

“Footprinting” Our Portfolio

EXTERNALITIES AND SUSTAINABLE INVESTING

Investors, companies and governments are increasingly calling for action on emissions in light of scientific evidence suggesting that current levels of carbon emissions will result in irreversible climate change. For investors, carbon is considered an ‘externality’ – an input or output that is not reflected in traditional financial or economic indicators. Other externalities include water and land use where these factors are used but not effectively priced. For instance, despite drought conditions in California, there is little economic incentive to conserve water given that the investment to do so has an unacceptably long pay-back at current pricing.

The investment community is not homogeneous and views the issue of externalities differently:

- Many investors will not consider externalities in their decisions unless governments assign effective price signals.
- For investors who consider themselves stewards of capital, externalities are viewed from a risk-management framework that seeks to minimize the potential losses to the portfolio. In response, investment products have emerged which aim to reduce single externalities, usually carbon, while minimizing portfolio risk in terms of tracking error.
- Sustainable investors, on the other hand, seek strategies that reflect a broader range of externalities and aim to create a positive environmental benefit – in other words, strategies that reflect both urgency and impact.

Given the solutions-based focus of AGF Global Sustainable Growth Equity Fund, we are keenly



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Vice-President and Portfolio Manager
 AGF Investments Inc.
 Industry experience: 1994

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- Provides input on ESG issues across the AGF teams
- Project Manager with CSA International from 1997 to 2000 and, prior to that, an Environmental Scientist with Acres International Limited
- Masters of Environmental Science and a Master of Business Administration, both from York University



HYEWON KONG, M.Sc., CFA
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 AGF Investments Inc.
 Industry experience: 2005

- Has more than 10 years of international investment experience in global equities focusing on environmental and social impact themes and ESG integration
- Previously, Senior Analyst at WHEB Asset Management and Associate Fund Manager at Henderson Global Investors, both in the U.K.
- M.Sc. from Oxford University, a CFA Charterholder and a member of the Toronto CFA society
- Responsible Investment Association (RIA) RI Week advisory board member
- Provides input on ESG issues across the AGF teams

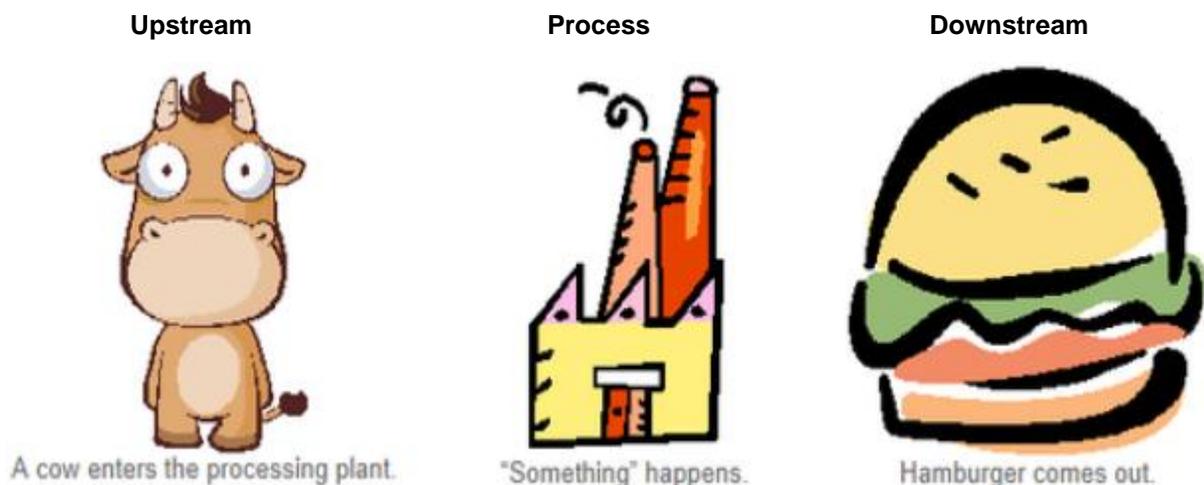
interested in tools that help us understand and improve the Portfolio's environmental footprint. To this end, we have engaged Trucost, a leader in 'footprinting' methodologies, to assist us in providing useful measures for the Portfolio. Even at this early stage, we can say that this will be a journey and we will aim to share both the challenges and successes.

A critical aspect of using footprint data is that the Portfolio is optimized both for its financial and environmental impact. This is very different than selecting stocks solely for their financial merits and then 'engaging' with the companies over time to improve their environmental performance. If urgency was not a concern, then we would have the luxury of coaxing companies to embrace change – this is clearly not the case for issues such as climate change and water use. An 'impact' portfolio should strive for continuous improvement from a base that is significantly better than common benchmarks. We expect portfolio holdings to be focused on solutions with inherent environmental advantages *while* also being open to improvement of their footprint.

