AGF MANAGEMENT LIMITED

# 2021 THIRD QUARTER REPORT

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# Financial Highlights

| (in millions of dollars, except share data)<br>Three months ended | Aug. 31, 2021 | May 31, 2021 | Feb. 28, 2021 | Nov. 30, 2020[1,2] | Aug. 31, 2020[1,3] | May 31, 2020[1] | Feb. 29, 2020[1] | Nov. 30, 2019[4] |
|---|---|---|---|---|---|---|---|---|
| AUM & fee-earning assets[7] | $ 43,360 | $ 40,809 | $ 39,251 | $ 38,268 | $ 36,464 | $ 35,762 | $ 36,865 | $ 38,342 |
| Mutual fund net sales (redemptions) | 288 | 408 | 385 | 88 | (22) | (93) | (344) | (181) |
| Income | 123.1 | 109.5 | 107.3 | 209.4 | 138.7 | 89.0 | 106.7 | 114.5 |
| Selling, general & administrative | 50.1 | 47.1 | 48.0 | 43.1 | 46.1 | 40.2 | 45.3 | 45.4 |
| EBITDA before commissions[5] | 37.5 | 28.2 | 26.8 | 137.0 | 62.6 | 21.2 | 30.2 | 38.7 |
| Adjusted EBITDA before commissions[6] | 37.5 | 28.2 | 26.8 | 31.6 | 30.1 | 21.2 | 30.2 | 35.8 |
| Net income before tax | 20.0 | 7.1 | 7.8 | 123.1 | 50.6 | 7.0 | 13.6 | 27.5 |
| Net income | 14.9 | 5.0 | 5.6 | 110.4 | 47.3 | 5.3 | 10.8 | 22.2 |
| Adjusted net income[6] | 14.9 | 5.0 | 5.6 | 15.0 | 14.8 | 5.3 | 10.8 | 19.4 |
| Earnings per share | | | | | | | | |
| Basic | $ 0.21 | $ 0.07 | $ 0.08 | $ 1.46 | $ 0.61 | $ 0.07 | $ 0.14 | $ 0.28 |
| Diluted | 0.21 | 0.07 | 0.08 | 1.43 | 0.60 | 0.07 | 0.13 | 0.28 |
| Adjusted diluted[6] | 0.21 | 0.07 | 0.08 | 0.19 | 0.19 | 0.07 | 0.13 | 0.24 |
| Free cash flow[6] | 21.5 | 10.4 | 10.5 | 9.9 | 15.5 | 6.1 | 14.5 | 18.3 |
| Dividends per share | 0.09 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 | 0.08 |
| Long-term debt[6] | – | – | – | – | 194.3 | 199.9 | 216.9 | 207.3 |
| Average basic shares | 69,840,774 | 70,014,806 | 70,147,427 | 75,882,292 | 77,803,877 | 78,393,086 | 78,570,122 | 78,503,480 |
| Average fully diluted shares | 72,287,249 | 72,138,793 | 71,553,205 | 77,022,549 | 78,904,921 | 79,058,740 | 80,530,285 | 79,624,609 |

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

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

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

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

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

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

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

## Selected Quarterly Information

| (in millions of dollars, except share data) | Three months ended August 31, 2021 | May 31, 2021 | August 31, 2020 | Nine months ended August 31, 2021 | August 31, 2020 |
|---|---|---|---|---|---|
| **AUM end of the period** | | | | | |
| Mutual Funds | $ 23,792 | $ 22,290 | $ 19,232 | $ 23,792 | $ 19,232 |
| Institutional, sub-advisory, ETFs | 10,302 | 9,713 | 9,252 | 10,302 | 9,252 |
| Private Client | 7,073 | 6,689 | 5,773 | 7,073 | 5,773 |
| Private Alternatives AUM[6] | 99 | 134 | 178 | 99 | 178 |
| **Total AUM[6]** | **$ 41,266** | **$ 38,826** | **$ 34,435** | **$ 41,266** | **$ 34,435** |
| Private alternatives fee-earning assets[7] | 2,094 | 1,983 | 2,029 | 2,094 | 2,029 |
| **Total AUM and fee-earning assets[7] end of period** | **$ 43,360** | **$ 40,809** | **$ 36,464** | **$ 43,360** | **$ 36,464** |
| Mutual Fund net sales (redemptions) | $ 288.0 | $ 408.0 | $ (22.0) | $ 1,081.0 | $ (459.0) |
| EBITDA before commissions[1] | 37.5 | 28.2 | 62.6 | 92.2 | 114.1 |
| Net income | 14.9 | 5.0 | 47.3 | 25.5 | 63.5 |
| Diluted earnings per share | 0.21 | 0.07 | 0.60 | 0.35 | 0.80 |
| Free cash flow[2] | 21.5 | 10.4 | 15.5 | 42.4 | 36.1 |
| **SUPPLEMENTARY FINANCIAL INFORMATION** | | | | | |
| Adjusted EBITDA before commissions | | | | | |
| Adjusted EBITDA before Private Alternatives & S&WHL[3] | $ 29.2 | $ 28.2 | $ 20.1 | $ 80.7 | $ 64.7 |
| From Private Alternative Managers[4] | 2.9 | 0.5 | 0.6 | 4.2 | 1.3 |
| From Private Alternative Long-term Investments[5] | 5.4 | (0.5) | 0.6 | 7.3 | 2.3 |
| **Adjusted EBITDA before commissions excluding EBITDA from S&WHL** | **$ 37.5** | **$ 28.2** | **$ 21.3** | **$ 92.2** | **$ 68.3** |
| From S&WHL[3] | – | – | 8.8 | – | 13.3 |
| **Adjusted EBITDA before commissions** | **$ 37.5** | **$ 28.2** | **$ 30.1** | **$ 92.2** | **$ 81.6** |
| Adjusted net income (loss) | | | | | |
| Adjusted net income before Private Alternatives & S&WHL[3] | 8.2 | 5.0 | 4.9 | 16.3 | 14.6 |
| From Private Alternative Managers[4] | 2.7 | 0.4 | 0.6 | 3.9 | 1.3 |
| From Private Alternative Long-term Investments[5] | 4.0 | (0.4) | 0.5 | 5.3 | 1.8 |
| **Adjusted net income excluding net income from S&WHL** | **$ 14.9** | **$ 5.0** | **$ 6.0** | **$ 25.5** | **$ 17.7** |
| From S&WHL[3] | – | – | 8.8 | – | 13.3 |
| **Adjusted net income** | **$ 14.9** | **$ 5.0** | **$ 14.8** | **$ 25.5** | **$ 31.0** |
| Adjusted diluted earning per share | | | | | |
| Adjusted diluted earnings per share before Private Alternatives & S&WHL[3] | 0.12 | 0.07 | 0.06 | 0.23 | 0.18 |
| From Private Alternative Managers[4] | 0.03 | – | 0.01 | 0.05 | 0.02 |
| From Private Alternative Long-term Investments[5] | 0.06 | – | 0.01 | 0.07 | 0.02 |
| **Adjusted diluted earnings per share excluding S&WHL** | **$ 0.21** | **$ 0.07** | **$ 0.08** | **$ 0.35** | **$ 0.22** |
| From S&WHL[3] | – | – | 0.11 | – | 0.17 |
| **Adjusted diluted earnings per share** | **$ 0.21** | **$ 0.07** | **$ 0.19** | **$ 0.35** | **$ 0.39** |

[1] Refer to Note 5 on page 3.

[2] Refer to Note 6 on page 3.

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

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

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

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

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

## Third Quarter in Review

AGF is well-positioned to execute against its strategic priorities with an aim to gain momentum with a focus on increasing sales, evolving its client-base and looking for opportunities to diversify its business.

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

## Strategic and Financial Highlights

### AUM and Sales

AGF reported $43.4 billion in assets under management and fee-earning assets as at August 31, 2021, increasing from $40.8 billion as at May 31, 2021 and from $36.5 billion as at August 31, 2020. Excluding Private Alternatives, AUM was $41.2 billion as at August 31, 2021, as compared to $38.7 billion as at May 31, 2021 and $34.3 billion as at August 31, 2020.

During the three months ended August 31, 2021, AGF reported mutual fund net sales of $288.0 million compared to $408.0 million for the three months ended May 31, 2021 and net redemptions of $22.0 million in the comparative prior year period. Retail mutual fund[1] net sales were $288.0 million for the quarter compared to $431.0 million for the three months ended May 31, 2021 and net redemptions of $4.0 million in the comparative prior year period.

During the quarter, AGF received a notice of redemption of approximately $0.9 billion. As a result, AGF expects a reduction in its sub-advisory and institutional AUM of approximately $0.9 billion in the fourth quarter, with an annualized revenue impact of approximately $2.3 million. The redemption was a result of a partner repositioning their platform.

### Investment Performance

AGF aims to deliver consistent and repeatable investment performance with a target of 50% over one year and 40% over three years when looking at AGF's mutual fund gross returns (before fees) relative to peers within the same category, with 1st percentile being best possible performance. As at August 31, 2021, AGF's average percentile over the past one year was slightly behind target at 53% (2020 – 42%) and the average percentile over the past three years was slightly behind target at 49% (2020 – 51%).

### Strategic Highlights

During the quarter, AGF continued to focus on growing its alternative business and product offering.

AGF, in partnership with the SAF Group (SAF), announced the launch of AGF SAF Private Credit Limited Partnership and AGF SAF Private Credit Trust. The new offerings provide both institutional and retail investors access to the benefit of private credit investing.

AGF announced an evolution of its strategic partnership with SAF. The partnership is focused on providing investors access to unique private alternative opportunities leveraging AGF's operations and distribution reach coupled with SAF's private credit investment management expertise. AGF and SAF have agreed to a definitive agreement along with a distribution arrangement as an alternative to AGF exercising its option to acquire management contracts of select SAF funds.

In June 2021, one of AGF's long-term private alternative investments, SAF Jackson Management LP (SAFJM LP), was fully monetized, with a final cash distribution of $5.9 million received. As part of this transaction, AGF through its joint venture ownership interest in the manager received $2.4 million of carried interest.

[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.

AGF announced a strategic private equity partnership with First Ascent Ventures (First Ascent) focused on investing in emerging technology companies that are building the next generation of disruptive, fast growing enterprise B2B software companies. AGF has made a $30 million cornerstone investor commitment to First Ascent's second fund and is a member of the Limited Partner Advisory Committee of the fund.

AGF International Advisors Company Limited has been accepted as a signatory to the UK Stewardship Code, recognized globally as a best-practice benchmark in investment stewardship.

Building on its commitment to diversity and inclusion AGF announced a multi-year partnership for the creation of the AGF Scholarship Fund for Indigenous students with Indspire, a national Indigenous organization that invests in the education of Indigenous people, enabling their success through financial awards, resources and role models.

