

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

For the three and nine months ended August 31, 2016 and 2015



What are you doing after work?®



What are you doing after work?®

AGF MANAGEMENT LIMITED

Third Quarter Report to Shareholders for the three and nine months ended August 31, 2016

AGF MANAGEMENT LIMITED REPORTS THIRD QUARTER 2016 FINANCIAL RESULTS

- *Total assets under management increased 2.9% compared to prior year*
- *Adjusted EPS from continuing operations increased to \$0.13*

Toronto | September 28, 2016

AGF Management Limited (AGF or the Company) today announced financial results for the third quarter ended August 31, 2016. Total assets under management (AUM) increased to \$34.2 billion, compared to \$33.7 billion as at May 31, 2016 and \$33.3 billion as at August 31, 2015. Market growth combined with the trend of lower retail redemptions and AUM growth in our alternative asset management platform contributed to improved AUM levels. Total retail fund AUM was \$17.8 billion as at August 31, 2016, compared to \$17.5 billion as at May 31, 2016 and \$18.2 billion as at August 31, 2015. Institutional and sub-advisory AUM was \$11.0 billion as at August 31, 2016, compared to \$11.1 billion as at May 31, 2016 and \$10.5 billion as at August 31, 2015. Private client AUM was \$4.8 billion, compared to \$4.6 billion as at May 31, 2016 and \$4.4 billion as at August 31, 2015.

"We remain focused on delivering strong long-term investment performance and exceptional service to our clients while improving sales and increasing overall AUM," said Blake C. Goldring, Chairman and Chief Executive Officer, AGF Management Limited.

For the three-year period ended August 31, 2016, 47% of ranked AUM performed above median, compared with 48% for the three-year period ended August 31, 2015.

"Focus on client needs will be a key factor as we shape our business for the future," said Kevin McCreadie, President and Chief Investment Officer, AGF Investments Inc. "We strive to deliver strong long-term capital growth and downside protection in order to deliver on our client's expectations for more consistent and repeatable outcomes."

Income from continuing operations for the third quarter of 2016 adjusted for a one-time charge of \$2.1 million related to the Company's share of a tax levy recorded by Smith and Williamson Holdings Limited (S&WHL) was \$111.5 million. Income from continuing operations for the third quarter of 2015 adjusted for a one-time special distribution of \$5.7 million was \$110.1 million. Earnings before interest, taxes, depreciation and amortization (EBITDA) from continuing operations was \$25.3 million in the third quarter of 2016, compared to \$31.8 million in the third quarter of 2015.

Diluted earnings per share (EPS) from continuing operations was \$0.10 for the three months ended August 31, 2016, compared to \$0.14 for the three months ended August 31, 2015. Adjusted diluted EPS from continuing operations was \$0.13 for the three months ended August 31, 2016. Adjusted diluted EPS from continuing operations for the three months ended August 31, 2015 was \$0.12. In addition to the special distribution, the results for the three months ended August 31, 2015 included one-time restructuring costs of \$4.4 million. During the nine months August 31, 2016, we also recognized \$1.5 million of one-time fund custody and accounting transition costs. Adjusted diluted EPS from continuing operations was \$0.39 for the nine months ended August 31, 2016. Adjusted diluted EPS from continuing operations for the nine month period ended August 31, 2015 was \$0.46.

For the three months ended August 31, 2016, AGF declared an eight cent per share dividend on Class A Voting common shares and Class B Non-Voting shares, payable October 18, 2016 to shareholders on record as at October 11, 2016.

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,' '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, earnings or growth rates), ongoing business strategies or prospects, 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, 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 interest and foreign-exchange rates, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, and our ability to complete strategic transactions and integrate acquisitions. 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 2015 Annual MD&A.

Summary of Quarterly Results

(from continuing operations)

