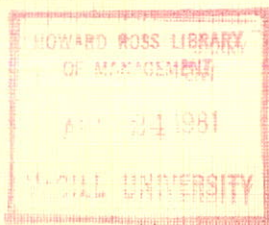


A.G.F. Management Ltd.

THE AGF COMPANIES



1979 ANNUAL REPORT





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*Head Office:*

A.G.F. Management Limited  
50th Floor,  
Toronto Dominion Bank Tower  
Toronto, Ontario  
M5K 1E9  
(416) 367-1900

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AGF Securities Inc.,  
618 S. Spring St.,  
Los Angeles, California  
90014

*Stock Transfer Agent*  
Montreal Trust Company

*Stock Exchange Listing*  
Toronto: Stock symbol AGFM

*Auditors*  
Price Waterhouse & Co.  
Toronto, Ontario

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**Officers & Directors**

W.A. Manford,  
*Director and Chairman of the Board*

C.W. Goldring,  
*Director and President*

K.J. Gray,  
*Director and Senior Vice-President*

W.R. Farquharson,  
*Director and Vice-President*

W.A. Keyser,  
*Director*

G.B. Sutherland,  
*Director*

J.E. Hall, C.A.  
*Vice-President, Secretary and Treasurer*

W.W. Berghuis,  
*Vice-President*

W.D. Cameron,  
*Vice-President*

W.F. Keating,  
*Vice-President*

R.J. Whiting,  
*Vice-President*

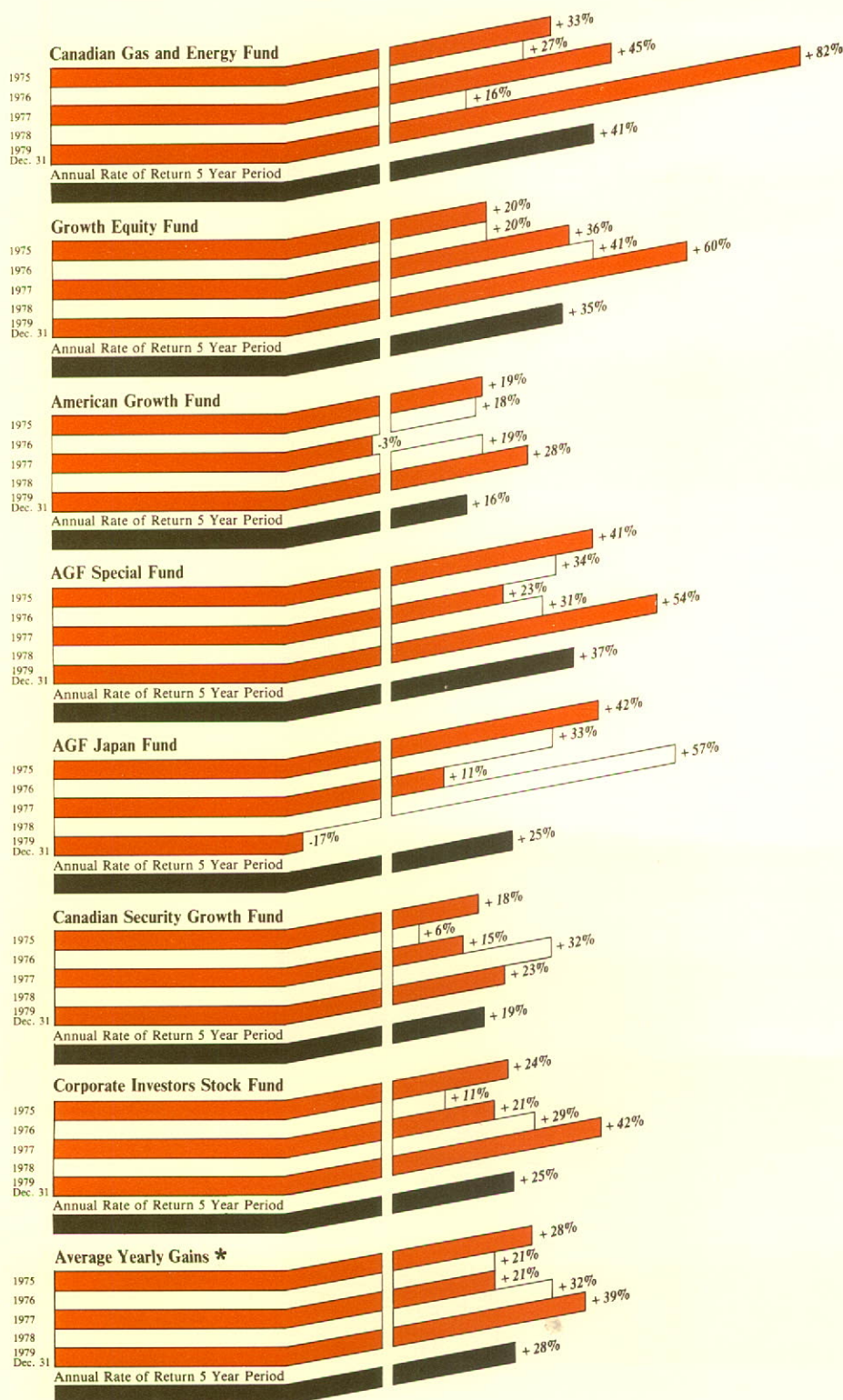
Y.C. Jerred, C.G.A.,  
*Assistant Treasurer*

