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

For the three and six months ended May 31, 2017 and May 31, 2016

What are you doing after work?®

AGF MANAGEMENT LIMITED

Second Quarter Report to Shareholders for the three and six months ended May 31, 2017

AGF MANAGEMENT LIMITED REPORTS STRONG SECOND QUARTER 2017 FINANCIAL RESULTS

- *30% growth in mutual fund gross sales compared to prior year quarter*
- *50% of ranked AUM performed above median for the one-year period ended May 31, 2017, and 53% for the three-year period*
- *Achieved final close of the InstarAGF Essential Infrastructure Fund (EIF) with $740 million in commitments*
- *Reported Diluted EPS of $0.16 compared to $0.12 in Q2 2016*

TORONTO **|** June 28, 2017

AGF Management Limited (AGF or the Company) today announced financial results for the second quarter ended May 31, 2017.

Total assets under management (AUM) increased 8.0% to $36.4 billion compared to the same period in 2016, and up 3.7% compared to $35.1 billion as at February 28, 2017. AUM increased across all lines of business, including retail, private client, institutional and subadvisory, and the Company's alternative asset management platform.

During the three months ended May 31, 2017, retail fund net redemptions improved 62.1% to $107 million compared to net redemptions of $282 million for the three months ended May 31, 2016, reflecting the Company's continued focus on investment performance and customer service excellence.

On April 24, 2017, AGF further cemented its growing presence in the U.S. exchange-traded fund (ETF) marketplace with the official launch of its AGFiQ Asset Management (AGFiQ) quantitative solutions platform. AGFiQ has brought together an intellectually diverse, multi-discipline team that combines the complementary strength of investment professionals across AGF and its affiliates from Highstreet Asset Management Inc. (Highstreet) and FFCM, LLC (FFCM) to deliver innovative product ideas to manage volatility around specific client needs and outcomes.

"Our strong second quarter results reflect the strategy and vision we set in place," said Blake Goldring, Chairman and Chief Executive Officer, AGF Management Limited. "The diversification of our business both globally and into new growth businesses focused on alternative and factor-based investing, is yet another example of how we are repositioning the firm to meet the evolving needs of our clients."

Income from continuing operations for the three months ended May 31, 2017 increased 5.4% to $117.1 million compared to $111.1 million for the three months ended May 31, 2016. EBITDA from continuing operations increased 11.5% to $29.2 million for the three months ended May 31, 2017, compared to $26.2 million for the same period in 2016.

"We have moved to a place of consistent investment performance through our focused efforts on bringing discipline to our investment processes to deliver the repeatable results our clients expect of us," said Kevin McCreadie, President and Chief Investment Officer, AGF Investments Inc. "As a result, we are seeing our efforts reflected in the strengthening inflows experienced in our core retail business."

On May 31, 2017, through InstarAGF, the Company's alternative asset management platform, AGF achieved final close of the EIF, reaching a fund size of $740 million.

Diluted earnings per share (EPS) from continuing operations for the three months ended May 31, 2017 was $0.16, compared to $0.12 for the comparative period.

For the three months ended May 31, 2017, AGF declared an eight cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable July 18, 2017 to shareholders on record as at July 10, 2017.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis (MD&A) includes forward-looking statements about the Company, including its business operations, strategy and expected financial performance and condition. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions, or include words such as 'expects,' 'estimates,' 'anticipates,' 'intends,' 'plans,' 'believes' or negative versions thereof and similar expressions, or future or conditional verbs such as 'may,' 'will,' 'should,' 'would' and 'could.' In addition, any statement that may be made concerning future financial performance (including income, revenues, earnings or growth rates), ongoing business strategies or prospects, fund performance, and possible future action on our part, is also a forward-looking statement. Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations, business prospects, business performance and opportunities. While we consider these factors and assumptions to be reasonable based on information currently available, they may prove to be incorrect. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about our operations, economic factors and the financial services industry generally. They are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied by forward-looking statements made by us due to, but not limited to, important risk factors such as level of assets under our management, volume of sales and redemptions of our investment products, performance of our investment funds and of our investment managers and advisors, client-driven asset allocation decisions, pipeline, competitive fee levels for investment management products and administration, and competitive dealer compensation levels and cost efficiency in our investment management operations**,** as well as general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, catastrophic events, and our ability to complete strategic transactions and integrate acquisitions, and attract and retain key personnel. We caution that the foregoing list is not exhaustive. The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements. Other than specifically required by applicable laws, we are under no obligation (and expressly disclaim any such obligation) to update or alter the forward-looking statements, whether as a result of new information, future events or otherwise. For a more complete discussion of the risk factors that may impact actual results, please refer to the 'Risk Factors and Management of Risk' section of the 2016 Annual MD&A.

Summary of Quarterly Results

(from continuing operations)

Three months ended (in millions of Canadian dollars, except per share amounts)	May. 31, 2017	Feb. 28, 2017	Nov. 30, 2016[1]	Aug. 31, 2016[2]
Income	$ 117.1	$ 107.2	$ 104.8	$ 109.4
Expenses [6]	87.9	81.5	74.1	84.1
EBITDA [7]	29.2	25.7	30.7	25.3
Pre-tax income	16.7	9.8	17.6	10.3
Net income attributable to equity owners of the Company	13.2	9.2	14.6	8.2
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.17	$ 0.12	$ 0.18	$ 0.10
Diluted	0.16	0.11	0.18	0.10
Free cash flow [7]	10.4	10.4	21.2	12.9
Dividends per share	0.08	0.08	0.08	0.08
Long-term debt	168.4	198.3	188.2	228.0
Weighted average basic shares	79,359,653	79,398,426	79,117,939	79,296,221
Weighted average fully diluted shares	80,934,689	80,615,418	80,248,027	80,306,141

Three months ended (in millions of Canadian dollars, except per share amounts)	May 31, 2016[3]	Feb. 29, 2016	Nov. 30, 2015[4]	Aug. 31, 2015[5]
Income	$ 111.1	$ 103.3	$ 105.0	$ 115.8
Expenses [6]	84.9	76.0	79.5	84.0
EBITDA [7]	26.2	27.3	25.5	31.8
Pre-tax income	11.8	12.9	10.3	15.9
Net income attributable to equity owners of the Company	9.6	10.2	8.1	11.9
Earnings per share attributable to equity owners of the Company				
Basic	$ 0.12	$ 0.13	$ 0.11	$ 0.14
Diluted	0.12	0.13	0.11	0.14
Free cash flow [7]	16.4	11.1	18.6	17.0
Dividends per share	0.08	0.08	0.08	0.08
Long-term debt	228.9	268.9	268.8	268.7
Weighted average basic shares	79,252,324	79,449,122	82,532,707	82,826,845
Weighted average fully diluted shares	80,097,391	79,485,581	83,663,389	83,814,065

[1] Includes $5.2 million of one-time net expense recovery related to a reversal of a provision from prior years related to HST offset by fund transition costs.

[2] Includes a $2.1 million charge in income related to the Company's share of a one-time tax levy for Smith & Williamson Holdings Limited.

[3] Includes fund transition costs of $1.5 million.

[4] Includes one-time restructuring costs of $2.8 million.

[5] Includes a $5.7 million distribution related to a crystallization of an asset and a one-time restructuring cost of $4.4 million.

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

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

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

This Management's Discussion and Analysis (MD&A) is as of June 27, 2017, and presents an analysis of the financial condition of AGF Management Limited (AGF or the Company) and its subsidiaries for the three- and six-month period ended May 31, 2017, compared to the three- and six-month periods ended May 31, 2016. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three and six months ended May 31, 2017 and our 2016 Annual Report. The financial statements for the three and six months ended May 31, 2017, including required comparative information, have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting, unless otherwise noted.

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

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

There have been no material changes to the information discussed in the following sections of the 2016 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations' and 'Intercompany and Related Party Transactions.'

Our Business and Strategy

Founded in 1957, AGF Management Limited is a diversified global asset management firm with retail, institutional, alternative and high-net-worth businesses. As an independent firm, we strive to help investors succeed by delivering excellence in investment management and providing an exceptional client experience. AGF's suite of diverse investment solutions extends globally to a wide range of clients, from financial advisors and individual investors to institutional investors including pension plans, corporate plans, sovereign wealth funds and endowments and foundations.

AGF has investment operations and client servicing teams on the ground in North America, Europe and Asia. With $36.4 billion in total assets under management as at May 31, 2017, AGF serves more than one million investors. AGF trades on the Toronto Stock Exchange under the symbol AGF.B.

We believe that superior investment performance and product innovation are key to our success. Our target is to consistently have 50% of our ranked AUM above median over one year and 60% above median over three years. For the one-year period ended May 31, 2017, 50% of ranked AUM performed above median, compared with 50% in 2016. For the three-year period ended May 31, 2017, 53% of ranked AUM performed above median, compared with 54% in 2016.

We also believe in diversification, both in terms of investment styles and product solutions offered to our clients in each of the segments in which we operate. AGF offers individuals and institutions a broad array of investment strategies and solutions across four investment management platforms:

- Fundamental Active Management
- Quantitative Solutions and Exchange Traded Funds (ETF) Platform
- Private Client
- Alternative Assets

Fundamental Active Management

AGF's fundamental actively managed platform includes a broad range of equity and fixed income strategies, managing total AUM of $25.4 billion. Within this platform, we have a number of centres of excellence, including our Global, North American, Fixed Income, and Asset Allocation teams, located in Toronto, Dublin and Singapore. This platform delivers products to retail, institutional investors and strategic partners.

