

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# AGF Diversified Income 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 Diversified Income Fund (the "Fund") is to achieve a high level of current income and long-term growth of capital by investing primarily in a diversified portfolio of income, dividend and distribution paying Canadian securities including common shares, income trusts and other types of equity and fixed income securities. The Fund may also invest in foreign securities up to approximately 49% of the market value of its assets at the time of purchase. AGF Investments Inc. ("AGFI"), as portfolio manager, focuses on securities with a history of steady interest, dividend or distribution payouts, and whether such securities have the ability to sustain payouts for a reasonable period of time and are favourably priced with respect to these payout expectations. 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 capital erosion risk, changes in legislation 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 and substantial securityholder risk. The Fund is suitable for income-oriented investors investing for the medium to long-term, who wish to receive a monthly distribution and who have low to medium tolerance for risk.

### Results of Operations

For the year ended September 30, 2016, the Mutual Fund Units of the Fund returned 4.6% (net of expenses) while the FTSE TMX Canada Universe Bond Index ("FTSE TMX Universe Bond Index") and the Blended Benchmark returned 6.3% and 9.9%, respectively. The Blended Benchmark is composed of 50% FTSE TMX Universe Bond Index/25% Bloomberg Barclays U.S. Corporate High-Yield Bond Index (local\$) (formerly, Barclays Capital U.S. Corporate High-Yield Bond Index (local\$))/15% MSCI All Country World Index (local\$)/10% S&P/TSX Composite Index. 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 under-performed the FTSE TMX Universe Bond Index due to security selection, while this was partially offset by the Fund's overall

inclusion of equities, high yield bonds and convertible bonds as these securities out-performed. In addition, the Fund's lower exposure to provincial bonds also detracted from relative performance. As a result of the Canadian dollar appreciation over the reporting period, the Fund's inclusion of the U.S. dollar detracted from performance. The Fund's slightly shorter duration stance relative to the FTSE TMX Universe Bond Index also detracted as a result of declining bond yields over the reporting period. Duration exposure is the sensitivity of the portfolio due to changes in interest rates.

The Fund under-performed the Blended Benchmark due to the inclusion of convertible bonds, which generally under-performed the Blended Benchmark during the reporting period. The Fund's modest U.S. dollar exposure and shorter duration stance relative to the Blended Benchmark also detracted from performance as the Canadian dollar appreciated relative to the U.S. dollar and yields declined during the reporting period. While the Fund's slightly higher exposure to high yield bonds contributed positively as spreads tightened during the reporting period, the Fund's lower exposure to Canadian equities detracted as a result of their out-performance during the period.

The Fund entered into foreign exchange forward contracts during the period under review. As of September 30, 2016, the Fund was long Canadian dollar and short Euro, Pound Sterling, Japanese Yen and U.S. dollar in order to hedge its currency exposure.

Certain series of the Fund, as applicable, make monthly distributions at a rate determined by AGFI from time to time. If the aggregate amount of the monthly 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 \$24 million for the current period, as compared to net redemptions of approximately \$16 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 expenses during the period as compared to the previous period due to a decrease in average Net Asset Values. On the contrary, custodian fees increased due to the change in third party service provider during the current period and interest expense increased due to an increase in 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. 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.

number of overdraft positions throughout the period. All other expenses remained fairly consistent throughout the periods.

#### Recent Developments

The economic fallout following the Brexit vote towards the end of June 2016 has generally been milder than feared, resulting in economic and market conditions that have been better than expected. However, by the end of the reporting period, it was anticipated that Article 50 (which formally starts the process of the UK's exit from the European Union) will be enacted by early 2017. The portfolio manager will be closely monitoring the situation as it continues to unfold.

While the U.S. Federal Reserve did not hike rates at its September meeting, the portfolio manager believes they will raise in December 2016 as underlying data are likely to hold up strongly enough to support it. The Bank of Japan's shift in monetary policy allows the bank to be more flexible and potentially support more sustainable growth over the long-term.

In the portfolio manager's view, ongoing political risk may result in mixed investor sentiment and could potentially weigh on financial markets going forward, particularly with the U.S. elections in November 2016. The Italian referendum in December 2016 and European Union elections in 2017 also pose medium term risks.