Judy Goldring, AGF's President and Head of Global Distribution, was elected Vice-Chair of The Investment Funds Institute of Canada (IFIC)'s Board of Directors. She will serve a two-year term supporting IFIC's commitment to further strengthen the integrity of Canada's investment funds industry and foster a strong, stable investment sector for the benefit of investors and the association's Members.

## Financial Highlights

Management, advisory and administration fees were $110.9 million for the three months ended August 31, 2021, compared to $107.0 million for the three months ended May 31, 2021 and $93.5 million for the comparative prior year period. The increase is attributable to higher average AUM driven by mutual fund net sales and market growth.

The significant increase in mutual fund sales, combined with increased corporate development activity drove higher selling, general and administrative costs in the period associated with variable sales and investment performance-based compensation and professional fees. Selling, general and administrative costs were $50.1 million for the three months ended August 31, 2021, compared to $47.1 million for the three months ended May 31, 2021 and $46.1 million for the comparative prior year period. The increase in variable costs was partially offset by management's continued focus on cost control as well as lower travel and entertainment costs as a result of the ongoing pandemic.

For the three months ended August 31, 2021, EBITDA from private alternatives was $8.3 million, compared to nil for the three months ended May 31, 2021 and $1.2 million for the comparative prior year period. Of the $8.3 million, $2.9 million was generated from AGF's interest in private alternative managers and $5.4 million was generated from AGF's investment in private alternative long-term investments.

AGF's interest in private alternative managers generated EBITDA of $2.9 million for the three months ended August 31, 2021, compared to $0.5 million for the three months ended May 31, 2021 and $0.6 million for the comparative prior year period. During the quarter, the Company received and recorded income of $2.2 million related to carried interest earned through AGF's joint venture ownership in SAJM LP.

AGF's investment in private alternative long-term investments generated EBITDA of $5.4 million for the three months ended August 31, 2021, compared to a loss of $0.5 million for the three months ended May 31, 2021 and income of $0.6 million for the comparative period. The increase is primarily due to fair value adjustments related to the foreign exchange impact on the lower Canadian dollar on investments held in USD. There were no significant changes to the valuations of the underlying investments in the quarter.

SG&A was $50.1 million for the three months ended August 31, 2021 compared to $47.1 million for the three months ended May 31, 2021 and $46.1 million in the comparative prior year period. The increase is driven by higher variable compensation costs associated with sales growth and improved performance metrics, increased corporate development activity as part of the Company's capital deployment plan and a 35% increase in the AGF.B share price year over year, resulting in higher share-based compensation. For the three and nine months ended August 31, 2021, corporate development expenses were $1.3 million and $2.2 million, respectively.

For the three months ended August 31, 2021, AGF reported adjusted EBITDA before commissions of $37.5 million, an increase of $9.3 million or 33.0% compared to $28.2 million for the three months ended May 31, 2021 and an increase of $7.4 million or 24.6% compared to $30.1 million in the comparative prior year period. For the three months ended August 31, 2021, AGF reported adjusted EBITDA before commissions margin of 30.5% compared to 25.8% for the three months ended May 31, 2021 and 28.3% in the prior year comparative period.

For the three months ended August 31, 2021, adjusted diluted earnings per share was $0.21 compared to $0.07 for the three months ended May 31, 2021 and $0.19 in the comparative prior year period. Excluding earnings from S&WHL, adjusted diluted earnings per share was $0.08 in the comparative prior year period. The increase is primarily due to the growth in mutual fund sales as well as the income generated from AGF's interest in private alternative managers and long-term investments.

# AGF Management Limited

# MANAGEMENT'S DISCUSSION AND ANALYSIS

For the three and nine months ended August 31, 2021 and 2020

**Caution Regarding Forward-Looking Statements**

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

# Management's Discussion and Analysis

This Management's Discussion and Analysis (MD&A) is as of September 28, 2021 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, 2021, compared to the three- and nine-month periods ended August 31, 2020. 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, 2021 and our 2020 Annual Report. The financial statements for the three and nine months ended August 31, 2021, including required comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting, unless otherwise noted.

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

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

## Our Business and Strategy

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

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

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

### Overview – Private Alternatives

AGF is a well-established participant in the private alternative marketplace. AGF's Private Alternatives Business, with $2.2 billion of AUM and fee-earning assets, comprised of $0.1 billion in AUM and $2.1 billion in fee-earning assets, includes relationships with Instar, SAF and First Ascent, bringing to market distinctive investments including the flagship InstarAGF Essential Infrastructure Fund I and Fund II and the Stream Asset Financial LP, SAF Jackson, AGF SAF Private Credit Limited Partnership and First Ascent Ventures II LP.

In August 2021, AGF announced a strategic private equity partnership with First Ascent focused on investing in emerging technology companies. Based on the terms of the agreements, AGF has committed a $30.0 million cornerstone investment to First Ascent's second fund (First Ascent Fund) and is a member of the Limited Partner Advisory Committee. The First Ascent Fund has a capital raising target of $125.0 million. As at August 31, 2021, First Ascent Fund assets were $96.5 million and are included in Private Alternative fee-earning assets.

In 2020, AGF entered into a definitive option agreement with SAF that granted AGF the right to acquire management contracts of select SAF funds, exercisable until September 2021. In August 2021, AGF and SAF agreed to a definitive agreement along with a distribution arrangement as an alternative to AGF exercising its option to acquire management contracts of select SAF funds. AGF announced an evolution of its strategic partnership with SAF following the successful launches of two connected offerings: AGF SAF Private Credit Limited Partnership (PCLP) and AGF SAF Private Credit Trust, in the third quarter. In addition, AGF entered into an agreement with AGF SAF Private Credit GP to act as a general partner over PCLP. This partnership is focused on providing investors access to unique private alternative opportunities leveraging AGF's operations and distribution reach coupled with SAF's private credit investment management expertise.

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

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

### Management Fee-Related Earnings, Carried Interest and Fee Arrangements

AGF earns management fees from the underlying investments managed through the manager. As successive funds are launched and assets grow, AGF's earnings from the manager will increase. AGF also earns ongoing annual fees on its private alternative fee-earning assets. As assets in this category increase through the expansion of partnerships, income from fee earning arrangements will increase. In addition, through the achievement of attractive and sustainable investment returns, AGF will earn its proportionate share of carried interest.

For the three and nine months ended August 31, 2021, AGF's net income from private alternative managers was $2.9 million and $4.2 million (2020 − $0.6 million and $1.3 million) and AGF received $4.5 million (2020 − $3.2 million) in distributions recognized as free cash flow, of which $2.2 million related to carried interest earned through AGF's joint venture ownership in the manager SAFJM LP.

### Invested Capital Value

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

AGF has committed total capital of $282.0 million since 2014 and has $76.6 million remaining to be funded, which includes a $30.0 million commitment to First Ascent's second fund announced during the three months ended August 31, 2021. As at August 31, 2021, no amount related to the commitment has been funded. AGF has also announced an anticipated commitment of

US$50.0 million upon the successful launch of Instar's third fund. Since 2014, AGF has received $89.8 million in cash, comprised of $47.4 million returned capital and $56.9 million in cash distributions, net of tax. The fair value of investments as at August 31, 2021 is $152.5 million.

## COVID-19

COVID-19 and the ongoing pandemic remain a significant concern and source of volatility for global markets. As long as the delta variant of the virus continues to proliferate around the world, it will continue to impact the economic recovery, including in countries like the United States and Canada. If economies can remain open it could present a further catalyst for growth or, at least, give the economy a new dynamic to build on. However, a setback due to rising case counts and hospitalizations that threatens another round of onerous restrictions could do the opposite and dampen growth more than may already be largely expected.

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

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

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

### Back-to-Office Guiding Principles

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

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

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

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

## Investment Capabilities

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

### Fundamental

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

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

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

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

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

### Quantitative

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

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

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

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

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

## Private Alternatives

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

## Private Client

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

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

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

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

# Corporate Responsibility

## AGF Sustainability Council

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

### Council Objectives Include:

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

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

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

## Employees

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

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

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

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

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

### Workforce Diversity

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

### The Living Wage

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

### CEO-to-Employee Pay Ratio

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

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## Clients

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

## Environmental, Social, and Governance (ESG) Integration

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

**Fundamental Analysis**

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

**ESG Risk Oversight**

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

**Active Ownership**

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

**ESG Thought Leadership**

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

**Signatory and member of:***

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

## Foundations of Investment Stewardship

### Research and Analysis

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

### Risk Oversight

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

### Active Ownership

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

### Engagement

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

## Shareholders

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

### Direct Ownership

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

### Annual Assessment

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

### Ethical Conduct

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

### Board

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

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

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## Communities

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

### Education

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

### Environment

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

### Diversity

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

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## Assets Under Management and Fee-earning Assets[3]

| | Three months ended | | | | |
|---|---|---|---|---|---|
| (in millions of dollars) | Aug. 31, 2021 | May 31, 2021 | Feb. 28, 2021 | Nov. 30, 2020 | Aug. 31, 2020 |
| Mutual fund AUM beginning of the period[1] | $ 22,290 | $ 21,394 | $ 20,322 | $ 19,232 | $ 18,259 |
| Gross sales | 790 | 1,060 | 1,042 | 679 | 490 |
| Redemptions | (502) | (652) | (657) | (591) | (512) |
| Net sales (redemptions) | 288 | 408 | 385 | 88 | (22) |
| Market appreciation (depreciation) of fund portfolios | $ 1,214 | $ 488 | $ 687 | $ 1,002 | $ 995 |
| Mutual fund AUM end of the period[1] | $ 23,792 | $ 22,290 | $ 21,394 | $ 20,322 | $ 19,232 |
| Average daily mutual fund AUM[1] | $ 23,104 | $ 22,011 | $ 21,118 | $ 19,487 | $ 18,879 |
| Institutional, sub-advisory, ETF AUM beginning of period | $ 9,637 | $ 9,403 | $ 9,638 | $ 9,252 | $ 9,591 |
| Net change including market performance | 665 | 310 | (235) | 386 | (339) |
| Institutional, sub-advisory, ETF AUM end of the period | $ 10,302 | $ 9,713 | $ 9,403 | $ 9,638 | $ 9,252 |
| Private client AUM | $ 7,073 | $ 6,689 | $ 6,300 | $ 6,043 | $ 5,773 |
| **Subtotal excluding private alternatives AUM end of the period** | **$ 41,167** | **$ 38,692** | **$ 37,097** | **$ 36,003** | **$ 34,257** |
| Private alternatives AUM[2] | $ 99 | $ 134 | $ 142 | $ 227 | $ 178 |
| **Total AUM[2]** | **$ 41,266** | **$ 38,826** | **$ 37,239** | **$ 36,230** | **$ 34,435** |
| Private alternatives fee-earning assets[2,3] | $ 2,094 | $ 1,983 | $ 2,012 | $ 2,038 | $ 2,029 |
| **Total AUM and fee-earning assets[3] end of period** | **$ 43,360** | **$ 40,809** | **$ 39,251** | **$ 38,268** | **$ 36,464** |

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

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

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

## Private Alternatives AUM and Fee-earning Assets

| | Three months ended | | | | |
|---|---|---|---|---|---|
| (in millions of dollars) | Aug. 31, 2021 | May 31, 2021 | Feb. 28, 2021 | Nov. 30, 2020 | Aug. 31, 2020 |
| Private alternatives AUM[1] | $ 99 | $ 134 | $ 142 | $ 227 | $ 178 |
| Private alternatives fee-earning assets[1,2] | 2,094 | 1,983 | 2,012 | 2,038 | 2,029 |
| **Total private alternatives AUM and fee-earning assets[2]** | **$ 2,193** | **$ 2,117** | **$ 2,154** | **$ 2,265** | **$ 2,207** |

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

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

## Change in Assets Under Management and Fee-earning Assets

Total assets under management was $43.4 billion at August 31, 2021, compared to $36.5 billion at August 31, 2020. Private alternative AUM and fee-earning assets were $2.2 billion at August 31, 2021 compared to $2.2 billion at August 31, 2020. Markets continued to perform strongly in the third quarter despite high levels of volatility from the continued impacts of the COVID-19 pandemic, including the threat of new variants. Economies, however, are still not back to full strength and the pandemic is likely to remain a serious threat to further growth with increasing concerns over the regional emergence of variants. Risk of a setback in the economy remains high until such time that the vaccines are safely and efficiently administered across populations around the world.