We have strong capability and performance within the global space and we leverage this strength as part of our growth strategy.

Our Asset Allocation team is responsible for delivering superior performance within our balanced products, in particular, AGF Elements, which continues to produce strong net sales for the Company.

We continually review our product offering with an aim to provide our advisors and clients a product platform that offers innovative solutions around specific needs, with the goal to create organic AUM growth for the Company and consistent investment returns for our clients.

Quantitative Solutions and ETF Platform

Our quantitative solutions and ETF platform, AGFiQ Asset Management (AGFiQ), brings together a team of over 20 investment professionals, from across AGF and its affiliates, managing AUM of approximately $4.8 billion.

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

The AGFiQ platform extends beyond our investment management expertise and includes the capability to deliver complete trading infrastructure to support ETFs and related mutual fund products, including Investment Company Act of 1940 registered products. AGFiQ also has the ability to offer long and short products as we do today in the U.S. market. This deep expertise lends itself to the creation of custom solutions in a variety of vehicles including mutual funds, exchange traded products and portfolios, and separately managed accounts designed to help investors achieve the full spectrum of investment objectives from capital appreciation to risk management.

On January 30, 2017, AGF entered the Canadian ETF marketplace with the launch of seven new ETFs, traded on the Toronto Stock Exchange. On April 24, 2017, AGF officially launched AGFiQ into the U.S. market, in recognition of the combined quantitative investment management team members who come together across Canada and the U.S.; and in support of AGF's suite of U.S.-listed factor-based QuantShares ETFs.

Private Client

The private client industry in Canada includes bank-owned firms, as well as large independent firms and boutiques, who continue to retain a significant portion of market share. Our private client platform, which includes Cypress Capital Management Limited (Cypress), located in Vancouver, Doherty & Associates Ltd. (Doherty), with offices in Ottawa and Montreal, and the private client business of Highstreet, located in London, Ontario, provides solutions for high-net-worth individuals, endowments and foundations. These businesses manage total private client AUM of approximately $5.3 billion, representing growth over the past five years of 61.4%.

Alternative Assets

Global economic uncertainty in recent years is driving increasing demand from institutional and individual investors for more stable and sustainable long-term investment returns, including allocating to alternative asset classes such as real assets. These assets, which are physical or tangible in nature, have historically demonstrated a low correlation to the public markets.

In 2014, as part of our capital reallocation strategy, we formed InstarAGF Inc. (InstarAGF), a joint venture with Instar Group Inc. (Instar) to develop an alternative asset management platform. AGF holds a 51% economic interest in InstarAGF. As alternative assets continue to grow in prominence and represent a greater proportion of institutional portfolios, AGF is well positioned to deliver the long-duration, risk-adjusted solutions institutional, retail and high-net-worth investors are seeking to generate predictable cash flow and meet long-dated liabilities.

InstarAGF is an independent alternative asset management firm with an emphasis on real assets, including infrastructure investments, in the North American middle market. InstarAGF's long-term objective is to develop and manage diversified alternative investment products for institutional and individual investors, which, in addition to infrastructure, could include timber or agriculture and other private equity investments, among others. InstarAGF's team of professionals has more than

100 years of combined investment and asset management expertise in the private capital industry, including infrastructure, private equity and real estate investments.

AGF has committed equity of $150.0 million to the alternative asset management platform which includes a $100.0 million commitment in the flagship InstarAGF Essential Infrastructure Fund (EIF), which invests in energy, utilities, and civil and social infrastructure assets in Canada and the United States, and a $50.0 million commitment to a Canadian midstream oil and gas fund managed by Stream Asset Financial Management LP (SAFM LP).

Through its ownership interest in InstarAGF and its 37.0% interest in SAFM LP, AGF will earn recurring management fees from these entities' along with a share of net profit as the alternatives platform achieves scale. Through its investment as a limited partner in the various funds managed by InstarAGF and SAFM LP, AGF expects to earn attractive risk-adjusted returns comprised of income and capital appreciation.

On May 31, 2017, InstarAGF achieved EIF's final close, substantially reaching the initial target fund size of $750 million with $740 million of committed capital from institutional and high-net-worth investors from Canada, Europe, the United Kingdom and the United States.

Total AUM for the alternative asset management platform was $0.9 billion as at May 31, 2017.

Other Businesses

We hold a 32.4% interest in Smith & Williamson Holdings Limited (S&WHL), a leading independent private client investment management, financial advisory and accounting group based in the U.K. S&WHL is one of the top 10 largest chartered accountancy firms in the U.K. and its investment management business has over $33.6 billion (£19.3 billion) of funds under management and advice as at May 31, 2017. As at May 31, 2017, the carrying value of S&WHL on the consolidated interim statement of financial position was $101.4 million.

AGF's subsidiary AGF CustomerFirst Inc. (AGFC) provides fund administration services to the AGF mutual funds. This business was internalized in February 2016. AGF earns revenue related to the provision of these services to the AGF mutual funds.

Our Distribution Channels

Retail

Our sales teams manage advisor and strategic account relationships for our retail business, which provides investment management products to the retail and strategic sub-advisory channel. We have regional sales offices across Canada. AGF's wholesaler teams cover over 35,000 external advisors and 200 investment dealers in support of our retail products. We have a number of key partnerships that provide us with a large and robust distribution channel in which to deliver our products to investors. During the three months ended May 31, 2017, retail fund net redemptions improved 62.1% to $107.0 million, compared to net redemptions of $282.0 million for the same period last year.

Institutional

We have a global network of salespeople covering North America, Europe and Asia. AGF also has a consultant relations program and has earned buy ratings from a number of major firms. Investment consultants act as gatekeepers in the industry, and advise their clients on issues such as asset allocation and manager selection. This constituency is important, as a buy rating from a major consultant can lead to an increased number of request for proposal (RFP) searches, which in turn enhances the chance of winning new business. Our key competencies in global equities are aligned with market trends, namely the need for reducing home country bias and investing globally. We also distribute products managed by our alternatives platform within InstarAGF to North American and international financial institutions and asset managers through this channel. Our institutional business had total AUM of $11.3 billion as at May 31, 2017, up 2.2% from the same period last year.

Assets Under Management

(in millions of Canadian dollars)	Three months ended May 31, 2017	February 28, 2017	November 30, 2016	August 31, 2016	May 31, 2016
Retail fund AUM (including retail pooled funds), beginning of period	$ 18,299	$ 17,774	$ 17,811	$ 17,539	$ 16,853
Gross sales [1]	558	641	530	344	431
Redemptions	(665)	(760)	(744)	(647)	(713)
Net redemptions	(107)	(119)	(214)	(303)	(282)
Market appreciation of fund portfolios	$ 692	$ 644	$ 177	$ 575	$ 968
Retail fund AUM (including retail pooled funds), end of period	$ 18,884	$ 18,299	$ 17,774	$ 17,811	$ 17,539
Average daily retail fund AUM	$ 18,647	$ 17,925	$ 17,756	$ 17,682	$ 17,376
Institutional, sub-advisory and ETF accounts AUM, beginning of period	$ 10,960	$ 10,810	$ 11,033	$ 11,087	$ 10,405
Net change in institutional, sub-advisory and ETF accounts, including market performance [1]	376	150	(223)	(54)	682
Institutional, sub-advisory and ETF accounts AUM, end of period	$ 11,336	$ 10,960	$ 10,810	$ 11,033	$ 11,087
Private client AUM	$ 5,323	$ 5,143	$ 4,908	$ 4,784	$ 4,586
AUM, end of period	$ 35,543	$ 34,402	$ 33,492	$ 33,628	$ 33,212
Alternative asset management platform AUM [2]	$ 902	$ 712	$ 685	$ 619	$ 535
Total AUM, including alternative asset management platform, end of period	$ 36,445	$ 35,114	$ 34,177	$ 34,247	$ 33,747

[1] Retail gross sales and change in institutional and sub-advisory accounts includes a $149.4 million transfer of an existing client from institutional to retail for the three months ended November 30, 2016.

[2] Represents fee-earning committed and/or invested capital from AGF and external investors held through joint ventures. AGF's portion of this commitment is $150.0 million, of which $76.0 million has been funded as at May 31, 2017, which includes $10.1 million return of capital related to the monetization of its seed assets.

