

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

For the three and nine months ended August 31, 2019 and 2018





AGF MANAGEMENT LIMITED

Third Quarter Report to Shareholders for the three and nine months ended August 31, 2019

AGF MANAGEMENT LIMITED REPORTS THIRD QUARTER 2019 FINANCIAL RESULTS

- *Reported assets under management of \$37.4 billion*
- *Private Alternative AUM increased 11% in the quarter to \$2.4 billion*
- *Reported diluted EPS of \$0.18 for the third quarter of 2019, an increase of \$0.04 compared to Q2 2019*

Toronto | September 25, 2019

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

AGF reported total assets under management (AUM) of \$37.4 billion compared to \$38.8 billion in the same period in 2018.

“As we enter the final months of 2019, we continue to make progress against our stated goals and growth objectives for our business,” said Kevin McCreddie, Chief Executive Officer and Chief Investment Officer, AGF. “Building on our diversified investment management platform, we remain focused on accelerating key areas and markets of future growth including deepening our capabilities in alternatives and quantitative investing.”

AGF’s private alternative and quantitative investment management businesses have grown 140% and 16%, respectively, compared to the same period in 2018, now representing \$10.2 billion or 27% of total assets under management. Together the businesses complement AGF’s other business lines and continue to diversify the revenue sources of the firm.

“Given the current market environment, we expect the demand for alternatives to continue to rise and have continued to invest in our expertise across the spectrum of alternative investments,” added McCreddie.

Key Business Highlights:

- On September 19, 2019, AGF confirmed a merger between Smith & Williamson and Tilney to create the U.K.’s leading integrated wealth management and professional services group with over £45 billion in assets under management. Based on the terms of the arrangement, AGF estimates that the transaction will result in total cash and equity proceeds of approximately £193.2 million (approximately C\$320 million¹), excluding one-time expenses and subject to closing adjustments, compared to an estimated book value at closing of \$137.5 million. The transaction is anticipated to close early 2020, subject to regulatory approvals.
- AGF filed final prospectuses for the launch of three liquid alternative funds in Canada: AGFiQ US Market Neutral Anti-Beta CAD-Hedged ETF, AGFiQ US Long/Short Dividend Income CAD-Hedged ETF, and AGFiQ US Long/Short Dividend Income CAD-Hedged Fund. These products will be available to Canadian investors in October.
- AGF continued to experience growth across our suite of U.S. liquid alternative ETFs. This growth is a reflection of AGF’s uniquely positioned suite of solutions, including an anti-beta market neutral U.S. equity strategy to meet investor demand for diversification and non-correlated returns to cushion against anticipated market volatility.
- To support AGF’s digital growth strategy, AGF announced this quarter the delivery of an interactive tool to equip its business development teams with portfolio stress testing, risk analytics and comprehensive investment proposals for use across a range of clients and regions, including financial advisors and institutional investors.
- AGF is a signatory to the United Nations supported Principles for Responsible Investment (PRI) as a sustaining member of the Responsible Investment Association. In PRI’s 2019 Assessment Report, AGF maintained its overall “Strategy and Governance” score of ‘A+’, and its overall score of ‘A’ under “Incorporation under listed Equity”.

Reported mutual funds net redemptions were \$103.0 million for the quarter, compared to net redemptions of \$9.0 million in Q3 2018. Excluding net flows from institutional clients invested in mutual funds², net redemptions were \$32.0 million in the comparative period of 2018.

Income for the three months ended August 31, 2019 was \$107.4 million, compared to \$116.5 million for the three months ended August 31, 2018. EBITDA before commissions from continuing operations was \$29.0 million for the three months ended August 31, 2019, compared to \$32.2 million for the same period in 2018.

Diluted earnings per share (EPS) from continuing operations for the three months ended August 31, 2019 was \$0.18, compared to \$0.26 for the comparative period. Adjusting for one-time items in prior year, diluted EPS for the three months ended August 31, 2019 was \$0.18, compared to \$0.20 in 2018.

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

(from continuing operations)	Three months ended			Nine months ended	
	August 31, 2019 ³	May 31, 2019 ³	August 31, 2018	August 31, 2019 ³	August 31, 2018
(in millions of Canadian dollars, except per share data)					
Income	\$ 107.4	\$ 109.8	\$ 116.5	\$ 322.2	\$ 341.6
Net income attributable to equity owners of the Company	14.4	11.5	20.7	25.7	59.1
EBITDA before commissions ⁴	29.0	29.2	32.2	71.2	77.7
Adjusted EBITDA before commissions ⁴	29.0	29.2	32.2	85.6	82.9
Diluted earnings per share attributable to equity owners of the Company	0.18	0.14	0.26	0.32	0.73
Adjusted diluted earnings per share attributable to equity owners of the Company ⁴	0.18	0.14	0.20	0.46	0.48
Free Cash Flow ⁴	9.7	8.2	12.8	34.4	25.3
Dividends per share	0.08	0.08	0.08	0.24	0.24
Long-term debt	158.9	164.9	168.7	158.9	168.7

(end of period)	Three months ended				
	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018
(in millions of Canadian dollars)					
Mutual fund assets under management (AUM) ⁵ (including retail pooled funds)	\$ 18,839	\$ 18,725	\$ 19,028	\$ 18,713	\$ 19,401
Institutional, sub-advisory and ETF accounts AUM	10,391	11,712	12,023	12,475	12,694
Private client AUM	5,778	5,722	5,633	5,513	5,714
Private Alternative AUM ⁶	2,413	2,179	2,140	1,011	1,009
Total AUM, including Private Alternative AUM	37,421	38,338	38,824	37,712	38,818
Net mutual fund sales (redemptions) ⁵	(103)	(498)	(104)	111	(9)
Average daily mutual fund AUM ⁵	18,244	18,497	17,762	18,382	18,788

¹ Canadian dollar figure assumes an exchange rate of 1.6542.

² 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.

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

⁴ EBITDA before commissions (earnings before interest, taxes, depreciation, amortization and deferred selling commissions), adjusted EBITDA before commissions, adjusted diluted earnings per share and Free Cash Flow are not standardized measures prescribed by IFRS. The Company utilizes non-IFRS measures to assess our overall performance and facilitate a comparison of quarterly and full-year results from period to period. They allow us to assess our investment management business without the impact of non-operational items. These non-IFRS measures may not be comparable with similar measures presented by other companies. These non-IFRS measures and reconciliations to IFRS, where necessary, are included in the Management's Discussion and Analysis available at www.agf.com.

⁵ Mutual fund AUM includes retail AUM and institutional client AUM invested in customized series offered within mutual funds.

⁶ Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is \$208.8 million, of which \$119.8 million has been funded as at August 31, 2019.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'estimates,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including income, revenues, earnings or growth rates), ongoing business strategies or prospects, fund performance, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, client-driven asset allocation decisions, pipeline, competitive fee levels for investment management products and administration, and competitive dealer compensation levels and cost efficiency in our investment management operations, as well as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, catastrophic events, and our ability to complete strategic transactions and integrate acquisitions, and attract and retain key personnel. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of the 2018 Annual MD&A.

Summary of Quarterly Results

(from continuing operations)

(in millions of Canadian dollars, except per share amounts)	Aug. 31	May 31,	Feb. 28,	Nov. 30,
Three months ended	2019 ¹	2019 ¹	2019 ¹	2018
Income	\$ 107.4	\$ 109.8	\$ 105.0	\$ 108.5 ³
Expenses ⁸	78.4	80.6	92.1 ²	79.8
EBITDA before commissions ⁹	29.0	29.2	12.9	28.7
Pre-tax income (loss)	16.9	14.1	(1.3)	17.2
Net income (loss) attributable to equity owners of the Company	14.4	11.5	(0.2)	14.7
Earnings per share attributable to equity owners of the Company				
Basic	\$ 0.18	\$ 0.15	\$ –	\$ 0.19
Diluted	0.18	0.14	–	0.19
Free cash flow ⁹	9.7	8.2	16.6	16.1
Dividends per share	0.08	0.08	0.08	0.08
Long-term debt	158.9	164.9	168.7	188.6
Weighted average basic shares	78,715,118	78,669,275	78,664,067	78,996,510
Weighted average fully diluted shares	79,818,712	79,771,774	79,836,248	79,900,283
(in millions of Canadian dollars, except per share amounts)	Aug. 31,	May 31,	Feb. 28,	Nov. 30,
Three months ended	2018	2018	2018	2017
Income	\$ 116.5	\$ 114.2	\$ 110.9	\$ 120.9 ⁷
Expenses ⁸	84.3	93.6 ⁵	86.0	87.8
EBITDA before commissions ⁹	32.2	20.6	24.9	33.1
Pre-tax income	19.8	11.3 ⁵	14.1	19.8
Net income attributable to equity owners of the Company	20.7 ⁴	17.0	21.5 ⁶	17.3
Earnings per share attributable to equity owners of the Company				
Basic	\$ 0.26	\$ 0.21	\$ 0.27	\$ 0.22
Diluted	0.26	0.21	0.27	0.21
Free cash flow ⁹	12.8	2.1	10.5	21.6
Dividends per share	0.08	0.08	0.08	0.08
Long-term debt	168.7	168.6	168.6	138.6
Weighted average basic shares	79,318,325	79,666,007	79,616,259	79,256,388
Weighted average fully diluted shares	80,885,103	81,214,021	81,081,521	81,608,744

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

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

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

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

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

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

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

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

⁹ See the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section.

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

This Management's Discussion and Analysis (MD&A) is as of September 24, 2019, and presents an analysis of the financial condition of AGF Management Limited (AGF or the Company) and its subsidiaries for the three- and nine-month periods ended August 31, 2019, compared to the three- and nine-month periods ended August 31, 2018. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended August 31, 2019 and our 2018 Annual Report. The financial statements for the three and nine months ended August 31, 2019, including required comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting, unless otherwise noted.

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

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

There have been no material changes to the information discussed in the following sections of the 2018 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations' and 'Intercompany and Related Party Transactions.'

