AGF Management Limited
CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

For the three months ended February 28, 2019 and 2018

(unaudited) **(in thousands of Canadian dollars)**	**Note**	**February 28, 2019**	**November 30, 2018**
Assets			
Current Assets			
Cash and cash equivalents		$ 21,742	$ 46,791
Investments	3, 4	13,125	28,912
Accounts receivable, prepaid expenses and other assets	5, 18	49,980	52,910
Income tax receivable	15, 20	5,623	415
		90,470	129,028
Investment in associate and joint ventures	5	122,280	117,295
Long-term investments	5	106,904	105,377
Management contracts		689,759	689,759
Customer contracts, net of accumulated amortization and derecognition		469	675
Goodwill		250,830	250,830
Other intangibles, net of accumulated amortization and derecognition		837	863
Deferred selling commissions, net of accumulated amortization and derecognition	3	–	96,085
Property, equipment and computer software, net of accumulated depreciation		10,794	11,012
Deferred income tax assets		3,384	1,646
Income tax receivable	15, 20	13,919	13,919
Other assets		1,192	1,192
Total assets		$ 1,290,838	$ 1,417,681
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	7, 14	$ 64,537	$ 73,317
Provision for Elements Advantage		874	948
		65,411	74,265
Long-term debt	8	168,746	188,605
Deferred income tax liabilities		150,521	173,371
Provision for Elements Advantage		705	721
Other long-term liabilities	14	7,548	8,296
Total liabilities		392,931	445,258
Equity			
Equity attributable to owners of the Company			
Capital stock	9	477,127	474,319
Contributed surplus	14	37,867	41,277
Retained earnings	3, 6	369,552	447,060
Accumulated other comprehensive income	10	13,361	9,767
Total equity		897,907	972,423
Total liabilities and equity		$ 1,290,838	$ 1,417,681

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars, except per share data)	**Note**	**February 28, 2019**	**February 28, 2018**
Income			
Management, advisory and administration fees	3	$ 90,997	$ 103,592
Deferred sales charges		1,609	1,642
Share of profit of associate and joint ventures	5	4,481	4,510
Fair value adjustments and other income	5, 11	7,908	1,168
		104,995	110,912
Expenses			
Selling, general and administrative	3, 12	48,036	53,109
Restructuring provision	13	14,361	–
Trailing commissions		28,978	31,797
Investment advisory fees		695	1,083
Deferred selling commissions	3	11,073	–
Amortization and derecognition of deferred selling commissions	3	–	8,284
Amortization and derecognition of customer contracts		206	230
Amortization and derecognition of other intangibles		26	84
Depreciation of property, equipment and computer software		926	877
Interest expense		2,041	1,346
		106,342	96,810
Income (loss) before income taxes		**(1,347)**	**14,102**
Income tax expense (benefit)			
Current	15	(2,063)	(7,715)
Deferred	3, 15	924	846
		(1,139)	(6,869)
Net income (loss) for the period		**$ (208)**	**$ 20,971**
Net income (loss) attributable to:			
Equity owners of the Company		$ (208)	$ 21,524
Non-controlling interest	6	–	(553)
		$ (208)	$ 20,971
Earnings per share for the period attributable to equity owners of the Company			
Basic earnings per share	16	$ –	$ 0.27
Diluted earnings per share	16	$ –	$ 0.27

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

(unaudited)	Three months ended	
(in thousands of Canadian dollars)	**February 28, 2019**	**February 28, 2018**
Net income (loss) for the period	$ (208)	$ 20,971
Other comprehensive income (loss), net of tax		
Cumulative translation adjustment		
Foreign currency translation adjustments related to net investments in foreign operations	3,594	1,647
	3,594	1,647
Net unrealized and realized gains on investments		
Unrealized gains	–	339
Total other comprehensive gains, net of tax	$ 3,594	$ 1,986
Comprehensive income	$ 3,386	$ 22,957
Comprehensive income (loss) attributable to:		
Equity owners of the Company	$ 3,386	$ 23,510
Non-controlling interest	–	(553)
Net comprehensive income	$ 3,386	$ 22,957

Items presented in other comprehensive income (loss) will be reclassified to the consolidated statement of income (loss) in subsequent periods, with the exception of equity instruments classified as fair value through other comprehensive income.

