AGF MANAGEMENT LIMITED

2021 SECOND QUARTER REPORT

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Financial Highlights

(in millions of dollars, except share data) Three months ended	May 31, 2021	Feb. 28, 2021	Nov. 30, 2020[1,3]	Aug. 31, 2020[1,4]	May 31, 2020[1]	Feb. 29, 2020[1]	Nov. 30, 2019[2,5]	Aug. 31, 2019[2]
AUM & fee-earning assets[8]	$ 40,809	$ 39,251	$ 38,268	$ 36,464	$ 35,762	$ 36,865	$ 38,342	$ 36,878
Mutual fund								
net sales (redemptions)	408	385	88	(22)	(93)	(344)	(181)	(103)
Income	109.5	107.3	209.4	138.7	89.0	106.7	114.5	107.4
Selling, general &								
administrative	47.1	48.0	43.1	46.1	40.2	45.3	45.4	47.3
EBITDA before commissions[6]	28.2	26.8	137.0	62.6	21.2	30.2	38.7	29.0
Adjusted EBITDA								
before commissions[7]	28.2	26.8	31.6	30.1	21.2	30.2	35.8	30.2
Net income before tax	7.1	7.8	123.1	50.6	7.0	13.6	27.5	16.9
Net income	5.0	5.6	110.4	47.3	5.3	10.8	22.2	14.4
Adjusted net income[7]	5.0	5.6	15.0	14.8	5.3	10.8	19.4	14.6
Earnings per share								
Basic	$ 0.07	$ 0.08	$ 1.46	$ 0.61	$ 0.07	$ 0.14	$ 0.28	$ 0.18
Diluted	0.07	0.08	1.43	0.60	0.07	0.13	0.28	0.18
Adjusted diluted[7]	0.07	0.08	0.19	0.19	0.07	0.13	0.24	0.18
Free cash flow[7]	10.4	10.5	9.9	15.5	6.1	14.5	18.3	9.7
Dividends per share	0.08	0.08	0.08	0.08	0.08	0.08	0.08	0.08
Long-term debt[7]	–	–	–	194.3	199.9	216.9	207.3	158.9
Average basic shares	70,014,806	70,147,427	75,882,292	77,803,877	78,393,086	78,570,122	78,503,480	78,715,118
Average fully diluted shares	72,138,793	71,553,205	77,022,549	78,904,921	79,058,740	80,530,285	79,624,609	79,818,712

1 Refer to Note 3 in the 2020 Consolidated Financial Statements for more information on the adoption of IFRS 16.

2 Refer to Note 3 in the 2019 Consolidated Financial Statements for more information on the adoption of IFRS 15.

3 November 30, 2020 includes $104.4 million related to gain on sale of Smith & Williamson Holdings Limited (S&WHL), net of currency hedge.

4 Three months ended August 31, 2020 includes $41.3 million of dividends, net of currency hedge, from S&WHL, recognized as income.

5 November 30, 2019 includes $4.1 million of one-time fund expense tax recovery.

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

7 Adjusted net income, adjusted diluted earnings per share, free cash flow, adjusted EBITDA before commissions and long-term debt are not standardized earnings measures prescribed by IFRS. Descriptions of these non-IFRS measures, as well as others, and reconciliations to IFRS, where necessary, are provided in the MD&A.

8 AUM represents assets under management. Fee-earning assets represents assets in which AGF has carried interest ownership and earns recurring fees but does not have ownership interest in the managers.

Selected Quarterly Information

(in millions of dollars, except share data)	Three months ended May 31, 2021	Three months ended Feb. 28, 2021	Three months ended May 31, 2020	Six months ended May 31, 2021	Six months ended May 31, 2020
AUM end of the period					
Mutual Funds	$ 22,290	$ 21,394	$ 18,259	$ 22,290	$ 18,259
Institutional, sub-advisory, ETFs	9,713	9,403	9,591	9,713	9,591
Private Client	6,689	6,300	5,624	6,689	5,624
Private Alternatives AUM[6]	134	142	173	134	173
Total AUM[6]	**$ 38,826**	**$ 37,239**	**$ 33,647**	**$ 38,826**	**$ 33,647**
Private alternatives fee-earning assets[7]	1,983	2,012	2,115	1,983	2,115
Total AUM and fee-earning assets[7] end of period	**$ 40,809**	**$ 39,251**	**$ 35,762**	**$ 40,809**	**$ 35,762**
Mutual Fund net sales (redemptions)	$ 408.0	$ 385.0	$ (93.0)	$ 792.0	$ (437.0)
EBITDA before commissions[1]	28.2	26.8	21.2	54.7	51.3
Net income	5.0	5.6	5.3	10.6	16.1
Diluted earnings per share	0.07	0.08	0.07	0.15	0.20
Free cash flow[2]	10.4	10.5	6.1	20.9	20.6
SUPPLEMENTARY FINANCIAL INFORMATION					
EBITDA before commissions					
EBITDA before Private Alternatives & S&WHL[3]	$ 28.2	$ 23.6	$ 21.7	$ 51.5	$ 44.5
From Private Alternative Managers[4]	0.5	0.8	0.6	1.3	0.7
From Private Alternative Long-term Investments[5]	(0.5)	2.4	(1.1)	1.9	1.6
EBITDA before commissions excluding EBITDA from S&WHL	**$ 28.2**	**$ 26.8**	**$ 21.2**	**$ 54.7**	**$ 46.8**
From S&WHL[3]	–	–	–	–	4.5
EBITDA before commissions	**$ 28.2**	**$ 26.8**	**$ 21.2**	**$ 54.7**	**$ 51.3**
Net income (loss)					
Net income before Private Alternatives & S&WHL[3]	5.0	3.1	5.5	8.0	9.6
From Private Alternative Managers[4]	0.4	0.8	0.6	1.2	0.7
From Private Alternative Long-term Investments[5]	(0.4)	1.7	(0.8)	1.4	1.3
Net income excluding net income from S&WHL	**$ 5.0**	**$ 5.6**	**$ 5.3**	**$ 10.6**	**$ 11.6**
From S&WHL[3]	–	–	–	–	4.5
Net income	**$ 5.0**	**$ 5.6**	**$ 5.3**	**$ 10.6**	**$ 16.1**
Diluted earning per share					
Diluted earnings per share before Private Alternatives & S&WHL[3]	0.07	0.04	0.07	0.11	0.12
From Private Alternative Managers[4]	–	0.01	0.01	0.02	0.01
From Private Alternative Long-term Investments[5]	–	0.03	(0.01)	0.02	0.01
Diluted earnings per share excluding S&WHL	**$ 0.07**	**$ 0.08**	**$ 0.07**	**$ 0.15**	**$ 0.14**
From S&WHL[3]	–	–	–	–	0.06
Diluted earnings per share	**$ 0.07**	**$ 0.08**	**$ 0.07**	**$ 0.15**	**$ 0.20**

[1] Refer to Note 6 on page 3.

[2] Refer to Note 7 on page 3.

[3] S&WHL refers to Smith & Williamson Holdings Limited. S&WHL earnings represents share of profit of associate, dividend income, net of currency hedge and gain on sale of asset classified as held for sale, net of hedge.

[4] Private Alternative Manager earnings represents share of profit of joint ventures, which are recorded under equity accounting and recorded after tax and income from other fee-earning arrangements related to other Private Alternative fee-earning assets. Other fee-earning assets represent private alternative assets in which AGF has carried interest ownership and earns recurring fees but does not have ownership interest in the managers.

[5] Private Alternative Long-term Investments represents fair value adjustments and distributions related to long-term investments included in fair value adjustments and other income.

[6] Total AUM and Private Alternatives AUM has been reclassified and restated to exclude co-investment AUM for comparative purposes.

[7] Fee-earnings assets represents assets in which AGF has carried interest ownership and earns recurring fees but does not have ownership interest in the managers.

Second Quarter in Review

While the pandemic continued through the second quarter, AGF is seeing the results of taking a vehicle agnostic approach with continued sales momentum, expansion of its client base and diversification of its business.

Below is a summary of our strategic and financial highlights for the second quarter of 2021.

Strategic and Financial Highlights

AUM and Sales

AGF reported $40.8 billion in assets under management and fee-earning assets as at May 31, 2021, increasing from $39.8 billion as at February 28, 2021 and from $36.3 billion as at May 31, 2020. Excluding Private Alternatives, AUM was $38.7 billion as at May 31, 2021, as compared to $37.1 billion as at February 28, 2021 and $33.5 billion as at May 31, 2020.

During the three months ended May 31, 2021, sales momentum continued to improve as AGF reported mutual fund net sales of $408.0 million compared to $385.0 million for the three months ended February 28, 2021 and net redemptions of $93.0 million in the comparative prior year period. Retail mutual fund[1] net sales were $431.0 million for the quarter compared to $376.0 million for the three months ended February 28, 2021 and net redemptions of $93.0 million in the comparative prior year period.

Investment Performance

AGF aims to deliver consistent and repeatable investment performance with a target of 50% over one year and 40% over three years when looking at AGF's mutual fund gross returns (before fees) relative to peers within the same category, with 1st percentile being best possible performance. As at May 31, 2021, AGF's average percentile over the past one year was slightly below target at 53% (2020 – 49%) and the average percentile over the past three years was slightly below target at 52% (2020 – 56%).

Strategic Highlights

As part of its extended partnership with SAF Group, AGF is operationally ready with private credit offerings for both Canadian institutional investors and retail clients with the AGF SAF Private Credit Limited Partnership and AGF SAF Private Credit Trust with first close expected in Q3 2021.

Subsequent to the end of the fiscal quarter, one of AGF's long-term private alternative investments, managed by SAF, was fully monetized, with a final cash distribution of $5.9 million received. The long-term investment had a carrying value of $5.8 million as at May 31, 2021. In addition, AGF through its joint venture ownership interest in the manager received $2.4 million of carried interest, of which $0.2 million was recorded as an asset in investment in joint ventures as at May 31, 2021 and the remainder will be recorded as income in the third quarter.

