AGF Floating Rate Income Fund

An Investor Guide to Floating-Rate Loans

Q: What are floating-rate loans?

A: Floating-rate loans are loans made by major banks to prominent companies. The company may require funds for a number of reasons, including a need for additional capital or to finance growth. Floating-rate loans are different from traditional fixed-rate loans as the interest rate (also known as the coupon rate) fluctuates during the period of the loan.

Q: How is the interest rate on a floating-rate loan determined?

A: About every 40-50 days the coupon rate on the loan resets to current rates. The current rate is tied to a benchmark rate plus a risk premium, e.g. the rate that the issuing banks believe will adequately compensate them for the amount of risk assumed.

Q: What is the benchmark rate used?

A: The benchmark rate is based on the three-month London Interbank Offered Rate (LIBOR), a widely used benchmark for short-term interest rates. The LIBOR component of the floating-rate loan rate fluctuates in line with changes in interest rates. After the financial crisis of 2008, most floating-rate loans now have LIBOR floors on their coupon payment, meaning that for the LIBOR portion of its coupon, the borrowing company must pay at least 125 bps regardless of how low interest rates go.

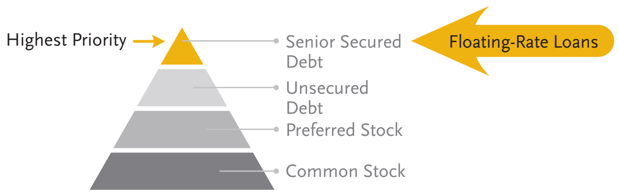
Q: What kind of companies finance with floating-rate loans?

A: Most firms financing with floating-rate loans are significant in size and scale and many are familiar household names. For example, AGF Floating Rate Income Fund has held loans with Heinz, Rite Aid, Dell and Bombardier (as of December 31, 2013).

Q: Are floating-rate loans riskier than high-yield bonds?

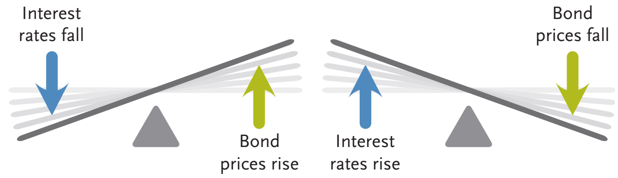
A: Though many loans have a lower credit rating, floating-rate loans hold the most senior position in a company's capital structure, meaning they are secured by collateral such as equipment, real estate or accounts receivable.

Capital Structure of a Company



Q: Will the price of the loans go down if interest rates go up?

A: Interest rates and bond prices move in opposite directions, so when interest rates rise, bond prices fall and vice versa. Because floating-rate loan rates reset every 40-50 days, their coupon moves with short-term interest rates and they experience minimal price volatility.



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Q: Why should floating-rate loans be part of my portfolio?

A: Floating-rate loans can add diversity to fixed-rate bond portfolios. Floating-rate loans have low to negative correlations with other typical fixed-income and equity asset classes (in other words, they perform differently), which can assist in managing portfolio risk. Secondly, floating-rate loans can also offer greater yield potential (e.g. yields are higher than traditional, long-dated maturity government bonds).

Q: Why is now the time to invest in floating-rate loans?

A: Interest rates are at historic lows and, therefore, many investors believe that interest rates will rise. Rising interest rates could actually result in negative returns for traditional bond holders. Floating rate-loans, on the other hand, typically perform well in rising interest rate environments because of their short duration.

About AGF Floating Rate Income Fund

The Fund provides monthly income (that floats with changing interest rates) and capital growth by investing in U.S. senior secured bank loans. This asset class provides protection against interest rate risk and offers low to negative correlation to typical fixed-income and equity securities.

About Eaton Vance

Eaton Vance, the largest floating-rate loan manager by assets in North America, uses a bottom-up, research-driven investment approach, harnessing the expertise of 25 investment professionals to build a portfolio of senior floating-rate loans, diversified by sector, issuer and credit tier.

For more information on how to access increased peace of mind through safety and income, contact your financial advisor or visit AGF.com/FloatingRateIncome.

EatonVance
Investment Managers

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