As a number of central banks are potentially approaching their limits on monetary policy, a number of countries have announced plans to implement expansionary fiscal policy, which is likely to be supportive of growth in the medium term. Countries such as Canada, Japan and South Korea have announced fiscal packages, while others such as the U.S. and the UK are likely to follow. While near term growth may improve, the portfolio manager believes longer term benefits will depend on how effectively those policies are deployed. Historically, government spending has not been as productive or supportive of gross domestic product growth as private sector spending, although refurbishing of aging infrastructure does present an opportunity to enhance productivity.

In the near term, the portfolio manager expects bond yields to gradually move higher, supported by more favourable growth and inflation prospects as the economy continues to recover from weak growth earlier in calendar year 2016. However, the portfolio manager anticipates yields to remain in a low range as the global economy continues to experience anemic growth and central bank accommodation remains supportive.

The portfolio manager's outlook is currently neutral as riskier asset classes have rebounded significantly off their mid-February 2016 lows, making valuations somewhat less attractive. Consequently, the portfolio manager remains more neutral on high yield bonds and maintains an overweight allocation to higher quality, investment grade corporate bonds. While equities may benefit from monetary and fiscal stimulus as economic activity improves, the portfolio manager's longer term outlook is more restrained due to higher than normal valuations and lacklustre growth prospects due in part to high debt levels.

#### 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 \$4,474,000 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 \$108,000 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>15.00</b>	<b>15.31</b>	<b>14.48</b>	<b>15.03</b>	<b>14.76</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.61	0.71	0.73	0.84	0.81
Total expenses	(0.43)	(0.46)	(0.44)	(0.42)	(0.41)
Realized gains (losses)	0.41	0.08	1.07	0.16	0.12
Unrealized gains (losses)	0.05	0.05	0.23	(0.11)	0.77
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.64</b>	<b>0.38</b>	<b>1.59</b>	<b>0.47</b>	<b>1.29</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.35)	(0.19)	(0.21)	(0.38)	(0.38)
From dividends	(0.15)	(0.08)	(0.08)	(0.11)	(0.08)
From capital gains	–	–	–	–	–
Return of capital	(0.10)	(0.36)	(0.36)	(0.53)	(0.56)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.60)</b>	<b>(0.63)</b>	<b>(0.65)</b>	<b>(1.02)</b>	<b>(1.02)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>15.08</b>	<b>15.00</b>	<b>15.31</b>	<b>14.46</b>	<b>15.03</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)	148,814	183,610	215,630	276,013	328,696
Number of units outstanding (000's)	9,868	12,240	14,086	19,059	21,871
Management expense ratio <sup>(5)</sup>	2.81%	2.78%	2.78%	2.78%	2.75%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	2.81%	2.78%	2.78%	2.78%	2.75%
Trading expense ratio <sup>(7)</sup>	0.06%	0.05%	0.08%	0.10%	0.04%
Portfolio turnover rate <sup>(8)</sup>	63.44%	61.99%	87.41%	71.45%	62.07%
Net Asset Value per unit	15.08	15.00	15.31	14.48	15.03

## 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>15.76</b>	<b>15.87</b>	<b>14.86</b>	<b>15.25</b>	<b>14.82</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.65	0.73	0.75	0.86	0.82
Total expenses	(0.20)	(0.25)	(0.29)	(0.26)	(0.26)
Realized gains (losses)	0.42	0.11	1.09	0.15	0.08
Unrealized gains (losses)	0.12	(0.35)	0.17	(0.13)	0.81
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.99</b>	<b>0.24</b>	<b>1.72</b>	<b>0.62</b>	<b>1.45</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.44)	(0.44)	(0.40)	(0.53)	(0.46)
From dividends	(0.17)	(0.18)	(0.15)	(0.16)	(0.09)
From capital gains	–	–	–	–	–
Return of capital	(0.02)	(0.03)	(0.12)	(0.35)	(0.48)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.63)</b>	<b>(0.65)</b>	<b>(0.67)</b>	<b>(1.04)</b>	<b>(1.03)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>16.11</b>	<b>15.76</b>	<b>15.87</b>	<b>14.84</b>	<b>15.25</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)	13,574	13,641	8,592	8,764	10,431
Number of units outstanding (000's)	843	865	541	590	684
Management expense ratio <sup>(5)</sup>	1.17%	1.39%	1.72%	1.70%	1.71%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.17%	1.39%	1.72%	1.70%	1.71%
Trading expense ratio <sup>(7)</sup>	0.06%	0.05%	0.08%	0.10%	0.04%
Portfolio turnover rate <sup>(8)</sup>	63.44%	61.99%	87.41%	71.45%	62.07%
Net Asset Value per unit	16.11	15.76	15.87	14.86	15.25

