

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# AGF Precious Metals Fund

SEPTEMBER 30, 2016



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## Management Discussion of Fund Performance

This management discussion of fund performance represents the portfolio management team's view of the significant factors and developments affecting the fund's performance and outlook.

### Investment Objective and Strategies

Pursuant to the Declaration of Trust, the investment objective of AGF Precious Metals Fund (the "Fund") is to provide long-term growth of capital by investing primarily in equity securities. The Fund invests directly or indirectly in precious metals consisting primarily of gold and, to a lesser extent, silver, platinum, palladium and rhodium. The Fund may also invest in foreign securities, which are not expected to exceed 49% of Net Asset Value (see Explanatory Note (1) a)) of the Fund at the time of purchase. AGF Investments Inc. ("AGFI"), as portfolio manager, combines a top-down approach to asset and sector allocation with a bottom-up approach to individual security selection. In top-down investing, the focus involves looking at the "big picture" in the economy and financial world and then breaking those components down into finer details. In bottom-up investing, the portfolio manager focuses attention on a specific company rather than on the industry in which that company operates or on the economy as a whole. Among other factors, the portfolio manager evaluates companies based on their potential to generate growth in sales, earnings, cash flow, reserves and production; active exploration and/or acquisition strategy; and shareholder-driven management with a clearly defined strategy. In periods of unusual market conditions, a significant portion of the Fund's assets may be held in cash or fixed income securities.

### Risk

The risks of investing in the Fund remain as disclosed in the current prospectus. The principal risks associated with the Fund are changes in legislation risk, commodity risk, concentration risk, counterparty risk, credit risk, depository securities and receipts risk, derivative risk, equity risk, exchange traded fund ("ETF") general risks, ETF index risks, ETF industry sector risk, foreign currency risk, foreign market risk, gold and silver ETFs risk, liquidity risk, platinum, palladium and rhodium ETFs risk, repurchase agreement risk, reverse repurchase agreement risk, securities lending risk, small company risk, specialization risk and substantial securityholder risk. The Fund is suitable for investors investing for the longer term, seeking the growth potential of equity securities of Canadian companies with a focus on gold and precious metals and who have high tolerance for risk.

### Results of Operations

For the year ended September 30, 2016, the Mutual Fund Units of the Fund returned 94.7% (net of expenses) while the S&P/TSX Composite Index ("S&P/TSX Index") and the S&P/TSX Global Gold Index returned 14.2% and 92.5%, respectively. The performance of the other series of the

Fund is substantially similar to that of the Mutual Fund Units, save for differences in expense structure. Refer to "Past Performance" section for performance information of such series.

The Fund out-performed the S&P/TSX Index due to its overweight exposure to the materials sector and specifically to the gold sector. The Fund out-performed the S&P/TSX Global Gold Index due to positive security selection. The Fund's active exposure to small and medium capitalization companies also contributed positively to performance. Sub-sector allocation detracted as the Fund's cash and bullion holdings acted as a drag on performance, partly offset by active exposure to silver and diversified metals & mining sub-sectors, which contributed positively.

The Fund had net redemptions of approximately \$24 million for the current period, as compared to net redemptions of approximately \$32 million in the prior period. The portfolio manager does not believe that redemption activity had a meaningful impact on the Fund's performance or the ability to implement its investment strategy.

Total expenses before foreign withholding taxes, commissions and other portfolio transaction costs vary period over period mainly as a result of changes in average Net Asset Values and investor activity, such as number of investor accounts and transactions. Expenses have increased as compared to the previous period due mainly to an increase in average Net Asset Values. Custodian fees increased due to the change in third party service provider during the current period. Registration fees increased due to an increase in subscription activity and interest expense increased due to an increase in the number of overdraft positions throughout the period. The increase in legal fees was due to variances between the accrued amounts versus the actual expenses incurred in the previous period. All other expenses remained fairly consistent throughout the periods.

### Recent Developments

Gold price rebounded strongly during the period under review and ended the period up 16.0% on the back of renewed investment demand and short covering. Concerns that the global economy remains challenged despite ongoing central bank activity, negative interest rates and geopolitical instability also provided a positive backdrop for gold. Gold ETFs ended the period at 65 million ounces or up 33.0% year over year.