Consolidated Operating Results

(in millions of Canadian dollars, except per share data)	Three months ended May 31, 2017	Three months ended February 28, 2017	Three months ended May 31, 2016	Six months ended May 31, 2017[1]	Six months ended May 31, 2016
Income					
Management, advisory and administration fees	$ 104.9	$ 99.5	$ 101.1	$ 204.4	$ 196.1
Deferred sales charges	2.0	1.8	2.4	3.7	4.7
Share of profit of associate and joint ventures	4.3	3.0	4.6	7.3	8.7
Fair value adjustments and other income	5.9	2.9	3.0	8.9	4.9
	117.1	107.2	111.1	224.3	214.4
Expenses					
Selling, general and administrative	54.9	50.4	54.0	105.3	99.3
Trailing commissions	32.1	30.4	30.1	62.6	60.1
Investment advisory fees	0.9	0.7	0.8	1.6	1.5
	87.9	81.5	84.9	169.5	160.9
EBITDA from continuing operations [1]	29.2	25.7	26.2	54.8	53.5
Amortization, derecognition and depreciation	10.9	14.3	12.0	25.2	24.2
Interest expense	1.6	1.6	2.4	3.1	4.6
Income before income taxes	16.7	9.8	11.8	26.5	24.7
Income taxes	4.1	2.6	2.5	6.7	5.3
Income from continuing operations, net of tax	12.6	7.2	9.3	19.8	19.4
Loss from discontinued operations, net of tax	–	–	(0.1)	–	(0.1)
Net income for the period	12.6	7.2	9.2	19.8	19.3
Net income (loss) attributable to:					
Equity owners of the Company	$ 13.2	$ 9.2	$ 9.5	$ 22.4	$ 19.7
Non-controlling interest	(0.6)	(2.0)	(0.3)	(2.6)	(0.4)
	12.6	7.2	9.2	19.8	19.3
Earnings per share attributable to equity owners of the Company					
Basic earnings per share	$ 0.17	$ 0.12	$ 0.12	$ 0.28	$ 0.25
Diluted earnings per share	$ 0.16	$ 0.11	$ 0.12	$ 0.28	$ 0.25

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

One-time Adjustments

	Three months ended			Six months ended	
(in millions of Canadian dollars, except per share data)	May 31, 2017	February 28, 2017	May 31, 2016	May 31, 2017	May 31, 2016
EBITDA from continuing operations [1]	$ 29.2	$ 25.7	$ 26.2	$ 54.8	$ 53.5
Add:					
Fund custody and accounting transition costs and other one-time costs	–	–	1.5	–	1.5
Adjusted EBITDA from continuing operations [1]	$ 29.2	$ 25.7	$ 27.7	$ 54.8	$ 55.0
Net income from continuing operations attributable to equity owners of the Company	$ 13.2	$ 9.2	$ 9.6	$ 22.4	$ 19.8
Add (deduct):					
Adjustments to EBITDA from above	–	–	1.5	–	1.5
Tax impact on the adjustments to EBITDA above	–	–	(0.4)	–	(0.4)
Adjusted net income from continuing [1] operations attributable to equity owners of the Company	$ 13.2	$ 9.2	$ 10.7	$ 22.4	$ 20.9
Adjusted diluted EPS from continuing operations [1]	$ 0.16	$ 0.11	$ 0.13	$ 0.28	$ 0.26

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

Income

For the three and six months ended May 31, 2017, income increased by 5.4% and 4.6% over the previous year, with changes in the categories as follows:

Management, Advisory and Administration Fees

Management and advisory fees are directly related to our AUM levels while administration fees are directly related to the number of client accounts and transactions incurred. Management, advisory and administration fees are recognized on an accrual basis. For the three and six months ended May 31, 2017, management, advisory and administration fees were $104.8 million and $204.4 million compared to $101.1 million and $196.1 million in 2016. The increase relates to a 7.3% increase in average daily retail fund AUM due to improved net redemptions and market appreciation. These positive effects were offset by a declining revenue rate resulting from a strategic reduction in management fees in the second quarter of 2016 and a trend towards lower fee earning retail AUM.

Deferred Sales Charges (DSC)

We receive deferred sales charges upon redemption of securities sold on the contingent DSC or low-load commission basis for which we finance the selling commissions paid to the dealer. The DSC ranges from 1.5% to 5.5%, depending on the commission option of the original subscription price of the funds purchased if the funds are redeemed within the first two years and declines to zero after three or seven years. DSC revenue fluctuates based on the level of redemptions, the age of the assets being redeemed and the proportion of redemptions composed of back-end assets. DSC revenue was $2.0 million and $3.7 million for the three and six months ended May 31, 2017, compared to $2.4 million and $4.7 million for the same periods in 2016, reflecting lower redemption levels.

Share of Profit of Associate and Joint Ventures

Share of profit of associate and joint ventures includes earnings from S&WHL as well as our ownership interest in infrastructure joint ventures. These investments are accounted for under the equity method. Share of profit of associates and joint ventures was $4.3 million and $7.3 million for the three and six months ended May 31, 2017, compared to $4.6 million and $8.7 million during the same periods in 2016.

For the three and six months ended May 31, 2017, earnings from our 32.4% ownership in S&WHL decreased 4.5% and 16.1% to $4.2 million and $7.1 million, compared to $4.4 million and $8.3 million during the same periods in 2016 primarily due to a decrease in foreign exchange rates.

For the three and six months ended May 31, 2017, earnings related to our ownership in the joint ventures that manage our infrastructure funds was $0.1 million and $0.2 million (2016 – $0.2 million and $0.4 million). Earnings from joint ventures depends on the level of fee-earning commitments, invested capital and its expense levels. For additional information see Note 5(b) of the Condensed Consolidated Interim Financial Statements.

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	**May 31, 2017**	**February 28, 2017**	**May 31, 2016**	**May 31, 2017**	**May 31, 2016**
Share of profit of S&WHL	$ 4.2	$ 2.9	$ 4.4	$ 7.1	$ 8.3
Share of profit of joint ventures[1]	0.1	0.1	0.2	0.2	0.4
	$ 4.3	$ 3.0	$ 4.6	$ 7.3	$ 8.7

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

Fair Value Adjustments and Other Income

Fair value adjustments and other income include mark to market adjustments related to AGF mutual funds which are held as seed capital investments and fair value adjustments and distributions associated with our long-term investments. Long-term investments include investments in Stream and EIF, which are accounted for at fair value through profit or loss. During the three and six months ended May 31, 2017, we recorded $2.0 million and $3.7 million (2016 – $1.2 million and $4.0 million) as fair value adjustments and income distributions related to our economic interest in the investments in our alternative asset management platform. The amounts recorded as income fluctuate primarily with the amount of capital invested and fair value estimates. As a result of the multiple closes of EIF, our investment in the fund has been reduced to reflect our proportionate commitment.

	Three months ended			Six months ended	
(in millions of Canadian dollars)	**May 31, 2017**	**February 28, 2017**	**May 31, 2016**	**May 31, 2017**	**May 31, 2016**
Fair value adjustment related to investment in AGF mutual funds	$ 3.2	$ 0.9	$ 1.0	$ 4.1	$ (0.4)
Fair value adjustment and distributions related to long-term investments	2.0	1.7	1.2	3.7	4.0
Interest income	0.4	0.1	0.1	0.5	0.4
Other	0.3	0.2	0.7	0.6	0.9
	$ 5.9	$ 2.9	$ 3.0	$ 8.9	$ 4.9

Expenses

For the three and six months ended May 31, 2017, expenses increased 3.5% and 5.3% from the same periods in 2016. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A increased by $0.9 million and $6.0 million or 1.7% and 6.0% for the three and six months ended May 31, 2017, compared to the same periods in 2016.

A breakdown of the increase is as follows:

(in millions of Canadian dollars)	Three months ended May 31, 2017	Six months ended May 31, 2017
Increase in salaries and benefits	$ 0.7	$ 4.2
Increase in sales and marketing expenses	1.9	2.3
Increase in information technology and facilities costs	0.8	2.1
Increase in professional fees	0.6	1.1
Decrease in fund absorption expenses and other fund costs	(3.0)	(2.0)
Decrease in other expenses	(0.3)	(1.7)
SG&A excluding non-recurring compensation and one-time costs	$ 0.7	$ 6.0
Increase in non-recurring compensation costs	1.7	1.5
Decrease in fund absorption expenses and other fund costs due to one-time costs in Q2-2016	(1.5)	(1.5)
Total SG&A	$ 0.9	$ 6.0

The following explains expense changes in the three and six months ended May 31, 2017, compared to the same periods in the prior year:

- Salaries and benefits increased $0.7 million and $4.2 million for the three and six months ended May 31, 2017, compared to the same periods in 2016. The increase in the three month period is primarily related to higher performance based compensation. The increase in the six month period is due to the internalization of the fund administration function and higher performance related compensation.
- Sales and marketing increased $1.9 million and $2.3 million for the three and six months ended May 31, 2017 due to additional investment in this area in 2017.
- Information technology and facilities increased $0.8 million and $2.1 million for the three and six months ended May 31, 2017, compared to the same periods in 2016. The increase in costs is due to higher back office costs and the internalization of the fund administration function.
- Professional fees increased $0.6 million and $1.1 million for the three and six months ended May 31, 2017, compared to the same periods in 2016. The increase is due to higher AUM driven costs and the internalization of the fund administration function.
- Fund absorption and other fund costs expense decreased $3.0 million and $2.0 million for the three and six months ended May 31, 2017, compared to the same periods in 2016. The decline in the three month period is due to lower absorption costs and fund reorganization costs. The decline in the six month period is also attributable to the internalization of the fund administration function.
- During the three and six months ended May 31, 2017, non-recurring compensation cost was $1.7 million and $1.5 million higher compared to the same periods in 2016 related to a reduction in staff levels in the current period.
- The three and six month period ending May 31, 2016 included a one-time costs of $1.5 million related to the transfer of our custody and fund accounting operations.