M.J. Turner,  
*Assistant Secretary*



# Report to Shareholders

## OUR EQUITY FUNDS



In the fiscal year 1979 we continued to make progress toward our long-term objective of providing to Canadian investors a comprehensive package of quality investment Funds with superior performance. For a description of the Funds, see Page 5. We are especially proud of the 5-year record of our equity funds, which was extensively advertised in the first quarter of 1980 and is repeated at left.

Innovation has always been a characteristic of your Company. A Canadian "first" was achieved in 1979 with the successful underwriting, led by Merrill Lynch, Royal Securities Limited, of our new AGF Option Equity Fund. This Fund breaks new ground by offering investors higher rates of return with low risk. We are particularly pleased that the experience of this Fund more than meets the original objectives set for it. Since the commencement of investment activities in late July, it achieved a 17% annualized rate of return on the initial net asset value. Yet in the sharp market decline in October, 1979, when the Dow Jones Industrial Average was down 12%, this Fund experienced only a 3-1/2% decline.

A long-term objective is the prudent diversification of your Company's operations in areas which complement the management capability of your Company. Such an opportunity arose late in 1979 with the acquisition of Strathy & Simmons Ltd. whose operations are described on Page 4.

Good investment performance must be matched by excellent service to brokers and clients, and the marketing efforts of your Company have been intensified over the past year with good results. Of particular interest is the broadening base of financial intermediaries who sell the AGF Fund package. Traditionally certain brokers with strong investment fund

## Report to Shareholders (cont'd)

capability have been our principal sales clients, but in recent years a number of investment fund specialist firms have developed. These firms sell funds exclusively and provide competent year-round client service, and generally include our Funds among those they offer to the public. Furthermore, as a result of our new Fund and the excellent performance of our equity Funds, the average stockbroker representative has become more aware of our Fund package. In view of the extremely busy conditions affecting the representatives, the Fund package offers substantial advantages. As a result most investment dealers and brokers offer our Funds to their clients.

The major step taken in 1979 was the revision of the management agreements with the seven equity Funds. These new agreements provide your Company with remuneration for the actual management of the investment Funds while the uncontrollable costs of servicing shareholder accounts including such items as paper and postage, audit, etc., will be paid for by the users of these services directly through the Funds themselves.

During the year the financial position of your Company improved. Working capital increased to \$2.1 million while dividends remained at 5¢ per share on a quarterly basis, for a total of 20¢ for the year. The investment in MFS Limited increased to \$137,000 from \$67,000 because of its improving earnings which are accounted for on an equity basis.

Revenue rose 20%, with commissions showing the highest rate of growth. Expenses were up 22%, but net income before extraordinary items was up 33%. As explained in Note 6, the provision for income taxes is lower than the year before. After extraordinary items, net income for the year was up 11%.

