

AGF Canada Class

FUND COMMENTARY FIRST QUARTER 2016

FOR ADVISOR USE WITH INVESTORS

FUND FACTS

FUND CATEGORY: Canadian focused equity	BENCHMARK INDEX: S&P/TSX Composite Total Return Index	DATE OF INCEPTION: January 1997	INVESTMENT STYLE: Bottom-up GARP	PORTFOLIO MANAGER: AGF Investments Inc. Peter Imhof, CIM
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Market overview

Global equities began 2016 with a steep sell-off. Investors were unnerved by slowing Chinese economic growth, continued weakness in oil prices and some mediocre macroeconomic data in the United States. However, by mid-February, a combination of monetary stimulus announced by central banks around the world and more stable economic data helped turn around equity markets. Notably, in late January the Bank of Japan adopted negative interest rates, joining central banks in Europe in adopting the unconventional and unprecedented monetary policy.

In the United States, the economy continued to show resiliency, assuaging fears in early 2016 of an impending U.S. recession. Non-farm payrolls remained at healthy levels with the U.S. unemployment rate remaining at 5.0%, its lowest level since 2008. U.S. manufacturing, in contraction for five consecutive months, bounced back at the end of the first quarter as the ISM PMI rebounded to 51 and back into expansion territory. Though economic data turned more favourable and helped equity markets rally, gathering global economic risks with weak Chinese economic growth, potential volatility surrounding an upcoming 'Brexit' vote in June, and generally weak conditions in emerging markets led to the U.S. Federal Reserve Board (Fed) holding off raising interest rates after its first rate hike in nearly a decade in December 2015. Further, the Fed began to telegraph lower rates for longer and pushed out rate hike expectations this year.

Meanwhile in Canada, the economy got off to a good start in 2016, with Canada's month-over-month gross domestic product (GDP) growth at 0.6% in January, which is the strongest figure since 2013. More positive economic data, along with oil prices that rallied off a low in mid-January, and a spike in gold prices brought on by the news of negative Japanese interest rates, helped the S&P/TSX rally off a bottom in mid-January. Overall for the quarter the S&P/TSX finished up 3.7% and was one of the best performing developed markets.

Fund overview

As at Mar. 31, 2016	3 mo.	1 yr.	3 yr.	5 yr.	10 yr.	PSD*
AGF Canada Class (%) (net of fees)	1.9	-4.8	5.6	2.0	2.3	4.7
S&P/TSX Composite Total Return Index (%)	4.5	-6.6	5.0	2.1	4.0	6.8

Source: AGF Investment Operations.

* Performance start date (PSD): Jan. 2, 1997.

During the quarter, the Fund underperformed its benchmark, returning 1.9% versus 4.5% for the S&P/TSX Composite Index. Security selection and sector allocation effect were both negative and detracted from relative performance.

In particular, an underweight allocation in the Materials sector hurt relative performance, and security selection effect was negative in the sector as well. This stemmed largely from the Fund being underweight gold equities, which had a strong rally during the quarter as gold prices rallied.

Selection in the Financials, Energy and Consumer Discretionary sectors also detracted from relative performance, though this was partially offset by strong security selection in Health Care and Information Technology. An underweight allocation to Health Care also helped performance and partially offset some of the detracting factors.

In terms of individual holdings, the top contributors during the quarter were Metro Inc., CGI Group Inc. and Westshore Terminals Investment Corp., while the top detractors were Allergan PLC, Uni-Select Inc. and Element Financial Corp.

Outlook

Looking ahead, we believe Canadian equities are poised for outperformance after underperforming U.S. equities for the past five straight years. Although Canadian stocks have underperformed U.S. stocks for five years in the past, they have never underperformed for a sixth straight year. Canadian small-capitalization stocks have also underperformed for the past five straight years, and have historically outperformed by a wide margin after such an extended period of underperformance.

Currently, Canadian equity valuations appear to be at reasonable levels. We expect volatility to continue in 2016 and believe that with few growth options available to investors, our style and approach to selecting growth-focused equities will be rewarded. Our focus will remain on identifying those businesses in Canada with high-growth opportunities, solid management teams and reasonable valuations that provide us with downside protection in volatile times.



What are you doing after work?®

AGF Canada Class is proposed to be merged into AGF Canadian Growth Equity Class on or about May 20, 2016, subject to all required approvals. Commentary and data sourced from Bloomberg, Reuters and company reports. The commentaries contained herein are provided as a general source of information based on information available as of March 31, 2016 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. The specific securities identified and described in this commentary do not represent all of the securities purchased, sold or recommended for the portfolio, and it should not be assumed that investments in the securities identified were or will be profitable. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in share and/or unit value and reinvestment of all dividends and/or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. The information contained herein is designed to provide you with general information related to investment alternatives and strategies and is not intended to be comprehensive investment advice applicable to the circumstances of the individual. We strongly recommend that you consult with a financial advisor prior to making any investment decisions. The All World Tax Advantage Group is a mutual fund corporation that currently offers over 20 different classes of securities. Investing in any of the classes within the group offers the following potential benefits and features: deferral of capital gains tax on transfers between classes, potential capital tax savings for corporate investors and fund diversification by investment style, geography and market capitalization. While the articles of AGF All World Tax Advantage Group Limited provide authority to make distributions out of capital and AGF All World Tax Advantage Group Limited intends both to calculate capital in the manner contemplated by the corporate statute for corporations that are not mutual fund corporations and only to declare distributions out of capital if there is sufficient capital attributable to a series, no definitive case law exists to confirm that a mutual fund corporation may make distributions of capital and how it is to be calculated. Further, no advance income tax ruling has been requested or obtained from Canada Revenue Agency, nor is AGF aware of any published advance income tax ruling or the possibility of obtaining such a ruling, regarding the characterization of such distributions or the calculation of capital for such purposes.

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