined in the ‘Key Performance Indicators, Additional IFRS and Non-IFRS Measures’ section, which provides calculations of the non-IFRS measures.

All dollar amounts are in Canadian dollars unless otherwise indicated. Throughout this discussion, percentage changes are calculated based on numbers rounded to the decimals that appear in this MD&A. Results, except per share information, are presented in millions of dollars. Certain totals, subtotals and percentages may not reconcile due to rounding. For purposes of this discussion, the operations of AGF and our subsidiary companies are referred to as ‘we,’ ‘us,’ ‘our,’ ‘the firm’ or ‘the Company.’

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

Our Business and Strategy

Founded in 1957, AGF Management Limited (AGF) is a diversified global asset management firm offering investment solutions to a wide range of clients, from individual investors and financial advisors to institutions, including pension plans, corporate plans, sovereign wealth funds, endowments and foundations. With $38.5 billion in total assets under management (AUM) as at May 31, 2018, AGF serves more than one million investors. AGF trades on the Toronto Stock Exchange (TSX) under the symbol AGF.B.

AGF holds a 32.8% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the U.K. S&WHL is one of the top 10 largest chartered accountancy firms in the U.K. and its investment management business has over $35.7 billion (£20.6 billion) of funds under management and advice as at May 31, 2018.

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

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

Our Investment Approach

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

Investment Stewardship

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

Our Investment Strategies

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

Fundamental

AGF's fundamental actively managed platform, with $25.7 billion in AUM, operates under the AGF brand and includes a broad range of investment strategies, including equities, asset allocation and fixed income. Our equities strategies include global, North American, emerging markets and sustainable investment solutions. Our asset allocation strategy offers managed solutions and balanced funds to investors. AGF's Asset Allocation Committee consists of senior investment professionals who analyze and allocate across global bond and equity markets. They provide an active asset allocation outlook for many of AGF's products, including the AGF Elements Portfolios. AGF also offers investor solutions within resources and precious metals. Our fixed income strategy offers both domestic and global solutions.

Quantitative

AGF's quantitative platform, with approximately $6.3 billion in AUM, operates under the AGFiQ brand. AGFiQ's portfolio and investment management team has extensive experience in quantitative investing and research with a core investment discipline focused on factor-based investing. AGFiQ is grounded in the belief that investment outcomes can be improved by assessing and targeting the factors that drive market returns with the objective to provide better risk-adjusted returns by utilizing a flexible, multi-factor process centred on the principle of viewing risk through multiple lenses. All of its research and analysis is done internally, backed by an investment team with a diverse skill set ranging from scientists to academics to traditional fundamental analysts.

Private Client

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

Alternatives Business

AGF's alternative platform, with $1.0 billion in AUM, includes Stream Asset Financial LP (Stream) and the InstarAGF Essential Infrastructure Fund (EIF). In 2014, AGF established a joint venture with Instar Group Inc. (Instar) to form InstarAGF Asset Management Inc. (InstarAGF), in which AGF holds a 51% economic interest. InstarAGF, which is an integral element of AGF's alternative business strategy, is an alternative asset management firm with an emphasis on real assets, including essential infrastructure in the North American middle market, with the goal of delivering sustainable and attractive returns to investors. EIF invests in and manages high-quality infrastructure assets in the energy, utilities, civil and social infrastructure categories in Canada and the United States. Stream invests in oil and gas infrastructure assets and structured products linked to oil and gas infrastructure investments. As alternative assets continue to grow in prominence and represent a greater proportion of institutional portfolios, AGF is well positioned to deliver the long-duration, risk-adjusted solutions that institutional, retail and high-net-worth investors are seeking to generate predictable cash flow and meet long-dated liabilities.

Our Distribution Channels

Retail and Strategic Accounts

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

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

Institutional

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

Our institutional clients have an option to invest in custom series offerings within our mutual fund products reported under our mutual fund AUM category. Net redemptions of such investment totaled $73.0 million for the six months ended May 31, 2018[1].

Operating Highlights for the Second Quarter of 2018

- Net sales in our retail mutual fund business, which excludes non-recurring institutional movements, were $85.0 million in the quarter, compared to net redemptions of $107.0 million in the prior year.[1]
- Reported mutual fund net sales were $100.0 million, an improvement from net redemptions of $107.0 million for the same period in 2017.
- We announced the extension of our preferred pricing offering for retail mutual fund investors to allow eligible investors to automatically benefit from the lowest fee option available in a particular series.
- Institutional net sales of $1.2 billion in the quarter with AGFiQ, as well as fundamental strategies sold to clients in multiple jurisdictions.
- Revenue was $114.2 million, compared to $117.1 million in the same period of 2017.
- EBITDA was $20.6 million, compared to $29.2 million in 2017. Adjusting for one-time restructuring and administrative costs, EBITDA was $25.8 million, compared to $29.2 million in 2017.
- Adjusted diluted EPS for the three months ended May 31, 2018 was $0.14 per share, compared to adjusted diluted EPS of $0.16 per share in 2017.
- We declared dividends of $0.08 per share for the three months ended May 31, 2018, to be paid on July 18, 2018.
- We substantially resolved the uncertainties related to the transfer pricing case and announced a tax provision release of $9.6 million.

As at May 31, 2018, 14% (2017 – 50%) of our AUM was above median over one year and 27% (2017 – 53%) of our AUM was above median over three years. Our portfolio has a quality bias due to our disciplined risk management processes. Such investments have underperformed while securities with momentum characteristics have continued to increase in value. We are comfortable with our positioning and believe the quality inherent in our portfolio is appropriate for our investors over the long-term.

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

Assets Under Management

(in millions of Canadian dollars)	Three months ended May 31, 2018	February 28, 2018	November 30, 2017	August 31, 2017	May 31, 2017
Mutual fund AUM (including retail pooled funds)[1], beginning of period	$ 19,056	$ 19,111	$ 18,165	$ 18,884	$ 18,299
Gross sales	706	663	481	516	558
Redemptions	(606)	(731)	(620)	(556)	(665)
Net sales (redemptions)	100	(68)	(139)	(40)	(107)
Market appreciation (depreciation) of fund portfolios	$ (38)	$ 13	$ 1,085	$ (679)	$ 692
Mutual fund AUM (including retail pooled funds)[1], end of the period	$ 19,118	$ 19,056	$ 19,111	$ 18,165	$ 18,884
Average daily mutual fund AUM[1]	$ 18,727	$ 18,675	$ 18,220	$ 18,239	$ 18,579
Institutional, sub-advisory and ETF accounts AUM, beginning of period	$ 11,545	$ 11,782	$ 10,665	$ 11,336	$ 10,960
Net change in institutional, sub-advisory and ETF accounts, including market performance	1,278	(237)	1,117	(671)	376
Institutional, sub-advisory and ETF accounts AUM, end of the period	$ 12,823	$ 11,545	$ 11,782	$ 10,665	$ 11,336
Private client AUM	$ 5,521	$ 5,471	$ 5,517	$ 5,221	$ 5,323
AUM, end of the period	$ 37,462	$ 36,072	$ 36,410	$ 34,051	$ 35,543
Alternative asset management platform AUM[2]	$ 1,009	$ 902	$ 902	$ 902	$ 902
Total AUM, including alternative asset management platform, end of the period	$ 38,471	$ 36,974	$ 37,312	$ 34,953	$ 36,445

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

2 Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is $150.0 million, of which $112.9 million has been funded as at May 31, 2018, which includes $10.1 million return of capital related to the monetization of its seed assets.

