

“Footprinting” Our Portfolio

EXTERNALITIES AND SUSTAINABLE INVESTING

Investors, companies and governments are increasingly calling for action on emissions in light of scientific evidence suggesting that current levels of carbon emissions will result in irreversible climate change. For investors, carbon is considered an ‘externality’ – an input or output that is not reflected in traditional financial or economic indicators. Other externalities include water and land use where these factors are used but not effectively priced. For instance, despite drought conditions in California, there is little economic incentive to conserve water given that the investment to do so has an unacceptably long pay-back at current pricing.

The investment community is not homogeneous and views the issue of externalities differently:

- Many investors will not consider externalities in their decisions unless governments assign effective price signals.
- For investors who consider themselves stewards of capital, externalities are viewed from a risk-management framework that seeks to minimize the potential losses to the portfolio. In response, investment products have emerged which aim to reduce single externalities, usually carbon, while minimizing portfolio risk in terms of tracking error.
- Sustainable investors, on the other hand, seek strategies that reflect a broader range of externalities and aim to create a positive environmental benefit – in other words, strategies that reflect both urgency and impact.

Given the solutions-based focus of AGF Global Sustainable Growth Equity Strategy, we are keenly interested in tools that help us understand and improve the Portfolio’s environmental footprint. To this end, we have



MARTIN GROSSKOPF, MES, MBA
Vice-President and Portfolio Manager
 AGF Investments Inc.
 Industry experience: 1994

- Has more than 20 years of experience in financial and environmental analysis
- Provides input on ESG issues across the AGF teams
- Project Manager with CSA International from 1997 to 2000 and, prior to that, an Environmental Scientist with Acres International Limited
- Masters of Environmental Science and a Master of Business Administration, both from York University



HYEWON KONG, M.Sc., CFA
Associate Portfolio Manager
 AGF Investments Inc.
 Industry experience: 2005

- Has more than 10 years of international investment experience in global equities focusing on environmental and social impact themes and ESG integration
- Previously, Senior Analyst at WHEB Asset Management and Associate Fund Manager at Henderson Global Investors, both in the U.K.
- M.Sc. from Oxford University, a CFA Charterholder and a member of the Toronto CFA society
- Responsible Investment Association (RIA) RI Week advisory board member
- Provides input on ESG issues across the AGF teams

engaged Trucost, a firm that specializes in ‘footprinting’ methodologies, to assist us in providing useful measures for the Portfolio. Even at this early stage, we can say that this will be a journey and we will aim to share both the challenges and successes.

A critical aspect of using footprint data is that the Portfolio is optimized both for its financial and environmental impact. This is very different than selecting stocks solely for their financial merits and then ‘engaging’ with the companies over time to improve their environmental performance. If urgency was not a concern, then we would have the luxury of coaxing companies to embrace change – this is clearly not the case for issues such as climate change and water use. An ‘impact’ portfolio should strive for continuous improvement from a base that is significantly better than common benchmarks. We expect portfolio holdings to be focused on solutions with inherent environmental advantages *while* also being open to improvement of their footprint.

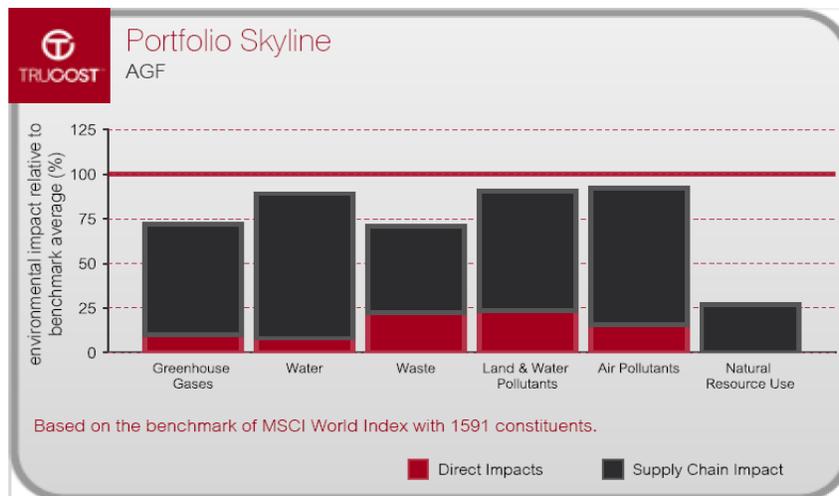
OUR FOOTPRINTING RESULTS

The Portfolio Skyline (see Figure 2) provides a summary of the Portfolio’s footprint relative to the MSCI World Net Index. The footprint uses both reported and estimated data on direct and indirect supply chain (or ‘upstream’) impact from each holding’s operations. As yet, the ‘downstream’ impact from the use of a product (for instance the positive health impacts from consumption of organic food) is not currently captured, although this is central to our selection criteria for inclusion in the Strategy. We anticipate that measures will be developed that better quantify these impacts.

