

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# AGF Global Sustainable Growth Equity 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 Global Sustainable Growth Equity Fund (the "Fund") is to provide long-term capital appreciation by investing primarily in a diversified portfolio of equity securities which fit the Fund's concept of sustainable development. AGF Investments Inc. ("AGFI"), as portfolio manager, seeks companies with no capitalization bias and which may typically possess proven management, proprietary or strategic advantages and financial strength. In the portfolio manager's opinion, these companies have above-average sales or earnings growth potential and favourable valuation levels with respect to these growth expectations. The portfolio manager has identified a number of sustainability themes which provide an investment framework through which to identify attractive opportunities. As a result of this process, the portfolio manager does not invest in certain sectors, such as fossil fuel producers, and may have a reduced weighting in others, due to their lack of positive exposure to sustainability themes. 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, 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 and substantial securityholder risk. The Fund is suitable for growth-oriented investors investing for the longer term and who have medium tolerance for risk.

### Results of Operations

For the year ended September 30, 2016, the Mutual Fund Units of the Fund returned 12.8% (net of expenses) while the MSCI World Net Index returned 9.8%. 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 MSCI World Net Index due to strong security selection and positive sector allocation. Security selection in the industrials, information technology and health care sectors contributed to

relative performance. An overweight allocation to the industrials sector (29.7% versus 11.0%) and underweight allocation to the financials sector (1.5% versus 16.0%) also contributed, while security selection in the consumer discretionary, consumer staples and materials sectors detracted.

From a regional perspective, the Fund's allocations to the U.S., Japan and Switzerland contributed to performance, while allocations to Denmark, China and Taiwan detracted.

From a thematic perspective, the Fund's allocation to water and wastewater solutions, energy and power technologies, waste management and pollution control contributed to relative performance. The Fund's allocation to environmental health and safety detracted from performance.

In terms of individual holdings, the Fund's top contributors were Acuity Brands Inc., Keyence Corporation and Xylem Inc., while the top detractors were The Hain Celestial Group Inc., The Kroger Company and Wabtec Corporation.

Certain series of the Fund, as applicable, make quarterly distributions at a rate determined by AGFI from time to time. If the aggregate amount of the quarterly distributions made to a 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 \$1 million for the current period, as compared to net redemptions of approximately \$5 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 reduction in management fee rates in the current period. On the contrary, unitholder servicing and administrative fees increased due to non-recurring expenses incurred in the current period. All other expenses remained fairly consistent throughout the periods.

### Recent Developments

During the reporting period, global equities remained mixed. In the U.S., equity markets mostly traded in a range before breaking out to new highs towards the end of the period. Equities rallied in the last calendar quarter of 2015 as interest rate expectations continued to be pushed out, before experiencing significant volatility and declining during the first six weeks

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.

of 2016. During this bout of volatility, investors worried about a slowing Chinese economy and potential U.S. recession, selling off equities indiscriminately and particularly punishing stocks that did well in calendar year 2015.

However, as 2016 progressed and economic data showed slow but steady strength, worries about an imminent U.S. recession began to retreat, and equity markets began to rally. Equities rallied through the back half of the first calendar quarter and throughout the second calendar quarter, including bouncing back strongly following volatility related to a surprise vote in the UK to leave the European Union (“Brexit”).

During this period under review, the U.S. Federal Reserve continued to telegraph its intention to normalize its interest rate policy after its first interest rate hike in December 2015, though mixed economic data and geopolitical developments, such as the Brexit vote, continued to delay further increases. As investors continued to push out interest rate expectations, defensive, dividend paying, and low-volatility stocks outperformed over the period.

A notable event for sustainable investments was the agreement reached at the United Nations Climate Change Conference held in Paris in December 2015. The agreement spanned 195 countries and committed countries around the world to transition to a sustainable economy over time. The portfolio manager believes in the periods ahead, consumers, investors, regulators and governments will begin to make decisions with this framework in mind and that companies offering solutions to sustainable issues will be increasingly favoured by all stakeholders as pressure builds to meet the targets agreed to at the climate change conference.