In the portfolio manager's opinion, after strong performance over the reporting period, some of the risks in the short-term include waning investment demand as investors continue to watch U.S. economic data for clues as to when the U.S. Federal Reserve will increase interest rates. With speculative long positions at record levels, an unwinding of these positions could also put pressure on the gold price.

Over the longer term, the portfolio manager remains constructive on the gold price given a number of supportive factors. In an environment of negative interest rates, the quest for wealth preservation should drive

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1 800 268-8583, by writing to us at AGF Investments Inc. 55 Standish Court, Suite 1050, Mississauga, Ontario, Canada L5R 0G3 attention: Client Services, or by visiting our website at [www.agf.com](http://www.agf.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

Securityholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

continued investment demand. Further, as central banks remain accommodative in a quest to drive growth, there is upside potential for gold as a currency hedge or as an inflation hedge, since gold tends to move twelve to eighteen months ahead of inflation. In portfolio manager's opinion, industry fundamentals are supportive and healthy demand for gold bullion from China and India, as well as a scarcity of gold that is economic to mine, will be reflected in the market price for the commodity.

Gold companies are expected to remain focused on containing their costs, which should help improve cash flows particularly in the rising gold environment. Also, as producers are finding it difficult to replace reserves, mergers and acquisitions could continue to play a more prominent role in the sector over the near term. In this environment, the portfolio manager continues to look for companies that have quality assets, strong management teams and that are trading at attractive valuations. The portfolio manager's focus continues to be on disciplined stock selection and diversification to ensure the Fund has exposure to current and future profitable gold production.

## Related Party Transactions

AGFI is the manager ("Manager") and trustee of the Fund. Pursuant to the management agreement between the Fund and AGFI, AGFI is responsible for the day-to-day business of the Fund. As indicated above, AGFI also acts as the investment (portfolio) manager, managing the investment portfolio of the Fund. Under the management agreement, the Fund (except for Series O, Series Q and Series W Units, if applicable) pays management fees, calculated based on the Net Asset Value of the respective series of the Fund. Management fees of approximately \$3,850,000 were incurred by the Fund during the period ended September 30, 2016.

Effective February 15, 2016, AGF CustomerFirst Inc. ("AGFC"), a wholly owned subsidiary of AGF Management Limited, provides transfer agency services to the Fund pursuant to a services agreement with AGFI. Unitholder servicing and administrative fees of approximately \$263,000 incurred by the Fund were paid to AGFC for the period from February 15, 2016 to September 30, 2016.

## Caution Regarding Forward-looking Statements

This report may contain forward-looking statements about the Fund, including its strategy, expected performance and condition. Forward-looking statements include statements that are predictive in nature, that depend upon or refer to future events or conditions, or that include words such as "expects", "anticipates", "intends", "plans", "believes", "estimates" or negative versions thereof and similar expressions.

In addition, any statement that may be made concerning future performance, strategies or prospects, and possible future Fund action, is also a forward-looking statement. Forward-looking statements are based on current expectations and projections about future events and are inherently subject to, among other things, risks, uncertainties and assumptions about the Fund and economic factors.

Forward-looking statements are not guarantees of future performance, and actual events and results could differ materially from those expressed or implied in any forward-looking statements made by the Fund. Any number of important factors could contribute to these digressions, including, but not limited to, general economic, political and market factors in North America and internationally, interest and foreign exchange rates, global equity and capital markets, business competition, technological change, changes in government regulations, unexpected judicial or regulatory proceedings, and catastrophic events.

It should be stressed that the above-mentioned list of factors is not exhaustive. You are encouraged to consider these and other factors carefully before making any investment decisions and you are urged to avoid placing undue reliance on forward-looking statements. Further, you should be aware of the fact that the Fund has no specific intention of updating any forward-looking statements whether as a result of new information, future events or otherwise, prior to the release of the next Management Report of Fund Performance.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five years as applicable. The Fund adopted International Financial Reporting Standards ("IFRS") on October 1, 2014. All per unit information presented for the period ended September 30, 2014, including opening net assets, reflects retrospective adjustments in accordance with IFRS. Information for the periods prior to October 1, 2013 is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook ("Canadian GAAP").