OUR FOOTPRINTING RESULTS

The Portfolio Skyline provides a summary of the Portfolio's footprint relative to an adjusted benchmark. The footprint uses both reported and estimated data on direct and indirect supply chain (or 'upstream') impact from each holding's operations (see Figure 1). As yet, the 'downstream' impact from the use of a product (for instance the positive health impacts from consumption of organic food) is not currently captured, although this is central to our selection criteria for inclusion in the Fund. We anticipate that measures will be developed that better quantify these impacts.

Figure 1 – Explanation of 'Upstream' and 'Downstream'

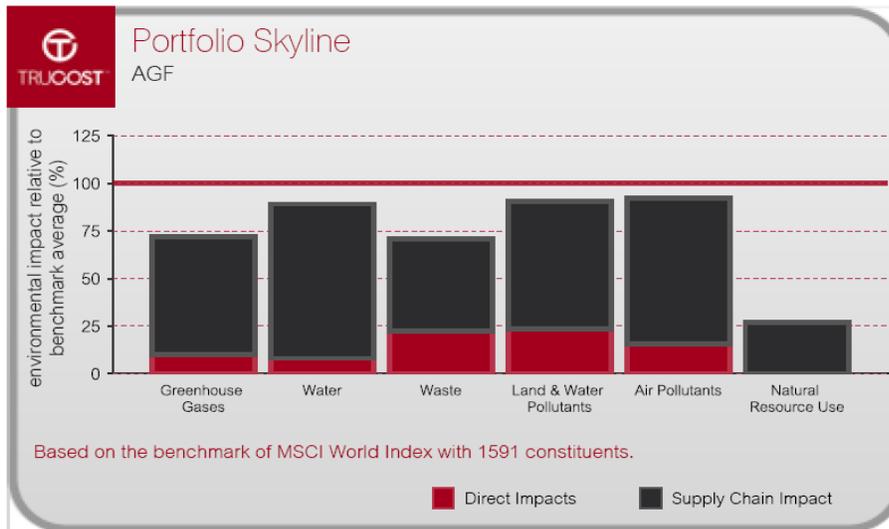


Source: Mr. A. Lamont @ Huron Heights Secondary School

An important feature of the Skyline is that it covers a range of environmental factors (see Figure 2). In our view, this is a more holistic approach and one that is less likely to require modification over time. Optimizing any one environmental impact, such as carbon emissions, will not necessarily improve the Portfolio's score on other environmental indicators, such as waste or land use.

Figure 2 – AGF Global Sustainable Growth Equity “Portfolio Skyline”

“Portfolio Skyline” – the Portfolio’s footprint relative to the benchmark on a range of environmental factors, broken down by “direct impacts” against supply chain impacts



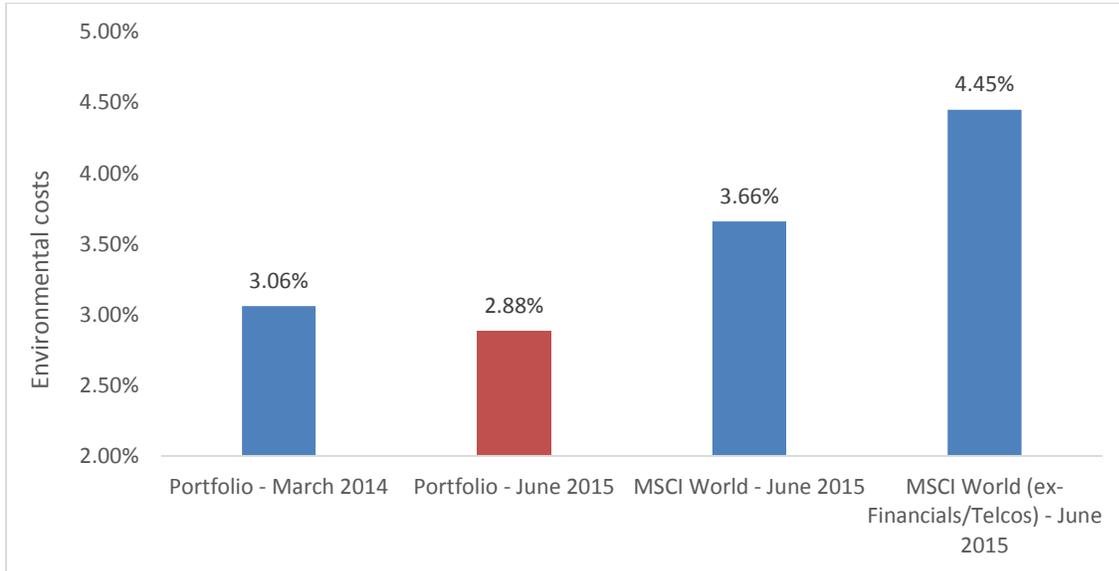
Source: Trucost, as of June 30, 2015

An objective for the Fund is to reduce the environmental impact over time. Figure 3 provides historical data for all the environmental factors and how AGF Global Sustainable Growth Equity Fund has trended over time, while Figure 4 addresses carbon specifically. We expect that improvements will be incremental as we are trying to balance the benefit of owning solutions-focused companies with a minimal footprint in producing these solutions.