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

(unaudited)

(in thousands of Canadian dollars)	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Attributable to equity owners of the Company	Non-controlling interest	Total equity
Balance, December 1, 2017	$ 478,883	$ 40,453	$ 405,345	$ 12,076	**$ 936,757**	$ (2,538)	**$ 934,219**
Net income (loss) for the period	–	–	21,524	–	**21,524**	(553)	**20,971**
Other comprehensive income (net of tax)	–	–	–	1,986	**1,986**	–	**1,986**
Comprehensive income (loss) for the year	–	–	21,524	1,986	**23,510**	(553)	**22,957**
Issued through dividend reinvestment plan	79	–	–	–	**79**	–	**79**
Stock options	1,417	227	–	–	**1,644**	–	**1,644**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.1 million	–	–	(6,448)	–	**(6,448)**	–	**(6,448)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(2,855)	–	–	**(2,855)**	–	**(2,855)**
Treasury stock purchased	(1,015)	–	–	–	**(1,015)**	–	**(1,015)**
Treasury stock released	3,604	–	–	–	**3,604**	–	**3,604**
Balance, February 28, 2018	**$ 482,968**	**$ 37,825**	**$ 420,421**	**$ 14,062**	**$ 955,276**	**$ (3,091)**	**$ 952,185**
Balance, November 30, 2018	$ 474,319	$ 41,277	$ 447,060	$ 9,767	**$ 972,423**	$ –	**$ 972,423**
Change in accounting policy (Note 3)							
IFRS 9	–	–	(321)	–	**(321)**	–	**(321)**
IFRS 15	–	–	(70,606)	–	**(70,606)**	–	**(70,606)**
Balance, December 1, 2018	474,319	41,277	376,133	9,767	**901,496**	–	**901,496**
Net income (loss) for the period	–	–	(208)	–	**(208)**	–	**(208)**
Other comprehensive loss (net of tax)	–	–	–	3,594	**3,594**	–	**3,594**
Comprehensive income (loss) for the year	–	–	(208)	3,594	**3,386**	–	**3,386**
Issued through dividend reinvestment plan	79	–	–	–	**79**	–	**79**
Stock options	455	(44)	–	–	**411**	–	**411**
Dividends on AGF Class A Voting common shares and AGF Class B Non-Voting shares, including tax of $0.1 million	–	–	(6,373)	–	**(6,373)**	–	**(6,373)**
Equity-settled Restricted Share Units and Partner Points, net of tax	–	(3,366)	–	–	**(3,366)**	–	**(3,366)**
Treasury stock released	2,274	–	–	–	**2,274**	–	**2,274**
Balance, February 28, 2019	**$ 477,127**	**$ 37,867**	**$ 369,552**	**$ 13,361**	**$ 897,907**	**$ –**	**$ 897,907**

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

(unaudited)		Three months ended	
(in thousands of Canadian dollars)	**Note**	**February 28, 2019**	**February 28, 2018**
Operating Activities			
Net income (loss) for the period		$ (208)	$ 20,971
Adjustments for			
Amortization, derecognition and depreciation	3	1,158	9,475
Interest expense		2,041	1,346
Income tax expense (benefit)	15	(1,139)	(6,869)
Income taxes refunded (paid)		(3,225)	(14,820)
Stock-based compensation	14	1,221	1,046
Share of profit of associate and joint ventures	5	(4,481)	(4,510)
Distributions from associate	5	2,798	2,882
Deferred selling commissions paid	3	–	(10,252)
Fair value adjustment on long-term investments	5	4,170	135
Net realized and unrealized gain (loss) on short-term investments		(294)	(6)
Other		(47)	(170)
		1,994	(772)
Net change in non-cash working capital balances related to operations			
Accounts receivable and other current assets		2,834	(1,641)
Accounts payable and accrued liabilities		(11,239)	(21,844)
Other liabilities		(568)	(2,881)
		(8,973)	(26,366)
Net cash used in operating activities		(6,979)	(27,138)
Financing Activities			
Issue of Class B Non-Voting shares	9	455	1,417
Purchase of treasury stock	9	–	(1,015)
Dividends paid	17	(6,213)	(6,288)
Issuance (repayment) of long-term debt	8	(20,000)	30,000
Interest paid		(1,886)	(1,051)
Net cash provided by (used in) financing activities		(27,644)	23,063
Investing Activities			
Purchase of long-term investments	5	(26,974)	(286)
Return of capital from long-term investments	5	21,277	–
Purchase of property, equipment and computer software, net of disposals		(707)	(642)
Purchase of short-term investments	4	(2,248)	(622)
Proceeds from sale of short-term investments	4	18,226	2,650
Net cash provided by investing activities		9,574	1,100
Decrease in cash and cash equivalents		(25,049)	(2,975)
Balance of cash and cash equivalents, beginning of the period		46,791	25,842
Balance of cash and cash equivalents, end of the period		$ 21,742	$ 22,867