(in millions of Canadian dollars, except per share amounts) Three months ended	Aug. 31, 2016	May 31, 2016	Feb. 29, 2016	Nov. 30, 2015
Income ¹	\$ 109.4	\$ 111.1	\$ 103.3	\$ 105.0
Expenses ^{3,4,5}	84.1	84.9	76.0	79.5
EBITDA ⁶	25.3	26.2	27.3	25.5
Pre-tax income	10.3	11.8	12.9	10.3
Net income attributable to equity owners of the Company	8.2	9.6	10.2	8.1
Earnings per share attributable to equity owners of the Company				
Basic	\$ 0.10	\$ 0.12	\$ 0.13	\$ 0.11
Diluted	0.10	0.12	0.13	0.11
Free cash flow ^{4,6}	12.9	16.4	11.1	18.6
Dividends per share	0.08	0.08	0.08	0.08
Total long-term debt	228.0	228.9	268.9	268.8
Weighted average basic shares	79,296,221	79,252,324	79,449,122	82,532,707
Weighted average fully diluted shares	80,306,141	80,097,391	79,485,581	83,663,389
(in millions of Canadian dollars, except per share amounts) Three months ended	Aug. 31, 2015	May 31, 2015	Feb. 28, 2015	Nov. 30, 2014
Income ²	\$ 115.8	\$ 117.1	\$ 111.7	\$ 111.7
Expenses ^{3,4}	84.0	81.1	77.8	77.3
EBITDA ⁶	31.8	36.0	33.9	34.4
Pre-tax income	15.9	19.6	18.1	16.7
Net income attributable to equity owners of the Company	11.9	14.7	13.6	12.6
Earnings per share attributable to equity owners of the Company				
Basic	\$ 0.14	\$ 0.17	\$ 0.16	\$ 0.15
Diluted	0.14	0.17	0.16	0.14
Free cash flow ^{4,6}	17.0	16.8	15.4	22.0
Dividends per share	0.08	0.08	0.27	0.27
Total long-term debt	268.7	268.6	268.5	308.2
Weighted average basic shares	82,826,845	84,489,294	84,644,212	85,812,669
Weighted average fully diluted shares	83,814,065	85,426,944	85,447,450	87,000,054

¹ 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 for the three months ended August 31, 2016.

² Includes a \$5.7 million special distribution from a long-term investment for the three months ended August 31, 2015.

³ Includes selling, general and administrative (SG&A), trailing commissions and investment advisory fees.

⁴ Includes one-time restructuring costs of \$2.8 million and \$4.4 million for the three months ended November 30, 2015 and August 31, 2015, respectively.

⁵ Includes one-time costs of \$1.5 million related to fund custody and accounting transition costs for the three months ended May 31, 2016.

⁶ 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 September 27, 2016, and presents an analysis of the financial condition of AGF Management Limited (AGF or the Company) and its subsidiaries for the three- and nine-month period ended August 31, 2016, compared to the three- and nine-month period ended August 31, 2015. The MD&A should be read in conjunction with our unaudited Condensed Consolidated Interim Financial Statements for the three and nine months ended August 31, 2016 and our 2015 Annual Report. The financial statements for the three and nine months ended August 31, 2016, 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. 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.

There have been no material changes to the information discussed in the following sections of the 2015 Annual MD&A: 'Risk Factors and Management of Risk,' 'Contractual Obligations' and 'Intercompany and Related Party Transactions.'

Our Business and Strategy

AGF, with \$34.2 billion in assets under management (AUM) as at August 31, 2016, is one of the largest independent Canadian-based investment management firms, with operations and investments in Canada, the United States, the United Kingdom, Ireland and Asia. The origin of our Company dates back to 1957 with the introduction of the American Growth Fund, the first mutual fund available to Canadians seeking to invest in the United States.

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 August 31, 2016, 35% of ranked AUM performed above median, compared with 45% in 2015. For the three-year period ended August 31, 2016, 47% of ranked AUM performed above median, compared with 48% in 2015.

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
- 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 \$24.1 billion. Within this platform, we have a number of centres of excellence, including our Global, North American, Fixed Income teams and our Asset Allocation committee, 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 intend to leverage this strength as part of our growth strategy. Our marketing efforts are focused on promoting this team and their capabilities to investors.

Our Asset Allocation team has been instrumental in 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, ultimately resulting in organic AUM growth for the Company and superior, consistent investment returns to our clients. In May 2016, we completed several fund mergers with the goal of streamlining our product lineup and providing greater focus on our key strategies and capabilities. During the second quarter, we also implemented management fee reductions on select funds across the equity, fixed income, balanced and managed solutions lineup effective April 1, 2016.

Quantitative Solutions

Our quantitative solutions platform known as QuantShare Advisor includes Highstreet Asset Management Inc. (Highstreet), located in London, Ontario, and FFCM, LLC (FFCM), located in Boston, with a total of 24 investment professionals managing AUM of approximately \$4.7 billion.

Highstreet's investment foundation is empirically based research and the combination of quantitative and fundamental investing. 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.