AGF announced a definitive agreement with Instar Group Inc. (Instar) to conclude their joint venture relationship in InstarAGF Asset Management Inc. (InstarAGF) following the establishment of its two flagship funds, InstarAGF Essential Infrastructure Fund I and II (together, the InstarAGF Funds). Based on the terms of the agreements, the Company maintained its respective long-term investments, as well as the carried interest participation in the InstarAGF Funds (carried interest entities). In addition, the Company and Instar entered into a fee arrangement whereby AGF will earn ongoing annual fees of 14 bps on the assets under management of the InstarAGF Funds. As at May 31, 2021, the InstarAGF Funds assets were $2.0 billion.

AGF's joint venture with WaveFront Global Asset Management Corp., AGFWave Asset Management Inc. (AGFWave), brought its first new strategy, the Hwabao AGFWave China New Era Infrastructure mandate to market with its strategic partners, Hwabao WP Fund

[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.

Management and J Royal Asset Management, with a focus on targeting investors eligible in China and institutions globally looking for access to the Chinese market. The new innovative mandate – integrating traditional and new infrastructure – brings together AGF's and Hwabao's quantitative investing capabilities for these rapidly growing markets providing diversified access to China's robust and growing digital economy and carbon neutrality pledge.

Financial Highlights

Management, advisory and administration fees were $107.0 million for the three months ended May 31, 2021, compared to $101.3 million for the three months ended February 28, 2021 and $87.5 million for the comparative prior year period. The increase is attributable to higher average mutual fund AUM and higher average revenue rate as a result of product mix.

The significant increase in mutual fund sales drove higher selling, general and administrative costs in the period associated with variable sales and investment performance-based compensation. Selling, general and administrative costs were $47.1 million for the three months ended May 31, 2021, compared to $48.0 million for the three months ended February 28, 2021 and $40.2 million for the comparative prior year period. In addition, the increase in the AGF.B share price during the quarter resulted in higher share-based compensation, which is marked to market. This increase in variable costs was partially offset by management's continued focus on cost control as well as lower travel and entertainment costs as a result of the ongoing pandemic.

AGF's interest in private alternative managers generated EBITDA of $0.5 million for the three months ended May 31, 2021, compared to $0.8 million for the three months ended February 28, 2021 and $0.6 million for the comparative prior year period. The decrease is primarily due to the timing of distributions received partially offset by income recognized on the fee-earning assets as a result of the new fee arrangement executed with Instar.

AGF's investment in private alternative long-term investments generated a loss of $0.5 million for the three months ended May 31, 2021, compared to EBITDA of $2.4 million for the three months ended February 28, 2021 and loss of $1.1 million for the comparative period. The decrease is primarily due to fair value adjustments related to the foreign exchange impact of the strengthening Canadian dollar on investments held in USD. There were no significant changes to the valuations of the underlying investments in the quarter.

For the three months ended May 31, 2021, AGF reported EBITDA before commissions of $28.2 million, an increase of $1.4 million or 5.2% compared to $26.8 million for the three months ended February 28, 2021 and an increase of $7.0 million or 33.0% compared to $21.2 million in the comparative prior year period. For the three months ended May 31, 2021, AGF reported EBITDA before commissions margin of 25.8% compared to 25.0% for the three months ended February 28, 2021 and 23.8% in the prior year comparative period.

For the three months ended May 31, 2021, diluted earnings per share was $0.07 compared to $0.08 for the three months ended February 28, 2021 and $0.07 in the comparative prior year period. The growth in mutual funds sales as well as the increase in the Company's stock price in the current quarter resulted in an increase in variable sales compensation, DSC commissions and stock compensation, which were fully recognized in the period, resulting in a $0.02 negative impact to EPS compared to Q1-21 and a $0.12 negative impact to EPS compared to prior year.

In recognition of the AGF's strong results and robust financial position, on June 29, 2021, the Board of Directors declared a quarterly dividend of $0.09 per share in respect of the three months ended May 31, 2021, representing an increase of 12.5%.

AGF Management Limited

MANAGEMENT’S DISCUSSION AND ANALYSIS

For the three and six months ended May 31, 2021 and 2020

Caution Regarding Forward-Looking Statements

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'estimates,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including income, revenues, earnings or growth rates), ongoing business strategies or prospects, fund performance, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, client-driven asset allocation decisions, pipeline, competitive fee levels for investment management products and administration, and competitive dealer compensation levels and cost efficiency in our investment management operations, as well as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, the possible effects of war or terrorist activities, outbreaks of disease or illness that affect local, national or international economies (such as COVID-19), natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply or other catastrophic events, and our ability to complete strategic transactions and integrate acquisitions, and attract and retain key personnel. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of the 2020 Annual MD&A.

Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is as of June 29, 2021 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 period ended May 31, 2021, compared to the three- and six-month period ended May 31, 2020. 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, 2021 and our 2020 Annual Report. The financial statements for the three and six months ended May 31, 2021, 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.'

Our Business and Strategy

Founded in 1957, AGF Management Limited is a diversified global asset management firm offering investment solutions to a wide range of clients, from individual investors and financial advisors to institutions, including pension plans, corporate plans, sovereign wealth funds, endowments and foundations. AGF has investment operations and client servicing teams in North America, Europe and Asia. AGF trades on the Toronto Stock Exchange (TSX) under the symbol AGF.B.

AGF provides fund administration services to the AGF mutual funds through AGF's 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 AGF's subsidiary AGF Investments LLC.

Through AGF's Private Alternatives Business, AGF provides investors access to alternative investments as part of a disciplined investment approach. AGF's Private Alternatives Business is central to the firm's mission to bring stability to the world of investing. In an increasingly complex market environment, investors are actively seeking out opportunities to diversify their sources of return away from traditional equity and fixed income investments. The firm's alternative investment strategies range across structures and vehicles tailored to each client segment depending on their unique needs including liquidity and redemption privileges.

Overview – Private Alternatives

AGF is a well-established participant in the private alternative marketplace. AGF's Private Alternatives Business, with $2.1 billion of AUM and fee-earning assets, comprised of $0.1 billion in AUM and $2.0 billion in fee-earning assets, includes relationships with Instar Group Inc. (Instar) and with the SAF Group (SAF) bringing to market distinctive investments including the flagship InstarAGF Essential Infrastructure Fund I and Fund II and the Stream Asset Financial LP and SAF Jackson.

In 2020, AGF entered into a definitive option agreement with SAF that grants AGF the right to acquire management contracts of select SAF funds, exercisable until September 2021. While the extension of AGF and SAF's partnership is initially focused on bringing new investment products to market, including opportunistic funds, the option agreement also creates a path forward to an internal private credit capability that is well-positioned to capitalize on the expected growth in private debt investments.

Instar is an independent alternative management firm focused on middle-market investment opportunities primarily in North America. In 2014, AGF and Instar formed the InstarAGF Asset Management Inc. (InstarAGF) joint venture to bring to market essential infrastructure investment opportunities. In May 2021, AGF announced changes to its relationship with Instar Group Inc. The joint venture relationship in InstarAGF Asset Management Inc. (InstarAGF) was concluded following the establishment of its two flagship funds, InstarAGF Essential Infrastructure Fund I and II (together, the InstarAGF Funds). Based on the terms of the agreements, the Company maintained its respective long-term investments, as well as the carried interest participation in the InstarAGF Funds (carried interest entities). In addition, the Company and Instar entered into a fee arrangement whereby AGF will earn ongoing annual fees of 14 bps on the assets under management of the InstarAGF Funds. AGF has also announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund. Upon AGF's commitment to Instar's third fund, the Company will earn ongoing annual fees of 7 bps on the assets under management of Instar's third fund as well as participate in the carried interest. As at May 31, 2021, the InstarAGF Funds assets were $2.0 billion and are included in Private Alternative fee-earning assets.

AGF's private alternatives business delivers value to the firm across multiple streams: Management fee-related earnings, carried interest, other fee arrangements, and invested capital.

Management Fee-Related Earnings, Carried Interest and Fee Arrangements

AGF earns management fees from the underlying investments managed through the manager. As successive funds are launched and assets grow, AGF's earnings from the manager will increase. AGF also earns recurring fees from fee arrangements on the InstarAGF Funds. Through the achievement of attractive and sustainable investment returns, AGF will earn its proportionate share of carried interest.

For the three and six months ended May 31, 2021, AGF's net income from private alternative managers was $0.5 million and $1.3 million (2020 − $0.6 million and $0.7 million) and AGF received $2.1 million (2020 − $2.6 million) in distributions recognized as free cash flow.

Invested Capital Value

AGF also participates as an investor in the units of the underlying funds it manages, participating in increased valuation and distributions from the fund. Invested capital will be recycled and reinvested over time. Under IFRS, investments held in the underlying funds are measured at fair value. The fair value of the fund considers carried interest payable to the manager, based on the returns achieved to date. AGF may also receive cash distributions from the underlying fund. These earnings are recognized through 'Fair value adjustments and other income' on the Statement of Income.

AGF has committed total capital of $250.4 million since 2014 and has $50.8 million remaining to be funded. AGF has also announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund. Since 2014, AGF has received $89.8 million in cash, comprised of $43.2 million returned capital and $46.6 million in cash distributions, net of tax. The fair value of investments as at May 31, 2021 is $158.1 million.

COVID-19

With ongoing concerns about the COVID-19 pandemic, the second quarter of 2021 saw continued volatility within the markets but also new record highs as significant milestones in the vaccine rollout were reached. The disparity between countries and regions at varying stages of 're-opening' as well as the regional emergence of variants of concern is resulting in very different social and economic experiences and will continue throughout 2021.

AGF continues to monitor the impact of the pandemic and is managing expenses and capital position accordingly. The Company has a comprehensive business continuity plan, which the Company activated in March 2020, and has taken specific measures to mitigate any business risks and ensure business continuity and the protection of our employees around the world in light of the rapidly evolving situation related to COVID-19. To date, AGF has experienced no impact to our business operations and no instances of business operations interruption.

To maintain business-as-usual operations and importantly to protect the health and safety of AGF's employees, clients and communities the following measures remain in place:

- The majority of AGF's employees continue to work remotely.
- Offices have reopened on a limited-scale voluntary basis, where permitted, with employees required to complete a health attestation on behalf of their households to ensure AGF follows and maintains health and safety protocols.
- Existing business travel bans and bans on participation in external conferences and events remain in place until further notice.