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

Notes to Condensed Consolidated Interim Financial Statements

For the three months ended February 28, 2019 and February 28, 2018 (unaudited)

Note 1: General Information

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

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

These condensed consolidated interim financial statements were authorized for issue by the Board of Directors on March 26, 2019.

Note 2: Basis of Preparation

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

Note 3: Changes in Accounting Policies

(a) Adoption of New and Revised Accounting Standards

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

IFRS 9 Financial Instruments:

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

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

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

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

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

The Company has elected not to restate its comparative financial information for the effect of applying IFRS 9, as permitted by the transitional provisions within IFRS 9. Under this approach, on December 1, 2018, the Company recognized transitional adjustments resulting in a reduction to retained earnings of $0.3 million related to S&WHL's adoption of IFRS 9, which resulted in an increased provision for expected credit losses. Prior year comparative information has been presented in accordance with the Company's previous accounting policy.

The following is the new accounting policy under IFRS 9:

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

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

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

i. Fair Value through Profit or Loss

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

ii. Fair Value through Other Comprehensive Income

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

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

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

iii. Amortized Cost

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

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

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

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

IFRS 15 Revenue from Contracts with Customers:

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

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

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

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

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

The following are the new accounting policies under IFRS 15:

Revenue Recognition

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

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

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

Commissions

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

Impact of Adopting IFRS 9 and 15:

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

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

The following table shows the consolidated statement of net income (loss) for the three months ended February 28, 2019 and February 28, 2018 under IFRS 15. There is no impact on the consolidated financial statement of net income (loss) in relation to IFRS 9. These new accounting standards have no impact on the economics of our business. The implementation of IFRS 15 will result in a change in timing of the recognition of commission expenses but has no effect on the cash flows of the Company.

Three months ended		**February 28, 2019**		**February 28, 2018**				
(in thousands of Canadian dollars, except per share data)		**IFRS 15**		**IAS 18**		**Adjustments**		**IFRS 15**
Total income[1]	$	104,995	$	110,912	$	(2,626)	$	108,286
Expenses								
Selling, general and administration[1]		48,036		53,109		(2,626)		50,483
Restructuring provision		14,361		–		–		–
Trailing commissions		28,978		31,797		–		31,797
Investment advisory fees		695		1,083		–		1,083
Deferred selling commissions		11,073		–		11,003		11,003
Amortization, derecognition and depreciation		1,158		9,475		(8,284)		1,191
Interest expense		2,041		1,346		–		1,346
Total Expenses		106,342		96,810		93		96,903
Income (loss) before income taxes		**(1,347)**		**14,102**		**(2,719)**		**11,383**
Income tax expense (benefit)		(1,139)		(6,869)		(721)		(7,590)
Net income (loss) for the period	**$**	**(208)**	**$**	**20,971**	**$**	**(1,998)**	**$**	**18,973**
Net income (loss) attributable to:								
Equity owners of the Company	$	(208)	$	21,524	$	(1,998)	$	19,526
Non-controlling interest		–		(553)		–		(553)
	$	(208)	$	20,971	$	(1,998)	$	18,973
Earnings (loss) per share attributable to equity owners of the company:								
Basic earnings per share	$	–	$	0.27	$	(0.03)	$	0.24
Diluted earnings per share	$	–	$	0.27	$	(0.03)	$	0.24

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

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

IFRS 2 Share-based Payment:

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

(b) Accounting Standards Issued but Not Yet Applied

The following standards and interpretations have been issued, but are not yet effective for the February 28, 2019 interim reporting period and have not been early adopted by the Company.

