

AGF Dividend Income Fund

FUND COMMENTARY SECOND 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
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Market overview

The S&P/TSX 60 was down (-1.8%) in the second quarter of 2017, ending a five quarter winning streak since the beginning of 2016.

The global economic recovery remained on track with both hard and soft economic data showing broad based strength through the quarter. The Canadian economy remained steadfast, with strong GDP growth, stable inflation and notable strength from the job market. The U.S. Federal Reserve raised their key interest rate for the second time this year, remaining committed to their stated monetary policy path despite mixed economic data. The oil price ended the quarter lower, but was strong to the end of the period due to renewed supply cut commitments. The Canadian dollar was strong, reacting to improving economic data while the U.S. dollar was weak.

Sector breadth was strong with seven of the ten sectors posting positive returns led by Health Care (+53.4%) and Industrials (+7.2%), while Materials (-9.4%) and Energy (-8.6 %) lagged.

In Health Care, Valeant Pharmaceuticals (+53.4%) was the top performer as the company began to show signs of stabilization in key franchises.

In Industrials, Bombardier Inc. (+15.7%) was the top performing stock, helped by strong revenue growth and margin expansion opportunities. Waste Connections (-4.4%) was the weakest stock within the sector, as the stock cooled after a strong run.

The Materials sector was led by Kinross Gold (+12.4%) which was helped by strong sales driving better-than-expected earnings. Eldorado Gold (-23.1 %) was weak due to its acquisition of Integra Gold at a relative full valuation.

In Energy, the top performing stock was Pembina Pipeline (+3.1 %) on their merger with Veresen Inc. Cenovus Energy (-36.2 %) was the laggard within the sector, hurt by the weaker oil price.

Canadian National Railway (+7.6%) was the top contributor to the Index supported by strong volume growth and solid margins, while Valeant Pharmaceuticals was the top performer in the Index.

Canadian Natural Resources (-13.4%), which was hurt by the depressed oil price, detracted the most from the Index, while Cenovus Energy was the poorest performer this quarter.

Fund overview

As at June 30, 2017	3 mo.	6 mo.	1 yr.	3 yr	5 yr	10 yr	PSD*
AGF Dividend Income Fund (%) (net of fees)	-1.4	1.2	9.5	2.7	7.4	2.8	8.7
S&P/TSX 60 Index (%)	-1.8	0.6	12.4	4.1	9.4	4.0	9.2

Source: AGF Investment Operations.

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

The Fund returned (-1.4%) during the quarter, outperforming relative to the Index.

Value added to the Fund came from Energy and Materials, while Information Technology and Financials detracted.

In Energy, avoiding Canadian Natural Resources and Cenovus Energy (-36.2 %) helped the Fund, as the weaker oil price weighed on stocks in the sector.

In Materials, value was added from avoiding precious and base metals stocks such as Barrick Gold (-18.2%) and Teck Resources (-22.4%) which were hurt by weaker commodity prices.

In Information Technology, holding IBM Corp (-13.2%) hurt the Fund, as the stock was weighed by weaker than expected revenues from their technology services business segment.

In Financials, value was lost from not holding Brookfield Asset Management (+5.7%), which benefitted from increased investing activity and higher liquidity, as well as Manulife Financial (+3.9%), which was helped by rising yields.

The Fund's exposure to dividend paying U.S. equities averaged (+18.3%) 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 McDonald's Corporation (+15.5%) and 3M Company (+6.4%).

Outlook

The S&P/TSX 60 Index lost momentum in the second quarter of 2017, posting a negative return for the first time in five quarters. The global economic recovery remains on track, with strong economic data and sentiment from around the world. However, we expect the investment backdrop going forward to remain accommodative and the overall pace of rate hikes in the U.S. and the rest of the world 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



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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.