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

For the three and six months ended May 31, 2019 and 2018





AGF MANAGEMENT LIMITED

Second Quarter Report to Shareholders for the three and six months ended May 31, 2019

AGF MANAGEMENT LIMITED REPORTS SECOND QUARTER 2019 FINANCIAL RESULTS

- Reported assets under management of \$38.3 billion
- Reported diluted EPS of \$0.14 for the second quarter of 2019

Toronto | June 26, 2019

AGF Management Limited (AGF or the Company) (TSX: AGF.B) today announced financial results for the second quarter ended May 31, 2019.

AGF reported total assets under management (AUM) of \$38.3 billion compared to \$38.5 billion in the same period in 2018. Mutual fund industry sales have softened in recent months declining 82% for the period March to May 2019 as compared to 2018. AGF retail mutual funds net redemptions were \$169 million for the quarter, adjusting for net flows from institutional clients invested in mutual funds, compared to net sales of \$85 million in prior year¹. Reported mutual funds net redemptions were \$498 million for the quarter, compared to net sales of \$100 million in Q2 2018.

"In today's uncertain markets, we understand that it is important to consider various investment styles and approaches in order to achieve long-term performance and manage volatility," said Kevin McCreadie, Chief Executive Office and Chief Investment Officer, AGF. "At the same time, we are taking a different approach to building our business with continued investment in our capabilities where strong growth is anticipated – global, alternatives, factor-based investing and ETFs," added McCreadie. "This quarter, we launched two new U.S.-listed AGFiQ ETFs reinforcing our commitment to providing U.S. investors with alternative solutions, while strategically growing AGF's footprint in key markets like the U.S."

Key Business Highlights:

- AGFiQ Global Infrastructure ETF (GLIF) and AGFiQ Dynamic Hedged U.S. Equity ETF (USHG), began trading on the NYSE Arca, Inc. on May 23, 2019.
- Effective May 6, AGF's Boston-based subsidiary, FFCM LLC, officially changed its name to AGF Investments LLC, following the successful integration of AGF's acquisition last summer.
- AGF was a finalist at the annual Wealth Professional Awards in four categories: CEO of the Year, Fund Provider of the Year, Employer of Choice and Advertising Campaign of the Year.
- Over the quarter, AGF announced a number of changes and enhancements to its product suite to further support the firm's
 efforts to simplify its offering to best meet the needs of investors.

Income for the three months ended May 31, 2019 was \$109.8 million, compared to \$114.2 million for the three months ended May 31, 2018. EBITDA before commissions from continuing operations was \$29.2 million for the three months ended May 31, 2019, compared to \$20.6 million for the same period in 2018. Adjusting for one-time items in prior year, EBITDA before commissions from continuing operations was \$29.2 million for the three months ended May 31, 2019, compared to \$25.8 million in 2018.

Diluted earnings per share (EPS) from continuing operations for the three months ended May 31, 2019 was \$0.14, compared to \$0.21 for the comparative period. Adjusting for one-time items in prior year, diluted EPS for the three months ended May 31, 2019 was \$0.14, compared to \$0.14 in 2018.

For the three months ended May 31, 2019, AGF declared an eight cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable July 18, 2019 to shareholders on record as at July 10, 2019.

(from continuing operations)		Three months en	ded	Six mon	ths ended
	May 31,	February 28,	May 31,	May 31,	May 31,
(in millions of Canadian dollars, except per share data)	2019 ²	2019²	2018	2019 ²	2018
Income	\$ 109.8	\$ 105.0	\$ 114.2	\$ 214.8	\$ 225.2
Net income (loss) attributable to equity owners					
of the Company	11.5	(0.2)	17.0	11.3	38.5
EBITDA before commissions ³	29.2	12.9	20.6	42.1	45.6
Adjusted EBITDA before commissions ³	29.2	27.3	25.8	56.5	50.8
Diluted earnings per share attributable to					
equity owners of the Company	0.14	_	0.21	0.14	0.47
Adjusted diluted earnings per share attributable to					
equity owners of the Company ³	0.14	0.14	0.14	0.28	0.28
Free Cash Flow ³	8.2	16.6	2.1	24.8	12.6
Dividends per share	0.08	0.08	0.08	0.16	0.16
Long-term debt	164.9	168.7	168.6	164.9	168.6

(end of period)					Thi	ree months ende	ed		
		May 31,	Feb	ruary 28,		November 30,	1	August 31,	May 31,
(in millions of Canadian dollars)	2019			2019		2018		2018	2018
Mutual fund assets under management (AUM) ⁴									
(including retail pooled funds)	\$	18,725	\$	19,028	\$	18,713	\$	19,401	\$ 19,118
Institutional, sub-advisory and ETF accounts AUM		11,712		12,023		12,475		12,694	12,823
Private client AUM		5,722		5,633		5,513		5,714	5,521
Alternative asset management platform AUM ⁵		2,179		2,140		1,011		1,009	1,009
Total AUM, including alternative asset									
management platform		38,338		38,824		37,712		38,818	38,471
Net mutual fund sales (redemptions) ⁴		(498)		(104)		111		(9)	100
Average daily mutual fund AUM⁴		18,497		17,762		18,382		18,788	18,727

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

Refer to Note 3 in the Condensed Consolidated Interim Financial Statements for more information on the adoption of IFRS 15.

EBITDA before commissions (earnings before interest, taxes, depreciation, amortization and deferred selling commissions), adjusted EBITDA before commissions, 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.

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

Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is \$225.0 million, of which \$135.6 million has been funded as at May 31, 2019, which includes \$29.5 million return of capital related to the monetization of its seed

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 2018 Annual MD&A.

Summary of Quarterly Results

(from continuing operations)

(in millions of Canadian dollars, except per share amounts)	May 31,		Feb. 28,	Nov. 30,	Aug. 31,
Three months ended	2019 ¹	_	2019 ¹	 2018	2018
Income	\$ 109.8	\$	105.0	\$ 108.5 ³	\$ 116.5
Expenses ⁸	80.6		92.1 ²	79.8	84.3
EBITDA before commissions ⁹	29.2		12.9	28.7	32.2
Pre-tax income (loss)	14.1		(1.3)	17.2	19.8
Net income (loss) attributable to equity owners of the Company	11.5		(0.2)	14.7	20.7
Earnings per share attributable to equity owners of the Company					
Basic	\$ 0.15	\$	_	\$ 0.19	\$ 0.26
Diluted	0.14		-	0.19	0.26
Free cash flow ⁹	8.2		16.6	16.1	12.8
Dividends per share	0.08		0.08	0.08	0.08
Long-term debt	164.9		168.7	188.6	168.7
Weighted average basic shares	78,699,275		78,664,067	78,996,510	79,318,325
Weighted average fully diluted shares	79,771,774		79,836,248	79,900,283	80,885,103
(in millions of Canadian dollars, except per share amounts)	May 31,		Feb. 28,	Nov. 30,	Aug. 31,
Three months ended	 2018		2018	 2017	 2017
Income	\$ 114.2	\$	110.9	\$ 120.9 ⁷	\$ 110.3
Expenses ⁸	93.6 ⁵		86.0	87.8	81.7
EBITDA before commissions ⁹	20.6		24.9	33.1	28.6
Pre-tax income	11.3 ⁵		14.1	19.8	15.5
Net income attributable to equity owners of the Company	17.0		21.5 ⁶	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 ⁹	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

¹ Refer to Note 3 in the Condensed Consolidated Interim Financial Statements for more information on the adoption of IFRS 15.

² February 28, 2019 includes \$14.4 million related to restructuring costs. Refer to the 'Restructuring Provision' section for more information.

³ November 30, 2018 includes \$1.5 million income related to the Company's share of a one-time tax levy provision reversal for S&WHL.

 $^{^{\}rm 4}$ August 31, 2018 includes \$4.5 million provision release related to the transfer pricing case.

⁵ May 31, 2018 includes \$5.2 million restructuring and administrative costs, \$7.4 million provision release and \$2.2 million interest recovery related to the transfer pricing case.

⁶ February 28, 2018 includes \$10.0 million provision release related to the transfer pricing case.

⁷ November 30, 2017 includes \$10.0 million of income related to a litigation settlement.

⁸ Includes selling, general and administrative (SG&A) expenses, restructuring provision, trailing commissions and investment advisory fees.

 $^{^{\}rm 9}\,{\rm See}$ the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section.

This Management's Discussion and Analysis (MD&A) is as of June 25, 2019, 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, 2019, compared to the three- and six-month periods ended May 31, 2018. 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, 2019 and our 2018 Annual Report. The financial statements for the three and six months ended May 31, 2019, 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 2018 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. AGF has investment operations and client servicing teams in North America, Europe and Asia. With \$38.3 billion in total assets under management (AUM) as at May 31, 2019, AGF serves more than one million investors. AGF trades on the Toronto Stock Exchange (TSX) under the symbol AGF.B.

AGF holds a 33.6% 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 \$36.2 billion (£21.2 billion) of funds under management and advice as at May 31, 2019.

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

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. AGF is 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 60 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.

Investment Stewardship

At AGF, we believe that sound, forward-thinking practices related to Environmental, Social and Governance (ESG) factors will not only help deliver better investment outcomes to our clients but also have a positive influence on the future of our organization. Consideration of ESG factors into our investment decision-making and ownership practices across platforms can contribute to better investment outcomes and is a necessary component of our fiduciary duty as an asset manager.

All investment professionals at AGF recognize that effective research, analysis and evaluation of ESG issues is a fundamental part of assessing the value and performance of an investment over the medium and longer term and that this analysis should inform asset allocation, security selection, portfolio construction, shareholder engagement and voting. Integrating ESG factors into our investment processes has helped us to identify key risk and return drivers in our portfolios.

In 2015, AGF established our Responsible Investment Policy to formalize our practice of integrating ESG issues into investment decision-making, voting and company engagement through active management. We believe strongly that it is ultimately the responsibility of each investment management team to determine the precise implementation of ESG integration within its own investment processes as it relates to each specific mandate.

As a signatory to the United Nations-supported Principles for Responsible Investment (UNPRI), AGF is assessed and scored on our responsible investment activities. AGF is also a signatory to the 30% Club with a focus on gender diversity and CDP (Carbon Disclosure Project).

Our Investment Strategies

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

Fundamental

AGF's fundamental actively managed platform, with \$23.0 billion in AUM, operates under the AGF brand and includes a broad range of investment strategies, including equities, fixed income and asset allocation strategies in a variety of vehicles including mutual funds, managed or portfolio solutions and separately managed accounts. Our equity strategies span global (including developed and emerging markets), North American, alternative asset classes and sustainable investment solutions. AGF also offers a diverse lineup of fixed income strategies designed to help investors achieve their goals by leveraging expertise in four key areas: Canadian core, global rate sensitive, global credit and emerging market debt. The team complements these four core pillars with expertise in specialized areas of the fixed income market including convertible bonds and inflation-linked bonds as well as currency management and derivatives. AGF's Asset Allocation Committee leads the asset allocation strategy for the firm and 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.

