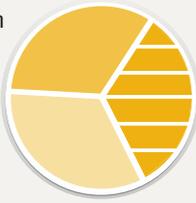


Equities

Equities remain favourable relative to fixed income over the long-term, though the Committee has become more cautious in the near-term due to stretched valuations and slowing growth.



Global Growth

Global growth should continue across most regions, backed by a supportive macroeconomic backdrop and high sentiment levels. However, central bank and government policies could potentially disrupt this trend. Geopolitical risks also remain.



Fixed Income

Higher interest rates pose a potential headwind for fixed income. High yield and emerging market bonds are preferred, though valuations are close to their highest levels this cycle. Further restrictive monetary policy could pressure yields higher.



Canada

A preference for Canadian equities, specifically large-cap companies, has increased from the prior quarter. After a divergence in returns and valuations, oversold companies in the Energy sector are well positioned to rebound due to strong fundamentals. Financials could also benefit from higher interest rates.

Q3 2017
OUTLOOK

ASSET ALLOCATION COMMITTEE



Currency

Currency volatility may continue throughout the quarter, fueled by fiscal and monetary policy initiatives around the world, including Canada, the U.S., Europe and China.



Europe

Political risk in Europe has softened somewhat, though valuations appear stretched relative to global markets. Exposure to Europe has been increased, though remains relatively neutral.



U.S. Economy

Though the U.S. economy has shown resiliency, exposure has been reduced upon belief a market correction may be warranted in the near-term due mostly to valuations and the fact that U.S. equity markets have not experienced a material correction this year.



The Fed

The Fed has discussed intentions to begin reducing its balance sheet in addition to a third rate hike during the second half of 2017. Despite the hawkish tone, timing of these initiatives will depend on economic conditions.



Japan

Global growth would greatly benefit the Japanese economy, which is highly linked to exports. Relative valuations are also attractive, though high debt levels and the potential for policy missteps pose potential risks. Japan remains a modest overweight.



Resources

Fundamentals have held up relatively well despite slumping oil prices. However, the disconnect between equities in the Energy sector and oil prices remains wide. Thus, oversold stocks are well positioned to rally if markets attain support levels in the near-term.



For more information on the AGF Asset Allocation Committee or to read their most recent quarterly outlook, visit AGF.com/AAC.



The commentaries contained herein are provided as a general source of information based on information available as of June 30, 2017 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 decision arising from the use or reliance on the information contained herein. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. This document is intended for advisors to support the assessment of investment suitability for investors. Investors are expected to consult their advisor to determine suitability for their investment objectives and portfolio. Publication date, July 14, 2017