



AGF

1986 Annual Report

AGF Management Limited

AGF MANAGEMENT LIMITED

A SUMMARY OF ITS ACTIVITIES:

- Manages over \$2 billion of marketable assets—principally those of 16 mutual funds which are described more fully on pages 6 and 7.
 - Organizes the distribution of those funds through a worldwide network of investment dealers, brokers, banks, mutual fund specialists and tax planners.
 - Brings together the skills of several hundred people, some of whom are employees of the Corporation and others who are contracted to provide accounting, shareholder record, administration and service functions to over 200,000 fundholders.
 - Provides investment management services to pension funds, corporations and individuals, along with administrative services for group RRSP's and portable pension vehicles.
 - Operates a subsidiary, AGF Securities Inc., which is registered as a broker-dealer and is a member of the Pacific Stock Exchange. It operates actively as a market specialist on the Exchange floor in San Francisco.
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It is a very real pleasure to report on the 1986 fiscal year of this Corporation. The year started well, following a buoyant 1985 during which assets under administration passed the \$1 billion mark for the first time. That impressive achievement was surpassed in fiscal 1986 when assets reached approximately \$2 billion. Revenues rose 108%, and net income before extraordinary items rose 103%.

(\$ Millions)	1986	1985	% change
Assets under administration	1,903	1,065	+ 79
Revenue	57.9	27.8	+ 108
Net Income	5.9	2.9	+ 103
Net Income per share (\$)	0.75	0.36	+ 108

Our remarkable growth was due partly to the outstanding growth of the mutual fund industry worldwide. AGF was well positioned for the growth with the broadest array of funds in one Canadian "Family of Funds". The records of performance of our leading funds were unique, as shown by the statistic which was advertised extensively in the 1987 RRSP season: "AGF Funds placed 1st, 2nd, & 3rd in 10 year performance of all 108 RRSP equity funds." The following is a table showing examples of those performance records:

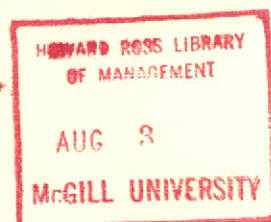
	Annual Compound Rates of Return (%)		
	One year	Five year	Ten year
AGF Special Fund	9.7	22.0	24.7
Growth Equity Fund	16.7	13.3	21.7
Corporate Investors Stock Fund	33.2	17.8	20.7
Canadian Security Growth Fund	13.6	19.3	20.8
AGF Japan Fund	54.7	27.6	23.3

Another reason for the exceptional growth was the improvement in certain systems. The marketing support structure was substantially improved as was the Shareholder Services Department. The overall system relating to shareholder accounting was tested by the very heavy volumes of business and regrettably there were apparent deficiencies. However, steps were instituted both by the Corporation and by Canada Systems Group to overcome the difficulties and these measures promise to bring substantial improvement in the year ahead.

The Marketing Department was very busy servicing the needs of over 500 investment dealers, brokers, mutual fund specialists and tax planners. Literature was constantly upgraded, advertisements were standardized whether originating from the Corporation or through another firm on a co-op basis. One feature of the year was seminars in which a representative of the Corporation participated. Over 200 of these seminars were held in virtually every city and major town in Canada—from St. John's to Victoria and from Windsor to Fort McMurray.



C. W. Goldring,
President and
Chief Executive
Officer



Another distinguishing characteristic of the Corporation has been innovation, and in 1986 two new funds were started. The AGF Global Government Bond Fund was introduced by a cross-Canada series of meetings to over 1700 investment professionals. Investors purchased \$22 million during the brief selling period and following a two week hiatus, sales on a normal basis commenced. The fund has now grown to over \$40 million.

The other new fund, introduced in conjunction with The Toronto-Dominion Bank, was the Green Line U.S. Index Fund. This fund now joins the Green Line Canadian Index Fund and offers Canadian investors the opportunity of investing in stock market indices in both Canada and the U.S.

While assets and revenues both rose about 100%, total staff rose less than 50%, which is a tribute to the dedication and hard work of all the employees. John Boeckh and Clive Coombs were appointed Assistant Vice-Presidents in recognition of their contribution to the fund management activities. Under Senior Vice-President Jim Williams, the Marketing Department was enlarged by the addition of Michael Kelly and Townsend Haines. Each brought considerable experience and special skills to their field. The Accounting Department was constantly busy, as a result of sixteen funds and much higher volumes of transactions, and indeed every department and person met the challenge of the additional activity in an exemplary way.