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 retail fund AUM was 0.69% and 0.68% for the three and six months ended May

31, 2017, compared to 0.69% and 0.69% for the same periods in 2016, reflecting a moderate decrease in the proportion of trailer fee paying assets.

EBITDA and EBITDA Margin (Non-IFRS Measures)

EBITDA from continuing operations was $29.2 million and $54.8 million for the three and six months ended May 31, 2017, compared to $26.2 million and $53.5 million for the same periods of 2016. EBITDA margin was 24.9% and 24.4% for the three and six months ended May 31, 2017, compared to 23.6% and 25.0% in the corresponding periods in 2016.

Amortization and Interest Expense

The category represents amortization of deferred selling commissions, customer contracts, other intangible assets, property, equipment, and computer software and interest expense. Deferred selling commissions amortization represents the most significant category of amortization. We internally finance all selling commissions paid. These selling commissions are capitalized and amortized on a straight-line basis over a period that corresponds with their applicable DSC schedule. Unamortized deferred selling commissions related to units redeemed prior to the end of the schedule are immediately expensed. Amortization expense related to deferred selling commissions was $8.6 million and $17.1 million for the three and six months ended May 31, 2017, compared to $9.3 million and $18.6 million for the same periods in 2016. During the three and six months ended May 31, 2017, we paid $9.9 million and $17.9 million in selling commissions, compared to $8.8 million and $17.4 million in the same periods of 2016 As at May 31, 2017, the unamortized balance of deferred selling commissions financed was $92.9 million (November 30, 2016 – $92.1 million).

Customer contracts are immediately expensed upon redemption of the AUM.

Customer contracts amortization and derecognition decreased $0.4 million and increased $2.4 million for the three and six months ended May 31, 2017, compared to the same periods in 2016, reflecting higher redemptions in 2017.

Other intangibles amortization and derecognition remained flat for the three and six months ended May 31, 2017, compared to the same periods in 2016.

Depreciation remained flat for the three and six months ended May 31, 2017, compared to the same periods in 2016.

Interest expense decreased as a result of lower average debt levels.

Income Tax Expense

Income tax expense for the three and six months ended May 31, 2017 was $4.1 million and $6.7 million, as compared to $2.5 million and $5.3 million in the corresponding periods in 2016. The estimated effective tax rate for the six months ended May 31, 2017 was 25.3% (2016 – 21.6%). As compared to 2016, the increase is primarily related to a net increase pertaining to the deferred tax assets not recognized.

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

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

(a) CRA Audit – Transfer Pricing

During the period November 30, 2013 to May 31, 2017, the Company has received a number of notices of reassessment (NOR) from the CRA for its 2005 through 2010 fiscal years relating to the transfer pricing and allocation of income between one of the Company's Canadian legal entities and a foreign subsidiary. These reassessments would increase the Company's taxes payable (including interest and penalties of $32.2 million), net of estimated relief from double taxation of $21.4 million, from its original tax filings by $71.9 million. Any Competent Authority relief from double taxation should be granted at the completion of the mutual agreement procedures (MAP) under the applicable tax treaty.

The Company strongly disagrees with the CRA's position and filed various objections to the NOR for the taxation years 2005 to 2010. In connection with the filing of an objection to the NORs for the applicable periods 2005 through 2010, the Company has paid approximately $60.0 million ($62.0 million paid, net of $2.0 million of interest relief refunded by the CRA).

In consultation with its external advisors, the Company believes that its transfer pricing methodology was reasonable and the Company is contesting the CRA's position and any related transfer pricing penalty. The Company believes it is likely that the CRA will reassess its taxes for subsequent years on a similar basis and that these may result in future cash payments on receipt of the reassessments. During the six months ended May 31, 2017, the Company has recorded a tax expense of $0.9 million (2016 – $1.1 million) in relation to this transfer pricing audit. The amount of tax provision recorded on the consolidated interim statement of financial position reflects management's best estimate on the ultimate resolution of this matter and includes any related estimated interest and penalties for the 2005 to 2017 fiscal years.

In 2013, the Company was accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2011 through 2016. Under a BAPA, the taxpayer will receive certainty as to its transfer pricing arrangements for the years under consideration, will not be assessed transfer pricing penalties, and can avoid double taxation on transactions covered by the BAPA according to the provision of the income tax treaty between Canada and the foreign country.

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

In July 2015, the Company received a NOR from the CRA denying $30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by $10.9 million (before the application of interest and penalties of $9.7 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid $13.5 million (including interest and penalties) during the year ended November 30, 2015 and $0.1 million during the six months ended May 31, 2017, which was recorded as income tax receivable on the consolidated interim statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

Net Income

The impact of the above income and expense items resulted in net income from continuing operations attributable to the equity owners of the Company of $13.2 million and $22.4 million for the three and six months ended May 31, 2017, as compared to net income from continuing operations attributable to the equity owners of the Company of $9.6 million and $19.8 million in the corresponding periods in 2016.

Earnings per Share

Diluted earnings per share from continuing operations was $0.16 and $0.28 per share for the three and six months ended May 31, 2017, as compared to earnings of $0.12 and $0.25 per share in the corresponding periods of 2016.

Liquidity and Capital Resources

As at May 31, 2017, the Company had total cash and cash equivalents of $28.9 million (November 30, 2016 – $43.1 million). Free cash flow, as defined in the 'Key Performance Indicators, Additional IFRS and Non-IFRS Measures' section of this MD&A, generated from continuing operating activities was $10.4 million and $20.9 million for the three and six months ended May 31, 2017, compared to $16.4 million and $27.4 million in the prior periods. During the six months ended May 31, 2017, we used $14.2 million (2016 – $16.5 million) in cash as follows:

Six months ended (in millions of Canadian dollars)	**May 31, 2017**	**May 31, 2016**
Net cash provided by operating activities less amounts paid to CRA in relation to ongoing tax matters	$ 3.8	$ 17.5
Paid to CRA in relation to ongoing tax matters	(0.1)	(8.1)
Repurchase of shares under NCIB and treasury stock for EBT	(1.1)	(5.4)
Dividends paid	(12.5)	(12.6)
Return of capital, net of investments, in the alternative asset management platform	12.2	38.4
Repayment of long-term debt	(20.0)	(40.0)
Proceeds from sale of short-term investments	9.0	1.9
Interest paid	(2.6)	(4.6)
Other	(2.9)	(3.6)
Change in cash and cash equivalents	$ (14.2)	$ (16.5)

The Company's working capital increased $0.6 million for the six months ended May 31, 2017, compared to an increase of $4.2 million for the same period in 2016.

Total long-term debt outstanding at May 31, 2017 was $168.4 million (November 30, 2016 – $188.2 million). The Company's revolving credit facility has a maximum aggregate principal amount of $320.0 million and includes a $10.0 million swingline facility commitment. As at May 31, 2017, $144.9 million was available to be drawn. The loan facility will be available to meet future operational and investment needs. We anticipate that cash balances and cash flow from operations, together with the available loan facility, will be sufficient in the foreseeable future to implement our business plan, fund our alternative asset management platform commitments, finance selling commissions, satisfy regulatory and tax requirements, service debt repayment obligations, pay quarterly dividends, and fund any future share buybacks.

Capital Management Activities from Continuing Operations

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

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

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

Normal Course Issuer Bid

On February 2, 2017, AGF announced that the Toronto Stock Exchange (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. AGF believes that the purchase for cancellation of Class B Non-Voting shares represents a desirable use of capital when, if in the opinion of management, the value of the Class B Non-Voting shares is attractive relative to the trading price of said shares. Purchase for cancellation by AGF of outstanding Class B Non-Voting shares may also be used to offset the dilutive effect of treasury stock released for the employee benefit trust and of shares issued through the Company's stock option plans and dividend reinvestment plan. AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, the Class B Non-Voting shares may be repurchased from time to time at prevailing market prices or such other price as may be permitted by the TSX for amounts as follows:

- Between February 6, 2017 and February 5, 2018, up to 4,899,168 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX); and
- Between February 4, 2016 and February 3, 2017, up to 4,664,042 Class B Non-Voting shares, or 10% of the public float for such shares, through the facilities of the TSX (or as otherwise permitted by the TSX).

During the three and six months ended May 31, 2017, AGF repurchased nil shares for cancellation under its normal course issuer bid. During the three and six months ended May 31, 2016, under its normal course issuer bid, AGF repurchased nil and 1,000,000 Class B Non-Voting shares for a total consideration of nil and $5.1 million at an average price of $5.10 per share.

During the three and six months ended May 31, 2017, under its normal course issuer bid, AGF purchased 170,000 and 170,000 (2016 – nil and 60,000) Class B Non-Voting shares for the employee benefit trust for a total consideration of $1.1 million and $1.1 million (2016 – nil and $0.3 million) at an average price of $6.24 (2016 – $4.45) 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	**2017[1]**	**2016**	**2015**	**2014**	**2013**
Per share	$ 0.24	$ 0.32	$ 0.51	$ 1.08	$ 1.08

[1] Represents the total dividends paid in December 2016, April 2017 and to be paid in July 2017.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on April 18, 2017 was $0.08 per share.

On June 27, 2017, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.08 per share in respect of the three months ended May 31, 2017.