In November 2015, we acquired a majority interest in FFCM, a U.S.-based advisor that manages factor-based exchange traded funds (ETF) and ETF solutions. FFCM has the capability to manage the Investment Company Act of 1940 registered products, separately managed accounts, and hedge funds in direct or sub-advisory relationship models and have obtained ETF Securities and Exchange Commission (SEC) exemptive relief, which allows them to offer long and short products. FFCM provides us with a complete trading infrastructure to support ETFs and related mutual fund products. Beyond trading capabilities, FFCM has developed and launched five ETFs into the U.S. market with performance success and offers ETF solutions. With our expertise and capabilities within QuantShare Advisor, we have filed a preliminary prospectus in September 2016 with the goal to launch risk-oriented solutions in Canada and the United States to address increasing investor demand in low volatility and factor-based investing.

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 Highstreet, located in London, Ontario, provides solutions for high-net-worth individuals, endowments, and foundations in key markets across Canada. These businesses manage total private client AUM of approximately \$4.8 billion, representing growth over the past five years of 39.4%.

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 50.0% economic interest in InstarAGF and has also committed equity of \$150.0 million to this platform. 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's \$150.0 million of committed equity includes a \$100.0 million commitment in the flagship InstarAGF Essential Infrastructure Fund (EIF), which invests in energy, utilities, 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 (SAFMLP).

Through its ownership interest in InstarAGF and its 37.0% interest in SAFMLP, AGF will earn recurring management fees on these entities' assets under management 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 SAFMLP, AGF expects to earn attractive risk-adjusted returns comprising of income and capital appreciation.

On March 2, 2016, InstarAGF and AGF achieved the first close of EIF with a number of institutional and high-net-worth investors from Canada, Europe, the United Kingdom and the United States. Following the first close, AGF 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.

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

On August 19, 2016, as a result of a subsequent close, AGF received \$14.1 million as a return of capital to bring the Company's invested capital in line with its proportionate share of total commitments.

As at August 31, 2016, investors, including AGF, had committed aggregate equity of \$457.0 million to EIF, which has a targeted fund size of \$750.0 million and is currently expected to close by the end of 2016.

Other Businesses

In addition to our investment management platforms outlined above, we hold a 32.5% 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 \$30.9 billion (£17.4 billion) of funds under management and advice as at August 31, 2016.

On February 16, 2016, AGF internalized the Company's fund administration function. The fund administration business provides 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 August 31, 2016, retail fund net redemptions improved 25.0% to \$0.3 billion compared to net redemptions of \$0.4 billion for the same period last year.

Institutional

We have a global network of salespeople covering North America, Europe and Asia. AGF also participates in an investment 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 alternative platform within InstarAGF to North American and international financial institutions and asset managers through this channel.

We define the institutional pipeline as client commitments to fund or redeem a portion or all of their account. As at the date of this MD&A, AGF had a net pipeline of \$60.0 million in sales. This represents forward-looking information. Commitments are not necessarily contractual obligations. Actual amounts funded or redeemed may vary.

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

Summary of Key Financial and AUM Results for the Third Quarter of 2016:

For the period ended August 31, 2016, AUM was \$34.2 billion, increasing \$1.0 billion from August 31, 2015. The increase was due to improved flows, higher alternative AUM, and positive markets. Included in adjusted income for the three months ended August 31, 2016 and August 31, 2015 is one-time charge of \$2.1 million related to AGF's share of a tax levy recorded by S&WHL and a special distribution of \$5.7 million received from a long-term investment, respectively. In addition to these adjustments is a \$4.4 million one-time restructuring charge for the three months ended August 31, 2015. Adjusted EBITDA from continuing operations was \$27.4 million, compared to \$30.5 million in 2015. Adjusted diluted EPS was \$0.13 per share, compared to \$0.12 for the corresponding period in 2015. Refer to page 9 for additional information on one-time adjustments.

