AGF Floating Rate Income Fund

AGF | Investments

Fund Commentary Second Quarter 2026

Fund Facts

Fund category:	Benchmark Index:	Date of inception:	Investment style:	Portfolio Managers[1]
Floating-rate debt	Morningstar/LSTA Leveraged Loan CAD Hedged Index	April 19, 2012 (Series MF) April 19, 2012 (Series F)	Bottom-up fundamental research	UBS Asset Management (Americas) LLC AGF Investments Inc. (Tom Nakamura, CFA)

Market Overview

US Loans, represented by the Morningstar Loan Syndications and Trading Association (LSTA) Leveraged Loan CAD-Hedged Index, returned 1.5% in the second quarter of 2026, amid ongoing volatility related to AI and the war in the Middle East.

Equity markets rallied and fixed income markets delivered steady income in Q2. Loans and high yield bonds produced coupon plus returns for the second quarter. The trailing 12-month par-weighted leveraged loan default rate including distressed exchanges decreased to 2.29% in June. The trailing 12-month par-weighted high yield bond default rate including distressed exchanges ticked up to 2.67%. In June, loan funds and high yield funds both saw inflows, totaling $1.2bn and $2.3bn respectively. US Collateralized Loan Obligation (CLO) new issuance in June was $10.2bn across 23 deals; as well, there were $33.1bn of refi/resets across 76 deals. This brings the US CLO year-to-date new issuance total to $81.4bn across 174 deals, considerably lagging the $95.7bn across 201 deals through 2Q25. From a supply perspective, new issuance in the loan market was $78.7bn in June, which was comprised of $23.6bn of net new issuance. New issuance in the high yield market was $35.0bn in June, including $14.4bn of net new issuance.

[1] Effective July 25, 2022, UBS Asset Management (Americas) LLC (formerly Credit Suisse Asset Management, LLC) and AGF Investments Inc. were named portfolio managers of AGF Floating Rate Income Fund, replacing Eaton Vance Management. Performance prior to this date may have been substantially different had the current portfolio managers been in effect throughout the entire performance measurement period. UBS Asset Management (Americas) LLC provides advice in Canada in reliance upon the international adviser exemption contained in section 8.26 of National Instrument 31-103. AGF Investments Inc. is responsible for currency management.

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Fund Overview

Annualized Performance in CAD, net of fees, as of June 30, 2026 (% return)	3 mo.	1 yr.	3 yr.	5 yr.	10 yr.
AGF Floating Rate Income Fund – Series F	1.8%	2.6%	5.9%	4.9%	4.1%
AGF Floating Rate Income Fund – Series MF	1.5%	1.4%	4.8%	3.8%	3.3%
Morningstar LSTA Leveraged Loan CAD Hedged Index[2]	1.5%	2.6%	6.3%	5.1%	5.1%

Source: AGF Investments as of June 30, 2026. MERs as of March 31, 2026 are 1.92% (MF Series) and 0.83% (F Series). Past performance is not indicative of future results. One cannot invest directly in an Index. Effective August 1, 2022, management fees were reduced for AGF Floating Rate Income Fund as follows: Series F and Series FV were reduced from 0.95% to 0.65% and Series Q and Series W were reduced from 0.80% (maximum) to 0.65% (maximum).

AGF Floating Rate Income Fund (the "Fund") Series F registered a 1.8% net-of-fees return for the second quarter, outperforming the Morningstar/LSTA Leveraged Loan Hedged Index benchmark return of 1.5%.

The Fund's security selection within loans contributed positively to relative quarterly performance. From an industry perspective, security selection within Media & Entertainment and Capital Goods contributed positively to the Fund's performance versus the benchmark, while security selection within Materials and Financial Services were the biggest detractors to performance versus the benchmark.

From a ratings perspective, the Fund's exposure B-rated names contributed positively to relative performance while exposure to B- and CCC-rated names detracted the most from relative performance.

The Fund is overweight Financial Services and Commercial & Professional Services, and is underweight Health Care Equipment & Services, Media & Entertainment, and Consumer Discretionary Distribution & Retail.

The second quarter of 2026 saw mostly positive returns for the U.S. dollar (USD) relative to other major currencies, as broad reallocation of global funds towards the United States (U.S.) continued. This relative strength picked up in May, as geopolitical tensions drove inflation expectations and U.S. Treasury yields higher, and markets began pricing in an end to the U.S. Federal Reserve (Fed)'s rate-cutting cycle, and potentially several rate hikes later in 2026. Excluding energy prices, core inflation has come in higher than expected in April and May; At the same time, labour conditions continued to show relative strength over the quarter, as the unemployment rate fell to 4.2% in June, despite the payrolls data cooling relative to previous months. This contributed to the market's belief that further rate cuts in the coming months are unlikely, putting upward pressure on the U.S. dollar's performance over the quarter. The Bloomberg Dollar Spot Index (BBDXY)reversed losses from earlier in the quarter, increasing by 0.55%.

The USD/CAD rate broke out of its previously established range of 1.35-1.40 throughout the quarter, reaching a high of 1.42 at the end of June, as economic growth in the U.S. remained resilient. The Canadian dollar (CAD) exhibited weakness relative to most developed market currencies over the quarter, as economic growth has been lackluster and core Consumer Price Index (CPI) numbers have come in lower than expected over the second quarter, reducing the odds of rate hikes later in the year.

The Bank of Canada maintained the policy rate at 2.25% over the quarter and signaled a long pause as inflationary pressures from the U.S.-Iran conflict have been well anchored, but can still threaten the progress made thus far.

2 Effective June 15, 2021, AGF Floating Rate Income Fund ('the Fund') benchmark changed from the S&P LSTA Leveraged Loan Index (USD) to the S&P LSTA Leveraged Loan CAD-hedged Index. This change, from U.S.- to Canadian-dollar performance, has been applied retroactively to the Fund's performance start date.

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For the reporting period, the Fund's Foreign Exchange (FX) hedging ratio managed by AGF Investments was tactically adjusted throughout the period but ended the quarter at 80% representing an underweight allocation to the USD relative to the benchmark, which detracted roughly 6 basis points to performance, as the USD experienced relative strength over the quarter. The team's outlook on the USD remains consistent with a dovish approach by the Fed, with a low probability of rate hikes in 2026, and a general diversification away from the United States by global asset allocators. On the other hand, the team's outlook on CAD is consistent with neutral performance relative to global currencies, as the economic growth profile has been weakening under the threat of prolonged tariffs, CUSMA negotiations, and geopolitical conflicts.

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