Reported mutual funds net sales were $288.0 million for the three months ended August 31, 2021, compared to net redemptions of $22.0 million for the three months ended August 31, 2020. Excluding net flows from institutional clients invested in mutual funds[2], retail mutual fund net sales were $288.0 million for the quarter compared to net redemptions of $4.0 million in the prior year.

## Consolidated Operating Results

| | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in millions of dollars, except per share data) | **August 31, 2021** | **May 31, 2021** | **August 31, 2020[1]** | **August 31, 2021** | **August 31, 2020[1]** |
| Income | | | | | |
| Management, advisory and administration fees | $ 110.9 | $ 107.0 | $ 93.5 | $ 319.2 | $ 278.8 |
| Deferred sales charges | 1.5 | 1.6 | 1.4 | 4.7 | 4.4 |
| Share of profit of joint ventures | 2.2 | 0.1 | 0.6 | 3.1 | 1.3 |
| Other income from fee-earning arrangements | 0.7 | 0.4 | – | 1.1 | – |
| Dividend income, net of currency hedge[3] | – | – | 41.3 | – | 45.8 |
| Fair value adjustments and other income | 7.8 | 0.4 | 1.9 | 11.7 | 4.3 |
| Total income | $ 123.1 | $ 109.5 | $ 138.7 | $ 339.8 | $ 334.6 |
| Expenses | | | | | |
| Selling, general and administrative[1] | 50.1 | 47.1 | 46.1 | 145.2 | 131.6 |
| Trailing commissions | 35.3 | 34.0 | 29.8 | 101.7 | 88.0 |
| Investment advisory fees | 0.2 | 0.2 | 0.2 | 0.7 | 0.9 |
| | $ 85.6 | $ 81.3 | $ 76.1 | $ 247.6 | $ 220.5 |
| **EBITDA before commissions[2]** | **$ 37.5** | **$ 28.2** | **$ 62.6** | **$ 92.2** | **$ 114.1** |
| Deferred selling commissions | 14.1 | 17.7 | 8.9 | 47.4 | 31.7 |
| Amortization, derecognition and depreciation[1] | 2.7 | 2.6 | 1.8 | 7.9 | 5.7 |
| Interest expense[1] | 0.7 | 0.8 | 1.3 | 2.0 | 5.4 |
| Net income before income taxes | $ 20.0 | $ 7.1 | $ 50.6 | $ 34.9 | $ 71.3 |
| Income tax expense | 5.1 | 2.1 | 3.3 | 9.4 | 7.8 |
| **Net income for the period** | **$ 14.9** | **$ 5.0** | **$ 47.3** | **$ 25.5** | **$ 63.5** |
| Basic earnings per share | $ 0.21 | $ 0.07 | $ 0.61 | $ 0.36 | $ 0.81 |
| Diluted earnings per share | $ 0.21 | $ 0.07 | $ 0.60 | $ 0.35 | $ 0.80 |

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

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

3 Three and nine months ended August 31, 2020 include $41.3 million and $45.8 million of dividends, net of currency hedge, from S&WHL, recognized as income.

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.

## One-time Adjustments

| | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in millions of dollars, except per share data) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021[1] | August 31, 2020 |
| **Dividend income, net of currency hedge** | **$ –** | **$ –** | **$ 41.3** | **$ –** | **$ 45.8** |
| Deduct: | | | | | |
| One-time S&WHL special distribution, net of currency hedge | – | – | (32.5) | – | (32.5) |
| **Adjusted dividend income** | **$ –** | **$ –** | **$ 8.8** | **$ –** | **$ 13.3** |
| **EBITDA before commissions[1]** | **$ 37.5** | **$ 28.2** | **$ 62.6** | **$ 92.2** | **$ 114.1** |
| Deduct: | | | | | |
| One-time S&WHL special distribution, net of currency hedge | – | – | (32.5) | – | (32.5) |
| **Adjusted EBITDA before commissions[1]** | **$ 37.5** | **$ 28.2** | **$ 30.1** | **$ 92.2** | **$ 81.6** |
| **Net income for the period before one-time adjustments** | **$ 14.9** | **$ 5.0** | **$ 47.3** | **$ 25.5** | **$ 63.5** |
| Deduct: | | | | | |
| One-time adjustments to EBITDA before commissions from above | – | – | (32.5) | – | (32.5) |
| **Adjusted net income for the period** | **$ 14.9** | **$ 5.0** | **$ 14.8** | **$ 25.5** | **$ 31.0** |
| **Adjusted diluted EPS[1]** | **$ 0.21** | **$ 0.07** | **$ 0.19** | **$ 0.35** | **$ 0.39** |

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

## Results of Operations Adjusted for One-time Items

| | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in millions of dollars, except per share data) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Income | | | | | |
| Management, advisory and administration fees | $ 110.9 | $ 107.0 | $ 93.5 | $ 319.2 | $ 278.8 |
| Deferred sales charges | 1.5 | 1.6 | 1.4 | 4.7 | 4.4 |
| Share of profit of joint ventures | 2.2 | 0.1 | 0.6 | 3.1 | 1.3 |
| Other income from fee-earning arrangements | 0.7 | 0.4 | – | 1.1 | – |
| Adjusted dividend income from S&WHL | – | – | 8.8 | – | 13.3 |
| Fair value adjustments and other income | 7.8 | 0.4 | 1.9 | 11.7 | 4.3 |
| Total income | $ 123.1 | $ 109.5 | $ 106.2 | $ 339.8 | $ 302.1 |
| Expenses | | | | | |
| Selling, general and administrative | 50.1 | 47.1 | 46.1 | 145.2 | 131.6 |
| Trailing commissions | 35.3 | 34.0 | 29.8 | 101.7 | 88.0 |
| Investment advisory fees | 0.2 | 0.2 | 0.2 | 0.7 | 0.9 |
| | $ 85.6 | $ 81.3 | $ 76.1 | $ 247.6 | $ 220.5 |
| **Adjusted EBITDA before commissions[1]** | **$ 37.5** | **$ 28.2** | **$ 30.1** | **$ 92.2** | **$ 81.6** |
| Deferred selling commissions | $ 14.1 | $ 17.7 | $ 8.9 | $ 47.4 | $ 31.7 |
| Amortization, derecognition and depreciation | 2.7 | 2.6 | 1.8 | 7.9 | 5.7 |
| Interest expense | 0.7 | 0.8 | 1.3 | 2.0 | 5.4 |
| Income tax expense | 5.1 | 2.1 | 3.3 | 9.4 | 7.8 |
| **Adjusted net income for the period** | **$ 14.9** | **$ 5.0** | **$ 14.8** | **$ 25.5** | **$ 31.0** |
| Adjusted diluted earnings per share excluding S&WHL | $ 0.21 | $ 0.07 | $ 0.08 | $ 0.35 | $ 0.22 |
| **Adjusted diluted earnings per share** | **$ 0.21** | **$ 0.07** | **$ 0.19** | **$ 0.35** | **$ 0.39** |

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

# Commentary on Consolidated Results of Operations

## Income

### Management, Advisory and Administration Fees

Management, advisory fees and administration fees are directly related to our AUM levels and are recognized on an accrual basis. For the three and nine months ended August 31, 2021, management, advisory and administration fees were $110.9 million and $319.2 million, an increase of $17.4 million and $40.4 million or 18.6% and 14.5%, compared to $93.5 million and $278.8 million in the same periods in 2020. A breakdown of the change is as follows:

| (in millions of dollars) | Three months ended August 31, 2021 | Nine months August 31, 2021 |
|---|---|---|
| Increase in management, advisory and administration fees | $ 17.0 | $ 40.3 |
| Decrease in fund expense and waivers | 0.4 | 0.1 |
| **Total change in management, advisory and administration fees** | **$ 17.4** | **$ 40.4** |

Management, advisory and administration fees increased by $17.0 million and $40.3 million or 17.7% and 14.1% driven by an increase in average mutual fund AUM compared to the prior year and a higher average revenue rate as a result of product mix.

### Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 1.5% to 5.5%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenue was $1.5 million and $4.7 million for the three and nine months ended August 31, 2021, compared to $1.4 million and $4.4 million for the same periods in 2020.

### Share of Profit of Joint Ventures

Share of profit of joint ventures refers to earnings related to our ownership in the joint ventures that manage our private alternatives funds and is recorded under the equity method. For the three and nine months ended August 31, 2021, earnings were $2.2 million and $3.1 million (2020 – $0.6 million and $1.3 million). The increase is primarily due to the recognition of $2.2 million of carried interest earned through AGF's joint venture ownership in the manager SAFM LP. For additional information, see Note 5(a) of the Condensed Consolidated Interim Financial Statements.

### Other Income from Fee-earning Arrangements

On May 26, 2021, the Company entered into an agreement with Instar whereby AGF will earn ongoing annual fees of 14 bps on the assets under management of the InstarAGF Funds. For the three and nine months ended August 31, 2021, the Company recognized income of $0.7 million and $1.1 million related to the fee arrangement.

### Income from Smith & Williamson

The Company sold its 28.0% interest in S&WHL during the three months ended November 30, 2020. During the three and nine months ended August 31, 2020, dividend income, net of currency hedge, of $41.3 and $45.8 million was recognized, of which $32.5 million related to a special distribution was classified as a one-time item.

