

AGFiQ Dividend Income Fund¹



Fund Commentary

First Quarter 2019

Fund Facts

Fund category: Canadian Dividend	Benchmark Index: S&P/TSX 60 Index	Date of inception: April 2003	Investment style: Quantitative Core	Portfolio Managers Highstreet Asset Management Inc. Stephen Duench, CFA Mark Stacey, MBA, CFA
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Market overview

The S&P/TSX 60 was strong through the quarter posting (+12.5%), the best quarter in 10 years.

Equity markets across the world ended the quarter strong, rebounding from a weak final quarter of 2018. Markets accelerated through the quarter on the back of the dovish Fed pivot in the US and positive rhetoric emerging from the ongoing US-China trade negotiations. Canadian economic data was solid with stronger than expected employment numbers, while GDP and inflation were overall in-line with expectations. US economic data was mixed with stronger employment numbers to start the quarter but softer employment prints towards the end of the quarter, while GDP and inflation were generally in-line with expectations. Both the Bank of Canada (BoC) and the US Federal Reserve (Fed) chose to keep interest rates steady at 1.75% and 2.50% respectively. Commodities posted a strong quarter, as base metals, precious metals, and oil all moved higher, with oil finishing above \$60/barrel. The US dollar was slightly stronger against the Canadian dollar, while the U.S 10-year benchmark yield decreased significantly in response to the Fed indicating a pause in interest rate hikes until 2020. The U.S 10-year benchmark yield ended the quarter slightly above 2.4%.

Sector breadth was strong with all of the 11 sectors posting positive returns, led by Health Care (+30.6%) and InformationTechnology (+20.5%), while Materials (+8.9%) and Communication Services (+9.7%) were the relative laggards.

In Health Care, the top performing stock was Bausch Health Cos. Inc. (+30.6%), helped by strong revenue guidance.

In Information Technology, Blackberry Ltd. (+38.7%) was the top performing stock, as the company performed well due to strong IP licensing revenue.

In Materials, the top performing stock was First Quantum Minerals Ltd. (+37.2%) which was helped by strong commodity prices and healthy margins.

In Communication Services, the top performing stock was Shaw Communications Inc. (+13.8%), aided by the holiday promotional season.

Blackberry Ltd. was the top performing stock in the index. Enbridge Inc. (+15.9%) added the most value to the index, as the

company benefitted from the tightening of the discount applied to Canadian Oil.

SNC-Lavalin Group Inc. (-26.0%) was the weakest stock in the Index and also was the largest detractor to the index, as the company continues to face legal and political uncertainty.

Fund Overview (Net of Fees \$CAD)

	3 mo.	1 yr.	3 yr.	5 yr.	10 yr.	PSD*
AGFiQ Dividend Income Fund	12.1%	8.3%	7.7%	4.9%	8.4%	8.4%
S&P/TSX 60 Index	12.5%	9.0%	10.0%	6.3%	9.3%	9.0%

Source: AGF Investment Operations, Morningstar as at March 31, 2019

* Performance start date (PSD): April 16, 2003.

The Fund returned (+12.1%) in the first quarter of 2019.

Value added came from Communication Services and Materials, while Health Care and Consumer Discretionary detracted from the Fund.

In Communication Services, being underweight Rogers Communications Inc. (+3.5%) helped the Fund as the company did not perform as well as the index.

In Materials, avoiding Barrick Gold Corp. (-0.6%) added value to the Fund, as the company lagged the index. Not owning First Quantum Minerals Ltd. detracted value from the Fund.

In Health Care, holding UnitedHealth Group Inc. (+6.4%) helped the Fund as the stock benefitted from cost cutting and expansion of their point of sale (POS) strategy. Holding Pfizer Inc. (-4.3%) detracted value from the Fund, as the company lagged due to lowered guidance on their earnings call.

In Consumer Discretionary, being overweight Restaurant Brands International Inc. (+22.9%) added value to the Fund, as the company performed well due to strong same store sales growth. Being overweight Canadian Tire Corp. Ltd. (+1.6%) detracted value from the Fund, as the company lagged the index as investors focused on slightly weaker same stores sales data.

The Fund's exposure to dividend paying US equities averaged 22.1% over the quarter and continues to provide the Fund with additional sector diversification and reduced volatility. Top

¹ AGF Dividend Income Fund was renamed AGFiQ Dividend Income Fund effective April 26, 2018.



performing US stocks in the Fund included Cisco Systems Inc. (+22.7%) and McCormick and Co. Inc. (+22.7%).

Outlook

The S&P/TSX 60 Index began 2019 on a strong note, rebounding from a weak finish to 2018. Looking forward, the investment backdrop remains constructive, but is likely to begin to

moderate. The chances that economic growth has peaked continue to increase and ongoing trade disputes create greater uncertainty. The current environment should be supportive of late cycle stocks, particularly within Cyclical Materials and Insurance. The Fund is well positioned to benefit in this type of environment as it remains squarely focused on its primary investment objectives: offer an attractive and growing dividend, maintain a lower risk profile and provide an opportunity for capital appreciation.

All information is in Canadian dollars unless otherwise stated.

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Publication date: May 17, 2019