

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

AGF MUTUAL FUNDS

AGF Canadian Small Cap Discovery Fund

SEPTEMBER 30, 2015



What are you doing after work?®

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 principal investment objective of AGF Canadian Small Cap Discovery Fund (the "Fund") is to provide long-term capital appreciation by investing primarily in equity securities of a diversified group of Canadian companies with a small market capitalization, which are listed or quoted on a recognized Canadian stock exchange. The Fund may also invest in equities and fixed income securities of issuers located anywhere in the world depending upon prevailing market conditions. Highstreet Asset Management Inc. ("Highstreet"), as portfolio manager, seeks primarily small capitalization companies with proven management and proprietary or strategic advantages, financial strength, above-average sales or earnings growth potential and favourable valuation levels. The Fund may invest up to approximately 49% of the market value of its assets, at the time of purchase, in foreign securities provided that such investments are consistent with the overall small-capitalization focus of the Fund. 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, interest rate risk, liquidity risk, repurchase agreement risk, reverse repurchase agreement risk, securities lending risk, small company risk and substantial securityholder risk. The Fund is suitable for growth-oriented investors who have longer term investment time horizons and high tolerance for risk.

Results of Operations

For the year ended September 30, 2015, the Mutual Fund Units of the Fund returned -5.1% (net of expenses) while the S&P/TSX Small Cap Index returned -21.8%. 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 Small Cap Index due to its strong security selection and sector allocation. Relative to the S&P/TSX Small Cap Index, the Fund's average overweight allocation to the information technology (11.9% versus 5.5%) and consumer discretionary (13.6 versus

9.9%) sectors and average underweight allocation to the materials (20.9% versus 30.7%) and energy (6.5% versus 13.5%) sectors contributed to performance.

Within the information technology sector, the Fund benefited from strong security selection. In particular, the Fund's holdings in The Descartes Systems Group Inc., a global leader in providing software solutions for logistics-intensive businesses, and COM DEV International Limited ("COM DEV"), a manufacturer of satellite equipment, contributed to relative performance. The Fund sold its holdings in COM DEV to realize profits during the reporting period.

Within the consumer discretionary sector, the Fund's top individual contributors include Whistler Blackcomb Holdings Inc. ("Whistler") and EnerCare Inc. Whistler experienced positive returns as investors anticipated increased tourist visits with the weaker Canadian dollar, while EnerCare Inc. performed strongly as a result of completing an attractive acquisition and increasing its dividends during the reporting period.

The Fund's average underweight allocation to the energy and materials sectors also contributed to relative performance. Due to the significant decline in oil prices, the overall energy sector under-performed during the reporting period as investors became concerned about the ability of companies to service debts and pay dividends. The Fund had strong security selection within energy sector as Raging River Exploration Inc. and Whitecap Resources Inc. held up relatively well in the weak environment. Within the materials sector, the Fund was positioned in stocks that have been levered to an improving U.S. economy, such as AirBoss of America Corporation and CCL Industries Inc.

Certain series of the Fund, as applicable, make quarterly distributions at a rate determined by AGF Investments Inc. ("AGFI") from time to time. If the aggregate amount of the quarterly distributions made to series in a year exceeds the portion of the net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The portfolio manager does not believe that the distributions made by the Fund had a meaningful impact on the Fund's ability to implement its investment strategy or to fulfill its investment objectives.

The Fund had net redemptions of approximately \$4 million for the current period, as compared to net redemptions of approximately \$12 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 (see Explanatory Note (1) a)) and investor activity, such as number of investor accounts and transactions. The decrease in management fees accounted for most of the decrease in total expenses during the period as compared to the previous period due to a

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. c/o 100 - 5900 Hurontario Street, Mississauga, Ontario, Canada L5R 0E8 attention: AGF Client Services, or by visiting our website at www.agf.com or SEDAR at 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.

decrease in average Net Asset Values. Unitholder servicing and administrative fees decreased due to a decrease in investor activity. The decrease in custodian fees was due to a decrease in market value of investment portfolio and number of portfolio transactions. The decrease in audit fees was due to variance between the accrued amounts versus the actual expenses incurred in the previous period. All other expenses remained fairly consistent throughout the periods.