In the third calendar quarter of 2016, three companies held by the Fund, Ovivo Inc., The WhiteWave Foods Company (“WhiteWave”) and ARM Holdings PLC (“ARM”), were subject to acquisition offers. In July, Ovivo Inc., a Canadian water treatment company, agreed to be acquired by German family office SKion GmbH, in partnership with the CDPQ, the Quebec pension plan. The deal took the company private and was achieved at a 28.0% premium to Ovivo Inc.’s pre-offer price. Also in July, French dairy company Danone SA announced that it would acquire WhiteWave for \$10.4 billion, which was approximately a 20.0% premium to its pre-offer price. The acquisition is seen as an effort by Danone SA to boost its product lineup in the organic milk and organic yogurt categories, and comes 18 months after a leadership change at Danone SA where new CEO Emmanuel Faber vowed to return the company to sustainable growth. Lastly, in August, Japanese telecommunications and internet corporation, SoftBank Group agreed to acquire UK chip designer ARM. The deal was closed in the same month, at a price that was a 43.0% premium to ARM’s closing share price on the day before the acquisition was agreed to. In the portfolio manager’s opinion, the flurry of acquisitions in sustainable companies is a validation of its theme – that companies providing solutions to sustainable issues are outgrowing the incumbents in each sector.

From a bottom-up perspective, the portfolio manager continues to invest in companies exhibiting innovation, providing solutions to sustainable issues, with the potential to disrupt traditional industries and deliver above average growth rates. A bottom-up investment approach focuses

attention on a specific company rather than on the industry in which that company operates or on the economy as a whole. While periods of volatility are to be expected, the portfolio manager continues to focus on the companies with the most compelling long-term sustainability solutions.

#### **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 \$997,000 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 \$49,000 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>16.57</b>	<b>16.23</b>	<b>14.55</b>	<b>12.02</b>	<b>10.67</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.24	0.21	0.24	0.25	0.22
Total expenses	(0.57)	(0.60)	(0.58)	(0.41)	(0.37)
Realized gains (losses)	0.78	1.68	2.11	0.54	(0.91)
Unrealized gains (losses)	1.66	(0.88)	(0.03)	2.09	2.52
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.11</b>	<b>0.41</b>	<b>1.74</b>	<b>2.47</b>	<b>1.46</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>18.69</b>	<b>16.57</b>	<b>16.23</b>	<b>14.49</b>	<b>12.02</b>

### 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)	46,246	42,728	46,672	45,149	42,403
Number of units outstanding (000's)	2,475	2,579	2,876	3,102	3,516
Management expense ratio <sup>(5)</sup>	2.98%	3.19%	3.21%	3.08%	3.09%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	2.98%	3.19%	3.21%	3.29%	3.35%
Trading expense ratio <sup>(7)</sup>	0.09%	0.21%	0.29%	0.17%	0.24%
Portfolio turnover rate <sup>(8)</sup>	40.75%	72.01%	83.74%	34.56%	49.35%
Net Asset Value per unit	18.69	16.57	16.23	14.55	12.06

### 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 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>17.33</b>	<b>16.81</b>	<b>14.93</b>	<b>12.21</b>	<b>10.72</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.26	0.22	0.25	0.25	0.22
Total expenses	(0.38)	(0.45)	(0.44)	(0.28)	(0.25)
Realized gains (losses)	0.86	1.77	2.24	0.56	(0.92)
Unrealized gains (losses)	1.79	(1.09)	(0.35)	2.14	2.49
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>2.53</b>	<b>0.45</b>	<b>1.70</b>	<b>2.67</b>	<b>1.54</b>
<b>Distributions:</b>					
From income (excluding dividends)	–	–	–	–	–
From dividends	–	–	–	–	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	–	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>19.77</b>	<b>17.33</b>	<b>16.81</b>	<b>14.86</b>	<b>12.21</b>

### 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)	1,970	1,081	1,083	770	755
Number of units outstanding (000's)	100	62	64	52	62
Management expense ratio <sup>(5)</sup>	1.74%	2.21%	2.23%	2.05%	2.07%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.74%	2.58%	2.46%	2.73%	2.84%
Trading expense ratio <sup>(7)</sup>	0.09%	0.21%	0.29%	0.17%	0.24%
Portfolio turnover rate <sup>(8)</sup>	40.75%	72.01%	83.74%	34.56%	49.35%
Net Asset Value per unit	19.77	17.33	16.81	14.93	12.24

### 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	December 1991
Series F Units	March 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.