An important feature of the Skyline is that it covers a range of environmental factors. In our view, this is a more holistic approach and one that is less likely to require modification over time. Optimizing any one environmental impact, such as carbon emissions, will not necessarily improve the Portfolio’s score on other environmental indicators, such as waste or land use.

Figure 2 – AGF Global Sustainable Growth Equity Strategy “Portfolio Skyline”

“Portfolio Skyline” – the Portfolio’s footprint relative to the benchmark on a range of environmental factors, broken down by “direct impacts” against supply chain impacts



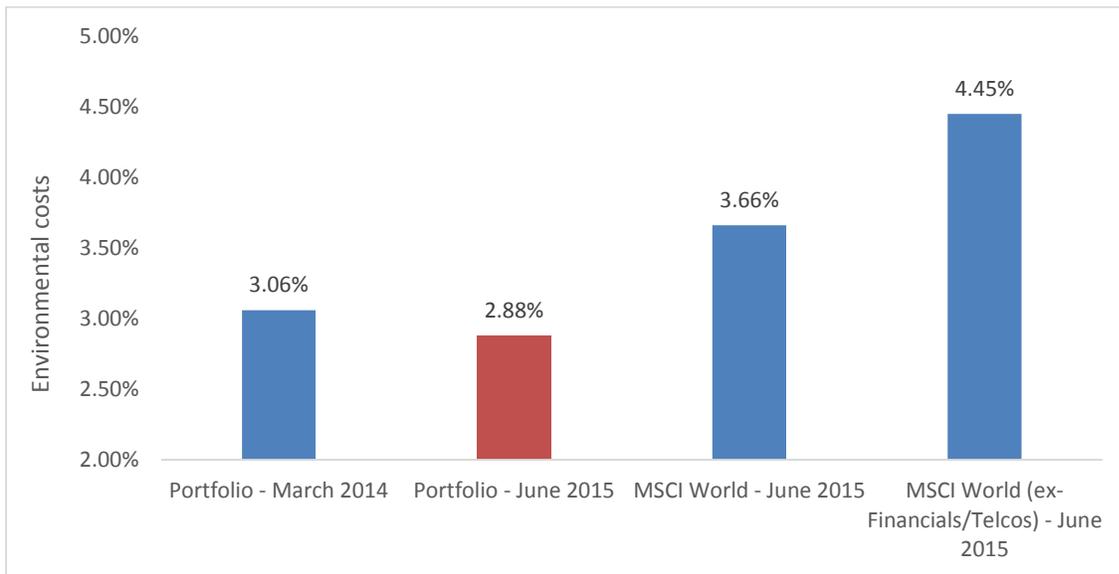
Source: Trucost, as of June 30, 2015.
 Y axis: “Environmental impact relative to benchmark average” as defined by Trucost.
 Portfolio = Strategy

An objective for the Strategy is to reduce the environmental footprint over time. Figure 3 provides historical data for all the environmental factors (noted in Figure 2) and how AGF Global Sustainable Growth Equity Strategy has trended over time, while Figure 4 addresses carbon specifically. We expect that improvements will be incremental as we are trying to balance the benefit of owning solutions-focused companies with a minimal footprint in producing these solutions.

Although certain sectors inherently have lower environmental footprints – financial services is one example – our focus on solutions prevents us from overweighting this sector to generate a better portfolio footprint. For example, if the Portfolio were equal-weight financials or telecommunication services, its environmental footprint is likely to be even lower, but these are not sectors where sustainability solutions are generally found. As such, our solutions-focused approach results in significant off-benchmark allocations, but ensures that the strategy is unique and true to its objectives.

Figure 3 – Historical Environmental Footprint

Our overall environmental footprint has trended lower over time.



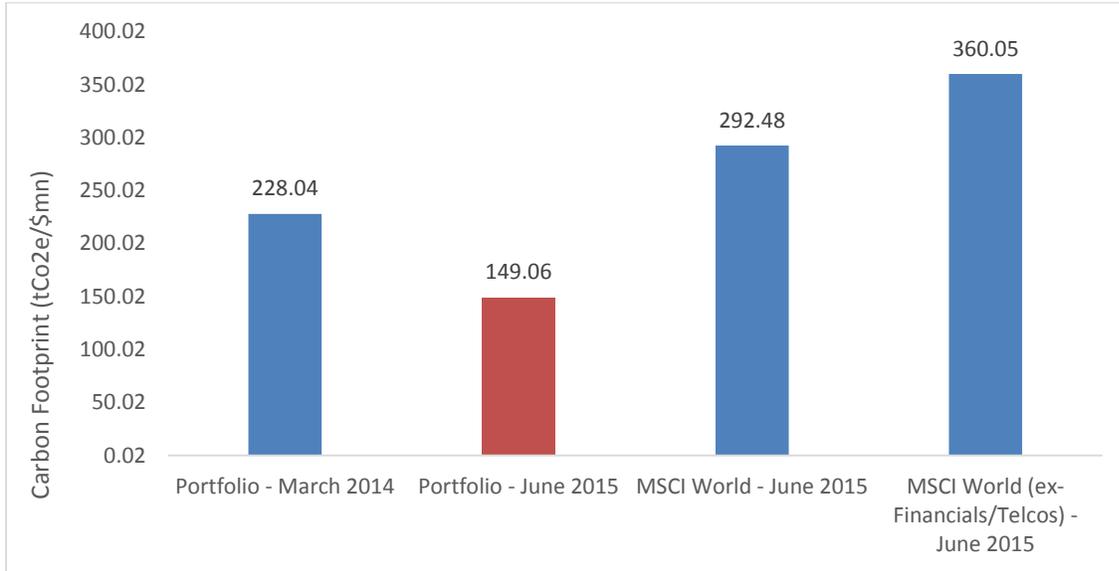
Source: Trucost, as of June 30, 2015.