Back-to-Office Guiding Principles

With a limited voluntary return-to-office plan in place, AGF has identified the following guiding principles, in priority order, as critical to our planning and activities.

1. Employee physical safety will be paramount, ensuring all of our facilities meet the recommendations of local Government and Public Health agencies before allowing return.
2. Employee mental health will be top of mind. As current capabilities are allowing the firm to operate effectively, any return is expected to be gradual and measured.
3. As an essential service AGF must maintain the ability to meet and exceed client service needs. Preference, priority and any declaration of mandatory presence in the office will consider these needs.
4. Culturally, AGF believes we must provide the capability to ensure ongoing collaboration and teamwork in a mixed at-home and at-work environment, so no employee feels disadvantaged by their present choice.

AGF has proven our employees can effectively work from home and, by embracing technology, has also found new ways to do things finding efficiency and benefits in this environment.

The COVID-19 pandemic has the potential to expose the Company to a number of risk factors that may impact our operating and financial performance. Refer to the 'Risk Factors and Management of Risk' section of this report for a more detailed discussion.

Investment Capabilities

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

Fundamental

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

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

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

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

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

Quantitative

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

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

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

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

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

Private Alternatives

AGF's private alternatives platform combines diversified capabilities across multiple planks alongside participation as a core investor in bespoke and distinct opportunities that deliver added value for the firm's shareholders. AGF is continually looking to diversify its private alternative offerings.

Private Client

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

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

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

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

Corporate Responsibility

AGF Sustainability Council

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

Council Objectives Include:

Evaluate AGF's involvement in global initiatives related to ESG and corporate sustainability matters

Identify ways to engage in corporate social responsibility that creates a positive impact in our communities

Retain the best talent and incorporate inclusion and diversity throughout the organization

Employees

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

AGF launched its Diversity and Inclusion Committee with the mandate to develop, create organizational awareness around and promote best practices related to diversity and inclusion across the firm.

In addition, AGF rolled out a new and improved maternity and parental leave policy for employees in Canada to meet its commitment to an inclusive culture and meet the diverse needs of employees and their families.

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

AGF was recognized as Employer of Choice at the 2021 Wealth Professional Awards for fostering a culture that embraces diversity and inclusion, flexibility and empathy enabling AGF to best serve and support its colleagues, clients and communities.

Workforce Diversity

AGF actively engages employees in the advancement of our inclusion and diversity initiatives and is committed to employing a workforce through inclusive hiring and recruiting practices that reflects the diversity of AGF's communities.

The Living Wage

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

CEO-to-Employee Pay Ratio

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

Clients

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

Environmental, Social, and Governance (ESG) Integration

ESG Committee: Oversees responsible investment matters within AGF, including the implementation of our Responsible Investment Policy.

Fundamental Analysis

- Identify and assess material ESG factors as part of the investment strategy
- ESG data incorporated into investment research

ESG Risk Oversight

- Quarterly Portfolio Review with CIO: portfolio level ESG investment risks
- Ongoing monitoring of ESG data 'flags'

Active Ownership

- Proxy voting to support responsible practices and enhance shareholder value
- Engagement to promote ESG value-adding practices

ESG Thought Leadership

- Lead collaborative initiatives with other institutional investors
- Founder/Chair of Toronto Responsible Investment Working Group

Signatory and member of:*

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

Foundations of Investment Stewardship

Research and Analysis

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

Risk Oversight

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

Active Ownership

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

Engagement

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

Shareholders

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

Direct Ownership

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

Annual Assessment

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

Ethical Conduct

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

Board

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

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

Communities

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

Education

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

Environment

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

Diversity

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

Assets Under Management and Fee-earning Assets[3]

(in millions of dollars)	May 31, 2021	Feb. 28, 2021	Nov. 30, 2020	Aug. 31, 2020	May 31, 2020
	Three months ended				
Mutual fund AUM beginning of the period[1]	$ 21,394	$ 20,322	$ 19,232	$ 18,259	$ 18,492
Gross sales	1,060	1,042	679	490	509
Redemptions	(652)	(657)	(591)	(512)	(602)
Net sales (redemptions)	408	385	88	(22)	(93)
Market appreciation (depreciation) of fund portfolios	$ 488	$ 687	$ 1,002	$ 995	$ (140)
Mutual fund AUM end of the period[1]	$ 22,290	$ 21,394	$ 20,322	$ 19,232	$ 18,259
Average daily mutual fund AUM[1]	$ 22,011	$ 21,118	$ 19,487	$ 18,879	$ 17,386
Institutional, sub-advisory, ETF AUM beginning of period	$ 9,403	$ 9,638	$ 9,252	$ 9,591	$ 10,313
Net change including market performance	310	(235)	386	(339)	(722)
Institutional, sub-advisory, ETF AUM end of the period	$ 9,713	$ 9,403	$ 9,638	$ 9,252	$ 9,591
Private client AUM	$ 6,689	$ 6,300	$ 6,043	$ 5,773	$ 5,624
Subtotal excluding private alternatives AUM end of the period	**$ 38,692**	**$ 37,097**	**$ 36,003**	**$ 34,257**	**$ 33,474**
Private alternatives AUM[2]	$ 134	$ 142	$ 227	$ 178	$ 173
Total AUM[2]	**$ 38,826**	**$ 37,239**	**$ 36,230**	**$ 34,435**	**$ 33,647**
Private alternatives fee-earning assets[2,3]	$ 1,983	$ 2,012	$ 2,038	$ 2,029	$ 2,115
Total AUM and fee-earning assets[3] end of period	**$ 40,809**	**$ 39,251**	**$ 38,268**	**$ 36,464**	**$ 35,762**

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

[2] Total AUM and Private alternatives AUM have been reclassified and restated to exclude co-investment AUM for comparative purposes.

[3] Fee-earnings assets represents assets in which AGF has carried interest ownership and earns recurring fees but does not have ownership interest in the managers.

Private Alternatives AUM and Fee-earning Assets

(in millions of dollars)	May 31, 2021	Feb. 28, 2021	Nov. 30, 2020	Aug. 31, 2020	May 31, 2020
	Three months ended				
Private alternatives AUM[1]	$ 134	$ 142	$ 227	$ 178	$ 173
Private alternatives fee-earning assets[1,2]	1,983	2,012	2,038	2,029	2,115
Total private alternatives AUM and fee-earning assets[2]	**$ 2,117**	**$ 2,154**	**$ 2,265**	**$ 2,207**	**$ 2,288**

[1] Private alternatives AUM has been reclassified and restated to exclude co-investment AUM for comparative purposes.

[2] Fee-earnings assets represents assets in which AGF has carried interest ownership and earns recurring fees but does not have ownership interest in the managers.

Change in Assets Under Management and Fee-earning Assets

Total assets under management was $40.8 billion at May 31, 2021, compared to $35.8 billion at May 31, 2020. Private alternative AUM and fee-earning assets were $2.1 billion at May 31, 2021 compared to $2.3 billion at May 31, 2020. The reduction in private alternatives relates to the impact of the strengthening of the Canadian dollar relative to USD on the assets held in USD currency. Markets continued to perform strongly in the second quarter despite high levels of volatility from the continued impacts of the COVID-19 pandemic, including the threat of new variants. Economies, however, are still not back to full strength and the pandemic is likely to remain a serious threat to further growth with increasing concerns over the regional emergence of variants. Risk of a setback in the economy remains high until such time that the vaccines are safely and efficiently administered across populations around the world.

Reported mutual funds net sales were $408.0 million for the three months ended May 31, 2021, compared to net redemptions of $93.0 million for the three months ended May 31, 2020. Excluding net flows from institutional clients invested in mutual funds[1], retail mutual fund net sales were $431.0 million for the quarter compared to net redemptions of $93.0 million in the prior year.

Consolidated Operating Results

	Three months ended			Six months ended	
(in millions of dollars, except per share data)	May 31, 2021	February 28, 2021	May 31, 2020[1]	May 31, 2021	May 31, 2020[1]
Income					
Management, advisory and administration fees	$ 107.0	$ 101.3	$ 87.5	$ 208.3	$ 185.3
Deferred sales charges	1.6	1.6	1.3	3.2	2.9
Share of profit of joint ventures	0.1	0.8	0.6	0.9	0.7
Other income from fee-earning arrangements	0.4	–	–	0.4	–
Dividend income from S&WHL	–	–	–	–	4.5
Fair value adjustments and other income	0.4	3.6	(0.4)	3.9	2.3
Total income	$ 109.5	$ 107.3	$ 89.0	$ 216.7	$ 195.7
Expenses					
Selling, general and administrative[1]	47.1	48.0	40.2	95.1	85.5
Trailing commissions	34.0	32.3	27.4	66.4	58.2
Investment advisory fees	0.2	0.2	0.2	0.5	0.7
	$ 81.3	$ 80.5	$ 67.8	$ 162.0	$ 144.4
EBITDA before commissions[2]	**$ 28.2**	**$ 26.8**	**$ 21.2**	**$ 54.7**	**$ 51.3**
Deferred selling commissions	17.7	15.5	10.3	33.3	22.8
Amortization, derecognition and depreciation[1]	2.6	2.6	2.0	5.2	3.9
Interest expense[1]	0.8	0.9	1.9	1.3	4.0
Net income before income taxes	$ 7.1	$ 7.8	$ 7.0	$ 14.9	$ 20.6
Income tax expense	2.1	2.2	1.7	4.3	4.5
Net income for the period	**$ 5.0**	**$ 5.6**	**$ 5.3**	**$ 10.6**	**$ 16.1**
Basic earnings per share	$ 0.07	$ 0.08	$ 0.07	$ 0.15	$ 0.21
Diluted earnings per share	$ 0.07	$ 0.08	$ 0.07	$ 0.15	$ 0.20

1 Refer to Note 3 in the 2020 Consolidated Financial Statements for more information on the adoption of IFRS 16.

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 commissions to net income, a defined term under IFRS, are detailed above.

