

AGF U.S. Sector Class

FUND COMMENTARY SECOND QUARTER 2017

FOR ADVISOR USE WITH INVESTORS

FUND FACTS

FUND CATEGORY: U.S. equity	BENCHMARK INDEX: S&P 500 NR Index	DATE OF INCEPTION: August 2013	INVESTMENT STYLE: Quantitative	PORTFOLIO MANAGER: AGF Investments Inc.	PORTFOLIO ADVISOR: Highstreet Asset Management, FFCM, LLC.
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Market overview

Most equity markets were strong this quarter as the global economic recovery remained on track with both hard and soft economic data showing broad based strength through the quarter. Economic was mixed, with strong manufacturing and consumer sentiment, GDP and wage growth in-line with expectations and softer inflation and employment. The U.S. Federal Reserve raised their key interest rate for the second time this year, remaining committed to their stated monetary policy path. The U.S. dollar was weak despite rising interest rates, as investors reacted to the slightly underwhelming economic data. The oil price ended the quarter lower, but was strong to the end of the period due to renewed supply cut commitments.

Fund overview

As at June 30, 2017	3 mo.	6 mo.	1 yr.	3 yr.	PSD**
AGF U.S. Sector Class (%) (net of fees)	2.2	8.1	19.0	8.4	11.3
S&P 500 Net Return Index (%)	0.2	5.1	17.5	16.2	18.9

Source: AGF Investment Operations.

** Performance start date (PSD): August 19, 2013.

AGF U.S. Sector Class outperformed its benchmark index, the S&P 500 Net Return Index during the three months ended June 30, 2017. The Fund returned 2.2% for the period versus the benchmark, which returned 0.2%.

The market risk has remained within the "Calm" regime since April 2016. The Fund remains fully invested and with the market recovering, investors have been able to capture the significant uptrend that has occurred.

As we noted in last quarter's commentary, Value and Small Caps continued to underperform in the period relative to both Growth and Large Cap stocks. Indeed, the Russell 1000 Value Index (proxy for value stocks) returned 1.3% for the quarter, underperforming its Russell 1000 Growth Index (proxy for growth stocks) counterpart by 3.3% over the same period, and 9.3% in the first half of the year.

A consistent exposure to the Size factor has incrementally detracted from performance of the strategy for the entirety of the period as Small Caps have reversed some of the strength we saw in the fourth quarter of 2016. The Russell 2000 Index (proxy for small caps) returned 2.5% for the quarter, underperforming

the more broadly quoted S&P 500 Index as the proxy for the Large-Mid Cap market by 0.6% in the quarter, and 4.4% in the first half of the year.

In terms of portfolio allocations during the quarter, the Fund made a change in sector weightings. The most recent major change to the sector allocations came during the middle of the second quarter, with eight of 10 sectors seeing their weights change as the allocations re-aligned with changing sector dynamics. The largest deviations (roughly -6%/+6%) from the benchmark weights was a continued underweight position in XLE (Energy), new underweight to XLI (Industrials) and new overweight positions in XLY (Consumer Discretionary) and XLB (Materials).

The Fund increased the existing currency hedge on the USD/CAD exchange rate from 25% to 50% of the Fund on April 28, 2017. To the end of the quarter, the spot USD/CAD exchange rate decreased from approximately C\$1.3654/US\$1.00 to C\$1.2961/US\$1.00, which represents a 5.1% decrease in the USD/CAD exchange rate.

Outlook

Subjective forecasts of market outlook do not have a role in the Fund's investment methodology. Except as can be implied from portfolio positioning, which is based on the output of quantitative models.



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The Fund was renamed from AGF U.S. AlphaSector Class, effective August 31, 2015.

Highstreet Asset Management and FFCM, LLC added as portfolio advisors to AGF U.S. Sector Class, effective August 31, 2015.

These firms act solely as portfolio advisors to the Fund. A portfolio advisor provides the Fund with investment research and recommendations. They do not make investment decisions on behalf of the Fund.

FFCM, LLC is a majority-owned subsidiary of AGF Management Limited acquired on November 17, 2015. The remaining ownership is held by FFCM's management team.

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 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 decisions arising from the use of or reliance on the information contained herein.

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