Outstanding Share Data

Set out below is our outstanding share data as at May 31, 2017 and May 31, 2016. For additional detail, see Notes 9 and 13 of the Condensed Consolidated Interim Financial Statements.

	May 31, 2017	**May 31, 2016**
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	79,247,087	79,209,167
Stock Options		
Outstanding options	7,773,374	7,657,455
Exercisable options	3,840,148	3,158,250

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. During the year-ended November 30, 2016, we replaced the long-term debt to EBITDA ratio with the net debt to EBITDA ratio as we believe it is a better indicator of how management measures and assesses our capital and leverage.

Income

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

We derive our income principally from a combination of:

- Management and advisory fees directly related to AUM from our retail, institutional and private client lines of businesses,
- Fund administration fees based on the number of client accounts and transactions incurred,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 32.4% equity interest in S&WHL, and
- General partnership interest and long-term investments in the alternative asset management platform.

EBITDA

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

Please see the Consolidated Operating Results section of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

Free Cash Flow

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	May 31, 2017	February 28, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Net cash provided by (used in) continuing operating activities	$ 28.2	$ (24.5)	$ 25.7	$ 3.7	$ 9.4
Adjusted for:					
Net changes in non-cash working capital balances related to operations	(17.0)	27.7	(10.5)	10.7	15.3
Taxes received related to transfer pricing audit and other tax contingencies	0.1	–	5.3	0.1	8.1
Interest paid	(1.3)	(1.4)	(2.2)	(2.6)	(4.6)
Prior years' cash taxes paid (refunded) and anticipated cash taxes to be refunded (paid) related to the current year continuing operations	0.4	8.6	(1.9)	9.0	(0.8)
Free cash flow	$ 10.4	$ 10.4	$ 16.4	$ 20.9	$ 27.4

EBITDA Margin

EBITDA margin provides useful information to management and investors as an indicator of our overall operating performance. We believe EBITDA margin is a valuable measure because it assesses the extent we are able to earn profit from each dollar of income. We define EBITDA margin as the ratio of EBITDA from continuing operations to income.

	Three months ended			Six months ended	
(in millions of Canadian dollars)	May 31, 2017	February 28, 2017	May 31, 2016	May 31, 2017	May 31, 2016
EBITDA from continuing operations	$ 29.2	$ 25.7	$ 26.2	$ 54.8	$ 53.5
Divided by income	117.1	107.2	111.1	224.3	214.4
EBITDA margin	24.9%	24.0%	23.6%	24.4%	25.0%

Net debt to EBITDA Ratio

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

	Three months ended			Six months ended	
(in millions of Canadian dollars)	May 31, 2017	February 28, 2017	May 31, 2016	May 31, 2017	May 31, 2016
Net debt	$ 139.5	$ 171.9	$ 196.8	$ 168.4	$ 196.8
Divided by EBITDA (12-month trailing)	110.9	107.9	110.8	110.9	110.8
Net debt to EBITDA ratio	125.8%	159.3%	177.6%	151.8%	177.6%

Assets Under Management

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

Investment Performance

Investment performance, which represents market appreciation (depreciation) of fund portfolios and is shown net of management fees received, is a key driver of the level of AUM and is central to the value proposition that we offer advisors and unitholders. Growth in AUM resulting from investment performance increases the wealth of our unitholders and, in turn, we benefit from higher revenues. Alternatively, poor investment performance will reduce our AUM levels and result in lower management fee revenues. Strong relative investment performance may also contribute to growth in gross sales or reduced levels of redemptions. Conversely, poor relative investment performance may result in lower gross sales and higher levels of redemptions. Refer to the 'Risk Factors and Management of Risk' section of our 2016 Annual MD&A.

Net Sales (Redemptions)

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

Market Capitalization

AGF's market capitalization is $515.6 million as compared to its recorded net assets of $919.3 million as at May 31, 2017. In 2016, we utilized independent specialists 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, 2016. There have been no significant changes to the recoverable amount of each CGU as at May 31, 2017. 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 2016 Annual MD&A in the section entitled 'Risk Factors and Management of Risk.' The Company has not identified any material changes to the risk factors affecting its business or in the management of these risks.

Internal Control Over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer have designed or caused the design of the Internal Controls Over Financial Reporting (ICFR) and Disclosure Controls and Procedures. There have been no changes in AGF's internal controls during the three and six months ended May 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three and six months ended May 31, 2017, the Company's 2016 Annual Information Form (AIF) and Annual Report, and other documents filed with applicable securities regulators in Canada, and may be accessed at www.sedar.com.

AGF Management Limited
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended May 31, 2017 and May 31, 2016

(unaudited) (in thousands of Canadian dollars)	Note	May 31, 2017	November 30, 2016
Assets			
Current Assets			
Cash and cash equivalents		$ 28,893	$ 43,065
Investments	4	18,013	22,864
Accounts receivable, prepaid expenses and other assets		48,627	52,368
Income tax receivable	14, 19	1,679	–
		97,212	118,297
Investment in associate and joint ventures	5	103,250	94,330
Long-term investments	5	66,845	78,231
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition		2,144	6,095
Goodwill		250,630	250,538
Other intangibles, net of accumulated amortization and derecognition		2,930	5,093
Deferred selling commissions, net of accumulated amortization and derecognition		92,905	92,132
Property, equipment and computer software, net of accumulated depreciation		11,964	12,420
Deferred income tax assets		2,200	3,601
Income tax receivable	14, 19	11,632	12,385
Total assets		$ 1,331,471	$ 1,362,881
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	13	$ 57,569	$ 72,227
Income tax liability	14, 19	–	6,998
Provision for Elements Advantage		1,155	911
		58,724	80,136
Long-term debt	8	168,389	188,206
Contingent consideration payable	6	1,138	2,091
Deferred income tax liabilities		171,400	173,156
Provision for Elements Advantage		913	1,194
Other long-term liabilities	13	11,653	10,030
Total liabilities		412,217	454,813
Equity			
Equity attributable to owners of the Company			
Capital stock	9	480,857	477,290
Contributed surplus	13	38,321	40,591
Retained earnings		388,736	379,202
Accumulated other comprehensive income	10	12,814	9,856
		920,728	906,939
Non-controlling interest	6	(1,474)	1,129
Total equity		919,254	908,068
Total liabilities and equity		$ 1,331,471	$ 1,362,881

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars, except per share data)	Note	May 31, 2017	May 31, 2016
Income			
Management, advisory and administration fees		$ 104,848	$ 101,015
Deferred sales charges		1,972	2,415
Share of profit of associate and joint ventures	5	4,344	4,621
Fair value adjustments and other income	5, 11	5,922	3,049
Total income		117,086	111,100
Expenses			
Selling, general and administrative	12	54,926	54,011
Trailing commissions		32,137	30,110
Investment advisory fees		882	784
Amortization and derecognition of deferred selling commissions		8,586	9,340
Amortization and derecognition of customer contracts		348	744
Amortization and derecognition of other intangibles		926	982
Depreciation of property, equipment and computer software		1,021	937
Interest expense		1,513	2,312
		100,339	99,220
Income before income taxes		**16,747**	**11,880**
Income tax expense (benefit)			
Current	14	4,209	3,685
Deferred	14	(79)	(1,143)
		4,130	2,542
Income from continuing operations, net of tax		12,617	9,338
Loss from discontinued operations, net of tax		–	(106)
Net income for the period		**$ 12,617**	**$ 9,232**
Net income (loss) attributable to:			
Equity owners of the Company		$ 13,150	$ 9,540
Non-controlling interest		(533)	(308)
		$ 12,617	$ 9,232
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	15	$ 0.17	$ 0.12
Diluted earnings per share	15	$ 0.16	$ 0.12

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

(unaudited)		Six months ended	
(in thousands of Canadian dollars, except per share data)	Note	May 31, 2017	May 31, 2016
Income			
Management, advisory and administration fees		$ 204,356	$ 195,980
Deferred sales charges		3,749	4,789
Share of profit of associate and joint ventures	5	7,327	8,696
Fair value adjustments and other income	5, 11	8,852	4,966
Total income		224,284	214,431
Expenses			
Selling, general and administrative	12	105,303	99,278
Trailing commissions		62,569	60,110
Investment advisory fees		1,560	1,504
Amortization and derecognition of deferred selling commissions		17,086	18,626
Amortization and derecognition of customer contracts		3,951	1,544
Amortization and derecognition of other intangibles		2,163	2,036
Depreciation of property, equipment and computer software		1,998	1,953
Interest expense		3,156	4,632
		197,786	189,683
Income before income taxes		**26,498**	**24,748**
Income tax expense (benefit)			
Current	14	6,784	6,555
Deferred	14	(79)	(1,208)
		6,705	5,347
Income from continuing operations, net of tax		19,793	19,401
Loss from discontinued operations, net of tax		–	(106)
Net income for the period		**$ 19,793**	**$ 19,295**
Net income (loss) attributable to:			
Equity owners of the Company		$ 22,396	$ 19,725
Non-controlling interest		(2,603)	(430)
		$ 19,793	$ 19,295
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	15	$ 0.28	$ 0.25
Diluted earnings per share	15	$ 0.28	$ 0.25

