

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

# AGF Tactical 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 Tactical Income Fund (the "Fund") is to seek a balance of current income and long-term capital appreciation by investing primarily in a diversified portfolio of dividend-paying and distribution-paying Canadian equity and income securities including income trusts, common and preferred shares and corporate debt. The Fund may also invest in foreign securities, which are not expected to exceed 49% of Net Asset Value (see Explanatory Note (1) a) of the Fund at the time of purchase. Cypress Capital Management Ltd. ("Cypress"), as portfolio manager, combines a top-down macro outlook with fundamental bottom-up company analysis. In top-down investing, the focus involves looking at the "big picture" in the economy and financial world and then breaking those components down into finer details. In bottom-up investing, the portfolio manager focuses attention on a specific company rather than on the industry in which that company operates or on the economy as a whole. The portfolio manager focuses on inefficient sectors, adopts a long-term outlook, maintains the discipline to buy only at an attractive valuation and is willing to take off benchmark positions. 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, 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 investors investing for the medium to longer term, seeking a balance between current income and long-term capital appreciation, who wish to receive a monthly distribution 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 10.5% (net of expenses) while the S&P/TSX Composite Index ("S&P/TSX Index") and the Blended Benchmark returned 14.2% and 12.3%, respectively. The Blended Benchmark is composed of 60% S&P/TSX Index/25% FTSE TMX Canada Universe Bond Index/15%

S&P/TSX Capped REIT 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 S&P/TSX Index as out-performance of the equity portion was more than offset by relative under-performance of the Fund's fixed income portion. Out-performance of the equity component of the portfolio was driven by strong security selection, though offset by sector allocation.

The Fund's security selection in the hard hit health care sector contributed to performance, due to the lack of holdings in Valeant Pharmaceuticals International Inc. ("Valeant"), which is weighted heavily in the S&P/TSX Index and dropped 86.5% in stock value over the period under review. Within the utilities sector, the Fund's positions in Northland Power Inc. and Innergex Renewable Energy Inc. posted strong performance. Milestone Apartments Real Estate Investment Trust and First Capital Realty Inc. in the real estate sector also contributed to performance during the reporting period. Strong returns posted by Badger Daylighting Limited, Bank of Nova Scotia and Enbridge Inc. further contributed to Fund performance. On the other hand, sector allocation was a drag on relative performance as the Fund held a notable underweight position in materials (2.3% versus 13.1%), the strongest performing sector over the reporting period.

The Fund under-performed the Blended Benchmark as the positive impact of an overweight position in equities (excluding preferred shares) (76.3% versus 58.6%), an underweight position in real estate investment trusts ("REITs") (5.7% versus 16.4%) and out-performance by the Fund's equity portion was more than offset by the under-performance of the Fund's fixed income holdings.

The Fund's most notable change over the reporting period was a new position in preferred shares, at a 5.2% weighting, that was funded by a reduction in the Fund's Canadian equity weighting (including REITs) from 63.1% to 56.7% and U.S. equity weighting from 20.0% to 16.9%, from beginning to the end of the reporting period, respectively. Cash weighting was increased from 2.6% to 5.8% and fixed income was increased from 11.0% to 12.9%. The shift reflects a more defensive positioning given the current equity market outlook and global risk factors. However, the Fund still remains underweight in fixed income relative to the fixed income weighting of 25.0% within the Blended Benchmark.

Certain series of the Fund, as applicable, make monthly distributions at a rate determined by AGF Investments Inc. ("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

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.

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 \$11 million for the current period, as compared to net redemptions of approximately \$19 million in the prior period. The portfolio manager does not believe that redemption activity had a meaningful impact on the Fund's performance or the ability to implement its investment strategy.

Total expenses before foreign withholding taxes, commissions and other portfolio transaction costs vary period over period mainly as a result of changes in average Net Asset Values and investor activity, such as number of investor accounts and transactions. The decrease in management fees accounted for most of the decrease in expenses during the period as compared to the previous period due mainly to a decrease in average Net Asset Values. Custodian fees decreased due to a decrease in market value of investment portfolio and number of portfolio transactions. On the contrary, the increase in registration fees was due to an increase in subscription activity. All other expenses remained fairly consistent throughout the periods.