The executives, supervisors and staff of your Company demonstrated again in 1979 their skill and dedication. These people constitute the principal asset of your Company.

For the Board of Directors



C. Warren Goldring  
*President*



C. Warren Goldring  
*President*



# Consolidated Five Year Review

## Operations:

(\$000s)	1979	1978	1977	1976	1975
Total revenue	5,504	4,560	4,722	5,696	6,749
Income from operations before extraordinary items	526	395	414	327	350
Net income	539	487	638	365	560
Dividends paid	410	513	287	408	306

## Financial position:

Working capital	2,122	2,040	2,168	1,320	1,469
Invested capital**	4,347	4,219	4,253	3,909	4,675
Long term debt	245	251	264	274	996
Shareholders' equity	3,903	3,775	3,800	3,451	3,477
Return on invested capital	12.1%	9.4%	9.7%	8.4%	7.5%

## Per share Class B & Common:

Net income before extraordinary items	.25	.19	.20	.16	.17
Net income	.26	.24	.31	.18	.27
Dividends	.20	.25	.14	.20	.15
Book value	1.90	1.84	1.85	1.68	1.69

## Investment fund assets under management:

(\$millions)	272	212	221	233	231
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\*\*Invested Capital = Total assets less current liabilities

# The AGF Companies — Who We Are

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## Investment Funds

The AGF Companies have been leaders in the field of asset management for over twenty years. Starting with the management and distribution of AMERICAN GROWTH FUND, we now have a group of eleven funds under professional management, each of which provides investment participation tailored to a specific security market or investment goal. The convenience, liquidity, and interconvertability which make our investment funds such attractive vehicles for individual Canadians are increasingly appealing to institutions as well, both here and abroad. This includes the latest addition to our group, the innovative AGF OPTION EQUITY FUND, started in July 1979. A summary of all eleven of our funds appears on the opposite page.

## Investment Counsel

Our Investment Counsel Division manages investment portfolios for individuals and for family accounts. We provide service in the form of individually managed accounts, tailored to investors' personal objectives and needs. In selecting Canadian and American securities for these individual accounts, we draw on the same knowledge, experience and sources of information used to direct the AGF investment funds. Continued steady growth is anticipated in this aspect of our operations.

## Strathy & Simmons Limited

The acquisition of Strathy & Simmons Limited late in 1979 adds an additional dimension to the AGF Companies. This division provides advice on short-term money holdings and enables banks to accomplish the placement of excess short-term money by one telephone call rather than laboriously contacting other banks. We also expect to add foreign currency activities to this subsidiary's operations during 1980.

## AGF Securities Inc.

The AGF Companies maintain a seat on the Pacific Stock Exchange in Los Angeles through a subsidiary, AGF Securities Inc. This division operates as a floor broker, carrying out transactions for other financial organizations. The volume of transactions on the exchange has increased in the past year, as has the volume handled by our subsidiary, and we expect this trend to continue.

## MFS Limited

This company was formed three years ago by the AGF Companies, which owns 20% of its shares, and by the Canada Systems Group which owns 80%. The function of the organization is to provide a wide range of administrative and data processing services to several major mutual fund groups, trust companies and banks. The performance of MFS has been very encouraging and future prospects for growth look even more promising.



# Investment Funds

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## **Canadian Gas and Energy Fund Limited**

A growth fund specializing in securities of companies involved in oil, gas and minerals, here and abroad.

## **AGF Special Fund Limited**

A speculative fund investing in securities of emerging growth companies in the U.S. and Canada.

## **AGF Money Market Fund**

Invests primarily in short term money market instruments, providing investors with convenience, high income, and safety of capital.

## **Growth Equity Fund Limited**

A fund invested in securities of medium size Canadian enterprises offering above average growth potential.

## **AGF Japan Fund Limited**

Provides a convenient way for investors to capitalize on the growth of the dynamic Japanese economy.

## **AGF Option Equity Fund**

Allows investors to participate in a high quality portfolio, while increasing return and decreasing risk through an option writing program.

## **Canadian Trusteed Income Fund**

A high quality income fund investing primarily in top quality bonds.