## Series Q 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>10.33</b>	<b>10.38</b>	<b>9.87</b>	<b>10.00</b> <sup>*</sup>	–
<b>Increase (decrease) from operations:</b>					
Total revenue	0.42	0.48	0.48	0.45	–
Total expenses	(0.01)	(0.02)	(0.01)	–	–
Realized gains (losses)	0.24	0.06	0.74	(0.01)	–
Unrealized gains (losses)	0.16	(0.09)	(0.12)	(0.23)	–
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.81</b>	<b>0.43</b>	<b>1.09</b>	<b>0.21</b>	–
<b>Distributions:</b>					
From income (excluding dividends)	(0.35)	(0.40)	(0.57)	(0.41)	–
From dividends	(0.14)	(0.15)	(0.20)	(0.13)	–
From capital gains	–	–	–	–	–
Return of capital	–	–	–	(0.03)	–
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.49)</b>	<b>(0.55)</b>	<b>(0.77)</b>	<b>(0.57)</b>	–
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>10.60</b>	<b>10.33</b>	<b>10.38</b>	<b>9.86</b>	–

## Series Q 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)	18,201	13,766	11,096	4,506	–
Number of units outstanding (000's)	1,717	1,333	1,069	456	–
Management expense ratio <sup>(5)</sup>	–	–	–	–	–
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.09%	0.10%	0.13%	0.31%	–
Trading expense ratio <sup>(7)</sup>	0.06%	0.05%	0.08%	0.10%	–
Portfolio turnover rate <sup>(8)</sup>	63.44%	61.99%	87.41%	71.45%	–
Net Asset Value per unit	10.60	10.33	10.38	9.87	–

## Series S 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>16.64</b>	<b>16.74</b>	<b>15.48</b>	<b>15.62</b>	<b>14.93</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.67	0.77	0.78	0.88	0.83
Total expenses	(0.01)	(0.03)	(0.02)	–	–
Realized gains (losses)	0.41	0.06	1.10	0.13	0.17
Unrealized gains (losses)	0.23	(0.06)	(0.01)	(0.15)	0.74
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.30</b>	<b>0.74</b>	<b>1.85</b>	<b>0.86</b>	<b>1.74</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.56)	(0.65)	(0.56)	(0.83)	(0.64)
From dividends	(0.22)	(0.26)	(0.21)	(0.24)	(0.13)
From capital gains	–	–	–	–	–
Return of capital	–	–	–	(0.01)	(0.28)
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.78)</b>	<b>(0.91)</b>	<b>(0.77)</b>	<b>(1.08)</b>	<b>(1.05)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>17.09</b>	<b>16.64</b>	<b>16.74</b>	<b>15.46</b>	<b>15.62</b>

\* represents initial Net Assets

– annualized

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

## Series S 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)	57,841	48,084	43,214	26,878	20,561
Number of units outstanding (000's)	3,385	2,889	2,581	1,737	1,316
Management expense ratio <sup>(5)</sup>	–	–	–	–	–
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.16%	1.18%	1.18%	1.17%	1.15%
Trading expense ratio <sup>(7)</sup>	0.06%	0.05%	0.08%	0.10%	0.04%
Portfolio turnover rate <sup>(8)</sup>	63.44%	61.99%	87.41%	71.45%	62.07%
Net Asset Value per unit	17.09	16.64	16.74	15.48	15.62

## 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.

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	March 2003
Series F Units	May 2003
Series Q Units	December 2012
Series S Units	August 2011

(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.

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

\* 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.

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.

## 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	2.35%	36.87%	63.13%
Series F Units	0.90%	–	100.00%
Series S 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.

