AGF Management Limited
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the three and six months ended May 31, 2016 and 2015

What are you doing after work?®

(unaudited) (in thousands of Canadian dollars)	Note		May 31, 2016		November 30, 2015
Assets					
Current Assets					
Cash and cash equivalents		$	32,142	$	48,669
Investments	4		25,461		23,427
Accounts receivable, prepaid expenses and other assets			41,408		40,242
Income tax receivable	14, 19		–		149
			99,011		112,487
Investment in associate and joint venture	5		106,291		106,229
Long-term investments	5		97,688		140,534
Management contracts	7		689,759		689,759
Customer contracts, net of accumulated amortization and derecognition	7		8,116		9,660
Goodwill	7		249,952		249,952
Other intangibles, net of accumulated amortization and derecognition	7		6,094		8,130
Deferred selling commissions, net of accumulated amortization and derecognition	7		98,052		99,291
Property, equipment and computer software, net of accumulated depreciation			11,342		9,990
Deferred income tax assets			6,871		3,102
Income tax receivable	14, 19		13,705		6,683
Other assets	5		–		1,108
Total assets		$	1,386,881	$	1,436,925
Liabilities					
Current Liabilities					
Accounts payable and accrued liabilities	13	$	53,609	$	69,325
Income tax liability	14, 19		525		–
Provision for Elements Advantage			1,007		1,412
Derivative financial instrument			805		1,763
			55,946		72,500
Long-term debt	8		228,934		268,782
Contingent consideration payable	6		1,997		1,990
Deferred income tax liabilities			178,657		175,548
Provision for Elements Advantage			1,005		1,159
Other long-term liabilities	13		11,051		6,093
Total liabilities			477,590		526,072
Equity					
Equity attributable to owners of the Company					
Capital stock	9		478,809		481,265
Contributed surplus	13		38,598		40,336
Retained earnings			369,139		361,383
Accumulated other comprehensive income	10		20,040		24,734
			906,586		907,718
Non-controlling interest	6		2,705		3,135
Total equity			909,291		910,853
Total liabilities and equity		$	1,386,881	$	1,436,925

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

(unaudited) (in thousands of Canadian dollars, except per share data)	Note	Three months ended May 31, 2016	Three months ended May 31, 2015
Income			
Management, advisory and administration fees		$ 101,015	$ 107,683
Deferred sales charges		2,415	2,422
Share of profit of associate and joint ventures	5	4,621	4,320
Fair value adjustments and other income	5, 11	3,049	2,626
Total income		111,100	117,051
Expenses			
Selling, general and administrative	12	54,011	46,587
Trailing commissions		30,110	33,446
Investment advisory fees		784	1,144
Amortization and derecognition of deferred selling commissions		9,340	10,296
Amortization and derecognition of customer contracts		744	1,433
Amortization and derecognition of other intangibles		982	1,192
Depreciation of property, equipment and computer software		937	777
Interest expense		2,312	2,617
		99,220	97,492
Income before income taxes		**11,880**	**19,559**
Income tax expense (benefit)			
Current	14	3,685	4,557
Deferred	14	(1,143)	333
		2,542	4,890
Income from continuing operations, net of tax		9,338	14,669
Loss from discontinued operations, net of tax		(106)	–
Net income for the period		**$ 9,232**	**$ 14,669**
Net income (loss) attributable to:			
Equity owners of the Company		$ 9,540	$ 14,669
Non-controlling interest		(308)	–
		$ 9,232	$ 14,669
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share			
Continuing operations	15	$ 0.12	$ 0.17
Discontinued operations	15	–	–
		$ 0.12	$ 0.17
Diluted earnings per share			
Continuing operations	15	$ 0.12	$ 0.17
Discontinued operations	15	–	–
		$ 0.12	$ 0.17