Turning to the industry as a whole, the year 1986 will be remembered as the "turning point", when age-old delineations of types of financial businesses were scrapped. On December 4, 1986, Ontario threw open the ownership of firms in the securities industry, and the Government of Canada tabled its "New Directions for Financial Institutions" on December 18. As a result, fifteen giant life insurance companies, ten major trust companies, and five world class banks will probably be entering the mutual fund industry. In addition, the ownership of Canadian financial services companies will be opened to all foreign buyers in 1988. This means that international giants in the financial industry will be able to own and operate mutual fund management operations in Canada.

This obviously presents a formidable problem to all Canadian-owned independent firms. This Corporation's response is one of quiet self-confidence based on the fact that over 200,000 Canadians now own AGF funds. Furthermore, our record of investment performance compares favorably to virtually any other domestic or foreign fund management group, and while it is impossible to foretell the future, we have confidence that the people, techniques, and systems structures which have combined so well in the past will be equally successful in the future.

In this period of rapid change which is now upon us, it is vitally important to have a clear sense of direction. The goals of this Corporation are:

1. To attain excellence in investment performance.
2. To build additional assets under administration by servicing existing markets well, and by expanding into new but related markets.
3. To establish and maintain a system of service to our clients second to none in terms of efficiency and convenience.
4. To maintain a high rate of return on invested capital.

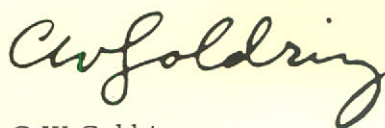
From the indications of the first two months of the 1987 fiscal year, it appears that the buoyant level of activity in mutual funds will be sustained and may well increase. While there will be fluctuations in the stock market levels, it is our general view that prices will rise in the coming year. It is also worth noting that of the Corporation's \$2 billion in assets under management, over one third is in fixed income funds. They generally do not fluctuate as much as equity funds, and indeed may benefit in periods of volatility when risk-averse money seeks a safe haven. Consequently, 1987 should be another satisfactory year.

Two new members were recently elected to the Board of Directors. Early in the year Mr. Milan Nastich was elected. After graduating in engineering from the University of British Columbia, Mr. Nastich had a distinguished career at Ontario Hydro which is one of the largest corporations in North America. He became President, and for a while held the two posts of Chairman and President. His experience and knowledge will be of great benefit to this Corporation. In addition, the recently appointed Senior Vice-President, Marketing, Mr. Jim Williams, was elected at the December meeting shortly after the end of the fiscal year. Mr. Williams was previously a Vice-President of a major chartered bank and has had extensive experience in the financial services industry.

In June the Class "B" and Common shares were split on a basis of 4 -1. Also in June the authorized capital was increased so that if opportunities for acquisitions present themselves the Corporation will be prepared.