## **Corporate Investors Stock Fund Limited**

A conservative growth and income fund which seeks long term capital appreciation primarily in Canadian securities.

## **American Growth Fund Limited**

This fund invests in the New York stock market, in securities of quality growth companies with superior earnings potential.

## **Canadian Security Growth Fund Limited**

Ranking among the best performing funds in Canada, this Fund is designed specifically for all types of savings plans.

## **Corporate Investors Limited**

Canada's oldest fund offers a balance of stability and growth between stocks and bonds as market conditions warrant.





# Consolidated Statement of Income

## Revenue:

	Year ended November 30	
	1979	1978
Commissions	\$2,132,051	\$1,380,797
Management fees	2,469,446	2,347,284
Administration fees and other revenue	902,680	832,076
	<u>5,504,177</u>	<u>4,560,157</u>

## Expenses:

Commissions	1,472,603	779,344
Selling, general and administrative	3,175,451	3,024,256
Interest on convertible debentures	20,050	20,593
Depreciation and amortization	38,500	37,416
	<u>4,706,604</u>	<u>3,861,609</u>
	797,573	698,548
Income taxes (Note 6):		
Current, including foreign withholding taxes	257,807	320,168
Deferred	(2,691)	(27,648)
	<u>255,116</u>	<u>292,520</u>
Income before the undernoted items	542,457	406,028
Interest of minority shareholders in earnings of a subsidiary	(16,093)	(10,816)
Net income before extraordinary items	526,364	395,212
Extraordinary items:		
Reduction of income taxes arising from the carry forward of prior years' losses	12,800	34,165
Gain on sale of investments less income taxes of \$18,562	—	57,588
	<u>12,800</u>	<u>91,753</u>
Net income for the year	<u>\$539,164</u>	<u>\$486,965</u>
Net income per share (Note 7)	<u>26¢</u>	<u>24¢</u>



# Consolidated Statement of Changes in Financial Position

**Working  
capital provided:**

	<u>Year ended November 30</u>	
	<u>1979</u>	<u>1978</u>
From operations —		
Net income before extraordinary items	\$ 526,364	\$ 395,212
Add (deduct) charges (credits) not affecting working capital —		
Depreciation and amortization	38,500	37,416
Deferred income taxes	730	3,800
Income taxes not payable due to loss carry-forward	12,800	34,165
Interst of minority shareholders in earnings of a subsidiary	16,093	10,816
Equity earnings of MFS Limited	(70,325)	(31,960)
Other	(325)	(1,355)
	<u>523,837</u>	<u>448,094</u>
Proceeds on sale of investments less income taxes of \$18,562	—	72,588
Issue of Class B shares	<u>—</u>	<u>500</u>
	<u>523,837</u>	<u>521,182</u>

**Working  
capital applied:**

Purchase of office furnishings, equipment and leasehold improvements (net)	11,498	115,094
Dividends paid	410,499	513,116
Reduction of convertible debentures	6,175	11,145
Other	13,470	10,235
	<u>441,642</u>	<u>649,590</u>
Increase (decrease) in working capital (Note 10)	82,195	(128,408)
Working capital at beginning of year	<u>2,039,943</u>	<u>2,168,351</u>
Working capital at end of year	<u>\$2,122,138</u>	<u>\$2,039,943</u>

# Consolidated Balance Sheet

## Assets:

	November 30	
	1979	1978
Current assets:		
Cash and term deposits	\$1,001,636	\$ 941,842
Cash held in trust	1,356,026	316,817
Short-term investments, at cost (market value \$1,180,716; 1978 — \$1,083,382)	1,180,716	1,083,382
Marketable securities, at lower of cost and written down value (market value \$285,159; 1978 — \$398,121)	269,888	372,336
Receivable for sales of mutual fund shares	886,054	591,037
Other accounts receivable and accrued income	396,472	326,833
Prepaid expenses	92,464	27,848
	<u>5,183,256</u>	<u>3,660,095</u>
Investments (Note 2)	137,344	67,019
Office furnishings, equipment and leasehold improvements, at cost less accumulated depreciation and amortization of \$607,111 (1978 — \$568,611)	213,596	240,598
Deferred income tax charges	10,970	11,700
Other assets, at cost	179,870	179,870
Excess of cost of shares of subsidiary companies over book value at dates of acquisition	1,683,995	1,680,315
	<u><u>\$7,409,031</u></u>	<u><u>\$5,839,597</u></u>