Assets Under Management

(in millions of Canadian dollars)	Three months ended				
	August 31, 2016	May 31, 2016	February 29, 2016	November 30, 2015	August 31, 2015
Retail fund AUM (including retail pooled funds), beginning of period	\$ 17,539	\$ 16,853	\$ 18,030	\$ 18,215	\$ 19,355
Gross sales ¹	344	431	534	458	413
Redemptions ¹	(647)	(713)	(846)	(707)	(828)
Net redemptions	(303)	(282)	(312)	(249)	(415)
Market appreciation (depreciation) of fund portfolios	\$ 575	\$ 968	\$ (865)	\$ 64	\$ (725)
Retail fund AUM (including retail pooled funds), end of period	\$ 17,811	\$ 17,539	\$ 16,853	\$ 18,030	\$ 18,215
Average daily retail fund AUM for the period	\$ 17,682	\$ 17,376	\$ 17,327	\$ 17,964	\$ 18,967
Institutional and sub-advisory accounts AUM, beginning of period	\$ 11,087	\$ 10,405	\$ 10,867	\$ 10,461	\$ 11,749
Net change in institutional and sub-advisory accounts, including market performance	(54)	682	(462)	406	(1,288)
Institutional and sub-advisory accounts AUM, end of period	\$ 11,033	\$ 11,087	\$ 10,405	\$ 10,867	\$ 10,461
Private client AUM	\$ 4,784	\$ 4,586	\$ 4,192	\$ 4,414	\$ 4,350
AUM, end of period	\$ 33,628	\$ 33,212	\$ 31,450	\$ 33,311	\$ 33,026
Alternative asset management platform AUM ²	\$ 619	\$ 535	\$ 268	\$ 268	\$ 268
Total AUM, including alternative asset management platform, end of period	\$ 34,247	\$ 33,747	\$ 31,718	\$ 33,579	\$ 33,294

¹ Gross sales and redemptions include rebalancing of AGF Concert Series of \$25.6 million and \$62.2 million for the three months ended February 29, 2016 and August 31, 2015, respectively.

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 \$90.9 million has been funded as at August 31, 2016, which includes \$10.1 million return of capital related to the monetization of its seed assets.

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

Consolidated Operating Results

(in millions of Canadian dollars, except per share data)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Income					
Management, advisory and administration fees	\$ 102.2	\$ 101.1	\$ 105.3	\$ 298.1	\$ 315.5
Deferred sales charges	2.2	2.4	2.2	7.0	7.2
Share of profit of associate and joint ventures	1.5	4.6	2.0	10.2	10.2
Fair value adjustments and other income	3.5	3.0	6.3	8.5	11.7
	109.4	111.1	115.8	323.8	344.6
Expenses					
Selling, general and administrative	52.4	54.0	50.1	151.7	141.4
Trailing commissions	30.9	30.1	32.7	91.0	97.5
Investment advisory fees	0.8	0.8	1.2	2.3	4.0
	84.1	84.9	84.0	245.0	242.9
EBITDA from continuing operations ¹	25.3	26.2	31.8	78.8	101.7
Amortization, derecognition and depreciation	12.8	12.0	13.5	36.9	40.1
Interest expense	2.2	2.4	2.4	6.9	8.1
Income before taxes	10.3	11.8	15.9	35.0	53.5
Income taxes	2.4	2.5	4.0	7.8	13.4
Net income from continuing operations	7.9	9.3	11.9	27.2	40.1
Net loss from discontinued operations	—	(0.1)	—	(0.1)	—
Net income for the period	7.9	9.2	11.9	27.1	40.1
Net income (loss) attributable to:					
Equity owners of the Company	\$ 8.2	\$ 9.5	\$ 11.9	\$ 27.8	\$ 40.1
Non-controlling interest	(0.3)	(0.3)	—	(0.7)	—
	7.9	9.2	11.9	27.1	40.1
Earnings per share for the period attributable to equity holders of the Company					
Basic earnings per share					
Continuing operations	\$ 0.10	\$ 0.12	\$ 0.14	\$ 0.35	\$ 0.48
Discontinued operations	—	—	—	—	—
Basic earnings per share	\$ 0.10	\$ 0.12	\$ 0.14	\$ 0.35	\$ 0.48
Diluted earnings per share					
Continuing operations	\$ 0.10	\$ 0.12	\$ 0.14	\$ 0.35	\$ 0.48
Discontinued operations	—	—	—	—	—
Diluted earnings per share	\$ 0.10	\$ 0.12	\$ 0.14	\$ 0.35	\$ 0.48

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.