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.

One-time Adjustments

There were no one-time adjustments for the three and six months ended May 31, 2021 and 2020 and for the three months ended February 28, 2021.

Commentary on Consolidated Results of Operations

Income

Management, Advisory and Administration Fees

Management, advisory fees and administration fees are directly related to our AUM levels and are recognized on an accrual basis. For the three and six months ended May 31, 2021, management, advisory and administration fees were $107.0 million and $208.3 million, an increase of $19.5 million and $23.0 million or 22.3% and 12.4%, compared to $87.5 million and $185.3 million in the same periods in 2020. A breakdown of the change is as follows:

(in millions of dollars)	Three months ended May 31, 2021	Six months ended May 31, 2021
Increase in management, advisory and administration fees	$ 19.6	$ 23.3
Increase in fund expense and waivers	(0.1)	(0.3)
Total change in management, advisory and administration fees	**$ 19.5**	**$ 23.0**

Management, advisory and administration fees increased by $19.6 million and $23.3 million or 21.8% and 12.3% driven by an increase in average mutual fund AUM compared to the prior year and a higher average revenue rate as a result of product mix.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 1.5% to 5.5%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenue was $1.6 million and $3.2 million for the three and six months ended May 31, 2021, compared to $1.3 million and $2.9 million for the same periods in 2020.

Share of Profit of Joint Ventures

Share of profit of joint ventures refers to earnings related to our ownership in the joint ventures that manage our private alternatives funds and is recorded under the equity method. For the three and six months ended May 31, 2021, earnings were $0.1 million and $0.9 million (2020 − $0.6 million and $0.7 million). For additional information, see Note 5(a) of the Condensed Consolidated Interim Financial Statements.

Other Income from Fee-earning Arrangements

On May 26, 2021, the Company entered into an agreement with Instar whereby AGF will earn ongoing annual fees of 14 bps on the assets under management of the InstarAGF Funds. For the three and six months ended May 31, 2021, the Company recognized income of $0.4 million and $0.4 million related to the fee arrangement.

Income from Smith & Williamson

The Company sold its 28.0% interest in S&WHL during the three months ended November 30, 2020. During the three and six months ended May 31, 2020, dividend income of nil and $4.5 million was recognized.

Fair Value Adjustments and Other Income

Fair value adjustments and other income include mark to market adjustments related to AGF mutual funds that are held as seed capital investments and fair value adjustments and distributions associated with our long-term investments.

Long-term investments include investments in our private alternatives products, which are accounted for at fair value through profit or loss. During the three and six months ended May 31, 2021, the Company recorded a loss of $0.5 million and income of $1.9 million (2020 – loss of $1.1 million and income of $1.6 million) as fair value adjustments and income distributions related to our economic interest in the investments in our private alternatives products. The amounts recorded as income fluctuate primarily with the amount of capital invested, monetizations, and changes in fair value and foreign exchange.

During the three and six months ended May 31, 2021, the Company recorded interest income of $0.1 million and $0.2 million (2020 – $0.1 million and $0.3 million).

	Three months ended			Six months ended	
(in millions of dollars)	May 31, 2021	February 28, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Fair value adjustment related to investment in AGF mutual funds	$ 0.1	$ 1.1	$ 0.2	$ 1.3	$ (0.4)
Fair value adjustment and distributions related to long-term investments	(0.5)	2.4	(1.1)	1.9	1.6
Interest income	0.1	0.1	0.1	0.2	0.3
Other	0.7	–	0.4	0.5	0.8
	$ 0.4	**$ 3.6**	**$ (0.4)**	**$ 3.9**	**$ 2.3**

Expenses

Selling, General and Administrative Expenses (SG&A)

SG&A increased by $6.9 million and $9.6 million or 17.2% and 11.2% for the three and six months ended May 31, 2021, compared to the same periods in 2020. A breakdown of the increase is as follows:

(in millions of dollars)	Three months ended May 31, 2021	Six months ended May 31, 2021
Increase in performance-based compensation expenses	$ 3.4	$ 5.8
Increase in stock-based compensation expenses	3.0	4.7
Increase (decrease) in other expenses	0.5	(0.9)
Total increase in SG&A	**$ 6.9**	**$ 9.6**

The following explains expense changes in the three and six months ended May 31, 2021, compared to the same periods in the prior year:

- Performance-based compensation expenses increased by $3.4 million and $5.8 million due to higher mutual fund sales and strong investment performance.
- Stock-based compensation expenses increased by $3.0 million and $4.7 million driven by an increase in the AGF.B share price of 10% and 36%, respectively, relative to a decrease in AGF.B share price in prior year comparative periods, which impacts the mark to market liability of the Company's cash settled RSUs and DSUs.

- Other expenses increased by $0.5 million and decreased by $0.9 million attributed to timing of expenses, expense savings initiatives and lower travel expenses as a result of the pandemic.

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 0.61% and 0.62% for the three and six months ended May 31, 2021, compared to 0.63% and 0.63% for the same periods in 2020. The decrease is primarily attributable to the impact of asset mix changes.

Deferred Selling Commissions

Deferred selling commissions are expensed on an accrual basis. For the three and six months ended May 31, 2021, the total deferred selling commissions expenses was $17.7 million and $33.3 million (2020 – $10.3 million and $22.8 million). The increase in deferred selling commissions is driven by an increase in mutual fund gross sales.

Amortization and Interest Expense

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

- Depreciation increased by $0.6 million and $1.3 million for the three and six months ended May 31, 2021, compared to the same periods in 2020, as a result of the addition of the Company's new CIBC Square lease.

- Interest expense decreased by $1.1 million and $2.7 million for the three and six months ended May 31, 2021, compared to the same periods in 2020, as a result of reduced long-term debt balance.

Income Tax Expense

Income tax expense for the three and six months ended May 31, 2021 was $2.1 million and $4.3 million, as compared to $1.7 million and $4.5 million in the corresponding periods in 2020.

The effective tax rate for the six months ended May 31, 2021 was 28.6% (2020 – 21.7%). The main items impacting the effective tax rate in the period relates to tax-exempt investment income, gains from investment subject to different tax rates and temporary differences for which no deferred tax assets were recognized. The effective tax rate for the six months ended May 31, 2021 is higher than the previous period's effective tax rate due to tax-exempt investment income from S&WHL in the previous period. Excluding the tax-exempt investment income from S&WHL, the effective tax rate for the previous period was 32.7%.

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 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.

CRA Audit – Acquisition of Tax-related Benefits

As previously disclosed in prior years' Annual Consolidated Financial Statements, the Company received correspondences from the CRA and Ministry of Finance (Ontario) confirming that the Company's objection had been allowed in full in respect to tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. In 2020, the Company recorded $1.1 million of interest income in the Consolidated Statement of Income and received a substantial portion of the expected tax refunds. During Q1 2021, the

Company received a tax refund from the Ministry of Finance (Alberta). The Company is awaiting final correspondence from the Quebec tax authority in respect to this matter.

Net Income

The impact of the above income and expense items resulted in net income of $5.0 million and $10.6 million for the three and six months ended May 31, 2021 as compared to $5.3 million and $16.1 million in the corresponding periods in 2020.

Earnings per Share

Diluted earnings per share was $0.07 and $0.15 for the three and six months ended May 31, 2021, as compared to earnings of $0.07 and $0.20 per share in the corresponding periods of 2020.

Liquidity and Capital Resources

As at May 31, 2021, the Company had total cash and cash equivalents of $25.9 million (November 30, 2020 – $94.0 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated was $10.4 million and $20.9 million for the three and six months ended May 31, 2021, compared to $6.1 million and $20.6 million in the comparative prior year periods. During the six months ended May 31, 2021, we used $68.1 million (2020 – $24.7 million) in cash as follows:

(in millions of dollars) **Six months ended**		**May 31, 2021**		**May 31, 2020**
Net cash provided by (used in) operating activities	$	(39.8)	$	13.5
Repurchase of shares under normal course issuer bid and purchase of treasury stock for employee benefit trust (EBT)		(2.0)		(2.6)
Dividends paid		(11.1)		(12.4)
Payment of long-term debt		–		(7.5)
Interest paid		(0.1)		(3.5)
Purchase of long-term investments		(7.1)		(7.6)
Lease principal payments		(2.4)		(2.4)
Other		(5.6)		(2.2)
Change in cash and cash equivalents	**$**	**(68.1)**	**$**	**(24.7)**

The Company's working capital decreased by $27.7 million for the six months ended May 31, 2021.

Total long-term debt outstanding as at May 31, 2021 was nil (November 30, 2020 – nil). As at May 31, 2021, $150.0 million was available to be drawn from the revolving credit facility and swingline facility commitment to meet future operational investment needs.

During the six months ended May 31, 2021, the Company incurred lease modification and reassessment of $1.3 million, resulting in right-of-use assets of $79.2 million and total lease liabilities of $85.8 million recorded on the Consolidated Interim Statement of Financial Position. As well, as at May 31, 2021, the Company has funded $156.4 million (November 30, 2020 – $149.2 million) in funds and investments associated with the private alternatives business and has $50.8 million (November 30, 2020 – $70.2 million) remaining of committed capital to be invested. AGF has also announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund.

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

Capital Management Activities

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

As part of our ongoing strategic and capital planning, the Company regularly reviews our 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 the Executive Management committee for approval prior to seeking Board approval. AGF's Executive Management committee consists of the Executive Chairman, Chief Executive Officer and Chief Investment Officer, President and Head of Global Distribution, Senior Vice-President and CFO, and Chief Operating Officer. Once approved by the Executive Management committee, the three-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B Non-Voting shares and, combined with the reasonable use of leverage, the source of funds for expansion through organic growth and strategic investments.

Normal Course Issuer Bid

On February 4, 2021, 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 8, 2021 and February 7, 2022, up to 5,067,167 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, 2020 and February 5, 2021, up to 5,947,786 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX).

During the three and six months ended May 31, 2021, AGF purchased 14,300 and 14,300 Class B Non-Voting shares for cancellation for a total consideration of $0.1 million and $0.1 million at an average price of $7.51 and $7.51 per share. During the three and six months ended May 31, 2020, AGF did not repurchase shares for cancellation under its NCIB.