### Fair Value Adjustments and Other Income

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

Long-term investments include investments in our private alternatives products, which are accounted for at fair value through profit or loss. During the three and nine months ended August 31, 2021, the Company recorded income of $5.4 million and $7.3 million (2020 – $0.6 million and $2.3 million) as fair value adjustments and income distributions related to our economic interest in the investments in our private alternatives products. The amounts recorded as income fluctuate primarily with the amount of capital invested, monetizations, and changes in fair value and foreign exchange.

During the three and nine months ended August 31, 2021, the Company recorded interest and other income of $1.3 million and $2.0 million (2020 – $0.5 million and $1.6 million).

| | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in millions of dollars) | **August 31, 2021** | **May 31, 2021** | **August 31, 2020** | **August 31, 2021** | **August 31, 2020** |
| Fair value adjustment related to investment in AGF mutual funds | $ 1.1 | $ 0.1 | $ 0.8 | $ 2.4 | $ 0.4 |
| Fair value adjustment and distributions related to long-term investments | 5.4 | (0.5) | 0.6 | 7.3 | 2.3 |
| Interest income | 0.3 | 0.1 | 0.7 | 0.5 | 1.0 |
| Other | 1.0 | 0.7 | (0.2) | 1.5 | 0.6 |
| | **$ 7.8** | **$ 0.4** | **$ 1.9** | **$ 11.7** | **$ 4.3** |

## Expenses

### Selling, General and Administrative Expenses (SG&A)

SG&A increased by $4.0 million and $13.6 million or 8.7% and 10.3% for the three and nine months ended August 31, 2021, compared to the same periods in 2020. Excluding variable compensation costs and corporate development costs, core expenses increased $0.7 million and decreased $0.7 million for the three and nine months ended August 31, 2021 compared to the same periods in 2020.

| (in millions of dollars) | **Three months ended August 31, 2021** | **Nine months ended August 31, 2021** |
|---|---|---|
| Increase in performance-based compensation expenses | $ 2.9 | $ 8.4 |
| Increase (decrease) in stock-based compensation expenses | (0.9) | 3.7 |
| Increase in corporate development expenses | 1.3 | 2.2 |
| Increase (decrease) in other expenses | 0.7 | (0.7) |
| **Total increase in SG&A** | **$ 4.0** | **$ 13.6** |

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

- Variable performance-based compensation expenses increased by $2.9 million and $8.4 million due to higher mutual fund sales and related sales commissions as well as improved performance metrics resulting in increased variable compensation.
- Stock-based compensation expenses decreased by $0.9 million and increased by $3.7 million driven by a decrease in the AGF.B share price of 1% and an increase of 35%, respectively, which impacts the mark to market liability of the Company's cash settled

RSUs and DSUs. As at August 31, 2021, the share price was $7.52 compared to $7.61 as at May 31, 2021 and $5.58 as at November 30, 2021.

- AGF incurred $1.3 million and $2.2 million of corporate development costs for the three and nine months ended August 31, 2021 reflecting the increased activity related to the Company's capital deployment plan.
- Other expenses increased by $0.7 million and decreased by $0.7 million due to expense savings initiatives and timing of certain expenses.

### Trailing Commissions

Trailing commissions paid to distributors depend on total AUM, the proportion of mutual fund AUM sold on a front-end versus back-end commission basis and the proportion of equity fund AUM versus fixed income fund AUM. Annualized trailing commissions as a percentage of average daily mutual fund AUM was 0.61% and 0.61% for the three and nine months ended August 31, 2021, compared to 0.63% and 0.63% for the same periods in 2020. The decrease is primarily attributable to the decline of trailing commission paying assets to overall retail assets.

### Deferred Selling Commissions

Deferred selling commissions are expensed on an accrual basis. For the three and nine months ended August 31, 2021, the total deferred selling commissions expenses was $14.1 million and $47.4 million (2020 – $8.9 million and $31.7 million). The increase in deferred selling commissions is driven by an increase in mutual fund gross sales.

### Amortization and Interest Expense

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

- Depreciation increased by $0.9 million and $2.2 million for the three and nine months ended August 31, 2021, compared to the same periods in 2020, as a result of the addition of the Company's new CIBC Square lease.
- Interest expense decreased by $0.6 million and $3.4 million for the three and nine months ended August 31, 2021, compared to the same periods in 2020, as a result of reduced long-term debt balance.

### Income Tax Expense

Income tax expense for the three and nine months ended August 31, 2021 was $5.1 million and $9.4 million, as compared to $3.3 million and $7.8 million in the corresponding periods in 2020.

The effective tax rate for the nine months ended August 31, 2021 was 26.9% (2020 – 10.9%). The main items impacting the effective tax rate in the period relate to tax-exempt investment income, gains from investment subject to different tax rates, temporary differences for which no deferred tax assets were recognized, and prior period tax adjustments. The effective tax rate for the nine months ended August 31, 2021 is higher than the previous period's effective tax rate due to tax-exempt investment income from S&WHL in the previous period. Excluding the tax-exempt investment income from S&WHL, the effective tax rate for the previous period was 28.6%.

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

The result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in determining the amounts of its income tax assets and liabilities.

**CRA Audit – Acquisition of Tax-related Benefits**

As previously disclosed in prior years' Annual Consolidated Financial Statements, the Company received correspondences from the CRA and Ministry of Finance (Ontario) confirming that the Company's objection had been allowed in full in respect to tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. In 2020, the Company recorded $1.1 million of interest income in the Consolidated Statement of Income and received a substantial portion of the expected tax refunds. During Q1 2021, the Company received a tax refund from the Ministry of Finance (Alberta). On September 8, 2021, the Company received a final reassessment from the Quebec tax authority and expects to receive a refund of $0.1 million. Once the refund is received, this matter will be resolved.

## Net Income

The impact of the above income and expense items resulted in net income of $14.9 million and $25.5 million for the three and nine months ended August 31, 2021 as compared to $47.3 million and $63.5 million in the corresponding periods in 2020. Adjusting for one-time S&WHL special distribution, net of currency hedge loss, of $32.5 million that occurred during the three and nine months ended August 31, 2020, net income was $14.8 million and $31.0 million for the three and nine months ended August 31, 2020. Refer to the 'One-time Adjustments' and 'Results of Operations Adjusted for One-time Items' sections of this MD&A for additional information about the one-time adjustments for the three and nine months ended August 31, 2020.

### Earnings per Share

Diluted earnings per share was $0.21 and $0.35 for the three and nine months ended August 31, 2021, as compared to earnings of $0.60 and $0.80 per share, which includes one-time items, in the corresponding periods of 2020. Adjusted diluted earnings per share was $0.19 and $0.39 per share for the three and nine months ended August 31, 2020 of which $0.11 and $0.17 was related to S&WHL, respectively.

### Liquidity and Capital Resources

As at August 31, 2021, the Company had total cash and cash equivalents of $72.0 million (November 30, 2020 – $94.0 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated was $21.5 million and $42.4 million for the three and nine months ended August 31, 2021, compared to $15.5 million and $36.1 million in the comparative prior year periods. During the nine months ended August 31, 2021, we used $22.0 million (2020 – $20.3 million) in cash as follows:

| (in millions of dollars)<br>**Nine months ended** | | **August 31, 2021** | | **August 31, 2020** |
|---|---|---|---|---|
| Net cash provided by operating activities | $ | 18.7 | $ | 37.3 |
| Repurchase of shares under normal course issuer bid and purchase of treasury stock for employee benefit trust (EBT) | | (3.4) | | (7.7) |
| Dividends paid | | (17.3) | | (18.5) |
| Payment of long-term debt | | – | | (13.5) |
| Interest paid | | (0.4) | | (4.6) |
| Purchase of long-term investments, net of return of capital | | (7.0) | | (7.6) |
| Purchase of property, equipment and computer software, net of disposals | | (9.1) | | (2.4) |
| Lease principal payments | | (3.4) | | (3.5) |
| Other | | (0.1) | | 0.2 |
| **Change in cash and cash equivalents** | **$** | **(22.0)** | **$** | **(20.3)** |

The Company's working capital decreased by $11.5 million for the nine months ended August 31, 2021.

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

During the nine months ended August 31, 2021, the Company incurred lease modification and reassessment of $1.3 million, resulting in right-of-use assets of $77.6 million and total lease liabilities of $85.2 million recorded on the Consolidated Interim Statement of Financial Position. As well, as at August 31, 2021, the Company has funded $156.2 million (November 30, 2020 – $149.2 million) in funds and investments associated with the private alternatives business and has $76.6 million (November 30, 2020 – $70.2 million) remaining to be funded, which includes a $30.0 million commitment to First Ascent's second fund announced during the three months ended August 31, 2021. As at August 31, 2021, no amount related to the First Ascent commitment has been funded. In addition, the Company has also announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund.

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

### Capital Management Activities

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

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

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

### Normal Course Issuer Bid

On February 4, 2021, AGF announced that the TSX had approved AGF's notice of intention to renew its normal course issuer bid (NCIB) in respect of its Class B Non-Voting shares. Purchase for cancellation by AGF of outstanding Class B Non-Voting shares may also be used to offset the dilutive effect of treasury stock released for the employee benefit trust (EBT) and of shares issued through the Company's stock option plans and dividend reinvestment plan. AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Shares purchased for the EBT are also purchased under the Company's NCIB and recorded as a reduction to capital stock. Under its NCIB, the Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX for amounts as follows:

- Between February 8, 2021 and February 7, 2022, up to 5,067,167 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX); and
- Between February 6, 2020 and February 5, 2021, up to 5,947,786 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX).

During the three and nine months ended August 31, 2021, AGF purchased 186,300 and 200,600 Class B Non-Voting shares for cancellation for a total consideration of $1.4 million and $1.5 million at an average price of $7.60 and $7.59 per share under its NCIB. During the three and nine months ended August 31, 2020, AGF purchased 1,000,000 and 1,000,000 shares for cancellation for a total consideration of $5.1 million and $5.1 million at an average price of $5.12 and $5.12 per share under its NCIB.

During the three and nine months ended August 31, 2021 AGF purchased nil and 250,000 Class B Non-Voting shares for the EBT for a total consideration of nil and $1.9 million at an average price of nil and $7.46 per share. During the three and nine months ended August 31, 2020, AGF purchased nil and 750,000 Class B Non-Voting share for the EBT for a total consideration of nil and $2.6 million at an average price of nil and $3.50 per share.

### Dividends

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

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

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

| Years ended November 30 | 2021[1] | 2020 | 2019 | 2018 | 2017 |
|---|---|---|---|---|---|
| Per share | $ 0.34 | $ 0.32 | $ 0.32 | $ 0.32 | $ 0.32 |

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

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on July 20, 2021 was $0.09 per share.

On September 28, 2021, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.09 per share in respect of the three months ended August 31, 2021.