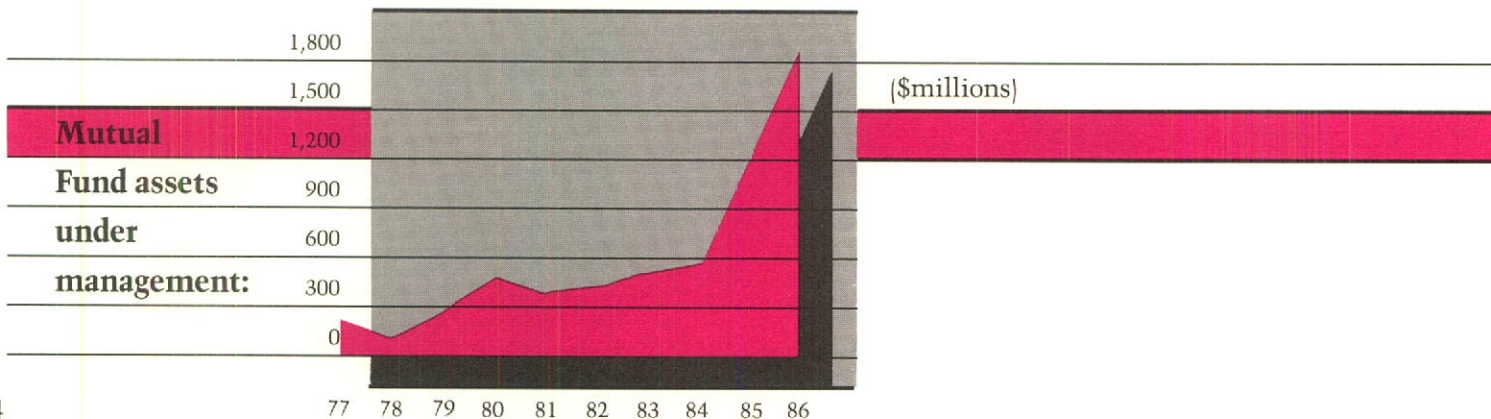
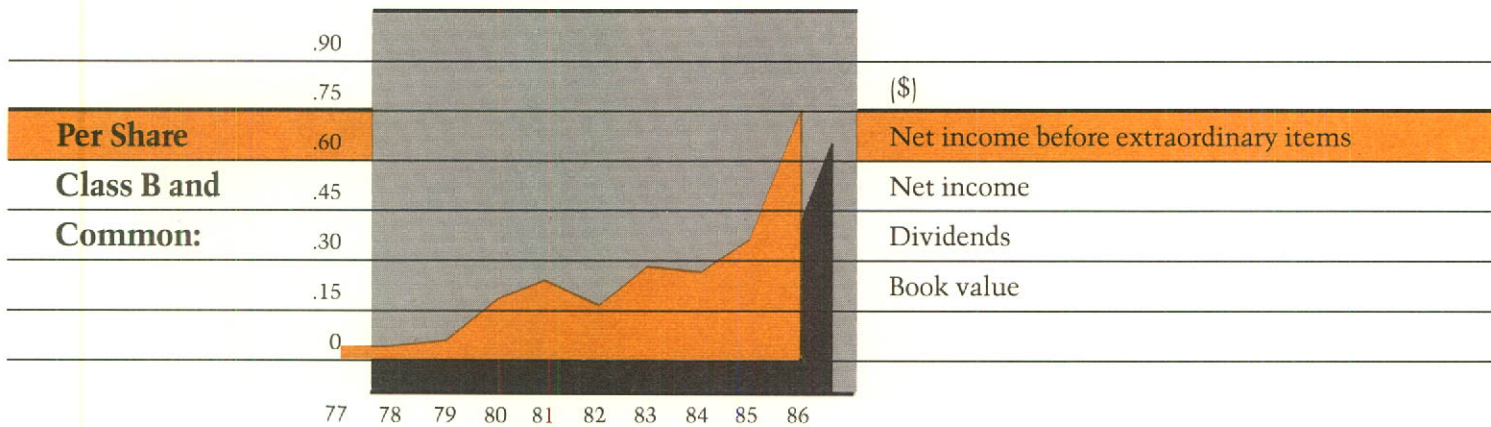
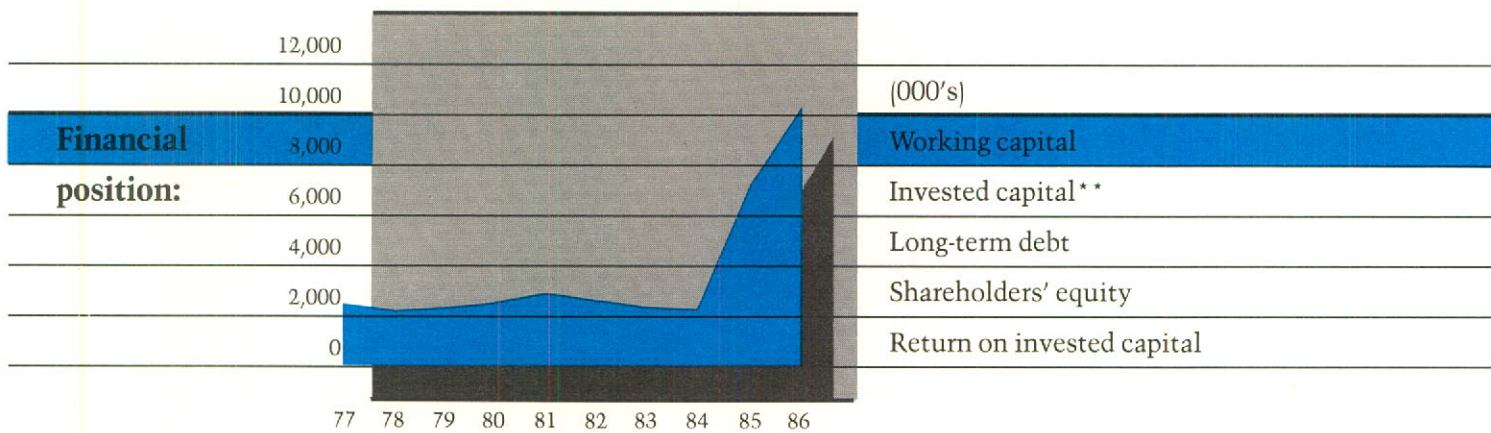
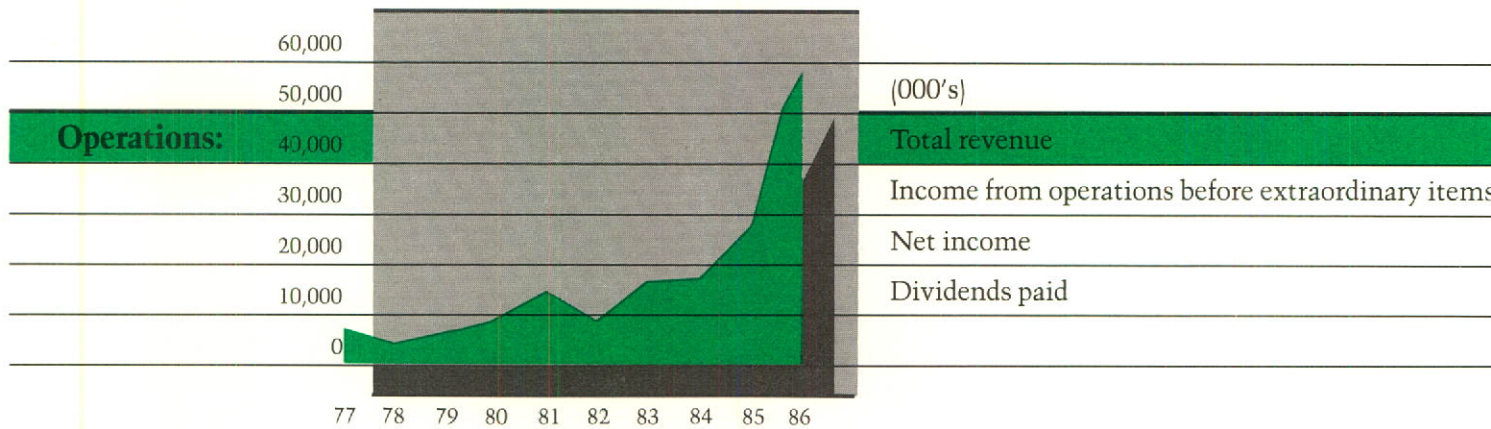
The shareholders also benefited from a rising dividend during the year. In total 21¢ was distributed compared with 16¢ in the previous year. With an 8¢ dividend declared in December, a 32¢ dividend policy was established. Because income taxes on dividends rose in 1987, the dividend normally paid in January was paid in December which resulted in five dividends in 1986, leaving three for 1987. However, the normal pattern remains at four per annum.