(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, 2016	May 31, 2015
Income			
Management, advisory and administration fees		$ 195,980	$ 210,197
Deferred sales charges		4,789	5,020
Share of profit of associate and joint ventures	5	8,696	8,226
Fair value adjustments and other income	5, 11	4,966	5,323
Total income		214,431	228,766
Expenses			
Selling, general and administrative	12	99,278	91,339
Trailing commissions		60,110	64,807
Investment advisory fees		1,504	2,750
Amortization and derecognition of deferred selling commissions		18,626	20,681
Amortization and derecognition of customer contracts		1,544	2,195
Amortization and derecognition of other intangibles		2,036	2,370
Depreciation of property, equipment and computer software		1,953	1,432
Interest expense		4,632	5,560
		189,683	191,134
Income before income taxes		**24,748**	**37,632**
Income tax expense (benefit)			
Current	14	6,555	8,768
Deferred	14	(1,208)	640
		5,347	9,408
Income from continuing operations, net of tax		19,401	28,224
Loss from discontinued operations, net of tax		(106)	–
Net income for the period		**$ 19,295**	**$ 28,224**
Net income (loss) attributable to:			
Equity owners of the Company		$ 19,725	$ 28,224
Non-controlling interest		(430)	–
		$ 19,295	$ 28,224
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share			
Continuing operations	15	$ 0.25	$ 0.34
Discontinued operations	15	–	–
		$ 0.25	$ 0.34
Diluted earnings per share			
Continuing operations	15	$ 0.25	$ 0.33
Discontinued operations	15	–	–
		$ 0.25	$ 0.33

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

(unaudited) (in thousands of Canadian dollars)	Three months ended May 31, 2016	Three months ended May 31, 2015	Six months ended May 31, 2016	Six months ended May 31, 2015
Net income for the period	$ 9,232	$ 14,669	$ 19,295	$ 28,224
Other comprehensive income (loss), net of tax				
Cumulative translation adjustment				
Foreign currency translation adjustments related to net investments in foreign operations	(515)	(1,372)	(5,846)	6,103
	(515)	(1,372)	(5,846)	6,103
Net unrealized gains (losses) on investments				
Unrealized gains (losses)	(71)	(107)	448	207
	(71)	(107)	448	207
Net unrealized gains (losses) on cash flow hedge				
Unrealized gains (losses)	(33)	107	44	(547)
Reclassification of realized gains (losses) to earnings	(322)	308	660	568
	(355)	415	704	21
Total other comprehensive income (loss), net of tax	$ (941)	$ (1,064)	$ (4,694)	$ 6,331
Comprehensive income	$ 8,291	$ 13,605	$ 14,601	$ 34,555
Comprehensive income (loss) attributable to:				
Equity holders of the Company	$ 8,599	$ 13,605	$ 15,031	$ 34,555
Non-controlling interest	(308)	–	(430)	–
	$ 8,291	$ 13,605	$ 14,601	$ 34,555

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, 2014	$ 517,467	$ 39,584	$ 361,628	$ 11,096	**$ 929,775**	$ –	**$ 929,775**
Net income for the period	–	–	28,224	–	**28,224**	–	**28,224**
Other comprehensive income (net of tax)	–	–	–	6,331	**6,331**	–	**6,331**
Comprehensive income for the period	–	–	28,224	6,331	**34,555**	–	**34,555**
Issued through dividend reinvestment plan	379	–	–	–	**379**	–	**379**
Stock options	101	596	–	–	**697**	–	**697**
AGF Class B Non-Voting shares repurchased for cancellation	(18,077)	–	(5,027)	–	**(23,104)**	–	**(23,104)**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.3 million	–	–	(29,903)	–	**(29,903)**	–	**(29,903)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(1,313)	–	–	**(1,313)**	–	**(1,313)**
Treasury stock	1,813	–	–	–	**1,813**	–	**1,813**
Balance, May 31, 2015	$ 501,683	$ 38,867	$ 354,922	$ 17,427	**$ 912,899**	$ –	**$ 912,899**
Balance, December 1, 2015	$ 481,265	$ 40,336	$ 361,383	$ 24,734	**$ 907,718**	$ 3,135	**$ 910,853**
Net income for the period	–	–	19,725	–	**19,725**	(430)	**19,295**
Other comprehensive loss (net of tax)	–	–	–	(4,694)	**(4,694)**	–	**(4,694)**
Comprehensive income (loss) 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**