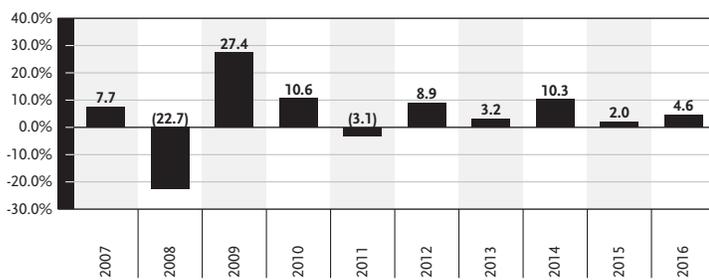
All rates of return are calculated based on the Net Asset Value.

## Year-By-Year Returns

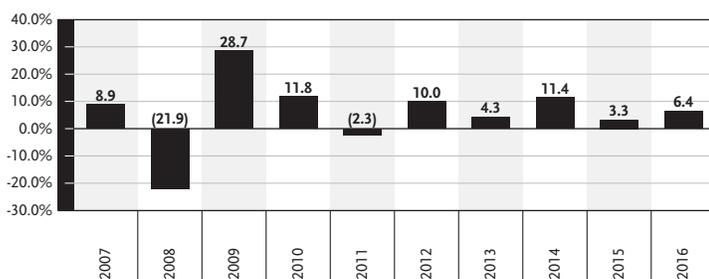
The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2016 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial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

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.

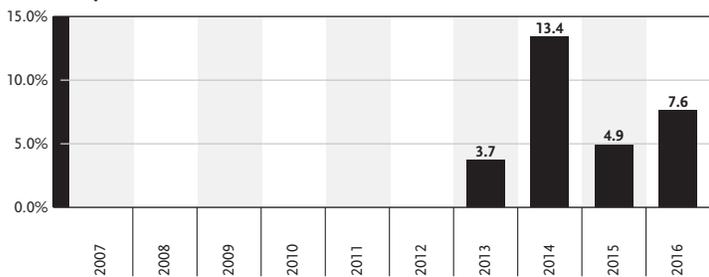
## Mutual Fund Units



## Series F Units

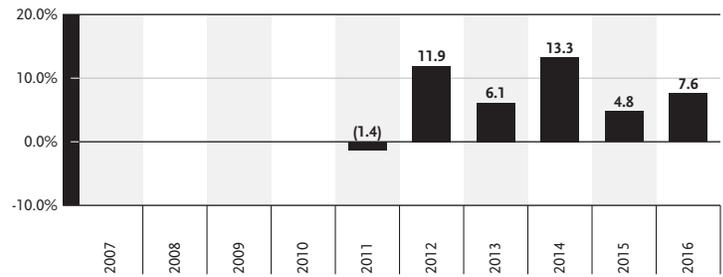


## Series Q Units



Performance for 2013 represents returns for the period from December 12, 2012 to September 30, 2013.

## Series S Units



Performance for 2011 represents returns for the period from August 8, 2011 to September 30, 2011.

## 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	4.6	5.6	5.8	3.4	N/A
FTSE TMX Canada Universe Bond Index	6.3	6.0	4.4	5.2	N/A
Blended Benchmark	9.9	6.2	6.7	5.6	N/A
Old Blended Benchmark	9.9	6.4	6.5	5.6	N/A
Series F Units	6.4	7.0	7.1	4.6	N/A
FTSE TMX Canada Universe Bond Index	6.3	6.0	4.4	5.2	N/A
Blended Benchmark	9.9	6.2	6.7	5.6	N/A
Old Blended Benchmark	9.9	6.4	6.5	5.6	N/A
Series Q Units	7.6	8.5	N/A	N/A	7.7
FTSE TMX Canada Universe Bond Index	6.3	6.0	N/A	N/A	4.3
Blended Benchmark	9.9	6.2	N/A	N/A	5.7
Old Blended Benchmark	9.9	6.4	N/A	N/A	5.6
Series S Units	7.6	8.5	8.7	N/A	8.1
FTSE TMX Canada Universe Bond Index	6.3	6.0	4.4	N/A	4.5
Blended Benchmark	9.9	6.2	6.7	N/A	6.5
Old Blended Benchmark	9.9	6.4	6.5	N/A	6.2

Effective June 1, 2016, the Fund's Old Blended Benchmark, which comprised 50% FTSE TMX Canada Universe Bond Index/20% Bloomberg Barclays U.S. Corporate High-Yield Bond Index (local\$)/15% S&P/TSX Composite Index/5% FTSE TMX Canada High Yield Bond Index/5% MSCI All Country World Index (local\$)/5% MSCI World REIT Net Index (local\$) was changed to the Blended Benchmark to better reflect the investment opportunity set of the Fund.