### Mutual Fund Units – Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2016 (\$)	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)	Sept 30, 2013 (\$)	Sept 30, 2012 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>14.64</b>	<b>18.96</b>	<b>18.81</b>	<b>33.10</b>	<b>37.10</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.14	0.11	0.13	0.18	0.21
Total expenses	(0.67)	(0.55)	(0.59)	(0.68)	(0.90)
Realized gains (losses)	1.03	(4.19)	(1.89)	(3.32)	2.42
Unrealized gains (losses)	13.43	0.36	2.59	(11.03)	(5.58)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>13.93</b>	<b>(4.27)</b>	<b>0.24</b>	<b>(14.85)</b>	<b>(3.85)</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	(0.35)
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.35)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>28.50</b>	<b>14.64</b>	<b>18.96</b>	<b>18.66</b>	<b>33.10</b>

(1), (2), (3), (4), (5), (6), (7) and (8) see Explanatory Notes

## Mutual Fund Units – Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2016	Sept 30, 2015	Sept 30, 2014	Sept 30, 2013	Sept 30, 2012
Total Net Asset Value (\$000's)	208,348	123,391	193,789	230,367	502,670
Number of units outstanding (000's)	7,309	8,431	10,219	12,247	15,128
Management expense ratio <sup>(5)</sup>	2.80%	2.80%	2.80%	2.76%	2.68%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	2.89%	2.91%	2.85%	2.80%	2.68%
Trading expense ratio <sup>(7)</sup>	0.33%	0.35%	0.21%	0.20%	0.16%
Portfolio turnover rate <sup>(8)</sup>	55.96%	55.72%	32.24%	23.90%	21.88%
Net Asset Value per unit	28.50	14.64	18.96	18.81	33.23

## Series F Units – Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2016 (\$)	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)	Sept 30, 2013 (\$)	Sept 30, 2012 (\$)
Net Assets, beginning of period <sup>(1)</sup>	16.35	20.95	20.55	35.76	40.32
Increase (decrease) from operations:					
Total revenue	0.19	0.12	0.14	0.19	0.22
Total expenses	(0.51)	(0.39)	(0.42)	(0.45)	(0.59)
Realized gains (losses)	1.48	(4.66)	(1.99)	(3.50)	2.65
Unrealized gains (losses)	14.47	0.37	2.49	(12.75)	(6.04)
Total increase (decrease) from operations <sup>(2)</sup>	15.63	(4.56)	0.22	(16.51)	(3.76)
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	(1.00)
Return of capital	–	–	–	–	–
Total annual distributions <sup>(3)</sup>	–	–	–	–	(1.00)
Net Assets, end of period <sup>(4)</sup>	32.19	16.35	20.95	20.39	35.76

## Series F Units – Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2016	Sept 30, 2015	Sept 30, 2014	Sept 30, 2013	Sept 30, 2012
Total Net Asset Value (\$000's)	8,138	3,062	5,410	5,767	14,410
Number of units outstanding (000's)	253	187	258	281	401
Management expense ratio <sup>(5)</sup>	1.71%	1.70%	1.69%	1.66%	1.61%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.71%	1.83%	1.73%	1.71%	1.61%
Trading expense ratio <sup>(7)</sup>	0.33%	0.35%	0.21%	0.20%	0.16%
Portfolio turnover rate <sup>(8)</sup>	55.96%	55.72%	32.24%	23.90%	21.88%
Net Asset Value per unit	32.19	16.35	20.95	20.55	35.90

## Explanatory Notes

(1) a) This information is derived from the Fund's audited annual financial statements. Prior to October 1, 2014, the net assets per unit presented in the financial statements ("Net Assets") differed from the net asset value per unit calculated for fund pricing purposes ("Net Asset Value"), due to differences in valuation techniques of certain investments as required under Canadian GAAP. The adoption of IFRS, effective October 1, 2014, has generally eliminated the difference between Net Assets per unit and Net Asset Value per unit.