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

(unaudited)		Six months ended	
(in thousands of Canadian dollars)	Note	May 31, 2016	May 31, 2015
Operating Activities			
Net income for the period		$ 19,295	$ 28,224
Adjustments for			
Net loss from discontinued operations		106	–
Amortization, derecognition and depreciation		24,159	26,678
Interest expense		4,632	5,560
Income tax expense	14	5,347	9,408
Income taxes paid		(13,013)	(26,184)
Stock-based compensation	13	2,467	3,944
Share of profit of associate and joint venture	5	(8,696)	(8,226)
Distributions from associate	5	3,053	1,680
Deferred selling commissions paid		(17,387)	(20,394)
Fair value adjustment on long-term investments	5	4,473	(1,843)
Other		237	(500)
		24,673	18,347
Net change in non-cash working capital balances related to operations			
Accounts receivable		(1,038)	(2,002)
Other assets		1,868	(602)
Accounts payable and accrued liabilities		(20,720)	(13,799)
Other liabilities		4,608	205
		(15,282)	(16,198)
Net cash provided by operating activities		9,391	2,149
Financing Activities			
Repurchase of Class B Non-Voting shares for cancellation	9	(5,115)	(23,104)
Issue of Class B Non-Voting shares	9	–	91
Purchase of treasury stock	9	(267)	(1,867)
Dividends paid	16	(12,578)	(29,238)
Repayment of long-term debt	8	(40,000)	(40,000)
Issuance of short-term bridge facility	8	–	89,100
Repayment of short-term bridge facility	8	–	(89,100)
Interest paid		(4,575)	(5,236)
Net cash used in financing activities		(62,535)	(99,354)
Investing Activities			
Purchase of long-term investments	5	(40,646)	(115,269)
Return of capital from long-term investments	5	79,019	–
Purchase of property, equipment and computer software, net of disposals		(4,734)	(1,240)
Purchase of short-term investments	4	(3,605)	(4,768)
Proceeds from sale of short-term investments	4	1,903	4,183
Proceeds from acquisitions and disposals		4,680	–
Net cash provided by (used in) investing activities		36,617	(117,094)
Decrease in cash and cash equivalents		(16,527)	(214,299)
Balance of cash and cash equivalents, beginning of period		48,669	261,498
Balance of cash and cash equivalents, end of period		$ 32,142	$ 47,199

(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, 2016 and May 31, 2015 (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, institutions and corporations, as well as high-net-worth clients. The Company conducts the management and distribution of mutual funds in Canada under the brand names AGF, Elements and Harmony (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 (SAFMLP) and Stream Asset Financial LP (Stream).

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on June 28, 2016.

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, 2015. The condensed consolidated interim financial statements should be read in conjunction with the Company's annual consolidated financial statements for year ended November 30, 2015, which have been prepared in accordance with IFRS as issued by the IASB.

Certain comparative figures have been reclassified to conform to the consolidated interim financial statement presentation in the current year.

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, 2015. 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, 2016	November 30, 2015
Fair value through profit or loss		
AGF mutual funds and other	$ 18,431	$ 17,201
Equity securities	536	531
	18,967	17,732
Available for sale		
Equity securities and term deposits	6,184	5,385
Loans and receivables		
Canadian government debt – Federal	310	310
	$ 25,461	$ 23,427

During the three and six months ended May 31, 2016 and 2015, no impairment charges were recognized.

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

(a) Investment in Associate

The Company holds a 32.5% investment in S&WHL accounted for using the equity method. At May 31, 2016, the carrying value was $105.0 million (November 30, 2015 – $105.3 million). During the three and six months ended May 31, 2016, the Company recognized earnings of $4.4 million and $8.3 million (2015 – $4.2 million and $7.9 million) from S&WHL and received $3.1 million and $3.1 million (2015 – $1.7 million and $1.7 million) in dividends from S&WHL.