Lastly, it is important to express the gratitude of the Board to each and every employee for their dedication in the busy year just ended. Physical conditions were often cramped and the hours were usually long, but everyone performed exceedingly well. These experienced people form the foundation of this Corporation and because of their skills and abilities, it is possible to view the future with solid confidence.



C. W. Goldring,
*President and
Chief Executive Officer*

CONSOLIDATED 10 YEAR REVIEW



CONSOLIDATED 10 YEAR REVIEW

















1986	1985	1984	1983	1982	1981	1980	1979	1978	1977
57,944	27,776	16,958	15,340	9,555	14,084	9,930	5,504	4,560	5,294
5,914	2,942	2,089	2,328	1,401	1,984	1,441	526	395	414
5,914	5,979	2,089	2,335	1,287	1,999	1,452	539	487	638
1,663	1,307	1,146	1,147	1,147	944	636	410	513	287

10,206	7,124	2,109	2,153	2,520	2,932	2,472	2,122	2,040	2,168
15,473	11,751	8,006	7,137	6,147	6,060	4,949	4,347	4,219	4,253
—	—	—	—	—	—	—	245	251	264
15,473	11,751	8,006	7,079	5,893	5,775	4,720	3,903	3,775	3,800
38.2%	25.0%	26.1%	32.6%	22.8%	32.7%	29.1%	12.1%	9.4%	9.7%