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

(unaudited)	Three months ended		Six months ended	
	May 31,	**May 31,**	**May 31,**	**May 31,**
(in thousands of Canadian dollars)	**2017**	**2016**	**2017**	**2016**
Net income for the period	$ 12,617	$ 9,232	$ 19,793	$ 19,295
Other comprehensive income (loss), net of tax				
Cumulative translation adjustment				
Foreign currency translation adjustments related to net investments in foreign operations	5,508	514	3,933	(5,846)
	5,508	514	3,933	(5,846)
Net unrealized gains on investments				
Unrealized gains	275	71	1,221	448
Reclassification of realized gain to earnings	(2,196)	–	(2,196)	–
	(1,921)	71	(975)	448
Net unrealized gains on cash flow hedge				
Unrealized gains	–	33	–	44
Reclassification of realized losses to earnings	–	322	–	660
	–	355	–	704
Total other comprehensive income (loss), net of tax	$ 3,587	$ 940	$ 2,958	$ (4,694)
Comprehensive income	$ 16,204	$ 10,172	$ 22,751	$ 14,601
Comprehensive income (loss) attributable to:				
Equity owners of the Company	$ 16,737	$ 10,480	$ 25,354	$ 15,031
Non-controlling interest	(533)	(308)	(2,603)	(430)
	$ 16,204	$ 10,172	$ 22,751	$ 14,601

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

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

(unaudited)

(in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2015	$ 481,265	$ 40,336	$ 361,383	$ 24,734	**$ 907,718**	$ 3,135	**$ 910,853**
Net income (loss) for the period	–	–	19,725	–	**19,725**	(430)	**19,295**
Other comprehensive income (net of tax)	–	–	–	(4,694)	**(4,694)**	–	**(4,694)**
Comprehensive income for the period	–	–	19,725	(4,694)	**15,031**	(430)	**14,601**
Issued through dividend reinvestment plan	184	–	–	–	**184**	–	**184**
Stock options	–	800	–	–	**800**	–	**800**
AGF Class B Non-Voting shares repurchased for cancellation	(6,069)	–	954	–	**(5,115)**	–	**(5,115)**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million	–	–	(12,923)	–	**(12,923)**	–	**(12,923)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,538)	–	–	**(2,538)**	–	**(2,538)**
Treasury stock	3,429	–	–	–	**3,429**		**3,429**
Balance, May 31, 2016	**$ 478,809**	**$ 38,598**	**$ 369,139**	**$ 20,040**	**$ 906,586**	**$ 2,705**	**$ 909,291**
Balance, December 1, 2016	$ 477,290	$ 40,591	$ 379,202	$ 9,856	**$ 906,939**	$ 1,129	**$ 908,068**
Net income (loss) for the period	–	–	22,396	–	**22,396**	(2,603)	**19,793**
Other comprehensive loss (net of tax)	–	–	–	2,958	**2,958**	–	**2,958**
Comprehensive income (loss) for the period	–	–	22,396	2,958	**25,354**	(2,603)	**22,751**
Issued through dividend reinvestment plan	164	–	–	–	**164**	–	**164**
Stock options	68	642	–	–	**710**	–	**710**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.2 million	–	–	(12,862)	–	**(12,862)**	–	**(12,862)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,912)	–	–	**(2,912)**	–	**(2,912)**
Treasury stock	3,335	–	–	–	**3,335**	–	**3,335**
Balance, May 31, 2017	**$ 480,857**	**$ 38,321**	**$ 388,736**	**$ 12,814**	**$ 920,728**	**$ (1,474)**	**$ 919,254**

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

(unaudited)		Six months ended	
		May 31,	May 31,
(in thousands of Canadian dollars)	Note	2017	2016
Operating Activities			
Net income for the period		$ 19,793	$ 19,295
Adjustments for			
Net loss from discontinued operations		–	106
Amortization, derecognition and depreciation		25,198	24,159
Interest expense		3,156	4,632
Income tax expense	14	6,705	5,347
Income taxes paid		(14,896)	(13,013)
Stock-based compensation	13	2,819	2,467
Share of profit of associate and joint ventures	5	(7,327)	(8,696)
Distributions from associate	5	2,671	3,053
Deferred selling commissions paid	7	(17,859)	(17,387)
Fair value adjustment on long-term investments	5	(817)	4,473
Net realized and unrealized gain on short-term investments		(4,105)	251
Other		(1,019)	(14)
		14,319	24,673
Net change in non-cash working capital balances related to operations			
Accounts receivable and other current assets		3,499	(1,230)
Other assets		–	1,000
Accounts payable and accrued liabilities		(15,426)	(19,660)
Other liabilities		1,269	4,607
		(10,658)	(15,283)
Net cash provided by operating activities		3,661	9,390
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	9	–	(5,115)
Issue of Class B Non-Voting shares	9	68	–
Purchase of treasury stock	9	(1,061)	(267)
Dividends paid	16	(12,536)	(12,578)
Repayment of long-term debt	8	(20,000)	(40,000)
Interest paid		(2,645)	(4,575)
Net cash used by financing activities		(36,174)	(62,535)
Investing Activities			
Purchase of long-term investments	5	(3,422)	(40,646)
Return of capital from long-term investments	5	15,625	79,019
Purchase of property, equipment and computer software, net of disposals		(1,542)	(4,733)
Purchase of short-term investments	4	(1,318)	(3,605)
Proceeds from sale of short-term investments	4	8,998	1,903
Proceeds from acquisitions and disposals		–	4,680
Net cash provided by investing activities		18,341	36,618
Decrease in cash and cash equivalents		(14,172)	(16,527)
Balance of cash and cash equivalents, beginning of the period		43,065	48,669
Balance of cash and cash equivalents, end of the period		$ 28,893	$ 32,142

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

Notes to Condensed Consolidated Interim Financial Statements

For the three and six months ended May 31, 2017 and May 31, 2016 (unaudited)

Note 1: General Information

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

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 27, 2017.

Note 2: Basis of Preparation

These condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, including International Accounting Standard 34 (IAS 34), Interim Financial Reporting. The accounting policies in these condensed consolidated interim financial statements are consistent with those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2016. 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, 2016, which have been prepared in accordance with IFRS as issued by the IASB.

Note 3: Adoption of New and Revised Accounting Standards

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Company's annual consolidated financial statements for the year ended November 30, 2016. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of Canadian dollars)	May 31, 2017	November 30, 2016
Fair value through profit or loss		
AGF mutual funds and other	$ 13,631	$ 15,754
Equity securities	–	577
	13,631	16,331
Available for sale		
Equity securities and term deposits	4,072	6,223
Loans and receivables		
Canadian government debt – Federal	310	310
	$ 18,013	$ 22,864

During the three and six months ended May 31, 2017 and May 31, 2016, no impairment charges were recognized.

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

(a) Investment in Associate

The Company holds a 32.4% (November 30, 2016 – 32.5%) investment in S&WHL accounted for using the equity method. At May 31, 2017, the carrying value was $101.4 million (November 30, 2016 – $92.7 million). During the three and six months ended May 31, 2017, the Company recognized earnings of $4.2 million and $7.1 million (2016 – $4.4 million and $8.3 million) from S&WHL and received $2.7 million and $2.7 million (2016 – $3.1 million and $3.1 million) in dividends from S&WHL.

(b) Investment in Joint Ventures

The Company accounts for Stream Asset Financial GP LP (SAF GP), SAFM LP and InstarAGF, a joint venture with Instar Group Inc. (Instar), using the equity method of accounting. The continuity for the six months ended May 31, 2017 and May 31, 2016 is as follows:

Six months ended	May 31, 2017			May 31, 2016		
(in thousands of Canadian dollars)	SAFM LP	InstarAGF	Total	SAFM LP	InstarAGF	Total
Balance, beginning of the period	$ 1,629	$ –	$ 1,629	$ 933	$ –	$ 933
Share of profit	205	–	205	380	–	380
Balance, end of the period	$ 1,834	$ –	$ 1,834	$ 1,313	$ –	$ 1,313

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

The Company holds a 37.0% interest in SAFM LP. For the three and six months ended May 31, 2017, the Company recognized earnings of $0.1 million and $0.2 million (2016 – $0.2 million and $0.4 million) from SAFM LP.

The Company has recorded losses with respect to its equity investment in InstarAGF only to the extent of its initial investment, which has a carrying value of nil, because it is not contractually obligated to fund the losses. As at May 31, 2017, the Company accumulated unrecognized losses of $0.5 million (November 30, 2016 – $1.7 million) related to its interest in InstarAGF. In addition, AGF has agreed to advance up to $5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. The loan facility is non-interest bearing and is repayable on a priority basis. As at May 31, 2017, the Company had recorded a receivable of $3.0 million (November 30, 2016 – $3.5 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at May 31, 2017, the Company had recorded a $0.4 million promissory note receivable from Instar (November 30, 2016 – $0.4 million). The note bears interest at prime and has been included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

(c) Investment in Long-term Investments

The continuity for the Company's long-term investment in Stream and InstarAGF Essential Infrastructure Fund (EIF), accounted for at fair value through profit or loss (FVTPL), for the six months ended May 31, 2017 and May 31, 2016 is as follows:

Six months ended (in thousands of Canadian dollars)	**May 31, 2017**	**May 31, 2016**
Balance, beginning of the period	$ 78,231	$ 140,534
Purchase of long-term investments	3,422	40,646
Return of capital from long-term investments	(15,625)	(79,019)
Fair value adjustment[1]	817	(4,473)
Balance, end of the period	$ 66,845	$ 97,688

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

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

As at May 31, 2017, of its $150.0 million allocation, the Company had invested $76.0 million (November 30, 2016 – $85.0 million). As at May 31, 2017, the Company has $74.0 million (November 30, 2016 – $65.0 million) remaining committed capital to be invested in Stream and EIF.