Consolidated Operating Results

(in millions of Canadian dollars, except per share data)	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended May 31, 2017	Six months ended May 31, 2018	Six months ended May 31, 2017
Income					
Management, advisory and administration fees	$ 105.2	$ 103.6	$ 104.9	$ 208.8	$ 204.4
Deferred sales charges	1.7	1.6	2.0	3.4	3.7
Share of profit of associate and joint ventures	5.8	4.5	4.3	10.3	7.3
Fair value adjustments and other income	1.5	1.2	5.9	2.7	8.9
	114.2	110.9	117.1	225.2	224.3
Expenses					
Selling, general and administrative[1]	60.4	53.1	54.9	113.5	105.3
Trailing commissions	32.5	31.8	32.1	64.3	62.6
Investment advisory fees	0.7	1.1	0.9	1.8	1.6
	93.6	86.0	87.9	179.6	169.5
EBITDA[2]	20.6	24.9	29.2	45.6	54.8
Amortization, derecognition and depreciation	9.8	9.5	10.9	19.2	25.2
Interest expense (income)[3]	(0.5)	1.3	1.6	1.0	3.1
Income before income taxes	11.3	14.1	16.7	25.4	26.5
Income taxes[4]	(5.3)	(6.9)	4.1	(12.2)	6.7
Income, net of tax	16.6	21.0	12.6	37.6	19.8
Net income (loss) attributable to:					
Equity owners of the Company	$ 17.0	$ 21.5	$ 13.2	$ 38.5	$ 22.4
Non-controlling interest	(0.4)	(0.5)	(0.6)	(0.9)	(2.6)
	16.6	21.0	12.6	37.6	19.8
Earnings per share attributable to equity owners of the Company					
Basic earnings per share	$ 0.21	$ 0.27	$ 0.17	$ 0.48	$ 0.28
Diluted earnings per share	$ 0.21	$ 0.27	$ 0.16	$ 0.47	$ 0.28

1 Selling, general and administrative expenses include one-time restructuring and administrative costs of $5.2 million for the three and six months ended May 31, 2018.
2 For the definition of EBITDA, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA to net income, a defined term under IFRS, are detailed above.
3 Three and six months ended May 31, 2018 includes $2.2 million reversal of interest expense related to the transfer pricing case.
4 Three and six months ended May 31, 2018 includes tax provision release related to the transfer pricing case of $7.4 million and $17.4 million respectively. Three months ended February 28, 2018 includes tax provision release related to the transfer pricing case of $10.0 million.

One-time Adjustments

(in millions of Canadian dollars, except per share data)	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended May 31, 2017	Six months ended May 31, 2018	Six months ended May 31, 2017
EBITDA[1]	$ 20.6	$ 24.9	$ 29.2	$ 45.6	$ 54.8
Add (deduct):					
One-time restructuring and administrative costs	5.2	–	–	5.2	–
Adjusted EBITDA[1]	$ 25.8	$ 24.9	$ 29.2	$ 50.8	$ 54.8
Net income attributable to equity owners of the Company	$ 17.0	$ 21.5	$ 13.2	$ 38.5	$ 22.4
Add (deduct):					
Adjustments to EBITDA from above	5.2	–	–	5.2	–
One-time interest expense recovery related to the transfer pricing case	(2.2)	–	–	(2.2)	–
One-time net recovery related to transfer pricing provision	(7.4)	(10.0)	–	(17.4)	–
Tax impact on the adjustments to EBITDA above	(1.4)	–	–	(1.4)	–
Adjusted net income attributable to equity owners of the company[1]	$ 11.2	$ 11.5	$ 13.2	$ 22.7	$ 22.4
Adjusted diluted EPS[1]	$ 0.14	$ 0.14	$ 0.16	$ 0.28	$ 0.28

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

Income

For the three and six months ended May 31, 2018, income decreased by 2.5% and increased by 0.4% over the previous year, with changes in the categories as follows:

Management, Advisory and Administration Fees

Management and advisory fees are directly related to our AUM levels while administration fees are directly related to the number of client accounts and transactions incurred. Management, advisory and administration fees are recognized on an accrual basis. For the three and six months ended May 31, 2018, management, advisory and administration fees were $105.2 million and $208.8 million compared to $104.9 million and $204.4 million in 2017. The increase relates to a 0.8% increase in average daily mutual fund AUM due to improved net sales and market appreciation, as well as higher fund administration revenues. These positive effects were partially offset by a declining revenue rate resulting from a trend towards lower fee earning AUM.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 1.5% to 5.5%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenue was $1.7 million and $3.4 million for the three and six months ended May 31, 2018, compared to $2.0 million and $3.7 million for the same periods in 2017, reflecting lower redemption levels.

Share of Profit of Associate and Joint Ventures

Share of profit of associate and joint ventures includes earnings from S&WHL as well as our ownership interest in infrastructure joint ventures. These investments are accounted for under the equity method. Share of profit of associates and joint ventures was $5.8 million and $10.3 million for the three and six months ended May 31, 2018, compared to $4.3 million and $7.3 million during the same periods in 2017.

For the three and six months ended May 31, 2018, earnings from our 32.8% ownership in S&WHL increased to $5.7 million and $10.1 million (2017 – $4.2 million and $7.1 million) due to improved results compared to the same periods in the prior year.

For the three and six months ended May 31, 2018, earnings related to our ownership in the joint ventures that manage our infrastructure funds were $0.1 million and $0.2 million (2017 – $0.1 million and $0.2 million). Earnings from joint ventures depends on the level of fee-earning commitments, invested capital and its expense levels. For additional information, see Note 5(b) of the Condensed Consolidated Interim Financial Statements.

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	**May 31, 2018**	**February 28, 2018**	**May 31, 2017**	**May 31, 2018**	**May 31, 2017**
Share of profit of S&WHL	$ 5.7	$ 4.4	$ 4.2	$ 10.1	$ 7.1
Share of profit of joint ventures[1]	0.1	0.1	0.1	0.2	0.2
	$ 5.8	$ 4.5	$ 4.3	$ 10.3	$ 7.3

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

Fair Value Adjustments and Other Income

Fair value adjustments and other income include mark to market adjustments related to AGF mutual funds that are held as seed capital investments and fair value adjustments and distributions associated with our long-term investments. Long-term investments include investments in Stream and EIF, which are accounted for at fair value through profit or loss. During the three and six months ended May 31, 2018, we recorded $0.8 million and $1.5 million (2017 – $2.0 million and $3.7 million) as fair value adjustments and income distributions related to our economic interest in the investments in our alternative asset management platform. The amounts recorded as income fluctuate primarily with the amount of capital invested and changes in fair value. Upon final close of the EIF fund in the third quarter of 2017, our proportionate share in EIF was rebalanced to 13.5% from 19.2% as at May 31, 2017, resulting in lower fair value adjustment and distributions related to our long-term investments.

	Three months ended			Six months ended	
(in millions of Canadian dollars)	**May 31, 2018**	**February 28, 2018**	**May 31, 2017**	**May 31, 2018**	**May 31, 2017**
Fair value adjustment related to investment in AGF mutual funds	$ –	$ –	$ 3.2	$ –	$ 4.1
Fair value adjustment and distributions related to long-term investments	0.8	0.7	2.0	1.5	3.7
Interest income[1]	1.6	0.1	0.4	1.7	0.5
Other	(0.8)	0.4	0.3	(0.5)	0.6
	$ 1.6	$ 1.2	$ 5.9	$ 2.7	$ 8.9

[1] Three and six months ended May 31, 2018 includes $1.4 million related to interest income related to the transfer pricing case.

