AGF U.S. Sector Class

FUND COMMENTARY FIRST QUARTER 2017 **FOR ADVISOR USE WITH INVESTORS**

FUND FACTS

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

Market overview

Equity markets were generally strong to start the year, supported by strong global economic data and improving sentiment. The U.S. labour market showed strength through the quarter, as did housing and inflation, while GDP growth remained steady. The U.S. Federal Reserve acknowledged both domestic and global economic strength and raised their key interest rate, but noted room for domestic improvement. The oil price traded range bound to begin the year, but fell in March due to rising U.S. crude oil inventories. Initial optimism around the Trump administrations' proposed policies faded as the key healthcare reform failed to materialize on schedule. Consequent political uncertainty saw the U.S. dollar weaken, while gold prices rallied.

Fund overview

As at March 31, 2017	3 mo.	6 mo.	1 yr.	PSD**
AGF U.S. Sector Class (%) (net of fees)	5.8	12.2	13.6	12.5
S&P 500 Net Return Index (%)	4.9	11.3	17.6	20.3

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 March 31, 2017. The Fund returned 5.8% for the period versus the benchmark, which returned 4.9%.

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 in the market.

As we noted in last quarter's commentary, 2016 performance was driven primarily by strength in the back half of the year from valuation and small caps, on both a stock and sector level. In 2017, specifically in the first quarter, we have seen a reversal in the strength exhibited by Value. We actually saw the Russell 1000 Value Index (proxy for value stocks) return 327 basis points for the quarter, underperforming its Russell 1000 Growth Index (proxy for growth stocks) counterpart by 564 bps within the quarter.

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) performance of 247 basis points in the quarter was underperformance of 360 basis points of the more broadly quoted S&P 500 Index as the proxy for the large-mid cap market.

A broader item of note we also saw a continued rotation of the low volatility trade, that has been driving the market over the last couple of years, in favor of high beta stocks, where there has been significant outperformance over the trailing 12-month period ending 03/31/2017 (22.08%).

As far as portfolio allocations go; the first quarter was characterized by no change in sector weighting. The most recent major change to the sector allocations came in the middle of fourth quarter 2016, as we noted in last quarters commentary, with significant portfolio readjustment with 9 of 10 sectors saw their weights change as the portfolio allocations re-aligned with changing market leadership within sectors. The largest deviations (roughly -6%/+6%) from the benchmark weights are in XLE (Energy) and XLF (Financials) with significant underweights, XLV (Health Care) and XLU (Utilities) with significant overweight, this allowed us to position the portfolio by taking some profits from the winning sectors and allocating to underperforming sectors.

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.

First publication date: April 24, 2017