During the three and six months ended May 31, 2017, the Company recognized $0.5 million and $0.8 million of income (2016 – $6.0 million and $4.5 million of charges) related to fair value adjustments on the Company's participation in Stream and EIF. As at May 31, 2017, the carrying value of the Company's long-term investments in the alternative asset management platform was $66.8 million (November 30, 2016 – $78.2 million).

During the three and six months ended May 31, 2017, the Company recognized $1.6 million and $2.9 million (2016 – $7.1 million and $8.5 million) of income distributions related to its alternative asset management platform.

Fair value adjustments and income distributions related to Stream and EIF are included in fair value adjustments and other income in the consolidated interim statement of income.

Note 6: Acquisition of FFCM, LLC

On November 16, 2015, the Company acquired 51.0% of FFCM for a cash purchase price of $6.7 million. FFCM is a Boston-based exchange-traded funds (ETF) advisor and asset management firm whose expertise is delivered through a family of alternative and smart-beta ETFs and a number of ETF managed solutions.

In addition, the agreement includes contingent consideration if the annualized advisory revenue of FFCM exceeds certain thresholds in 2018, up to a maximum of $6.7 million. As at May 31, 2017, the fair value of the contingent consideration payable is $1.1 million (November 30, 2016 – $2.1 million) and is included on the statement of financial position, representing management's best estimate of the fair value thereof. The key assumption used in the analysis was forecasted annualized advisory revenue of FFCM in 2018, which is mainly driven by the projected assets under management (AUM) at the settlement date. A 5% increase or decrease in the forecasted annualized advisory revenue would result in an increase or decrease to the undiscounted contingent consideration payable of $0.3 million.

Note 7: Intangible Assets

Management regularly monitors its intangible assets for indications of potential impairment and determined no indicators of potential impairment were identified at May 31, 2017. For additional information refer to the Company's annual consolidated financial statements for the year ended November 30, 2016.

Note 8: Long-term Debt

As at May 31, 2017, AGF had drawn $170.0 million (November 30, 2016 – $190.0 million) against the unsecured revolving credit facility (the Facility) in the form of a one-month banker's acceptance (BA) at an effective average interest rate of 2.9% (November 30, 2016 – 2.9%) per annum. The Company's revolving credit facility has a maximum aggregate principal amount of $320.0 million and includes a $10.0 million swingline facility commitment. As at May 31, 2017, $144.9 million was available to be drawn from the revolving credit facility.

Note 9: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Six months ended	**May 31, 2017**			**May 31, 2016**		
(in thousands of Canadian dollars, except share amounts)	**Shares**		**Stated value**	**Shares**		**Stated value**
Class A Voting common shares	57,600	$	–	57,600	$	–
Class B Non-Voting shares						
Balance, beginning of the period	78,951,603	$	477,290	79,517,587	$	481,265
Issued through dividend reinvestment plan	26,503		164	36,390		184
Stock options exercised	12,392		68	–		–
Repurchased for cancellation	–		–	(1,000,000)		(6,069)
Treasury stock purchased for employee benefit trust	(170,000)		(1,061)	(60,000)		(267)
Treasury stock released for employee benefit trust	426,589		4,396	715,190		3,696
Balance, end of the period	79,247,087	$	480,857	79,209,167	$	478,809

(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 4,899,168 shares for the period from February 6, 2017 to February 5, 2018 and up to 4,664,042 shares for the period from February 4, 2016 to February 3, 2017. During the three and six months ended May 31, 2017, AGF did not repurchase any shares for cancellation under the normal course issuer bid. During the three and six months ended May 31, 2016, AGF repurchased nil and 1,000,000 Class B Non-Voting shares at a cost of nil and $5.1 million and the excess recovered of nil and $1.0 million over the recorded capital stock value of the shares repurchased for cancellation was recorded in retained earnings.

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

During the three and six months ended May 31, 2017, AGF repurchased 170,000 and 170,000 (2016 – nil and 60,000) Class B Non-Voting shares for the employee benefit trust at a cost of $1.1 million and $1.1 million (2016 – nil and $0.3 million). Shares purchased for the trust are also purchased under the Company's normal course issuer bid and recorded as a reduction to capital stock. During the three and six months ended May 31, 2017, 17,059 and 426,589 (2016 – 12,307 and 715,190) Class B Non-Voting shares purchased as treasury stock were released. As at May 31, 2017, 321,540 (November 30, 2016 – 578,129) Class B Non-Voting shares were held as treasury stock.

Note 10: Accumulated Other Comprehensive Income

(in thousands of Canadian dollars)	Foreign currency translation	Available for sale securities	Cash flow hedge	Total
Opening composition of accumulated other comprehensive income (loss) at November 30, 2015				
Other comprehensive income (loss)	$ 21,708	$ 4,247	$ (1,515)	$ 24,440
Income tax recovery (expense)	–	(108)	402	294
Balance, November 30, 2015	21,708	4,139	(1,113)	24,734
Transactions during the year ended November 30, 2016				
Other comprehensive income (loss)	(17,224)	1,357	1,515	(14,352)
Income tax expense	–	(124)	(402)	(526)
Balance, November 30, 2016	4,484	5,372	–	9,856
Transactions during the period ended May 31, 2017				
Other comprehensive loss	3,933	(1,176)	–	2,757
Income tax recovery	–	201	–	201
Balance, May 31, 2017	$ 8,417	$ 4,397	$ –	$ 12,814

Note 11: Fair Value Adjustments and Other Income

	Three months ended		Six months ended	
(in thousands of Canadian dollars)	**May 31, 2017**	**May 31, 2016**	**May 31, 2017**	**May 31, 2016**
Fair value adjustment related to investment in AGF mutual funds and reclassification of realized gain in OCI to earnings	$ 3,391	$ 1,021	$ 4,221	$ (393)
Fair value adjustment and distributions related to long-term investments (Note 5(c))	2,015	1,194	3,743	3,990
Interest income	352	141	480	422
Other	164	693	408	947
	$ 5,922	$ 3,049	$ 8,852	$ 4,966

Note 12: Expenses by Nature

(in thousands of Canadian dollars)	Three months ended May 31, 2017	Three months ended May 31, 2016	Six months ended May 31, 2017	Six months ended May 31, 2016
Selling, general and administrative				
Employee benefit expense	$ 32,343	$ 29,974	$ 63,568	$ 57,854
Sales and marketing	4,702	2,765	7,495	5,174
Information technology and facilities	8,891	8,043	17,019	14,930
Professional fees	5,174	4,564	10,030	8,913
Fund absorption and other fund costs	2,896	7,358	6,564	10,057
Other	920	1,307	627	2,350
	$ 54,926	$ 54,011	$ 105,303	$ 99,278

Note 13: Stock-based Compensation and Other Stock-based Payments

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 610,352 Class B Non-Voting shares could have been granted as at May 31, 2017 (November 30, 2016 – 1,541,536).

The change in stock options during the six months ended May 31, 2017 and May 31, 2016 is summarized as follows:

Six months ended	May 31, 2017 Options	May 31, 2017 Weighted average exercise price	May 31, 2016 Options	May 31, 2016 Weighted average exercise price
Class B Non-Voting share options				
Balance, beginning of the period	6,854,582	$ 8.85	6,102,781	$ 10.69
Options granted	1,095,909	6.06	1,610,394	4.59
Options forfeited	(89,725)	10.10	(55,720)	7.91
Options expired	(75,000)	16.20	–	–
Options exercised	(12,392)	4.93	–	–
Balance, end of the period	7,773,374	$ 8.38	7,657,455	$ 9.43

During the three and six months ended May 31, 2017, 50,000 and 1,095,909 (2016 – nil and 1,610,394) stock options were granted and compensation expense and contributed surplus of $0.3 million and $0.7 million (2016 – $0.4 million and $0.8 million) were recorded respectively. The fair value of options granted during the six months ended May 31, 2017 has been estimated at $0.90 to $0.92 per option (2016 – $0.52) using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the six months ended May 31, 2017 and May 31, 2016:

Six months ended	May 31, 2017	May 31, 2016
Risk-free interest rate	1.1%	0.6%
Expected dividend yield	5.2% – 5.3%	7.0%
Five-year historical-based expected share price volatility	30.3%	30.5%
Forfeiture rate	4.9%	5.0%
Option term	5.0 years	5.0 years

(b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs), Performance Share Units (PSUs), Deferred Share Units (DSUs) and Partners Incentive Plan (PIP). Compensation expense related to cash-settled stock-based compensation for the three and six months ended May 31, 2017 was $0.4 million and $0.8 million (2016 – $0.3 million and $0.3 million) and the liability recorded as at May 31, 2017 related to cash-settled stock-based compensation was $2.3 million (November 30, 2016 – $1.7 million). Compensation expense related to equity-settled RSUs and PIP for the three months ended May 31, 2017 was $0.7 million and $1.4 million (2016 – $0.8 million and $1.5 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at May 31, 2017 was $5.4 million (November 30, 2016 – $8.2 million).