Recent Developments

The S&P/TSX Small Cap Index struggled over reporting period as both economic and monetary policy divergence impacted equity markets. The economic divergence was driven by an improving U.S. economy in contrast to the slower growth outside the U.S. The monetary divergence was driven by the U.S. Federal Reserve signalling interest rate hikes to begin in calendar year 2015 as the U.S. economy had improved in contrast to the rest of the world looking to stimulate growth by lowering interest rates. This divergence impacted the equity markets as investors rewarded stocks that were levered to growth in the U.S. over stocks that were levered to growth in China. During the period under review, the Fund was well-positioned for this market as it favoured securities in the information technology and consumer discretionary sectors over securities in the energy and materials sectors.

Despite the difficult year for small capitalization stocks, it is the portfolio manager's view that the equity backdrop should remain attractive as central banks' policies remain accommodative. The portfolio manager continues to expose the Fund more to non-commodity sectors, such as information technology and consumer discretionary, while evaluating opportunities in the resources-based sectors as their significant under-performance is resulting in valuation opportunities.

Adoption of International Financial Reporting Standards ("IFRS")

Effective October 1, 2014, the Fund adopted IFRS as its basis of accounting as required by Canadian securities legislation and the Canadian Accounting Standards Board. Previously, the Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook ("Canadian GAAP"). The financial statements for the period ended September 30, 2015, including comparative information, have been prepared in compliance with IFRS. The impact of the change from Canadian GAAP to IFRS has been applied retrospectively.

Key changes to the financial statements as a result of the implementation of IFRS are:

- The Fund's issued and redeemable units do not qualify for equity classification under IFRS and have been reclassified as financial liabilities.
- Under IFRS, investments that are traded in an active market are generally valued at closing price, which is determined to be within the bid-ask spread and most representative of fair value. This eliminates the difference between Net Asset Value per unit and Net Assets per unit (see Explanatory Note (1) a)) as previously reported under Canadian GAAP.
- The Fund is required to present a Statement of Cash Flows under IFRS.

Other notable changes to the financial statements include certain reclassifications, presentation changes, additional or enhanced information in the notes to the financial statements, including disclosures on the Fund's transition from Canadian GAAP to IFRS.

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. AGFI acts either as the investment (portfolio) manager itself or hires an external investment manager to manage the investment portfolio of the Fund. AGFI entered into investment management agreement with Highstreet, a wholly owned subsidiary of AGF Management Limited, pursuant to which Highstreet is responsible for 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 \$297,000 were incurred by the Fund during the period ended September 30, 2015.

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 financial information presented for the periods ended September 30, 2015 and 2014 is determined in accordance with IFRS. 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 GAAP.

Mutual Fund Units – Net Assets per Unit⁽¹⁾

For the periods ended	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)	Sept 30, 2013 (\$)	Sept 30, 2012 (\$)	Sept 30, 2011 (\$)
Net Assets, beginning of period⁽¹⁾	9.41	8.97	10.51	11.49	16.66
Increase (decrease) from operations:					
Total revenue	0.24	0.19	0.21	0.15	0.11
Total expenses	(0.36)	(0.44)	(0.30)	(0.35)	(0.35)
Realized gains (losses)	0.65	(0.54)	(2.79)	(2.51)	2.18
Unrealized gains (losses)	(0.85)	1.44	1.27	1.95	(7.39)
Total increase (decrease) from operations⁽²⁾	(0.32)	0.65	(1.61)	(0.76)	(5.45)
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions⁽³⁾	–	–	–	–	–
Net Assets, end of period⁽⁴⁾	8.93	9.41	8.92	10.51	11.49

Mutual Fund Units – Ratios/Supplemental Data⁽¹⁾

For the periods ended	Sept 30, 2015	Sept 30, 2014	Sept 30, 2013	Sept 30, 2012	Sept 30, 2011
Total Net Asset Value (\$000's)	9,401	13,663	23,343	46,082	69,073
Number of units outstanding (000's)	1,052	1,452	2,604	4,366	5,981
Management expense ratio ⁽⁵⁾	3.08%	3.08%	3.07%	3.05%	3.05%
Management expense ratio before waivers or absorptions ⁽⁶⁾	3.87%	3.66%	3.37%	3.19%	3.05%
Trading expense ratio ⁽⁷⁾	0.59%	1.53%	1.06%	0.80%	1.03%
Portfolio turnover rate ⁽⁸⁾	72.78%	155.11%	89.59%	63.68%	79.66%
Net Asset Value per unit	8.93	9.41	8.97	10.55	11.55