### Outstanding Share Data

Set out below is our outstanding share data as at August 31, 2021 and 2020. For additional detail, see Notes 12 and 17 of the Condensed Consolidated Interim Financial Statements.

| | August 31, 2021 | August 31, 2020 |
|---|---|---|
| Shares | | |
| Class A Voting common shares | 57,600 | 57,600 |
| Class B Non-Voting shares | 69,830,110 | 76,870,612 |
| Stock Options | | |
| Outstanding options | 6,511,200 | 6,938,340 |
| Exercisable options | 4,877,220 | 4,988,314 |

## Key Performance Indicators, Additional IFRS and Non-IFRS Measures

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

### Income

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

We derive our income principally from a combination of:

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

### EBITDA before commissions 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. This non-IFRS measure may not be directly comparable to similar measures used by other companies.

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

| | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in millions of dollars) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Net income | $ 14.9 | $ 5.0 | $ 47.3 | $ 25.5 | $ 63.5 |
| Adjustments: | | | | | |
| Deferred selling commissions | 14.1 | 17.7 | 8.9 | 47.4 | 31.7 |
| Amortization, derecognition and depreciation | 2.7 | 2.6 | 1.8 | 7.9 | 5.7 |
| Interest expense | 0.7 | 0.8 | 1.3 | 2.0 | 5.4 |
| Income tax expense | 5.1 | 2.1 | 3.3 | 9.4 | 7.8 |
| **EBITDA before commissions** | **$ 37.5** | **$ 28.2** | **$ 62.6** | **$ 92.2** | **$ 114.1** |
| Other one-time adjustments: | | | | | |
| One-time S&WHL special distribution, net of currency hedge | $ – | $ – | $ (32.5) | $ – | $ (32.5) |
| **Adjusted EBITDA before commissions** | **$ 37.5** | **$ 28.2** | **$ 30.1** | **$ 92.2** | **$ 81.6** |

## 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 | |
|---|---|---|---|---|---|
| (in millions of dollars) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| EBITDA before commissions | $ 37.5 | $ 28.2 | $ 62.6 | $ 92.2 | $ 114.1 |
| Divided by income | 123.1 | 109.5 | 138.7 | 339.8 | 334.6 |
| **EBITDA before commissions margin** | **30.5%** | **25.8%** | **45.1%** | **27.1%** | **34.1%** |

## 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 | |
|---|---|---|---|---|---|
| (in millions of dollars) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Adjusted EBITDA before commissions | $ 37.5 | $ 28.2 | $ 30.1 | $ 92.2 | $ 81.6 |
| Divided by adjusted income | 123.1 | 109.5 | 106.2 | 339.8 | 302.1 |
| **Adjusted EBITDA before commissions margin** | **30.5%** | **25.8%** | **28.3%** | **27.1%** | **27.0%** |

### 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 | |
|---|---|---|---|---|---|
| (in millions of dollars) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Net debt[1] | $ – | $ – | $ 162.9 | $ – | $ 162.9 |
| Divided by adjusted EBITDA before commissions (12-month trailing) | 124.1 | 116.7 | 117.3 | 124.1 | 117.3 |
| **Net debt to adjusted EBITDA before commissions ratio** | **0.0%** | **0.0%** | **138.9%** | **0.0%** | **138.9%** |

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

### Free Cash Flow

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

| | Three months ended | | | Nine months ended | |
|---|---|---|---|---|---|
| (in millions of dollars) | August 31, 2021 | May 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Net income for the period | $ 14.9 | $ 5.0 | $ 47.3 | $ 25.5 | $ 63.5 |
| Adjusted for non-cash items and non-cash working capital balance | 43.6 | (7.0) | (23.5) | (6.8) | (26.3) |
| Net cash provided by (used in) operating activities | $ 58.5 | $ (2.0) | $ 23.8 | $ 18.7 | $ 37.2 |
| Adjusted for: | | | | | |
| Net changes in non-cash working capital balances related to operations | (26.5) | 7.8 | 1.5 | 9.6 | 12.7 |
| Income taxes paid (refunded) during the year | (2.4) | 8.2 | (3.2) | 29.0 | 5.2 |
| Income taxes related to current period free cash flow | (6.8) | (2.3) | (4.3) | (11.1) | (10.9) |
| Interest paid | (0.3) | (0.1) | (1.1) | (0.4) | (4.6) |
| Lease principal payments | (1.0) | (1.2) | (1.2) | (3.4) | (3.5) |
| **Free cash flow** | **$ 21.5** | **$ 10.4** | **$ 15.5** | **$ 42.4** | **$ 36.1** |

### Assets Under Management

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

### Fee-earning Assets

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

### Investment Performance

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

### Net Sales (Redemptions)

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

### Market Capitalization

AGF's market capitalization is $530.9 million as compared to its recorded net assets of $1,022.0 million as at August 31, 2021. In 2020, we completed an assessment to determine the fair value of AGF's cash-generating units (CGUs). Based on the result of the assessment, the recoverable amount of each CGU exceeded its carrying value as at November 30, 2020. There have been no significant changes to the recoverable amount of each CGU as at August 31, 2021, however, a sustained period of market volatility could become a triggering event requiring a write down of AGF's CGUs. Estimating the fair value of CGUs is a subjective process that involves the use of estimates and judgements, particularly related to cash flows, the appropriate discount rates, terminal growth rates, synergy inclusion rates and an applicable control premium.

## Managing Risk

AGF is subject to a number of risk factors that may impact our operating and financial performance. These risks and the management of these risks are detailed in our 2020 Annual MD&A in the section entitled 'Risk Factors and Management of Risk'.

### Market Risk

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

COVID-19 and the ongoing pandemic remain a significant concern and source of volatility for global markets. As long as the delta variant of the virus continues to proliferate around the world, it will continue to impact the economic recovery, including in countries like the United States and Canada. If economies can remain open it could present a further catalyst for growth or, at least, give the economy a new dynamic to build on. However, a setback due to rising case counts and hospitalizations that threatens another round of onerous restrictions could do the opposite and dampen growth more than may already be largely expected.

Furthermore, with the recent volatility in the markets, AGF is monitoring the potential impact of market risk to its capital position and profitability if these levels were sustained or continued to decline. A significant portion of AGF's revenue is driven by its total average

AUM excluding private alternatives. These AUM levels are impacted by both net sales and changes in the market. In general, for every $1.0 billion reduction in average AUM excluding private alternatives, management fee revenues would decline by approximately $8.3 million. In addition, the uncertainty within the global markets may impact the level of merger and acquisition activity and is likely to create challenges in completing transactions.

### Regulatory Risk

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

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

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

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

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

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

As a long-standing participant in the Canadian financial services industry, the Company and the Company's subsidiaries will continue to be an advocate for sound regulatory changes that are grounded in the needs of all investors. The Company strongly believes in upholding the value of advice, preserving investor choice, and limiting the negative effects of unintended consequences.

## Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes in AGF's internal controls during the three and nine months ended August 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three and nine months ended August 31, 2021, the Company's 2020 Annual Information Form (AIF) and Annual Report, and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

# AGF Management Limited

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three and nine months ended August 31, 2021 and 2020

## AGF MANAGEMENT LIMITED
## CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

| (unaudited)<br>(in thousands of dollars) | Note | | August 31,<br>2021 | | November 30,<br>2020 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Current assets | | | | | |
| Cash and cash equivalents | | $ | 72,032 | $ | 94,009 |
| Investments | 4 | | 20,700 | | 18,169 |
| Accounts receivable, prepaid expenses and other assets | 5 | | 43,498 | | 38,113 |
| Income tax receivable | 18, 23 | | 2,465 | | – |
| Total current assets | | | 138,695 | | 150,291 |
| Investment in joint ventures | 5 | | 1,168 | | 1,780 |
| Long-term investments | 5 | | 152,533 | | 151,949 |
| Management contracts | | | 689,759 | | 689,759 |
| Goodwill | | | 250,830 | | 250,830 |
| Other intangibles, net of accumulated amortization and derecognition | | | 572 | | 667 |
| Right-of-use assets | 6 | | 77,641 | | 81,139 |
| Property, equipment and computer software, net of accumulated depreciation | | | 15,875 | | 8,340 |
| Deferred income tax assets | | | 6,611 | | 6,593 |
| Other assets | 7 | | 2,646 | | 6,191 |
| Total non-current assets | | | 1,197,635 | | 1,197,248 |
| **Total assets** | | **$** | **1,336,330** | **$** | **1,347,539** |
| **Liabilities** | | | | | |
| Current liabilities | | | | | |
| Accounts payable and accrued liabilities | 10, 17 | $ | 66,477 | $ | 67,837 |
| Provision for Elements Advantage | | | 728 | | 914 |
| Lease liability | 6 | | 3,999 | | 4,582 |
| Income tax liability | 18, 23 | | – | | 17,212 |
| Total current liabilities | | | 71,204 | | 90,545 |
| Long-term lease liability | 6 | | 81,185 | | 81,081 |
| Deferred income tax liabilities | | | 150,338 | | 150,043 |
| Provision for Elements Advantage | | | 22 | | 424 |
| Other long-term liabilities | 7, 17 | | 11,619 | | 9,267 |
| Total liabilities | | | 314,368 | | 331,360 |
| **Equity** | | | | | |
| Equity attributable to owners of the Company | | | | | |
| Capital stock | 12 | | 424,241 | | 425,460 |
| Contributed surplus | 17 | | 39,462 | | 40,465 |
| Retained earnings | | | 555,404 | | 547,614 |
| Accumulated other comprehensive income | 13 | | 2,855 | | 2,640 |
| Total equity | | | 1,021,962 | | 1,016,179 |
| **Total liabilities and equity** | | **$** | **1,336,330** | **$** | **1,347,539** |

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

## AGF MANAGEMENT LIMITED
## CONSOLIDATED INTERIM STATEMENT OF INCOME

| (unaudited) | | Three months ended | |
|---|---|---|---|
| | | August 31, | August 31, |
| (in thousands of dollars, except per share amounts) | Note | 2021 | 2020 |
| **Income** | | | |
| Management, advisory and administration fees | 14 | $ 110,915 | $ 93,481 |
| Deferred sales charges | | 1,456 | 1,439 |
| Share of profit of joint ventures | 5 | 2,222 | 620 |
| Other income from fee-earning arrangements | 7 | 685 | – |
| Dividend income, net of currency hedge | 8, 9 | – | 41,339 |
| Fair value adjustments and other income | 5, 15 | 7,791 | 1,889 |
| | | 123,069 | 138,768 |
| **Expenses** | | | |
| Selling, general and administrative | 16, 21 | 50,115 | 46,140 |
| Trailing commissions | | 35,299 | 29,779 |
| Investment advisory fees | | 196 | 248 |
| Deferred selling commissions | | 14,092 | 8,915 |
| Amortization and derecognition of customer contracts and other intangibles | | 51 | 17 |
| Depreciation of property, equipment and computer software | | 1,081 | 948 |
| Depreciation of right-of-use asset | 6 | 1,589 | 789 |
| Interest expense | 6 | 671 | 1,262 |
| | | 103,094 | 88,098 |
| **Income before income taxes** | | **19,975** | **50,670** |
| Income tax expense (benefit) | | | |
| Current | 18 | 4,905 | 4,721 |
| Deferred | 18 | 215 | (1,400) |
| | | 5,120 | 3,321 |
| **Net income for the period** | | **$ 14,855** | **$ 47,349** |
| **Earnings per share equity owners of the Company** | | | |
| Basic | 19 | $ 0.21 | $ 0.61 |
| Diluted | 19 | $ 0.21 | $ 0.60 |