IFRS 16 Leases:

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

IFRIC Interpretation 23 – Uncertainty over Income Tax Treatments:

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

Note 4: Investments

The following table presents a breakdown of investments:

(in thousands of Canadian dollars)		**February 28, 2019**		**November 30, 2018**
Fair value through profit or loss				
AGF mutual funds and other	$	8,492	$	23,912
Term deposits		3,850		N/A
		12,342		23,912
Fair value through other comprehensive income				
Equity securities		475		N/A
Amortized cost (previously loans and receivables)				
Canadian government debt – Federal		308		308
Available for sale				
Equity securities and term deposits		N/A		4,692
	$	13,125	$	28,912

During the three months ended February 28, 2019 and February 28, 2018, no impairment charges were recognized.

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

(a) Investment in Associate

The Company holds a 33.6% (November 30, 2018 – 33.6%) investment in S&WHL accounted for using the equity method. At February 28, 2019, the carrying value was $119.9 million (November 30, 2018 – $115.0 million). The carrying value was adjusted by $0.3 million on December 1, 2018 as a result of adopting IFRS 9. During the three months ended February 28, 2019, the Company recognized earnings of $4.4 million (2018 – $4.4 million) from S&WHL and received $2.8 million (2018 – $2.9 million) in dividends from S&WHL.

(b) Investment in Joint Ventures

The Company accounts for Stream Asset Financial GP LP (SAF GP), SAFM LP and InstarAGF, a joint venture with Instar Group Inc. (Instar), using the equity method of accounting. The continuity for the three months ended February 28, 2019 and February 28, 2018 is as follows:

Three months ended	**February 28, 2019**			**February 28, 2018**		
(in thousands of Canadian dollars)	**SAFM LP**	**InstarAGF**	**Total**	**SAFM LP**	**InstarAGF**	**Total**
Balance, beginning of the period	$ 2,325	$ –	$ 2,325	$ 1,991	$ –	$ 1,991
Share of profit	92	–	92	116	–	116
Balance, end of the period	$ 2,417	$ –	$ 2,417	$ 2,107	$ –	$ 2,107

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

The Company holds a 37.0% interest in SAFM LP. For the three months ended February 28, 2019, the Company recognized earnings of $0.1 million (2018 – $0.1 million) from SAFM LP.

The Company has recorded losses with respect to its equity investment in InstarAGF only to the extent of its initial investment, which has a carrying value of nil, because it is not contractually obligated to fund the losses. As at February 28, 2019, the Company accumulated unrecognized losses of $1.5 million (November 30, 2018 – $1.1 million) related to its interest in InstarAGF. In addition, AGF has agreed to advance up to $5.0 million to InstarAGF on an as-needed basis as a working capital loan facility. The loan facility is non-interest bearing and is repayable on a priority basis. As at February 28, 2019, the Company had recorded a receivable of $4.7 million (November 30, 2018 – $4.6 million), included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

As at February 28, 2019, the Company had recorded a $0.6 million promissory note receivable from Instar (November 30, 2018 – $0.7 million). The note bears interest at prime and has been included in accounts receivable, prepaid expenses and other assets on the consolidated interim statement of financial position.

(c) Investment in Long-term Investments

Fair value adjustments and income distributions related to Stream, InstarAGF and Essential Infrastructure Fund (EIF) are included in fair value adjustments and other income on the consolidated interim statement of income.

The continuity for the Company's long-term investments, accounted for at fair value through profit or loss (FVTPL), for the three months ended February 28, 2019 and February 28, 2018 is as follows:

Three months ended (in thousands of Canadian dollars)	**February 28, 2019**	**February 28, 2018**
Balance, beginning of the period	$ 105,377	$ 75,362
Purchase of long-term investments	26,974	286
Return of capital	(21,277)	–
Fair value adjustment[1]	(4,170)	(135)
Balance, end of the period	$ 106,904	$ 75,513

[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.

During the three months ended February 28, 2019, the Company committed to invest $75.0 million in capital to a closed-end subsequent fund managed by InstarAGF in its infrastructure strategy. The Company has committed a total of $225.0 million (2018 – $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.

As at February 28, 2019, of its $225.0 million allocation, the Company had invested $137.4 million (November 30, 2018 – $115.1 million). As at February 28, 2019, the Company has $87.6 million (November 30, 2018 – $34.9 million) remaining committed capital to be invested in Stream, EIF and a closed-end subsequent fund. During the three months ended February 28, 2019, the Company recognized $7.2 million (2018 – $0.7 million) in fair value adjustment and distributions related to its long term investments.

As at February 28, 2019, the carrying value of the Company's long-term investments in the alternative asset management platform was $106.6 million (November 30, 2018 – $105.1 million).