.75	.36	.26	.29	.17	.24	.18	.06	.05	.05
.75	.73	.26	.29	.16	.24	.18	.07	.06	.08
.21	.16	.14	.14	.14	.12	.08	.05	.06	.04
1.95	1.47	.98	.86	.72	.70	.58	.48	.46	.46

1,903	1,065	588	537	403	381	420	272	212	221
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*Invested Capital-Total assets less current liabilities

CATEGORY	FUND	MAJOR GEOGRAPHIC ORIENTATION	OBJECTIVE
Aggressive Growth (These funds invest exclusively in aggressive common stocks for growth of capital)	AGF Special Fund Limited		high growth
	Growth Equity Fund Limited		high growth
	Canadian Gas & Energy Fund Limited		high growth
	AGF Japan Fund Limited		high growth
	Corporate Investors Stock Fund Limited		high growth
	AGF HiTech Fund Limited		high growth
	Green Line Canadian Index Fund		growth and income matching the performance of TSE 300
	Green Line U.S. Index Fund		growth and income matching the performance of the S&P 500
Conservative Growth (These funds invest primarily in stocks of major corporations for conservative growth of capital)	American Growth Fund Limited		high growth
	Canadian Security Growth Fund Limited		moderate growth and income
	Corporate Investors, Limited		income and moderate growth
Dividend Income (These funds invest in income generating stocks for regular high investment income)	AGF Option Equity Fund		moderate growth and income
	AGF Preferred Income Fund		high dividend income
Interest Income (These funds invest in high-grade interest income instruments for preservation of capital and high monthly income.)	Canadian Trusteed Income Fund		high interest income
	AGF Money Market Fund		high interest income
	AGF Global Government Bond Fund		high interest income

OUR SIXTEEN MUTUAL FUNDS

ELIGIBLE FOR PENSION FUND	ELIGIBLE FOR RRSP AND RRIF	DESCRIPTION OF FUND	AVERAGE ANNUAL COMPOUND RATE OF RETURN %			
			1 yr	3 yr	5 yr	10 yr
No	No	A speculative fund investing primarily in the securities of emerging high growth U.S. corporations.	9.7	13.6	22.0	24.7
No	Yes	A fund investing in securities of medium size Canadian enterprises, offering high growth potential.	16.7	13.7	13.3	21.7
No	Yes	A fund specializing in securities of companies involved in oil, gas and energy, here and abroad.	-2.3	-4.4	-2.2	11.0
No	No	Provides a convenient way for investors to capitalize on the growth of the dynamic Japanese economy.	54.7	35.9	27.6	23.3
No	Yes	A growth fund which seeks long-term capital appreciation primarily in Canadian securities.	33.2	18.6	17.8	20.7
No	No	Invests in companies involved with the development or application of high technologies.	16.0	8.9	N/A	N/A
Yes	Yes	A unique equity fund based on the TSE 300 Composite Index.	8.2	N/A	N/A	N/A
No	No	A fund based on the Standard & Poor 500 Composite Index.	N/A	N/A	N/A	N/A
No	No	This fund invests in stocks of major U.S. growth companies with superior earnings potential.	5.5	15.0	19.1	17.7
Yes	Yes	This fund invests in Canadian growth and dividend stocks, and is designed specifically for all types of savings plans.	13.6	16.6	19.3	20.8
No	Yes	Canada's oldest fund offers a balanced portfolio consisting primarily of Canadian dividend-paying stocks.	4.5	9.9	15.2	13.9
No	No	A high quality portfolio while increasing return and decreasing risk through an option-writing program.	4.3	10.6	12.6	N/A
No	No	Invests in dividend-paying preferred shares of Canadian corporations.	6.0	N/A	N/A	N/A
Yes	Yes	A high quality income fund, investing in top quality government bonds.	14.7	18.2	18.9	12.3
Yes	Yes	Invests in short-term money market instruments, providing convenience, high income and safety of capital.	8.0	9.4	10.5	11.1
No	No	A high quality income fund investing in top quality bonds of major nations.	N/A	N/A	N/A	N/A

(For 1, 3, 5 & 10 year periods ending December 31, 1986 except as noted)