(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 dollars, except per share amounts) | Note | August 31, 2021 | August 31, 2020 |
| **Income** | | | |
| Management, advisory and administration fees | 14 | $ 319,211 | $ 278,773 |
| Deferred sales charges | | 4,660 | 4,361 |
| Share of profit of joint ventures | 5 | 3,072 | 1,323 |
| Other income from fee-earning arrangements | 7 | 1,123 | – |
| Share of profit of associate | 8 | – | 12 |
| Dividend income, net of currency hedge | 8, 9 | – | 45,832 |
| Fair value adjustments and other income | 5, 15 | 11,725 | 4,229 |
| Total income | | 339,791 | 334,530 |
| **Expenses** | | | |
| Selling, general and administrative | 16, 21 | 145,205 | 131,633 |
| Trailing commissions | | 101,665 | 87,969 |
| Investment advisory fees | | 671 | 901 |
| Deferred selling commissions | | 47,385 | 31,691 |
| Amortization and derecognition of customer contracts and other intangibles | | 95 | 278 |
| Depreciation of property, equipment and computer software | | 2,993 | 2,935 |
| Depreciation of right-of-use asset | 6 | 4,804 | 2,463 |
| Interest expense | | 2,106 | 5,396 |
| Total expenses | | 304,924 | 263,266 |
| **Income before income taxes** | | **34,867** | **71,264** |
| Income tax expense (benefit) | | | |
| Current | 18 | 9,135 | 11,085 |
| Deferred | 18 | 244 | (3,295) |
| Total income tax expense | | 9,379 | 7,790 |
| **Net income for the period** | | **$ 25,488** | **$ 63,474** |
| **Earnings per share** | | | |
| Basic | 19 | $ 0.36 | $ 0.81 |
| Diluted | 19 | $ 0.35 | $ 0.80 |

(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 dollars) | **Note** | **August 31, 2021** | **August 31, 2020** | **August 31, 2021** | **August 31, 2020** |
| **Net income for the period** | | $ 14,855 | $ 47,349 | $ 25,488 | $ 63,474 |
| **Other comprehensive income (loss), net of tax** | | | | | |
| **Cumulative translation adjustment** | | | | | |
| Other comprehensive loss arising from assets classified as held for sale | 8, 13 | – | 3,602 | – | 2,149 |
| Foreign currency translation adjustments related to net investments in foreign operations | | – | (126) | – | (16) |
| | | – | 3,476 | – | 2,133 |
| **Net unrealized gain on investments** | | | | | |
| Unrealized gain | | 119 | 35 | 215 | 89 |
| | | 119 | 35 | 215 | 89 |
| **Net unrealized loss on derivative instrument** | | | | | |
| Unrealized loss | 9, 13 | – | (9,140) | – | (13,927) |
| | | – | (9,140) | – | (13,927) |
| Total other comprehensive income (loss), net of tax | | $ 119 | $ (5,629) | $ 215 | $ (11,705) |
| **Net comprehensive income** | | **$ 14,974** | **$ 41,720** | **$ 25,703** | **$ 51,769** |

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)<br>(in thousands of dollars) | | Capital stock | | Contributed surplus | | Retained earnings | | Accumulated other comprehensive income | | Total equity |
|---|---|---|---|---|---|---|---|---|---|---|
| **Balance, December 1, 2019** | $ | 474,178 | $ | 40,781 | $ | 395,425 | $ | 11,258 | **$** | **921,642** |
| Net income for the period | | – | | – | | 63,474 | | – | | **63,474** |
| Other comprehensive loss (net of tax) | | – | | – | | – | | (11,705) | | **(11,705)** |
| Comprehensive income (loss) for the period | | – | | – | | 63,474 | | (11,705) | | **51,769** |
| AGF Class B Non-Voting shares issued through dividend reinvestment plan | | 240 | | – | | – | | – | | **240** |
| Stock options | | 346 | | 359 | | – | | – | | **705** |
| AGF Class B Non-Voting shares repurchased for cancellation | | (6,064) | | – | | 943 | | – | | **(5,121)** |
| Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.3 million | | – | | – | | (19,020) | | – | | **(19,020)** |
| Equity-settled Restricted Share Units and Partner Points, net of tax | | – | | (1,035) | | – | | – | | **(1,035)** |
| Treasury stock purchased | | (2,628) | | – | | – | | – | | **(2,628)** |
| Treasury stock released | | 1,848 | | – | | (169) | | – | | **1,679** |
| **Balance, August 31, 2020** | **$** | **467,920** | **$** | **40,105** | **$** | **440,653** | **$** | **(447)** | **$** | **948,231** |
| **Balance, December 1, 2020** | $ | 425,460 | $ | 40,465 | $ | 547,614 | $ | 2,640 | **$** | **1,016,179** |
| Net income for the period | | – | | – | | 25,488 | | – | | **25,488** |
| Other comprehensive income (net of tax) | | – | | – | | – | | 215 | | **215** |
| Comprehensive income for the period | | – | | – | | 25,488 | | 215 | | **25,703** |
| AGF Class B Non-Voting shares issued through dividend reinvestment plan | | 228 | | – | | – | | – | | **228** |
| Stock options | | 344 | | 393 | | – | | – | | **737** |
| AGF Class B Non-Voting shares repurchased for cancellation | | (1,216) | | – | | (342) | | – | | **(1,558)** |
| Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million | | – | | – | | (17,766) | | – | | **(17,766)** |
| Equity-settled Restricted Share Units, net of tax | | – | | (1,396) | | – | | – | | **(1,396)** |
| Treasury stock purchased | | (1,864) | | – | | – | | – | | **(1,864)** |
| Treasury stock released | | 1,289 | | – | | 410 | | – | | **1,699** |
| **Balance, August 31, 2021** | **$** | **424,241** | **$** | **39,462** | **$** | **555,404** | **$** | **2,855** | **$** | **1,021,962** |

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

## AGF MANAGEMENT LIMITED
## CONSOLIDATED INTERIM STATEMENT OF CASH FLOW

| (unaudited)<br>(in thousands of dollars) | Note | Nine months ended<br>August 31, 2021 | August 31, 2020 |
|---|---|---|---|
| **Operating Activities** | | | |
| Net income for the period | | $ 25,488 | $ 63,474 |
| Adjustments for | | | |
| Amortization, derecognition and depreciation | | 7,892 | 5,676 |
| Interest expense | | 2,106 | 5,396 |
| Income tax expense | 18 | 9,379 | 7,790 |
| Income taxes paid | | (29,042) | (5,159) |
| Stock-based compensation | 17 | 7,266 | 3,544 |
| Share of profit of associate and joint ventures | 5 | (3,072) | (1,335) |
| Distributions from associate and joint ventures | 5 | 4,460 | 3,212 |
| Fair value adjustment on long-term investments | 5 | 6,397 | 292 |
| Net realized and unrealized (gain) loss on short-term investments | | (2,436) | (408) |
| Special distribution of asset classified as held for sale, net of currency hedge | 8 | – | (32,505) |
| Other | | (71) | (39) |
| | | 28,367 | 49,938 |
| Net change in non-cash working capital balances related to operations | | | |
| Accounts receivable and other current assets | | (5,539) | 6,162 |
| Other assets | | 2,993 | (889) |
| Accounts payable and accrued liabilities | | (7,926) | (17,747) |
| Other liabilities | | 817 | (191) |
| | | (9,655) | (12,665) |
| Net cash provided by operating activities | | 18,712 | 37,273 |
| **Financing Activities** | | | |
| Repurchase of Class B Non-Voting shares for cancellation | 12 | (1,523) | (5,121) |
| Issue of Class B Non-Voting shares | 12 | 344 | 346 |
| Purchase of treasury stock | 12 | (1,864) | (2,628) |
| Dividends paid | 20 | (17,302) | (18,535) |
| Repayment of long-term debt | 11 | – | (13,500) |
| Interest paid | | (351) | (4,610) |
| Lease principal payments | 6 | (3,411) | (3,540) |
| Net cash used in financing activities | | (24,107) | (47,588) |
| **Investing Activities** | | | |
| Investment in joint venture | 5 | (776) | – |
| Purchase of long-term investments | 5 | (25,213) | (9,000) |
| Return of capital from long-term investments | 5 | 18,232 | 1,363 |
| Purchase of property, equipment and computer software, net of disposals | | (9,133) | (2,398) |
| Purchase of short-term investments | 4 | (5,576) | (2,591) |
| Proceeds from sale of short-term investments | 4 | 5,884 | 2,660 |
| Net cash used in investing activities | | (16,582) | (9,966) |
| **Decrease in cash and cash equivalents** | | (21,977) | (20,281) |
| **Balance of cash and cash equivalents, beginning of the period** | | 94,009 | 51,660 |
| **Balance of cash and cash equivalents, end of the period** | | $ 72,032 | $ 31,379 |
| Cash and cash equivalents comprise of: | | | |
| Cash at bank and on hand | | $ 67,532 | $ 26,879 |
| Deposits on call | | 4,500 | 4,500 |
| **Total cash and cash equivalents** | | $ 72,032 | $ 31,379 |

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

# Notes to the Condensed Consolidated Interim Financial Statements

For the three and nine months ended August 31, 2021 and 2020 (unaudited)

## Note 1: General Information

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

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on September 28, 2021.

## Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. Amounts are expressed in Canadian dollars, unless otherwise stated. The accounting policies in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2020. These condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for the year ended November 30, 2020, which have been prepared in accordance with IFRS as issued by the IASB. Certain comparative figures have been reclassified to conform to the consolidated financial statement presentation in the current year.

## Note 3: COVID-19 Impact

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

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

## Note 4: Investments

The following table presents a breakdown of investments:

| (in thousands of dollars) | | August 31, 2021 | | November 30, 2020 |
|---|---|---|---|---|
| Fair value through profit or loss | | | | |
| AGF mutual funds and other | $ | 19,531 | $ | 17,248 |
| Fair value through other comprehensive income | | | | |
| Equity securities | | 858 | | 610 |
| Amortized cost | | | | |
| Canadian government debt – Federal | | 311 | | 311 |
| | $ | 20,700 | $ | 18,169 |

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

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

### (a) Investment in Joint Ventures

The Company has ownership in joint ventures that manage our private alternative funds. These joint ventures include Stream Asset Financial GP (SAF GP), SAFM LP, SAFJM LP, and PCMLP, and are accounted for using the equity method of accounting. The Company, through its interest in joint ventures, may be entitled to performance-based fees or carried interest distributions. These amounts are recognized by the Company and its joint ventures when the fund exceeds the related performance thresholds and when the risk of reversal is low.