During the three and six months ended May 31, 2021 AGF purchased 250,000 and 250,000 Class B Non-Voting shares for the EBT for a total consideration of $1.9 million and $1.9 million at an average price of $7.46 and $7.46 per share. During the three and six months ended May 31, 2020, AGF purchased 750,000 and 750,000 Class B Non-Voting share for the EBT for a total consideration of $2.6 million and $2.6 million at an average price of $3.50 and $3.50 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	2021[1]	2020	2019	2018	2017
Per share	$ 0.25	$ 0.32	$ 0.32	$ 0.32	$ 0.32

[1] Represents the total dividends paid in January 2021, April 2021 and to be paid in July 2021.

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 16, 2021 was $0.08 per share.

On June 29, 2021, 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 $0.09 per share in respect of the three months ended May 31, 2021.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2021 and 2020. For additional detail, see Notes 10 and 15 of the Condensed Consolidated Interim Financial Statements.

	May 31, 2021	May 31, 2020
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	69,984,199	77,826,027
Stock Options		
Outstanding options	6,814,471	7,024,111
Exercisable options	5,180,491	5,059,704

Key Performance Indicators, Additional IFRS and Non-IFRS Measures

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

Income

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

We derive our income principally from a combination of:

- Management and advisory fees directly related to AUM from our retail, institutional and private client lines of businesses,
- Fund administration fees are based on a fixed transfer agency administration fee,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed, and
- General partnership interest, fee arrangements, carried interest and long-term investments in the private alternatives asset management business.

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. 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:

(in millions of dollars)	Three months ended May 31, 2021	Three months ended February 28, 2021	Three months ended May 31, 2020	Six months ended May 31, 2021	Six months ended May 31, 2020
Net income	$ 5.0	$ 5.6	$ 5.3	$ 10.6	$ 16.1
Adjustments:					
Deferred selling commissions	17.7	15.5	10.3	33.3	22.8
Amortization, derecognition and depreciation	2.6	2.6	2.0	5.2	3.9
Interest expense	0.8	0.9	1.9	1.3	4.0
Income tax expense	2.1	2.2	1.7	4.3	4.5
EBITDA before commissions	**$ 28.2**	**$ 26.8**	**$ 21.2**	**$ 54.7**	**$ 51.3**

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.

(in millions of dollars)	Three months ended May 31, 2021	Three months ended February 28, 2021	Three months ended May 31, 2020	Six months ended May 31, 2021	Six months ended May 31, 2020
EBITDA before commissions	$ 28.2	$ 26.8	$ 21.2	$ 54.7	$ 51.3
Divided by income	109.5	107.3	89.0	216.7	195.7
EBITDA before commissions margin	**25.8%**	**25.0%**	**23.8%**	**25.2%**	**26.2%**

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.

	Three months ended			Six months ended	
(in millions of dollars)	May 31, 2021	February 28, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Net debt[1]	$ –	$ –	$ 173.0	$ –	$ 173.0
Divided by adjusted EBITDA before commissions (12-month trailing)	116.7	109.7	117.4	116.7	117.4
Net debt to adjusted EBITDA before commissions ratio	**0.0%**	**0.0%**	**147.3%**	**0.0%**	**147.3%**

[1] Three months ended May 31, 2021 and February 28, 2021 have nil debt.

Free Cash Flow

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

	Three months ended			Six months ended	
(in millions of dollars)	May 31, 2021	February 28, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Net income for the period	$ 5.0	$ 5.6	$ 5.3	$ 10.6	$ 16.1
Adjusted for non-cash items and non-cash working capital balance	(7.0)	(43.4)	20.5	(50.4)	(2.5)
Net cash provided by (used in) operating activities	$ (2.0)	$ (37.8)	$ 25.8	$ (39.8)	$ 13.6
Adjusted for:					
Net changes in non-cash working capital balances related to operations	7.8	28.3	(14.0)	36.1	11.1
Income taxes paid during the year	8.2	23.2	0.3	31.4	8.4
Income taxes related to current period free cash flow	(2.3)	(2.0)	(3.4)	(4.3)	(6.6)
Interest paid	(0.1)	–	(1.4)	(0.1)	(3.5)
Lease principal payments	(1.2)	(1.2)	(1.2)	(2.4)	(2.4)
Free cash flow	**$ 10.4**	**$ 10.5**	**$ 6.1**	**$ 20.9**	**$ 20.6**

Assets Under Management

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

Fee-earning Assets

The amount of fee-earning assets are important to our business as these are drivers of the Company's carried interest income and fee income from our strategic partnership with Instar through our private alternatives business. Fee-earning assets will fluctuate in value as a result of investment performance, sales and redemptions and crystallization of long-term investments.

Investment Performance

Investment performance, which represents market appreciation (depreciation), is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2020 Annual MD&A.

Net Sales (Redemptions)

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

Market Capitalization

AGF's market capitalization is $538.6 million as compared to its recorded net assets of $1,013.9 million as at May 31, 2021. In 2020, 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, 2020. There have been no significant changes to the recoverable amount of each CGU as at May 31, 2021, however, a sustained period of market volatility could become a triggering event requiring a write down of AGF's CGUs. Estimating the fair value of CGUs is a subjective process that involves the use of estimates and 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 2020 Annual MD&A in the section entitled 'Risk Factors and Management of Risk'.

Market Risk

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

With ongoing concerns about the COVID-19 pandemic, the second quarter of 2021 saw continued volatility within the markets but also new record highs as we reached significant milestones in the vaccine rollout. The ability for some to produce or secure vaccines and also distribute them effectively has catapulted certain countries ahead in re-opening and will undoubtedly result in disparate social and economic experiences between countries and regions for the remainder of 2021.

Governments around the world continue to respond to the pandemic with emergency measures, lockdowns, social distancing, and travel bans, which have resulted in material disruptions to business globally. Although certain of these restrictions have eased, there can be no certainty when they will be fully lifted or that they will not be expanded. While many governments have applied monetary and fiscal interventions to stabilize the economy, the full impact of these measures as well as the length and severity of the pandemic still remains unknown. The COVID-19 pandemic has the potential to expose the Company to a number of risk factors that may have a material impact on our operating and financial performance.

Furthermore, with the recent volatility in the markets, AGF is monitoring the potential impact of market risk to its capital position and profitability if these levels were sustained or continued to decline. A significant portion of AGF's revenue is driven by its total average AUM excluding private alternatives. These AUM levels are impacted by both net sales and changes in the market. In general, for every $1.0 billion reduction in average AUM excluding private alternatives, management fee revenues would decline by approximately $8.4 million. In addition, the uncertainty within the global markets may impact the level of merger and acquisition activity and is likely to create challenges in completing transactions.

Regulatory Risk

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

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

On February 20, 2020, the CSA (except the Ontario Securities Commission (OSC)) published a multilateral notice with final rule amendments to ban the payment of upfront sales commissions by fund organizations to dealers and, in so doing, discontinue sales charge options that involve such payments, such as all forms of the deferred sales charge option, including low-load options (the DSC Option). The OSC published similar final rule amendments on June 3, 2021 to also ban the DSC Option. The ban will take effect on June 1, 2022 across Canada.

On September 17, 2020, all members of the CSA published final amendments to ban trailing commission payments by fund organizations to dealers who do not make a suitability determination, such as order-execution-only (OEO) dealers. These amendments will take effect on June 1, 2022.

AGF, as an investment fund manufacturer, offers a wide range of mutual fund series that align with industry norms. AGF continually reviews our lineup to ensure we have the best representation of the Company's strengths, while providing the Company's partners and clients with the choice and diversity needed to adapt to the evolving regulatory landscape, including that of offering a wide range of product solutions that provide dealers, and their advisors, with the opportunity to structure compensation they determine to be most suitable based on the best interest of the investor.

While the impact of these regulatory initiatives still remains uncertain until they are effective, the Company and the Company's subsidiaries will continue to monitor the implementation of these initiatives throughout the industry, and will actively participate in engagement with the industry and regulators, as necessary.

As a long-standing participant in the Canadian financial services industry, the Company and the Company's 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.

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, 2021 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, 2021, the Company's 2020 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, 2021 and 2020

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

(unaudited) (in thousands of dollars)	Note		May 31, 2021		November 30, 2020
Assets					
Current assets					
Cash and cash equivalents		$	25,941	$	94,009
Investments	4		19,532		18,169
Accounts receivable, prepaid expenses and other assets	5, 19		53,814		38,113
Income tax receivable	16, 21		9,853		–
Total current assets			109,140		150,291
Investment in joint ventures	5		1,352		1,780
Long-term investments	5		158,126		151,949
Management contracts			689,759		689,759
Goodwill			250,830		250,830
Other intangibles, net of accumulated amortization and derecognition			623		667
Right-of-use assets	6		79,230		81,139
Property, equipment and computer software, net of accumulated depreciation			13,095		8,340
Deferred income tax assets			6,744		6,593
Other assets	7		5,751		6,191
Total non-current assets			1,205,510		1,197,248
Total assets		**$**	**1,314,650**	**$**	**1,347,539**
Liabilities					
Current liabilities					
Accounts payable and accrued liabilities	8, 15	$	54,003	$	67,837
Provision for Elements Advantage			710		914
Lease liability	6		4,113		4,582
Income tax liability	16, 21		–		17,212
Total current liabilities			58,826		90,545
Long-term lease liability	6		81,641		81,081
Deferred income tax liabilities			150,238		150,043
Provision for Elements Advantage			119		424
Other long-term liabilities	7, 15		9,893		9,267
Total liabilities			300,717		331,360
Equity					
Equity attributable to owners of the Company					
Capital stock	10		425,178		425,460
Contributed surplus	15		38,744		40,465
Retained earnings			547,275		547,614
Accumulated other comprehensive income	11		2,736		2,640
Total equity			1,013,933		1,016,179
Total liabilities and equity		**$**	**1,314,650**	**$**	**1,347,539**