Our Business and Strategy

Founded in 1957, AGF Management Limited (AGF) is a diversified global asset management firm offering investment solutions to a wide range of clients, from individual investors and financial advisors to institutions, including pension plans, corporate plans, sovereign wealth funds, endowments and foundations. AGF has investment operations and client servicing teams in North America, Europe and Asia. With \$37.4 billion in total assets under management (AUM) as at August 31, 2019, AGF serves more than one million investors. AGF trades on the Toronto Stock Exchange (TSX) under the symbol AGF.B.

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

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

AGF holds a 33.6% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the U.K. S&WHL is one of the top 10 largest chartered accountancy firms in the U.K. and its investment management business has over \$35.9 billion (£22.2 billion) of funds under management and advice as at August 31, 2019.

Announcement of Smith & Williamson Sale

On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney to create the U.K.'s leading integrated wealth management and professional services group with over £45 billion in assets under management. Based on the terms of the arrangement, the Company estimates that the transaction will result in total cash and equity proceeds of approximately £193.2 million (approximately C\$320 million¹), excluding one-time expenses and subject to closing adjustments, compared to an estimated book value at closing of \$137.5 million. Prior to closing, AGF is expected to receive a special cash distribution estimated to be £19.8 million (approximately C\$33 million¹). At closing, AGF will receive cash proceeds of £147.4 million (approximately C\$244 million¹) and retain approximately 2.3% interest in the newly combined entity. AGF has entered into a hedge at a strike price of 1.6130 to protect AGF's cash consideration if the British pound declines below that level. The hedge expires March 31, 2020. The transaction is anticipated to close early 2020, subject to regulatory approvals. The merged business will be named Tilney Smith & Williamson upon completion.

¹ Canadian dollar figure assumes an exchange rate of 1.6542.

Our Investment Approach

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

Investment Stewardship

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

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

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

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

Our Investment Strategies

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

Fundamental

AGF's fundamental actively managed platform, with \$21.4 billion in AUM, operates under the AGF brand and includes a broad range of investment strategies, including equities, fixed income and asset allocation strategies in a variety of vehicles including mutual funds, managed or portfolio solutions and separately managed accounts. Our equity strategies span global (including developed and emerging markets), North American, alternative asset classes and sustainable investment solutions. AGF also offers a diverse lineup of fixed income strategies designed to help investors achieve their goals by leveraging expertise in four key areas: Canadian core, global rate sensitive, global credit and emerging market debt. The team complements these four core pillars with expertise in specialized areas of the fixed income market including convertible bonds and inflation-linked bonds as well as currency management and derivatives. AGF's Asset Allocation Committee leads the asset allocation strategy for the firm and consists of senior investment professionals who analyze and allocate across global bond and equity markets. They provide an active asset allocation outlook for many of AGF's products, including the AGF Elements Portfolios.

Quantitative

AGF's quantitative and factor-based investing platform, with \$7.8 billion in AUM, operates under the AGFiQ (AGFiQ) brand. Led by pioneers in factor-based approaches to investing, the AGFiQ investment team is 18 members strong, with six Ph.D. holders in fields spanning from Astrophysics, Computer Science, Finance and Economics. AGFiQ's team approach is grounded in the belief that investment outcomes can be improved by assessing and targeting the factors that drive market returns. Utilizing disciplined, factor-based approaches allows AGFiQ to view risk through multiple lenses. AGFiQ's quantitative factor-based investment strategies provide access to a wide variety of market exposures ranging from equities, fixed income and sustainable investing solutions to alternative asset classes and strategies. The team offers long-tenured expertise meeting a wide range of client objectives from wealth accumulation and risk management to hedging tools and innovative income-generating solutions through multi-factor, single-factor and alternative approaches in a variety of vehicles including mutual funds, ETFs, managed or portfolio solutions and separately managed accounts.

Private Client

AGF's private client platform, with \$5.8 billion in AUM, includes Cypress Capital Management Limited (Cypress), located in Vancouver, Doherty & Associates Ltd. (Doherty), with offices in Ottawa and Montreal, and the private client business of Highstreet Asset Management Inc. (Highstreet), located in London, Ontario. This platform provides investment solutions for high-net-worth individuals, endowments and foundations in key markets across Canada.

Private Alternatives Business

AGF's alternatives platform, with a focus on private investments from credit to infrastructure, is central to our mission: to bring stability to the world of investing. In an ever-evolving and increasingly complex market environment, investors are actively seeking out opportunities to diversify their sources of return away from traditional equity and fixed income investments. AGF's alternatives platform, with \$2.4 billion in AUM, includes a joint venture with Instar Group Inc. (Instar), InstarAGF Asset Management Inc. (InstarAGF), in which AGF holds a 51% economic interest. InstarAGF is an alternative asset management firm with an emphasis on essential infrastructure in the North American middle market, with the goal of delivering sustainable and attractive returns to investors. AGF also has a partnership with Stream Asset Financial Management LP (SAFM LP), a Canadian-based private equity and structured credit investment firm with expertise constructing bespoke financial products across the capital structure, providing opportunities linked to real assets including, but not limited to, the oil and gas sector.

Our Distribution Channels

Retail and Strategic Accounts

Our sales teams manage a national integrated distribution strategy including advisor and strategic account relationships via regional sales offices across Canada. AGF's wholesaler teams cover over 35,000 external advisors and 200 investment dealers in support of our retail products. We provide products and services to both the Mutual Fund Dealers Association (MFDA) and Insurance Managing General Agent (MGA) advisors, who distribute mutual funds, and Investment Industry Regulatory Organization of Canada (IIROC) advisors, who offer mutual funds as well as exchange traded investment solutions. Strategic account relationships are often with the same firms that employ advisors. These firms have centralized groups that approve products that can be offered by advisors and control allocations made to subadvisors, such as AGF, within internal products.

We target sustainable net sales by developing new strategic relationships while capitalizing on our existing relationships. We will do this by providing innovative products and solutions around specific needs and delivering consistent and repeatable investment performance. In 2017, we launched our Canadian suite of AGFiQ ETFs and continue to expand this offering, ending 2019 with twelve ETFs. We are also committed to providing investors and their advisors with choice. Through our fee-based product offerings, we offer a series of our mutual funds that are suitable for wrap accounts, which are fee-based series typically used by IIROC advisors, to provide advisors and their clients with the product and pricing options that they require.

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

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

Securities Commission's coordinative approach with the Ontario government, as well as proposed next steps from the remaining Canadian regulatory jurisdictions.

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

Institutional

AGF's institutional sales team covers North America, Europe and Asia. AGF has strong relationships and markets directly to plan sponsors including pension plans, corporate plans, sovereign wealth funds, endowments and foundations as well as outsourced CIO (OCIO) platforms. AGF also has a consultant relations program and has earned buy ratings from a number of major firms. Investment consultants act as gatekeepers in the industry, and advise their clients on issues such as asset allocation and manager selection. This constituency is important, as a buy rating from a major consultant can lead to an increased number of request for proposal (RFP) searches, which in turn enhances the chance of winning new business. Our key competencies in global equities are aligned with the increasing appetite for emerging markets and ESG strategies, and our quantitative investing capabilities are well positioned to meet the increasing demand for customized factor-based solutions and alternative strategies.

Our institutional clients have an option to invest in custom series offerings within our mutual fund products reported under our mutual fund AUM category. Net redemptions of such investment totalled \$329.5 million for the nine months ended August 31, 2019¹.

Operating Highlights for the Third Quarter of 2019

- Reported AUM of \$37.4 billion as of August 31, 2019.
- Diluted earnings per share (EPS) for the third quarter of 2019 was \$0.18 as compared to \$0.26, including one-time items, for the same period 2018. Adjusting for one-time items, adjusted diluted EPS was \$0.18 for the three months ended August 31, 2019 as compared to \$0.20 for the same period 2018.
- On September 19, 2019, AGF confirmed a merger between Smith & Williamson and Tilney to create the U.K.'s leading integrated wealth management and professional services group with over £45 billion in assets under management. Based on the terms of the arrangement, AGF estimates that the transaction will result in total cash and equity proceeds of approximately £193.2 million (approximately C\$320 million²), excluding one-time expenses and subject to closing adjustments, compared to an estimated book value at closing of \$137.5 million. The transaction is anticipated to close early 2020, subject to regulatory approvals.
- AGF filed final prospectuses for the launch of three liquid alternative funds in Canada: AGFiQ US Market Neutral Anti-Beta CAD-Hedged ETF, AGFiQ US Long/Short Dividend Income CAD-Hedged ETF, and AGFiQ US Long/Short Dividend Income CAD-Hedged Fund. These products will be available to Canadian investors in October.
- AGF continued to experience growth across our suite of U.S. liquid alternative ETFs. This growth is a reflection of AGF's uniquely positioned suite of solutions, including an anti-beta market neutral U.S. equity strategy to meet investor demand for diversification and non-correlated returns to cushion against anticipated market volatility.
- To support AGF's digital growth strategy, AGF announced this quarter the delivery of an interactive tool to equip its business development teams with portfolio stress testing, risk analytics and comprehensive investment proposals for use across a range of clients and regions, including financial advisors and institutional investors.
- AGF is a signatory to the United Nations supported Principles for Responsible Investment (PRI) as a sustaining member of the Responsible Investment Association. In PRI's 2019 Assessment Report, AGF maintained its overall "Strategy and Governance" score of 'A+', and its overall score of 'A' under "Incorporation under listed Equity".

As at August 31, 2019, 22% (2018 – 31%) of our AUM was above median over one year and 13% (2018 – 18%) of our AUM was above median over three years. After the current quarter, the Company will no longer be disclosing AUM above median. AGF has historically compared its trailered mutual funds to the population of competing funds. With the proliferation of non-trailer versions of mutual funds and their inclusion in above median data sets, the metric is no longer relevant and AGF will consider alternate approaches in coming quarters.

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.

² Canadian dollar figure assumes an exchange rate of 1.6542.