#### Recent Developments

World equity markets posted very solid returns over the reporting period, notwithstanding some significant intra-period volatility. First calendar quarter of 2016 saw a significant decline driven by fears of a global economic slowdown and fallout from the U.S. Federal Reserve's (the "Fed") first rate hike in almost ten years. However, expectations for further Fed rate hikes dropped notably as the year wore on, contributing to a selloff in the U.S. dollar, a rally in commodity prices and recovering equity markets. World markets also experienced a sharp decline in June 2016 following an unexpected decision by the UK to leave European Union ("Brexit"), but recovered quickly and resumed the upward trend.

Emerging markets led the strong performance of equities driven by a weaker U.S. dollar, rebound in commodities and increased risk appetite. The U.S. continued to perform well as their economy continues to strengthen, with the Dow Jones Industrial Average and S&P 500 Index posting positive returns over the reporting period. Developed markets (excluding U.S.) also posted solid gains, notably Japan bolstered by ongoing monetary stimulus. European equities performed relatively weaker.

In Canada, the S&P/TSX Index experienced similar volatility to world markets, but also managed to post a very solid double digit return over the reporting period. All sectors in the S&P/TSX Index were in positive territory, with the exception of health care, which experienced more than a drop of 80.0% by index heavyweight Valeant, which declined 86.5% on investor concerns about the company's business practices. The resource space made a significant contribution as materials and energy, representing approximately a combined 34.0% of the index, returned 56.2% and 24.7%, respectively. Aside from health care, the only other sector not posting double-digit positive returns was consumer discretionary, up only 3.3%.

On the currency front, the Canadian dollar continued its dramatic decline from USD \$0.75 at the beginning of the period to a low of USD \$0.69 in

January 2016 before recovering to USD \$0.76 at the end of the reporting period. The turnaround was supported by a rallying oil price and an improving interest rate differential versus the U.S. Canadian bond yields continued to compress, with the Government of Canada 10-Year bond yield declining from 1.43% to 1.0%, reflecting the impact of continued monetary stimulus worldwide driving interest rates down across the globe as investors search for even modestly positive yields.

Despite the overall positive returns for global equity markets over the period under review, market uncertainty remains prevalent. Worldwide economic growth remains muted with 2016 gross domestic product growth expected to hit a post financial crisis seven-year low. It also appears that monetary stimulus may be nearing the limits of its efficacy. Driven by central bank bond purchases, approximately USD \$12 trillion of developed market bonds now offer negative yields. Even the U.S., where fundamentals appear very solid, saw its 10-Year treasury yield continue to decline from 2.04% to 1.59% over the reporting period. In the portfolio manager's opinion, with interest rates already near record lows, the prospect of additional bond-buying program and even lower rates successfully stimulating economic growth appears unlikely, in the opinion of the portfolio manager. The discussion on how to boost persistently slow economic growth has turned to fiscal stimulus, as seen in Canada, in addition to maintaining easy monetary policy.

The U.S. appears to be the bright spot in a mixed global economic recovery. The labour market has moved towards full recovery, while consumer confidence and housing markets have also improved. However, market valuations appear fair, reflecting the benign outlook. Canada's economic outlook appears to be improving, as a low Canadian dollar remains supportive of export growth, federal fiscal stimulus takes effect, housing markets and consumer spending remain resilient and some benefits are seen from stronger commodity prices. Emerging markets remain a source of concern as China transitions to slower growth and there is much uncertainty regarding Europe as well. Although the recent Brexit vote is not expected to have a significant impact on Canadian markets, the portfolio manager remains concerned about the impact on the European Union and the potential for other countries to follow Britain's lead and leave the European Union. Japan's growth prospects remain weak as it continues to flight persistent deflationary pressures.

The portfolio manager remains relatively neutral on Canadian equity markets and expects interest rates to continue to provide support to the economy and the equity markets by remaining low in the near term. The portfolio manager believes a number of risks exist that could result in significant market volatility. In this environment, the importance of focusing on fundamentals remains as important as ever. The portfolio manager continues to adopt a bottom-up approach, focusing on quality companies with strong competitive positioning, quality management teams and superior growth profiles that trade at attractive valuations. Maintaining diversification remains a focus, specifically targeting companies with exposure to the U.S. economy.