For the purpose of comparability with the period ended September 30, 2016, total Net Asset Value and number of units outstanding presented for the period ended September 30, 2015 may have been adjusted to include certain transactions, if applicable. These adjustments have no effect on the Net Asset Value per unit.

b) The following series of the Fund commenced operations on the following dates, which represents the date upon which securities of a series were first made available for purchase by investors.

Mutual Fund Units    September 1993  
Series F Units         July 2001

(2) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash/reinvested in additional units of the Fund, or both. The computation of the distributions per unit does not take into account the management fee distributions (see note 5 below). The characterization of the distributions is based on management's estimate of the actual income for the year.

(4) This is not a reconciliation of the beginning and ending Net Assets per unit.

(5) The management expense ratio ("MER") of a particular series is calculated in accordance with National Instrument 81-106, based on all the expenses of the Fund (including Harmonized Sales Tax, Goods and Services Tax and interest, but excluding foreign withholding taxes, commissions and other portfolio transaction costs) and the Fund's proportionate share of the MER, if applicable, of the underlying funds and ETFs in which the Fund has invested, allocated to that series, expressed as an annualized percentage of average daily Net Asset Value of that series during the period.

AGFI may reduce the effective management fee payable by some unitholders by reducing the management fee it charges to the Fund and directing the Fund to make management fee distributions to these unitholders in amounts equal to the amounts of the management fee reduction. The MER does not take into account the reduction in management fees due to management fee distributions to unitholders.

(6) AGFI waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is determined annually on a series by series basis at the discretion of AGFI and AGFI can terminate the waiver or absorption at any time.

(7) The trading expense ratio represents total commissions and other portfolio transaction costs, including the Fund's proportionate share of the commissions, if applicable, of the underlying funds and ETFs in which the Fund has invested, expressed as an annualized percentage of average daily Net Asset Value during the period.

(8) The Fund's portfolio turnover rate ("PTR") indicates how actively the Fund's portfolio advisor manages its portfolio investments. A PTR of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's PTR in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

PTR is calculated based on the lesser of the cumulative cost of purchases or cumulative proceeds of sales divided by the average market value of the portfolio, excluding short-term investments.

(1), (2), (3), (4), (5), (6), (7) and (8) see Explanatory Notes

## Management Fees

The Fund is managed by AGFI. As a result of providing investment and management services, AGFI receives a monthly management fee, based on the Net Asset Value of the respective series, calculated daily and payable monthly. Management fees in respect of Series O, Series Q and Series W Units, if applicable, are arranged directly between the Manager and investors and are not expenses of the Fund. AGFI uses these management fees to pay for sales and trailing commissions to registered dealers on the distribution of the Fund's units, investment advice, as well as for general administrative expenses such as overhead, salaries, rent, legal and accounting fees relating to AGFI's role as manager.

	As a percentage of management fees		
	Annual rates	Dealer compensation	General administration and investment advice
Mutual Fund Units	2.25%	36.13%	63.87%
Series F Units	1.25%	—	100.00%

## Past Performance\*

The performance information shown assumes that all distributions made by the Fund in the periods shown were reinvested in additional securities of the Fund. Note that the performance information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance. How the Fund has performed in the past does not necessarily indicate how it will perform in the future.

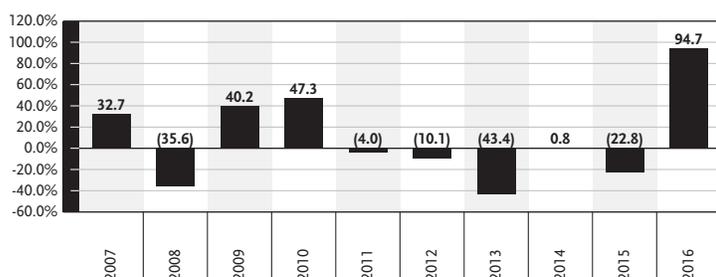
It is AGFI's policy to report rates of return for series in existence greater than one year. The performance start date for each series represents the date of the first purchase of such series, excluding seed money.

All rates of return are calculated based on the Net Asset Value.