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

The continuity for the nine months ended August 31, 2021 and 2020 is as follows:

| | Nine months ended | | | |
|---|---|---|---|---|
| (in thousands of dollars) | | August 31, 2021 | | August 31, 2020 |
| Balance, beginning of the period | $ | 1,780 | $ | 2,626 |
| Investment in joint venture | | 776 | | – |
| Share of profit | | 3,072 | | 1,323 |
| Distributions received | | (4,460) | | (3,212) |
| Balance, end of the period | $ | 1,168 | $ | 737 |

For the three and nine months ended August 31, 2021, the Company recognized earnings of $2.2 million and $3.1 million (2020 – $0.6 million and $1.3 million) and received distributions of $2.4 million and $4.5 million (2020 – $0.6 million and $3.2 million) from its private alternatives business.

### (b) Investment in Long-term Investments

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

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

| (in thousands of dollars) | | August 31, 2021 | | August 31, 2020 |
|---|---|---|---|---|
| Balance, beginning of the period | $ | 151,949 | $ | 136,664 |
| Purchase of long-term investments | | 25,213 | | 9,000 |
| Return of capital | | (18,232) | | (1,363) |
| Fair value adjustment[1] | | (6,397) | | (292) |
| Balance, end of the period | $ | 152,533 | $ | 144,009 |

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

As at August 31, 2021, the carrying value of the Company's long-term investments in the private alternatives business was $152.5 million (November 30, 2020 – $151.9 million).

During the three and nine months ended August 31, 2021, the Company recognized income of $5.4 million and $7.3 million (2020 – $0.6 million and $2.3 million) in fair value adjustment and distributions related to its long-term investments.

As at August 31, 2021, the Company has funded $156.2 million (November 30, 2020 – $149.2 million) in funds and investments associated with the private alternatives business and has $76.6 million (November 30, 2020 – $70.2 million) remaining to be funded, which includes a $30.0 million commitment to First Ascent's second fund announced during the three months ended August 31, 2021. As at August 31, 2021, no amount related to the commitment has been funded. In addition, the Company has also announced an anticipated commitment of US$50.0 million upon the successful launch of Instar's third fund.

The Company may temporarily provide capital to warehouse investments prior to formation of a fund. Upon closing of a fund with external investors, the Company receives a return of its capital. As at August 31, 2021, the Company received a payment of $10.4 million related to its unsecured subordinated promissory note receivable and related interest from SAF Legend LP (November 30, 2020 – nil). The Company does not have any warehouse capital outstanding as at August 31, 2021.

## Note 6: Leases

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

| | | Right-of-use assets | | | | | | Lease liabilities |
|---|---|---|---|---|---|---|---|---|
| (in thousands of dollars) | | Property leases | | Equipment | | Total | | |
| As at December 1, 2020 | $ | 80,181 | $ | 958 | $ | 81,139 | $ | 85,663 |
| Depreciation expense | | (4,599) | | (205) | | (4,804) | | – |
| Lease modification and reassessment | | 1,311 | | (5) | | 1,306 | | 1,296 |
| Interest expense | | – | | – | | – | | 1,636 |
| Payments | | – | | – | | – | | (3,411) |
| **As at August 31, 2021** | **$** | **76,893** | **$** | **748** | **$** | **77,641** | **$** | **85,184** |

| | Right-of-use assets | | | Lease liabilities |
|---|---|---|---|---|
| (in thousands of dollars) | Property leases | Equipment | Total | |
| As at December 1, 2019 | $ 14,569 | $ 1,188 | $ 15,757 | $ 19,880 |
| Depreciation expense | (2,262) | (201) | (2,463) | – |
| Lease modification | (4,029) | – | (4,029) | (4,029) |
| New lease addition | – | 41 | 41 | 41 |
| Interest expense | – | – | – | 513 |
| Payments | – | – | – | (3,540) |
| **As at August 31, 2020** | **$ 8,278** | **$ 1,028** | **$ 9,306** | **$ 12,865** |

## Note 7: Other Fee-earning Arrangements

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

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

The fee arrangement is classified as a contract with Instar under IFRS 15. Under IFRS 15, the annual fee will be recorded as income on an accrual basis over the remaining terms of each of the InstarAGF Funds. During the three and nine months ended August 31, 2021, the Company recognized $0.7 million and $1.1 million of income related to the fee arrangement.

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

## Note 8: Dividend Income, Net of Currency Hedge

The Company completed the S&WHL sale on September 1, 2020. Based on the terms of the transaction structure, the Company received total cash of $296.2 million, excluding tax and one-time item expenses, for the year ended November 30, 2020. As at August 31, 2020, the Company received total cash for dividends and distributions of $45.8 million comprised of an interim dividend of $13.3 million and a special distribution of $32.5 million, net of currency hedge, that was recorded as dividend receivable as at August 31, 2020. The transaction was hedged at a rate of 1.68.

Dividends received when S&WHL was classified as held for sale were recorded as dividend income and did not reduce the carrying value of the investment. Foreign exchange revaluation on the carrying value of S&WHL was recorded through other comprehensive income. During the three and nine months ended August 31, 2020, the Company received $41.3 million and $45.8 million in dividend income, net of currency hedge. As at August 31, 2021, the Company does not retain any equity consideration in S&WHL.

## Note 9: Derivative Instrument

To reduce the Company's foreign exchange risk on the transaction value of the sale of S&WHL, the Company entered into the following derivative instruments which were designated as cash flow hedge instruments.

### (a) Forward

On June 23, 2020, the Company entered into forward contracts to secure AGF's cash consideration on the special distribution of £19.8 million and cash receivable at closing of £148.8 million at an exchange rate of 1.68. The forward contracts expired on November 30, 2020. As at November 30, 2020, the forward contracts have been fully settled as a result of the completion of the S&WHL transaction. During the three and nine months ended August 31, 2020, the Company recorded an unrealized loss of $11.1 million of which $9.8 million was recognized in other comprehensive income and $1.3 million was recognized in the Consolidated Interim Statement of Income, netted against the $34.5 million S&WHL special distribution recorded as dividend income. Refer to Note 8 for additional information.

### (b) Put Option

On September 19, 2019, the Company purchased a put option, which gave the Company the right, but not the obligation, to sell £167.1 million at a strike price of 1.6130. The put option protected AGF's cash consideration if the British pound declined below 1.6130 and expired on March 31, 2020. As at August 31, 2020, the value of the put option was nil. During the three and nine months ended August 31, 2020, the Company recorded an unrealized loss of nil and $4.8 million of which nil and $4.1 million was recognized in other comprehensive income. During the three months ended August 31, 2020, $0.7 million of the loss recognized in other comprehensive income was reclassified in the Consolidated Interim Statement of Income against the $34.5 million S&WHL special distribution recorded as dividend income.

At closing, the fair value adjustments recognized under other comprehensive income for both the forward contract and the put option was reclassified to the Consolidated Interim Statement of Income and netted against the gain on sale of S&WHL.

## Note 10: Accounts Payable

| (in thousands of dollars) | | August 31, 2021 | | November 30, 2020 |
|---|---|---|---|---|
| Compensation related payable | $ | 39,068 | $ | 37,533 |
| HST payable | | 7,861 | | 8,900 |
| Other | | 19,548 | | 21,404 |
| Accounts payable and accrued liabilities | $ | 66,477 | $ | 67,837 |

## Note 11: Long-term Debt

As at August 31, 2021, AGF had drawn nil (November 30, 2020 – nil) against the unsecured revolving credit facility (the Facility). During the nine months ended August 31, 2021, the Company did not borrow against the Facility (2020 – repaid $13.5 million). AGF incurred $0.7 million of transaction fees on the Facility as at November 30, 2020, which was amortized over the term of the Facility. As at August 31, 2021, the remaining balance of the transaction fee was $0.5 million. The Company's revolving credit facility has a maximum aggregate principal amount of $140.0 million and a $10.0 million swingline facility commitment. As at August 31, 2021, $150.0 million was available to be drawn from the revolving credit facility and swingline facility commitment.

# Note 12: 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 | | | | | |
|---|---|---|---|---|---|---|
| | August 31, 2021 | | | August 31, 2020 | | |
| (in thousands of dollars, except share amounts) | Shares | Stated value | | Shares | Stated value | |
| **Class A Voting common shares** | 57,600 | $ | – | 57,600 | $ | – |
| **Class B Non-Voting shares** | | | | | | |
| Balance, beginning of the period | 69,868,569 | $ | 425,460 | 78,223,104 | $ | 474,178 |
| Issued through dividend reinvestment plan | 32,541 | | 228 | 55,246 | | 240 |
| Stock options exercised | 58,990 | | 344 | 58,082 | | 346 |
| Repurchased for cancellation | (200,600) | | (1,216) | (1,000,000) | | (6,064) |
| Treasury stock purchased for employee benefit trust | (250,000) | | (1,864) | (750,000) | | (2,628) |
| Treasury stock released for employee benefit trust | 320,610 | | 1,289 | 284,180 | | 1,848 |
| Balance, end of the period | 69,830,110 | $ | 424,241 | 76,870,612 | $ | 467,920 |

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 5,067,167 shares for the period from February 8, 2021 to February 7, 2022 and up to 5,947,786 shares for the period from February 6, 2020 to February 5, 2021. During the three and nine months ended August 31, 2021, AGF purchased 186,300 and 200,600 (2020 – 1,000,000 and 1,000,000) Class B Non-Voting shares under the normal course issuer bid at a cost of $1.4 million and $1.5 million (2020 – $5.1 million and $5.1 million). During the three and nine months ended August 31, 2021, the discount of $0.2 million and $0.3 million over the recorded capital stock value of the share 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, 2021, AGF purchased nil and 250,000 (2020 – nil and 750,000) Class B Non-Voting shares for the employee benefit trust at a cost of nil and $1.9 million (2020 – nil and $2.6 million). Shares purchased for the trust are purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three and nine months ended August 31, 2021, 20,402 and 320,610 (2020 – 23,330 and 284,180) Class B Non-Voting shares purchased as treasury stock were released. As at August 31, 2021, 774,818 (November 30, 2020 – 845,428) Class B Non-Voting shares were held as treasury stock.