Assets Under Management

(in millions of Canadian dollars)	Three months ended				
	August 31, 2019	May 31, 2019	February 28, 2019	November 30, 2018	August 31, 2018
Mutual fund AUM (including retail pooled funds), ¹ beginning of the period	\$ 18,725	\$ 19,028	\$ 18,713	\$ 19,401	\$ 19,118
Gross sales	492	560	514	718	594
Redemptions	(595)	(1,058)	(618)	(607)	(603)
Net sales (redemptions)	(103)	(498)	(104)	111	(9)
Market appreciation (depreciation) of fund portfolios	\$ 217	\$ 195	\$ 419	\$ (799)	\$ 292
Mutual fund AUM (including retail pooled funds), ¹ end of the period	\$ 18,839	\$ 18,725	\$ 19,028	\$ 18,713	\$ 19,401
Average daily mutual fund AUM ¹	\$ 18,244	\$ 18,497	\$ 17,762	\$ 18,382	\$ 18,788
Institutional, sub-advisory and ETF accounts AUM, beginning of period	\$ 11,712	\$ 12,023	\$ 12,475	\$ 12,694	\$ 12,823
Net change in institutional, sub-advisory and ETF accounts, including market performance	(1,321)	(311)	(452)	(219)	(129)
Institutional, sub-advisory and ETF accounts AUM, end of the period	\$ 10,391	\$ 11,712	\$ 12,023	\$ 12,475	\$ 12,694
Private client AUM	\$ 5,778	\$ 5,722	\$ 5,633	\$ 5,513	\$ 5,714
Subtotal before Private Alternative AUM, end of the period	\$ 35,008	\$ 36,159	\$ 36,684	\$ 36,701	\$ 37,809
Private Alternative AUM ²	\$ 2,413	\$ 2,179	\$ 2,140	\$ 1,011	\$ 1,009
Total AUM, including Private Alternative AUM, end of the period	\$ 37,421	\$ 38,338	\$ 38,824	\$ 37,712	\$ 38,818

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

² Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is \$208.8 million, of which \$119.8 million has been funded as at August 31, 2019.

Consolidated Operating Results

(in millions of Canadian dollars, except per share data)	Three months ended			Nine months ended	
	August 31, 2019 ¹	May 31, 2019 ¹	August 31, 2018	August 31, 2019 ¹	August 31, 2018
Income					
Management, advisory and administration fees	\$ 95.5	\$ 99.2	\$ 104.7	\$ 285.6	\$ 313.5
Deferred sales charges	1.8	1.9	1.6	5.3	4.9
Share of profit of associate and joint ventures	5.9	6.6	7.1	17.0	17.4
Fair value adjustments and other income	4.2	2.1	3.1	14.3	5.8
	107.4	109.8	116.5	322.2	341.6
Expenses					
Selling, general and administrative	47.3	48.6	51.0	143.9	159.3
Restructuring provision	–	–	–	14.4	5.2
Trailing commissions	30.6	31.3	32.6	90.8	96.9
Investment advisory fees	0.5	0.7	0.7	1.9	2.5
	78.4	80.6	84.3	251.0	263.9
EBITDA before commission from continuing operations²					
Deferred selling commissions	9.5	12.2	–	32.8	–
Amortization, derecognition and depreciation ¹	1.1	1.1	10.6	3.3	29.9
Interest expense ³	1.5	1.8	1.8	5.3	2.6
Income before income taxes	16.9	14.1	19.8	29.8	45.2
Income tax expense (benefit) ⁴	2.5	2.6	(0.9)	4.1	(13.0)
Income, net of tax	14.4	11.5	20.7	25.7	58.2
Net income attributable to:					
Equity owners of the Company	\$ 14.4	\$ 11.5	\$ 20.7	\$ 25.7	\$ 59.1
Non-controlling interest	–	–	–	–	(0.9)
	14.4	11.5	20.7	25.7	58.2
Earnings per share attributable to equity owners of the Company					
Basic earnings per share	\$ 0.18	\$ 0.15	\$ 0.26	\$ 0.33	\$ 0.74
Diluted earnings per share	\$ 0.18	\$ 0.14	\$ 0.26	\$ 0.32	\$ 0.73

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

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

³ Nine months ended August 31, 2018 includes \$2.2 million reversal of interest expense related to the transfer pricing case.

⁴ Nine months ended August 31, 2019 includes a \$3.1 million tax benefit related to the restructuring provision. Three and nine months ended August 31, 2018 include a reversal of tax provision related to the transfer pricing case of \$4.5 million and \$21.9 million.

One-time Adjustments

(in millions of Canadian dollars, except per share data)	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
EBITDA before commissions from continuing operations ¹	\$ 29.0	\$ 29.2	\$ 32.2	\$ 71.2	\$ 77.7
Add (deduct):					
One-time restructuring costs	–	–	–	14.4	5.2
Adjusted EBITDA before commissions from continuing operations ¹	\$ 29.0	\$ 29.2	\$ 32.2	\$ 85.6	\$ 82.9
Net income from continuing operations attributable to equity owners of the Company	\$ 14.4	\$ 11.5	\$ 20.7	\$ 25.7	\$ 59.1
Add (deduct):					
Adjustments to EBITDA before commissions from above	–	–	–	14.4	5.2
One-time interest expense recovery related to the transfer pricing case	–	–	–	–	(2.2)
One-time net recovery related to transfer pricing provision	–	–	(4.5)	–	(21.9)
Tax impact on the adjustments to EBITDA before commissions above	–	–	–	(3.1)	(1.4)
Adjusted net income from continuing operations attributable to equity owners of the company ¹	\$ 14.4	\$ 11.5	\$ 16.2	\$ 37.0	\$ 38.8
Adjusted diluted EPS ¹	\$ 0.18	\$ 0.14	\$ 0.20	\$ 0.46	\$ 0.48

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

Adoption of IFRS 15 Revenue from Contracts with Customers

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

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

Nine months ended (in millions of Canadian dollars, except per share data)	August 31, 2019		August 31, 2018		
	IFRS 15		IAS 18	Adjustments	IFRS 15
Total income ¹	\$ 322.2	\$	341.6	\$ (9.2)	\$ 332.4
Expenses					
Selling, general and administration ¹	143.9		159.3	(9.2)	150.1
Restructuring provision	14.4		5.2	–	5.2
Trailing commissions	90.8		96.9	–	96.9
Investment advisory fees	1.9		2.5	–	2.5
EBITDA before commissions from continuing operations	71.2		77.7	–	77.7
Deferred selling commissions	32.8		–	31.1	31.1
Amortization, derecognition and depreciation	3.3		29.9	(26.3)	3.6
Interest expense	5.3		2.6	–	2.6
Income before income taxes	29.8		45.2	(4.8)	40.4
Income tax expense (benefit)	4.1		(13.0)	(1.3)	(14.3)
Net income for the period	\$ 25.7	\$	58.2	\$ (3.5)	\$ 54.7
Add (deduct) one-time adjustments ²	11.3		(20.3)	–	(20.3)
Adjusted net income for the period	37.0		37.9	(3.5)	34.4
Adjusted net income (loss) attributable to:					
Equity owners of the Company	\$ 37.0	\$	38.8	\$ (3.5)	\$ 35.3
Non-controlling interest	–		(0.9)	–	(0.9)
	\$ 37.0	\$	37.9	\$ (3.5)	\$ 34.4
Adjusted earnings (loss) per share attributable to equity owners of the company:					
Basic earnings per share	\$ 0.47	\$	0.49	\$ (0.04)	\$ 0.45
Diluted earnings per share	\$ 0.46	\$	0.48	\$ (0.04)	\$ 0.44

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

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

Income

For the three and nine months ended August 31, 2019, income decreased by 7.8% and 5.7% over the previous year, with changes in the categories as follows:

Management, Advisory and Administration Fees

Management, advisory and administration fees are directly related to our AUM levels. Administration fees prior to October 1, 2018 were related to the number of client accounts and transactions incurred. Management, advisory and administration fees are recognized on an accrual basis as the service is performed. For the three and nine months ended August 31, 2019, management, advisory and administration fees were \$95.5 million and \$285.6 million compared to \$104.7 million and \$313.5 million in 2018. Management fees for the three and nine months ended August 31, 2019 include \$2.9 million and \$8.3 million in fee waivers and expenses reimbursed to the funds or paid on the funds' behalf, due to the adoption of IFRS 15. Previously, these expenses were shown as part of SG&A. The remainder of the decrease relates to a lower revenue rate resulting from a trend towards lower fee earning AUM, price reductions in 2018, and an expansion in the lowest fee series.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 1.5% to 5.5%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenue was \$1.8 million and \$5.3 million for the three and nine months ended August 31, 2019, compared to \$1.6 million and \$4.9 million for the same periods in 2018.

Share of Profit of Associate and Joint Ventures

Share of profit of associate and joint ventures includes earnings from S&WHL as well as our ownership interest in infrastructure joint ventures. These investments are accounted for under the equity method.

On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney. Effective September 19, 2019, the long-term investment in S&WHL will be classified as 'held for sale' and equity accounting will cease. During the period between September 19, 2019 and the close of the transaction, any dividends received will be recorded as income and foreign exchange revaluation on the carrying value of S&WHL will be recorded through other comprehensive income. Note 21 in the three and nine months ended August 31, 2019 Condensed Consolidation Interim Financial Statements provides more information regarding the merger.

Share of profit of associates and joint ventures was \$5.9 million and \$17.0 million for the three and nine months ended August 31, 2019, compared to \$7.1 million and \$17.4 million during the same periods in 2018.

For the three and nine months ended August 31, 2019, earnings from our 33.6% ownership in S&WHL were \$5.8 million and \$16.8 million (2018 – \$7.0 million and \$17.1 million).

During the three and nine months ended August 31, 2019, the Company committed to purchase 258,843 and 1,175,105 shares of S&WHL, pending regulatory approval. In September 2019, the Company received regulatory approval and purchased an additional 1,175,105 shares of S&WHL for cash consideration of \$14.8 million (£9.0 million).