(b) Investment in Joint Ventures

The Company accounts for Stream Asset Financial GP LP (SAF GP), SAFMLP and InstarAGF, a joint venture with Instar Group Inc., using the equity method of accounting. The continuity for the six months ended May 31, 2016 and 2015 is as follows:

Six months ended	**May 31, 2016**			**May 31, 2015**		
(in thousands of Canadian dollars)	**SAFMLP**	**InstarAGF**	**Total**	**SAFMLP**	**InstarAGF**	**Total**
Balance, beginning of period	$ 933	$ –	$ 933	$ 312	$ –	$ 312
Share of profit	380	–	380	318	–	318
Balance, end of period	$ 1,313	$ –	$ 1,313	$ 630	$ –	$ 630

The Company's share of profit excludes its portion of the estimated carried interest 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 SAFMLP. For the three and six months ended May 31, 2016, the Company recognized earnings of $0.2 million and $0.4 million (2015 – $0.2 million and $0.3 million) from SAFMLP.

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, 2016, the Company accumulated unrecognized losses of $0.9 million (November 30, 2015 – $1.3 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 once InstarAGF begins to earn fees from funds under management. As at May 31, 2016, the Company had recorded a receivable of $3.2 million (November 30, 2015 – $3.3 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at May 31, 2016, the Company had recorded a $0.6 million promissory note receivable from Instar Group Inc. (November 30, 2015 – $1.0 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 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, 2016 and May 31, 2015 is as follows:

Six months ended (in thousands of Canadian dollars)		**May 31, 2016**		**May 31, 2015**
Balance, beginning of period	$	140,534	$	19,671
Purchase of long-term investments		40,646		115,269
Return of capital		(79,019)		–
Reclassification of investment		–		(63)
Fair value adjustment[1]		(4,473)		1,843
Balance, end of period	$	97,688	$	136,720

[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, 2016, of its $150.0 million allocation, the Company had committed $50.0 million (November 30, 2015 – $50.0 million) to Stream, a midstream oil and gas infrastructure fund. As at May 31, 2016, the Company had invested $43.3 million (November 30, 2015 – $38.4 million) with $6.7 million (November 30, 2015 – $11.6 million) remaining committed capital to be invested in the Stream fund.

The Company has committed $100.0 million to EIF. On January 27, 2015, the capital invested by the Company, together with amounts invested by Instar, was deployed to acquire an interest in the passenger terminal at Billy Bishop Toronto City Airport alongside other Canadian and international equity investors. On March 2, 2016, InstarAGF announced the first close of EIF with $372.0 million in firm equity commitments. InstarAGF expects to achieve the final closing of the fund by end of 2016. In connection with the first close, the Company received net cash of $73.6 million, net of a capital call of $9.6 million, which aligned AGF's invested capital to its proportionate share of total commitments to the fund.

As at May 31, 2016, of its $100.0 million allocation, the Company had invested $61.8 million (November 30, 2015 – $105.1 million) with $38.2 million (November 30, 2015 – nil) remaining to be invested in EIF.

During the three and six months ended May 31, 2016, the Company recognized $1.2 million and $4.0 million (2015 – $2.3 million and $3.6 million) of income, which is included in fair value adjustment and other income in the consolidated interim statement of income.

Note 6: Acquisitions

(a) 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. Accordingly, a contingent consideration payable of $2.0 million was recorded upon the acquisition of FFCM. As at May 31, 2016, the fair value of the contingent consideration payable is $2.0 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 the growth rate in annualized advisory revenue. A 1% increase or decrease in the growth rate would result in an increase or decrease to the undiscounted contingent consideration payable of $0.1 million and $0.3 million, respectively.

The non-controlling interest was measured based on its proportionate share of FFCM's net identifiable assets.