Series F Units – Net Assets per Unit⁽¹⁾

For the periods ended	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)	Sept 30, 2013 (\$)	Sept 30, 2012 (\$)	Sept 30, 2011 (\$)
Net Assets, beginning of period⁽¹⁾	9.76	9.21	10.69	11.56	16.66
Increase (decrease) from operations:					
Total revenue	0.25	0.20	0.21	0.16	0.11
Total expenses	(0.27)	(0.35)	(0.20)	(0.24)	(0.24)
Realized gains (losses)	0.70	(0.68)	(2.82)	(2.48)	2.34
Unrealized gains (losses)	(1.47)	1.83	1.10	1.84	(7.03)
Total increase (decrease) from operations⁽²⁾	(0.79)	1.00	(1.71)	(0.72)	(4.82)
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	(0.04)
Total annual distributions⁽³⁾	–	–	–	–	(0.04)
Net Assets, end of period⁽⁴⁾	9.36	9.76	9.16	10.69	11.56

~ annualized

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

Series F Units – Ratios/Supplemental Data⁽¹⁾

For the periods ended	Sept 30, 2015	Sept 30, 2014	Sept 30, 2013	Sept 30, 2012	Sept 30, 2011
Total Net Asset Value (\$000's)	677	582	1,340	3,368	5,446
Number of units outstanding (000's)	72	60	145	314	469
Management expense ratio ⁽⁵⁾	2.11%	2.07%	2.06%	2.05%	2.05%
Management expense ratio before waivers or absorptions ⁽⁶⁾	3.82%	3.23%	2.42%	2.17%	2.11%
Trading expense ratio ⁽⁷⁾	0.59%	1.53%	1.06%	0.80%	1.03%
Portfolio turnover rate ⁽⁸⁾	72.78%	155.11%	89.59%	63.68%	79.66%
Net Asset Value per unit	9.36	9.76	9.21	10.73	11.62

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.
- 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	July 2005
Series F Units	July 2005
- c) The Fund changed its fiscal year-end from December 31 to September 30, effective in 2011.
- d) On July 8, 2011, Acuity Small Cap Corporation merged into the Fund. The financial data of the Fund includes the results of operations of Acuity Small Cap Corporation from the date of the merger.
- (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) allocated to that series divided by the 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 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.

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	2.50%	37.88%	62.12%
Series F Units	1.50%	–	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. During the ten year period ended September 30, 2015, certain other funds with similar investment objectives merged into the Fund. Generally, for fund mergers, the continuing fund is considered a new fund for the purpose of calculating rates of return and therefore, the rates of return have not been provided for

the period of the merger and previous periods. However, the merger of Acuity Small Cap Corporation with the Fund (see Explanatory Note (1) d)) did not constitute a material change to the Fund and accordingly did not impact the ability of the Fund to maintain its historical performance.

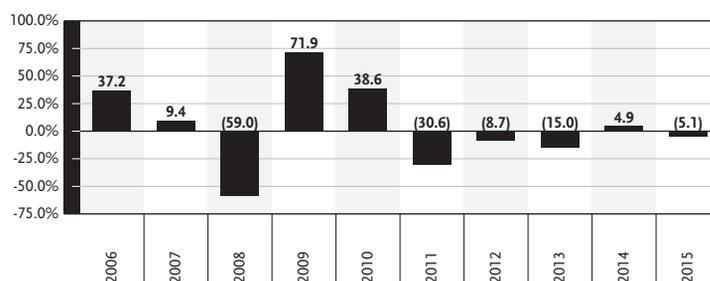
All rates of return are calculated based on the Net Asset Value.

