

Annual Management Report of Fund Performance

# AGF Monthly Canadian Dividend Income Fund

September 30, 2022



## 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 Monthly Canadian Dividend Income Fund (the "Fund") is to provide investors with a steady flow of income and the potential for long-term capital appreciation, primarily through investing in high dividend yielding shares trading on Canadian stock exchanges. To achieve this objective, the Fund currently invests in units of AGFiQ Canadian Dividend Income Fund (the "Underlying Fund"). AGF Investments Inc. ("AGFI"), as portfolio manager, believes that investment success can be achieved through blending quantitative and fundamental analysis to identify investment opportunities that generate attractive and sustainable levels of income, deliver a lower volatility profile and provide the opportunity for long-term capital appreciation. The Fund may also invest in money market instruments and fixed income investments issued by corporations and governments of Canada as well as in foreign securities, which are not expected to exceed 10% of the Net Asset Value (see Explanatory Note (1) a)) of the Fund at the time of purchase. During periods of market downturn or for other reasons, a significant portion of the Fund's assets may be held in cash or cash equivalents.

### Risk

The risks of investing in the Fund remain as disclosed in the current prospectus. Any changes to the Fund over the period have not affected the overall level of risk of the Fund.

The Fund continues to be suitable for investors seeking a well-diversified Canadian fund, investing for the medium to long-term with a low to medium tolerance for risk. The suitability of the Fund has not changed from what has been disclosed in the prospectus.

### Results of Operations

The Fund commenced operations in July 2022.

The Fund holds Series O Units of the Underlying Fund, a fund managed by AGFI. The portfolio manager of the Underlying Fund focuses on securities that offer an attractive current yield combined with the following characteristics: superior management, industry leadership, a high level of profitability relative to others in that industry, a sound financial position and strong earnings and dividend growth. The Underlying Fund entered into foreign exchange forward contracts from

time to time. As at September 30, 2022, the Underlying Fund was long Canadian dollar and short U.S. dollar in order to hedge its currency exposure.

The Fund makes monthly distributions at a rate determined by AGFI from time to time. If the aggregate amount of the monthly distributions in a year exceeds the portion of the net income and net realized capital gains, 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.

### Recent Developments

The global economy had to contend with a series of challenges in the year ended September 30, 2022. Russia's invasion of Ukraine and its impact on commodity markets, supply chain and inflation slowed global growth. Certain commodities, including fertilizers, natural gas and crude oil, witnessed a sharp surge in prices as supply uncertainty gripped the markets. Since Russia accounts for over 40.0% of the world's potash production, a key component of fertilizer manufacturing, concerns of a global food shortage weighed on market sentiment for the first half of the year. In addition to these concerns, higher than expected inflation, particularly in the U.S. and major European economies, triggered faster policy tightening from central banks globally.

Throughout this year, the Canadian economy also has had to face growing inflation, which touched a four-decade high of 8.1% in June 2022. This was attributable to the global supply chain bottlenecks, fluctuating commodity prices and Bank of Canada's ("BoC") monetary-loosening policies during the outbreak of the COVID-19 Omicron variant. Following this, BoC took a hawkish stance to curb rising domestic inflation like many other developed markets' central banks, resorting to measured monetary policy tightening. It executed a series of rate hikes, with the last one up 0.75% taking place in September 2022 amid high expectations of short-term inflation.

Canadian equities (as measured by the S&P/TSX Composite Index) shed approximately 14.0% in 2022. This is attributable to weakening global economic growth, worries about rising inflation and monetary policy tightening. Nonetheless, Canadian equities' higher exposure to the energy and materials sectors as well as limited exposure to the technology sector resulted in relative out-performance in comparison to U.S. and global equities.

The portfolio manager continues to believe that the Canadian equity markets will remain well-positioned in an environment with higher oil and commodity prices. With uncertainty around Russian supply of various commodities, such as oil and gas, base metals, fertilizers, wheat and other

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 1 888 226-2024, by writing to us at AGF Investments Inc., CIBC SQUARE, Tower One, 81 Bay Street, Suite 4000, Toronto, Ontario, Canada M5J 0G1, 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.

commodities, Canada is well-positioned as a producer and major exporter of many of those same products. However, BoC's tightening monetary policy in combination with higher levels of household debt should be monitored in the near term as Canadian households may be more sensitive to rising rates.

The portfolio manager of the Underlying Fund continues to focus on companies with low leverage and higher visibility. During the year ended September 30, 2022, the Underlying Fund has sold out of some small and micro-capitalization companies and has allocated towards higher quality, large capitalization companies as well as a few foreign holdings in sectors where Canadian equities lack breadth. The portfolio manager believes this higher quality, diversified approach can help the Underlying Fund endure this period of uncertainty in global equity markets.

### 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 also acts as the investment (portfolio) manager of the Fund, managing the investment portfolio of the Fund. Fees payable to AGFI for such services are payable directly by unitholders and are not expenses of the Fund.

AGFI pays for all of the operating expenses relating to the operation of the Fund, except for certain costs as disclosed in the current prospectus, in exchange for a fixed rate administration fee. The administration fee is calculated based on the Net Asset Value of the Fund at a fixed annual rate of 0.32%. Administration fees of approximately \$5,000 were incurred by the Fund during the period from commencement of operations to September 30, 2022.

AGFI is an indirect wholly-owned subsidiary of AGF Management Limited.

### 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.

The forward-looking statements are by their nature based on numerous assumptions, which include, amongst other things, that (i) the Fund can attract and maintain investors and has sufficient capital under management to effect its investment strategies, (ii) the investment strategies will produce the results intended by the portfolio manager, and (iii) the markets will react and perform in a manner consistent with the investment strategies. Although the forward-looking statements contained herein are based upon what the portfolio manager believes to be reasonable assumptions, the portfolio manager cannot assure that actual results will be consistent with these forward-looking statements.