Note 6: Acquisition of FFCM, LLC

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

Note 7: Accounts Payable

(in thousands of Canadian dollars)		**February 28, 2019**		**November 30, 2018**
Compensation related payable	$	23,354	$	34,872
HST payable		11,616		10,928
Other		29,567		27,517
Accounts payable and accrued liabilities	$	64,537	$	73,317

Note 8: Long-term Debt

During the three months ended February 28, 2019, the Company repaid $20.0 million (2018 – borrowed $30.0 million). As at February 28, 2019, AGF had drawn $170.0 million (November 30, 2018 – $190.0 million) against the unsecured revolving credit facility (the Facility) in the form of a one-month banker's acceptance (BA) at an effective average interest rate of 3.8% (November 30, 2018 – 3.7%) per annum and a $5.1 million (November 30, 2018 – $5.1 million) letter of credit. Of the $170.0 million drawn (November 30, 2018 – $190.0 million), $1.3 million (November 30, 2018 – $1.4 million) has been deducted related to the transaction and stamping fees incurred on the Facility. The Company's revolving credit facility has a maximum aggregate principal amount of $320.0 million and a $10.0 million swingline facility commitment. As at February 28, 2019, $144.9 million was available to be drawn from the revolving credit facility.

Note 9: Capital Stock

(a) Authorized Capital

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

(b) Changes During the Period

The change in capital stock is summarized as follows:

Three months ended	**February 28, 2019**			**February 28, 2018**		
(in thousands of Canadian dollars, except share amounts)	**Shares**		**Stated value**	**Shares**		**Stated value**
Class A Voting common shares	57,600	$	–	57,600	$	–
Class B Non-Voting shares						
Balance, beginning of the period	78,260,674	$	474,319	79,017,813	$	478,883
Issued through dividend reinvestment plan	16,123		79	9,640		79
Stock options exercised	88,954		455	245,918		1,417
Treasury stock purchased for employee benefit trust	–		–	(147,432)		(1,015)
Treasury stock released for employee benefit trust	337,818		2,274	502,688		3,604
Balance, end of the period	78,703,569	$	477,127	79,628,627	$	482,968

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

AGF has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B Non-Voting shares through the facilities of the TSX (or as otherwise permitted by the TSX). AGF relies on an automatic purchase plan during the normal course issuer bid. The automatic purchase plan allows for purchases by AGF of its Class B Non-Voting shares during certain pre-determined black-out periods, subject to certain parameters. Outside of these pre-determined black-out periods, shares will be purchased in accordance with management's discretion. Under its normal course issuer bid, AGF may purchase up to 10% of the public float outstanding on the date of the receipt of regulatory approval or up to 5,980,078 shares for the period from February 6, 2019 to February 5, 2020 and up to 6,124,051 shares for the period from February 6, 2018 to February 5, 2019. During the three months ended February 28, 2019 and 2018, AGF did not repurchase any shares under its normal course issuer bid.

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

During the three months ended February 28, 2019, AGF purchased nil (2018 – 147,432) Class B Non-Voting shares for the employee benefit trust at a cost of nil (2018 – $1.0 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 months ended February 28, 2019, 337,818 (2018 – 502,688) Class B Non-Voting shares purchased as treasury stock were released. As at February 28, 2019, 397,385 (November 30, 2018 – 735,203) Class B Non-Voting shares were held as treasury stock.

Note 10: Accumulated Other Comprehensive Income

(in thousands of Canadian dollars)	Foreign currency translation	Fair value through OCI	Total
Opening composition of accumulated other comprehensive income at December 1, 2017			
Other comprehensive income	$ 8,557	3,556	12,113
Income tax expense	–	(37)	(37)
Balance, December 1, 2017	8,557	3,519	12,076
Transactions during the year ended November 30, 2018			
Other comprehensive income (loss)	(2,804)	503	(2,301)
Income tax expense	–	(8)	(8)
Balance, November 30, 2018	5,753	4,014	9,767
Transactions during the period ended February 28, 2019			
Other comprehensive income	3,594	–	3,594
Balance, February 28, 2019	$ 9,347	$ 4,014	$ 13,361

