AGF Global Value Fund

FUND COMMENTARY FOURTH QUARTER 2015 **FOR ADVISOR USE WITH INVESTORS**

FUND FACTS

FUND CATEGORY:	BENCHMARK INDEX:	DATE OF INCEPTION:	INVESTMENT STYLE:	PORTFOLIO MANAGER:	PORTFOLIO ADVISOR:
Global equity	MSCI (All Country) World (Total Return) Index	November 1969	Bottom-up value	AGF Investments Inc.	AGF International Advisors Company Ltd.*

Market overview

Global equities rebounded in the fourth quarter, with the MSCI (All Country) World Index recovering much of the poor performance from the third quarter.

U.S. equities delivered strong performance with the S&P 500 Index up 11.4% in Canadian dollar terms. The labour market continued to show steady improvement – U.S. payroll numbers came in well ahead of expectations in October and November, and the unemployment rate fell to 5% in October and remained at this level in November. However, the pace of economic growth moderated with third-quarter GDP growth of 2.0%, below the 3.9% growth posted in the second quarter. As widely expected, the U.S. Federal Reserve Board (Fed) announced a 0.25% rate increase to 0.25-0.50% in mid-December, the first rate increase in nine years, citing improvements in the labour market, household spending, housing market activity and business investment.

The European Central Bank (ECB) extended its €60 billion per month asset purchase program by six months, until March 2017, and also cut its key deposit rate by 10 basis points to -0.3% as the eurozone continued to face deflationary pressures in a tepid growth environment.

Japanese equities rose 12.6% in Canadian dollar terms. Manufacturing activity continued to expand with Japan's Purchasing Managers' Index reaching a 19-month high of 52.6 in November and holding steady in December. Third-quarter GDP growth was revised higher to an annualized 1.0% from the preliminary estimate of a 0.8% decline, showing the economy was in a better condition than initially thought.

Chinese equities posted solid gains despite a continued slowdown in the economy as central bank activity aided markets. Manufacturing activity remained in contractionary territory and industrial profits fell for the sixth consecutive month in November. In a continued effort to boost growth, the People's Bank of China (PBoC) announced a 25-basis-point cut in the benchmark one-year lending and deposit rates, to 4.35% and 1.50%, respectively, the sixth consecutive rate cut in less than a year. On the last day of November, the International Monetary Fund added the renminbi to the Special Drawing Rights (SDR) basket at an 11% weight, higher than the Japanese yen and the British pound. Subsequent to SDR inclusion, the PBoC indicated that it will now track its currency against a broader range of currencies.

Fund overview

As at Dec. 31, 2015	3 mo.	1 yr.	3 yr.	5 yr.	10 yr.	PSD*
AGF Global Value Fund (%) (net of fees)	4.4	5.1	12.7	7.6	0.4	6.2
MSCI AC World (Total Return) Index (%)	9.2	16.9	20.9	14.0	7.1	7.6

Source: AGF Investment Operations.

* Performance start date (PSD): June 30, 1989.

The Fund underperformed the MSCI (All Country) World (Total Return) Index during the quarter, primarily as a result of negative security selection effect. Selection in the Financials, Materials and Consumer Staples sectors detracted from relative performance, though this was partially offset by strong security selection in Energy, Industrials and Telecommunication Services. Overall sector allocations also detracted from performance as an underweight to Information Technology and overweight to Energy detracted.

From a geographic perspective, the Fund's allocations to Norway, Germany and France contributed to relative performance, while the United States, Spain and South Korea detracted.

In terms of individual holdings, the top contributors were General Electric Co., Itochu Corp. and Orange SA, while the top detractors were BNK Financial Group Inc., Tesco PLC and Freeport-McMoran Inc.

General Electric Co. was the top contributor as its shares rose 28.9%. The company's shares rose significantly in October after it reported a strong quarterly operating beat, despite an environment of challenged industrial end markets. Operating margins were robust, and the company maintained its industrial outlook for the year.

BNK Financial Group Inc. was the top detractor during the quarter. BNK is a South Korean company that provides a range of consumer and commercial banking-related financial services. The company's shares fell in November after announcing a rights offering equivalent to 27.4% of total outstanding shares. We continue to hold the shares as we see potential upside from the current levels, as the company's fundamental earnings power remains intact, and the stock trades at attractive valuations.

Outlook

We expect the economic recovery in Europe to continue over the coming period, with inflation rising from its 2015 levels and unemployment falling. Valuations in Europe moved up over the past quarter. European equities are trading slightly ahead of their long-term average on a price-to-earnings (P/E) basis, after having been re-rated during the year. This suggests some of the expected earnings recovery has already been priced into the market.

Global equities continue to appear attractively valued. P/E multiples in Europe are now almost in line with global markets, although European equities continue to trade at a discount on a price-to-book-value basis. However, we believe that Europe has a better earnings outlook, and have been finding opportunities within the Health Care sector.

Given that value underperformed growth in 2015, we believe that value stocks may be poised to outperform in 2016.

‡ This person acts solely as a portfolio advisor 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.

AGF Global Value Fund is proposed to be merged into AGF Global Equity Fund on or about May 2016, subject to all required approvals.
On April 18, 2008, the Fund changed its investment objective to provide long-term capital growth and invest primarily in shares of companies around the world. The Fund may invest up to 25% of its assets in companies in emerging markets.

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