#### 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 and Cypress, wholly owned subsidiaries of AGF Management Limited, entered into an investment management agreement pursuant to which Cypress 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 \$1,845,000 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 \$65,000 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.

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

## 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>11.28</b>       | <b>12.25</b>       | <b>11.06</b>       | <b>11.24</b>       | <b>11.48</b>       |
| <b>Increase (decrease) from operations:</b>                    |                    |                    |                    |                    |                    |
| Total revenue  | 0.41               | 0.43               | 0.49               | 0.52               | 0.45               |
| Total expenses   | (0.33)             | (0.37)             | (0.37)             | (0.33)             | (0.34)             |
| Realized gains (losses)  | 0.78               | 0.69               | 0.54               | 0.14               | (0.94)             |
| Unrealized gains (losses)                                      | 0.26               | (0.97)             | 1.32               | 0.26               | 1.51               |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>1.12</b>        | <b>(0.22)</b>      | <b>1.98</b>        | <b>0.59</b>        | <b>0.68</b>        |
| <b>Distributions:</b>  |                    |                    |                    |                    |                    |
| From income (excluding dividends)                              | –                  | –                  | –                  | –                  | –                  |
| From dividends   | (0.51)             | (0.03)             | (0.13)             | (0.17)             | (0.06)             |
| From capital gains   | –                  | –                  | –                  | –                  | –                  |
| Return of capital  | (0.17)             | (0.69)             | (0.60)             | (0.67)             | (0.78)             |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.68)</b>      | <b>(0.72)</b>      | <b>(0.73)</b>      | <b>(0.84)</b>      | <b>(0.84)</b>      |
| <b>Net Assets, end of period<sup>(4)</sup></b>                 | <b>11.74</b>       | <b>11.28</b>       | <b>12.25</b>       | <b>11.00</b>       | <b>11.24</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)                                       | 88,751        | 100,457       | 130,095       | 146,403       | 210,470       |
| Number of units outstanding (000's)                                   | 7,560         | 8,908         | 10,619        | 13,231        | 18,684        |
| Management expense ratio <sup>(5)</sup>                               | 2.75%         | 2.95%         | 2.96%         | 2.98%         | 2.92%         |
| Management expense ratio before waivers or absorptions <sup>(6)</sup> | 2.78%         | 2.95%         | 2.96%         | 2.98%         | 2.92%         |
| Trading expense ratio <sup>(7)</sup>                                  | 0.06%         | 0.07%         | 0.10%         | 0.16%         | 0.39%         |
| Portfolio turnover rate <sup>(8)</sup>                                | 15.06%        | 23.95%        | 12.41%        | 31.12%        | 111.54%       |
| Net Asset Value per unit  | 11.74         | 11.28         | 12.25         | 11.06         | 11.26         |

### 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>11.80</b>       | <b>12.65</b>       | <b>11.32</b>       | <b>11.40</b>       | <b>11.53</b>       |
| <b>Increase (decrease) from operations:</b>                    |                    |                    |                    |                    |                    |
| Total revenue  | 0.43               | 0.45               | 0.49               | 0.53               | 0.46               |
| Total expenses   | (0.17)             | (0.22)             | (0.26)             | (0.23)             | (0.24)             |
| Realized gains (losses)  | 0.90               | 0.73               | 0.56               | 0.14               | (0.93)             |
| Unrealized gains (losses)                                      | 0.26               | (1.47)             | 1.37               | 0.28               | 1.60               |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>1.42</b>        | <b>(0.51)</b>      | <b>2.16</b>        | <b>0.72</b>        | <b>0.89</b>        |
| <b>Distributions:</b>  |                    |                    |                    |                    |                    |
| From income (excluding dividends)                              | –                  | –                  | –                  | –                  | –                  |
| From dividends   | (0.54)             | (0.01)             | (0.21)             | (0.31)             | (0.22)             |
| From capital gains   | –                  | –                  | –                  | –                  | –                  |
| Return of capital  | (0.18)             | (0.74)             | (0.54)             | (0.55)             | (0.63)             |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.72)</b>      | <b>(0.75)</b>      | <b>(0.75)</b>      | <b>(0.86)</b>      | <b>(0.85)</b>      |
| <b>Net Assets, end of period<sup>(4)</sup></b>                 | <b>12.44</b>       | <b>11.80</b>       | <b>12.65</b>       | <b>11.26</b>       | <b>11.40</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)                                       | 2,035         | 1,045         | 1,535         | 1,679         | 2,159         |
| Number of units outstanding (000's)                                   | 164           | 89            | 121           | 148           | 189           |
| Management expense ratio <sup>(5)</sup>                               | 1.32%         | 1.64%         | 1.97%         | 2.00%         | 2.03%         |
| Management expense ratio before waivers or absorptions <sup>(6)</sup> | 1.35%         | 2.26%         | 2.23%         | 2.19%         | 2.09%         |
| Trading expense ratio <sup>(7)</sup>                                  | 0.06%         | 0.07%         | 0.10%         | 0.16%         | 0.39%         |
| Portfolio turnover rate <sup>(8)</sup>                                | 15.06%        | 23.95%        | 12.41%        | 31.12%        | 111.54%       |
| Net Asset Value per unit  | 12.44         | 11.80         | 12.65         | 11.32         | 11.42         |