For the three and nine months ended August 31, 2019, earnings related to our ownership in the joint ventures that manage our infrastructure funds were \$0.1 million and \$0.2 million (2018 – \$0.1 million and \$0.3 million). Earnings from joint ventures depends on the level of fee-earning commitments, invested capital and its expense levels. For additional information, see Note 5(b) of the Condensed Consolidated Interim Financial Statements.

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

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Share of profit of S&WHL	\$ 5.8	\$ 6.5	\$ 7.0	\$ 16.8	\$ 17.1
Share of profit of joint ventures ¹	0.1	0.1	0.1	0.2	0.3
	\$ 5.9	\$ 6.6	\$ 7.1	\$ 17.0	\$ 17.4

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

Fair Value Adjustments and Other Income

Fair value adjustments and other income include mark to market adjustments related to AGF mutual funds that are held as seed capital investments and fair value adjustments and distributions associated with our long-term investments. Long-term investments include investments in our private alternative business, which are accounted for at fair value through profit or loss. During the three and nine months ended August 31, 2019, we recorded \$3.9 million and \$12.8 million (2018 – \$3.2 million and \$4.7 million) as fair value adjustments and income distributions related to our economic interest in the investments in our private alternative business. The amounts recorded as income fluctuate primarily with the amount of capital invested, monetization of investments, and changes in fair value.

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Fair value adjustment related to investment in AGF mutual funds	\$ 0.2	\$ 0.1	\$ 0.1	\$ 0.6	\$ 0.2
Fair value adjustment and distributions related to long-term investments	3.9	1.7	3.2	12.8	4.7
Interest income ¹	0.2	0.1	0.1	0.5	1.8
Other	(0.1)	0.2	(0.3)	0.4	(0.9)
	\$ 4.2	\$ 2.1	\$ 3.1	\$ 14.3	\$ 5.8

¹ Nine months ended August 31, 2018 includes \$1.4 million related to interest income related to the transfer pricing case.

Expenses

For the three and nine months ended August 31, 2019, expenses decreased 7.0% and 4.9% from the same periods in 2018. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A decreased by \$3.7 million and \$15.4 million or 7.3% and 9.7% for the three and nine months ended August 31, 2019, compared to the same periods in 2018. Excluding the adoption of IFRS 15 in 2019, SG&A increased by \$0.2 million and decreased by \$6.2 million or 0.4% and 4.0% for the three and nine months ended August 31, 2019, compared to the same periods in 2018.

A breakdown of the decrease is as follows:

(in millions of Canadian dollars)	Three months ended August 31, 2019	Nine months ended August 31, 2019
Increase (decrease) in compensation expenses	\$ 0.4	\$ (2.4)
Decrease in other expenses	(0.2)	(3.8)
SG&A increase (decrease) before IFRS 15	\$ 0.2	\$ (6.2)
IFRS 15	(3.9)	(9.2)
Total change in SG&A	\$ (3.7)	\$ (15.4)

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

- Salaries and benefits increased by \$0.4 million and decreased by \$2.4 million. The decrease in the nine months ended August 31, 2019 was due to lower headcount attributed to cost reductions.
- As a result of the adoption of IFRS 15 on December 1, 2018, fee waivers and expenses reimbursed to the funds or paid on the funds' behalf that were previously recognized in SG&A are now recognized and classified as a reduction in management fee revenue.

Restructuring Provision

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

Trailing Commissions

Trailing commissions paid to distributors depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed-income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM was 0.67% and 0.67% for the three and nine months ended August 31, 2019, compared to 0.69% and 0.69% for the same periods in 2018. The decrease is primarily attributable to the impact of a series mix change that occurred in the second half of 2018.

EBITDA Before Commissions and EBITDA Before Commissions Margin (Non-IFRS Measures)

EBITDA before commissions was \$29.0 million and \$71.2 million for the three and nine months ended August 31, 2019, compared to \$32.2 million and \$77.7 million for the same periods in 2018. EBITDA before commissions margin was 27.0% and 22.1% for the three and nine months ended August 31, 2019, compared to 27.6% and 22.7% in the corresponding periods in 2018. Adjusted EBITDA before commissions was \$29.0 million and \$85.6 million for the three and nine months ended August 31, 2019 compared to \$32.2 million and \$82.9 million for the same periods in 2018. Adjusted EBITDA before commissions margin was 27.0% and 26.6% for the three and nine months ended August 31, 2019, compared to 27.6% and 24.3% in the corresponding periods in 2018.

Deferred Selling Commissions

Effective December 1, 2018, following the adoption of IFRS 15, deferred selling commissions are expensed on an accrual basis. In previous periods, these selling commissions were capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. For the three and nine months ended August 31, 2019, deferred selling commissions expense was \$9.5 million and \$32.8 million (2018 – nil and nil). Note 3 in the three and nine months ended August 31, 2019 Condensed Consolidated Interim Financial Statements provides more information regarding the new accounting standard. During the nine months ended August 31, 2019, deferred selling commissions expense increased \$1.7 million compared to the prior year due to a higher proportion of DSC paying assets.

Amortization and Interest Expense

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

Customer contracts amortization and derecognition decreased by \$0.1 million and \$0.3 million for the three and nine months ended August 31, 2019, compared to the same periods in 2018. Customer contracts are immediately expensed upon redemption of the AUM.

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

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

Interest expense decreased \$0.3 million for the three months ended August 31, 2019 and increased \$2.7 million for the nine months ended August 31, 2019, compared to the same period in 2018. The decrease for the nine months ended August 31, 2019 was a result of a reversal of \$2.2 million in interest related to the transfer pricing case during the nine months ended August 31, 2018.

Income Tax Expense

Income tax expense for the three and nine months ended August 31, 2019 was \$2.5 million and \$4.1 million, compared to a recovery of \$0.9 million and \$13.0 million in the corresponding periods in 2018. The effective tax rate for the nine months ended August 31, 2019 was 13.7% (2018 – recovery of 28.7%).

During the nine months ended August 31, 2019, the company recorded a tax benefit of \$3.1 million related to the restructuring provision. In the corresponding period in 2018, the Company recorded a tax contingencies recovery of \$21.9 million with respect to the Canada Revenue Agency (CRA) transfer pricing audit.

Excluding the restructuring provision and the related tax benefit of \$3.1 million, the estimated effective tax rate for the nine months ended August 31, 2019 was 16.3% (2018 – 20.6%, excluding the transfer pricing tax contingencies).

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

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

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

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

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

(b) CRA Audit – Transfer Pricing

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

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

The transfer pricing issue is resolved. During the quarter ended August 31, 2019, the Company received \$2.6 million of refund (including \$0.3 million of interest) from the CRA. The Company expects to receive a further refund of approximately \$1.2 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position.

Net Income

The impact of the above income and expense items resulted in net income attributable to the equity owners of the Company of \$14.4 million and \$25.7 million for the three and nine months ended August 31, 2019 as compared to net income attributable to the equity owners of the Company of \$20.7 million and \$59.1 million in the corresponding periods in 2018. Adjusting for the one-time restructuring costs and related tax benefit of \$11.3 million that occurred during the nine months ended August 31, 2019, net income attributable to the equity owners of the Company was \$14.4 million and \$37.0 million for the three and nine months ended August 31, 2019. Adjusting for the one-time net recoveries of \$4.5 million and \$20.3 million that occurred in the corresponding periods in 2018, net income attributable to the equity owners of the Company was \$16.2 million and \$38.8 million.

Earnings per Share

Diluted earnings per share, which includes one-time items, was \$0.18 and \$0.32 for the three and nine months ended August 31, 2019, as compared to earnings of \$0.26 and \$0.73 per share in the corresponding periods of 2018. Adjusted diluted earnings per share was \$0.18 and \$0.46 per share for the three and nine months ended August 31, 2019, as compared to earnings of \$0.20 and \$0.48 per share in the corresponding periods of 2018.

Liquidity and Capital Resources

As at August 31, 2019, the Company had total cash and cash equivalents of \$28.1 million (November 30, 2018 – \$46.8 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated was \$9.7 million and \$34.4 million for the three and nine months ended August 31, 2019, compared to \$12.8 million and \$25.3 million in the comparative prior periods. During the nine months ended August 31, 2019, we used \$18.7 million (2018 – \$7.1 million generated) in cash as follows:

(in millions of Canadian dollars)		
Nine months ended	August 31, 2019	August 31, 2018
Net cash provided by operating activities less amounts received from (paid to) CRA in relation to ongoing tax matters	\$ 38.7	\$ 16.1
Received from CRA in relation to transfer pricing settlement process and other tax contingency	2.4	17.8
Repurchase of shares under normal course issuer bid and purchase of treasury stock for employee benefit trust (EBT)	–	(7.2)
Dividends paid	(18.7)	(18.9)
Issuance (repayment) of long-term debt	(30.0)	30.0
Interest paid	(5.3)	(4.3)
Purchase of long-term investments, net of return on capital	(14.7)	(26.9)
Net proceeds from sale of short-term investments, including seed capital	9.3	4.3
Other	(0.4)	(3.8)
Change in cash and cash equivalents	\$ (18.7)	\$ 7.1

The Company's working capital decreased \$44.5 million for the nine months ended August 31, 2019, primarily due to the repayment to the loan facility.

Total long-term debt outstanding at August 31, 2019 was \$158.9 million (November 30, 2018 – \$188.6 million). The Company's revolving credit facility has a maximum aggregate principal amount of \$320.0 million and includes a \$10.0 million swingline facility commitment. As at August 31, 2019, \$154.9 million was available to be drawn from the revolving credit facility and swingline facility commitment. The loan facility will be available to meet future operational and investment needs. We anticipate that cash balances and cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, fund our private alternative asset management platform commitments, finance selling commissions, satisfy regulatory and tax requirements, service debt repayment obligations, pay quarterly dividends, and fund any future share buybacks.