Quantitative

AGF's quantitative and factor-based investing platform, with \$7.4 billion in AUM, operates under the AGFiQ (AGFiQ) brand. Led by pioneers in factor-based approaches to investing, the AGFiQ investment team is 18 members strong, with six Ph.D. holders in fields spanning from Astrophysics, Computer Science, Finance and Economics. AGFiQ's team approach is grounded in the belief that investment outcomes can be improved by assessing and targeting the factors that drive market returns. Utilizing disciplined, factor-based approaches allows AGFiQ to view risk through multiple lenses. AGFiQ's quantitative factor-based investment strategies provide access to a wide variety of market exposures ranging from equities, fixed income and sustainable investing solutions to alternative asset classes and strategies. The team offers long-tenured expertise meeting a wide range of client objectives from wealth accumulation and risk management to hedging tools and innovative incomegenerating solutions through multi-factor, single-factor and alternative approaches in a variety of vehicles including mutual funds, ETFs, managed or portfolio solutions and separately managed accounts.

Private Client

AGF's private client platform, with \$5.7 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 investment solutions for high-net-worth individuals, endowments and foundations in key markets across Canada.

Private Alternatives Business

AGF's alternatives platform, with a focus on private investments from credit to infrastructure, is central to our mission: to bring stability to the world of investing. In an ever-evolving and increasingly complex market environment, investors are actively seeking out opportunities to diversify their sources of return away from traditional equity and fixed income investments. AGF's alternatives platform, with \$2.2 billion in AUM, includes a joint venture with Instar Group Inc. (Instar), InstarAGF Asset

Management Inc. (InstarAGF), in which AGF holds a 51% economic interest. InstarAGF is an alternative asset management firm with an emphasis on essential infrastructure in the North American middle market, with the goal of delivering sustainable and attractive returns to investors. AGF also has a partnership with Stream Asset Financial Management LP (SAFM LP), a Canadian-based private equity and structured credit investment firm with expertise constructing bespoke financial products across the capital structure, providing opportunities linked to real assets including, but not limited to, the oil and gas sector.

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 target sustainable 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 Canadian suite of AGFiQ ETFs and continue to expand this offering, with the launch of three additional ETFs in 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.

On June 21, 2018, the Canadian Securities Administrators (the CSA) published proposed rules aimed at enhancing the client-registrant relationship – dubbed the 'Client Focused Reforms.' These reforms take the form of proposed amendments to National Instrument 31-103 (Registration Requirements, Exemptions and Ongoing Registrant Obligations). The predominant principle behind the proposed amendments is the requirement for registrants to promote the best interests of clients and to put clients' interests first, including with respect to conflicts of interest and suitability determinations. If implemented, these proposed amendments would also enhance registrants' obligations with respect to know-your-client (KYC), know-your-product (KYP) and disclosure obligations. The publication on June 21, 2018 also specified that the Ontario Securities Commission and the Financial and Consumer Services Commission of New Brunswick will not pursue the adoption of an overarching regulatory best interest standard, consistent with all other CSA jurisdictions. Industry stakeholder comments in respect of the proposed Client Focused Reforms were due to the CSA in October 2018. We currently await next steps from the CSA with respect to further rule publications (proposed or final), and associated timing.

On September 13, 2018, the CSA commenced a comment period (as expected from a June 21, 2018 announcement) with respect to proposed amendments to mutual fund fee reforms (the 'Fee Reforms'), including policy changes that would: (a) prohibit investment fund managers from paying upfront sales commissions to dealers, likely to result in the discontinuation of all forms of the deferred sales charge option, and (b) eliminate the payment of trailing commissions through non-advice channels (discounted broker/'order-execution only' channels). In reaction to the CSA's announcement on September 13, 2018, Ontario's Minister of Finance, the Honourable Vic Fedeli, issued a statement indicating that the Ontario government does not agree with the proposals put forward as currently drafted, and that they would work to explore other potential alternatives to ensure "fair, efficient, capital markets and strong investor protections." The comment period for the proposed Fee Reforms (as per the September 2018 regulatory publication) ended in December 2018. We await next steps as they relate to the Ontario Securities Commission's coordinative approach with the Ontario government, as well as proposed next steps from the remaining Canadian regulatory jurisdictions.

As a long-standing participant in the Canadian financial services industry, the Company and its subsidiaries will continue to be an advocate for sound regulatory changes that are grounded in the needs of all investors. The Company strongly believes in upholding the value of advice, preserving investor choice, and limiting the negative effects of unintended consequences. While the impact and outcome of these regulatory proposals remain uncertain for the entire industry, the Company and its subsidiaries will continue to monitor the status of these initiatives, and will actively participate in engagement with the regulators on each of these subjects, including taking the opportunity to provide further input throughout the consultation period(s).

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 as well as outsourced CIO (OCIO) platforms. 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 emerging markets and ESG strategies; and our quantitative investing capabilities are well-positioned to meet the increasing demand for customized factor-based solutions and alternative strategies.

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 totalled \$329.5 million for the six months ended May 31, 2019¹.

Operating Highlights for the Second Quarter of 2019

- Reported AUM of \$38.3 billion as of May 31, 2019.
- Diluted earnings per share (EPS) for the second quarter of 2019 was \$0.14 as compared to \$0.21, including one-time items, for the same period 2018. Adjusting for one-time items, adjusted diluted EPS was \$0.14 for the three months ended May 31, 2019 as compared to \$0.14 for the same period 2018.
- AGFiQ Global Infrastructure ETF (GLIF) and AGFiQ Dynamic Hedged U.S. Equity ETF (USHG), began trading on the NYSE Arca, Inc. on May 23, 2019.
- Effective May 6, AGF's Boston-based subsidiary, FFCM LLC, officially changed its name to AGF Investments LLC, following the successful integration of AGF's acquisition last summer.
- AGF was a finalist at the annual Wealth Professional Awards in four categories: CEO of the Year, Fund Provider of the Year, Employer of Choice and Advertising Campaign of the Year.
- Over the quarter, AGF announced a number of changes and enhancements to its product suite to further support the firm's efforts to simplify its offering to best meet the needs of investors.

During and subsequent to the quarter, we received redemption notifications of approximately \$1.4 billion. As a result, we expect a reduction in our sub-advisory and institutional AUM of approximately \$1.4 billion in the third quarter, with an annualized revenue impact of approximately \$4.8 million. The redemptions were a result of partners repositioning their platforms and internalizing investment management capabilities. We continue to focus on developing new strategic relationships and partnering with organizations that have open platforms.

As at May 31, 2019, 49% (2018 – 14%) of our AUM was above median over one year and 21% (2018 – 27%) of our AUM was above median over three years. The improvement over one year is mainly due to our quality bias which is the result of our disciplined risk management process. For much of 2018, such investments underperformed relative to securities with strong momentum characteristics. As a result, AUM above median over three years was below target. 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 (redemptions) in retail mutual funds are calculated as reported mutual fund net sales (redemptions) less non-recurring institutional net sales (redemptions) in excess of \$5.0 million invested in our mutual funds

Assets Under Management

				Th	ree m	onths ende	ed			
(in millions of Canadian dollars)		May 31, 2019	Feb	oruary 28, 2019	Nov	ember 30, 2018	A	ugust 31, 2018		May 31, 2018
(III millions of Canadian dollars)										
Mutual fund AUM (including retail pooled funds), ¹										
beginning of the period	\$	19,028	\$	18,713	\$	19,401	\$	19,118	\$	19,056
Gross sales		560		514		718		594		706
Redemptions		(1,058)		(618)		(607)		(603)		(606)
Net sales (redemptions)		(498)		(104)		111		(9)		100
Market appreciation (depreciation) of fund portfolios	\$	195	\$	419	\$	(799)	\$	292	\$	(38)
Mutual fund AUM (including retail pooled funds), ¹										
end of the period	\$	18,725	\$	19,028	\$	18,713	\$	19,401	\$	19,118
Average daily mutual fund AUM¹	\$	18,497	\$	17,762	\$	18,382	\$	18,788	\$	18,727
Institutional, sub-advisory and ETF accounts AUM,										
beginning of period	\$	12,023	\$	12,475	\$	12,694	\$	12,823	\$	11,545
Net change in institutional, sub-advisory and ETF accounts,										
including market performance		(311)		(452)		(219)		(129)		1,278
Institutional, sub-advisory and ETF accounts AUM,	ď	11 710	•	40.000	•	10.175	•	10.004	•	40.000
end of the period	\$	11,712	\$	12,023	\$	12,475	\$	12,694	\$	12,823
Private client AUM	\$	5,722	\$	5,633	\$	5,513	\$	5,714	\$	5,521
Subtotal before Private Alternative AUM, end of the period	\$	36,159	\$	36,684	\$	36,701	\$	37,809	\$	37,462
Private Alternative AUM ²	\$	2,179	\$	2,140	\$	1,011	\$	1,009	\$	1,009
Total AUM, including Private Alternative AUM, end of the period	\$	38,338	\$	38,824	\$	37,712	\$	38,818	\$	38,471
ena or the period	Ψ	30,000	φ	30,024	φ	31,112	φ	30,010	φ	30,471

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 \$225.0 million, of which \$135.6 million has been funded as at May 31, 2019, which includes \$29.5 million return of capital related to the monetization of its seed assets.

Consolidated Operating Results

		Thre	ee mo	nths ended			Six month	ıs er	ided
		May 31,	Feb	ruary 28,	May 31,		May 31,		May 31,
(in millions of Canadian dollars, except per share data)		2019 ¹		2019 ¹	2018		2019 ¹		2018
Income									
Management, advisory and administration fees	\$	99.2	\$	91.0 \$	105.2	\$	190.2	\$	208.8
Deferred sales charges	·	1.9	ľ	1.6	1.7	·	3.5	ľ	3.4
Share of profit of associate and joint ventures		6.6		4.5	5.8		11.1		10.3
Fair value adjustments and other income		2.1		7.9	1.5		10.0		2.7
,		109.8		105.0	114.2		214.8		225.2
Expenses									
Selling, general and administrative		48.6		48.0	55.2		96.6		108.3
Restructuring provision		_		14.4	5.2		14.4		5.2
Trailing commissions		31.3		29.0	32.5		60.3		64.3
Investment advisory fees		0.7		0.7	0.7		1.4		1.8
		80.6		92.1	93.6		172.7		179.6
EBITDA before commission from continuing operations ²		29.2		12.9	20.6		42.1		45.6
Deferred selling commissions		12.2		11.1	_		23.3		_
Amortization, derecognition and depreciation ¹		1.1		1.1	9.8		2.2		19.2
Interest expense		1.8		2.0	(0.5)		3.8		1.0
Income (loss) before income taxes		14.1		(1.3)	11.3		12.8		25.4
Income tax expense (benefit) ³		2.6		(1.1)	(5.3)		1.5		(12.2)
Income (loss) from continuing operations, net of tax		11.5		(0.2)	16.6		11.3		37.6
Net income (loss) attributable to:									
Equity owners of the Company	\$	11.5	\$	(0.2) \$	17.0	\$	11.3	\$	38.5
Non-controlling interest		_		_	(0.4)		_		(0.9)
-		11.5		(0.2)	16.6		11.3		37.6
Earnings per share attributable to									
equity owners of the Company									
Basic earnings per share	\$	0.15	\$	- \$	0.21	\$	0.14	\$	0.48
Diluted earnings per share	\$	0.14	\$	- \$	0.21	\$	0.14	\$	0.47

¹ Refer to Note 3 in the Condensed Consolidated Interim Financial Statements for more information on the adoption of IFRS 15.