## 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>9.32</b>        | <b>10.00*</b>      | –                  | –                  | –                  |
| <b>Increase (decrease) from operations:</b>                    |                    |                    |                    |                    |                    |
| Total revenue  | 0.37               | 0.17               | –                  | –                  | –                  |
| Total expenses   | (0.01)             | (0.01)             | –                  | –                  | –                  |
| Realized gains (losses)  | 0.63               | 0.39               | –                  | –                  | –                  |
| Unrealized gains (losses)                                      | 0.23               | (0.92)             | –                  | –                  | –                  |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>1.22</b>        | <b>(0.37)</b>      | –                  | –                  | –                  |
| <b>Distributions:</b>  |                    |                    |                    |                    |                    |
| From income (excluding dividends)                              | –                  | –                  | –                  | –                  | –                  |
| From dividends   | (0.43)             | –                  | –                  | –                  | –                  |
| From capital gains   | –                  | –                  | –                  | –                  | –                  |
| Return of capital  | (0.14)             | (0.24)             | –                  | –                  | –                  |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.57)</b>      | <b>(0.24)</b>      | –                  | –                  | –                  |
| <b>Net Assets, end of period<sup>(4)</sup></b>                 | <b>9.96</b>        | <b>9.32</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)                                       | 6,266         | 2,366         | –             | –             | –             |
| Number of units outstanding (000's)                                   | 629           | 254           | –             | –             | –             |
| Management expense ratio <sup>(5)</sup>                               | 0.02%         | –             | –             | –             | –             |
| Management expense ratio before waivers or absorptions <sup>(6)</sup> | 0.20%         | 0.17%~        | –             | –             | –             |
| Trading expense ratio <sup>(7)</sup>                                  | 0.06%         | 0.07%         | –             | –             | –             |
| Portfolio turnover rate <sup>(8)</sup>                                | 15.06%        | 23.95%        | –             | –             | –             |
| Net Asset Value per unit  | 9.96          | 9.32          | –             | –             | –             |

## 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.

\* represents initial Net Assets  
~ annualized

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

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    | April 2003 |
| Series Q Units    | April 2015 |

- (2) Net Assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
- (3) Distributions were paid in cash/reinvested in additional units of the Fund, or both. The computation of the distributions per unit does not take into account the management fee distributions (see note 5 below). The characterization of the distributions is based on management's estimate of the actual income for the year.
- (4) This is not a reconciliation of the beginning and ending Net Assets per unit.
- (5) The management expense ratio ("MER") of a particular series is calculated in accordance with National Instrument 81-106, based on all the expenses of the Fund (including Harmonized Sales Tax, Goods and Services Tax and interest, but excluding foreign withholding taxes, commissions and other portfolio transaction costs) and the Fund's proportionate share of the MER, if applicable, of the underlying funds and ETFs in which the Fund has invested, allocated to that series, expressed as an annualized percentage of average daily Net Asset Value of that series during the period.