Capital Management Activities

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

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

AGF capital consists of shareholders' equity and long-term debt. The Company reviews its three-year capital plan annually while detailing projected operating budgets and capital requirements. AGF is required to submit this plan to AGF's Executive Management Committee for approval prior to seeking Board approval. AGF's Executive Management Committee consists of the Executive Chairman, Chief Executive Officer and Chief Investment Officer, President and Chief Administration

Officer, Senior Vice-President and CFO, and Chief Operating Officer. Once approved by the Executive Management Committee, the three-year plans are reviewed and approved by AGF's Board of Directors. These plans become the basis for the payment of dividends to shareholders, the repurchase of Class B Non-Voting shares and, combined with the reasonable use of leverage, the source of funds for expansion through organic growth and strategic investments.

Normal Course Issuer Bid

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

- Between February 6, 2019 and February 5, 2020, up to 5,980,078 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX); and
- Between February 6, 2018 and February 5, 2019, up to 6,124,051 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX).

During the three and nine months ended August 31, 2019 AGF did not repurchase shares for cancellation under its NCIB. During the three and nine months ended August 31, 2018, AGF repurchased 385,400 shares for cancellation for a total consideration of \$2.6 million at an average price of \$6.69 per share.

During the three and nine months ended August 31, 2019, AGF did not purchase Class B Non-Voting shares for the EBT. During the three and nine months ended August 31, 2018, AGF purchased 330,900 and 696,196 Class B Non-Voting shares for EBT for a total consideration of \$2.2 million and \$4.7 million at an average price of \$6.53 and \$6.70 per share.

Dividends

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

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

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

Years ended November 30	2019 ¹	2018	2017	2016	2015
Per share	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.32	\$ 0.51

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

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on July 18, 2019 was \$0.08 per share.

On September 24, 2019, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of \$0.08 per share in respect of the three months ended August 31, 2019.

Outstanding Share Data

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

	August 31, 2019	August 31, 2018
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	78,792,553	78,846,276
Stock Options		
Outstanding options	7,234,471	7,232,219
Exercisable options	4,945,666	4,300,509

Key Performance Indicators, Additional IFRS and Non-IFRS Measures

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

Income

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

We derive our income principally from a combination of:

- Management and advisory fees directly related to AUM from our retail, institutional and private client lines of businesses,
- Effective October 1, 2018, fund administration fees are based on a fixed transfer agency administration fee. Prior to October 1, 2018, fund administration fees based on the number of client accounts and transactions incurred,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 33.6% equity interest in S&WHL, and
- General partnership interest and long-term investments in the private alternative asset management platform.

EBITDA Before Commissions and Adjusted EBITDA Before Commissions

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

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

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

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Income from continuing operation, net of tax	\$ 14.4	\$ 11.5	\$ 20.7	\$ 25.7	\$ 58.2
Adjustments:					
Deferred selling commissions	9.5	12.2	–	32.8	–
Amortization, derecognition and depreciation	1.1	1.1	10.6	3.3	29.9
Interest expense (income) ¹	1.5	1.8	1.8	5.3	2.6
Income tax expense (benefit) ^{2,3}	2.5	2.6	(0.9)	4.1	(13.0)
EBITDA before commissions	\$ 29.0	\$ 29.2	\$ 32.2	\$ 71.2	\$ 77.7
Other one-time adjustments:					
One-time restructuring costs	\$ –	\$ –	\$ –	\$ 14.4	\$ 5.2
Adjusted EBITDA before commissions	\$ 29.0	\$ 29.2	\$ 32.2	\$ 85.6	\$ 82.9

¹ Nine months ended August 31, 2018 includes a \$2.2 million interest recovery related to the transfer pricing case.

² Nine months ended August 31, 2019 includes a \$3.1 million tax benefit related to the restructuring provision.

³ Three and nine months ended August 31, 2018 include \$4.5 million and \$21.9 million provision release related to the transfer pricing case, respectively.

Free Cash Flow

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

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Net income for the period	\$ 14.4	\$ 11.5	\$ 20.7	\$ 25.7	\$ 58.2
Adjusted for non-cash items and non-cash working capital balances	7.4	14.9	(0.9)	15.4	(24.3)
Net cash provided by (used in) operating activities	\$ 21.8	\$ 26.4	\$ 19.8	\$ 41.1	\$ 33.9
Adjusted for:					
Net changes in non-cash working capital balances related to operations	(5.9)	(15.4)	(3.6)	(12.3)	10.3
Taxes paid (received) related to transfer pricing audit and other tax contingencies	(2.4)	–	–	(2.4)	(17.8)
Interest paid	(1.7)	(1.7)	(1.7)	(5.3)	(4.3)
Prior years' cash taxes paid (refunded) and anticipated cash taxes to be refunded (paid) related to current year	(2.1)	(1.1)	(1.7)	2.0	3.2
Restructuring provision, net of anticipated cash tax to be refunded	–	–	–	11.3	–
Free cash flow	\$ 9.7	\$ 8.2	\$ 12.8	\$ 34.4	\$ 25.3

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.

	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
(in millions of Canadian dollars)					
EBITDA before commissions	\$ 29.0	\$ 29.2	\$ 32.2	\$ 71.2	\$ 77.7
Divided by income	107.4	109.8	116.5	322.2	341.6
EBITDA before commissions margin	27.0%	26.6%	27.6%	22.1%	22.7%

Adjusted EBITDA Before Commissions Margin

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

	Three months ended			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
(in millions of Canadian dollars)					
Adjusted EBITDA before commissions	\$ 29.0	\$ 29.2	\$ 32.2	\$ 85.6	\$ 82.9
Divided by adjusted income	107.4	109.8	116.5	322.2	341.6
Adjusted EBITDA before commissions margin	27.0%	26.6%	27.6%	26.6%	24.3%

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			Nine months ended	
	August 31, 2019	May 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
(in millions of Canadian dollars)					
Net debt	\$ 130.8	\$ 130.7	\$ 135.7	\$ 130.8	\$ 135.7
Divided by adjusted EBITDA before commissions (12-month trailing)	114.2	122.6	116.0	114.2	116.0
Net debt to adjusted EBITDA before commissions ratio	114.6%	106.6%	117.0%	114.6%	117.0%

Assets Under Management

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

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2018 Annual MD&A.

Net Sales (Redemptions)

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

Market Capitalization

AGF's market capitalization is \$443.4 million as compared to its recorded net assets of \$903.7 million as at August 31, 2019. In 2018, we completed an assessment to determine the fair value of AGF's cash-generating units (CGUs). Based on the result of the assessment, the recoverable amount of each CGU exceeded its carrying value as at November 30, 2018. There have been no significant changes to the recoverable amount of each CGU as at August 31, 2019. Estimating the fair value of CGUs is a subjective process that involves the use of estimates and judgements, particularly related to cash flows, the appropriate discount rates, terminal growth rates, synergy inclusion rates and an applicable control premium.

Managing Risk

AGF is subject to a number of risk factors that may impact our operating and financial performance. These risks and the management of these risks are detailed in our 2018 Annual MD&A in the section entitled 'Risk Factors and Management of Risk'.

Regulatory Risk

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

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes in AGF's internal controls during the three and nine months ended August 31, 2019 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three and nine months ended August 31, 2019, the Company's 2018 Annual Information Form (AIF) and Annual Report, and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

AGF Management Limited
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three and nine months ended August 31, 2019 and 2018



AGF Management Limited
Consolidated Interim Statement of Financial Position

(unaudited) (in thousands of Canadian dollars)	Note	August 31, 2019	November 30, 2018
Assets			
Current Assets			
Cash and cash equivalents		\$ 28,057	\$ 46,791
Investments	3, 4	20,252	28,912
Accounts receivable, prepaid expenses and other assets	5	41,498	52,910
Income tax receivable	15, 20	4	415
		89,811	129,028
Investment in associate and joint ventures	5	125,298	117,295
Long-term investments	5	117,214	105,377
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition		260	675
Goodwill		250,830	250,830
Other intangibles, net of accumulated amortization and derecognition		790	863
Deferred selling commissions, net of accumulated amortization and derecognition	3	–	96,085
Property, equipment and computer software, net of accumulated depreciation		9,464	11,012
Deferred income tax assets		3,420	1,646
Income tax receivable	15, 20	13,919	13,919
Other assets		1,354	1,192
Total assets		\$ 1,302,119	\$ 1,417,681
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7, 14	\$ 78,871	\$ 73,317
Provision for Elements Advantage		693	948
		79,564	74,265
Long-term debt	8	158,927	188,605
Deferred income tax liabilities		152,108	173,371
Provision for Elements Advantage		736	721
Other long-term liabilities	14	7,115	8,296
Total liabilities		398,450	445,258
Equity			
Equity attributable to owners of the Company			
Capital stock	9	477,640	474,319
Contributed surplus	14	39,428	41,277
Retained earnings	3, 6	382,661	447,060
Accumulated other comprehensive income	10	3,940	9,767
Total equity		903,669	972,423
Total liabilities and equity		\$ 1,302,119	\$ 1,417,681

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

AGF Management Limited
Consolidated Interim Statement of Income

(unaudited)		Three months ended	
(in thousands of Canadian dollars, except per share data)	Note	August 31, 2019	August 31, 2018
Income			
Management, advisory and administration fees	3	\$ 95,486	\$ 104,698
Deferred sales charges		1,738	1,560
Share of profit of associate and joint ventures	5	5,909	7,103
Fair value adjustments and other income	5, 11	4,228	3,159
		107,361	116,520
Expenses			
Selling, general and administrative	3, 12, 18	47,271	50,992
Trailing commissions		30,569	32,629
Investment advisory fees		463	720
Deferred selling commissions	3	9,534	–
Amortization and derecognition of deferred selling commissions	3	–	9,424
Amortization and derecognition of customer contracts		80	201
Amortization and derecognition of other intangibles		24	65
Depreciation of property, equipment and computer software		950	916
Interest expense		1,508	1,749
		90,399	96,696
Income before income taxes		16,962	19,824
Income tax expense (benefit)			
Current	15	1,383	(2,150)
Deferred	3, 15	1,152	1,300
		2,535	(850)
Net income for the period		\$ 14,427	\$ 20,674
Net income attributable to:			
Equity owners of the Company		\$ 14,427	\$ 20,674
		\$ 14,427	\$ 20,674
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	16	\$ 0.18	\$ 0.26
Diluted earnings per share	16	\$ 0.18	\$ 0.26