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF INCOME

(unaudited)		Three months ended	
		May 31,	**May 31,**
(in thousands of dollars, except per share amounts)	**Note**	**2021**	**2020**
Income			
Management, advisory and administration fees	12	$ 107,026	$ 87,509
Deferred sales charges		1,568	1,281
Share of profit of joint ventures	5	97	624
Other income from fee-earning arrangements	7	438	–
Fair value adjustments and other income	5, 13	360	(365)
		109,489	89,049
Expenses			
Selling, general and administrative	14, 19	47,110	40,228
Trailing commissions		34,034	27,396
Investment advisory fees		230	240
Deferred selling commissions		17,745	10,323
Amortization and derecognition of customer contracts and other intangibles		15	164
Depreciation of property, equipment and computer software		981	961
Depreciation of right-of-use asset	6	1,600	838
Interest expense		694	1,920
		102,409	82,070
Income before income taxes		**7,080**	**6,979**
Income tax expense (benefit)			
Current	16	2,268	3,137
Deferred	16	(211)	(1,487)
		2,057	1,650
Net income for the period		**$ 5,023**	**$ 5,329**
Earnings per share equity owners of the Company			
Basic	17	$ 0.07	$ 0.07
Diluted	17	$ 0.07	$ 0.07

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF INCOME

(unaudited)		Six months ended	
(in thousands of dollars, except per share amounts)	Note	May 31, 2021	May 31, 2020
Income			
Management, advisory and administration fees	12	$ 208,298	$ 185,292
Deferred sales charges		3,204	2,921
Share of profit of joint ventures	5	851	703
Other income from fee-earning arrangements	7	438	–
Share of profit of associate		–	12
Dividend income		–	4,493
Fair value adjustments and other income	5, 13	3,934	2,340
Total income		216,725	195,761
Expenses			
Selling, general and administrative	14, 19	95,090	85,492
Trailing commissions		66,366	58,189
Investment advisory fees		474	653
Deferred selling commissions		33,293	22,776
Amortization and derecognition of customer contracts and other intangibles		44	261
Depreciation of property, equipment and computer software	6	1,912	1,987
Depreciation of right-of-use asset		3,215	1,674
Interest expense		1,436	4,135
Total expenses		201,830	175,167
Income before income taxes		**14,895**	**20,594**
Income tax expense (benefit)			
Current	16	4,230	6,364
Deferred	16	31	(1,895)
Total income tax expense		4,261	4,469
Net income for the period		**$ 10,634**	**$ 16,125**
Earnings per share			
Basic	17	$ 0.15	$ 0.21
Diluted	17	$ 0.15	$ 0.20

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

(unaudited)		Three months ended		Six months ended	
(in thousands of dollars)	**Note**	**May 31, 2021**	**May 31, 2020**	**May 31, 2021**	**May 31, 2020**
Net income for the period		$ 5,023	$ 5,329	$ 10,634	$ 16,125
Other comprehensive income (loss), net of tax					
Cumulative translation adjustment					
Other comprehensive loss arising from assets classified as held for sale	11	–	(1,608)	–	(1,453)
Foreign currency translation adjustments related to net investments in foreign operations		–	85	–	110
		–	(1,523)	–	(1,343)
Net unrealized gain on investments					
Unrealized gain		69	64	96	54
		69	64	96	54
Net unrealized loss on derivative instrument					
Unrealized loss	11	–	(6)	–	(4,787)
		–	(6)	–	(4,787)
Total other comprehensive income (loss), net of tax		$ 69	$ (1,465)	$ 96	$ (6,076)
Net comprehensive income		**$ 5,092**	**$ 3,864**	**$ 10,730**	**$ 10,049**

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.

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(unaudited) (in thousands of dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total equity
Balance, December 1, 2019	$ 474,178	$ 40,781	$ 395,425	$ 11,258	**$ 921,642**
Net income for the period	–	–	16,125	–	**16,125**
Other comprehensive loss (net of tax)	–	–	–	(6,076)	**(6,076)**
Comprehensive income (loss) for the period	–	–	16,125	(6,076)	**10,049**
AGF Class B Non-Voting shares issued through dividend reinvestment plan	158	–	–	–	**158**
Stock options	321	247	–	–	**568**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million	–	–	(12,721)	–	**(12,721)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(1,688)	–	–	**(1,688)**
Treasury stock purchased	(2,628)	–	–	–	**(2,628)**
Treasury stock released	1,756	–	(216)	–	**1,540**
Balance, May 31, 2020	**$ 473,785**	**$ 39,340**	**$ 398,613**	**$ 5,182**	**$ 916,920**
Balance, December 1, 2020	$ 425,460	$ 40,465	$ 547,614	$ 2,640	**$ 1,016,179**
Net income for the period	–	–	10,634	–	**10,634**
Other comprehensive income (net of tax)	–	–	–	96	**96**
Comprehensive income for the period	–	–	10,634	96	**10,730**
AGF Class B Non-Voting shares issued through dividend reinvestment plan	157	–	–	–	**157**
Stock options	326	287	–	–	**613**
AGF Class B Non-Voting shares repurchased for cancellation	(87)	–	(56)	–	**(143)**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million	–	–	(11,392)	–	**(11,392)**
Equity-settled Restricted Share Units, net of tax	–	(2,008)	–	–	**(2,008)**
Treasury stock purchased	(1,864)	–	–	–	**(1,864)**
Treasury stock released	1,186	–	475	–	**1,661**
Balance, May 31, 2021	**$ 425,178**	**$ 38,744**	**$ 547,275**	**$ 2,736**	**$ 1,013,933**

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

AGF MANAGEMENT LIMITED
CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

(unaudited)		Six months ended	
(in thousands of dollars)	Note	May 31, 2021	May 31, 2020
Operating Activities			
Net income for the period		$ 10,634	$ 16,125
Adjustments for			
Amortization, derecognition and depreciation		5,171	3,922
Interest expense		1,436	4,135
Income tax expense	16	4,261	4,469
Income taxes paid		(31,446)	(8,357)
Stock-based compensation	15	5,562	899
Share of profit of associate and joint ventures	5	(851)	(715)
Distributions from associate and joint ventures	5	2,055	2,641
Fair value adjustment on long-term investments	5	925	1,006
Net realized and unrealized (gain) loss on short-term investments		(1,511)	539
Other		(50)	(38)
		(3,814)	24,626
Net change in non-cash working capital balances related to operations			
Accounts receivable and other current assets		(15,574)	2,985
Other assets		(7)	(593)
Accounts payable and accrued liabilities		(19,700)	(12,256)
Other liabilities		(691)	(1,257)
		(35,972)	(11,121)
Net cash provided by (used in) operating activities		(39,786)	13,505
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	10	(107)	–
Issue of Class B Non-Voting shares	10	326	321
Purchase of treasury stock	10	(1,864)	(2,628)
Dividends paid	18	(11,085)	(12,400)
Repayment of long-term debt	9	–	(7,500)
Interest paid		(226)	(3,463)
Lease principal payments	6	(2,308)	(2,389)
Net cash used in financing activities		(15,264)	(28,059)
Investing Activities			
Investment in joint venture	5	(776)	–
Purchase of long-term investments	5	(19,352)	(9,000)
Return of capital from long-term investments	5	12,250	1,363
Purchase of property, equipment and computer software, net of disposals		(5,271)	(1,815)
Purchase of short-term investments	4	(1,700)	(1,197)
Proceeds from sale of short-term investments	4	1,831	462
Net cash used in investing activities		(13,018)	(10,187)
Decrease in cash and cash equivalents		(68,068)	(24,741)
Balance of cash and cash equivalents, beginning of the period		94,009	51,660
Balance of cash and cash equivalents, end of the period		$ 25,941	$ 26,919
Cash and cash equivalents comprise of:			
Cash at bank and on hand		$ 21,441	$ 22,419
Deposits on call		4,500	4,500
Total cash and cash equivalents		$ 25,941	$ 26,919

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

Notes to the Condensed Consolidated Interim Financial Statements

For the three and six months ended May 31, 2021 and 2020 (unaudited)

Note 1: General Information

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

The Company is an integrated, global wealth management corporation whose principal subsidiaries provide investment management for mutual funds, factor-based exchange-traded funds (ETF), institutions and corporations, as well as high-net-worth clients. The Company conducts the management and distribution of mutual funds and ETFs in Canada under the brand names AGF, Elements, and AGFiQ, (collectively, AGF Investments). The Company's wholly owned subsidiary AGF CustomerFirst Inc. (AGFC) provides fund administration services to the AGF mutual funds. The Company's private alternatives business includes joint ventures with Stream Asset Financial Management LP (SAFM LP) and SAF Jackson Management LP (SAFJM LP) and fee-earning arrangements with Instar Group Inc. (Instar).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 29, 2021.

Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. Amounts are expressed in Canadian dollars, unless otherwise stated. The accounting policies in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2020. 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, 2020, 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: COVID-19 Impact

The Company continues to monitor the impact of the pandemic and is managing expenses and capital position accordingly. The Company has a comprehensive business continuity plan, which the Company activated in March 2020, and has taken specific measures to mitigate any business risks and ensure business continuity and the protection of our employees around the world in light of the rapidly evolving situation related to COVID-19. To date, AGF has experienced no impact to our business operations and no instances of business operations interruption.

The Executive and Crisis Management Teams continue to refine the Company's back-to-office plan. The Company has proven to operate effectively through remote access, and, as a result, any return to offices will be gradual and measured keeping the safety of its employees, clients and communities top of mind.

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of dollars)	May 31, 2021	November 30, 2020
Fair value through profit or loss		
AGF mutual funds and other	$ 18,501	$ 17,248
Fair value through other comprehensive income		
Equity securities	720	610
Amortized cost		
Canadian government debt – Federal	311	311
	$ 19,532	$ 18,169

During the three and six months ended May 31, 2021 and 2020, no impairment charges were recognized.