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

- (6) AGFI waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses waived or absorbed is determined annually on a series by series basis at the discretion of AGFI and AGFI can terminate the waiver or absorption at any time.
- (7) The trading expense ratio represents total commissions and other portfolio transaction costs, including the Fund's proportionate share of the commissions, if applicable, of the underlying funds and ETFs in which the Fund has invested, expressed as an annualized percentage of average daily Net Asset Value during the period.
- (8) The Fund's portfolio turnover rate ("PTR") indicates how actively the Fund's portfolio advisor manages its portfolio investments. A PTR of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the year. The higher a fund's PTR in a year, the greater the trading costs payable by the fund in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of a fund.

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

## 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>               | 47.33%              | 52.67%                                       |
| Series F Units    | 0.90%                              | —                   | 100.00%                                      |

(a) 2.50% 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.

The performance information for the year ended September 30, 2012 reflects performance of Acuity Investment Management Inc., formerly a wholly owned subsidiary of AGFI, for the period ended April 18, 2012 and that of Cypress effective April 19, 2012.

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, 2016, 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 Dividend Fund with the Fund in August 2011 and the mergers of Acuity Focused Total Return Trust and Acuity Growth & Income Trust with the Fund in July 2011 did not constitute material changes 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.

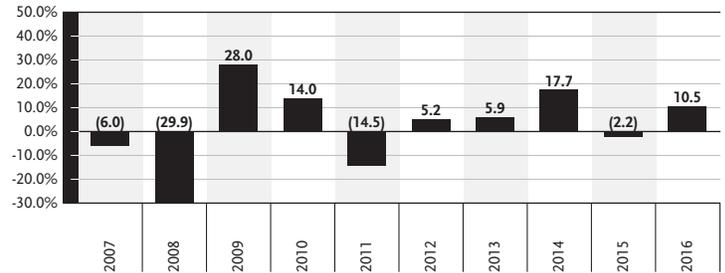
### Year-By-Year Returns

The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2016 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts show, in

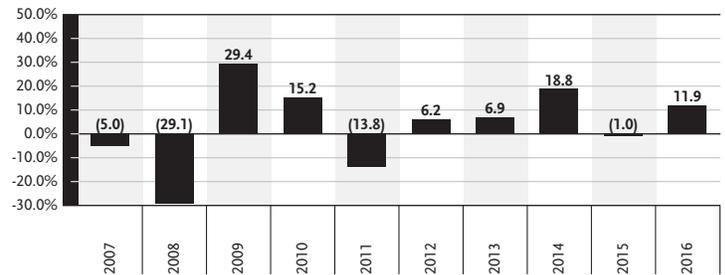
percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

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.

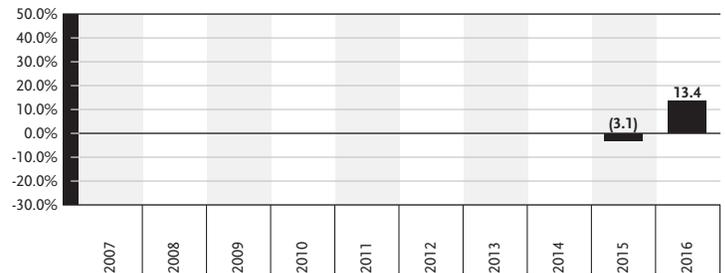
### Mutual Fund Units



### Series F Units



### Series Q Units



Performance for 2015 represents returns for the period from May 14, 2015 to September 30, 2015.

\* 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 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       | 10.5   | 8.3     | 7.2     | 2.3      | N/A             |
| S&P/TSX Composite Index | 14.2   | 8.0     | 8.1     | 5.3      | N/A             |
| Blended Benchmark       | 12.3   | 7.8     | 7.3     | 5.8      | N/A             |
| Series F Units          | 11.9   | 9.6     | 8.4     | 3.4      | N/A             |
| S&P/TSX Composite Index | 14.2   | 8.0     | 8.1     | 5.3      | N/A             |
| Blended Benchmark       | 12.3   | 7.8     | 7.3     | 5.8      | N/A             |
| Series Q Units          | 13.4   | N/A     | N/A     | N/A      | 7.1             |
| S&P/TSX Composite Index | 14.2   | N/A     | N/A     | N/A      | 1.7             |
| Blended Benchmark       | 12.3   | N/A     | N/A     | N/A      | 3.2             |

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

The S&P/TSX Capped REIT Index is a subindex of the broad-based S&P/TSX Income Trust Index. This sector-based index comprises real estate income trusts ("REITs"), which are classified in the GICS real estate sector, with individual constituent REITs' relative weights capped at 25%.