² For the definition of EBITDA before commissions, see the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section. The items required to reconcile EBITDA before commission to net income, a defined term under IFRS, are detailed above.

³ Three months ended February 28, 2019 and six months ended May 31, 2019 include \$3.1 million tax benefit related to the restructuring provision. Three and six months ended May 31, 2018 include tax provision release related to the transfer pricing case of \$7.4 million and \$17.4 million, respectively.

One-time Adjustments

	Thre	e n	months ended		Six month	ns e	nded
	May 31,	Fe	bruary 28,	May 31,	May 31,		May 31,
(in millions of Canadian dollars, except per share data)	2019		2019	2018	2019		2018
EBITDA before commissions from continuing operations ¹	\$ 29.2	\$	12.9 \$	20.6	\$ 42.1	\$	45.6
Add (deduct):							
One-time restructuring costs	_		14.4	5.2	14.4		5.2
Adjusted EBITDA before commissions from continuing operations ¹	\$ 29.2	\$	27.3 \$	25.8	\$ 56.5	\$	50.8
Net income (loss) from continuing operations attributable to equity owners of the Company	\$ 11.5	\$	(0.2) \$	17.0	\$ 11.3	\$	38.5
Add (deduct): Adjustments to EBITDA before commissions from above	-		14.4	5.2	14.4		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)	-		(17.4)
Tax impact on the adjustments to EBITDA before commissions above			(3.1)	(1.4)	(3.1)		(1.4)
Adjusted net income from continuing operations attributable to equity owners of the company ¹	\$ 11.5	\$	11.1 \$	11.2	\$ 22.6	\$	22.7
Adjusted diluted EPS ¹	\$ 0.14	\$	0.14 \$	0.14	\$ 0.28	\$	0.28

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

Adoption of IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 Revenue from Contracts with Customers, effective December 1, 2018. These changes were adopted in accordance with the application transitional provisions of the revised standard. Note 3 in the three and six months ended May 31, 2019 Condensed Consolidated Interim Financial Statements provides more information regarding the new accounting standard.

The following table shows the consolidated statement of net income for the six months ended May 31, 2019 and May 31, 2018 under IFRS 15. The new accounting standard has no impact on the economics of our business. The implementation of IFRS 15 will result in a change in timing of the recognition of deferred selling commission expense but has no effect on the cash flows of the Company.

Six months ended	May 31, 2019		May	<i>,</i> 31, 2018		
(in millions of Canadian dollars, except per share data)	IFRS 15	IAS 18	Ad	ljustments		IFRS 15
Total income ¹	\$ 214.8	\$ 225.2	\$	(5.3)	\$	219.9
Expenses						
Selling, general and administration ¹	96.6	108.3		(5.3)		103.0
Restructuring provision	14.4	5.2		_		5.2
Trailing commissions	60.3	64.3		_		64.3
Investment advisory fees	1.4	1.8		_		1.8
EBITDA before commissions from continuing operations	42.1	45.6		_		45.6
Deferred selling commissions	23.3	_		21.8		21.8
Amortization, derecognition and depreciation	2.2	19.2		(16.9)		2.3
Interest expense	3.8	1.0		_		1.0
Income (loss) before income taxes	12.8	25.4		(4.9)		20.5
Income tax expense (benefit)	1.5	(12.2)		(1.3)		(13.5)
Net income (loss) for the period	\$ 11.3	\$ 37.6	\$	(3.6)	\$	34.0
Add (deduct) one-time adjustments ²	11.3	(15.8)		_		(15.8)
Adjusted net income for the period	22.6	21.8		(3.6)		18.2
Adjusted net income (loss) attributable to:						
Equity owners of the Company	\$ 22.6	\$ 22.7	\$	(3.6)	\$	19.1
Non-controlling interest	_	(0.9)		_		(0.9)
	\$ 22.6	\$ 21.8	\$	(3.6)	\$	18.2
Adjusted earnings (loss) per share attributable				, ,		
to equity owners of the company:						
Basic earnings per share	\$ 0.29	\$ 0.28	\$	(0.04)	\$	0.24
Diluted earnings per share	\$ 0.28	\$ 0.28	\$	(0.04)	_	0.24

Adjustment relates to fees waivers and expenses reimbursed to the funds or paid on the funds' behalf.

² Refer to 'One-time Adjustments' section above for more information.

Income

For the three and six months ended May 31, 2019, income decreased by 3.9% and 4.6% over the previous year, with changes in the categories as follows:

Management, Advisory and Administration Fees

Management, advisory fees and administration fees are directly related to our AUM levels. Administration fees prior to October 1, 2018 were related to the number of client accounts and transactions incurred. Management, advisory and administration fees are recognized on an accrual basis as the service is performed. For the three and six months ended May 31, 2019, management, advisory and administration fees were \$99.2 million and \$190.2 million compared to \$105.2 million and \$208.8 million in 2018. Management fees for the three and six months ended May 31, 2019 include \$2.4 million and \$5.4 million in fee waivers and expenses reimbursed to the funds or paid on the funds' behalf, due to the adoption of IFRS 15. Previously, these expenses were shown as part of SG&A. The remainder of the decrease relates to a lower revenue rate resulting from a trend towards lower fee earning AUM, price reductions in 2018, and an expansion in the lowest fee series.

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 \$1.9 million and \$3.5 million for the three and six months ended May 31, 2019, compared to \$1.7 million and \$3.4 million for the same periods in 2018.

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 \$6.6 million and \$11.1 million for the three months and six months ended May 31, 2019, compared to \$5.8 million and \$10.3 million during the same periods in 2018.

For the three and six months ended May 31, 2019, earnings from our 33.6% ownership in S&WHL were \$6.5 million and \$10.9 million (2018 – \$5.7 million and \$10.1 million). On April 30, 2019, the Company committed to purchase 916,262 shares of S&WHL for cash consideration of \$12 million, pending regulatory approval.

For the three months and six months ended May 31, 2019, earnings related to our ownership in the joint ventures that manage our infrastructure funds were \$0.1 million and \$0.2 million (2018 – \$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:

	Thr	ee m	onths end	ded	Six months ended			
	May 31,	Feb	ruary 28,	May 31,	May 31,	May 31,		
(in millions of Canadian dollars)	2019		2019	2018	2019	2018		
Share of profit of S&WHL	\$ 6.5	\$	4.4	\$ 5.7	\$ 10.9	\$ 10.1		
Share of profit of joint ventures ¹	0.1		0.1	0.1	0.2	0.2		
	\$ 6.6	\$	4.5	\$ 5.8	\$ 11.1	\$ 10.3		

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 in SAF Group (Stream) (formerly known as Stream Asset Financial Management LP) and Essential Infrastructure Fund (EIF), which are accounted for at fair value through profit or loss. During the three and six months ended May 31, 2019, we recorded \$1.7 million and \$8.8 million (2018 – \$0.8 million and \$1.5 million) as fair value adjustments and income distributions related to our economic interest in the investments in our private alternative business. The amounts recorded as income fluctuate primarily with the amount of capital invested, monetization of investments, and changes in fair value.

	Thr	ee months e	nded	ı	Six months ended			
	May 31,	February 28	,	May 31,	May	31,		May 31,
(in millions of Canadian dollars)	2019	2019		2018	2	019		2018
Fair value adjustment related to								
investment in AGF mutual funds	\$ 0.1	\$ 0.3	\$	_	\$	0.5	\$	_
Fair value adjustment and distributions								
related to long-term investments	1.7	7.2	2	8.0		8.8		1.5
Interest income ¹	0.1	0.2	2	1.6		0.3		1.7
Other	0.2	0.2	2	(0.9)		0.4		(0.5)
	\$ 2.1	\$ 7.9	\$	1.5	\$ 1	0.0	\$	2.7

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, 2019, expenses decreased 13.9% and 3.8% from the same periods in 2018. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A decreased by \$6.6 million and \$11.7 million or 12.0% and 10.8% for the three and six months ended May 31, 2019, compared to the same periods in 2018. Excluding the adoption of IFRS 15 in 2019, SG&A decreased by \$4.0 million and \$6.4 million or 7.6% and 6.2% for the three and six months ended May 31, 2019, compared to the same period in 2018.

A breakdown of the decrease is as follows:

	Three months	s ended	Six months ended		
(in millions of Canadian dollars)	May 3	31, 2019	Мау	31, 2019	
Increase (decrease) in compensation expenses	\$	(1.1)	\$	(2.8)	
Decrease in other expenses		(2.9)		(3.6)	
SG&A increase (decrease) before IFRS 15	\$	(4.0)	\$	(6.4)	
IFRS 15		(2.6)		(5.3)	
Total change in SG&A	\$	(6.6)	\$	(11.7)	

The following explains expense changes in the three and six months ended May 31, 2019, compared to the same periods in the prior year:

- Salaries and benefits decreased \$1.1 million and \$2.8 million primarily due to lower headcount attributed to cost reductions and a decrease in compensation-related items.
- As a result of the adoption of IFRS 15 on December 1, 2018, fee waivers and expenses reimbursed to the funds or
 paid on the funds' behalf that were previously recognized in SG&A are now recognized and classified as a reduction
 in management fee revenue.

Restructuring Provision

During the six months ended May 31, 2019, the Company implemented a plan to achieve certain organizational and operational efficiencies, resulting in a restructuring charge of \$14.4 million as compared to \$5.2 million for the same period in 2018.

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 0.67% and 0.67% for the three and six months ended May 31, 2019, compared to 0.69% and 0.69% for the same periods in 2018. The decrease is primarily attributable to the impact of a series mix change that occurred in the second half of 2018.

EBITDA before commissions and EBITDA before commissions Margin (Non-IFRS Measures)

EBITDA before commissions was \$29.2 million and \$42.1 million for the three and six months ended May 31, 2019, compared to \$20.6 million and \$45.6 million for the same periods in 2018. EBITDA before commissions margin was 26.6% and 19.6% for the three and six months ended May 31, 2019, compared to 18.0% and 20.2% in the corresponding periods in 2018. Adjusted EBITDA before commissions was \$29.2 million and \$56.5 million for the three and six months ended May 31, 2019 compared to \$25.8 million and \$50.8 million for the same periods in 2018. Adjusted EBITDA before commissions margin was 26.6% and 26.3% for the three and six months ended May 31, 2019, compared to 22.6% and 22.6% in the corresponding periods in 2018.

Deferred Selling Commissions

Effective December 1, 2018, following the adoption of IFRS 15, deferred selling commissions are expensed on an accrual basis. In previous periods, these selling commissions were capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. For the three and six months ended May 31, 2019, deferred selling commissions expense was \$12.2 million and \$23.3 million (2018 – nil and nil).

Amortization and Interest Expense

The category represents customer contracts, other intangible assets, property, equipment, and computer software and interest expense. Deferred selling commissions amortization previously represented the most significant category of amortization. We internally finance all selling commissions paid. Prior to December 1, 2018, these selling commissions were capitalized and amortized on a straight-line basis over a period that corresponded with the applicable DSC schedule. Effective December 1, 2018, following the adoption of IFRS 15, deferred selling commissions are now expensed immediately on an accrual basis. Comparative results were not restated. Refer to 'Adoption of IFRS 15 Revenue from Contracts with Customers' section for further information.