Note 11: Fair Value Adjustments and Other Income

	Three months ended	
(in thousands of Canadian dollars)	February 28, 2019	February 28, 2018
Fair value adjustment related to investment in AGF mutual funds (Note 4)	$ 270	$ 32
Fair value adjustment and distributions related to long-term investments (Note 5(c))	7,199	682
Interest income	195	85
Other	244	369
	$ 7,908	$ 1,168

Note 12: Expenses by Nature

	Three months ended	
(in thousands of Canadian dollars)	February 28, 2019	February 28, 2018
Selling, general and administrative		
Employee benefit expense	$ 31,010	$ 32,758
Sales and marketing	2,735	3,125
Information technology and facilities	8,753	8,938
Professional fees	4,387	4,279
Fund absorption and other fund costs (Note 3)	226	3,229
Other	925	780
	$ 48,036	$ 53,109

Note 13: Restructuring Provision

During the three months ended February 28, 2019, the Company implemented a plan to achieve certain organizational and operational efficiencies, resulting in a restructuring charge of $14.4 million.

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

(a) Stock Option Plans

Under the Company's stock option plans, an additional maximum of 541,923 Class B Non-Voting shares could have been granted as at February 28, 2019 (November 30, 2018 – 171,560).

The change in stock options during the three months ended February 28, 2019 and February 28, 2018 is summarized as follows:

Three months ended	February 28, 2019			February 28, 2018		
	Options		Weighted average exercise price	Options		Weighted average exercise price
Class B Non-Voting share options						
Balance, beginning of the period	7,854,300	$	7.52	7,719,199	$	8.38
Options granted	–		–	656,364		7.33
Options forfeited	–		–	(7,500)		5.15
Options expired	(370,363)		15.68	(384,235)		19.03
Options exercised	(88,954)		4.59	(245,918)		5.11
Balance, end of the period	7,394,983	$	7.15	7,737,910	$	7.87

During the three months ended February 28, 2019, nil (2018 – 656,364) stock options were granted and contributed surplus of nil (2018 – $0.2 million) was recorded. The fair value of options granted during the three months ended February 28, 2018 has been estimated at $1.19 using the Black-Scholes option-pricing model. The following assumptions were used to determine the fair value of the options granted during the three months ended February 28, 2018:

Three months ended	February 28, 2018
Risk-free interest rate	2.1%
Expected dividend yield	4.7%
Five-year historical-based expected share price volatility	28.5%
Forfeiture rate	4.7%
Option term	5.1 years

(b) Other Stock-based Compensation

Other stock-based compensation includes Restricted Share Units (RSUs), Deferred Share Units (DSUs) and Partners Incentive Plan (PIP). Compensation expense related to cash-settled stock-based compensation for the three months ended February 28, 2019 was $0.4 million (2018 – $0.3 million recovery) and the liability recorded as at February 28, 2019 related to cash-settled stock-based compensation was $2.9 million (November 30, 2018 – $2.8 million). Compensation expense related to equity-settled RSUs and PIP for the three months ended February 28, 2019 was $1.0 million (2018 – $1.0 million) and contributed surplus related to equity-settled RSUs and PIP, net of tax, as at February 28, 2019 was $3.2 million (November 30, 2018 – $6.6 million).

The change in share units of RSUs and DSUs during the three months ended February 28, 2019 and February 28, 2018 is as follows:

Three months ended	February 28, 2019	February 28, 2018
	Number of share units	Number of share units
Outstanding, beginning of the period, non-vested	3,259,769	2,060,771
Issued		
Initial grant	61,946	560,445
In lieu of dividends	41,142	15,239
Settled in cash	(59,325)	(52,673)
Settled in equity	(726,764)	(502,688)
Forfeited and cancelled	(52,943)	(28,901)
Outstanding, end of the period, non-vested	2,523,825	2,052,193

Note 15: Income Tax Expense

Income tax expense is recognized based on management's best estimate of weighted average annual income tax rate expected for the full financial year. The effective tax rate for the three months ended February 28, 2019 was 84.6% (2018 – recovery of 48.7%).

During the three months ended February 28, 2019, the company recorded a tax benefit of $3.1 million related to the restructuring provision. During the three months ended February 28, 2018, the Company recorded a tax contingencies recovery of $10.0 million with respect to the Canada Revenue Agency (CRA) transfer pricing audit. Excluding the restructuring provision of $14.4 million and the related tax benefit of $3.1 million, the estimated effective tax rate for the three months ended February 28, 2019 was 15.3% (2018 – 22.2%, excluding the transfer pricing tax contingencies). Refer to Note 20 for additional information on tax contingencies. The main items impacting the effective tax rate in the period relates to tax-exempt investment income and temporary differences for which no deferred tax assets were recognized.