The preliminary fair value of the net identifiable assets acquired and consideration paid are summarized as follows:

(in thousands of Canadian dollars)		
Net identifiable assets acquired		
Cash	$	253
Investments		4
Accounts receivable, prepaid expenses and other assets		130
Customer contracts		6,313
Goodwill		5,403
Accounts payable and accrued liabilities		(300)
Non-controlling interest		(3,135)
	$	8,668
Consideration paid		
Cash	$	6,678
Contingent consideration payable		1,990
	$	8,668

(b) AGF CustomerFirst Inc. (AGFC)

On February 16, 2016, AGF completed the transition to internalize the Company's fund administration function within AGF. The Company did not acquire any significant net assets as a result of the acquisition. The transition included the transfer of 171 employees from Citigroup Fund Services Canada Inc. (CFSC) to AGFC. AGF invested approximately $6.0 million of capital for leaseholds, facilities and technology. As part of this transition agreement, the Company also entered into a four-year service agreement with L&T Infotech Financial Services Technologies Inc. (L&T). The agreement with L&T includes a minimum annual payment commitment of $7.8 million per year for services provided. This commitment expires in 2019.

Note 7: Intangible Assets

Management regularly monitors its intangible assets for indications of potential impairment. There have been no significant changes to the recoverable amounts or indicators for potential impairment of the Company's cash generating units (CGUs) and related inputs from those disclosed in the Company's annual consolidated financial statements for the year ended November 30, 2015. For additional information refer to the Company's annual consolidated financial statements for year ended November 30, 2015.

Note 8: Long-term Debt

(a) As at May 31, 2016, AGF had drawn $230.0 million (November 30, 2015 – $270.0 million) against the unsecured revolving credit facility (the Facility) in the form of a one-month banker's acceptance (BA) at an effective average interest rate of 3.16% per annum. During the six months ended May 31, 2016, the Company repaid $40.0 million (2015 – $40.0 million) of its revolving credit facility.

(b) On January 26, 2015, the Company arranged for a seven-day $100.0 million bridge facility through a Canadian chartered bank to fund an alternative asset investment. On January 26, 2015, AGF drew $89.1 million against the bridge facility, which was secured by the Company's term deposits held by the bank. The bridge facility was fully repaid on February 2, 2015. Refer to Note 5(c) for additional information on the investment in long-term investments.

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, 2016**		**May 31, 2015**	
(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	79,517,587	$ 481,265	85,703,751	$ 517,467
Issued through dividend reinvestment plan	36,390	184	46,252	379
Stock options exercised	–	–	10,179	101
Repurchased for cancellation	(1,000,000)	(6,069)	(2,979,040)	(18,077)
Treasury stock purchased for employee benefit trust	(60,000)	(267)	(243,506)	(1,867)
Treasury stock released for employee benefit trust	715,190	3,696	380,020	3,680
Balance, end of the period	79,209,167	$ 478,809	82,917,656	$ 501,683

(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 4,664,042 shares for the period from February 4, 2016 to February 3, 2017 and up to 6,707,999 shares for the period from February 4, 2015 to February 3, 2016. During the three and six months ended May 31, 2016, under AGF's normal course issuer bid, nil and 1,000,000 (2015 – 191,000 and 2,979,040) Class B Non-Voting shares were repurchased at a cost of nil and $5.1 million (2015 – $1.4 million and $23.1 million) and the excess recovered of nil and $1.0 million (2015 – $0.2 million and $5.0 million excess paid) 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, 2016, nil and 60,000 (2015 – 243,506 and 243,506) Class B Non-Voting shares were purchased for the employee benefit trust at a cost of nil and $0.3 million (2015 – $1.9 million and $1.9 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, 2016, 12,307 and 715,190 (2015 – 7,351 and 380,020) Class B Non-Voting shares purchased as treasury stock were released. As at May 31, 2016, 485,571 (November 30, 2015 – 1,140,761) Class B Non-Voting shares were held as treasury stock.