Customer contracts amortization and derecognition decreased by \$0.1 million and \$0.1 million for the three and six months ended May 31, 2019, compared to the same periods in 2018. Customer contracts are immediately expensed upon redemption of the AUM.

Other intangibles amortization and derecognition remained flat for the three months ended May 31, 2019 compared to the same period in 2018, and decreased \$0.1 million for the six months ended May 31, 2019, compared to the same period in 2018, as a result of a lower carrying value.

Depreciation remained flat for the three months ended May 31, 2019 compared to the same period in 2018, and increased by \$0.1 million for the six months ended May 31, 2019, compared to the same period in 2018.

Interest expense increased by \$2.3 million and \$3.0 million for the three and six months ended May 31, 2019, compared to the same periods in 2018, as a result of a reversal of \$2.2 million in interest related to the transfer pricing case during the six months ended May 31, 2018.

Income Tax Expense

Income tax expense for the three and six months ended May 31, 2019 was \$2.7 million and \$1.6 million, compared to a recovery of \$5.3 million and \$12.2 million in the corresponding periods in 2018. The effective tax rate for the six months ended May 31, 2019 was 11.9% (2018 – 47.8%).

During the six months ended May 31, 2019, the company recorded a tax benefit of \$3.1 million related to the restructuring provision. In the corresponding period in 2018, the Company recorded a tax contingencies recovery of \$17.4 million with respect to the Canada Revenue Agency (CRA) transfer pricing audit.

Excluding the restructuring provision and the related tax benefit of \$3.1 million, the estimated effective tax rate for the six months ended May 31, 2019 was 17.0% (2018 – 21.5%, excluding the transfer pricing tax contingencies).

The main items impacting the effective tax rate in the period relates to tax-exempt investment income and temporary differences for which no deferred tax assets were recognized.

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

The Company has an ongoing dispute with the CRA, of which the final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in determining the amounts of its income tax assets and liabilities.

(a) CRA Audit - Acquisition of Tax-related Benefits

In July 2015, the Company received a notice of reassessment (NOR) from the CRA denying \$30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by \$10.9 million (before the application of interest and penalties of \$9.0 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid \$13.9 million (including interest and penalties). The amount was recorded as income tax receivable on the consolidated statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

(b) CRA Audit - Transfer Pricing

As previously disclosed in the 2017 and 2018 Annual Consolidated Financial Statements, the Company reached a settlement with the CRA and the applicable tax authority in the relevant foreign jurisdiction on the allocation of income for tax purposes between one of the Company's Canadian legal entities and a foreign subsidiary relating to the 2005 to 2016 taxation years.

In 2018, the issue was resolved when the Company received tax reassessments reflecting the settlements, including the waiver of the transfer pricing penalties and resolved the uncertainties in implementing the settlements with the CRA. As a result, the Company received a net refund of \$18.2 million and released \$24.1 million from its transfer pricing provision (including \$21.9 million in tax expense and \$2.2 million in reversal of interest expense) and recorded \$1.5 million in interest income during the year ended November 30, 2018.

The transfer pricing issue is resolved and the Company expects to receive a further refund of approximately \$4.0 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position. Subsequent to the quarter ended May 31, 2019, the Company received \$2.6 million of the refund from the CRA.

Net Income

The impact of the above income and expense items resulted in net income attributable to the equity owners of the Company of \$11.5 million and \$11.3 million for the three and six months ended May 31, 2019 as compared to net income attributable to the equity owners of the Company of \$17.0 million and \$38.5 million in the corresponding periods in 2018. Adjusting for the one-time restructuring costs and related tax benefit of \$11.3 million that occurred during the six months ended May 31, 2019, net income attributable to the equity owners of the Company was \$11.5 million and \$22.6 million for the three and six months ended May 31, 2019. Adjusting for the one-time net recoveries of \$5.8 million and \$15.8 million that occurred in the corresponding periods in 2018, 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, which includes one-time items, was \$0.14 and \$0.14 for the three and six months ended May 31, 2019, as compared to earnings of \$0.21 and \$0.47 per share in the corresponding periods of 2018. Adjusted diluted earnings per share was \$0.14 and \$0.28 per share for the three and six months ended May 31, 2019, as compared to earnings of \$0.14 and \$0.28 per share in the corresponding periods of 2018.

Liquidity and Capital Resources

As at May 31, 2019, the Company had total cash and cash equivalents of \$34.2 million (November 30, 2018 – \$46.8 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated was \$8.2 million and \$24.8 million for the three and six months ended May 31, 2019, compared to \$2.1 million and \$12.6 million in the comparative prior periods. During the six months ended May 31, 2019, we used \$12.6 million (2018 – \$2.2 million generated) in cash as follows:

(in millions of Canadian dollars)				
Six months ended	N	May 31, 2019	Ma	ıy 31, 2018
Net cash provided by operating activities less amounts received from				
(paid to) CRA in relation to ongoing tax matters	\$	19.4	\$	(3.7)
Received from (paid to) CRA in relation to transfer				
pricing settlement process and other tax contingency		_		17.8
Repurchase of shares under normal course issuer bid and				
purchase of treasury stock for employee benefit trust (EBT)		_		(2.5)
Dividends paid		(12.4)		(12.6)
Issuance (repayment) of long-term debt		(24.0)		30.0
Interest paid		(3.6)		(2.6)
Purchase of long-term investments, net of return on capital		(1.0)		(27.2)
Net proceeds from sale of short-term investments,				
including seed capital		9.1		6.1
Other		(0.1)		(3.1)
Change in cash and cash equivalents	\$	(12.6)	\$	2.2

The Company's working capital decreased \$32.1 million for the six months ended May 31, 2019, primarily due to the repayment to the loan facility.

Total long-term debt outstanding at May 31, 2019 was \$164.9 million (November 30, 2018 – \$188.6 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, 2019, \$158.9 million was available to be drawn from the revolving credit facility and swingline facility commitment. The loan facility will be available to meet future operational and investment needs. 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 private 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 private 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 Executive Chairman, Chief Executive Officer and Chief Investment Officer, President and Chief Administration Officer, Senior Vice-President and CFO, and Chief Operating Officer. Once approved by the Executive Management Committee, the three-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B Non-Voting shares and, combined with the reasonable use of leverage, the source of funds for expansion through organic growth and strategic investments.

Normal Course Issuer Bid

On February 4, 2019, AGF announced that the TSX had approved AGF's notice of intention to renew its normal course issuer bid (NCIB) in respect of its Class B Non-Voting shares. Purchase for cancellation by AGF of outstanding Class B Non-Voting shares may also be used to offset the dilutive effect of treasury stock released for the employee benefit trust (EBT) and of shares issued through the Company's stock option plans and dividend reinvestment plan. AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Shares purchased for the EBT are also purchased under the Company's NCIB and recorded as a reduction to capital stock. Under its NCIB, the Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX for amounts as follows:

- Between February 6, 2019 and February 5, 2020, up to 5,980,078 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX); and
- 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).

During the three and six months ended May 31, 2019 and 2018, AGF did not repurchase shares for cancellation under its NCIB.

During the three and six months ended May 31, 2019, AGF did not purchase Class B Non-Voting shares for the EBT. During the three and six months ended May 31, 2018, AGF purchased 217,864 and 365,296 Class B Non-Voting shares for EBT for a total consideration of \$1.5 million and \$2.5 million at an average price of \$6.90 and \$6.94 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	2019 ¹	2018	2017	2016	2015
Per share	\$ 0.24	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.51

¹ Represents the total dividends paid in January 2019, April 2019, and to be paid in July 2019.

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, 2019 was \$0.08 per share.

On June 25, 2019, 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, 2019.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2019 and May 31, 2018. For additional detail, see Notes 9 and 14 of the Condensed Consolidated Interim Financial Statements.

	May 31,	May 31,
	2019	2018
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	78,764,047	79,526,200
Stock Options		
Outstanding options	7,262,331	7,237,219
Exercisable options	4,969,776	4,230,389

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.
- Effective October 1, 2018, fund administration fees are based on a fixed transfer agency administration fee. Prior to October 1, 2018, 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,
- 33.6% equity interest in S&WHL, and
- General partnership interest and long-term investments in the private alternative asset management platform.

EBITDA before commissions and Adjusted EBITDA before commissions

We define EBITDA before commissions as earnings before interest, taxes, depreciation, amortization and deferred selling commissions and adjusted EBITDA before commissions as EBITDA before commissions net of one-time provisions and adjustments. EBITDA before commissions is an alternative measure of performance utilized by management, investors and investment analysts to evaluate and analyze the Company's results. The measure has been introduced following the adoption of IFRS 15. EBITDA before commissions excludes all deferred selling commissions and is comparable with prior periods. This non-IFRS measure may not be directly comparable to similar measures used by other companies.

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

	·	Thr	ee n	nonths end	ded		Six mont	hs e	nded
		May 31,	Feb	ruary 28,		May 31,	May 31,		May 31
(in millions of Canadian dollars)		2019		2019		2018	2019		2018
Income (loss) from continuing operation, net of tax	\$	11.5	\$	(0.2)	\$	16.6	\$ 11.3	\$	37.6
Adjustments:				` ,					
Deferred selling commissions		12.2		11.1		_	23.3		_
Amortization, derecognition and depreciation		1.1		1.1		9.8	2.1		19.2
Interest expense (income) ¹		1.7		2.0		(0.5)	3.8		1.0
Income tax expense (benefit) ^{2,3}		2.7		(1.1)		(5.3)	1.6		(12.2)
EBITDA before commissions	\$	29.2	\$	12.9	\$	20.6	\$ 42.1	\$	45.6
Other one-time adjustments:									
One-time restructuring costs	\$	_	\$	14.4	\$	5.2	\$ 14.4	\$	5.2
Adjusted EBITDA before commissions	\$	29.2	\$	27.3	\$	25.8	\$ 56.5	\$	50.8

¹Three and six months ended May 31, 2018 include a \$2.2 million interest recovery related to the transfer pricing case.

Free Cash Flow

Free cash flow represents cash available for distribution to our shareholders, share buybacks, investment in our private 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.

	Thr	ee m	onths en	ded		Six months ended				
	May 31,	Feb	ruary 28,		May 31,	May 31,	May 31			
(in millions of Canadian dollars)	2019		2019		2018	2019	2018			
Net income (loss) for the period	\$ 11.5	\$	(0.2)	\$	16.6	\$ 11.3	\$ 37.6			
Adjusted for net (income) loss from discontinued operations,										
non-cash items and non-cash working capital balances	14.9		(6.8)		24.6	8.1	(23.5)			
Net cash provided by (used in) operating activities	\$ 26.4	\$	(7.0)	\$	41.2	\$ 19.4	\$ 14.1			
Adjusted for:										
Net changes in non-cash working capital										
balances related to operations	(15.4)		9.0		(12.4)	(6.4)	14.0			
Taxes paid (received) related to transfer pricing audit										
and other tax contingencies	_		_		(27.8)	_	(17.8)			
Interest paid	(1.7)		(1.9)		(1.5)	(3.6)	(2.6)			
Prior years' cash taxes paid (refunded) and										
anticipated cash taxes to be refunded (paid)										
related to current year	(1.1)		5.2		2.6	4.1	4.9			
Restructuring provision, net of anticipated cash										
tax to be refunded	_		11.3		_	11.3	_			
Free cash flow	\$ 8.2	\$	16.6	\$	2.1	\$ 24.8	\$ 12.6			

² Three months ended February 28, 2019 and six months ended May 31, 2019 include a \$3.1 million tax benefit related to the restructuring provision.