CONSOLIDATED BALANCE SHEET

ASSETS	NOVEMBER 30	
	1986	1985
Current assets:		
Cash and term deposits	\$ 1,369,180	\$ 1,052,961
Trading account securities, net, at approximate market value	143,381	373,108
Marketable securities (market value \$13,296,802; 1985—\$8,060,147) (Note 6(b))	12,891,720	7,670,867
Accounts receivable, accrued income and prepaid expenses	3,118,164	1,332,559
Note receivable	—	1,052,089
	17,522,445	11,481,584
Investments (Note 2)	2,608,100	2,078,100
Fixed assets, net of accumulated depreciation of \$1,214,900 (1985—\$1,049,666)	545,283	344,442
Other assets, at cost	229,477	228,054
Goodwill and excess of cost of shares of subsidiary companies over book value at dates of acquisition	1,883,907	1,894,309
	\$22,789,212	\$16,026,489

CONSOLIDATED BALANCE SHEET

	NOVEMBER 30	
LIABILITIES AND SHAREHOLDERS' EQUITY	1986	1985
Current liabilities:		
Accounts payable and accrued liabilities	\$ 3,815,543	\$ 1,658,698
Income taxes payable	3,141,511	2,278,142
Deferred income taxes	200,582	186,604
Provision for foreign withholding taxes	158,855	152,147
	7,316,491	4,275,591
Shareholders' equity:		
Capital stock (Note 3)	2,155,002	1,975,287
Retained earnings	13,317,719	9,775,611
	15,472,721	11,750,898
	<u>\$22,789,212</u>	<u>\$16,026,489</u>

APPROVED BY THE BOARD:

C. W. Goldring, Director

Robert A. Ayer, Director

CONSOLIDATED STATEMENT OF INCOME

	YEAR ENDED NOVEMBER 30	
	1986	1985
Revenue:		
Commissions	\$40,057,293	\$17,947,187
Management fees	15,269,101	7,876,734
Administration fees and other revenue	2,617,919	1,952,041
	57,944,313	27,775,962
Expenses:		
Commissions	33,604,959	14,929,855
Selling, general and administrative	12,262,923	6,972,117
Depreciation and amortization	192,724	126,248
	46,060,606	22,028,220
	11,883,707	5,747,742
Income taxes (Note 4):		
Current, including foreign withholding taxes	5,955,930	2,803,223
Deferred	13,978	2,345
	5,969,908	2,805,568
Income before extraordinary item	5,913,799	2,942,174
Extraordinary item:		
Gain on sale of MFS Limited (net of income taxes of \$1,052,084)	—	3,036,353
Net income for the year	\$ 5,913,799	\$ 5,978,527
Earnings per share (Note 7):		
Before extraordinary item	\$0.75	\$0.36
After extraordinary item	\$0.75	\$0.73

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

(NOTE 8)

	YEAR ENDED NOVEMBER 30	
	1986	1985
Operating activities:		
Income before extraordinary item	\$ 5,913,799	\$ 2,942,174
Items not affecting working capital—		
Depreciation and amortization	192,724	126,248
Equity earnings from investment	—	(120,000)
Other	(1,716)	36,121
	6,104,807	2,984,543
Increase in non-cash working capital components	2,537,111	2,131,424
	8,641,918	5,115,967
Financing activities:		
Issuance of Class B non-voting preference shares	208,445	143,204
Class B non-voting preference shares purchased for cancellation	(737,515)	(1,069,532)
Dividends paid	(1,662,906)	(1,307,105)
	(2,191,976)	(2,233,433)
Investing activities:		
Purchase of fixed assets	(382,870)	(137,389)
Additions to investments	(530,000)	—
Net proceeds on sale of investments	—	4,399,155
	(912,870)	4,261,766
Increase in cash during the year	5,537,072	7,144,300
Balance of cash, beginning of year	8,723,828	1,579,528
Balance of cash, end of year	\$14,260,900	\$ 8,723,828

Cash has been defined as cash and term deposits and marketable securities.

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	YEAR ENDED NOVEMBER 30	
	1986	1985
Retained earnings, beginning of year	\$ 9,775,611	\$ 6,109,515
Net income for the year	5,913,799	5,978,527
	15,689,410	12,088,042
Deduct:		
Dividends on Class B and common shares (21¢ per share; 1985–16¢ per share)	1,662,906	1,307,105
Excess paid over average issue price of shares purchased for cancellation	708,785	1,005,326
	2,371,691	2,312,431
Retained earnings, end of year	\$13,317,719	\$ 9,775,611

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, 1986 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 corporation as at November 30, 1986 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

Chartered Accountants
Toronto, Ontario
January 14, 1987

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOVEMBER 30, 1986

1. ACCOUNTING POLICIES:

The financial statements have been prepared in accordance with accounting principles generally accepted in Canada and conform in all material respects with the historical cost accounting standards of the International Accounting Standards Committee.