Expenses

For the three and six months ended May 31, 2018, expenses increased 6.5% and 6.0% from the same periods in 2017. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A increased by $5.5 million and $8.2 million or 10.0% and 7.8% for the three and six months ended May 31, 2018, compared to the same periods in 2017.

A breakdown of the increase is as follows:

(in millions of Canadian dollars)	Three months ended May 31, 2018	Six months ended May 31, 2018
Increase in compensation expenses	$ 0.2	$ 1.7
Increase in sales and marketing expenses	0.8	1.1
Increase (decrease) in other expenses	(0.7)	0.2
SG&A increase before one-time costs	$ 0.3	$ 3.0
Increase in one-time costs	5.2	5.2
Total change in SG&A	$ 5.5	$ 8.2

The following explains expense changes in the three and six months ended May 31, 2018, compared to the same periods in the prior year:

- Salaries and benefits increased $0.2 million and $1.7 million primarily due to an increase in investment performance-based compensation and higher commissions related to higher sales, partially offset by non-recurring compensation costs.
- Sales and marketing increased $0.8 million and $1.1 million due to the timing of activities.
- During the quarter, we recognized $5.2 million related to restructuring costs primarily as a result of a realignment in our retail sales organization, as well as administrative costs related to a change in terms used to calculate fund administration fees.

Trailing Commissions

Trailing commissions paid to distributors depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM was 0.69% and 0.69% for the three and six months ended May 31, 2018, compared to 0.69% and 0.69% for the same periods in 2017.

EBITDA and EBITDA Margin (Non-IFRS Measures)

EBITDA was $20.6 million and $45.6 million for the three and six months ended May 31, 2018, compared to $29.2 million and $54.8 million for the same periods of 2017. EBITDA margin was 18.0% and 20.2% for the three and six months ended May 31, 2018, compared to 24.9% and 24.4% in the corresponding periods in 2017.

Amortization and Interest Expense

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment, and computer software and interest expense. Deferred selling commissions amortization represents the most significant category of amortization. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Unamortized deferred selling commissions related to units redeemed prior to the end of the schedule are immediately expensed. Amortization expense related to deferred selling commissions was $8.6 million and $16.9 million for the three and six months ended May 31, 2018, compared to $8.6 million and $17.1 million for the same periods in 2017. During the three and six months ended May 31, 2018, we paid $11.5 million and $21.8 million in selling commissions, compared to $9.9 million and $17.9 million in the same periods of 2017. As at May 31, 2018, the unamortized balance of deferred selling commissions financed was $95.9 million (November 30, 2017 – $91.0 million).

Customer contracts amortization and derecognition decreased $0.1 million and $3.5 million for the three and six months ended May 31, 2018, compared to the same periods in 2017, reflecting higher redemptions in 2017. Customer contracts are immediately expensed upon redemption of the AUM.

Other intangibles amortization and derecognition decreased $0.9 million and $2.0 million for the three and six months ended May 31, 2018, compared to the same periods in 2017, as a result of a lower carrying value.

Depreciation decreased $0.1 million and $0.2 million for the three and six months ended May 31, 2018, compared to the same periods in 2017, as a result of a lower cost base.

Interest expense decreased $2.0 million and $2.3 million for the three and six months ended May 31, 2018, compared to the same periods in 2017, as a result of a reversal of $2.2 million in interest related to the transfer pricing case recorded in May 2018.

Income Tax Expense

Income tax expense for the three and six months ended May 31, 2018 was a recovery of $5.3 million and $12.2 million, as compared to $4.1 million and $6.7 million of expense in the corresponding periods in 2017. Including the tax contingencies, the effective tax rate for the six months ended May 31, 2018 was a recovery of 47.8% (2017 – expense of 25.3%). During the six months ended May 31, 2018, the Company recorded a tax contingencies recovery of $17.4 million (2017 – expense of $0.9 million) with the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies and the tax effect of the related reversal of interest expense, the estimated effective tax rate for the six months ended May 31, 2018 was 21.5% (2017 – 22.0%).

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 – Transfer Pricing

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

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

Under the settlements, the Company accepted the agreements between the CRA and the tax authority in the foreign jurisdiction (i) under the Mutual Agreement Procedure under the relevant tax treaty for the Company's 2005 to 2010 taxation years and (ii) for a Bilateral Advance Pricing Arrangement for the Company's 2011 to 2016 taxation years.

During the six months ended May 31, 2018, the Company received the tax reassessments reflecting the settlements and resolved the uncertainties in implementing the settlements with the CRA. As a result, the Company received net refunds of $17.8 million, released $19.6 million from its transfer pricing provision (including $17.4 million in tax expense and $2.2 million in reversal of interest expense) and recorded $1.4 million in interest income during the six months ended May 31, 2018. The transfer pricing matter is substantially resolved. Starting in 2017, the Company implemented transfer pricing methodologies that were consistent with the BAPA settlement.

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

In July 2015, the Company received a notice of reassessment (NOR) from the CRA denying $30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by $10.9 million (before the application of interest and penalties of $9.7 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid $13.5 million (including interest and penalties) during the year ended November 30, 2015 and $0.1 million during the year ended November 30, 2017, which was recorded as income tax receivable on the consolidated statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

Net Income

The impact of the above income and expense items resulted in net income attributable to the equity owners of the Company of $17.0 million and $38.5 million for the three and six months ended May 31, 2018 as compared to net income attributable to the equity owners of the Company of $13.2 million and $22.4 million in the corresponding periods in 2017. Adjusting for the one-time net recoveries of $5.8 million and $15.8 million that occurred during the three and six months ended May 31, 2018, adjusted net income attributable to the equity owners of the Company was $11.2 million and $22.7 million.

Earnings per Share

Diluted earnings per share was $0.21 and $0.47 per share for the three and six months ended May 31, 2018, as compared to earnings of $0.16 and $0.28 per share in the corresponding periods of 2017. Adjusted diluted earnings per share was $0.14 and $0.28 per share for the three and six months ended May 31, 2018, as compared to earnings of $0.16 and $0.28 per share in the corresponding periods of 2017.

Liquidity and Capital Resources

As at May 31, 2018, the Company had total cash and cash equivalents of $28.0 million (November 30, 2017 – $25.8 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated activities was $2.1 million and $12.6 million for the three and six months ended May 31, 2018, compared to $10.4 million and $20.9 million in the comparative prior periods. During the six months ended May 31, 2018, we generated $2.2 million (2017 – $14.2 million used) in cash as follows:

(in millions of Canadian dollars) **Six months ended**	**May 31, 2018**	**May 31, 2017**
Net cash used in operating activities less amounts paid (received) to CRA in relation to ongoing tax matters	$ (3.7)	$ 3.8
Received from (paid to) CRA in relation to transfer pricing settlement	17.8	(0.1)
Repurchase of treasury stock for employee benefit trust (EBT)	(2.5)	(1.1)
Dividends paid	(12.6)	(12.5)
Return of capital in the alternative asset management platform	–	15.6
Purchase of long-term investments	(27.2)	(3.4)
Issuance (repayment) of long-term debt	30.0	(20.0)
Net proceeds from sale of short-term investments	6.1	7.7
Interest paid	(2.6)	(2.6)
Other	(3.1)	(1.5)
Change in cash and cash equivalents	$ 2.2	$ (14.2)

The Company's working capital increased $13.0 million for the six months ended May 31, 2018.

