ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

AGF MUTUAL FUNDS

AGF U.S. Small-Mid Cap Fund

SEPTEMBER 30, 2015

AGF

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 U.S. Small-Mid Cap Fund (the "Fund") is to obtain superior capital growth by investing primarily in shares of small and medium companies with superior growth potential in the United States. AGF Investments Inc. ("AGFI"), as portfolio manager, uses a bottom-up earnings growth momentum investment style, looking at a company's revenue, earnings, profitability, earnings quality, growth potential as well as industry strength. 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. When selecting investments, AGFI pays particular attention to the following criteria: (1) accelerating sales and earnings growth rates (2) strong earnings momentum and positive earnings surprise (3) high earnings quality and (4) technical factors, such as the security's relative strength, price supports and trading volume. Sector allocation is generally determined by where AGFI finds the best investment opportunities. 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, counterparty 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, repurchase agreement risk, reverse repurchase agreement risk, securities lending risk, small company risk and substantial securityholder risk. The Fund is suitable for investors seeking medium to longer term growth potential through investments in small to medium U.S. companies and who have high tolerance for risk.

Results of Operations

For the year ended September 30, 2015, the Mutual Fund Units of the Fund returned 30.1% (net of expenses) while the S&P MidCap 400 Index returned 20.5%. 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 MidCap 400 Index primarily due to strong security selection and sector allocation. Security selection in the information technology, consumer discretionary, energy, telecommunication services and financials sectors contributed to performance. Relative to the S&P MidCap 400 Index, the Fund's overall sector allocation was also positive as average underweight allocation to the industrials (4.4% versus 15.3%) and energy (3.7% versus 3.8%) sectors as well as average overweight allocation to the consumer discretionary (17.7% versus 13.4%) and information technology (33.7% versus 15.8%) sectors contributed to relative performance.

In terms of individual holdings, the Fund's top contributors were Skechers U.S.A. Inc., WisdomTree Investments Inc. and Pharmacyclics Inc. The Fund sold its holdings in Pharmacyclics Inc. and realized profits during the reporting period. The Fund also sold its holdings in GoPro Inc., HomeAway Inc. and Stratasys Limited, which were top detractors during the reporting period.

The Fund had net redemptions of approximately $26 million for the current period, as compared to net redemptions of approximately $25 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. Expenses have decreased as compared to the previous period due mainly to a decrease in average Net Asset Values and investor activity. In particular, registration fees decreased due to a decrease in subscription activity. 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

Equity markets were volatile during the period under review. The S&P 500 Index bull market entered its seventh year with equity markets grinding higher in the first half of calendar year 2015, before market volatility brought on by global growth concerns emanating from China eroded those returns in the third calendar quarter of 2015.

Economically, however, the U.S. continued to remain resilient. While the economic expansion has been rather subdued by historical measures, the U.S. continued to have one of the highest growth rates among industrialized countries. The U.S. employment picture remained robust as the unemployment rate declined steadily to 5.1% by the end of the reporting period, the lowest since prior to the 2008 financial crisis.

With that resiliency, investors began to focus on the timing of a potential interest rate hike by the U.S. Federal Reserve. Though expectations of the timing were pushed back throughout 2015 as investors grappled with the

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.

dichotomy between stronger employment conditions and ongoing global concerns, the U.S. continued to stand in stark contrast to other central banks which continued to loosen monetary policy. As a result, the U.S. dollar strengthened considerably against global currencies during the reporting period.

The portfolio manager's view on the U.S. stock market continues to remain bullish. Notwithstanding the correction in the third calendar quarter of 2015 and some of the risk factors that have resurfaced, it is the portfolio manager's expectation that the current uptrend in equity prices will be similar in duration to other periods where there has been a prolonged economic cycle. The most recent experience that is analogous to the current cycle occurred in the 1990s with the economic expansion and the associated rise in equity prices lasting for about 10 years.

The muted economic backdrop has not significantly deterred corporate profits from recording healthy gains from the trough levels associated with the last downturn. The recent deceleration in earnings growth can be primarily attributed to the significant drop in the profitability of the energy sector. Excluding the energy sector, the S&P 500 Index earnings growth for the second calendar quarter of 2015 moves up from a 0.3% to a 7.3% gain. A strong U.S. dollar and sluggish international growth were additional factors inhibiting earnings and revenue growth during the period under review.