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

One-time Adjustments

(in millions of Canadian dollars, except per share data)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
EBITDA from continuing operations	\$ 25.3	\$ 26.2	\$ 31.8	\$ 78.8	\$ 101.7
Add:					
Fund custody and accounting transition costs	—	1.5	—	1.5	—
Special distribution from a long-term investment	—	—	(5.7)	—	(5.7)
Restructuring costs	—	—	4.4	—	4.4
AGF's share of a tax levy recorded by S&WHL	2.1	—	—	2.1	—
Adjusted EBITDA from continuing operations	\$ 27.4	\$ 27.7	\$ 30.5	\$ 82.4	\$ 100.4
Net income from continuing operations attributable to equity owners of the Company	\$ 8.2	\$ 9.6	11.9	\$ 27.9	\$ 40.1
Add (deduct):					
Adjustments to EBITDA from above	2.1	1.5	(1.3)	3.6	(1.3)
Tax impact on the adjustments to EBITDA above	—	(0.4)	(0.4)	(0.4)	(0.4)
Adjusted net income from continuing operations attributable to equity owners of the Company	\$ 10.3	\$ 10.7	\$ 10.2	\$ 31.1	\$ 38.4
Adjusted diluted EPS from continuing operations	\$ 0.13	\$ 0.13	\$ 0.12	\$ 0.39	\$ 0.46

Income

For the three and nine months ended August 31, 2016, income decreased by 5.5% and 6.0% 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 months ended August 31, 2016, a 6.8% decline in average daily retail fund AUM and a strategic reduction in management fees across 17 retail products partly offset by a 5.5% increase in institutional and sub-advisory accounts AUM contributed to a decrease in management and advisory fees revenue for the three and nine months ended August 31, 2016 compared to 2015. This was offset by \$5.7 million and \$13.1 million of fund administration revenue for the three and nine months ended August 31, 2016 as a result of the internalization of this function.

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 six 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 remained stable for the three months ended August 31, 2016 and decreased by 2.8% for the nine months ended August 31, 2016 as compared to 2015, reflecting a 21.9% decline in redemptions offset by the redemption of an increased proportion of new higher-yielding DSC assets.

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

Share of Profit of Associate and Joint Ventures

Share of profit of associate and joint ventures decreased 25.0% to \$1.5 million for the three months ended August 31, 2016, compared to \$2.0 million during the same period in 2015 and remained stable at \$10.2 million for the nine months ended August 31, 2016, compared to the same period in 2015.

Share of profit of associate represents earnings related to our 32.5% ownership in S&WHL. Earnings for the three and nine months ended August 31, 2016 included a one-time charge of \$2.1 million related to AGF's share of a tax levy recorded by S&WHL. Excluding this one-time charge, earnings in S&WHL's business increased 94.4% and 21.6% to \$3.5 million and \$11.8 million for the three and nine months ended August 31, 2016, compared to the same periods in 2015.

Share of profit of joint venture represents earnings related to our ownership in the joint venture which manages our infrastructure funds, which is accounted for under the equity method. For the three and nine months ended August 31, 2016, we recorded \$0.1 million and \$0.5 million (2015 – \$0.2 million and \$0.5 million) related to earnings from this joint venture. For additional information see Note 5 of the condensed consolidated interim financial statements.

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

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Share of profit of S&WHL	\$ 1.4	\$ 4.4	\$ 1.8	\$ 9.7	\$ 9.7
Share of profit of joint ventures ¹	0.1	0.2	0.2	0.5	0.5
	\$ 1.5	\$ 4.6	\$ 2.0	\$ 10.2	\$ 10.2

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 fair value adjustments and distributions associated with our long-term investments and mark to market adjustments related to AGF mutual funds which are held as seed capital investments. Long-term investments include investments in Stream and EIF, which is accounted for at fair value through profit or loss. During the three and nine months ended August 31, 2016, we recorded \$2.2 million and \$6.2 million (2015 – \$8.0 million and \$11.6 million) as fair value adjustments and income distributions related to the investments in our alternative asset management platform. During the three and nine months ended August 31, 2015, Stream monetized one of its seed assets, which resulted in the Company receiving a special distribution of \$15.9 million of which \$10.1 million represented a return of capital and \$5.7 million was recognized as distribution income.

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Fair value adjustment related to investment in AGF mutual funds	\$ 0.9	\$ 1.0	\$ (1.7)	\$ 0.5	\$ (0.8)
Fair value adjustment and distributions related to long-term investments ¹	2.2	1.2	8.0	6.2	11.6
Interest income	0.1	0.1	0.1	0.5	0.9
Other	0.3	0.7	(0.1)	1.3	–
	\$ 3.5	\$ 3.0	\$ 6.3	\$ 8.5	\$ 11.7

¹ Includes a \$5.7 million special distribution from a long-term investment for the three and nine months ended August 31, 2015.