APPROVED BY THE BOARD:  
C.W. GOLDRING, Director  
W.A. KEYSER, Director



# Consolidated Balance Sheet

**Liabilities and  
Shareholders'  
Equity:**

	<u>November 30</u>	
	<u>1979</u>	<u>1978</u>
Current liabilities:		
Payable to mutual funds for purchases of shares	\$2,224,795	\$ 879,111
Accounts payable and accrued liabilities	705,768	555,948
Income taxes payable	48,345	114,835
Provision for foreign withholding taxes	82,210	66,837
Deferred income taxes	—	3,421
	<u>3,061,118</u>	<u>1,620,152</u>
8% convertible debentures (Note 3)	245,000	251,500
Warrant stabilization fund (Note 4)	164,418	164,418
Interest of minority shareholders in net assets of a subsidiary	34,707	28,404
Shareholders' equity:		
Capital stock (Note 5) —		
Authorized —		
2,700,000 Class B non-voting participating preference shares without par value		
240,000 common shares without par value		
Issued and outstanding —		
2,050,470 Class B shares	1,458,344	1,458,344
2,400 common shares	40	40
	<u>1,458,384</u>	<u>1,458,384</u>
Retained earnings	<u>2,445,404</u>	<u>2,316,739</u>
	<u>3,903,788</u>	<u>3,775,123</u>
	<u>\$7,409,031</u>	<u>\$5,839,597</u>

# Consolidated Statement of Retained Earnings

	Year ended November 30	
	1979	1978
Retained earnings at beginning of year	\$2,316,739	\$2,342,890
Net income for the year	<u>539,164</u>	<u>486,965</u>
	2,855,903	2,829,855
Deduct: Dividends on Class B and common shares (20¢ per share; 1978 — 25¢)	<u>410,499</u>	<u>513,116</u>
Retained earnings at end of year	<u><u>\$2,445,404</u></u>	<u><u>\$2,316,739</u></u>

## Auditors' Report

### To the Shareholders of A.G.F. Management Limited:

We have examined the consolidated balance sheet of A.G.F. Management Limited as at November 30, 1979 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other

procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at November 30, 1979 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



Price Waterhouse & Co.  
Chartered Accountants



# Notes to Consolidated Financial Statements November 30, 1979

## 1. Accounting policies:

### Consolidation —

The consolidated financial statements include the accounts of the Company and all of its subsidiaries.

The records of AGF Securities, Inc., a New York corporation, are maintained in U.S. dollars. The accounts are translated into Canadian dollars for inclusion in the consolidated financial statements as follows: assets and liabilities at the rate of exchange in effect at November 30, except certain non-current assets which are at rates in effect when acquired; income and expenses at average rates of exchange during the year. Unrealized gains and losses on translation are included in the consolidated statement of income.

Excess of cost of shares of subsidiary companies over book value at dates of acquisition—

These amounts relate substantially to acquisitions made prior to April 1, 1974 and are not being amortized since in the

opinion of management their value has not diminished.

### Depreciation—

Depreciation is recorded in the accounts of the companies at the maximum rates allowed for income tax purposes.

### Income of foreign subsidiary—

Withholding taxes are provided on the portion of the earnings of AGF Securities Inc. which might reasonably be expected to be paid to A.G.F. Management Limited in future dividends. Accordingly, withholding taxes have been provided on the excess of the shareholders' equity of AGF Securities, Inc. over \$750,000. Consolidated income for 1979 and 1978 have been charged with withholding taxes of \$15,373 and \$12,800 respectively.

### Income taxes—

The Company provides deferred income taxes on timing differences between income for tax purposes and income recorded in the accounts.

## 2. Investments:

Shares of MFS Limited, at equity  
(representing a 20% interest)

<u>November 30</u>	
<u>1979</u>	<u>1978</u>
<u>\$137,344</u>	<u>\$67,019</u>

The Company's share of the net earnings of MFS Limited for the year ended November 30, 1979 amounted to \$70,325 (1978 — \$31,960) and is included in revenue in the consolidated statement of income.