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

(a) Investment in Joint Ventures

The Company has ownership in joint ventures that manage our private alternative funds. These joint ventures include Stream Asset Financial GP (SAF GP), SAFM LP and SAFJM LP and are accounted for using the equity method of accounting. The Company, through its interest in joint ventures, may be entitled to performance-based fees or carried interest distributions. These amounts are recognized by the Company and its joint ventures when the fund exceeds the related performance thresholds and when the risk of reversal is low. On May 26, 2021, the Company and Instar concluded the InstarAGF Asset Management Inc. (InstarAGF) joint venture. As at May 31, 2020, the Company does not have an interest in InstarAGF (November 30, 2020 – carrying value of nil). Refer to Note 7 for additional information on the relationship change with Instar.

The Company also has an ownership interest in AGFWave Asset Management Inc. (AGFWave), which provides asset management services and products in China and South Korea.

The continuity for the six months ended May 31, 2021 and 2020 is as follows:

	Six months ended	
(in thousands of dollars)	May 31, 2021	May 31, 2020
Balance, beginning of the period	$ 1,780	$ 2,626
Investment in joint venture	776	–
Share of profit	851	703
Distributions received	(2,055)	(2,641)
Balance, end of the period	$ 1,352	$ 688

For the three and six months ended May 31, 2021, the Company recognized earnings of $0.1 million and $0.9 million (2020 – $0.6 million and $0.7 million) and received distributions of $0.6 million and $2.1 million (2020 – $0.6 million and $2.6 million) from its private alternatives business.

(b) Investment in Long-term Investments

Fair value adjustments and income distributions related to the Company's long-term investments in private alternatives are included in fair value adjustments and other income in the consolidated statement of income.

The continuity for the Company's long-term investments, accounted for at fair value through profit or loss (FVTPL), for the six months ended May 31, 2021 and 2020 is as follows:

(in thousands of dollars)		May 31, 2021		May 31, 2020
Balance, beginning of the period	$	151,949	$	136,664
Purchase of long-term investments		19,352		9,000
Return of capital		(12,250)		(1,363)
Fair value adjustment[1]		(925)		(1,006)
Balance, end of the period	$	158,126	$	143,295

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

As at May 31, 2021, the carrying value of the Company's long-term investments in the private alternatives business was $158.1 million (November 30, 2020 – $151.9 million).

During the three and six months ended May 31, 2021, the Company recognized a loss of $0.5 million and income of $1.9 million (2020 – loss of $1.1 million and income of $1.6 million) in fair value adjustment and distributions related to its long-term investments.

As at May 31, 2021, the Company has funded $156.4 million (November 30, 2020 – $149.2 million) in funds and investments associated with the private alternatives business and has $50.8 million (November 30, 2020 – $70.2 million) remaining committed capital to be invested. During the three months ended May 31, 2021, the Company announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund.

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. As at May 31, 2021, the Company had a $10.3 million unsecured subordinated promissory note receivable from SAF Legend LP (November 30, 2020 – nil), which bears interest at an agreed upon rate of 15.3% and is expected to be repaid during the three months ended August 31, 2021. The note is included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

Note 6: Leases

The following shows the carrying amounts of the Company's right-of-use assets and lease liabilities by class and the movements during the six months ended May 31, 2021 and 2020:

		Right-of-use assets						Lease liabilities
(in thousands of dollars)		Property leases		Equipment		Total		
As at December 1, 2020	$	80,181	$	958	$	81,139	$	85,663
Depreciation expense		(3,077)		(138)		(3,215)		–
Lease modification and reassessment		1,311		(5)		1,306		1,298
Interest expense		–		–		–		1,101
Payments		–		–		–		(2,308)
As at May 31, 2021	**$**	**78,415**	**$**	**815**	**$**	**79,230**	**$**	**85,754**

	Right-of-use assets			Lease liabilities
(in thousands of dollars)	Property leases	Equipment	Total	
As at December 1, 2019	$ 14,569	$ 1,188	$ 15,757	$ 19,880
Depreciation expense	(1,542)	(132)	(1,674)	–
Lease modification	(205)	–	(205)	(205)
Interest expense	–	–	–	365
Payments	–	–	–	(2,389)
As at May 31, 2020	**$ 12,822**	**$ 1,056**	**$ 13,878**	**$ 17,651**

Note 7: Other Fee-earning Arrangements

On May 26, 2021, the Company announced changes to its relationship with Instar Group Inc. The joint venture relationship in InstarAGF Asset Management Inc. (InstarAGF) was concluded following the establishment of its two flagship funds, InstarAGF Essential Infrastructure Fund I and II (together, the InstarAGF Funds). Based on the terms of the agreements, the Company maintained its respective long-term investments, as well as the carried interest participation in the InstarAGF Funds (carried interest entities). In addition, the Company and Instar entered into a fee arrangement whereby AGF will earn ongoing annual fees of 14 bps on the assets under management of the InstarAGF Funds. As at May 31, 2021, the InstarAGF Funds assets were $2.0 billion.

The Company has also announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund. Upon AGF's commitment to Instar's third fund, the Company will earn ongoing annual fees of 7 bps on the assets under management of Instar's third fund as well as participate in the carried interest.

The fee arrangement is classified as a contract with Instar under IFRS 15. Under IFRS 15, the annual fee will be recorded as income on an accrual basis over the remaining terms of each of the InstarAGF Funds. During the three and six months ended May 31, 2021, the Company recognized $0.4 million and $0.4 million of income related to the fee arrangement.

The Company's carried interest participation in the InstarAGF Funds is classified as a financial instrument under IFRS 9, specifically equity instrument, and measured at fair value through other profit and loss (FVTPL). The fair value of the carried interest investment as at May 31, 2021 is $1.2 million and is included in other assets in the consolidated statement of financial position. The Company has $1.2 million in long-term deferred income related to initial recognition of the carried interest entity, which will be recognized in the consolidated income statement as distributions are received. Fair value adjustment on the carried interest entities will result in changes to the asset with a corresponding change to deferred income. During the three and six months ended May 31, 2021, the Company did not recognize any fair value adjustments or income on the carried interest investments.

Note 8: Accounts Payable

(in thousands of dollars)	May 31, 2021	November 30, 2020
Compensation related payable	$ 27,831	$ 37,533
HST payable	7,486	8,900
Other	18,686	21,404
Accounts payable and accrued liabilities	$ 54,003	$ 67,837

Note 9: Long-term Debt

As at May 31, 2021, AGF had drawn nil (November 30, 2020 – nil) against the unsecured revolving credit facility (the Facility). During the six months ended May 31, 2021, the Company did not borrow against the Facility (2020 – repaid $7.5 million). For the six months ended May 31, 2021, AGF incurred $0.5 million (November 30, 2020 – $0.7 million) of transaction fees on the Facility, which was capitalized over the term of the Facility. The Company's revolving credit facility has a maximum aggregate principal amount of $140.0 million and a $10.0 million swingline facility commitment. As at May 31, 2021, $150.0 million was available to be drawn from the revolving credit facility and swingline facility commitment.

Note 10: Capital Stock

a) Authorized Capital

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

b) Changes During the Period

The change in capital stock is summarized as follows:

	Six months ended			
	May 31, 2021		May 31, 2020	
(in thousands of dollars, except share amounts)	Shares	Stated value	Shares	Stated value
Class A Voting common shares	57,600	$ –	57,600	$ –
Class B Non-Voting shares				
Balance, beginning of the period	69,868,569	$ 425,460	78,223,104	$ 474,178
Issued through dividend reinvestment plan	23,522	157	38,883	158
Stock options exercised	56,200	326	53,190	321
Repurchased for cancellation	(14,300)	(87)	–	–
Treasury stock purchased for employee benefit trust	(250,000)	(1,864)	(750,000)	(2,628)
Treasury stock released for employee benefit trust	300,208	1,186	260,850	1,756
Balance, end of the period	69,984,199	$ 425,178	77,826,027	$ 473,785

(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 5,067,167 shares for the period from February 8, 2021 to February 7, 2022 and up to 5,947,786 shares for the period from February 6, 2020 to February 5, 2021. During the three and six months ended May 31, 2021, AGF purchased 14,300 and 14,300 (2020 – nil and nil) Class B Non-Voting shares under the normal course issuer bid at a cost of $0.1 million and $0.1 million (2020 – nil and nil).

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

During the three and six months ended May 31, 2021, AGF purchased 250,000 and 250,000 (2020 – 750,000 and 750,000) Class B Non-Voting shares for the employee benefit trust at a cost of $1.9 million and $1.9 million (2020 – $2.6 million and $2.6 million). Shares purchased for the trust are 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, 2021, 2,824 and 300,208 (2020 – 5,588 and 260,850) Class B Non-Voting shares purchased as treasury stock were released. As at May 31, 2021, 795,220 (November 30, 2020 – 845,428) Class B Non-Voting shares were held as treasury stock.

Note 11: Accumulated Other Comprehensive Income

(in thousands of dollars)	Foreign currency translation	Fair value through OCI	Fair value on derivative instrument	Total
Opening composition of accumulated other comprehensive income at December 1, 2019				
Other comprehensive income (loss)	$ 8,243	$ 4,085	$ (1,062)	$ 11,266
Income tax expense	–	(8)	–	(8)
Balance, December 1, 2019	8,243	4,077	(1,062)	11,258
Transactions during the year ended November 30, 2020				
Other comprehensive income (loss)	(32)	74	–	42
Reclassification of AOCI to net income from the sale of asset classified as held for sale[1]	(5,926)	(3,786)	1,062	(8,650)
Income tax expense	–	(10)	–	(10)
Balance, November 30, 2020	2,285	355	–	2,640
Transactions during the period ended May 31, 2021				
Other comprehensive income	–	110	–	110
Income tax expense	–	(14)	–	(14)
Balance, May 31, 2021	$ 2,285	$ 451	$ –	$ 2,736

[1] For the year ended November 30, 2020, the Company reclassified AOCI of $8.7 million to the statement of income as a result of the completion of the Smith & Williamson Holdings Limited (S&WHL) sale.