Note 10: Accumulated Other Comprehensive Income (Loss)

(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, 2014				
Accumulated other comprehensive income (loss)	$ 9,342	$ 3,512	$ (2,315)	$ 10,539
Income tax recovery (expense)	–	(57)	614	557
Balance, November 30, 2014	9,342	3,455	(1,701)	11,096
Transactions during the year ended November 30, 2015				
Other comprehensive income	12,366	735	800	13,901
Income tax expense	–	(51)	(212)	(263)
Balance, November 30, 2015	21,708	4,139	(1,113)	24,734
Transactions during the period ended May 31, 2016				
Other comprehensive income (loss)	(5,846)	500	958	(4,388)
Income tax expense	–	(52)	(254)	(306)
Balance, May 31, 2016	$ 15,862	$ 4,587	$ (409)	$ 20,040

Note 11: Fair Value Adjustments and Other Income

(in thousands of Canadian dollars)	Three months ended May 31, 2016	Three months ended May 31, 2015	Six months ended May 31, 2016	Six months ended May 31, 2015
Fair value adjustment related to investment in AGF mutual funds	$ 1,021	$ (29)	$ (393)	$ 906
Fair value adjustment and distributions related to long-term investments	1,194	2,333	3,990	3,589
Interest income	141	110	422	792
Other	693	212	947	36
	$ 3,049	$ 2,626	$ 4,966	$ 5,323

Note 12: Expenses by Nature

(in thousands of Canadian dollars)	Three months ended May 31, 2016	Three months ended May 31, 2015	Six months ended May 31, 2016	Six months ended May 31, 2015
Selling, general and administrative				
Employee benefit expense	$ 29,974	$ 27,089	$ 57,854	$ 54,910
Sales and marketing	2,765	3,616	5,174	6,280
Information technology and facilities	8,043	6,443	14,930	11,681
Professional fees	4,564	4,103	8,913	7,720
Fund absorption and other fund costs	7,358	4,209	10,057	8,430
Other	1,307	1,127	2,350	2,318
	$ 54,011	$ 46,587	$ 99,278	$ 91,339

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 741,208 Class B Non-Voting shares could have been granted as at May 31, 2016 (November 30, 2015 – 2,293,337).

The change in stock options during the six months ended May 31, 2016 and May 31, 2015 is summarized as follows:

Six months ended	May 31, 2016			May 31, 2015		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B Non-Voting share options						
Balance, beginning of the period	6,102,781	$	10.69	4,428,542	$	12.86
Options granted	1,610,394		4.59	1,735,122		8.01
Options forfeited	(55,720)		7.91	(111,938)		14.82
Options expired	–		–	(321,536)		14.72
Options exercised	–		–	(10,179)		8.93
Balance, end of the period	7,657,455	$	9.43	5,720,011	$	11.25

During the three months ended May 31, 2016, nil (2015 – 539,260) stock options were granted and compensation expense and contributed surplus of $0.4 million (2015 – $0.2 million) was recorded. During the six months ended May 31, 2016, 1,610,394 (2015 – 1,735,122) stock options were granted and compensation expense and contributed surplus of $0.8 million (2015 – $0.6 million) was recorded. The fair value of options granted during the six months ended May 31, 2016 has been estimated at $0.52 per option (2015 – $1.32) 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, 2016 and May 31, 2015:

Six months ended	May 31, 2016	May 31, 2015
Risk-free interest rate	0.6%	0.7%
Expected dividend yield	7.0%	3.9% - 4.1%
Five-year historical-based expected share price volatility	30.5%	28.3% - 33.1%
Forfeiture rate	5.0%	5.2%
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 for the three and six months ended May 31, 2016 related to these share units was $1.0 million and $1.7 million (2015 – $1.5 million and $3.4 million). As at May 31, 2016, the Company recorded a liability of $1.6 million (November 30, 2015 – $1.8 million) related to other cash-settled stock-based compensation. As at May 31, 2016, the Company recorded contributed surplus of $6.9 million (November 30, 2015 – $9.4 million), net of tax, related to equity-settled RSUs and PIP.