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

Expenses

For the three and nine months ended August 31, 2016, expenses increased 0.1% and 0.9% from the same periods in 2015. Changes in specific categories are described in the discussion that follows:

Selling, General and Administrative Expenses (SG&A)

SG&A increased by \$2.3 million and \$10.3 million, or 4.6% and 7.3% for the three and nine months ended August 31, 2016, compared to the same periods in 2015, primarily as a result of the internalization of our fund administration function and the acquisition of FFCM. Excluding one-time costs, SG&A increased \$6.7 million and \$13.2 million, or 13.4% and 9.3% for the three and nine months ended August 31, 2016, compared to the same periods in 2015.

A breakdown of the increase is as follows:

(in millions of Canadian dollars)	Three months ended August 31, 2016	Nine months ended August 31, 2016
Increase in salaries and benefits	\$ 4.2	\$ 8.1
Decrease in sales and marketing expenses	(0.4)	(1.5)
Increase in professional fees	0.7	1.9
Decrease in fund absorption expenses and other fund costs	(0.5)	(0.4)
Increase in information technology and facilities	2.6	5.8
Increase in other expenses	0.1	(0.7)
Adjusted SG&A excluding one-time costs	\$ 6.7	\$ 13.2
Increase in fund custody and accounting transition costs	–	1.5
Decrease in restructuring costs	(4.4)	(4.4)
	\$ 2.3	\$ 10.3

The following explains expense changes in the three and nine months ended August 31, 2016, compared to the same periods in the prior year:

- Salaries and benefits increased \$4.2 million and \$8.1 million for the three and nine months ended August 31, 2016, compared to the same periods in 2015, as a result of the internalization of the fund administration function through AGF CustomerFirst Inc. and partly due to the acquisition of FFCM.
- Absorption and other fund costs expense decreased \$0.5 million and \$0.4 million for the three and nine months ended August 31, 2016, compared to the same periods in 2015, partly as a result of the internalization of the fund administration function offset against an increase in absorption costs.
- Information technology and facilities increased \$2.6 million and \$5.8 million for the three and nine months ended August 31, 2016, due to the internalization of the fund administration function and the acquisition of FFCM.
- One-time costs of \$1.5 million related to the transfer of our custody and fund accounting operations were incurred during the nine months ended August 31, 2016.
- During the three and nine months ended August 31, 2016, restructuring expense was \$4.4 million lower compared to the same periods in 2015 related to a reduction in staff levels in the prior period.

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 were 0.70% and 0.69% for the three and nine-months ended August 31, 2016, compared to 0.69% and 0.68% for the same periods in 2015, reflecting an increase in weighting towards higher-rate mature assets.

EBITDA and EBITDA Margin (Non-IFRS Measures)

EBITDA from continuing operations were \$25.3 million and \$78.8 million for the three and nine months ended August 31, 2016, compared to \$31.8 million and \$101.7 million for the same periods of 2015. Adjusted EBITDA from continuing operations was \$27.4 million and \$82.4 million for the three and nine months ended August 31, 2016, compared to \$30.5 million and \$100.4 million for the same periods of 2015.

EBITDA margin was 23.1% and 24.3% for the three and nine months ended August 31, 2016, compared to 27.5% and 29.5% in the corresponding period in 2015. Adjusted EBITDA margin was 24.6% and 25.3% for the three and nine months ended August 31, 2016, compared to 27.7% and 29.6% in the corresponding period in 2015.

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 \$10.1 million and \$28.7 million for the three and nine months ended August 31, 2016, compared to \$11.1 million and \$31.7 million for the same periods in 2015. During the three and nine months ended August 31, 2016, we paid \$6.5 million and \$23.9 million in selling commissions, compared to \$8.3 million and \$28.7 million in the same periods of 2015, reflecting lower gross sales and a trend toward front-end sales, which do not pay a DSC commission. As at August 31, 2016, the unamortized balance of deferred selling commissions financed was \$94.5 million (November 30, 2015 – \$99.3 million).

Customer contracts amortization and derecognition increased \$0.2 million for the three months ended August 31, 2016 as a result of the acquisition of FFCM and decreased \$0.5 million for nine months ended August 31, 2016, as a result of a lower carrying value. Customer contracts are immediately expensed upon redemption of the AUM.

Other intangibles amortization and derecognition decreased \$0.1 million and \$0.4 million for the three and nine months ended August 31, 2016.

Depreciation increased \$0.2 million and \$0.7 million for the three and nine months ended August 31, 2016, reflecting the investment related to the internalization of the fund administration function.

