

AGF Dividend Income Fund

FUND COMMENTARY FIRST QUARTER 2017

FOR ADVISOR USE WITH INVESTORS

FUND FACTS

FUND CATEGORY: Canadian Dividend	BENCHMARK INDEX: S&P/TSX 60 Index	DATE OF INCEPTION: April 2003	INVESTMENT STYLE: Quantitative Core	PORTFOLIO MANAGERS: Highstreet Asset Management Inc. Fred Steciuk, CFA Mark Stacey, MBA, CFA
--	---	---	---	--

Market overview

The S&P/TSX 60 returned (+2.4 %) in the first quarter of 2017, retaining its strong momentum from 2016.

Equity markets were generally strong to start the year and were supported by improving economic sentiment in Europe and strong data from the U.S. The Canadian economy continued to show signs of strength, posting better than expected employment and GDP growth, along with stable inflation. The U.S. Federal Reserve raised their key interest rate, acknowledging strength in the global economy, but noted room for improvement. The oil price traded range-bound for the first two months of the year before falling in March due to rising U.S. inventories. The U.S. dollar ended the quarter down, while gold rallied due to uncertainty around the Trump administrations' proposed policies spanning healthcare and tax reform.

Sector breadth was strong, with eight of the ten sectors posting positive returns. Consumer Discretionary (+7.5%) and Utilities (+6.4%) were the top performers, while Health Care (-24.6%) and Energy (-4.0%) lagged.

In Consumer Discretionary, the top performing stock was Restaurant Brands International (+16.2%) which was boosted by its acquisition of the Popeye's fast food chain operations. Magna International (-0.9 %) was the only negative stock within the sector, hurt by weaker than expected earnings from Europe.

In Utilities, Fortis Inc (+7.3%) was the top performing stock driven by broad based earnings strength and boosted by its acquisition of the largest independent transmission utility in the U.S., ITC.

In Health Care, embattled Valeant Pharmaceuticals (-24.6%) continued to weigh negatively on the sector as a prominent hedge fund exited their position in the stock.

In Energy, Cameco Corporation (+5.5 %) was the top performer, as projected under-supply in the uranium market helped the stock. Cenovus Energy (-25.6%), which was hurt by an acquisition of oil fields in western Canada, was the poorest performer within the sector.

Royal Bank of Canada (+7.6%) was the top contributor to the Index supported by improvements in credit quality and an increase in trading revenues. Barrick Gold (+17.7%) was the top performer in the Index supported by the higher gold price.

Suncor Energy (-6.3%), which was hurt by the depressed oil price, detracted the most from the Index while Cenovus Energy was the poorest performer during the quarter.

Fund overview

As at March 31, 2017	3 mo.	6 mo.	1 yr.	3 yr	5 yr	10 yr	PSD*
AGF Dividend Income Fund (%) (net of fees)	2.6	8.0	14.3	5.2	6.6	3.3	8.9
S&P/TSX 60 Index (%)	2.4	8.2	19.3	6.9	8.6	4.9	9.5

Source: AGF Investment Operations.

** Performance start date (PSD): April 16, 2003.

The Fund returned (+2.6%) in the first quarter of 2017, outperforming the Index.

The Fund benefitted from strong stock selection within Energy and Industrials, which more than offset weakness in Materials and Telecommunication Services.

In Energy, avoiding Cenovus Energy and Suncor Energy helped the Fund, as the stocks were hurt by an unfavourable acquisition and a weaker macroeconomic backdrop, respectively.

In Industrials, holding Toromont Industries (+10.3%), with growth due to stronger earnings and revenues compared to peers, along with a dividend increase, added value to the Fund. So too did U.S. stock 3M Co. (+6.7%), which delivered better than expected results from their Electronics and Industrial lines of business.

In Materials, value was lost from not holding gold stocks, particularly Barrick Gold (+17.7%), which was supported by the higher gold price.

In Telecommunication Services, value was lost from not holding Rogers Communications (+14.5%) which benefitted from strong results and outlook for their wireless segment, and holding U.S. Verizon Communications (-8.7%), hurt by intense competition in the U.S. wireless space.

The Fund's exposure to dividend paying U.S. equities averaged (+17.5%) over the quarter and continues to provide the Fund with additional sector diversification and reduced volatility. Top performing U.S. stocks in the Fund included Home Depot (+8.8%) and Cisco Systems Inc (+8.4%).

Outlook

The S&P/TSX 60 Index began 2017 strong, posting five consecutive positive quarters. The global economic recovery seems to have regained momentum, spurred by strong economic data as well as robust sentiment from around the world.

However, and we expect the investment backdrop going forward to remain accommodative and the overall pace of rate hikes in



the U.S. should be measured. The Fund is well positioned to benefit in this type of environment, as it remains squarely focused on its primary investment objectives: offer an attractive and growing dividend, maintain a lower risk profile and provide an opportunity for capital appreciation.

The commentaries contained herein are provided as a general source of information based on information available as of March 31, 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. 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.

The payment of distributions should not be confused with a fund's performance, rate of return or yield. If distributions paid by the fund are greater than the performance of the fund, your original investment will shrink. Distributions paid as a result of capital gains realized by a fund, and income and dividends earned by a fund, are taxable in your hands in the year they are paid. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base falls below zero, you will have to pay capital gains tax on the amount below zero.

The targeted annual distribution is based on the Fund's or Portfolio's previous year-end net asset value and is subject to change. Monthly distributions on Series T and Series V shares may generally be a return of capital so long as there is sufficient capital attributable to the relevant series. Your adjusted cost base will be reduced by the amount of any returns of capital. If your adjusted cost base falls below zero, you will have to pay capital gains tax on the amount below zero.

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.