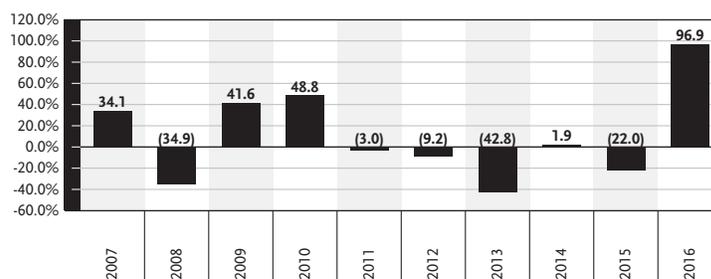
### Year-By-Year Returns

The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2016 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

### Mutual Fund Units



### Series F Units



### Annual Compound Returns

The following table compares the historical annual compound returns for each series with the indices, for each of the periods ended September 30, 2016.

Percentage Return:	1 Year	3 Years	5 Years	10 Years	Since Inception
Mutual Fund Units	94.7	14.9	(5.1)	2.7	N/A
S&P/TSX Composite Index	14.2	8.0	8.1	5.3	N/A
S&P/TSX Global Gold Index	92.5	11.6	(8.5)	(0.8)	N/A
Series F Units	96.9	16.1	(4.0)	3.8	N/A
S&P/TSX Composite Index	14.2	8.0	8.1	5.3	N/A
S&P/TSX Global Gold Index	92.5	11.6	(8.5)	(0.8)	N/A

The S&P/TSX Composite Index is a capitalization-weighted index designed to measure market activity of stocks and trusts listed on the Toronto Stock Exchange.

The S&P/TSX Global Gold Index is a modified capitalization-weighted index, whose equity weights are capped at 25%. Designed to provide an investible index of global gold securities, eligible securities are classified under the GICS Gold subsector.

For a discussion of the relative performance of the Fund as compared to the indices, see Results of Operations in the Management Discussion of Fund Performance.

## Summary of Investment Portfolio

As at September 30, 2016

The major portfolio categories and top holdings (up to 25) of the Fund at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at December 31, 2016.

\* The indicated rates of return shown here are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges by any securityholder that would have reduced returns or performance. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

<b>Portfolio by Country</b>	<b>Percentage of Net Asset Value (%)</b>
Canada	82.1
Australia	6.0
United States	5.8
Cash & Cash Equivalents	2.6
Peru	1.8
Jersey	1.3
South Africa	0.5
United Kingdom	0.5

<b>Portfolio by Sector</b>	<b>Percentage of Net Asset Value (%)</b>
Metals & Mining	94.1
Bullion	3.6
Cash & Cash Equivalents	2.6
Construction Materials	0.3

<b>Portfolio by Asset Mix</b>	<b>Percentage of Net Asset Value (%)</b>
Canadian Equity	78.5
International Equity	10.1
United States Equity	5.8
Bullion	3.6
Cash & Cash Equivalents	2.6

<b>Top Holdings</b>	<b>Percentage of Net Asset Value (%)</b>
Agnico Eagle Mines Limited	4.8
Asanko Gold Inc.	4.6
Silver Wheaton Corporation	4.0
Newmont Mining Corporation	4.0
Detour Gold Corporation	3.8
Tahoe Resources Inc.	3.7
Gold Bullion	3.6
Endeavour Mining Corporation	3.6
SEMAFO Inc.	3.2
Eldorado Gold Corporation	2.7
Belo Sun Mining Corporation	2.6
Roxgold Inc.	2.3
TMAC Resources Inc.	2.2
SilverCrest Metals Inc.	1.9
Torex Gold Resources Inc.	1.9
MAG Silver Corporation	1.8
Hochschild Mining PLC	1.8
B2Gold Corporation	1.7
OceanaGold Corporation	1.7
Primero Mining Corporation	1.6
Premier Gold Mines Limited	1.6
Alamos Gold Inc.	1.5
Integra Gold Corporation	1.4
Mountain Province Diamonds Inc.	1.4
Osisko Gold Royalties Limited	1.3
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 216,486</b>



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For more information contact your investment advisor or:

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