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

Income Tax Expense

Income tax expense for the three and nine months ended August 31, 2016 was \$2.4 million and \$7.8 million, as compared to \$4.0 million and \$13.4 million in the corresponding period in 2015. The estimated effective tax rate for the nine months ended August 31, 2016 was 22.2% (2015 – 25.0%).

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 August 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. 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 \$60.1 million (\$62.1 million paid, net of \$2.0 million of interest relief refunded by CRA) of which \$8.1 million was paid (including interest and penalties) during the nine months ended August 31, 2016 in relation to the 2009 and 2010 NORs.

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

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 nine months ended August 31, 2016, the Company has recorded a tax expense of \$1.5 million (2015 – \$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 2016 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 – Foreign Accrual Property Income

During the quarter ended August 31, 2016, CRA notified the Company of the completion of the audit for the 2008 to 2012 fiscal years with no adjustments.

(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 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.

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 \$8.2 million and \$27.9 million for the three and nine months ended August 31, 2016, as compared to net income from continuing operations attributable to the equity owners of the company of \$11.9 million and \$40.1 million in the corresponding period in 2015. Net income for the three and nine months ended August 31, 2016 includes a one-time \$2.1 million charge related to our share of a tax levy recorded by S&WHL and \$1.5 million of one-time fund custody and accounting transition costs respectively. Net income for the three and nine months ended August 31, 2015 includes a one-time special distribution of \$5.7 million from a long-term investment and one-time restructuring costs of \$4.4 million. Excluding one-time adjustments, adjusted net income from continuing operations attributable to the equity owners of the Company was \$10.3 million and \$31.1 million for the three and nine months ended August 31, 2016, compared to \$10.2 million and \$38.4 million for the three and nine months ended August 31, 2015.

Earnings per Share

Diluted earnings per share from continuing operations was \$0.10 and \$0.35 per share for the three and nine months ended August 31, 2016, as compared to earnings of \$0.14 and \$0.48 per share in the corresponding period of 2015. Adjusted diluted earnings per share from continuing operations was \$0.13 and \$0.39 per share for the three and nine months ended August 31, 2016, as compared to earnings of \$0.12 and \$0.46 per share in the corresponding period of 2015.

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

Liquidity and Capital Resources

As at August 31, 2016, the Company had total cash and cash equivalents of \$58.6 million. Free cash flow, as defined on page 17, generated from continuing operating activities was \$12.9 million and \$40.3 million for the three and nine months ended August 31, 2016, compared to \$17.0 million and \$49.2 million in the prior period. During the nine months ended August 31, 2016, we generated \$9.9 million (2015 – used \$211.1 million) in cash as follows:

(in millions of Canadian dollars)		
Nine months ended	August 31, 2016	August 31, 2015
Net cash provided by operating activities less amounts paid to CRA in relation to ongoing tax matters	\$ 35.8	\$ 47.2
Paid to CRA in relation to ongoing tax matters	(8.1)	(18.4)
Repurchase of shares under NCIB and treasury stock for EBT	(5.5)	(42.0)
Dividends paid	(18.8)	(35.7)
Return of capital (investment) in the alternative asset management platform	52.4	(115.3)
Repayment of long-term debt	(40.0)	(40.0)
Interest paid	(7.0)	(7.7)
Other	1.1	0.8
	\$ 9.9	\$ (211.1)

On March 2, 2016, following the first close of EIF, AGF 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.

On August 19, 2016, following a subsequent close of EIF, AGF received \$14.1 million as a return of capital to bring the Company's invested capital in line with its proportionate share of total commitments.

Total long-term debt outstanding at August 31, 2016 was \$228.0 million (November 30, 2015 – \$268.8 million). During the quarter, the Company, through its subsidiary AGF Investments Inc., amended and restated its loan agreement to extend the term to 2021. The amended unsecured revolving credit facility has a maximum aggregate principal amount of \$320.0 million and includes a \$10.0 million swingline facility commitment. As at August 31, 2016, \$84.9 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, to invest in future growth opportunities, including acquisitions, and to ensure that the regulatory capital requirements are met for each of our subsidiary companies.

AGF capital consists of shareholders' equity and long-term debt. On an annual basis, AGF prepares a three-year plan 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, 2016, 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, 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

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

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 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); and
- Between February 4, 2015 and February 3, 2016, up to 6,707,999 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 months ended August 31, 2016, AGF repurchased 29,964 shares under its normal course issuer bid for a total consideration of \$0.2 million at an average price of \$4.94 per share. During the nine months ended August 31, 2016, under its normal course issuer bid, AGF repurchased 1,029,964 Class B Non-Voting shares for a total consideration of \$5.3 million at an average price of \$5.11 per share.