The change in share units of RSUs, PSUs and DSUs during the six months ended May 31, 2016 and May 31, 2015 is as follows:

Six months ended	May 31, 2016	May 31, 2015
	Number of share units	Number of share units
Outstanding, beginning of the period		
Non-vested	1,149,063	1,662,193
Issued		
Initial grant	843,747	676,178
In lieu of dividends	46,801	63,928
Settled in cash	–	(36,106)
Settled in equity	(12,307)	(380,020)
Forfeited and cancelled	(44,801)	(52,774)
Outstanding, end of the period	1,982,503	1,933,399

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 six months ended May 31, 2016 was 21.6% (2015 – 25.0%).

During the six months ended May 31, 2016, the Company recorded tax contingencies expense of $1.1 million (2015 – $0.8 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, 2016 was 17.3% (2015 – 22.9%). Refer to Note 19 for additional information on tax contingencies.

Note 15: Earnings per Share

	Three months ended May 31,		Six months ended May 31,	
(in thousands of Canadian dollars, except per share amounts)	2016	2015	2016	2015
Numerator				
Net income for the period from continuing operations attributable to the equity owners of the Company	$ 9,646	$ 14,669	$ 19,831	$ 28,224
Net loss for the period from discontinued operations attributable to the equity owners of the Company	(106)	–	(106)	–
Net income for the period attributable to the equity owners of the Company	9,540	14,669	19,725	28,224
Denominator				
Weighted average number of shares – basic	79,252,324	84,489,294	79,350,185	83,930,634
Dilutive effect of employee stock-based compensation awards	845,067	937,650	511,429	952,106
Weighted average number of shares – diluted	80,097,391	85,426,944	79,861,614	84,882,740
Basic earnings per share				
Continuing operations	$ 0.12	$ 0.17	$ 0.25	$ 0.34
Discontinued operations	–	–	–	–
	$ 0.12	$ 0.17	$ 0.25	$ 0.34
Diluted earnings per share				
Continuing operations	$ 0.12	$ 0.17	$ 0.25	$ 0.33
Discontinued operations	–	–	–	–
	$ 0.12	$ 0.17	$ 0.25	$ 0.33

Note 16: Dividends

During the three and six months ended May 31, 2016, the Company paid dividends of $0.08 and $0.16 (2015 – $0.08 and $0.35) per share. Total dividends paid, including dividends reinvested, in the three and six months ended May 31, 2016 were $6.3 million and $12.7 million (2015 – $6.6 million and $29.6 million). On June 28, 2016, 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 six months ended May 31, 2016, amounting to a total dividend of approximately $6.3 million. These condensed consolidated interim financial statements do not reflect this dividend payable.

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:

	Three months ended May 31,		Six months ended May 31,	
(in thousands of Canadian dollars)	2016	2015	2016	2015
Salaries and other short-term employee benefits	$ 1,148	$ 1,437	$ 2,291	$ 2,803
Share-based payments	582	651	1,044	1,039
	$ 1,730	$ 2,088	$ 3,335	$ 3,842

Note 18: Fair Value of Financial Instruments

Financial assets are classified as FVTPL, available for sale, or loans and receivables. Financial liabilities are classified as FVTPL, other liabilities, or derivatives used for hedging.

The carrying value of accounts receivable and other assets, accounts payable and accrued liabilities and long-term debt approximate fair value.