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

AGF Management Limited
Consolidated Interim Statement of Income

(unaudited)		Nine months ended	
(in thousands of Canadian dollars, except per share data)	Note	August 31, 2019	August 31, 2018
Income			
Management, advisory and administration fees	3	\$ 285,631	\$ 313,530
Deferred sales charges		5,245	4,916
Share of profit of associate and joint ventures	5	17,014	17,394
Fair value adjustments and other income	5, 11	14,271	5,819
		322,161	341,659
Expenses			
Selling, general and administrative	3, 12	143,902	159,311
Restructuring provision	13	14,361	5,225
Trailing commissions		90,850	96,938
Investment advisory fees		1,862	2,527
Deferred Selling Commissions	3	32,833	–
Amortization and derecognition of deferred selling commissions	3	–	26,290
Amortization and derecognition of customer contracts		416	669
Amortization and derecognition of other intangibles		72	186
Depreciation of property, equipment and computer software		2,797	2,702
Interest expense		5,312	2,571
		292,405	296,419
Income before income taxes		29,756	45,240
Income tax expense (benefit)			
Current	15	1,590	(16,259)
Deferred	3, 15	2,471	3,257
		4,061	(13,002)
Net income for the period		\$ 25,695	\$ 58,242
Net income (loss) attributable to:			
Equity owners of the Company		\$ 25,695	\$ 59,173
Non-controlling interest	6	–	(931)
		\$ 25,695	\$ 58,242
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	16	\$ 0.33	\$ 0.74
Diluted earnings per share	16	\$ 0.32	\$ 0.73

(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		Nine months ended	
(in thousands of Canadian dollars)	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Net income for the period	\$ 14,427	\$ 20,674	\$ 25,695	\$ 58,242
Other comprehensive income (loss), net of tax				
Cumulative translation adjustment				
Foreign currency translation adjustments related to net investments in foreign operations	(6,547)	(1,860)	(5,865)	(3,026)
Net unrealized and realized gains on investments	(6,547)	(1,860)	(5,865)	(3,026)
Unrealized gains	38	128	38	506
Total other comprehensive loss, net of tax	\$ (6,509)	\$ (1,732)	\$ (5,827)	\$ (2,520)
Comprehensive income	\$ 7,918	\$ 18,942	\$ 19,868	\$ 55,722
Comprehensive income (loss) attributable to:				
Equity owners of the Company	\$ 7,918	\$ 18,942	\$ 19,868	\$ 56,653
Non-controlling interest	-	-	-	(931)
Net comprehensive income	\$ 7,918	\$ 18,942	\$ 19,868	\$ 55,722

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 Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2017	\$ 478,883	\$ 40,453	\$ 405,345	\$ 12,076	\$ 936,757	\$ (2,538)	\$ 934,219
Net income (loss) for the period	–	–	59,173	–	59,173	(931)	58,242
Other comprehensive income (net of tax)	–	–	–	(2,520)	(2,520)	–	(2,520)
Comprehensive income (loss) for the year	–	–	59,173	(2,520)	56,653	(931)	55,722
Issued through dividend reinvestment plan	227	–	–	–	227	–	227
Stock options	1,876	558	–	–	2,434	–	2,434
AGF Class B Non-Voting shares repurchased for cancellation	(2,338)	–	(240)	–	(2,578)	–	(2,578)
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of \$0.1 million	–	–	(19,336)	–	(19,336)	–	(19,336)
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(1,301)	–	–	(1,301)	–	(1,301)
Treasury stock purchased	(4,663)	–	–	–	(4,663)	–	(4,663)
Treasury stock released	3,890	–	–	–	3,890	–	3,890
Increase in ownership of subsidiary (Note 6)	–	–	(6,897)	–	(6,897)	3,469	(3,428)
Balance, August 31, 2018	\$ 477,875	\$ 39,710	\$ 438,045	\$ 9,556	\$ 965,186	\$ –	\$ 965,186
Balance, November 30, 2018	\$ 474,319	\$ 41,277	\$ 447,060	\$ 9,767	\$ 972,423	\$ –	\$ 972,423
Change in accounting policy (Note 3)							
IFRS 9	–	–	(321)	–	(321)	–	(321)
IFRS 15	–	–	(70,606)	–	(70,606)	–	(70,606)
Balance, December 1, 2018	474,319	41,277	376,133	9,767	901,496	–	901,496
Net income for the period	–	–	25,695	–	25,695	–	25,695
Other comprehensive loss (net of tax)	–	–	–	(5,827)	(5,827)	–	(5,827)
Comprehensive income (loss) for the period	–	–	25,695	(5,827)	19,868	–	19,868
Issued through dividend reinvestment plan	246	–	–	–	246	–	246
Stock options	682	198	–	–	880	–	880
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of \$0.3 million	–	–	(19,167)	–	(19,167)	–	(19,167)
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,047)	–	–	(2,047)	–	(2,047)
Treasury stock released	2,393	–	–	–	2,393	–	2,393
Balance, August 31, 2019	\$ 477,640	\$ 39,428	\$ 382,661	\$ 3,940	\$ 903,669	\$ –	\$ 903,669

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

AGF Management Limited
Consolidated Interim Statement of Cash Flow

(unaudited)		Nine months ended	
(in thousands of Canadian dollars)	Note	August 31, 2019	August 31, 2018
Operating Activities			
Net income for the period		\$ 25,695	\$ 58,242
Adjustments for			
Amortization, derecognition and depreciation	3	3,285	29,847
Interest expense		5,312	2,571
Income tax expense (benefit)	15	4,061	(13,002)
Income taxes refunded (paid)		(1,440)	8,889
Stock-based compensation	14	3,964	3,564
Share of profit of associate and joint ventures	5	(17,014)	(17,394)
Distributions from associate	5	2,798	2,882
Deferred selling commissions paid	3	–	(30,896)
Fair value adjustment on long-term investments	5	2,866	(577)
Net realized and unrealized gain on short-term investments		(611)	(133)
Other		(74)	197
		28,842	44,190
Net change in non-cash working capital balances related to operations			
Accounts receivable and other current assets		11,209	(5,979)
Other assets		(161)	(1,155)
Accounts payable and accrued liabilities		2,268	581
Other liabilities		(1,018)	(3,772)
		12,298	(10,325)
Net cash provided by operating activities		41,140	33,865
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	9	–	(2,578)
Issue of Class B Non-Voting shares	9	682	1,876
Purchase of treasury stock	9	–	(4,663)
Dividends paid	17	(18,657)	(18,864)
Issuance (repayment) of long-term debt	8	(30,000)	30,000
Interest paid		(5,254)	(4,292)
Net cash provided by (used in) financing activities		(53,229)	1,479
Investing Activities			
Increase in ownership interest in other investment	6	–	(3,325)
Purchase of long-term investments	5	(41,364)	(31,301)
Return of capital from long-term investments	5	26,661	4,395
Purchase of property, equipment and computer software, net of disposals		(1,249)	(2,319)
Purchase of short-term investments	4	(10,354)	(3,450)
Proceeds from sale of short-term investments	4	19,661	7,771
Net cash used in investing activities		(6,645)	(28,229)
Increase (decrease) in cash and cash equivalents		(18,734)	7,115
Balance of cash and cash equivalents, beginning of the period		46,791	25,842
Balance of cash and cash equivalents, end of the period		\$ 28,057	\$ 32,957

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

Notes to Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2019 and August 31, 2018 (unaudited)

Note 1: General Information

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

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 24, 2019.

Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The accounting policies in these condensed consolidated interim financial statements reflect the adoption of IFRS 9 and 15 and are otherwise consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2018. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2018, which have been prepared in accordance with IFRS as issued by the IASB. Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation in the current year.

Note 3: Changes in Accounting Policies

(a) Adoption of New and Revised Accounting Standards

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

IFRS 9 Financial Instruments:

The Company has adopted IFRS 9 Financial Instruments (IFRS 9), which replaces IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In addition, the IASB introduced an expected credit loss impairment model, which applies to all financial instruments and requires more timely recognition of expected credit losses.

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

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

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

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

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

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

The following is the new accounting policy under IFRS 9:

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

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

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

i. Fair Value through Profit or Loss

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

ii. Fair Value through Other Comprehensive Income

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

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

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

iii. Amortized Cost

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

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

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

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

IFRS 15 Revenue from Contracts with Customers:

The Company has adopted IFRS 15 Revenue from Contracts with Customers, which replaces prior guidance, including IAS 18 Revenue, which covers accounting for revenue arising from contracts with customers. The new standard is based on the principle that revenue is recognized at an expected amount of consideration in exchange for transferring promised goods or services to a customer.