Although certain sectors inherently have lower environmental footprints – financial services is one example – our focus on solutions prevents us from overweighting this sector to generate a better portfolio footprint. For example, if the Portfolio were equal-weight financials or telecommunication services, its environmental footprint is likely to be even lower, but these are not sectors where sustainability solutions are generally found. As such, our solutions-focused approach results in significant off-benchmark allocations, but ensures that the strategy is unique and true to its objectives.

Figure 3 – Historical Environmental Footprint

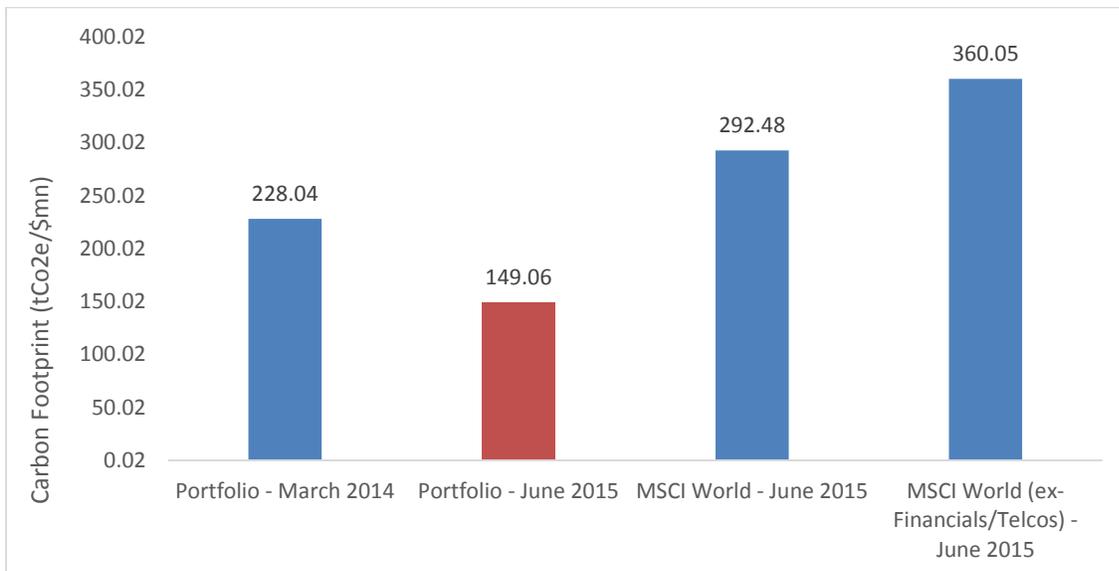
Our overall environmental footprint has trended lower over time.



Source: Trucost, as of June 30, 2015

Figure 4 – Historical Carbon Footprint

Similarly, our carbon footprint has also been reduced over time, although carbon is just one of the factors considered.



Source: Trucost, as of June 30, 2015

PORTFOLIO ACTIONS

Since the beginning of 2015, we have used a number of strategies within the Portfolio to address high absolute company footprints, including:

Sell – where the company has a large environmental footprint and also has limited financial upside it would be removed from the portfolio. Boulder Brands, Praxair and NRG Yield are examples of holdings that were sold during the second quarter of 2015.

Engage – in some cases the company may have a compelling environmental solution but may not have optimized its supply chain to reduce its footprint. This is the case with Trex, an innovative recycler and building products company. In Trex's case, we have engaged management to encourage them to enhance their supply chain management and to include better disclosure of environmental data.

Reduce – where a compelling portfolio holding is making progress on its footprint but which still has a detrimental effect on the overall portfolio metrics, it may be reduced in weight. Waste Connections is one example within the portfolio. Waste Connections is an integrated solid wastes company that provides waste collection, transfer, disposal, and recycling services.

For more information on AGF Global Sustainable Growth Equity Fund, including up-to-date performance information, please visit AGF.com/SustainableInvesting or contact your Financial Advisor.

* AGF Clean Environment Equity Fund was renamed AGF Global Sustainable Growth Equity Fund on May 20, 2015. AGF Investments Inc. replaced Acuity Investment Management Inc. as portfolio manager, effective April 17, 2015. On August 7, 2007, the Fund changed its investment objective to permit greater foreign-property investments. The commentaries contained herein are provided as a general source of information based on information available as of August 6, 2015 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. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed; their values change frequently and past performance may not be repeated. The information contained in this commentary 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 you consult with a financial advisor prior to making any investment decisions. 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 herein 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 MSCI information may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices. None of the MSCI information is intended to constitute investment advice or a recommendation to make (or refrain from making) any kind of investment decision and may not be relied on as such. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The MSCI information is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. MSCI, each of its affiliates and each other person involved in or related to compiling, computing or creating any MSCI information (collectively, the "MSCI Parties") expressly disclaims all warranties (including, without limitation, any warranties of originality, accuracy, completeness, timeliness, non-infringement, merchantability and fitness for a particular purpose) with respect to this information. Without limiting any of the foregoing, in no event shall any MSCI Party have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages. (www.msci.com)

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