The change in share units of RSUs, PSUs and DSUs during the six months ended May 31, 2017 and May 31, 2016 is as follows:

Six months ended	May 31, 2017	May 31, 2016
	Number of share units	Number of share units
Outstanding, beginning of the period		
Non-vested	1,924,613	1,149,063
Issued		
Initial grant	559,828	843,747
In lieu of dividends	33,396	46,801
Settled in cash	(44,012)	–
Settled in equity	(426,589)	(12,307)
Forfeited and cancelled	(29,632)	(44,801)
Outstanding, end of the period	2,017,604	1,982,503

Note 14: 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 estimated effective tax rate for the three months ended May 31, 2017 was 25.3% (2016 – 21.6%).

During the six months ended May 31, 2017, the Company recorded a tax contingencies expense of $0.9 million (2016 – $1.1 million) with respect to the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the tax contingencies, the estimated effective tax rate for the six months ended May 31, 2017 was 22.0% (2016 – 17.3%). Refer to Note 19 for additional information on tax contingencies.

Note 15: Earnings per Share

(in thousands of Canadian dollars, except per share data)	Three months ended May 31, 2017	Three months ended May 31, 2016	Six months ended May 31, 2017	Six months ended May 31, 2016
Numerator				
Net income for the period from continuing operations attributable to equity owners of the Company	$ 13,150	$ 9,646	$ 22,396	$ 19,831
Net income for the period from discontinued operations attributable to equity owners of the Company	–	(106)	–	(106)
Net income for the period attributable to equity owners of the Company	13,150	9,540	22,396	19,725
Denominator				
Weighted average number of shares – basic	79,359,653	79,252,324	79,378,826	79,350,185
Dilutive effect of employee stock-based compensation awards	1,575,036	845,067	1,443,877	511,429
Weighted average number of shares – diluted	80,934,689	80,097,391	80,822,703	79,861,614
Basic earnings per share				
Continuing operations	$ 0.17	$ 0.12	$ 0.28	$ 0.25
Discontinued operations	–	–	–	–
	$ 0.17	$ 0.12	$ 0.28	$ 0.25
Diluted earnings per share				
Continuing operations	$ 0.16	$ 0.12	$ 0.28	$ 0.25
Discontinued operations	–	–	–	–
	$ 0.16	$ 0.12	$ 0.28	$ 0.25

Note 16: Dividends

During the three and six months ended May 31, 2017, the Company paid dividends of $0.08 and $0.16 (2016 – $0.08 and $0.16) per share. Total dividends paid, including dividends reinvested, in the three and six months ended May 31, 2017 were $6.3 million and $12.7 million (2016 – $6.3 million and $12.7 million). On June 27, 2017, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.08 per share in respect of the three months ended May 31, 2017, amounting to a total dividend of approximately $6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 17: Related Party Transactions

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

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

(in thousands of Canadian dollars)	Three months ended May 31, 2017	Three months ended May 31, 2016	Six months ended May 31, 2017	Six months ended May 31, 2016
Salaries and other short-term employee benefits	$ 2,146	$ 1,148	$ 3,636	$ 2,229
Share-based payments	576	582	1,254	1,044
	$ 2,722	$ 1,730	$ 4,890	$ 3,273

Note 18: Fair Value of Financial Instruments

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

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

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at May 31, 2017:

(in thousands of Canadian dollars) **May 31, 2017**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 28,893	$ –	$ –	$ 28,893
AGF mutual funds and other	13,631	–	–	13,631
Long-term investments	–	–	66,845	66,845
Available for sale				
Equity securities and term deposits	4,072	–	–	4,072
Loans and receivables				
Canadian government debt – Federal	–	310	–	310
Total financial assets	$ 46,596	$ 310	$ 66,845	$ 113,751
Liabilities				
Financial liabilities at fair value through profit or loss				
Contingent consideration payable	$ –	$ –	$ 1,138	$ 1,138
Total financial liabilities	$ –	$ –	$ 1,138	$ 1,138

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2016:

(in thousands of Canadian dollars) **November 30, 2016**		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Financial assets at fair value through profit or loss								
Cash and cash equivalents	$	43,065	$	–	$	–	$	43,065
AGF mutual funds and other		15,754		–		–		15,754
Equity securities		577		–		–		577
Long-term investments		–		–		78,231		78,231
Available for sale								
Equity securities and term deposits		6,223		–		–		6,223
Loans and receivables								
Canadian government debt – Federal		–		310		–		310
Total financial assets	$	65,619	$	310	$	78,231	$	144,160
Liabilities								
Financial liabilities at fair value through profit or loss								
Contingent consideration payable	$	–	$	–	$	2,091	$	2,091
Total financial liabilities	$	–	$	–	$	2,091	$	2,091

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 listed equity securities on major exchanges, investments in AGF mutual funds, highly liquid temporary deposits with an Irish bank and non-Irish banks in Ireland, as well as Singapore bank term deposits.

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

Level 3 instruments include long-term investments related to the alternative asset management platform and contingent consideration payable. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the long-term investments is calculated using the Company's percentage ownership and the fair market value of the investment derived from financial information provided by investees. The fair value of the Company's investment in EIF as at May 31, 2017 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. The fair value of the Company's investment in the Stream fund is determined using NAV as calculated by the asset manager. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by $7.8 million. Refer to Note 5(c) for additional information.

Contingent consideration payable is determined based on the present value of the expected payment to the sellers of FFCM, if the annualized advisory revenue in 2018 exceeds certain thresholds. Refer to Note 6 for additional information.

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

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

The following table presents changes in level 3 instruments for the six months ended May 31, 2016:

(in thousands of Canadian dollars)		**Long-term investments**		**Contingent consideration payable**
Balance at December 1, 2015	$	140,534	$	1,990
Purchase of investment		40,646		–
Return of capital		(79,019)		–
Fair value adjustment recognized in profit or loss		(4,473)		7
Balance at May 31, 2016	$	97,688	$	1,997

There were no transfers into or out of level 1 and level 2 during the six months ended May 31, 2017.

Note 19: Contingencies

There are certain claims and potential claims against the Company. None of these claims or potential 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 Company has several ongoing disputes with the CRA, of which the final result of the audit and appeals process may vary and may be materially different compared to the estimates and assumptions used by management in determining the Company's consolidated income tax provision and in determining the amounts of its income tax assets and liabilities.

(a) CRA Audit – Transfer Pricing

During the period November 30, 2013 to May 31, 2017, the Company has received a number of notices of reassessment (NOR) from the CRA for its 2005 through 2010 fiscal years relating to the transfer pricing and allocation of income between one of the Company's Canadian legal entities and a foreign subsidiary. These reassessments would increase the Company's taxes payable (including interest and penalties of $32.2 million), net of estimated relief from double taxation of $21.4 million, from its original tax filings by $71.9 million. Any Competent Authority relief from double taxation should be granted at the completion of the mutual agreement procedures (MAP) under the applicable tax treaty.

The Company strongly disagrees with the CRA's position and filed various objections to the NOR for the taxation years 2005 to 2010. In connection with the filing of an objection to the NORs for the applicable periods 2005 through 2010, the Company has paid approximately $60.0 million ($62.0 million paid, net of $2.0 million of interest relief refunded by the CRA).

In consultation with its external advisors, the Company believes that its transfer pricing methodology was reasonable and the Company is contesting the CRA's position and any related transfer pricing penalty. The Company believes it is likely that the CRA will reassess its taxes for subsequent years on a similar basis and that these may result in future cash payments on receipt of the reassessments. During the six months ended May 31, 2017, the Company has recorded a tax expense of $0.9 million (2016 – $1.1 million) in relation to this transfer pricing audit. The amount of tax provision recorded on the consolidated interim statement of financial position reflects management's best estimate on the ultimate resolution of this matter and includes any related estimated interest and penalties for the 2005 to 2017 fiscal years.

In 2013, the Company was accepted by the CRA into a Bilateral Advance Pricing Arrangement (BAPA) between Canada and the relevant tax authorities to establish the appropriate transfer pricing methodologies for the tax years 2011 through 2016. Under a BAPA, the taxpayer will receive certainty as to its transfer pricing arrangements for the years under consideration, will not be assessed transfer pricing penalties, and can avoid double taxation on transactions covered by the BAPA according to the provision of the income tax treaty between Canada and the foreign country.

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

In July 2015, the Company received a NOR from the CRA denying $30.5 million of tax-related benefits acquired and utilized by the Company in the 2005 fiscal year. The NOR would increase the Company's taxes payable from its original tax filings by $10.9 million (before the application of interest and penalties of $9.7 million). The Company strongly disagrees with the CRA's position and has filed an objection to the NOR. As a result of receiving the NOR, the Company paid $13.5 million (including interest and penalties) during the year ended November 30, 2015 and $0.1 million during the six months ended May 31, 2017, which was recorded as income tax receivable on the consolidated interim statement of financial position. In consultation with its external advisors, the Company believes that its tax position is probable of being sustained and, as a result, has not recorded a provision in relation to this matter.

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