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

- (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.

## 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% <sup>(a)</sup>	38.25%	61.75%
Series F Units	0.90% <sup>(b)</sup>	—	100.00%

(a) 2.50% for the periods prior to April 1, 2016.

(b) 1.50% for the periods prior to April 1, 2016.

## 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.

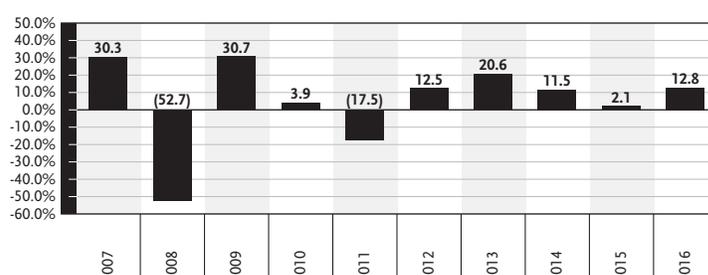
\* The indicated rates of return shown here are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges by any securityholder that would have reduced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

## Year-By-Year Returns

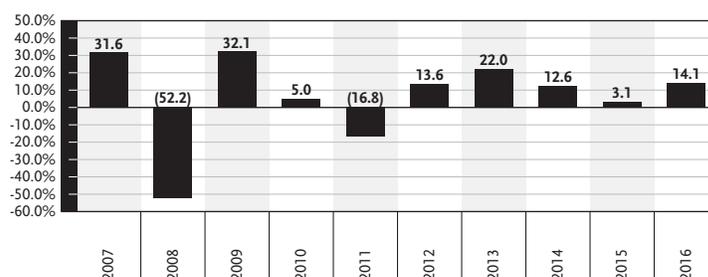
The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2016 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial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

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, 2016.

Percentage Return:	1 Year	3 Years	5 Years	10 Years	Since Inception
Mutual Fund Units	12.8	8.7	11.8	3.0	N/A
MSCI World Net Index	9.8	14.7	16.7	6.2	N/A
Series F Units	14.1	9.8	12.9	4.1	N/A
MSCI World Net Index	9.8	14.7	16.7	6.2	N/A

The MSCI World Net Index is a free float-adjusted market capitalization-weighted index net of dividends, that is designed to measure the equity market performance of developed markets.

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, 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.

Portfolio by Country	Percentage of Net Asset Value (%)
United States	55.6
Japan	8.9
Canada	6.0
France	5.4
United Kingdom	5.1
Sweden	4.1
Cash & Cash Equivalents	3.5
Denmark	3.1
Switzerland	3.0
Ireland	1.9
Netherlands	1.1
Israel	0.9
China	0.9
Taiwan	0.7

Portfolio by Sector	Percentage of Net Asset Value (%)
Industrials	29.7
Information Technology	17.1
Materials	12.6
Health Care	12.4
Consumer Staples	9.0
Consumer Discretionary	8.5
Utilities	3.7
Cash & Cash Equivalents	3.5
Financials	1.5
Real Estate	1.4
Energy	0.8

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
United States Equity	55.6
International Equity	35.1
Canadian Equity	6.0
Cash & Cash Equivalents	3.5

Top Holdings	Percentage of Net Asset Value (%)
Thermo Fisher Scientific Inc.	4.5
Acuity Brands Inc.	4.5
Keyence Corporation	3.9
Xylem Inc.	3.7
The WhiteWave Foods Company	3.2
Toray Industries Inc.	3.2
Croda International PLC	3.1
Dassault Systemes SA	3.0
Geberit AG	3.0
IDEXX Laboratories Inc.	2.9
Trex Company Inc.	2.9
Ecolab Inc.	2.8
A.O. Smith Corporation	2.7
The Kroger Company	2.6
Waste Connections Inc.	2.6
Danaher Corporation	2.4
Legrand SA	2.4
Hexagon AB	2.4
Johnson Controls International PLC	2.2
Brookfield Renewable Energy Partners Limited Partnership	2.0
NIKE Inc.	2.0
Halma PLC	2.0
Kingspan Group PLC	2.0
Shimano Inc.	1.8
Chr. Hansen Holding AS	1.8
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 48,216</b>



What are you doing after work?®

For more information contact your investment advisor or:

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