³ Three and six months ended May 31, 2018 include \$7.4 million and \$17.4 million provision release related to the transfer pricing case, respectively.

EBITDA before commissions Margin

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

		Thr	ee r	nonths end	dec	t	Six months ended			
		May 31, F		February 28,		May 31,	May 31,			May 31,
(in millions of Canadian dollars)		2019		2019		2018		2019		2018
EBITDA before commissions	\$	29.2	\$	12.9	\$	20.6	\$	42.1	\$	45.6
Divided by income		109.8		105.0		114.2		214.8		225.2
EBITDA before commissions margin		26.6%		12.3%		18.0%		19.6%		20.2%

Adjusted EBITDA before commissions Margin

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

		Thr	ee m	onths end	ded		Six months ended				
	May 31, February 28, May 31,			May 31,		May 31,					
(in millions of Canadian dollars)		2019		2019		2018	2019		2018		
Adjusted EBITDA before commissions	\$	29.2	\$	27.3	\$	25.8	\$ 56.5	\$	50.8		
Divided by adjusted income		109.8		105.0		114.2	214.8		225.2		
Adjusted EBITDA before commissions margin		26.6%		26.0%		22.6%	26.3%		22.6%		

Net Debt to Adjusted EBITDA before commissions Ratio

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

	Thr	ee r	nonths end	ded		Six months ended				
	May 31,	February 28,			May 31,	May 31,		May 31,		
(in millions of Canadian dollars)	2019		2019		2018	2019		2018		
Net debt	\$ 130.7	\$	147.0	\$	140.6	\$ 130.7	\$	140.6		
Divided by adjusted EBITDA before commissions (12-month trailing)	117.4		114.0		102.4	117.4		102.4		
Net debt to adjusted EBITDA before commissions ratio	111.4%		128.9%		137.4%	111.4%		137.4%		

Assets Under Management

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

Investment Performance

Investment performance, which represents market appreciation (depreciation) 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 2018 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 \$402.1 million as compared to its recorded net assets of \$901.4 million as at May 31, 2019. In 2018, 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, 2018. There have been no significant changes to the recoverable amount of each CGU as at May 31, 2019. 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 2018 Annual MD&A in the section entitled 'Risk Factors and Management of Risk'.

Regulatory Risk

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

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, 2019 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, 2019, the Company's 2018 Annual Information Form (AIF) and Annual Report, and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

AGF Management Limited CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three and six months ended May 31, 2019 and 2018



AGF Management Limited Consolidated Interim Statement of Financial Position

(unaudited)			May 31,		November 30
(in thousands of Canadian dollars)	Note		2019		201
Assets					
Current Assets					
Cash and cash equivalents		\$	34,156	\$	46,79°
Investments	3, 4	φ	20,184	φ	28,91
Accounts receivable, prepaid expenses and other assets	5, 4 5, 18		42,559		52,91
Income tax receivable	15, 20		42,559		41
III.COME TAX TECETVADIE	15, 20		101,497		129,02
			•		•
Investment in associate and joint ventures	5		125,877		117,29
Long-term investments	5		101,453		105,37
Management contracts			689,759		689,75
Customer contracts, net of accumulated amortization and derecognition			340		67
Goodwill			250,830		250,83
Other intangibles, net of accumulated amortization and derecognition			814		86
Deferred selling commissions, net of accumulated amortization and derecognition	3		_		96,08
Property, equipment and computer software, net of accumulated depreciation			10,044		11,01
Deferred income tax assets			3,541		1,64
Income tax receivable	15, 20		13,919		13,91
Other assets			1,249		1,19
Total assets		\$	1,299,323	\$	1,417,68
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	7, 14	\$	74,038	\$	73,31
Provision for Elements Advantage	.,	Ψ	736	Ψ.	94
1 Tovision for Elements / Revaluage			74,774		74,26
Long-term debt	8		164,852		188,60
Deferred income tax liabilities			151,073		173,37
Deferred income tax habilities					72
Provision for Elements Advantage			692		
Provision for Elements Advantage Other long-term liabilities	14		6,521		
Provision for Elements Advantage	14				
Provision for Elements Advantage Other long-term liabilities	14		6,521		
Provision for Elements Advantage Other long-term liabilities Total liabilities Equity	14		6,521		
Provision for Elements Advantage Other long-term liabilities Total liabilities Equity Equity attributable to owners of the Company	14		6,521 397,912		445,25
Provision for Elements Advantage Other long-term liabilities Total liabilities Equity Equity attributable to owners of the Company Capital stock			6,521 397,912 477,471		445,25 474,31
Provision for Elements Advantage Other long-term liabilities Total liabilities Equity Equity attributable to owners of the Company Capital stock Contributed surplus	9		6,521 397,912 477,471 38,849		445,25 474,31 41,27
Provision for Elements Advantage Other long-term liabilities Total liabilities Equity Equity attributable to owners of the Company Capital stock Contributed surplus Retained earnings	9 14 3, 6		6,521 397,912 477,471 38,849 374,642		445,256 474,319 41,27 447,060
Provision for Elements Advantage Other long-term liabilities Total liabilities Equity Equity attributable to owners of the Company Capital stock Contributed surplus	9		6,521 397,912 477,471 38,849		8,296 445,258 474,319 41,277 447,060 9,767 972,423

AGF Management Limited Consolidated Interim Statement of Income

(unaudited)		Three mon	ths ende	ed
		May 31,		May 31
(in thousands of Canadian dollars, except per share data)	Note	2019		2018
Income				
Management, advisory and administration fees	3	\$ 99,148	\$	105,24
Deferred sales charges		1,897		1,71
Share of profit of associate and joint ventures	5	6,625		5,78
Fair value adjustments and other income	5, 11	2,135		1,49
·		109,805		114,22
Expenses				
Selling, general and administrative	3, 12	48,597		55,20
Restructuring provision	13	_		5,22
Trailing commissions		31,303		32,51
Investment advisory fees		704		72
Deferred selling commissions	3	12,225		
Amortization and derecognition of deferred selling commissions	3	_		8,58
Amortization and derecognition of customer contracts		129		23
Amortization and derecognition of other intangibles		22		3
Depreciation of property, equipment and computer software		921		90
Interest expense		1,762		(524
		95,663		102,91
Income before income taxes		14,142		11,31
Income tax expense (benefit)				
Current	15	2,271		(6,394
Deferred	3, 15	395		1,11
		2,666		(5,283
Net income for the period		\$ 11,476	\$	16,59
Net income attributable to:				
Equity owners of the Company		\$ 11,476	\$	16,97
Non-controlling interest	6	_		(378
<u> </u>	-	\$ 11,476	\$	16,59
Earnings per share for the period attributable to				
equity owners of the Company				
Basic earnings per share	16	\$ 0.15	\$	0.2
Diluted earnings per share	16	\$ 0.14	\$	0.2

AGF Management Limited Consolidated Interim Statement of Income

(unaudited)			Six mon	ths ended	<u> </u>
			May 31,		May 31
(in thousands of Canadian dollars, except per share data)	Note		2019		201
Income					
Management, advisory and administration fees	3	\$	190,145	\$	208,83
Deferred sales charges		·	3,506	·	3,35
Share of profit of associate and joint ventures	5		11,106		10,29
Fair value adjustments and other income	5, 11		10,043		2,65
,			214,800		225,13
Expenses					
Selling, general and administrative	3, 12		96,632		108,31
Restructuring provision	13		14,361		5,22
Trailing commissions			60,281		64,30
Investment advisory fees			1,399		1,80
Deferred Selling Commissions	3		23,298		
Amortization and derecognition of deferred selling commissions	3		_		16,86
Amortization and derecognition of customer contracts			335		40
Amortization and derecognition of other intangibles			49		1:
Depreciation of property, equipment and computer software			1,847		1,78
Interest expense			3,804		82
			202,006		199,72
Income before income taxes			12,794		25,41
Income tax expense (benefit)					
Current	15		207		(14,10
Deferred	3, 15		1,319		1,9
			1,526		(12,15
Net income for the period		\$	11,268	\$	37,56
Net income (loss) attributable to:					
Equity owners of the Company		\$	11,268	\$	38,50
Non-controlling interest	6		_		(93
		\$	11,268	\$	37,56
Earnings per share for the period attributable to					
equity owners of the Company					
Basic earnings per share	16	\$	0.14	\$	0.4
Diluted earnings per share	16	\$	0.14	\$	0.4

AGF Management Limited Consolidated Interim Statement of Comprehensive Income

(unaudited)		Three mo	nths en	ided		Six mon	ths end	led
		May 31,		May 31,		May 31,		May 31,
(in thousands of Canadian dollars)		2019		2018		2019		2018
Net income for the period	\$	11,476	\$	16,598	\$	11,268	\$	37,569
Other comprehensive income (loss), net of tax								
Cumulative translation adjustment								
Foreign currency translation adjustments related to								
net investments in foreign operations		(2,912)		(2,813)		682		(1,166)
		(2,912)		(2,813)		682		(1,166
Net unrealized and realized gains on investments								
Unrealized gains		_		39		_		378
Total other comprehensive income (loss), net of tax	\$	(2,912)	\$	(2,774)	\$	682	\$	(788)
Comprehensive income	\$	8,564	\$	13,824	\$	11,950	\$	36,781
Comprehensive income (loca) attributable to:								
Comprehensive income (loss) attributable to:	Φ.	0.504	•	44.000	Φ.	44.050	Φ.	07.740
Equity owners of the Company	\$	8,564	\$	14,202	\$	11,950	\$	37,712
Non-controlling interest				(378)				(931)
Net comprehensive income	\$	8,564	\$	13,824	\$	11,950	\$	36,781

Items presented in other comprehensive income (loss) will be reclassified to the consolidated statement of income (loss) in subsequent periods, with the exception of equity instruments classified as fair value through other comprehensive income.