Total long-term debt outstanding at May 31, 2018 was $168.6 million (November 30, 2017 – $138.6 million). The Company's revolving credit facility has a maximum aggregate principal amount of $320.0 million and includes a $10.0 million swingline facility commitment. As at May 31, 2018, $144.9 million was available to be drawn. The loan facility will be available to meet future operational and investment needs. We anticipate that cash balances and cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, fund our alternative asset management platform commitments, finance selling commissions, satisfy regulatory and tax requirements, service debt repayment obligations, pay quarterly dividends, and fund any future share buybacks.

Capital Management Activities

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

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

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

Normal Course Issuer Bid

On February 2, 2018, AGF announced that the TSX had approved AGF's notice of intention to renew its normal course issuer bid (NCIB) in respect of its Class B Non-Voting shares. Purchase for cancellation by AGF of outstanding Class B Non-Voting shares may also be used to offset the dilutive effect of treasury stock released for the employee benefit trust and of shares issued through the Company's stock option plans and dividend reinvestment plan. AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its NCIB, the Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX for amounts as follows:

- Between February 6, 2018 and February 5, 2019, up to 6,124,051 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX); and
- Between February 6, 2017 and February 5, 2018, up to 4,899,168 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX).

During the three and six months ended May 31, 2018 and 2017, AGF did not repurchase shares for cancellation under its NCIB.

During the three and six months ended May 31, 2018, under its NCIB, AGF purchased 217,864 and 365,296 (2017 – 170,000 and 170,000) Class B Non-Voting shares for the employee benefit trust for a total consideration of $1.5 million and $2.5 million (2017 – $1.1 million and $1.1 million) at an average price of $6.90 and $6.94 (2017 – $6.24) per share.

Dividends

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

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

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

Years ended November 30	2018[1]	2017	2016	2015	2014
Per share	$ 0.24	$ 0.32	$ 0.32	$ 0.51	$ 1.08

[1] Represents the total dividends paid in January 2018, April 2018 and to be paid in July 2018.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on April 18, 2018 was $0.08 per share.

On June 26, 2018, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.08 per share in respect of the three months ended May 31, 2018.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2018 and May 31, 2017. For additional detail, see Notes 8 and 12 of the Condensed Consolidated Interim Financial Statements.

	May 31, 2018	**May 31, 2017**
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	79,526,200	79,247,087
Stock Options		
Outstanding options	7,237,219	7,773,374
Exercisable options	4,230,389	3,840,148

Key Performance Indicators, Additional IFRS and Non-IFRS Measures

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

Income

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

We derive our income principally from a combination of:

- Management and advisory fees directly related to AUM from our retail, institutional and private client lines of businesses,
- Fund administration fees based on the number of client accounts and transactions incurred,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 32.8% equity interest in S&WHL, and
- General partnership interest and long-term investments in the alternative asset management platform.

EBITDA and Adjusted EBITDA

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

The following table outlines how our EBITDA measures are determined:

(in millions of Canadian dollars)	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended May 31, 2017	Six months ended May 31, 2018	Six months ended May 31, 2017
Net income for the period	$ 16.6	$ 21.0	$ 12.6	$ 37.6	$ 19.8
Adjustments:					
Amortization, derecognition and depreciation	9.8	9.5	10.9	19.2	25.2
Interest expense (income)[1]	(0.5)	1.3	1.6	1.0	3.1
Income taxes[2]	(5.3)	(6.9)	4.1	(12.2)	6.7
EBITDA	$ 20.6	$ 24.9	$ 29.2	$ 45.6	$ 54.8
Other one-time adjustments:					
One-time restructuring and administrative costs	$ 5.2	$ –	$ –	$ 5.2	$ –
Adjusted EBITDA	$ 25.8	$ 24.9	$ 29.2	$ 50.8	$ 54.8

[1] Three and six months ended May 31, 2018 includes a $2.2 million interest recovery related to the transfer pricing case.
[2] Three and six months ended May 31, 2018 includes a $7.4 million and $17.4 million provision release related to the transfer pricing case, respectively.

Free Cash Flow

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

(in millions of Canadian dollars)	Three months ended May 31, 2018	Three months ended February 28, 2018	Three months ended May 31, 2017	Six months ended May 31, 2018	Six months ended May 31, 2017
Net income for the period	$ 16.6	$ 21.0	$ 12.6	$ 37.6	$ 19.8
Adjusted for non-cash items and non-cash working capital balances	24.6	(48.1)	15.6	(23.5)	(16.1)
Net cash provided by (used in) operating activities	$ 41.2	$ (27.1)	$ 28.2	$ 14.1	$ 3.7
Adjusted for:					
Net changes in non-cash working capital balances related to operations	(12.4)	26.4	(17.0)	14.0	10.7
Taxes paid (received) related to transfer pricing audit and other tax contingencies	(27.8)	10.0	0.1	(17.8)	0.1
Interest paid	(1.5)	(1.1)	(1.3)	(2.6)	(2.6)
Prior years' cash taxes paid (refunded) and anticipated cash taxes to be refunded (paid) related to current year	2.6	2.3	0.4	4.9	9.0
Free cash flow	$ 2.1	$ 10.5	$ 10.4	$ 12.6	$ 20.9

EBITDA Margin

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	May 31, 2018	February 28, 2018	May 31, 2017	May 31, 2018	May 31, 2017
EBITDA	$ 20.6	$ 24.9	$ 29.2	$ 45.6	$ 54.8
Divided by income	114.2	110.9	117.1	225.2	224.3
EBITDA margin	18.0%	22.5%	24.9%	20.2%	24.4%

Adjusted EBITDA Margin

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	May 31, 2018	February 28, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Adjusted EBITDA	$ 25.8	$ 24.9	$ 29.2	$ 50.8	$ 54.8
Divided by adjusted income	114.2	110.9	117.1	225.2	224.3
Adjusted EBITDA margin	22.6%	22.5%	24.9%	22.6%	24.4%

Net Debt to EBITDA Ratio

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	May 31, 2018	February 28, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Net debt	$ 140.6	$ 145.7	$ 139.5	$ 168.6	$ 139.5
Divided by EBITDA (12-month trailing)	107.2	115.8	110.9	107.2	110.9
Net debt to EBITDA ratio	131.2%	125.8%	125.8%	157.3%	125.8%

Assets Under Management

The amount of AUM and the related fee rates are important to our business as these are the drivers of our revenue from our mutual fund, institutional and sub-advisory accounts, private client relationships and alternative asset management platform. AUM will fluctuate in value as a result of investment performance, sales and redemptions and crystallization of long-term investments. Mutual fund sales and AUM determine a significant portion of our expenses because we pay upfront commissions on gross sales and trailing commissions to financial advisors as well as investment advisory fees based on the value of AUM.

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2017 Annual MD&A.

Net Sales (Redemptions)

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

Market Capitalization

AGF's market capitalization is $542.1 million as compared to its recorded net assets of $956.1 million as at May 31, 2018. In 2017, we completed an assessment to determine the fair value of AGF's cash-generating units (CGUs). Based on the result of the assessment, the recoverable amount of each CGU exceeded its carrying value as at November 30, 2017. There have been no significant changes to the recoverable amount of each CGU as at May 31, 2018. Estimating the fair value of CGUs is a subjective process that involves the use of estimates and judgements, particularly related to cash flows, the appropriate discount rates, terminal growth rates, synergy inclusion rates and an applicable control premium.