Looking ahead, the portfolio manager remains optimistic as corporate profits are expected to accelerate for the rest of 2015 and into 2016. Since the stock market is more closely correlated with earnings growth than any other single variable, the portfolio manager feels confident that stocks will move upward to record highs over the course of the next 12 months.

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. 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 $3,778,000 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]	**27.07**	**27.89**	**21.60**	**19.32**	**17.97**
Increase (decrease) from operations:					
Total revenue	0.11	0.14	0.11	0.11	0.06
Total expenses	(0.89)	(0.79)	(0.63)	(0.55)	(0.55)
Realized gains (losses)	8.66	2.85	2.88	2.04	3.47
Unrealized gains (losses)	0.50	(2.88)	3.66	0.69	(1.53)
Total increase (decrease) from operations[2]	**8.38**	**(0.68)**	**6.02**	**2.29**	**1.45**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions[3]	**–**	**–**	**–**	**–**	**–**
Net Assets, end of period[4]	**35.23**	**27.07**	**27.89**	**21.60**	**19.32**

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)	187,893	167,732	197,837	186,128	181,562
Number of units outstanding (000's)	5,334	6,197	7,093	8,614	9,391
Management expense ratio[5]	2.57%	2.61%	2.68%	2.66%	2.70%
Management expense ratio before waivers or absorptions[6]	2.57%	2.61%	2.68%	2.66%	2.70%
Trading expense ratio[7]	0.13%	0.10%	0.23%	0.35%	0.40%
Portfolio turnover rate[8]	73.06%	41.61%	124.06%	215.19%	217.31%
Net Asset Value per unit	35.23	27.07	27.89	21.61	19.33

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]	**31.46**	**32.06**	**24.55**	**21.73**	**19.97**
Increase (decrease) from operations:					
Total revenue	0.13	0.15	0.13	0.13	0.07
Total expenses	(0.60)	(0.52)	(0.41)	(0.36)	(0.35)
Realized gains (losses)	10.14	3.18	3.32	2.28	4.07
Unrealized gains (losses)	(1.12)	(3.84)	4.08	0.78	(1.51)
Total increase (decrease) from operations[2]	**8.55**	**(1.03)**	**7.12**	**2.83**	**2.28**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions[3]	**–**	**–**	**–**	**–**	**–**
Net Assets, end of period[4]	**41.55**	**31.46**	**32.06**	**24.55**	**21.73**

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)	6,383	3,938	3,861	3,709	3,281
Number of units outstanding (000's)	154	125	120	151	151
Management expense ratio[5]	1.39%	1.45%	1.54%	1.55%	1.52%
Management expense ratio before waivers or absorptions[6]	1.39%	1.45%	1.54%	1.55%	1.52%
Trading expense ratio[7]	0.13%	0.10%	0.23%	0.35%	0.40%
Portfolio turnover rate[8]	73.06%	41.61%	124.06%	215.19%	217.31%
Net Asset Value per unit	41.55	31.46	32.06	24.56	21.74

Series Q 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]	**9.66**	**10.00***	**–**	**–**	**–**
Increase (decrease) from operations:					
Total revenue	0.00	0.01	–	–	–
Total expenses	(0.02)	(0.00)	–	–	–
Realized gains (losses)	1.17	0.32	–	–	–
Unrealized gains (losses)	(21.13)	(0.67)	–	–	–
Total increase (decrease) from operations[2]	**(19.98)**	**(0.34)**	**–**	**–**	**–**
Distributions:					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
Total annual distributions[3]	**–**	**–**	**–**	**–**	**–**
Net Assets, end of period[4]	**12.92**	**9.66**	**–**	**–**	**–**

Series Q 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)	227	1	–	–	–
Number of units outstanding (000's)	18	1	–	–	–
Management expense ratio[5]	–	–	–	–	–
Management expense ratio before waivers or absorptions[6]	267.08%	63756.13%~	–	–	–
Trading expense ratio[7]	0.13%	0.10%	–	–	–
Portfolio turnover rate[8]	73.06%	41.61%	–	–	–
Net Asset Value per unit	12.92	9.66	–	–	–

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	June 1993
Series F Units	April 2000
Series Q Units	April 2014

* represents initial Net Assets
~ annualized
(1), (2), (3), (4), (5), (6), (7) and (8) see Explanatory Notes

(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	2.00%	38.97%	61.03%
Series F Units	1.00%	–	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.