The FTSE TMX Canada Universe Bond Index is a market capitalization-weighted index designed to be a broad measure of the Canadian investment grade fixed income market.

The Bloomberg Barclays U.S. Corporate High-Yield Bond Index (local\$) measures the U.S. dollar denominated, high yield, fixed-rate corporate bond market. This variation is denominated in U.S. dollars.

The MSCI All Country World Index (local\$) is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of developed and emerging markets. This variation is denominated in U.S. dollars.

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 FTSE TMX Canada High Yield Bond Index is a market capitalization-weighted index designed to be a broad measure of the Canadian non-investment grade fixed income market.

The MSCI World REIT Net Index (local\$) is a free float-adjusted market capitalization index that captures large and mid cap representation across 23 developed markets around the world. This variation is denominated in U.S. dollars.

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.

<b>Portfolio by Country</b>	<b>Percentage of Net Asset Value (%)</b>
United States	47.6
Canada	35.0
United Kingdom	3.3
Switzerland	2.1
Mexico	1.5
China	1.5
Japan	1.4
Peru	1.0
Israel	0.8
Germany	0.8
Italy	0.8
Netherlands	0.6
Cayman Islands	0.6
Hungary	0.5
South Korea	0.5
France	0.4
Australia	0.4
Belgium	0.3
Portugal	0.3
Norway	0.3
Spain	0.2
Hong Kong	0.2
Singapore	0.2
Foreign Exchange Forward Contracts	0.0
Cash & Cash Equivalents	(0.3)

<b>Portfolio by Sector</b>	<b>Percentage of Net Asset Value (%)</b>
Corporate Bonds	35.7
Government Bonds	19.4
High Yield Bonds	10.7
Financials	4.9
Health Care	4.1
Information Technology	3.9
Industrials	3.3
Consumer Staples	3.2
Energy	3.2
Emerging Markets Bonds	3.1
Consumer Discretionary	2.5
Materials	2.1
Utilities	1.5
Telecommunication Services	1.3
Real Estate	0.9
Supranational Bonds	0.5
Foreign Exchange Forward Contracts	0.0
Cash & Cash Equivalents	(0.3)

<b>Portfolio by Asset Mix</b>	<b>Percentage of Net Asset Value (%)</b>
United States Fixed Income	32.6
Canadian Fixed Income	28.6
United States Equity	15.0
International Equity	9.5
International Fixed Income	8.2
Canadian Equity	6.4
Foreign Exchange Forward Contracts	0.0
Cash & Cash Equivalents	(0.3)

<b>Portfolio by Credit Rating††</b>	<b>Percentage of Net Asset Value (%)</b>
AAA	19.6
AA	(0.0)
A	2.4
BBB	19.5
BB	14.7
B	7.7
CCC	2.3
Not Rated	7.4

<b>Top Holdings</b>	<b>Percentage of Net Asset Value (%)</b>
U.S. Treasury**	13.9
Government of Canada**	4.9
TELUS Corporation**	1.9
Just Energy Group Inc.**	1.7
Canadian Pacific Railway Company**	1.5
Cott Beverages Inc.**	1.3
Fairfax Financial Holdings Limited**	1.1
Parkland Fuel Corporation**	1.1
The Royal Bank of Scotland Group PLC**	1.1
Citigroup Inc.**	1.1
Prudential Financial Inc.**	1.0
Republic of Peru**	1.0
Navistar International Corporation**	1.0
Canadian Natural Resources Limited**	1.0
Morgan Stanley**	1.0
United Mexican States**	1.0
HCA Inc.**	1.0
UBS Group AG**	1.0
Great Canadian Gaming Corporation**	0.9
Quebecor Media Inc.**	0.9
Brookfield Asset Management Inc.**	0.9
Bell Canada**	0.9
Canadian Oil Sands Limited**	0.9
Ally Financial Inc.**	0.9
Western Digital Corporation**	0.8
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 238,430</b>

†† References made to credit ratings are obtained from Standard & Poor's, Moody's, Dominion Bond Rating Service and/or Fitch Ratings. Where one or more rating is obtained for a security, the lowest rating has been used.

\*\* Debt Instruments



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