AGF Management Limited Consolidated Interim Statement of Changes in Equity

(unaudited)								
(in thousands of Canadian dollars)		apital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Attributable to equity owners of the Company	_	Total equity
<u></u>			ош.р.шо					
Balance, December 1, 2017 Net income (loss) for the period	\$ 478	\$,883 \$ _	40,453 \$ _	38,500	\$ 12,076 -	\$ 936,757 38,500	\$ (2,538) \$ (931)	934,219 37,569
Other comprehensive income				,		,	,	•
(net of tax)		-	_	_	(788)	(788)	_	(788
Comprehensive income (loss)					(=00)		(22.1)	
for the year		_	_	38,500	(788)	37,712	(931)	36,78
Issued through dividend								
reinvestment plan		153	_	_	_	153	_	15
Stock options	1	,847	344	_	_	2,191	_	2,19
Dividends on AGF Class A								
Voting common shares and								
AGF Class B Non-Voting								
shares, including				(40.040)		//		
tax of \$0.2 million		_	_	(12,912)	_	(12,912)	_	(12,912
Equity-settled Restricted Share								
Units and Partner Points,			(0.40=)			(2.42=)		
net of tax			(2,195)	_	_	(2,195)		(2,195
Treasury stock purchased	, ,	501)	_	_	_	(2,501)		(2,501
Treasury stock released	3	,748	_	_	_	3,748	_	3,74
Increase in ownership								
in FFCM, LLC		_	<u>-</u>	(6,813)	_	(6,813)	3,469	(3,344
Balance, May 31, 2018	\$ 482	,130 \$	38,602 \$	424,120	\$ 11,288	\$ 956,140	\$ - \$	956,140
Balance, November 30, 2018	\$ 474	,319 \$	41,277 \$	447,060	\$ 9,767	\$ 972,423	\$ - \$	972,42
Change in accounting policy	·	, •	, ,	,	•	, , , ,	·	,
(Note 3)								
IFRS 9		_	_	(321)	_	(321)	_	(321
IFRS 15		_	_	(70,606)	_	(70,606)		(70,606
Balance, December 1, 2018	474	.319	41.277	376,133	9,767	901,496		901,49
Net income for the period		_	_	11,268	_	11,268		11,26
Other comprehensive loss				,		,		,
(net of tax)		_	_	_	682	682	_	68
Comprehensive income								
for the year		_	_	11,268	682	11,950	_	11,95
Issued through dividend				•		,		·
reinvestment plan		161	_	_	_	161	_	16
Stock options		682	62	_	_	744	_	74
Dividends on AGF Class A								
Voting common shares and								
AGF Class B Non-Voting								
shares, including				(12,759)	_	(12,759)	_	(12,759
shares, including tax of \$0.2 million		_	_	(12.700)		(-=, - 30)		,,
tax of \$0.2 million		-	_	(12,700)				
tax of \$0.2 million Equity-settled Restricted Share		-	_	(12,755)				
tax of \$0.2 million Equity-settled Restricted Share Units and Partner Points,		_	(2 490)	(12,755)	_	(2.490)	_	(2.490
tax of \$0.2 million Equity-settled Restricted Share	2	- 2,309	(2,490)	(12,733) - -	- -	(2,490) 2,309		(2,490 2,30

AGF Management Limited Consolidated Interim Statement of Cash Flow

(unaudited)		Six mont	hs ende	d
		May 31,		May 31
(in thousands of Canadian dollars)	ote	2019		2018
Operating Activities				
Net income for the period		\$ 11,268	\$	37,569
Adjustments for				
Amortization, derecognition and depreciation	3	2,231		19,242
Interest expense		3,804		822
Income tax benefit	15	1,526		(12,152
Income taxes refunded (paid)		(4,550)		9,43
Stock-based compensation	14	2,552		2,370
Share of profit of associate and joint ventures	5	(11,106)		(10,291
Distributions from associate	5	2,798		2,88
Deferred selling commissions paid	3	_		(21,802
Fair value adjustment on long-term investments	5	4,913		17
Net realized and unrealized loss on short-term investments		(397)		(21
Other		(72)		(220
		12,967		28,009
Net change in non-cash working capital balances related to operations				
Accounts receivable and other current assets		10,130		(6,395
Other assets		(56)		(-,
Accounts payable and accrued liabilities		(2,155)		(2,237
Other liabilities		(1,496)		(5,317
		6,423		(13,949
Net cash provided by operating activities		19,390		14,06
Financing Activities	^	000		4.04
Issue of Class B Non-Voting shares	9	682		1,84
Purchase of treasury stock	9	(40,405)		(2,501
Dividends paid	17	(12,435)		(12,596
Issuance (repayment) of long-term debt	8	(24,000)		30,00
Interest paid		(3,552)		(2,579
Net cash provided by (used in) financing activities		(39,305)		14,17
Investing Activities				
Increase in ownership interest in FFCM, LLC	6	_		(3,240
Purchase of long-term investments	5	(27,650)		(27,195
Return of capital from long-term investments	5	26,661		
Purchase of property, equipment and computer software, net of disposals		(879)		(1,723
Purchase of short-term investments	4	(9,894)		(1,391
Proceeds from sale of short-term investments	4	19,042		7,52
Net cash provided by (used in) investing activities		7,280		(26,024
Increase (decrease) in cash and cash equivalents		(12,635)		2,20
Balance of cash and cash equivalents, beginning of the period		46,791		25,84
Balance of cash and cash equivalents, end of the period		\$ 34,156	\$	28,049

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended May 31, 2019 and May 31, 2018 (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-networth clients. The Company conducts the management and distribution of mutual funds and ETFs in Canada under the brand names AGF, Elements, Harmony and AGFiQ, (collectively, AGF Investments). The Company's wholly owned subsidiary AGF CustomerFirst Inc. (AGFC) provides fund administration services to the AGF mutual funds. The Company also holds an investment in an associate, Smith & Williamson Holdings Limited (S&WHL), and in joint ventures, InstarAGF Asset Management Inc. (InstarAGF), and Stream Asset Financial Management LP (Stream).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 25, 2019.

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 reflect the adoption of IFRS 9 and 15 and are otherwise consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2018. 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, 2018, which have been prepared in accordance with IFRS as issued by the IASB. Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation in the current year.

Note 3: Changes in Accounting Policies

(a) Adoption of New and Revised Accounting Standards

The Company has adopted the following new and revised standards, effective December 1, 2018. These changes were adopted in accordance with the application transitional provisions of each new or revised standard.

IFRS 9 Financial Instruments:

The Company has adopted IFRS 9 Financial Instruments (IFRS 9), which 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 additional, the IASB introduced an expected credit loss impairment model, which applies to all financial instruments and requires more timely recognition of expected credit losses.

Under IFRS 9, financial assets are classified as either fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVTOCI) or amortized cost and financial liabilities are categorized as either FVTPL or amortized cost. For financial liabilities designated as fair value through profit or loss, IFRS 9 requires the presentation of the effects of changes in the liability's credit risk in other comprehensive income instead of net income.

The application of IFRS 9 resulted in the following classification changes as of December 1, 2018:

- Certain equity instruments of \$0.5 million previously classified as available for sale were designated as FVTOCI.
- Term deposits of \$4.2 million previously classified as available for sale were reclassified to FVTPL.

The classification of all other assets and liabilities is consistent with previous classification under IAS 39. The changes in classification did not have an impact on the Company's consolidated financial statements. The application of the expected credit loss model did not have a material impact on the Company's consolidated financial statements.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. Under this approach, on December 1, 2018, the Company

recognized transitional adjustments resulting in a reduction to retained earnings of \$0.3 million related to S&WHL's adoption of IFRS 9, which resulted in an increased provision for expected credit losses. Prior year comparative information has been presented in accordance with the Company's previous accounting policy.

The following is the new accounting policy under IFRS 9:

Financial assets and liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized when the rights to receive cash flows from the assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized when the obligation specified in the contract is discharged, cancelled or expires. Regular way purchases and sales of financial assets and liabilities are accounted for at the trade date.

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

At initial recognition, the Company classifies its financial instruments into the following categories depending on the entity's business model for management of the financial assets and the contractual terms of the cash flows.

i. Fair Value through Profit or Loss

Financial instruments classified at FVTPL are recognized initially at fair value and are subsequently carried at fair value in the consolidated statements of financial position. Gains or losses in fair value and distributions received from certain investments are presented in the consolidated statement of income under fair value adjustments and other income. Transaction costs on FVTPL financial instruments are accounted for in net income as incurred. Equity instruments are classified as FVTPL unless the Company irrevocably elects at initial recognition to designate it as FVTOCI. Debt instruments are classified as FVTPL if the assets do not meet criteria for FVTOCI or amortized cost. Financial instruments classified as FVTPL include investments in AGF mutual funds, terms deposits and other certain investments.

ii. Fair Value through Other Comprehensive Income

Financial instruments classified at FVTOCI are initially recognized at fair value and are subsequently carried at fair value in the consolidated statements of financial position. Gains or losses in fair value are presented in the consolidated statement of comprehensive income under other comprehensive income. Transaction costs on FVTOCI financial instruments are added to the initial carrying value of the asset or liability.

For equity investments designated as FVTOCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of income following derecognition of the investment. Dividends are recognized in the consolidated statement of income as part of fair value adjustments and other income on the date they become legally receivable. Equity investments designated as FVTOCI include certain equity securities held for long-term investments.

Debt instruments are classified as FVTOCI if the assets are held for the collection of contractual cash flows and for selling the financial assets, where those cash flows represent solely payments of principal and interest. For debt investments classified as FVTOCI, the cumulative gain or loss previously recognized in OCI is reclassified to the consolidated statement of income upon derecognition and is included in fair value adjustments and other income. Interest income from these financial assets, calculated using the effective interest method, is recognized in the consolidated statement of income. The Company does not currently have any debt investments classified as FVTOCI.

iii. Amortized Cost

Financial instruments classified at amortized costs are initially recognized at the amount expected to be received, less, when material, a discount to reduce the asset balance to fair value. Subsequently, these assets are measured using the effective interest method less a provision for impairment. Financial assets are classified at amortized cost if the assets are held for the collection of contractual cash flows. Financial assets classified at amortized costs are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and include accounts receivable and other financial assets.

Financial liabilities at amortized cost include accounts payable and accrued liabilities, long-term debt, and other long-term liabilities. Accounts payable and accrued liabilities, long-term debt, and other long-term liabilities are initially recognized at the amount required to be paid, less, when material, a discount to reduce the payables to fair value. Subsequently, these balances are measured at amortized cost using the effective interest method.

A financial liability is derecognized when it is extinguished. When a liability is extinguished, the difference between its carrying amount and the consideration paid including any non-cash assets transferred and any new liabilities assumed is recognized in profit or loss. A modification of the terms of a liability is accounted for as an extinguishment of the original liability and recognition as a new liability when the modification is substantial. The Company deems an amendment of the terms of a liability to be substantially different if the net present value of the cash flows under the new liability, including any fees paid, is at least 10% different from the net present value of the remaining cash flows of the existing liability, both discounted at the original effective interest rate of the original liability.

Financial liabilities are classified as current liabilities if payment is due within 12 months of the consolidated statement of financial position date. Otherwise, they are presented as non-current liabilities.

IFRS 15 Revenue from Contracts with Customers:

The Company has adopted IFRS 15 Revenue from Contracts with Customers, which replaces prior guidance, including IAS 18 Revenue, which covers accounting for revenue arising from contracts with customers. 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.

IFRS 15 outlines various criteria for eligibility of capitalizing contract costs. Costs associated with obtaining a contract should be capitalized, while costs associated with the fulfillment of a contract should be expensed. The determination of whether the customer is the investment fund or the individual investor impacts whether costs are capitalized or expensed. The Company has determined the investment fund is its customer when the Company receives the fee from the fund rather than the individual investor directly. As a result, deferred sales commissions (DSC commissions) paid to dealers or brokers on mutual fund securities do not qualify as an incremental cost of acquiring its fund contracts and should be expensed under IFRS 15. Previously, commissions paid on sales of deferred sales charge mutual funds were capitalized and amortized over the redemption period.