Consolidation—The consolidated financial statements include the accounts of the corporation 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-monetary items 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.

Goodwill and excess of cost of shares of subsidiary companies over book value at dates of acquisition—It is the company's policy not to amortize goodwill relating to acquisitions made prior to April 1, 1974. Goodwill relating to acquisitions subsequent to April 1, 1974 is being amortized on a straight-line basis over forty years.

Fixed assets—Fixed assets, which are comprised of office furnishings, equipment and leasehold improvements and computer software, are stated at cost, net of accumulated depreciation. Depreciation is computed on the following methods based on the estimated useful lives of the fixed assets: office furnishings and equipment are depreciated using the declining-balance method; leasehold improvements and computer software are depreciated using the straight-line method.

Investments—Marketable securities are carried at the lower of cost and written down value. Other investments not having a market value are carried at cost and are only written down on indication of permanent impairment in the carrying value.

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.

NOVEMBER 30		
2. INVESTMENTS:	1986	1985
First Choice Canadian Communication Corporation Limited ("First Choice"), at cost	\$1,996,626	\$1,996,626
C1 Cablesystems Inc., at cost	500,000	—
Other investments, at cost or written down value	111,474	81,474
	<u>\$2,608,100</u>	<u>\$2,078,100</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

First Choice is a pay television company in Canada. The corporation's investment, which includes an equity interest of approximately three percent of the issued share capital of First Choice on a fully-diluted basis, is comprised as follows:

	NOVEMBER 30	
	1986	1985
150 Class A non-voting shares	\$1,000,000	\$1,000,000
75,000 Class B voting shares	500,000	500,000
Series One 10% convertible debentures	347,713	347,713
Series Three 10% convertible debentures	148,913	148,913
	<u>\$1,996,626</u>	<u>\$1,996,626</u>
C1 Cablesystems is a company which is establishing cable television systems for smaller urban areas in Canada. Operations began in 1986. The corporation's investment, which includes an equity interest of approximately seven percent of the issued share capital of C1 Cablesystems, is comprised as follows:		
	NOVEMBER 30, 1986	
125,000 special common voting shares		\$ 10,000
19,600 14% Series A non-voting preferred shares		490,000
		<u>\$500,000</u>
3. CAPITAL STOCK:		
(a) Movement during the year—The movement on capital stock during the year is summarized as follows:		
	Number of shares issued	Amount
Class B non-voting preference shares		
Balance, November 30, 1985	7,978,044	\$1,975,247
Issued through dividend reinvestment plan	5,910	54,695
Stock options exercised	40,000	153,750
Purchased for cancellation	(114,500)	(28,730)
Balance, November 30, 1986	<u>7,909,454</u>	<u>2,154,962</u>
Common shares		
Balance, November 30, 1986 and 1985	<u>9,600</u>	<u>40</u>
Total stated capital		<u>\$2,155,002</u>

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

(b) Purchase for cancellation of Class B non-voting preference shares—The corporation has obtained applicable regulatory approval to purchase for cancellation, from time to time, certain of its Class B non-voting preference shares without par value ("Class B shares") through the facilities of The Toronto Stock Exchange. Present approval for such purchases extends to December 31, 1987.

The purchase of Class B shares by the corporation serves to offset or restrain any increases in the number of outstanding Class B shares and the consequential dilutive effects on Class B shareholdings resulting from the issue from treasury of such Class B shares under the dividend reinvestment plan and stock option plan.

(c) Dividend reinvestment plan—The corporation is permitted to pay its dividends to Class B shareholders by either cash or in the form of additional Class B shares, at the option of the shareholder.

(d) Amendment to authorized capital—On June 12, 1986, the shareholders approved an amendment to the Articles of the corporation authorizing the corporation to issue an unlimited number of common and Class B non-voting preference shares.

(e) Stock split—On June 12, 1986, the shareholders approved a four-for-one stock split of the outstanding common and Class B non-voting preference shares. All references in these financial statements to capital stock and to per share data have been restated to reflect the effect of the stock split on a retroactive basis.