## 3. 8% Convertible debentures:

The 8% convertible debentures are redeemable sinking fund debentures maturing November 25, 1981. Each debenture is convertible at any time prior to November 23, 1981 into Class B non-voting shares on the basis of one share for each \$14 of debenture principal. For this purpose 17,500 Class B non-voting shares are reserved. The debentures were issued under a trust indenture dated October 15, 1971 and are secured equally and rateably by a floating charge upon the undertaking and all the property and assets of the Company. The trust indenture provides that a

sinking fund be established requiring payments to the Trustee of such amount as shall be sufficient to retire \$50,000 principal amount of the debentures on November 25, in each of the years 1976 to 1980 inclusive.

To date \$255,000 principal amount of the debentures have been purchased for cancellation. In accordance with the provisions of the trust indenture, the purchased debentures are available to be used as a credit against the required sinking fund payments referred to in the preceding paragraph.

## 4. Warrant stabilization fund:

Pursuant to arrangements made with the Ontario Securities Commission in 1965, net gains realized from trading in Canadian Gas and Energy Fund Ltd. Series B warrants are to be used in stabilizing the warrant market

and for assistance in the eventual elimination of such warrants. The warrant stabilization fund is not available for distribution to the shareholders of A.G.F. Management Limited.

## 5. Class B non-voting preference share stock options:

As at November 30, 1979 options to purchase 17,000 Class B shares were outstanding

at \$3.60 per share, including 15,600 shares granted to directors and officers.

## 6. Income taxes:

The 1979 income tax provision is lower than prevailing tax rates because the statement of income includes certain non-taxable earnings and a capital loss for tax purposes which has been carried back to 1978.

As at November 30, 1979 the following amounts are available to offset against future taxable income, the potential tax benefit of which has not been recorded in the accounts:

	<u>November 30</u>	
	<u>1979</u>	<u>1978</u>
Loss carry-forward represented by excess of undepreciated capital cost of fixed assets for income tax purposes over net book value	\$159,000	\$185,000
Amounts charged against income in the accounts not yet claimed for income tax purposes	<u>33,300</u>	<u>33,300</u>
	<u>\$192,300</u>	<u>\$218,300</u>

## 7. Earnings per share:

	<u>Year ended November 30</u>	
	<u>1979</u>	<u>1978</u>
Earnings per Class B and common share-		
Net income before extraordinary items	25¢	19¢
Extraordinary items	<u>1</u>	<u>5</u>
Net income for the year	<u>26¢</u>	<u>24¢</u>

No dilution would result upon the exercise of the outstanding share purchase warrants or options.

## 8. Long-term lease commitments:

The Company is committed under a long-term lease for office premises expiring January 31, 1988, which requires annual

rental payments, subject to future escalation charges, of approximately \$355,000.

## 9. Remuneration of directors and senior officers:

During the year ended November 30, 1979 a total of thirteen directors and senior officers received direct remuneration totalling

\$371,413 as compared with \$353,000 for fourteen directors and senior officers during the prior year.

## 10. Analysis of changes in working capital:

	<u>Year ended November 30</u>	
	<u>1979</u>	<u>1978</u>
Increase (decrease) in current assets:		
Cash, term deposits and short-term investments	\$1,196,337	\$ 606,316
Accounts receivable	364,656	(62,511)
Marketable securities	(102,448)	(258,963)
Prepaid expenses	<u>64,616</u>	<u>(1,211)</u>
	<u>1,523,161</u>	<u>283,631</u>
Increase (decrease) in current liabilities:		
Accounts payable and accrued liabilities	1,495,504	499,796
Income taxes payable	(66,490)	(69,167)
Provision for foreign withholding taxes	15,373	12,858
Deferred income taxes	<u>(3,421)</u>	<u>(31,448)</u>
	<u>1,440,966</u>	<u>412,039</u>
Increase (decrease) in working capital	<u>\$ 82,195</u>	<u>\$ (128,408)</u>