IFRS 15 specifies that consideration paid to customers is accounted for as part of the transaction price unless the payment is in exchange for a distinct good or service. The Company has determined certain fee waivers and expenses reimbursed to the funds or paid on the funds' behalf are within the scope of IFRS 15 and should be accounted for as part of the transaction price. As of December 1, 2018, these payments are now recognized and classified as a reduction in management, advisory and administration fees. Previously, these payments were previously recorded in selling, general and administration expenses.

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 15, as permitted by the transitional provisions within IFRS 15. Under this approach, on December 31, 2018, the Company recognized transitional adjustments resulting in a reduction in retained earnings of \$70.6 million related to the derecognition of previously recognized deferred sales commissions and the related deferred tax liability. Prior year comparative information has been presented in accordance with the Company's previous accounting policy.

The Company has assessed and determined that there are no other significant impacts resulting from the application of IFRS 15.

The following are the new accounting policies under IFRS 15:

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable. In addition to these general principles, AGF applies the following specific revenue recognition policies:

Management and advisory fees are based on the net asset value of funds under management multiplied by an agreed rate with the customer. Fees are recognized on an accrual basis as the service is performed. These fees are shown net of management fee rebates, fee waivers and expenses reimbursed to the funds or paid on the funds' behalf.

Effective October 1, 2018, administration fees are based on a fixed transfer agency administration fee and are based on the net asset value of the funds under management. Administration fees are recognized on an accrual basis as the service is performed. Prior to October 1, 2018, administration fees were directly related to the number of client accounts and transactions incurred.

Commissions

Fees paid to institutional consultants related to the referral and placement of clients where the fee is paid at the commencement of client onboarding, are not dependent on future revenue streams and where the Company receives a fee directly from the client are capitalized and amortized over their estimated useful lives, not exceeding a period of three years. All other commissions, including selling commissions paid to dealers or brokers on mutual fund securities sold on a deferred sales charge (DSC) basis, are recognized as an expense on an accrual basis.

Impact of Adopting IFRS 9 and 15:

The application of IFRS 9 and 15 as at December 1, 2018 resulted in the following changes to retained earnings:

	Retained
(in thousands of Canadian dollars)	earnings
Balance at November 30, 2018, prior to application of IFRS 9 and 15	\$ 447,060
Derecognition of deferred sales commissions, net of accumulated depreciation and derecognition	(96,085)
Decrease in deferred income tax liability	25,479
Decrease in investment in S&WHL	(321)
Total transitional adjustments	(70,927)
Balance at December 1, 2018, subsequent to application of IFRS 9 and 15	\$ 376,133

The following table shows the consolidated statement of net income for the six months ended May 31, 2019 and May 31, 2018 under IFRS 15. There is no impact on the consolidated financial statement of net income in relation to IFRS 9. These new accounting standards have no impact on the economics of our business. The implementation of IFRS 15 will result in a change in timing of the recognition of commission expenses but has no effect on the cash flows of the Company.

Six months ended	May	31, 2019		Ma	y 31, 2018	
(in thousands of Canadian dollars, except per share data)		IFRS 15	IAS 18	Α	djustments	IFRS 15
Total income ¹	\$	214,800	\$ 225,139	\$	(5,257)	\$ 219,882
Expenses						
Selling, general and administration ¹		96,632	108,318		(5,257)	103,061
Restructuring provision		14,361	5,225		_	5,225
Trailing commissions		60,281	64,308		_	64,308
Investment advisory fees		1,399	1,807		_	1,807
Deferred selling commissions		23,298	_		21,802	21,802
Amortization, derecognition and depreciation		2,231	19,242		(16,866)	2,376
Interest expense		3,804	822		_	822
Total Expenses		202,006	199,722		(321)	199,401
Income (loss) before income taxes		12,794	25,417		(4,936)	20,481
Income tax expense (benefit)		1,526	(12,152)		(1,308)	(13,460)
Net income (loss) for the period	\$	11,268	\$ 37,569	\$	(3,628)	\$ 33,941
Net income (loss) attributable to:						
Equity owners of the Company	\$	11,268	\$ 38,500	\$	(3,628)	\$ 34,872
Non-controlling interest		_	(931)		` <u>-</u>	(931)
	\$	11,268	\$ 37,569	\$	(3,628)	\$ 33,941
Earnings (loss) per share attributable						
to equity owners of the company:						
Basic earnings per share	\$	0.14	\$ 0.48	\$	(0.04)	\$ 0.44
Diluted earnings per share	\$	0.14	\$ 0.47	\$	(0.04)	\$ 0.43

¹ Adjustment relates to fees waivers and expenses reimbursed to the funds or paid on the funds' behalf.

The application of IFRS 9 and 15 did not result in any changes to the consolidated statement of comprehensive income or cash flow.

IFRS 2 Share-based Payment:

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. The Company has determined there is no material impact on its consolidated financial statements.

(b) Accounting Standards Issued but Not Yet Applied

The following standards and interpretations have been issued, but are not yet effective for the May 31, 2019 interim reporting period and have not been early adopted by the Company.

IFRS 16 Leases:

IFRS 16 Leases (IFRS 16) was issued by the IASB in January 2016 and will replace IAS 17 Leases. The standard requires lessees to recognize a lease liability and a 'right-of-use asset' for most lease contracts. IFRS 16 is effective for financial years commencing on or after January 1, 2019. 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 on its consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments:

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 in the process of assessing the impact of IFRIC Interpretation 23 on its consolidated financial statements.

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	May 31, 2019	November 30, 2018
Fair value through profit or loss		
AGF mutual funds and other	\$ 15,616	\$ 23,912
Term deposits	3,785	N/A
	19,401	23,912
Fair value through other comprehensive income Equity securities	475	N/A
Amortized cost (previously loans and receivables)		
Canadian government debt – Federal	308	308
Available for sale		
Equity securities and term deposits	N/A	4,692
	\$ 20,184	\$ 28,912

During the three and six months ended May 31, 2019 and May 31, 2018, no impairment charges were recognized.

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

(a) Investment in Associate

The Company holds a 33.6% (November 30, 2018 – 33.6%) investment in S&WHL accounted for using the equity method. At May 31, 2019, the carrying value was \$123.4 million (November 30, 2018 – \$115.0 million). The carrying value was adjusted by \$0.3 million on December 1, 2018 as a result of adopting IFRS 9. During the three and six months ended May 31, 2019, the Company recognized earnings of \$6.5 million and \$10.9 million (2018 – \$5.7 million and \$10.1 million) from S&WHL and received nil and \$2.8 million (2018 – nil and \$2.9 million) in dividends from S&WHL.

On April 30, 2019, the Company committed to purchase 916,262 shares of S&WHL for cash consideration of \$12 million, pending regulatory approval.

(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, 2019 and May 31, 2018 is as follows:

Six months ended	May 31, 2019			May 31, 2018				
(in thousands of Canadian dollars)	SAFM LP	InstarAGF	Total		SAFM LP		InstarAGF	Total
Balance, beginning of the period	\$ 2,325 \$	- \$	2,325	\$	1,991	\$	- \$	1,991
Share of profit	163	_	163		188		_	188
Balance, end of the period	\$ 2,488 \$	\$	2,488	\$	2,179	\$	- \$	2,179

The Company, through its interest in joint ventures, may be entitled to performance-based fees or carried interest distributions. These amounts are recognized by the Company and its joint ventures when the related performance thresholds are met and when the risk of reversal is low.

The Company holds a 37.0% interest in SAFM LP. For the three and six months ended May 31, 2019, the Company recognized earnings of \$0.1 million and \$0.2 million (2018 – \$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, 2019, the Company accumulated unrecognized losses of \$1.5 million (November 30, 2018 – \$1.1 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, 2019, the Company had recorded a receivable of \$4.9 million (November 30, 2018 – \$4.6 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at May 31, 2019, the Company had recorded a \$0.6 million promissory note receivable from Instar (November 30, 2018 – \$0.7 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, InstarAGF and 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, 2019 and May 31, 2018 is as follows:

Six months ended	May 31,	May 31,
(in thousands of Canadian dollars)	2019	2018
Balance, beginning of the period	\$ 105,377	\$ 75,362
Purchase of long-term investments	27,650	27,195
Return of capital	(26,661)	_
Fair value adjustment ¹	(4,913)	(178)
Balance, end of the period	\$ 101,453	\$ 102,379

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.

During the six months ended May 31, 2019, the Company committed to invest \$75.0 million in capital to a closed-end subsequent fund managed by InstarAGF in its infrastructure strategy. The Company has committed a total of \$225.0 million (2018 – \$150.0 million) to funds and investments associated with the private alternative business. 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, 2019, of its \$225.0 million allocation, the Company had invested \$135.6 million (November 30, 2018 – \$115.1 million). As at May 31, 2019, the Company has \$89.4 million (November 30, 2018 – \$34.9 million) remaining committed capital to be invested in Stream, EIF and a closed-end subsequent fund. During the three and six months ended May 31, 2019, the Company recognized \$1.7 million and \$8.9 million (2018 – \$0.8 million and \$1.5 million) in fair value adjustment and distributions related to its long-term investments.

As at May 31, 2019, the carrying value of the Company's long-term investments in the alternative asset management platform was \$101.3 million (November 30, 2018 – \$105.1 million).

Note 6: Acquisition of AGF Investments LLC (formerly FFCM, LLC)

During the year ended November 30, 2018, the Company increased its ownership interest in AGF Investments LLC from 51% to 100% for cash consideration of \$3.3 million. The payment was recorded as a reduction to non-controlling interest and retained earnings as this transaction was between equity owners.

Note 7: Accounts Payable

	May 31,	N	lovember 30,
(in thousands of Canadian dollars)	2019		2018
Compensation related payable	\$ 30,836	\$	34,872
HST payable	12,313		10,928
Other	30,889		27,517
Accounts payable and accrued liabilities	\$ 74,038	\$	73,317

Note 8: Long-term Debt

During the six months ended May 31, 2019, the Company repaid \$24.0 million (2018 – borrowed \$30.0 million). As at May 31, 2019, AGF had drawn \$166.0 million (November 30, 2018 – \$190.0 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 3.7% (November 30, 2018 – 3.7%) per annum and a \$5.1 million (November 30, 2018 – \$5.1 million) letter of credit. Of the \$166.0 million drawn (November 30, 2018 – \$190.0 million), \$1.1 million (November 30, 2018 – \$1.4 million) has been deducted related to the transaction and stamping fees incurred on the Facility. The Company's revolving credit facility has a maximum aggregate principal amount of \$320.0 million and a \$10.0 million swingline facility commitment. As at May 31, 2019, \$158.9 million was available to be drawn from the revolving credit facility and swingline facility commitment.