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

## Summary of Investment Portfolio

As at September 30, 2016

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

The prospectus and other information about the ETFs are available on the internet at [www.sedar.com](http://www.sedar.com) and/or [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml), as applicable.

| Portfolio by Country    | Percentage of Net Asset Value (%) |
|-------------------------|-----------------------------------|
| Canada                  | 74.3                              |
| United States           | 16.9                              |
| Cash & Cash Equivalents | 5.8                               |
| ETFs – International    | 2.7                               |
| Bermuda                 | 0.5                               |

| Portfolio by Sector          | Percentage of Net Asset Value (%) |
|------------------------------|-----------------------------------|
| Financials                   | 18.0                              |
| Energy                       | 11.1                              |
| ETFs – United States Equity  | 11.0                              |
| Corporate Bonds              | 7.3                               |
| Real Estate                  | 7.1                               |
| Utilities                    | 6.8                               |
| Cash & Cash Equivalents      | 5.8                               |
| Consumer Discretionary       | 5.8                               |
| Consumer Staples             | 4.7                               |
| Industrials                  | 4.3                               |
| ETFs – Domestic Fixed Income | 3.0                               |
| ETFs – International Equity  | 2.7                               |
| High Yield Bonds             | 2.6                               |
| Telecommunication Services   | 2.5                               |
| ETFs – Domestic Equity       | 2.4                               |
| Materials                    | 2.3                               |
| Health Care                  | 1.6                               |
| Information Technology       | 1.2                               |

| Portfolio by Asset Mix  | Percentage of Net Asset Value (%) |
|-------------------------|-----------------------------------|
| Canadian Equity         | 64.4                              |
| United States Equity    | 16.9                              |
| Canadian Fixed Income   | 9.9                               |
| Cash & Cash Equivalents | 5.8                               |
| International Equity    | 3.2                               |

| Portfolio by Credit Rating <sup>††</sup> | Percentage of Net Asset Value (%) |
|--|-----------------------------------|
| A  | 5.9                               |
| BBB                                      | 2.1                               |
| BB                                       | 2.1                               |
| B  | 4.6                               |
| CCC                                      | 0.7                               |
| D  | 0.4                               |
| Not Rated                                | 2.7                               |

<sup>††</sup> 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.

| <b>Top Holdings</b>                                 | <b>Percentage of<br/>Net Asset Value (%)</b> |
|---|--|
| Brookfield Asset Management Inc.                    | 4.6  |
| Alimentation Couche-Tard Inc.                       | 4.1  |
| Toronto-Dominion Bank                               | 3.6  |
| Magna International Inc.                            | 3.5  |
| Royal Bank of Canada                                | 3.3  |
| Bank of Nova Scotia                                 | 3.0  |
| Milestone Apartments Real Estate Investment Trust   | 3.0  |
| Enbridge Inc.                                       | 2.9  |
| Algonquin Power & Utilities Corporation             | 2.3  |
| Manulife Financial Corporation                      | 1.9  |
| Crescent Point Energy Corporation                   | 1.8  |
| Canadian National Railway Company                   | 1.8  |
| Innergex Renewable Energy Inc.                      | 1.7  |
| Pembina Pipeline Corporation                        | 1.6  |
| Badger Daylighting Limited                          | 1.6  |
| Rogers Communications Inc.                          | 1.5  |
| iShares Canadian HYBrid Corporate Bond Index ETF    | 1.5  |
| Canadian Natural Resources Limited                  | 1.5  |
| BMO Short Corporate Bond Index ETF                  | 1.5  |
| Vanguard S&P 500 ETF                                | 1.5  |
| iShares S&P 500 Value ETF                           | 1.5  |
| Vanguard Large-Cap Index Fund ETF                   | 1.5  |
| iShares Core S&P 500 ETF                            | 1.5  |
| iShares Russell 1000 ETF                            | 1.5  |
| SPDR S&P 500 ETF Trust                              | 1.5  |
| <b>Total Net Asset Value (thousands of dollars)</b> | <b>\$ 97,052</b>                             |



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