Managing Risk

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

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes in AGF's internal controls during the three and six months ended May 31, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three and six months ended May 31, 2018, the Company's 2017 Annual Information Form (AIF) and Annual Report, and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

AGF Management Limited
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended May 31, 2018 and 2017

(unaudited) (in thousands of Canadian dollars)	Note		May 31, 2018		November 30, 2017
Assets					
Current Assets					
Cash and cash equivalents		$	28,049	$	25,842
Investments	4		12,541		18,551
Accounts receivable, prepaid expenses and other assets			53,790		47,549
Income tax receivable	13, 18		77		–
			94,457		91,942
Investment in associate and joint ventures	5		111,228		104,642
Long-term investments	5		102,379		75,362
Management contracts			689,759		689,759
Customer contracts, net of accumulated amortization and derecognition			1,052		1,520
Goodwill			250,830		250,830
Other intangibles, net of accumulated amortization and derecognition			963		1,085
Deferred selling commissions, net of accumulated amortization and derecognition			95,899		90,963
Property, equipment and computer software, net of accumulated depreciation			11,078		11,141
Deferred income tax assets			1,706		2,622
Income tax receivable	13, 18		13,575		13,610
Total assets		$	1,372,926	$	1,333,476
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	12	$	67,007	$	69,995
Income tax liability	13, 18		–		6,680
Provision for Elements Advantage			1,031		1,317
			68,038		77,992
Long-term debt	7		168,599		138,612
Deferred income tax liabilities			172,280		171,077
Provision for Elements Advantage			710		921
Other long-term liabilities	12		7,159		10,655
Total liabilities			416,786		399,257
Equity					
Equity attributable to owners of the Company					
Capital stock	8		482,130		478,883
Contributed surplus	12		38,602		40,453
Retained earnings	6		424,120		405,345
Accumulated other comprehensive income	9		11,288		12,076
			956,140		936,757
Non-controlling interest	6		–		(2,538)
Total equity			956,140		934,219
Total liabilities and equity		$	1,372,926	$	1,333,476

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars, except per share data)	Note	May 31, 2018	May 31, 2017
Income			
Management, advisory and administration fees		$ 105,242	$ 104,848
Deferred sales charges		1,714	1,972
Share of profit of associate and joint ventures	5	5,780	4,344
Fair value adjustments and other income	5, 10	1,492	5,922
Total income		114,228	117,086
Expenses			
Selling, general and administrative	11	60,434	54,926
Trailing commissions		32,512	32,137
Investment advisory fees		724	882
Amortization and derecognition of deferred selling commissions		8,583	8,586
Amortization and derecognition of customer contracts		238	348
Amortization and derecognition of other intangibles		37	926
Depreciation of property, equipment and computer software		909	1,021
Interest expense (income)	18	(524)	1,513
		102,913	100,339
Income before income taxes		**11,315**	**16,747**
Income tax expense (benefit)			
Current	13	(6,394)	4,209
Deferred	13	1,111	(79)
		(5,283)	4,130
Net income for the period		**$ 16,598**	**$ 12,617**
Net income (loss) attributable to:			
Equity owners of the Company		$ 16,976	$ 13,150
Non-controlling interest	6	(378)	(533)
		$ 16,598	$ 12,617
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	14	$ 0.21	$ 0.17
Diluted earnings per share	14	$ 0.21	$ 0.16

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

(unaudited)		Six months ended	
(in thousands of Canadian dollars, except per share data)	Note	May 31, 2018	May 31, 2017
Income			
Management, advisory and administration fees		$ 208,833	$ 204,356
Deferred sales charges		3,356	3,749
Share of profit of associate and joint ventures	5	10,291	7,327
Fair value adjustments and other income	5, 10	2,659	8,852
Total income		225,139	224,284
Expenses			
Selling, general and administrative	11	113,543	105,303
Trailing commissions		64,308	62,569
Investment advisory fees		1,807	1,560
Amortization and derecognition of deferred selling commissions		16,866	17,086
Amortization and derecognition of customer contracts		468	3,951
Amortization and derecognition of other intangibles		122	2,163
Depreciation of property, equipment and computer software		1,786	1,998
Interest expense	18	822	3,156
		199,722	197,786
Income before income taxes		**25,417**	**26,498**
Income tax expense (benefit)			
Current	13	(14,109)	6,784
Deferred	13	1,957	(79)
		(12,152)	6,705
Net income for the period		**$ 37,569**	**$ 19,793**
Net income (loss) attributable to:			
Equity owners of the Company		$ 38,500	$ 22,396
Non-controlling interest	6	(931)	(2,603)
		$ 37,569	$ 19,793
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	14	$ 0.48	$ 0.28
Diluted earnings per share	14	$ 0.47	$ 0.28

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

(unaudited)	Three months ended		Six months ended	
(in thousands of Canadian dollars)	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Net income for the period	$ 16,598	$ 12,617	$ 37,569	$ 19,793
Other comprehensive income (loss), net of tax				
Cumulative translation adjustment				
Foreign currency translation adjustments related to net investments in foreign operations	(2,813)	5,508	(1,166)	3,933
	(2,813)	5,508	(1,166)	3,933
Net unrealized and realized gains (losses) on investments				
Unrealized gains	39	275	378	1,221
Reclassification of realized gain to earnings	–	(2,196)	–	(2,196)
	39	(1,921)	378	(975)
Total other comprehensive income (loss), net of tax	$ (2,774)	$ 3,587	$ (788)	$ 2,958
Comprehensive income	$ 13,824	$ 16,204	$ 36,781	$ 22,751
Comprehensive income (loss) attributable to:				
Equity owners of the Company	$ 14,202	$ 16,737	$ 37,712	$ 25,354
Non-controlling interest	(378)	(533)	(931)	(2,603)
Net comprehensive income	$ 13,824	$ 16,204	$ 36,781	$ 22,751

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

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

(unaudited) (in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2016	$ 477,290	$ 40,591	$ 379,202	$ 9,856	**$ 906,939**	$ 1,129	**$ 908,068**
Net income (loss) for the period	–	–	22,396	–	**22,396**	(2,603)	**19,793**
Other comprehensive income (net of tax)	–	–	–	2,958	**2,958**	–	**2,958**
Comprehensive income (loss) for the period	–	–	22,396	2,958	**25,354**	(2,603)	**22,751**
Issued through dividend reinvestment plan	164	–	–	–	**164**	–	**164**
Stock options	68	642	–	–	**710**	–	**710**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million	–	–	(12,862)	–	**(12,862)**	–	**(12,862)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,912)	–	–	**(2,912)**	–	**(2,912)**
Treasury stock purchased	(1,061)	–	–	–	**(1,061)**	–	**(1,061)**
Treasury stock released	4,396	–	–	–	**4,396**	–	**4,396**
Balance, May 31, 2017	**$ 480,857**	**$ 38,321**	**$ 388,736**	**$ 12,814**	**$ 920,728**	**$ (1,474)**	**$ 919,254**
Balance, December 1, 2017	$ 478,883	$ 40,453	$ 405,345	$ 12,076	**$ 936,757**	$ (2,538)	**$ 934,219**
Net income (loss) for the period	–	–	38,500	–	**38,500**	(931)	**37,569**
Other comprehensive income (net of tax)	–	–	–	(788)	**(788)**	–	**(788)**
Comprehensive income (loss) for the period	–	–	38,500	(788)	**37,712**	(931)	**36,781**
Issued through dividend reinvestment plan	153	–	–	–	**153**	–	**153**
Stock options	1,847	344	–	–	**2,191**	–	**2,191**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million	–	–	(12,912)	–	**(12,912)**	–	**(12,912)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,195)	–	–	**(2,195)**	–	**(2,195)**
Treasury stock purchased	(2,501)	–	–	–	**(2,501)**	–	**(2,501)**
Treasury stock released	3,748	–	–	–	**3,748**	–	**3,748**
Increase in ownership in FFCM, LLC	–	–	(6,813)	–	**(6,813)**	3,469	**(3,344)**
Balance, May 31, 2018	**$ 482,130**	**$ 38,602**	**$ 424,120**	**$ 11,288**	**$ 956,140**	**$ –**	**$ 956,140**