(f) Stock option plan—During the year, the corporation granted additional options to certain employees to purchase 60,000 Class B shares at an exercise price of \$12.44 per Class B share and options to purchase 40,000 Class B shares at \$3.84 were exercised.

At November 30, 1986, the following options, entitling holders to purchase Class B non-voting preference shares, are outstanding:

Expiry date	Exercise price	Number of shares entitled to purchase
September 6, 1995	\$ 3.84	440,000
September 6, 1995	12.44	60,000
		500,000

Stock options may be exercised to the extent of 25% of the individual's entitlement per annum on a cumulative basis.

4. INCOME TAXES:

The corporation's effective income tax rate is made up as follows:

	YEAR ENDED NOVEMBER 30	
	1986	1985
Canadian corporate tax rate	53.3%	51.8%
Tax-exempt investment income	(2.9)	(3.6)
Foreign tax rate differentials	(0.2)	(0.7)
Other	—	1.3
Effective income tax rate	50.2%	48.8%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

CONTINUED

5. LEASE COMMITMENT:

The corporation is committed under a lease for office premises expiring January 31, 1988, which requires annual rental payments of approximately \$700,000.

6. RELATED PARTY TRANSACTIONS:

(a) Agreements with mutual funds—The corporation acts as manager for the following mutual funds:

AGF Global Government Bond Fund	Canadian Gas and Energy Fund Limited
AGF HiTech Fund Limited	Canadian Security Growth Fund Limited
AGF Japan Fund Limited	Canadian Trusteed Income Fund
AGF Money Market Fund	Corporate Investors, Limited
AGF Option Equity Fund	Corporate Investors Stock Fund Limited
AGF Preferred Income Fund	Green Line Canadian Index Fund
AGF Special Fund Limited	Green Line U.S. Index Fund
American Growth Fund Limited	Growth Equity Fund Limited

Substantially all of the commissions received relate to the sales of shares in the various funds for which it acts as exclusive wholesaler-distributor. It also receives investment management fees from the mutual funds in accordance with the respective agreements between the funds and the corporation. In return, the corporation is responsible for the management of the funds' investment portfolios and the provision of sales and administrative services for which it receives the management fee payable monthly in arrears, based on the average daily net asset value of the individual funds. During the year ended November 30, 1986, the corporation earned \$15,269,101 (1985—\$7,876,734) from these management fees.

(b) Marketable securities—Marketable securities includes \$11,552,641 (1985—\$6,419,296) in investments in various open end mutual funds managed by the corporation.

7. EARNINGS PER SHARE (see Note 3(e)):

The earnings per share calculations have been computed using the weighted average number of common and Class B preference shares outstanding during the year.

The fully-diluted earnings per share calculation assumes the exercise of all outstanding stock options at the beginning of the year (or from the date of issuance, if later).

	1986	1985
Earnings per share:		
Before extraordinary item	\$0.75	\$0.36
After extraordinary item	\$0.75	\$0.73
Fully diluted earnings per share:		
Before extraordinary item	\$0.71	\$0.36
After extraordinary item	\$0.71	\$0.73

8. STATEMENT OF CHANGES IN FINANCIAL POSITION:

The corporation adopted the new recommendations of the Canadian Institute of Chartered Accountants relating to the statement of changes in financial position. The prior year's figures have been restated to conform with the new basis of presentation.

AGF MANAGEMENT LIMITED

Registered Office:

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

Subsidiary:

AGF Securities, Inc.
301 Pine Street
San Francisco, California 94104

Auditors:

Price Waterhouse
Toronto, Ontario

Registrar and Transfer Agent

Montreal Trust Company

Stock Exchange Listing

Toronto: Stock symbol AGFM

DIRECTORS & OFFICERS:

C. Warren Goldring
*Director, Chairman of the
Board, President and Chief
Executive Officer*

W. Allan Manford
*Director and Honorary
Chairman of the Board*

W. Robert Farquharson
*Director and
Executive Vice-President*

Kenneth J. Gray
*Director and
Senior Vice-President*

Richard J. Whiting
Director and Vice-President

R. James Williams
*Director and Senior Vice-President,
Marketing*

Walter A. Keyser
Director

Milan M. Nastich
Director

Yvonne C. Jerred, C.G.A.
*Vice-President, Treasurer and
Chief Financial Officer*

William D. Cameron
Vice-President

John L. Boeckh
Assistant Vice-President

Clive H. J. Coombs
Assistant Vice-President

Francine Poissant
Corporate Secretary



AGF

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