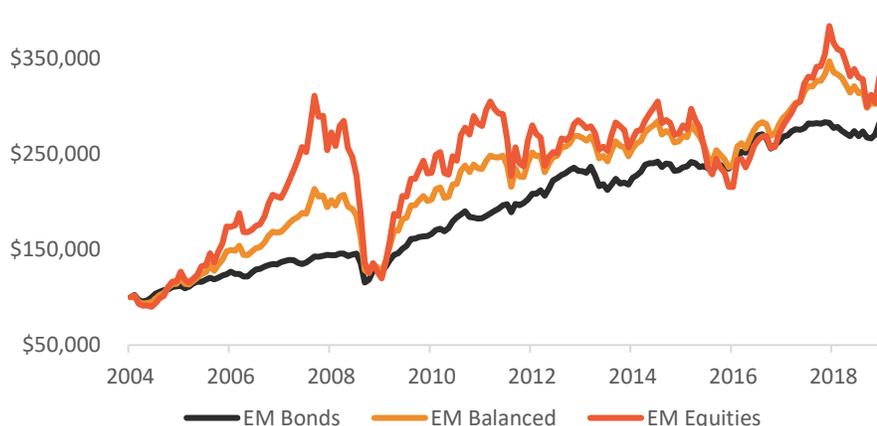


A balanced approach to emerging markets investing

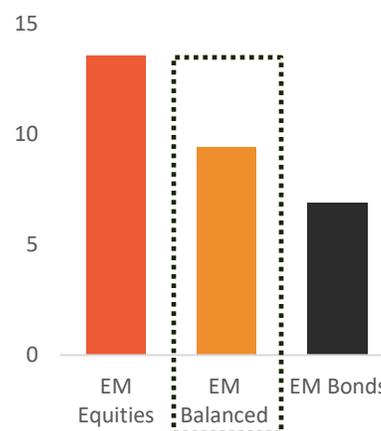
Investing beyond Canada's borders into global economies, particularly emerging markets (EM), has historically provided a greater potential for enhanced returns and increased diversification benefits. While the potential risk of investing in EM equities may be too high and the potential upside in EM bonds may be too low for some investors, perhaps investing in EM is best approached by using a balanced strategy.

Not unlike developed markets, the key drivers of emerging market equities can significantly differ from emerging market bonds and should therefore not be viewed as a mutually exclusive investment decision. Take for instance an evenly allocated portfolio of emerging market debt and equities (50%/50% blend) against portfolios comprised entirely of each individual asset class (100% equity and 100% debt). As in the example below, the balanced portfolio finds itself in the middle both from a risk and return perspective.

Growth of Emerging Markets Equities/Bonds vs. Balanced Approach



10-year Standard Deviation



Source: Morningstar, as of February 28, 2019. EM Equities as represented by MSCI Emerging Markets Index (USD), EM Bonds as represented by JPMorgan EMBI Global Index (USD), EM Balanced represented by an even allocation between the two stated indexes. You cannot invest directly into an index.

AGF offers investors access to emerging markets through the AGF Emerging Markets Balanced Fund, which is made up of both EM equity and fixed income mandates. Investors receive cross-asset class diversification benefits within the emerging markets, including broader access to the capital structure of individual companies, in addition to exposure to sovereign and corporate debt in the case of fixed income – all within one convenient fund solution. Automatic rebalancing of the fund assists with investors maintaining their strategic allocation and avoiding excess risk exposure as the respective asset classes fluctuate in value.

The equity component of the Fund is managed by Regina Chi who is a key member of the AGF Global Equity team whose collective industry experience and globally diversified cultural backgrounds enable them to identify opportunities unrecognized by the market. Regina employs an all-cap, style neutral,

bottom-up approach that is enhanced by their disciplined Country Allocation Framework. The framework assists Regina in identifying attractive markets, while the fundamental analysis allows the team to identify companies with fundamental catalysts with the potential to generate strong Economic Value Added (EVA) over the long term.

The fixed income component of the Fund is managed by Tristan Sones, who is a key member of the AGF Fixed Income team and brings nearly 20 years of experience trading EM bonds and currencies. Investors gain access to all three major fixed income categories – EM local rates (EM sovereign bonds denominated in locally denominated currencies), EM external debt (EM sovereign bonds denominated in hard currencies such as the U.S. dollar) and EM corporate bonds (EM corporate bonds issued by corporations domiciled in EM) – plus actively managed currency exposure. The team's carefully measured portfolio construction process at times uncovers opportunities in the sovereign bonds of 'frontier markets' that do not carry a large equity presence, such as Egypt and Jamaica, which exemplifies how a balanced approach to investing in this space offers greater access to the entire EM universe.

While the equity and fixed income sleeves are managed independently of each other, Regina and Tristan embrace a highly collaborative approach towards the sharing of information and perspectives of markets. We believe the result of this is a highly complementary pair of emerging market offerings that together provide a strong balanced solution for investors seeking emerging market exposure.

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On November 1, 2018, the Fund's benchmark changed to a blended index of 50% MSCI Emerging Markets Index / 20% J.P. Morgan GBIEM Global Diversified Index / 17.5% J.P. Morgan CEMBI Broad Diversified Index / 12.5% J.P. Morgan EMBI Global Index.

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