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

(unaudited)		Six months ended	
(in thousands of Canadian dollars)	Note	May 31, 2018	May 31, 2017
Operating Activities			
Net income for the period		$ 37,569	$ 19,793
Adjustments for			
Amortization, derecognition and depreciation		19,242	25,198
Interest expense		822	3,156
Income tax expense (benefit)	13	(12,152)	6,705
Income taxes refunded (paid)		9,432	(14,896)
Stock-based compensation	12	2,370	2,819
Share of profit of associate and joint ventures	5	(10,291)	(7,327)
Distributions from associate	5	2,882	2,671
Deferred selling commissions paid		(21,802)	(17,859)
Fair value adjustment on long-term investments	5	178	(817)
Net realized and unrealized gain on short-term investments		(21)	(4,105)
Other		(220)	(1,019)
		28,009	14,319
Net change in non-cash working capital balances related to operations			
Accounts receivable and other current assets		(6,395)	3,499
Accounts payable and accrued liabilities		(2,237)	(15,426)
Other liabilities		(5,317)	1,269
		(13,949)	(10,658)
Net cash provided by operating activities		14,060	3,661
Financing Activities			
Issue of Class B Non-Voting shares	8	1,847	68
Purchase of treasury stock	8	(2,501)	(1,061)
Dividends paid	15	(12,596)	(12,536)
Issuance (repayment) of long-term debt	7	30,000	(20,000)
Interest paid		(2,579)	(2,645)
Net cash provided by (used in) financing activities		14,171	(36,174)
Investing Activities			
Increase in ownership interest in FFCM, LLC	6	(3,240)	–
Purchase of long-term investments	5	(27,195)	(3,422)
Return of capital from long-term investments	5	–	15,625
Purchase of property, equipment and computer software, net of disposals		(1,723)	(1,542)
Purchase of short-term investments	4	(1,391)	(1,318)
Proceeds from sale of short-term investments	4	7,525	8,998
Net cash provided by (used in) investing activities		(26,024)	18,341
Increase (decrease) in cash and cash equivalents		2,207	(14,172)
Balance of cash and cash equivalents, beginning of the period		25,842	43,065
Balance of cash and cash equivalents, end of the period		$ 28,049	$ 28,893

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

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended May 31, 2018 and May 31, 2017 (unaudited)

Note 1: General Information

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

The Company is an integrated, global wealth management corporation whose principal subsidiaries provide investment management for mutual funds, factor-based exchange-traded funds (ETF), institutions and corporations, as well as high-net-worth clients. The Company conducts the management and distribution of mutual funds and ETFs in Canada under the brand names AGF, Elements, Harmony and AGFiQ Asset Management (AGFiQ), (collectively, AGF Investments). The Company's wholly owned subsidiary AGF CustomerFirst Inc. (AGFC) provides fund administration services to the AGF mutual funds. The Company also holds a investments in an associate, Smith & Williamson Holdings Limited (S&WHL), and in joint ventures InstarAGF Asset Management Inc. (InstarAGF), Stream Asset Financial Management LP (SAFM LP) and Stream Asset Financial LP (Stream).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 26, 2018.

Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The accounting policies in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2017. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2017, which have been prepared in accordance with IFRS as issued by the IASB.

Note 3: Changes in Accounting Policies

3.1 Adoption of New and Revised Accounting Standards

The Company has adopted the following new and revised standards, effective December 1, 2017. These changes were adopted in accordance with the application transitional provisions of each new or revised standard.

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

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

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

3.2 Accounting Standards Issued but Not Yet Applied

Certain new accounting standards and interpretations have been published that are not mandatory for the May 31, 2018 interim reporting period and have not been early adopted by the Company. The Company is currently evaluating the impact the following new standards will have on its financial statements.

In July 2014, the IASB issued the final version of IFRS 9 that replaces IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In addition, the IASB introduced a new impairment model. The standard provides a single, principle-based approach for determining the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. The impairment model will be an expected credit loss model, which will apply to all financial instruments and require more timely recognition of expected credit losses. IFRS 9 is effective for financial years commencing on or after January 1, 2018. Early adoption is permitted. Retrospective application is required, but providing comparative information is not compulsory. The Company is in the process of assessing the impact of IFRS 9 and will adopt the new standards on December 1, 2018.

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

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

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

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

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

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	May 31, 2018	November 30, 2017
Fair value through profit or loss		
AGF mutual funds and other	$ 7,602	$ 13,725
	7,602	13,725
Available for sale		
Equity securities and term deposits	4,630	4,516
Loans and receivables		
Canadian government debt – Federal	309	310
	$ 12,541	$ 18,551

During the three and six months ended May 31, 2018 and May 31, 2017, no impairment charges were recognized.

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

(a) Investment in Associate

The Company holds a 32.8% (November 30, 2017 – 32.7%) investment in S&WHL accounted for using the equity method. At May 31, 2018, the carrying value was $109.0 million (November 30, 2017 – $102.7 million). During the three and six months ended May 31, 2018, the Company recognized earnings of $5.7 million and $10.1 million (2017 – $4.2 million and $7.1 million) from S&WHL and received nil and $2.9 million (2017 – $2.7 million and $2.7 million) in dividends from S&WHL.

(b) Investment in Joint Ventures

The Company accounts for Stream Asset Financial GP LP (SAF GP), SAFM LP and InstarAGF, a joint venture with Instar Group Inc. (Instar), using the equity method of accounting. The continuity for the six months ended May 31, 2018 and May 31, 2017 is as follows:

Six months ended	**May 31, 2018**			**May 31, 2017**		
(in thousands of Canadian dollars)	**SAFM LP**	**InstarAGF**	**Total**	**SAFM LP**	**InstarAGF**	**Total**
Balance, beginning of the period	$ 1,991	$ –	$ 1,991	$ 1,629	$ –	$ 1,629
Share of profit	188	–	188	205	–	205
Balance, end of the period	$ 2,179	$ –	$ 2,179	$ 1,834	$ –	$ 1,834

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

The Company holds a 37.0% interest in SAFM LP. For the three and six months ended May 31, 2018, the Company recognized earnings of $0.1 million and $0.2 million (2017 – $0.1 million and $0.2 million) from SAFM LP.