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

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

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

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

The following are the new accounting policies under IFRS 15:

Revenue Recognition

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

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

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

Commissions

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

Impact of Adopting IFRS 9 and 15:

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

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

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

Nine months ended (in thousands of Canadian dollars, except per share data)	August 31, 2019		August 31, 2018		
	IFRS 15		IAS 18	Adjustments	IFRS 15
Total income ¹	\$ 322,161	\$	341,659	\$ (9,188)	\$ 332,471
Expenses					
Selling, general and administration ¹	143,902		159,311	(9,188)	150,123
Restructuring provision	14,361		5,225	–	5,225
Trailing commissions	90,850		96,938	–	96,938
Investment advisory fees	1,862		2,527	–	2,527
Deferred selling commissions	32,833		–	31,062	31,062
Amortization, derecognition and depreciation	3,285		29,847	(26,290)	3,557
Interest expense	5,312		2,571	–	2,571
Total Expenses	292,405		296,419	(4,416)	292,003
Income before income taxes	29,756		45,240	(4,772)	40,468
Income tax expense (benefit)	4,061		(13,002)	(1,265)	(14,267)
Net income for the period	\$ 25,695	\$	58,242	\$ (3,507)	\$ 54,735
Net income (loss) attributable to:					
Equity owners of the Company	\$ 25,695	\$	59,173	\$ (3,507)	\$ 55,666
Non-controlling interest	–		(931)	–	(931)
	\$ 25,695	\$	58,242	\$ (3,507)	\$ 54,735
Earnings (loss) per share attributable to equity owners of the company:					
Basic earnings per share	\$ 0.33	\$	0.74	\$ (0.04)	\$ 0.70
Diluted earnings per share	\$ 0.32	\$	0.73	\$ (0.04)	\$ 0.69

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

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

IFRS 2 Share-based Payment:

The IASB issued amendments to IFRS 2 *Share-based Payment* that address the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction, the classification of a share-based payment transaction with net settlement features for withholding tax obligations, and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. The amendments are effective for financial years commencing on or after January 1, 2018. The amendments are applied prospectively, but retrospective application is permitted if certain criteria are met. The Company has determined there is no material impact on its consolidated financial statements.

(b) Accounting Standards Issued but Not Yet Applied

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

IFRS 16 Leases:

IFRS 16 Leases (IFRS 16) was issued by the IASB in January 2016 and will replace IAS 17 Leases. The standard requires lessees to recognize a lease liability and a 'right-of-use asset' for most lease contracts. IFRS 16 is effective for financial years commencing on or after January 1, 2019. The standard permits a 'simplified approach' that includes certain reliefs related to the measurement of the right-of-use asset and the lease liability, rather than full retrospective application. The adoption of IFRS 16 will result in an increase to the Company's assets and liabilities through the recognition of a right-of-use asset and lease liability. Amortization expense will increase due to the amortization of the right-of-use asset and interest expense will increase due to the imputed interest on the lease liability. The Company is in the process of assessing the impact of IFRS 16 on its consolidated financial statements.

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments:

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

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	August 31, 2019	November 30, 2018
Fair value through profit or loss		
AGF mutual funds and other	\$ 15,257	\$ 23,912
Term deposits	4,179	N/A
	19,436	23,912
Fair value through other comprehensive income		
Equity securities	508	N/A
Amortized cost (previously loans and receivables)		
Canadian government debt – Federal	308	308
Available for sale		
Equity securities and term deposits	N/A	4,692
	\$ 20,252	\$ 28,912

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

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

(a) Investment in Associate

The Company holds a 33.6% (November 30, 2018 – 33.6%) investment in S&WHL accounted for using the equity method. At August 31, 2019, the carrying value was \$122.7 million (November 30, 2018 – \$115.0 million). The carrying value was adjusted by \$0.3 million on December 1, 2018 as a result of adopting IFRS 9. During the three and nine months ended August 31, 2019, the Company recognized earnings of \$5.8 million and \$16.8 million (2018 – \$7.0 million and \$17.1 million) from S&WHL and received nil and \$2.8 million (2018 – nil and \$2.9 million) in dividends from S&WHL.

During the three and nine months ended August 31, 2019, the Company committed to purchase 258,843 and 1,175,105 shares of S&WHL, pending regulatory approval. In September 2019, the Company received regulatory approval and purchased an additional 1,175,105 shares of S&WHL for cash consideration of \$14.8 million (£9.0 million).

On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney. Refer to Note 21 for additional information.

(b) Investment in Joint Ventures

The Company accounts for Stream Asset Financial GP LP (SAF GP), SAFM LP and InstarAGF, a joint venture with Instar Group Inc. (Instar), using the equity method of accounting. The continuity for the nine months ended August 31, 2019 and August 31, 2018 is as follows:

Nine months ended (in thousands of Canadian dollars)	August 31, 2019			August 31, 2018		
	SAFM LP	InstarAGF	Total	SAFM LP	InstarAGF	Total
Balance, beginning of the period	\$ 2,325	\$ –	\$ 2,325	\$ 1,991	\$ –	\$ 1,991
Share of profit	232	–	232	260	–	260
Balance, end of the period	\$ 2,557	\$ –	\$ 2,557	\$ 2,251	\$ –	\$ 2,251

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

The Company holds a 37.0% interest in SAFM LP. For the three and nine months ended August 31, 2019, the Company recognized earnings of \$0.1 million and \$0.2 million (2018 – \$0.1 million and \$0.3 million) from SAFM LP.

The Company has recorded losses with respect to its equity investment in InstarAGF only to the extent of its initial investment, which has a carrying value of nil, because it is not contractually obligated to fund the losses. As at August 31, 2019, the Company accumulated unrecognized losses of \$0.6 million (November 30, 2018 – \$1.1 million) related to its interest in InstarAGF. In addition, AGF has agreed to advance up to \$5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. The loan facility is non-interest bearing and is repayable on a priority basis. As at August 31, 2019, the Company had recorded a receivable of \$4.5 million (November 30, 2018 – \$4.6 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at August 31, 2019, the Company had recorded a \$0.6 million promissory note receivable from Instar (November 30, 2018 – \$0.7 million). The note bears interest at prime and has been included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

(c) Investment in Long-term Investments

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

The continuity for the Company's long-term investments, accounted for at fair value through profit or loss (FVTPL), for the nine months ended August 31, 2019 and August 31, 2018 is as follows:

Nine months ended (in thousands of Canadian dollars)	August 31, 2019	August 31, 2018
Balance, beginning of the period	\$ 105,377	\$ 75,362
Purchase of long-term investments	41,364	31,301
Return of capital	(26,661)	(4,395)
Fair value adjustment ¹	(2,866)	577
Balance, end of the period	\$ 117,214	\$ 102,845

¹Fair 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 August 31, 2019, the Company has funded \$119.8 million (November 30, 2018 – \$105.0 million) in funds and investments associated with the private alternative business and has \$89.0 million (November 30, 2018 – \$34.5 million) remaining committed capital to be invested. The Company may temporarily provide capital to warehouse investments prior to formation of a fund. Upon closing of a fund with external investors, the company receives a return of its capital in excess of its proportionate participation in the fund.

During the three and nine months ended August 31, 2019, the Company recognized \$3.9 million and \$12.8 million (2018 – \$3.2 million and \$4.7 million) in fair value adjustments and distributions related to its long-term investments.

As at August 31, 2019, the carrying value of the Company's long-term investments in the private alternative asset management platform was \$117.1 million (November 30, 2018 – \$105.1 million).

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

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

Note 7: Accounts Payable

(in thousands of Canadian dollars)	August 31, 2019	November 30, 2018
Compensation related payable	\$ 35,626	\$ 34,872
HST payable	11,962	10,928
Other	31,283	27,517
Accounts payable and accrued liabilities	\$ 78,871	\$ 73,317

Note 8: Long-term Debt

During the nine months ended August 31, 2019, the Company repaid \$30.0 million (2018 – borrowed \$30.0 million). As at August 31, 2019, AGF had drawn \$160.0 million (November 30, 2018 – \$190.0 million) against the unsecured revolving credit facility (the Facility) in the form of a one-month banker's acceptance (BA) at an effective average interest rate of 3.5% (November 30, 2018 – 3.7%) per annum and a \$5.1 million (November 30, 2018 – \$5.1 million) letter of credit. Of the \$160.0 million drawn (November 30, 2018 – \$190.0 million), \$1.1 million (November 30, 2018 – \$1.4 million) has been deducted related to the transaction and stamping fees incurred on the Facility. The Company's revolving credit facility has a maximum aggregate principal amount of \$320.0 million and a \$10.0 million swingline facility commitment. As at August 31, 2019, \$154.9 million was available to be drawn from the revolving credit facility and swingline facility commitment.

Note 9: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Nine months ended (in thousands of Canadian dollars, except share amounts)	August 31, 2019		August 31, 2018	
	Shares	Stated value	Shares	Stated value
Class A Voting common shares	57,600	\$ –	57,600	\$ –
Class B Non-Voting shares				
Balance, beginning of the period	78,260,674	\$ 474,319	79,017,813	\$ 478,883
Issued through dividend reinvestment plan	46,892	246	32,095	227
Stock options exercised	129,390	682	334,116	1,876
Repurchased for cancellation	–	–	(385,400)	(2,338)
Treasury stock purchased for employee benefit trust	–	–	(696,196)	(4,663)
Treasury stock released for employee benefit trust	355,597	2,393	543,848	3,890
Balance, end of the period	78,792,553	\$ 477,640	78,846,276	\$ 477,875

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 5,980,078 shares for the period from February 6, 2019 to February 5, 2020 and up to 6,124,051 shares for the period from February 6, 2018 to February 5, 2019. During the three and nine months ended August 31, 2019, AGF did not repurchase any shares under its normal course issuer bid. During the three and nine months ended August 31, 2018, AGF purchased 385,400 and 385,400 Class B Non-Voting shares under the normal course issuer bid at a cost of \$2.6 million and \$2.6 million. The excess paid of \$0.2 million and \$0.2 million over the recorded capital stock value of the shares repurchased for cancellation was recorded in retained earnings.

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

During the three and nine months ended August 31, 2019, AGF purchased nil and nil (2018 – 330,900 and 696,196) Class B Non-Voting shares for the employee benefit trust at a cost of nil and nil (2018 – \$2.2 million and \$4.7 million). Shares purchased for the trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three and nine months ended August 31, 2019, 12,485 and 355,597 (2018 – 20,528 and 543,848) Class B Non-Voting shares purchased as treasury stock were released. As at August 31, 2019, 379,607 (November 30, 2018 – 735,203) Class B Non-Voting shares were held as treasury stock.