Note 9: 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 3	1, 20)19	May 31	l, 20 1	18
(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	78,260,674	\$	474,319	79,017,813	\$	478,883
Issued through dividend reinvestment plan	30,871		161	21,247		153
Stock options exercised	129,390		682	329,116		1,847
Treasury stock purchased for employee benefit trust	_		_	(365,296)		(2,501)
Treasury stock released for employee benefit trust	343,112		2,309	523,320		3,748
Balance, end of the period	78,764,047	\$	477,471	79,526,200	\$	482,130

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 5,980,078 shares for the period from February 6, 2019 to February 5, 2020 and up to 6,124,051 shares for the period from February 6, 2018 to February 5, 2019. During the three and six months ended May 31, 2019 and 2018, 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, 2019, AGF purchased nil and nil (2018 – 217,864 and 365,296) Class B Non-Voting shares for the employee benefit trust at a cost of nil and nil (2018 – \$1.5 million and \$2.5 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, 2019, 5,294 and 343,112 (2018 – 20,632 and 523,320) Class B Non-Voting shares purchased as treasury stock were released. As at May 31, 2019, 392,092 (November 30, 2018 – 735,203) Class B Non-Voting shares were held as treasury stock.

Note 10: Accumulated Other Comprehensive Income

	Foreign currency	Fair value through	
(in thousands of Canadian dollars)	translation	OCI	Total
Opening composition of accumulated other			
comprehensive income at December 1, 2017			
Other comprehensive income	\$ 8,557	\$ 3,556	\$ 12,113
Income tax expense	_	(37)	(37)
Balance, December 1, 2017	8,557	3,519	12,076
Transactions during the year ended November 30, 2018			
Other comprehensive income (loss)	(2,804)	503	(2,301)
Income tax expense	_	(8)	(8)
Balance, November 30, 2018	5,753	4,014	9,767
Transactions during the period ended May 31, 2019			
Other comprehensive income	682	_	682
Balance, May 31, 2019	\$ 6,435	\$ 4,014	\$ 10,449

Note 11: Fair Value Adjustments and Other Income

	 Three mo	nths e	nded	Six months ended					
	May 31,		May 31,	May 31,		May 31,			
(in thousands of Canadian dollars)	2019		2018	2019		2018			
Fair value adjustment related to investment									
in AGF mutual funds (Note 4)	\$ 194	\$	(8)	\$ 465	\$	24			
Fair value adjustment and distributions related to									
long-term investments (Note 5(c))	1,655		774	8,854		1,456			
Interest income ¹	112		1,574	307		1,659			
Other	174		(848)	417		(480)			
	\$ 2,135	\$	1,492	\$ 10,043	\$	2,659			

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

Note 12: Expenses by Nature

	 Three mon	ths en	ded	Six month	s ende	ed
	May 31,		May 31,	May 31,		May 31,
(in thousands of Canadian dollars)	2019		2018	2019		2018
Selling, general and administrative						
Employee benefit expense	\$ 31,483	\$	32,545	\$ 62,493	\$	65,304
Sales and marketing	3,657		5,475	6,392		8,600
Information technology and facilities	7,976		9,342	16,729		18,279
Professional fees	3,890		3,848	8,277		8,126
Fund absorption and other fund costs (Note 3)	618		3,409	844		6,638
Other	973		590	1,897		1,371
	\$ 48,597	\$	55,209	\$ 96,632	\$	108,318

Note 13: Restructuring Provision

During the three and six months ended May 31, 2019, the Company implemented a plan to achieve certain organizational and operational efficiencies, resulting in a restructuring charge of nil and \$14.4 million (2018 – \$5.2 million and \$5.2 million).

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

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 634,139 Class B Non-Voting shares could have been granted as at May 31, 2019 (November 30, 2018 – 171,560).

The change in stock options during the six months ended May 31, 2019 and May 31, 2018 is summarized as follows:

Six months ended	Ma	May 31, 2019			31, 2018
		Weighted			Weighted
			average		average
	Options		exercise price	Options	exercise price
Class B Non-Voting share options					
Balance, beginning of the period	7,854,300	\$	7.52	7,719,199	\$ 8.38
Options granted	_		_	656,364	7.33
Options forfeited	(10,135)		8.00	(424,993)	9.45
Options expired	(452,444)		14.23	(384,235)	19.03
Options exercised	(129,390)		4.72	(329,116)	4.99
Balance, end of the period	7,262,331	\$	7.15	7,237,219	\$ 7.82

During the three and six months ended May 31, 2019, nil and nil (2018 – nil and 656,364) stock options were granted and contributed surplus of \$0.1 million and \$0.1 million (2018 – \$0.1 million and \$0.3 million) was recorded. The fair value of options granted during the six months ended May 31, 2018 has been estimated at \$1.19 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:

Six months ended	May 31, 2018
Risk-free interest rate	2.1%
Expected dividend yield	4.7%
Five-year historical-based	
expected share price volatility	28.5%
Forfeiture rate	4.7%
Option term	5.1 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, 2019 was \$0.2 million and \$0.6 million (2018 – \$0.4 million and \$0.1 million) and the liability recorded as at May 31, 2019 related to cash-settled stock-based compensation was \$3.1 million (November 30, 2018 – \$2.8 million). Compensation expense related to equity-settled RSUs and PIP for the three and six months ended May 31, 2019 was \$0.9 million and \$1.9 million (2018 – \$0.8 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at May 31, 2019 was \$4.1 million (November 30, 2018 – \$6.6 million).

The change in share units of RSUs and DSUs during the six months ended May 31, 2019 and May 31, 2018 is as follows:

Six months ended	May 31, 2019	May 31, 2018
	Number of share units	Number of share units
Outstanding, beginning of the period, non-vested	3,259,769	2,060,771
Issued		
Initial grant	82,331	613,250
In lieu of dividends	76,760	40,150
Settled in cash	(59,325)	(52,673)
Settled in equity	(738,158)	(523,320)
Forfeited and cancelled	(62,005)	(94,606)
Outstanding, end of the period, non-vested	2,559,372	2,043,572

Note 15: Income Tax Expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. The effective tax rate for the six months ended May 31, 2019 was 11.9% (2018 – recovery of 47.8%).

During the six months ended May 31, 2019, the company recorded a tax benefit of \$3.1 million related to the restructuring provision. In the corresponding period in 2018, the Company recorded a \$17.4 million tax contingencies recovery with respect to the CRA transfer pricing audit.

Excluding the restructuring provision and the related tax benefit of \$3.1 million, the estimated effective tax rate for the six months ended May 31, 2019 was 17.0% (2018 – 21.5%, excluding the transfer pricing tax contingencies). Refer to Note 20 for additional information on tax contingencies.

The main items impacting the effective tax rate in the period relates to tax-exempt investment income and temporary differences for which no deferred tax assets were recognized.

Note 16: Earnings per Share

	Three months ended			Six months ended			ded		
		May 31,		May 31,		May 31,		May 31,	
(in thousands of Canadian dollars, except per share data)		2019		2018		2019		2018	
Numerator									
Net income for the period attributable to									
equity owners of the Company	\$	11,476	\$	16,976	\$	11,268	\$	38,500	
Denominator									
Weighted average number of shares – basic		78,699,275		79,666,007		78,730,948		79,676,774	
Dilutive effect of employee stock-based compensation awards		1,072,499		1,548,014		1,181,747		1,534,199	
Weighted average number of shares – diluted		79,771,774		81,214,021		79,912,695		81,210,973	
Earnings per share for the period attributable to									
equity owners of the Company									
Basic earnings per share	\$	0.15	\$	0.21	\$	0.14	\$	0.48	
Diluted earnings per share	\$	0.14	\$	0.21	\$	0.14	\$	0.47	

Note 17: Dividends

During the three and six months ended May 31, 2019, the Company paid dividends of \$0.08 and \$0.16 (2018 – \$0.08 and \$0.16) per share. Total dividends paid, including dividends reinvested, in the three and six months ended May 31, 2019 were \$6.3 million and \$12.7 million (2018 – \$6.3 million and \$12.7 million). On June 25, 2019, 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, 2019, amounting to a total dividend of approximately \$6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 18: Related Party Transactions

The Company is controlled by Blake C. Goldring, Executive Chairman 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			ed
	May 31,		May 31,		May 31,		May 31,
(in thousands of Canadian dollars)	2019		2018		2019		2018
Salaries and other short-term employee benefits	\$ 1,941	\$	1,688	\$	3,890	\$	3,271
Share-based payments	587		690		1,272		831
	\$ 2,528	\$	2,378	\$	5,162	\$	4,102

Note 19: 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, 2019:

(in thousands of Canadian dollars)					
May 31, 2019		Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through profit or los	s				
Cash and cash equivalents	\$	34,156	\$ _	\$ _	\$ 34,156
AGF mutual funds and other		15,616	_	_	15,616
Term deposits		3,785	_	_	3,785
Long-term investments		_	_	101,453	101,453
Financial assets at fair value through					
comprehensive income					
Equity securities		475	_	_	475
Amortized cost					
Canadian government debt – Federal		_	308	_	308
Total financial assets	\$	54,032	\$ 308	\$ 101,453	\$ 155,793

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2018:

(in thousands of Canadian dollars)					
November 30, 2018		Level 1	Level 2	Level 3	Total
Assets					
Financial assets at fair value through profit or loss	3				
Cash and cash equivalents	\$	46,791	\$ _	\$ _	\$ 46,791
AGF mutual funds and other		23,912	_	_	23,912
Long-term investments		_	_	105,377	105,377
Available for sale					
Equity securities and term deposits		4,692	_	_	4,692
Loans and receivables					
Canadian government debt – Federal		_	308	_	308
Total financial assets	\$	75,395	\$ 308	\$ 105,377	\$ 181,080

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

Level 1 instruments include 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, 2019 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 \$10.1 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, 2019:

(in thousands of Canadian dollars)	
	Long-term
	investments
Balance at December 1, 2018	\$ 105,377
Purchase of investment	27,650
Return of capital	(26,661)
Fair value adjustment recognized in profit or loss	(4,913)
Balance at May 31, 2019	\$ 101,453

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

There were no transfers into or out of level 1 and level 2 during the six months ended May 31, 2019.

Note 20: Contingencies

There are certain general tax claims against the Company, none of which are expected to have a material adverse effect on the consolidated financial position of the Company.

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

The Company has an ongoing dispute with the CRA, of which the final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in determining the amounts of its income tax assets and liabilities.

(a) CRA Audit - Acquisition of Tax-related Benefits

In July 2015, the Company received a notice of reassessment (NOR) from the CRA denying \$30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by \$10.9 million (before the application of interest and penalties of \$9.0 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid \$13.9 million (including interest and penalties). The amount was recorded as income tax receivable on the consolidated statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

(b) CRA Audit - Transfer Pricing

As previously disclosed in the 2017 and 2018 Annual Consolidated Financial Statements, the Company reached a settlement with the CRA and the applicable tax authority in the relevant foreign jurisdiction on the allocation of income for tax purposes between one of the Company's Canadian legal entities and a foreign subsidiary relating to the 2005 to 2016 taxation years.

In 2018, the issue was resolved when the Company received tax reassessments reflecting the settlements, including the waiver of the transfer pricing penalties and resolved the uncertainties in implementing the settlements with the CRA. As a result, the Company received a net refund of \$18.2 million and released \$24.1 million from its transfer pricing provision (including \$21.9 million in tax expense and \$2.2 million in reversal of interest expense) and recorded \$1.5 million in interest income during the year ended November 30, 2018.

The transfer pricing issue is resolved and the Company expects to receive a further refund of approximately \$4.0 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position. Subsequent to the quarter ended May 31, 2019, the Company received \$2.6 million of the refund from the CRA.

AGF Management Limited Notes to the Condensed Consolidated Interim Financial Statements

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.