The Company has recorded losses with respect to its equity investment in InstarAGF only to the extent of its initial investment, which has a carrying value of nil, because it is not contractually obligated to fund the losses. As at May 31, 2018, the Company accumulated unrecognized losses of $0.8 million (November 30, 2017 – $0.7 million) related to its interest in InstarAGF. In addition, AGF has agreed to advance up to $5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. The loan facility is non-interest bearing and is repayable on a priority basis. As at May 31, 2018, the Company had recorded a receivable of $4.4 million (November 30, 2017 – $3.1 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at May 31, 2018, the Company had recorded a $0.7 million promissory note receivable from Instar (November 30, 2017 – $0.4 million). The note bears interest at prime and has been included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

(c) Investment in Long-term Investments

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

The continuity for the Company's long-term investments, accounted for at fair value through profit or loss (FVTPL), for the six months ended May 31, 2018 and May 31, 2017 is as follows:

Six months ended (in thousands of Canadian dollars)		**May 31, 2018**		**May 31, 2017**
Balance, beginning of the period	$	75,362	$	78,231
Purchase of long-term investments		27,195		3,422
Return of capital related to rebalancing		–		(15,625)
Fair value adjustment[1]		(178)		817
Balance, end of the period	$	102,379	$	66,845

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

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

Six months ended (in thousands of Canadian dollars)		**May 31, 2018**		**May 31, 2017**
Distribution income	$	1,634	$	2,926
Fair value adjustment[1]		(178)		817
	$	1,456	$	3,743

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

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

As at May 31, 2018, of its $150.0 million allocation, the Company had invested $112.9 million (November 30, 2017 – $86.0 million). As at May 31, 2018, the Company has $37.1 million (November 30, 2017 – $64.0 million) remaining committed capital to be invested in Stream and EIF.

As at May 31, 2018, the carrying value of the Company's long-term investments in the alternative asset management platform was $102.1 million (November 30, 2017 – $75.4 million).

Note 6: Acquisition of FFCM, LLC

During the three and six months ended May 31, 2018, the Company increased its ownership interest in FFCM, LLC (FFCM) from 51% to 100% for cash consideration of $3.2 million. The payment was recorded as an adjustment to non-controlling interest and retained earnings.

Note 7: Long-term Debt

As at May 31, 2018, AGF had drawn $170.0 million (November 30, 2017 – $140.0 million) against the unsecured revolving credit facility (the Facility) in the form of a one-month banker's acceptance (BA) at an effective average interest rate of 3.4% (November 30, 2017 – 2.8%) per annum and a $5.1 million (November 30, 2017 – $5.1 million) letter of credit. The Company's revolving credit facility has a maximum aggregate principal amount of $320.0 million and a $10.0 million swingline facility commitment. As at May 31, 2018, $144.9 million was available to be drawn from the revolving credit facility.

Note 8: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Six months ended	**May 31, 2018**			**May 31, 2017**		
(in thousands of Canadian dollars, except share amounts)	**Shares**		**Stated value**	**Shares**		**Stated value**
Class A Voting common shares	57,600	$	–	57,600	$	–
Class B Non-Voting shares						
Balance, beginning of the period	79,017,813	$	478,883	78,951,603	$	477,290
Issued through dividend reinvestment plan	21,247		153	26,503		164
Stock options exercised	329,116		1,847	12,392		68
Treasury stock purchased for employee benefit trust	(365,296)		(2,501)	(170,000)		(1,061)
Treasury stock released for employee benefit trust	523,320		3,748	426,589		4,396
Balance, end of the period	79,526,200	$	482,130	79,247,087	$	480,857

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 6,124,051 shares for the period from February 6, 2018 to February 5, 2019 and up to 4,899,168 shares for the period from February 6, 2017 to February 5, 2018. During the three and six months ended May 31, 2018 and 2017, AGF did not repurchase any shares under its normal course issuer bid.

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

During the three and six months ended May 31, 2018, AGF purchased 217,864 and 365,296 (2017 – 170,000 and 170,000) Class B Non-Voting shares for the employee benefit trust at a cost of $1.5 million and $2.5 million (2017 – $1.1 million and $1.1 million). 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 and six months ended May 31, 2018, 20,632 and 523,320 (2017 – 17,059 and 426,589) Class B Non-Voting shares purchased as treasury stock were released. As at May 31, 2018, 424,830 (November 30, 2017 – 582,855) Class B Non-Voting shares were held as treasury stock.

Note 9: Accumulated Other Comprehensive Income

(in thousands of Canadian dollars)	Foreign currency translation	Available for sale securities	Total
Opening composition of accumulated other comprehensive income (loss) at December 1, 2016			
Other comprehensive income	$ 4,484	$ 5,604	$ 10,088
Income tax expense	–	(232)	(232)
Balance, December 1, 2016	4,484	5,372	9,856
Transactions during the year ended November 30, 2017			
Other comprehensive income (loss)	4,073	(2,048)	2,025
Income tax recovery	–	195	195
Balance, November 30, 2017	8,557	3,519	12,076
Transactions during the period ended May 31, 2018			
Other comprehensive income	(1,166)	385	(781)
Income tax expense	–	(7)	(7)
Balance, May 31, 2018	$ 7,391	$ 3,897	$ 11,288

Note 10: Fair Value Adjustments and Other Income

	Three months ended		Six months ended	
(in thousands of Canadian dollars)	**May 31, 2018**	**May 31, 2017**	**May 31, 2018**	**May 31, 2017**
Fair value adjustment related to investment in AGF mutual funds and reclassification gain in OCI to earnings (Note 4)	(8)	3,391	$ 24	$ 4,221
Fair value adjustment related to long-term investments (Note 5(c))	(43)	454	(178)	817
Distributions from long-term investments (Note 5(c))	817	1,561	1,634	2,926
Interest income[1]	1,574	352	1,659	480
Other	(848)	164	(480)	408
	$ 1,492	$ 5,922	$ 2,659	$ 8,852

[1] Three and six months ended May 31, 2018 includes $1.4M of interest income related to a tax reassessment received related to the transfer pricing audit.

Note 11: Expenses by Nature

(in thousands of Canadian dollars)	Three months ended May 31, 2018	Three months ended May 31, 2017	Six months ended May 31, 2018	Six months ended May 31, 2017
Selling, general and administrative				
Employee benefit expense	$ 32,545	$ 32,343	$ 65,304	$ 63,568
Sales and marketing	5,475	4,702	8,600	7,495
Information technology and facilities	9,342	8,891	18,279	17,019
Professional fees	3,848	5,174	8,126	10,030
Fund absorption and other fund costs	3,409	2,896	6,638	6,564
Other	590	920	1,371	627
One-time restructuring and administrative costs	5,225	–	5,225	–
	$ 60,434	$ 54,926	$ 113,543	$ 105,303

Note 12: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 806,141 Class B Non-Voting shares could have been granted as at May 31, 2018 (November 30, 2017 – 653,277).

The change in stock options during the six months ended May 31, 2018 and May 31, 2017 is summarized as follows:

Six months ended	May 31, 2018 Options	May 31, 2018 Weighted average exercise price	May 31, 2017 Options	May 31, 2017 Weighted average exercise price
Class B Non-Voting share options				
Balance, beginning of the period	7,719,199	$ 8.38	6,854,582	$ 8.85
Options granted	656,364	7.33	1,095,909	6.06
Options forfeited	(424,993)	9.45	(89,725)	10.10
Options expired	(384,235)	19.03	(75,000)	16.20
Options exercised	(329,116)	4.99	(12,392)	4.93
Balance, end of the period	7,237,219	$ 7.82	7,773,374	$ 8.38

During the three and six months ended May 31, 2018, nil and 656,364 (2017 – 50,000 and 1,095,909) stock options were granted and contributed surplus of $0.1 million and $0.3 million (2017 – $0.3 million and $0.7 million) was recorded. The fair value of options granted during the six months ended May 31, 2018 has been estimated at $1.19 per option (2017 – $0.90 to $0.92) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the six months ended May 31, 2018 and May 31, 2017:

Six months ended	May 31, 2018	May 31, 2017
Risk-free interest rate	2.1%	1.1%
Expected dividend yield	4.7%	5.2% – 5.3%
Five-year historical-based expected share price volatility	28.5%	30.3%
Forfeiture rate	4.7%	4.9%
Option term	5.1 years	5.0 years

(b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs), Deferred Share Units (DSUs) and Partners Incentive Plan (PIP). Compensation expense related to cash-settled stock-based compensation for the three and six months ended May 31, 2018 was $0.4 million and $0.1 million (2017 – $0.4 million and $0.8 million expense) and the liability recorded as at May 31, 2018 related to cash-settled stock-based compensation was $3.2 million (November 30, 2017 – $3.4 million). Compensation expense related to equity-settled RSUs and PIP for the three and six months ended May 31, 2018 was $0.8 million and $1.8 million (2017 – $0.7 million and $1.4 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at May 31, 2018 was $4.7 million (November 30, 2017 – $6.8 million).