During the three and nine months ended August 31, 2016, AGF purchased nil shares for the employee benefit trust. During the nine months ended August 31, 2016, under its normal course issuer bid, AGF purchased 60,000 Class B Non-Voting shares for the employee benefit trust for a total consideration of \$0.3 million at an average price of \$4.46 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	2016 ¹	2015	2014	2013	2012
Per share	\$ 0.32	\$ 0.51	\$ 1.08	\$ 1.08	\$ 1.08

¹ Represents the total dividends paid in December 2015, April 2016, July 2016 and to be paid in October 2016.

We review our dividend distribution policy on a quarterly basis, taking into account our financial position, profitability, cash flow and other factors considered relevant by our Board of Directors. The quarterly dividend paid on July 18, 2016 was \$0.08 per share.

On September 27, 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 three months ended August 31, 2016.

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

Outstanding Share Data

Set out below is our outstanding share data as at August 31, 2016 and 2015. For additional detail, see Notes 9 and 13 of the condensed consolidated interim financial statements.

	August 31, 2016	August 31, 2015
Shares		
Class A Voting common shares	57,600	57,600
Class B Non-Voting shares	79,234,931	80,250,635
Stock Options		
Outstanding options	7,553,310	5,720,011
Exercisable options	3,155,739	2,484,363

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 net income attributable to equity owners of the Company or any other measure of performance under IFRS.

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 advisory fees based on AUM and from fund administration fees,
- DSC earned from investors when mutual fund securities sold on a DSC basis are redeemed,
- 32.5% 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. 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 on page 8 of this MD&A for a schedule showing how EBITDA reconciles to our IFRS financial statements.

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

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. Free cash flow is a relevant measure in the investment management business since a substantial amount of cash is spent on upfront commission payments.

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Net cash provided by (used in) continuing operating activities	\$ 18.3	\$ 25.7	\$ 26.7	\$ 27.7	\$ 28.8
Adjusted for:					
Net changes in non-cash working capital balances related to operations	(3.3)	(10.5)	(9.6)	12.0	6.6
Taxes paid related to transfer pricing audit and other tax contingencies	—	5.3	3.9	8.1	18.4
Interest paid	(2.4)	(2.2)	(2.4)	(7.0)	(7.7)
Prior years' cash taxes paid and anticipated cash taxes to be refunded related to the current year continuing operations	0.3	(1.9)	(1.6)	(0.5)	3.1
Free cash flow	\$ 12.9	\$ 16.4	\$ 17.0	\$ 40.3	\$ 49.2

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.

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
EBITDA from continuing operations	\$ 25.3	\$ 26.2	\$ 31.8	\$ 78.8	\$ 101.7
Divided by income	109.4	111.1	115.8	323.8	344.6
EBITDA margin	23.1%	23.6%	27.5%	24.3%	29.5%

Long-term Debt to EBITDA Ratio

Long-term debt to EBITDA ratio provides useful information to management and investors as an indicator of our ability to service our long-term debt. We define long-term debt to EBITDA ratio as long-term debt at the end of the period divided by annualized EBITDA from continuing operations for the period.

(in millions of Canadian dollars)	Three months ended			Nine months ended	
	August 31, 2016	May 31, 2016	August 31, 2015	August 31, 2016	August 31, 2015
Long-term debt	\$ 228.0	\$ 228.9	\$ 268.7	\$ 228.0	\$ 268.7
Divided by EBITDA (annualized)	104.3	110.8	136.1	104.3	136.1
Long-term debt to EBITDA ratio	218.6%	206.6%	197.4%	218.6%	197.4%

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 2015 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 retail fund AUM figure for them.

Market Capitalization

The Company's Class B Non-Voting share price continued to experience downward pressure during 2016. As a result, AGF's market capitalization of \$395.2 million remained below its recorded net assets of \$903.9 million. In 2015, 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, 2015. There have been no significant changes to the recoverable amount of each CGU as at August 31, 2016. 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 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 2015 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 nine months ended August 31, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Additional Information

Additional information relating to the Company can be found in the Company's Condensed Consolidated Interim Financial Statements and accompanying notes for the three and nine months ended August 31, 2016, the Company's 2015 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.