Note 12: Management, Advisory and Administration Fees

(in thousands of dollars)	Three months ended May 31, 2021	Three months ended May 31, 2020	Six months ended May 31, 2021	Six months ended May 31, 2020
Management, advisory and administration fees	$ 109,068	$ 89,512	$ 212,571	$ 189,320
Fund expenses and waivers	(2,042)	(2,003)	(4,273)	(4,028)
	$ 107,026	$ 87,509	$ 208,298	$ 185,292

Note 13: Fair Value Adjustments and Other Income

	Three months ended		Six months ended	
(in thousands of dollars)	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Fair value adjustment related to investment gain (loss) classified as FVTPL (Note 4)	$ 128	$ 179	$ 1,252	$ (440)
Fair value adjustment and distributions related to long-term investments (Note 5(b))	(482)	(1,117)	1,914	1,627
Interest income	69	140	208	304
Other[1]	645	433	560	849
	$ 360	$ (365)	$ 3,934	$ 2,340

[1] For the three and six months ended May 31, 2021, the Company recorded a gain on the sale of artwork for $1.2 million and $1.2 million. Refer to Note 19 for more information.

Note 14: Expenses by Nature

	Three months ended		Six months ended	
(in thousands of dollars)	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Selling, general and administrative				
Salaries, benefits and performance-based compensation	$ 31,984	$ 28,543	$ 64,410	$ 58,581
Stock-based compensation (recovery)	2,839	(114)	6,165	1,496
Sales and marketing	1,442	1,689	3,091	4,195
Information technology and facilities	6,442	7,120	13,249	14,153
Professional fees	3,022	2,099	6,029	5,709
Other fund costs (recovery)	660	99	903	(158)
Other	721	792	1,242	1,516
	$ 47,110	$ 40,228	$ 95,089	$ 85,492

Note 15: Stock-based Compensation and Other Stock-based Payments

a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 1,124,076 Class B Non-Voting shares could have been granted as at May 31, 2021 (November 30, 2020 – 780,585).

The change in stock options during the six months ended May 31, 2021 and 2020 is summarized as follows:

	Six months ended					
	May 31, 2021			May 31, 2020		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B Non-Voting share options						
Balance, beginning of the period	7,214,162	$	6.64	7,416,929	$	6.91
Options forfeited	(48,100)		8.32	–		–
Options expired	(295,391)		11.43	(339,628)		10.67
Options exercised	(56,200)		5.17	(53,190)		5.35
Balance, end of the period	6,814,471	$	6.43	7,024,111	$	6.74

During the three and six months ended May 31, 2021, nil and nil (2020 – nil and nil) stock options were granted and compensation expense and contributed surplus of $0.1 million and $0.2 million (2020 – $0.1 million and $0.3 million) was recorded.

b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs) and Deferred Share Units (DSUs). Compensation expense related to cash-settled stock-based compensation for the three and six months ended May 31, 2021 was $1.6 million and $3.8 million (2020 – recovery of $1.4 million and $1.1 million) and the liability recorded as at May 31, 2021 related to cash-settled stock-based compensation was $9.1 million (November 30, 2020 – $5.9 million). Compensation expense related to equity-settled RSUs for the three and six months ended May 31, 2021 was $0.8 million and $1.6 million (2020 – $0.9 million and $1.7 million) and contributed surplus related to equity-settled RSUs, net of tax, as at May 31, 2021 was $3.5 million (November 30, 2020 – $5.5 million).

The change in share units of RSUs and DSUs during the six months ended May 31, 2021 and 2020 is as follows:

	Six months ended	
	May 31, 2021	May 31, 2020
	Number of share units	Number of share units
Outstanding, beginning of the period	3,510,057	3,216,960
Issued		
Initial grant	287,623	187,475
In lieu of dividends	68,359	87,164
Settled in cash	(428,789)	(335,918)
Settled in equity	(300,208)	(260,850)
Forfeited and cancelled	(13,288)	(47,508)
Outstanding, end of the period	3,123,754	2,847,323
Settled in cash, end of period	297,533	253,290
Settled in equity, end of period	2,826,221	2,594,033

Note 16: 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, 2021 was 28.6% (2020 – 21.7%).

The main items impacting the effective tax rate in the period relates to tax-exempt investment income, gains from investment subject to different tax rates and temporary differences for which no deferred tax assets were recognized. The effective tax rate for the six months ended May 31, 2021 is higher than the previous period's effective tax rate due to tax-exempt investment income from S&WHL in the previous period. Excluding the tax-exempt investment income from S&WHL, the effective tax rate for the previous period was 32.7%.

Note 17: Earnings per Share

	Three months ended		Six months ended	
(in thousands of dollars, except per share amounts)	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Numerator				
Net income for the period	$ 5,023	$ 5,329	$ 10,634	$ 16,125
Denominator				
Weighted average number of shares – basic	70,014,806	78,393,086	70,145,731	78,393,086
Dilutive effect of employee stock-based compensation awards	2,123,987	665,654	1,823,646	1,201,457
Weighted average number of shares – diluted	72,138,793	79,058,740	71,969,377	79,594,543
Earnings per share for the period				
Basic	$ 0.07	$ 0.07	$ 0.15	$ 0.21
Diluted	$ 0.07	$ 0.07	$ 0.15	$ 0.20

Note 18: Dividends

During the three and six months ended May 31, 2021, the Company paid dividends of $0.08 and $0.16 (2020 – $0.08 and $0.16) per share. Total dividends paid, including dividends reinvested, in the three and six months ended May 31, 2021 were $5.6 million and $11.2 million (2020 – $6.3 million and $12.6 million). On June 29, 2021, 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 $0.09 per share in respect of the three months ended May 31, 2021, amounting to a total dividend of approximately $6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 19: Related Party Transactions

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

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

	Three months ended		Six months ended	
(in thousands of dollars)	May 31, 2021	May 31, 2020	May 31, 2021	May 31, 2020
Salaries and other short-term employee benefits	$ 2,257	$ 1,835	$ 4,145	$ 3,964
Share-based compensation	1,640	(983)	3,758	(291)
	$ 3,897	$ 852	$ 7,903	$ 3,673

During the three and six months ended May 31, 2021, the Company and Goldring Capital Corporation reached an agreement to sell and transfer ownership of eleven pieces of artwork held by AGF to Goldring Capital Corporation for $1.2 million. The agreed upon selling price was approved by the board. The proceeds were received and recorded as other income on the income statement for the three and six months ended May 31, 2021.

Note 20: 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, 2021:

(in thousands of dollars) **May 31, 2021**		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Financial assets at fair value through profit or loss								
Cash and cash equivalents	$	25,941	$	–	$	–	$	25,941
AGF mutual funds and other		18,501		–		–		18,501
Long-term investments		–		–		158,126		158,126
Carried interest		–		–		1,159		1,159
Financial assets at fair value through other comprehensive income								
Equity securities		720		–		–		720
Amortized cost								
Canadian government debt – Federal		–		311		–		311
Total financial assets	$	45,162	$	311	$	159,285	$	204,758
Liabilities								
Financial liabilities at fair value through profit or loss								
Long-term deferred income on carried interest	$	–	$	–	$	1,159	$	1,159
Total financial liabilities	$	–	$	–	$	1,159	$	1,159

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2020:

(in thousands of dollars) **November 30, 2020**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 94,009	$ –	$ –	$ 94,009
AGF mutual funds and other	17,248	–	–	17,248
Long-term investments	–	–	151,949	151,949
Financial assets at fair value through other comprehensive income				
Equity securities	610	–	–	610
Amortized cost				
Canadian government debt – Federal	–	311	–	311
Total financial assets	$ 111,867	$ 311	$ 151,949	$ 264,127

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 as well as highly liquid temporary deposits with an Irish bank.

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

Level 3 instruments include long-term investments related to the alternatives asset management business and the fair value of the carried interest investments related to the InstarAGF Funds. 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 Company's long-term investments as at May 31, 2021 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by $15.8 million. Refer to Note 5(b) for additional information.

The fair value of the Company's carried interest related to the InstarAGF Funds has been estimated using the financial information and NAV provided by the investees with consideration over the timing, amount of expected future cash flows and appropriate discount rates used. Refer to Note 7 for additional information.

The following table presents changes in level 3 instruments for the six months ended May 31, 2021:

(in thousands of dollars)		Total
Long-term investments		
Balance at December 1, 2020	$	151,949
Purchase of investment		19,352
Return of capital		(12,250)
Fair value adjustment recognized in profit or loss[1]		(925)
Balance at May 31, 2021	**$**	**158,126**
Carried interest		
Balance at December 1, 2020	$	–
Initial recognition		1,159
Balance at May 31, 2021	**$**	**1,159**

[1] The change in unrealized loss in investments currently held included in level 3 of the fair value hierarchy is $925 (2020 – $1,006) for the six months ended May 31, 2021.

The following table presents changes in level 3 instruments for the six months ended May 31, 2020:

(in thousands of dollars)		Total
Long-term investments		
Balance at December 1, 2019	$	136,664
Purchase of investment		9,000
Return of capital		(1,363)
Fair value adjustment recognized in profit or loss		(1,006)
Balance at May 31, 2020	**$**	**143,295**

There were no transfers into or out of level 1 and level 2 during the six months ended May 31, 2021.

Note 21: Contingencies

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

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

The 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.

CRA Audit – Acquisition of Tax-related Benefits

As previously disclosed in prior years' Annual Consolidated Financial Statements, the Company received correspondences from the CRA and Ministry of Finance (Ontario) confirming that the Company's objection had been allowed in full in respect to tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. In 2020, the Company recorded $1.1 million of interest income in the consolidated statement of income and received a substantial portion of the expected tax refunds. During Q1 2021, the Company received a tax refund from the Ministry of Finance (Alberta). The Company is awaiting final correspondence from the Quebec tax authority in respect to this matter.

Note 22: Subsequent Event

Subsequent to the end of the fiscal quarter, one of the Company's long-term private alternative investments, managed by SAF, was fully monetized with a final cash distribution of $5.9 million received. The long-term investment had a carrying value of $5.8 million as at May 31, 2021. In addition, the Company, through its joint venture ownership interest in the manager, SAF Jackson Management LP (SAJM LP), received $2.4 million of carried interest, of which $0.2 million was recorded as an asset in investment in joint ventures as at May 31, 2021. The remaining $2.2 million of carried interest will be recognized as income in the three months ended August 31, 2021. Refer to Note 5 for more information on AGF's investments in joint ventures and long-term investments.

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.

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