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, 2016:

(in thousands of Canadian dollars) **May 31, 2016**		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Financial assets at fair value through profit or loss								
Cash and cash equivalents	$	32,142	$	–	$	–	$	32,142
AGF mutual funds and other		18,431		–		–		18,431
Equity securities		536		–		–		536
Long-term investments		–		–		97,688		97,688
Available for sale								
Equity securities and term deposits		6,184		–		–		6,184
Loans and receivables								
Canadian government debt – Federal		–		310		–		310
Total financial assets	$	57,293	$	310	$	97,688	$	155,291
Liabilities								
Financial liabilities at fair value through profit or loss								
Contingent consideration payable	$	–	$	–	$	1,997	$	1,997
Derivatives used for hedging		–		805		–		805
Total financial liabilities	$	–	$	805	$	1,997	$	2,802

The following table presents the group's assets and liabilities that were measured at fair value at November 30, 2015:

(in thousands of Canadian dollars) **November 30, 2015**		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Financial assets at fair value through profit or loss								
Cash and cash equivalents	$	48,669	$	–	$	–	$	48,669
AGF mutual funds and other		17,201		–		–		17,201
Equity securities		531		–		–		531
Long-term investments		–		–		140,534		140,534
Available for sale								
Equity securities		5,385		–		–		5,385
Loans and receivables								
Canadian government debt – Federal		–		310		–		310
Total financial assets	$	71,786	$	310	$	140,534	$	212,630
Liabilities								
Financial liabilities at fair value through profit or loss								
Contingent consideration payable	$	–	$	–	$	1,990	$	1,990
Derivatives used for hedging		–		1,763		–		1,763
Total financial liabilities	$	–	$	1,763	$	1,990	$	3,753

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. The fair value of derivatives used to manage interest rate exposure on deposits and long-term debt is calculated through discounting future expected cash flows using the BA-based swap curve. Since the BA-based swap curve is an observable input, these financial instruments are considered level 2. 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, 2016 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund, adjusted to reflect the Company's agreement to limit its initial return to a specified maximum percentage on the portion of its interest that it expects to be sold to new investors upon the final close 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 $2.9 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, 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

The following table presents changes in level 3 instruments for the six months ended May 31, 2015:

(in thousands of Canadian dollars)		**Long-term investments**
Balance at December 1, 2014	$	19,671
Purchase of investment		115,269
Fair value adjustment recognized in profit or loss		1,843
Reclassification of investment		(63)
Balance at May 31, 2015	$	136,720

There were no transfers into or out of level 1 and level 2 during the six months ended May 31, 2016.

Note 19: Tax Contingencies

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, 2016, 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. Including the NOR received during the second quarter of 2016 for the 2010 fiscal year, the reassessments would increase the Company's taxes payable from its original tax filings by $61.1 million (before the application of interest and penalties of $32.2 million).

The Company strongly disagrees with the CRA's position and filed various objections to the NOR for the taxation years 2005 to 2009. The Company will also object to the NOR for 2010 in the third quarter of 2016. In connection with the filing of an objection to the NORs for the applicable periods 2005 through 2010, the Company has paid approximately $62.1 million of which $8.1 million was paid (including interest and penalties) during the six months ended May 31, 2016 in relation to the 2009 and 2010 NORs.

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, 2016, the Company has recorded a tax expense of $1.1 million (2015 – $0.8 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 2016 fiscal years.

Further to the Company's objection to the NOR, the Company is also seeking Competent Authority relief from double taxation under the applicable tax treaty. The Company's provision, which reflects its best estimate of the ultimate resolution of this matter, includes an expected recovery of approximately $14.8 million for the tax years 2005 through 2010. Any relief from double taxation should be granted at the completion of the mutual agreement procedures (MAP) under the applicable tax treaty.

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 – Foreign Accrual Property Income

In May 2015, the Company received a proposal letter from the CRA relating to foreign accrual property income (FAPI) earned by its foreign subsidiaries for the 2007 to 2012 fiscal years. The 2007 fiscal year has since been statute-barred and in September 2015, as a result of further review, the CRA has withdrawn its proposal on this issue for the 2008 to 2012 fiscal years. Despite the withdrawal of the proposal letter, the audit for the 2008 to 2012 fiscal years continues. The Company continues to believe that its tax position is correct and has not recorded a provision for this issue.

(c) 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 has paid $13.5 million (including interest and penalties) during the year ended November 30, 2015, 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.