The change in share units of RSUs and DSUs during the six months ended May 31, 2018 and May 31, 2017 is as follows:

Six months ended	**May 31, 2018**	**May 31, 2017**
	Number of share units	**Number of share units**
Outstanding, beginning of the period		
Non-vested	2,060,771	1,924,613
Issued		
Initial grant	613,250	559,828
In lieu of dividends	40,150	33,396
Settled in cash	(52,673)	(44,012)
Settled in equity	(523,320)	(426,589)
Forfeited and cancelled	(94,606)	(29,632)
Outstanding, end of the period	2,043,572	2,017,604

Note 13: 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. Including the tax contingencies, the effective tax rate for the six months ended May 31, 2018 was a recovery of 47.8% (2017 – expense of 25.3%).

During the six months ended May 31, 2018, the Company recorded a tax contingencies recovery of $17.4 million (2017 – $0.9 million of expense) with respect to the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies and the tax effect of the related reversal of interest expense, the estimated effective tax rate for the six months ended May 31, 2018 was 21.5% (2017 – 22.0%). Refer to Note 18 for additional information on tax contingencies.

Note 14: Earnings per Share

	Three months ended		Six months ended	
(in thousands of Canadian dollars, except per share data)	May 31, 2018	May 31, 2017	May 31, 2018	May 31, 2017
Numerator				
Net income for the period attributable to equity owners of the Company	$ 16,976	$ 13,150	$ 38,500	$ 22,396
Denominator				
Weighted average number of shares – basic	79,666,007	79,359,653	79,676,774	79,378,826
Dilutive effect of employee stock-based compensation awards	1,548,014	1,575,036	1,534,199	1,443,877
Weighted average number of shares – diluted	81,214,021	80,934,689	81,210,973	80,822,703
Earnings per share for the period attributable to equity owners of the Company				
Basic earnings per share	$ 0.21	$ 0.17	$ 0.48	$ 0.28
Diluted earnings per share	$ 0.21	$ 0.16	$ 0.47	$ 0.28

Note 15: Dividends

During the three and six months ended May 31, 2018, the Company paid dividends of $0.08 and $0.16 (2017 – $0.08 and $0.16) per share. Total dividends paid, including dividends reinvested, in the three and six months ended May 31, 2018 were $6.3 million and $12.7 million (2017 – $6.3 million and $12.7 million). On June 26, 2018, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.08 per share in respect of the three months ended May 31, 2018, amounting to a total dividend of approximately $6.4 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 16: Related Party Transactions

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

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

	Three months ended		Six months ended	
(in thousands of Canadian dollars)	**May 31, 2018**	**May 31, 2017**	**May 31, 2018**	**May 31, 2017**
Salaries and other short-term employee benefits	$ 1,688	$ 2,463	$ 3,271	$ 4,155
Share-based payments	690	576	831	1,254
	$ 2,378	$ 3,039	$ 4,102	$ 5,409

Note 17: 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 May 31, 2018:

(in thousands of Canadian dollars) **May 31, 2018**		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Financial assets at fair value through profit or loss								
Cash and cash equivalents	$	28,049	$	–	$	–	$	28,049
AGF mutual funds and other		7,602		–		–		7,602
Long-term investments		–		–		102,379		102,379
Available for sale								
Equity securities and term deposits		4,630		–		–		4,630
Loans and receivables								
Canadian government debt – Federal		–		309		–		309
Total financial assets	$	40,281	$	309	$	102,379	$	142,969

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

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

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

Level 1 instruments include investments in AGF mutual funds, highly liquid temporary deposits with an Irish bank and non-Irish banks in Ireland, as well as Singapore bank term deposits.

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

Level 3 instruments include long-term investments related to the alternative asset management platform and included contingent consideration payable. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the long-term investments is calculated using the Company's percentage ownership and the fair market value of the investment derived from financial information provided by investees. The fair value of the Company's investment in EIF as at May 31, 2018 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. The fair value of the Company's investment in the Stream fund is determined using NAV as calculated by the asset manager. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by $10.2 million. Refer to Note 5(c) for additional information.

The following table presents changes in level 3 instruments for the six months ended May 31, 2018:

(in thousands of Canadian dollars)		Long-term investments
Balance at December 1, 2017	$	75,362
Purchase of investment		27,195
Return of capital		–
Fair value adjustment recognized in profit or loss		(178)
Balance at May 31, 2018	$	102,379

The following table presents changes in level 3 instruments for the six months ended May 31, 2017:

(in thousands of Canadian dollars)		Long-term investments		Contingent consideration payable
Balance at December 1, 2016	$	78,231	$	2,091
Purchase of investment		3,422		–
Return of capital		(15,625)		–
Fair value adjustment recognized in profit or loss		817		(953)
Balance at May 31, 2017	$	66,845	$	1,138

There were no transfers into or out of level 1 and level 2 during the six months ended May 31, 2018.

Note 18: 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 – Transfer Pricing

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

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

Under the settlements, the Company accepted the agreements between the CRA and the tax authority in the foreign jurisdiction (i) under the Mutual Agreement Procedure under the relevant tax treaty for the Company's 2005 to 2010 taxation years and (ii) for a Bilateral Advance Pricing Arrangement for the Company's 2011 to 2016 taxation years.

During the six months ended May 31, 2018, the Company received the tax reassessments reflecting the settlements and resolved the uncertainties in implementing the settlements with the CRA. As a result, the Company received net refunds of $17.8 million, released $19.6 million from its transfer pricing provision (including $17.4 million in tax expense and $2.2 million in reversal of interest expense) and recorded $1.4 million in interest income during the six months ended May 31, 2018. The transfer pricing matter is substantially resolved. Starting in 2017, the Company implemented transfer pricing methodologies that were consistent with the BAPA settlement.

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

In July 2015, the Company received a notice of reassessment (NOR) from the CRA denying $30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by $10.9 million (before the application of interest and penalties of $9.7 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid $13.5 million (including interest and penalties) during the year ended November 30, 2015 and $0.1 million during the year ended November 30, 2017, which was recorded as income tax receivable on the consolidated statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

This report contains forward-looking statements with respect to AGF, including its business operations, strategy, financial performance and condition. Although management believes that the expectations reflected in such forward-looking statements are reasonable, such statements involve risks and uncertainties. Actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause results to differ materially include, among other things, general economic and market factors including interest rates, business competition, changes in government regulations or in tax laws, and other factors discussed in materials filed with applicable securities regulatory authorities from time to time.