Note 10: Accumulated Other Comprehensive Income

(in thousands of Canadian dollars)	Foreign currency translation	Fair value through OCI	Total
Opening composition of accumulated other comprehensive income at December 1, 2017			
Other comprehensive income	\$ 8,557	\$ 3,556	\$ 12,113
Income tax expense	–	(37)	(37)
Balance, December 1, 2017	8,557	3,519	12,076
Transactions during the year ended November 30, 2018			
Other comprehensive income (loss)	(2,804)	503	(2,301)
Income tax expense	–	(8)	(8)
Balance, November 30, 2018	5,753	4,014	9,767
Transactions during the period ended August 31, 2019			
Other comprehensive income	(5,865)	42	(5,823)
Income tax expense	–	(4)	(4)
Balance, August 31, 2019	\$ (112)	\$ 4,052	\$ 3,940

Note 11: Fair Value Adjustments and Other Income

(in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Fair value adjustment related to investment in AGF mutual funds (Note 4)	\$ 317	\$ 134	\$ 622	\$ 159
Fair value adjustment and distributions related to long-term investments (Note 5(c))	3,921	3,195	12,776	4,651
Interest income ¹	158	102	465	1,761
Other	(168)	(272)	408	(752)
	\$ 4,228	\$ 3,159	\$ 14,271	\$ 5,819

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

Note 12: Expenses by Nature

(in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Selling, general and administrative				
Employee benefit expense	\$ 31,387	\$ 30,992	\$ 93,880	\$ 96,296
Sales and marketing	2,809	3,329	9,201	11,929
Information technology and facilities	9,029	9,259	25,758	27,538
Professional fees	3,100	3,294	11,377	11,420
Fund absorption and other fund costs (Note 3)	332	3,537	1,176	10,175
Other	614	581	2,510	1,953
	\$ 47,271	\$ 50,992	\$ 143,902	\$ 159,311

Note 13: Restructuring Provision

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

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

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 661,999 Class B Non-Voting shares could have been granted as at August 31, 2019 (November 30, 2018 – 171,560).

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

Nine months ended	August 31, 2019		August 31, 2018	
	Options	Weighted average exercise price	Options	Weighted average exercise price
Class B Non-Voting share options				
Balance, beginning of the period	7,854,300	\$ 7.52	7,719,199	\$ 8.38
Options granted	–	–	656,364	7.33
Options forfeited	(37,995)	7.94	(424,993)	9.45
Options expired	(452,444)	14.23	(384,235)	19.03
Options exercised	(129,390)	4.72	(334,116)	4.99
Balance, end of the period	7,234,471	\$ 7.15	7,232,219	\$ 7.82

During the three and nine months ended August 31, 2019, nil and nil (2018 – nil and 656,364) stock options were granted and contributed surplus of \$0.1 million and \$0.2 million (2018 – \$0.3 million and \$0.6 million) was recorded. The fair value of options granted during the nine months ended August 31, 2018 has been estimated at \$1.19 using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the nine months ended August 31, 2018:

Nine months ended	August 31, 2018
Risk-free interest rate	2.1%
Expected dividend yield	4.7%
Five-year historical-based expected share price volatility	28.5%
Forfeiture rate	4.7%
Option term	5.1 years

(b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs), Deferred Share Units (DSUs) and Partners Incentive Plan (PIP). Compensation expense related to cash-settled stock-based compensation for the three and nine months ended August 31, 2019 was \$0.7 million and \$1.3 million (2018 – nil and \$0.1 million) and the liability recorded as at August 31, 2019 related to cash-settled stock-based compensation was \$3.8 million (November 30, 2018 – \$2.8 million). Compensation expense related to equity-settled RSUs and PIP for the three and nine months ended August 31, 2019 was \$0.5 million and \$2.4 million (2018 – \$1.0 million and \$2.8 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at August 31, 2019 was \$4.5 million (November 30, 2018 – \$6.6 million).

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

Nine months ended	August 31, 2019	August 31, 2018
	Number of share units	Number of share units
Outstanding, beginning of the period, non-vested	3,259,769	2,060,771
Issued		
Initial grant	182,753	672,550
In lieu of dividends	114,671	64,869
Settled in cash	(59,325)	(52,673)
Settled in equity	(765,028)	(543,847)
Forfeited and cancelled	(168,884)	(108,549)
Outstanding, end of the period, non-vested	2,563,956	2,093,121

Note 15: Income Tax Expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. The effective tax rate for the nine months ended August 31, 2019 was 13.7% (2018 – recovery of 28.7%).

During the nine months ended August 31, 2019, the company recorded a tax benefit of \$3.1 million related to the restructuring provision. In the corresponding period in 2018, the Company recorded a \$21.9 million tax contingencies recovery with respect to the CRA transfer pricing audit.

Excluding the restructuring provision and the related tax benefit of \$3.1 million, the estimated effective tax rate for the nine months ended August 31, 2019 was 16.3% (2018 – 20.6%, excluding the transfer pricing tax contingencies). Refer to Note 20 for additional information on tax contingencies.

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

Note 16: Earnings per Share

	Three months ended		Nine months ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
(in thousands of Canadian dollars, except per share data)				
Numerator				
Net income for the period attributable to equity owners of the Company	\$ 14,427	\$ 20,674	\$ 25,695	\$ 59,173
Denominator				
Weighted average number of shares – basic	78,715,118	79,318,325	78,766,718	79,528,818
Dilutive effect of employee stock-based compensation awards	1,103,594	1,566,778	1,231,823	1,607,531
Weighted average number of shares – diluted	79,818,712	80,885,103	79,998,541	81,136,349
Earnings per share for the period attributable to equity owners of the Company				
Basic earnings per share	\$ 0.18	\$ 0.26	\$ 0.33	\$ 0.74
Diluted earnings per share	\$ 0.18	\$ 0.26	\$ 0.32	\$ 0.73

Note 17: Dividends

During the three and nine months ended August 31, 2019, the Company paid dividends of \$0.08 and \$0.24 (2018 – \$0.08 and \$0.24) per share. Total dividends paid, including dividends reinvested, in the three and nine months ended August 31, 2019 were \$6.3 million and \$19.0 million (2018 – \$6.4 million and \$19.0 million). On September 24, 2019, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of \$0.08 per share in respect of the three months ended August 31, 2019, amounting to a total dividend of approximately \$6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 18: Related Party Transactions

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

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

(in thousands of Canadian dollars)	Three months ended		Nine months ended	
	August 31, 2019	August 31, 2018	August 31, 2019	August 31, 2018
Salaries and other short-term employee benefits	\$ 1,984	\$ 1,657	\$ 5,874	\$ 4,928
Share-based payments	988	316	2,260	1,147
	\$ 2,972	\$ 1,973	\$ 8,134	\$ 6,075

Note 19: Fair Value of Financial Instruments

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

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

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at August 31, 2019:

(in thousands of Canadian dollars)	Level 1		Level 2		Level 3		Total
August 31, 2019							
Assets							
Financial assets at fair value through profit or loss							
Cash and cash equivalents	\$	28,057	\$	–	\$	–	\$ 28,057
AGF mutual funds and other		15,257		–		–	15,257
Term deposits		4,179		–		–	4,179
Long-term investments		–		–		117,214	117,214
Financial assets at fair value through comprehensive income							
Equity securities		508		–		–	508
Amortized cost							
Canadian government debt – Federal		–		308		–	308
Total financial assets	\$	48,001	\$	308	\$	117,214	\$ 165,523

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

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

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

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

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

Level 3 instruments include long-term investments related to the private alternative asset management platform and included contingent consideration payable. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the long-term investments is calculated using the Company's percentage ownership and the fair market value of the investment derived from financial information provided by investees. The fair value of the Company's long-term investments as at August 31, 2019 have been estimated using the net asset value (NAV) as calculated by the asset managers of the funds and special purpose vehicle. 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 \$11.7 million. Refer to Note 5(c) for additional information.

The following table presents changes in level 3 instruments for the nine months ended August 31, 2019:

(in thousands of Canadian dollars)	
	Long-term investments
Balance at December 1, 2018	\$ 105,377
Purchase of investment	41,364
Return of capital	(26,661)
Fair value adjustment recognized in profit or loss	(2,866)
Balance at August 31, 2019	\$ 117,214

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

(in thousands of Canadian dollars)		Long-term investments
Balance at December 1, 2017	\$	75,362
Purchase of investment		31,301
Return of capital		(4,395)
Fair value adjustment recognized in profit or loss		577
Balance at August 31, 2018	\$	102,845

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

Note 20: Contingencies

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

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

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

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

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

(b) CRA Audit – Transfer Pricing

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

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

The transfer pricing issue is resolved. During the quarter ended August 31, 2019, the Company received \$2.6 million of refund (including \$0.3 million of interest) from the CRA. The Company expects to receive a further refund of approximately \$1.2 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position.

Note 21: Subsequent Event

In September 2019, the Company received regulatory approval and purchased an additional 1,175,105 shares of S&WHL for cash consideration of \$14.8 million (£9.0 million).

On September 19, 2019, the Company confirmed a merger between S&WHL and Tilney to create the U.K.'s leading integrated wealth management and professional services group with over £45 billion in assets under management. Based on the terms of the arrangement, the Company estimates that the transaction will result in total cash and equity proceeds of approximately £193.2 million (approximately C\$320 million¹), excluding one-time expenses and subject to closing adjustments, compared to an estimated book value at closing of \$137.5 million. Prior to closing, AGF is expected to receive a special cash distribution estimated to be £19.8 million (approximately C\$33 million¹). At closing, AGF will receive cash proceeds of £147.4 million (approximately C\$244 million¹) and retain approximately 2.3% interest in the newly combined entity. AGF has entered into a hedge at a strike price of 1.6130 to protect AGF's cash consideration if the British pound declines below that level. The hedge expires March 31, 2020. The transaction is anticipated to close early 2020, subject to regulatory approvals.

Effective September 19, 2019, the long-term investment in S&WHL will be classified as 'held for sale' and equity accounting will cease.

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.

¹ Canadian dollar figure assumes an exchange rate of 1.6542.