Year-By-Year Returns

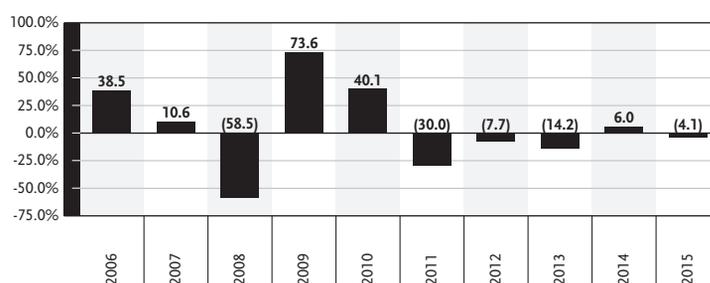
The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2015 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

Annual performance prior to 2011 represents returns for the twelve month period ended December 31. Performance for 2011 represents returns for the period from January 1, 2011 to September 30, 2011. Annual performance for 2012 and thereafter represents returns for the twelve month period ended September 30.

Mutual Fund Units



Series F Units



Annual Compound Returns

The following table compares the historical annual compound returns for each series with the index, for each of the periods ended September 30, 2015.

Percentage Return:	Since Inception				
	1 Year	3 Years	5 Years	10 Years	Inception
Mutual Fund Units	(5.1)	(5.4)	(7.6)	(1.6)	N/A
S&P/TSX Small Cap Index	(21.8)	(4.1)	(2.7)	0.1	N/A
Series F Units	(4.1)	(4.5)	(6.7)	(0.6)	N/A
S&P/TSX Small Cap Index	(21.8)	(4.1)	(2.7)	0.1	N/A

* 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.

The S&P/TSX Small Cap Index provides an investable index for the Canadian small capitalization market. The index is float adjusted and market capitalization-weighted and was developed with industry input as the ideal benchmark for those with small capitalization exposure of the Canadian equity market.

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

Summary of Investment Portfolio

As at September 30, 2015

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, 2015.

Portfolio by Country	Percentage of Net Asset Value (%)
Canada	97.5
Cash & Cash Equivalents	0.2

Portfolio by Sector	Percentage of Net Asset Value (%)
Materials	24.2
Consumer Discretionary	15.6
Industrials	14.8
Information Technology	13.1
Financials	12.7
Health Care	5.4
Energy	5.2
Consumer Staples	3.3
Utilities	2.2
Telecommunication Services	1.0
Cash & Cash Equivalents	0.2

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
Canadian Equity	97.5
Cash & Cash Equivalents	0.2

Top Holdings	Percentage of Net Asset Value (%)
The Descartes Systems Group Inc.	4.9
Boyd Group Income Fund	4.1
Laurentian Bank of Canada	3.8
EnerCare Inc.	3.6
Transcontinental Inc.	3.4
Intertape Polymer Group Inc.	3.3
COGECO Inc.	3.3
AirBoss of America Corporation	3.1
Dominion Diamond Corporation	3.1
Canam Group Inc.	2.9
Great Canadian Gaming Corporation	2.8
DHX Media Limited	2.7
Tricon Capital Group Inc.	2.6
Sienna Senior Living Inc.	2.5
Solium Capital Inc.	2.5
Interfor Corporation	2.5
CCL Industries Inc.	2.4
AGT Food and Ingredients Inc.	2.3
Stella-Jones Inc.	2.3
Algonquin Power & Utilities Corporation	2.2
Whistler Blackcomb Holdings Inc.	2.1
Colliers International Group Inc.	2.0
Concordia Healthcare Corporation	2.0
SEMAFO Inc.	1.9
Magellan Aerospace Corporation	1.9
Total Net Asset Value (thousands of dollars)	\$ 10,078

For more information contact your investment advisor or:



What are you doing after work?®

AGF Investments Inc.
c/o 100 - 5900 Hurontario Street
Mississauga, Ontario, Canada L5R 0E8
Attention: AGF Client Services

Toll Free: 1 800 268-8583
Web: AGF.com
E-mail: tiger@AGF.com

VANCOUVER CALGARY SASKATOON WINNIPEG TORONTO OTTAWA MONTREAL HALIFAX DUBLIN LONDON SINGAPORE HONG KONG BEIJING



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 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 AGF logo, 'What are you doing after work?' and all associated trademarks are registered trademarks of AGF Management Limited and used under licence.