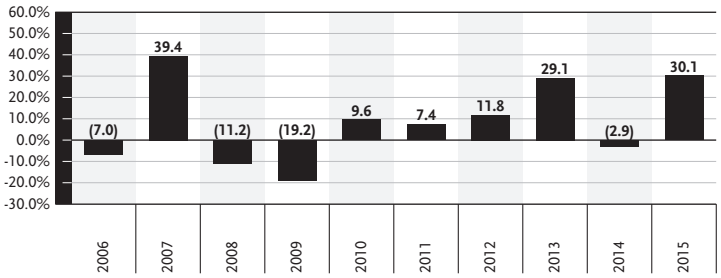
It is AGFI's policy to report rates of return for series in existence greater than one year. The performance start date for each series represents the date of the first purchase of such series, excluding seed money. Series Q Units commenced operations in April 2014.

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

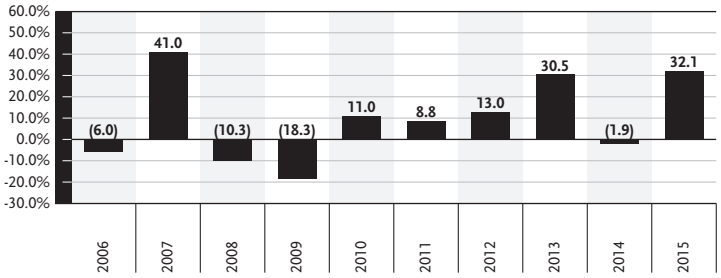
Year-By-Year Returns

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.

Mutual Fund Units



Series F Units



* 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.

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:	1 Year	3 Years	5 Years	10 Years	Since Inception
Mutual Fund Units	30.1	17.7	14.4	7.2	N/A
S&P MidCap 400 Index	20.5	25.1	18.7	9.7	N/A
Series F Units	32.1	19.2	15.8	8.4	N/A
S&P MidCap 400 Index	20.5	25.1	18.7	9.7	N/A

The S&P MidCap 400 Index covers approximately 7% of the U.S. equities market with a market capitalization range between USD $1 billion to USD $4.5 billion, and is part of a series of S&P U.S. indices that can be used as building blocks for portfolio construction.

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 (%)
United States	86.5
Cash & Cash Equivalents	11.6
Netherlands	4.3

Portfolio by Sector	Percentage of Net Asset Value (%)
Information Technology	32.7
Consumer Discretionary	22.3
Financials	12.0
Cash & Cash Equivalents	11.6
Health Care	7.3
Energy	5.7
Consumer Staples	5.5
Telecommunication Services	2.8
Industrials	2.5

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
United States Equity	86.5
Cash & Cash Equivalents	11.6
International Equity	4.3

Top Holdings	Percentage of Net Asset Value (%)
Skechers U.S.A. Inc.	5.2
Skyworks Solutions Inc.	4.6
NXP Semiconductors NV	4.3
Acadia Healthcare Company Inc.	4.3
Tyler Technologies Inc.	4.2
Ultimate Software Group Inc.	4.1
ServiceNow Inc.	3.9
Signature Bank	3.6
Ciena Corporation	3.5
Newfield Exploration Company	3.2
IMAX Corporation	3.2
Buffalo Wild Wings Inc.	3.2
Gray Television Inc.	3.0
AmSurg Corporation	3.0
WisdomTree Investments Inc.	3.0
WhiteWave Foods Company	3.0
Sovran Self Storage Inc.	2.9
Fiesta Restaurant Group Inc.	2.9
8x8 Inc.	2.8
Primerica Inc.	2.6
PDC Energy Inc.	2.6
On Assignment Inc.	2.5
Sprouts Farmers Market Inc.	2.5
Kate Spade & Company	2.5
Sabre Corporation	2.4
Total Net Asset Value (thousands of dollars)	**$ 194,503**

What are you doing after work?®

For more information contact your investment advisor or:

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.

FUND789 M735E