## Note 13: Accumulated Other Comprehensive Income

| (in thousands of dollars) | Foreign currency translation | Fair value through OCI | Fair value on derivative instrument | Total |
|---|---|---|---|---|
| **Opening composition of accumulated other comprehensive income at December 1, 2019** | | | | |
| Other comprehensive income (loss) | $ 8,243 | $ 4,085 | $ (1,062) | $ 11,266 |
| Income tax expense | – | (8) | – | (8) |
| **Balance, December 1, 2019** | 8,243 | 4,077 | (1,062) | 11,258 |
| Transactions during the year ended November 30, 2020 | | | | |
| Other comprehensive income (loss) | (32) | 74 | – | 42 |
| Reclassification of AOCI to net income from the sale of asset classified as held for sale[1] | (5,926) | (3,786) | 1,062 | (8,650) |
| Income tax expense | – | (10) | – | (10) |
| **Balance, November 30, 2020** | 2,285 | 355 | – | 2,640 |
| Transactions during the period ended August 31, 2021 | | | | |
| Other comprehensive income | – | 248 | – | 248 |
| Income tax expense | – | (33) | – | (33) |
| **Balance, August 31, 2021** | $ 2,285 | $ 570 | $ – | $ 2,855 |

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

## Note 14: Management, Advisory and Administration Fees

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| (in thousands of dollars) | August 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Management, advisory and administration fees | $ 113,316 | $ 96,260 | $ 325,885 | $ 285,580 |
| Fund expenses and waivers | (2,401) | (2,779) | (6,674) | (6,807) |
| | $ 110,915 | $ 93,481 | $ 319,211 | $ 278,773 |

## Note 15: Fair Value Adjustments and Other Income

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| (in thousands of dollars) | August 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Fair value adjustment related to investment gain classified as FVTPL (Note 4) | $ 1,106 | $ 809 | $ 2,425 | $ 368 |
| Fair value adjustment and distributions related to long-term investments (Note 5(b)) | 5,425 | 646 | 7,339 | 2,274 |
| Interest income | 247 | 676 | 455 | 980 |
| Other[1] | 1,013 | (242) | 1,506 | 607 |
| | $ 7,791 | $ 1,889 | $ 11,725 | $ 4,229 |

[1] For the nine months ended August 31, 2021, the Company recorded a gain on the sale of artwork for $1.2 million. Refer to Note 21 for more information.

## Note 16: Expenses by Nature

| (in thousands of dollars) | Three months ended August 31, 2021 | Three months ended August 31, 2020 | Nine months ended August 31, 2021 | Nine months ended August 31, 2020 |
|---|---|---|---|---|
| Selling, general and administrative | | | | |
| Salaries, benefits and performance-based compensation | $ 33,866 | $ 29,581 | $ 98,277 | $ 88,162 |
| Stock-based compensation | 2,030 | 2,966 | 8,194 | 4,463 |
| Sales and marketing | 1,677 | 1,676 | 4,768 | 5,871 |
| Information technology and facilities | 7,594 | 7,818 | 20,843 | 21,971 |
| Professional fees | 3,948 | 2,188 | 9,978 | 7,898 |
| Other fund costs | 279 | 775 | 1,182 | 617 |
| Other | 721 | 1,136 | 1,963 | 2,651 |
| | $ 50,115 | $ 46,140 | $ 145,205 | $ 131,633 |

## Note 17: Stock-based Compensation and Other Stock-based Payments

### a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 1,424,557 Class B Non-Voting shares could have been granted as at August 31, 2021 (November 30, 2020 – 780,585).

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

| | Nine months ended August 31, 2021 Options | Nine months ended August 31, 2021 Weighted average exercise price | Nine months ended August 31, 2020 Options | Nine months ended August 31, 2020 Weighted average exercise price |
|---|---|---|---|---|
| **Class B Non-Voting share options** | | | | |
| Balance, beginning of the period | 7,214,162 | $ 6.64 | 7,416,929 | $ 6.91 |
| Options forfeited | (48,100) | 8.32 | (70,699) | 7.76 |
| Options expired | (595,872) | 11.96 | (349,808) | 10.62 |
| Options exercised | (58,990) | 5.20 | (58,082) | 5.29 |
| Balance, end of the period | 6,511,200 | $ 6.15 | 6,938,340 | $ 6.72 |

During the three and nine months ended August 31, 2021, nil and nil (2020 – nil and nil) stock options were granted and compensation expense and contributed surplus of $0.1 million and $0.3 million (2020 – $0.1 million and $0.4 million) was recorded.

### b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs) and Deferred Share Units (DSUs). Compensation expense related to cash-settled stock-based compensation for the three and nine months ended August 31, 2021 was $0.8 million and $4.5 million (2020 – $1.6 million and $0.5 million) and the liability recorded as at August 31, 2021 related to cash-settled stock-based compensation was $9.9 million (November 30, 2020 – $5.9 million). Compensation expense related to equity-settled RSUs for the three and nine months ended August 31, 2021 was $0.8 million and $2.4 million (2020 – $0.9 million and $2.7 million) and contributed surplus related to equity-settled RSUs, net of tax, as at August 31, 2021 was $4.1 million (November 30, 2020 – $5.5 million).

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

| | Nine months ended | |
|---|---|---|
| | August 31, 2021 | August 31, 2020 |
| | Number of share units | Number of share units |
| Outstanding, beginning of the period | 3,510,057 | 3,216,960 |
| Issued | | |
| Initial grant | 322,674 | 208,334 |
| In lieu of dividends | 105,031 | 131,126 |
| Settled in cash | (452,290) | (362,801) |
| Settled in equity | (320,610) | (284,180) |
| Forfeited and cancelled | (17,180) | (47,508) |
| Outstanding, end of the period | 3,147,682 | 2,861,931 |
| Settled in cash, end of period | 304,607 | 257,271 |
| Settled in equity, end of period | 2,843,075 | 2,604,660 |

## Note 18: 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, 2021 was 26.9% (2020 – 10.9%).

The main items impacting the effective tax rate in the period relate to tax-exempt investment income, gains from investment subject to different tax rates, temporary differences for which no deferred tax assets were recognized, and prior period tax adjustments. The effective tax rate for the nine months ended August 31, 2021 is higher than the previous period's effective tax rate due to tax-exempt investment income from S&WHL in the previous period. Excluding the tax-exempt investment income from S&WHL, the effective tax rate for the previous period was 28.6%.

## Note 19: Earnings per Share

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| (in thousands of dollars, except per share amounts) | August 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Numerator | | | | |
| Net income for the period | $ 14,855 | $ 47,349 | $ 25,488 | $ 63,474 |
| Denominator | | | | |
| Weighted average number of shares – basic | 69,840,774 | 77,803,877 | 70,052,396 | 78,094,528 |
| Dilutive effect of employee stock-based compensation awards | 2,446,475 | 1,101,044 | 2,298,517 | 1,273,393 |
| Weighted average number of shares – diluted | 72,287,249 | 78,904,921 | 72,350,913 | 79,367,921 |
| Earnings per share for the period | | | | |
| Basic | $ 0.21 | $ 0.61 | $ 0.36 | $ 0.81 |
| Diluted | $ 0.21 | $ 0.60 | $ 0.35 | $ 0.80 |

## Note 20: Dividends

During the three and nine months ended August 31, 2021, the Company paid dividends of $0.09 and $0.25 (2020 – $0.08 and $0.24) per share. Total dividends paid, including dividends reinvested, in the three and nine months ended August 31, 2021 were

$6.3 million and $17.5 million (2020 – $6.2 million and $18.8 million). On September 28, 2021, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.09 per share in respect of the three months ended August 31, 2021, amounting to a total dividend of approximately $6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

## Note 21: Related Party Transactions

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

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

| | Three months ended | | Nine months ended | |
|---|---|---|---|---|
| (in thousands of dollars) | August 31, 2021 | August 31, 2020 | August 31, 2021 | August 31, 2020 |
| Salaries and other short-term employee benefits | $ 2,633 | $ 1,904 | $ 6,778 | $ 5,868 |
| Share-based compensation | 882 | 1,803 | 4,641 | 1,512 |
| | $ 3,515 | $ 3,707 | $ 11,419 | $ 7,380 |

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

## Note 22: 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, 2021:

| (in thousands of dollars)<br>**August 31, 2021** | **Level 1** | **Level 2** | **Level 3** | **Total** |
|---|---|---|---|---|
| **Assets** | | | | |
| Financial assets at fair value through profit or loss | | | | |
| Cash and cash equivalents | $ 72,032 | $ – | $ – | $ 72,032 |
| AGF mutual funds and other | 19,531 | – | – | 19,531 |
| Long-term investments | – | – | 152,533 | 152,533 |
| Carried interest | – | – | 1,159 | 1,159 |
| Financial assets at fair value through other comprehensive income | | | | |
| Equity securities | 858 | – | – | 858 |
| Amortized cost | | | | |
| Canadian government debt – Federal | – | 311 | – | 311 |
| Total financial assets | $ 92,421 | $ 311 | $ 153,692 | $ 246,424 |
| **Liabilities** | | | | |
| Financial liabilities at fair value through profit or loss | | | | |
| Long-term deferred income on carried interest | $ – | $ – | $ 1,159 | $ 1,159 |
| Total financial liabilities | $ – | $ – | $ 1,159 | $ 1,159 |

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

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

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

Level 1 instruments include investments in AGF mutual funds as well as highly liquid temporary deposits with an Irish bank.

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

Level 3 instruments include long-term investments related to the alternatives asset management business and the fair value of the carried interest investments related to the InstarAGF Funds. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument.

The fair value of the Company's long-term investments as at August 31, 2021 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by $15.3 million. Refer to Note 5(b) for additional information.

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

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

| (in thousands of dollars) | | **Total** |
|---|---|---|
| **Long-term investments** | | |
| Balance at December 1, 2020 | $ | 151,949 |
| Purchase of investment | | 25,213 |
| Return of capital | | (18,232) |
| Fair value adjustment recognized in profit or loss[1] | | (6,397) |
| **Balance at August 31, 2021** | **$** | **152,533** |
| **Carried interest** | | |
| Balance at December 1, 2020 | $ | – |
| Initial recognition | | 1,159 |
| **Balance at August 31, 2021** | **$** | **1,159** |

[1] The change in unrealized loss in investments currently held included in level 3 of the fair value hierarchy is $6,397 (2020 – $292) for the nine months ended August 31, 2021.

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

| (in thousands of dollars) | | **Total** |
|---|---|---|
| **Long-term investments** | | |
| Balance at December 1, 2019 | $ | 136,664 |
| Purchase of investment | | 9,000 |
| Return of capital | | (1,363) |
| Fair value adjustment recognized in profit or loss | | (292) |
| **Balance at August 31, 2020** | **$** | **144,009** |

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

## Note 23: Contingencies

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

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

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

**CRA Audit – Acquisition of Tax-related Benefits**

As previously disclosed in prior years' Annual Consolidated Financial Statements, the Company received correspondences from the CRA and Ministry of Finance (Ontario) confirming that the Company's objection had been allowed in full in respect to tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. In 2020, the Company recorded $1.1 million of interest income in the consolidated statement of income and received a substantial portion of the expected tax refunds. During Q1 2021, the Company received a tax refund from the Ministry of Finance (Alberta). On September 8, 2021, the Company received a final reassessment from the Quebec tax authority and expects to receive a refund of $0.1 million. Once the refund is received, this matter will be resolved.

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

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