Y axis: "Environmental Costs" as defined by Trucost.

MSCI World (ex-Financials/Telcos) is provided for additional reference. The benchmark for the Strategy is MSCI Net World Index.

Figure 4 – Historical Carbon Footprint

Similarly, our carbon footprint has also been reduced over time, although carbon is just one of the factors considered.



Source: Trucost, as of June 30, 2015
 Y axis: "Carbon Footprint" as defined by Trucost.

For more information on AGF Global Sustainable Growth Equity Strategy, please visit AGF.com/Institutional or contact your AGF representative.

The commentaries contained herein are provided as a general source of information based on information available as of June 30, 2015 and should not be considered as personal investment advice or an offer or solicitation to buy and/or sell securities. Every effort has been made to ensure accuracy in these commentaries at the time of publication, however accuracy cannot be guaranteed. Market conditions may change and the manager accepts no responsibility for individual investment decisions arising from the use of or reliance on the information contained herein. References to specific securities are presented to illustrate the application of our investment philosophy only and are not to be considered recommendations by AGF Investments Inc. The information contained herein was provided by AGF Investment Operations. It is not intended to be investment advice applicable to any specific circumstance and should not be construed as investment advice. Market conditions may change, impacting the composition of a portfolio. AGF Investments Inc. assumes no responsibility for any investment decisions made based on the information provided herein.

Source: MSCI. The MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com).

AGF International Advisors Company Ltd. is authorised by the Central Bank of Ireland and regulated by the Central Bank of Ireland for conduct of business rules in Ireland and regulated by the FCA for conduct of business rules for UK business.

For international clients requiring a European registrant, AGF Investments Inc. mandates are available on a sub-advised bases through AGF International Advisors Company Ltd.

Conflicts of Interest & Share Ownership Policy

AGF International Advisors Company Ltd., its employees, directors or related companies, may have a shareholding in the securities (or related investments/derivatives) of certain companies covered in this report, or may provide/ solicit investment banking or other services to/ from them. It is noted that research analysts' remuneration is impacted upon by overall firm profitability and accordingly may be affected to some extent by the revenues arising from AGF International Advisors Company Ltd.'s portfolio management team which may derive in part from the recommendations or views in this report. Notwithstanding, AGF International Advisors Company Ltd. is satisfied that the objectivity of views and recommendations contained in this report has not been compromised.

AGF Investments is a group of wholly owned subsidiaries of AGF Management Limited, a Canadian reporting issuer. The subsidiaries included in AGF Investments are AGF Investments Inc. (AGFI), AGF Investments America Inc. (AGFA) and AGF Asset Management (Asia) Limited (AGF AM Asia) and AGF International Advisors Company Limited (AGFIA). AGFA is a registered advisor in the U.S. AGFI is registered as a portfolio manager across Canadian securities commissions.

AGFIA is regulated by the Central Bank of Ireland and registered with the Australian Securities & Investments Commission.

AGF AM Asia is registered as a portfolio manager in Singapore. The subsidiaries that form AGF Investments manage a variety of mandates comprised of equity, fixed income and balanced assets.

AGF Investments Inc. and Highstreet Asset Management Inc. are registered as portfolio managers across various Canadian securities commissions. AGF Investments America Inc. is a registered adviser in the U.S. The entities are affiliated and wholly owned by AGF Management Limited, a Canadian reporting issuer.

Past performance is not necessarily a guide to future performance. The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse effect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forward looking statements and forecasts may not be realised.

About Trucost

Trucost is an external data service provider that AGF Investments Inc. enlists to measure the carbon intensity and environmental footprint of the portfolio and the benchmark. None of the Trucost information is intended to constitute or be construed as investment advice nor considered as recommendations to make (or refrain from making) any kind of investment decision and may not be relied on as such. Any historical data and analysis referenced herein should not be taken as an indication or guarantee of future performance analysis, forecast or prediction.

For accredited investors only.
Published Date: October 2, 2015