Note 16: Earnings per Share

	Three months ended	
(in thousands of Canadian dollars, except per share data)	February 28, 2019	February 28, 2018
Numerator		
Net income (loss) for the period attributable to equity owners of the Company	$ (208)	$ 21,524
Denominator		
Weighted average number of shares – basic	78,664,067	79,616,259
Dilutive effect of employee stock-based compensation awards	1,172,181	1,465,262
Weighted average number of shares – diluted	79,836,248	81,081,521
Earnings per share for the period attributable to equity owners of the Company		
Basic earnings per share	$ –	$ 0.27
Diluted earnings per share	$ –	$ 0.27

Note 17: Dividends

During the three months ended February 28, 2019, the Company paid dividends of $0.08 (2018 – $0.08) per share. Total dividends paid, including dividends reinvested, in the three months ended February 28, 2019 were $6.3 million (2018 –$6.4 million). On March 26, 2019, the Board of Directors of AGF declared a quarterly dividend on both the Class A Voting common shares and Class B Non-Voting shares of the Company of $0.08 per share in respect of the three months ended February 28, 2019, amounting to a total dividend of approximately $6.3 million. These condensed consolidated interim financial statements do not reflect this dividend.

Note 18: Related Party Transactions

The Company is controlled by Blake C. Goldring, 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	
(in thousands of Canadian dollars)	**February 28, 2019**	**February 28, 2018**
Salaries and other short-term employee benefits	$ 1,949	$ 1,583
Share-based payments	685	141
	$ 2,634	$ 1,724

Note 19: Fair Value of Financial Instruments

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

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

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

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

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

The following table presents the group's assets and liabilities that are measured at fair value at February 28, 2019:

(in thousands of Canadian dollars) **February 28, 2019**	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Financial assets at fair value through profit or loss				
Cash and cash equivalents	$ 21,742	$ –	$ –	$ 21,742
AGF mutual funds and other	8,492	–	–	8,492
Term deposits	3,850	–	–	3,850
Long-term investments	–	–	106,904	106,904
Financial assets at fair value through comprehensive income				
Equity securities	475	–	–	475
Amortized cost				
Canadian government debt – Federal	–	308	–	308
Total financial assets	$ 34,559	$ 308	$ 106,904	$ 141,771

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

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

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

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

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

Level 3 instruments include long-term investments related to the alternative asset management platform and included contingent consideration payable. Instruments classified in this category have a parameter input or inputs that are unobservable and that have a more than insignificant impact on either the fair value of the instrument or the profit or loss of the instrument. The fair value of the long-term investments is calculated using the Company's percentage ownership and the fair market value of the investment derived from financial information provided by investees. The fair value of the Company's investment in EIF as at February 28, 2019 has been estimated using the net asset value (NAV) as calculated by the asset manager of the fund. The fair value of the Company's investment in the Stream fund is determined using NAV as calculated by the asset manager. If the NAV were to increase or decrease by 10%, the fair value of the Company's long-term investment and pre-tax income would increase or decrease by $10.7 million. Refer to Note 5(c) for additional information.

The following table presents changes in level 3 instruments for the three months ended February 28, 2019:

(in thousands of Canadian dollars)		**Long-term investments**
Balance at December 1, 2018	$	105,377
Purchase of investment		26,974
Return of capital		(21,277)
Fair value adjustment recognized in profit or loss		(4,170)
Balance at February 28, 2019	$	106,904

The following table presents changes in level 3 instruments for the three months ended February 28, 2018:

(in thousands of Canadian dollars)		Long-term investments
Balance at December 1, 2017	$	75,362
Purchase of investment		286
Return of capital		–
Fair value adjustment recognized in profit or loss		(135)
Balance at February 28, 2018	$	75,513

There were no transfers into or out of level 1 and level 2 during the three months ended February 28, 2019.

Note 20: Contingencies

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

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

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

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

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

(b) CRA Audit – Transfer Pricing

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

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

The transfer pricing issue is resolved and the Company expects to receive a further refund of approximately $4.0 million from the CRA, which is netted in the current tax receivable on the consolidated statement of financial position.

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.