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, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, the possible effects of war or terrorist activities, outbreaks of disease or illness that affect local, national or international economies (such as COVID-19), natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply or other 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.

## Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2022 (\$)	Sept 30, 2021 (\$)	Sept 30, 2020 (\$)	Sept 30, 2019 (\$)	Sept 30, 2018 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>25.00*</b>	-	-	-	-
<b>Increase (decrease) from operations:</b>					
Total revenue	0.24	-	-	-	-
Total expenses	(0.02)	-	-	-	-
Realized gains (losses)	(0.01)	-	-	-	-
Unrealized gains (losses)	(3.00)	-	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(2.79)</b>	-	-	-	-
<b>Distributions:</b>					
From income (excluding dividends)	(0.00)	-	-	-	-
From dividends	(0.02)	-	-	-	-
From capital gains	(0.30)	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.32)</b>	-	-	-	-
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>24.46</b>	-	-	-	-

## Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2022	Sept 30, 2021	Sept 30, 2020	Sept 30, 2019	Sept 30, 2018
Total Net Asset Value (\$'000's)	14,451	-	-	-	-
Number of units outstanding ('000's)	591	-	-	-	-
Management expense ratio <sup>(5)</sup>	0.35%	-	-	-	-
Management expense ratio before waivers or absorptions	0.35%	-	-	-	-
Trading expense ratio <sup>(6)</sup>	0.05%	-	-	-	-
Portfolio turnover rate <sup>(7)</sup>	2.05%	-	-	-	-
Net Asset Value per unit	24.46	-	-	-	-

## Explanatory Notes

- (1) a) This information is derived from the Fund's audited annual financial statements. Under International Financial Reporting Standards ("IFRS"), investments that are traded in an active market are generally valued at closing price, which is determined to be within the bid-ask spread and most representative of fair value. As a result, there is no difference between the net assets per unit presented in the financial statements ("Net Assets") and the net asset value per unit calculated for fund pricing purposes ("Net Asset Value").
- b) The Fund commenced operations in July 2022, which represents the date upon which securities were first made available for purchase by investors.
- (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 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") 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 exchange traded funds ("ETFs") in which the Fund has invested, expressed as an annualized percentage of average daily Net Asset Value during the period.

- (6) 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.
- (7) 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. AGFI is responsible for the day-to-day operations of the Fund, which include providing investment and management services as well as other administrative services required by the Fund. The management fees for such services are payable directly by the unitholders, not by the Fund.

AGFI bears all operating expenses relating to the operation of the Fund, except for certain costs as disclosed in the Fund's prospectus. In exchange, AGFI receives an administration fee at the annual rate of 0.32%, which is subject to applicable taxes, based on the Net Asset Value of the Fund, calculated daily and payable monthly.

## Past Performance

It is AGFI's policy to report rates of return for a fund in existence greater than one year. The Fund commenced operations in July 2022.

## Summary of Investment Portfolio

As at September 30, 2022

The Underlying Fund's major portfolio categories and top holdings (up to 25), as a percentage of the Underlying Fund's Net Asset Value, at the end of the period are indicated in the following tables. The Summary of Investment Portfolio may

\* represents initial Net Assets

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

change due to ongoing portfolio transactions of the Underlying Fund and the next quarterly update will be in the Quarterly Portfolio Disclosure as at December 31, 2022.

The prospectus and other information about the Underlying Fund are available on the internet at [www.sedar.com](http://www.sedar.com).

Portfolio by Country	Percentage of Net Asset Value (%)
Canada	74.7
United States	24.1
Cash & Cash Equivalents	1.1
Foreign Exchange Forward Contracts	(0.5)

Portfolio by Sector	Percentage of Net Asset Value (%)
Financials	27.5
Energy	13.3
Information Technology	12.9
Industrials	8.9
Real Estate	6.5
Communication Services	6.1
Utilities	5.7
Health Care	4.8
Government Bonds	4.4
Materials	3.2
Consumer Discretionary	3.1
Consumer Staples	2.6
Cash & Cash Equivalents	1.1
Currency/Equity Options Written	(0.2)
Foreign Exchange Forward Contracts	(0.5)

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
Canadian Equity	70.5
United States Equity	24.1
Canadian Fixed Income	4.4
Cash & Cash Equivalents	1.1
United States Equity Options Written	(0.0)
Canadian Currency/Equity Options Written	(0.2)
Foreign Exchange Forward Contracts	(0.5)

Top Holdings	Percentage of Net Asset Value (%)
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<b>Long Positions:</b>	
Royal Bank of Canada	6.0
The Toronto-Dominion Bank	6.0
Enbridge Inc.	4.7
Government of Canada**	4.4
Bank of Montreal	4.0
Brookfield Asset Management Inc.	4.0
Canadian Natural Resources Limited	3.7
TELUS Corporation	3.5
Nutrien Limited	3.2
Sun Life Financial Inc.	2.6
Rogers Communications Inc.	2.6
Canadian Apartment Properties Real Estate Investment Trust	2.4
Canadian Pacific Railway Limited	2.2
Granite Real Estate Investment Trust	2.2
Constellation Software Inc.	2.2
Brookfield Infrastructure Partners Limited Partnership	2.2
The Home Depot Inc.	2.0
UnitedHealth Group Inc.	2.0
Visa Inc.	2.0
Motorola Solutions Inc.	2.0
Waste Connections Inc.	2.0
Empire Company Limited	1.9
Allied Properties Real Estate Investment Trust	1.8
WSP Global Inc.	1.8
Microsoft Corporation	1.7
<b>Subtotal</b>	<b>73.1</b>

**Short Positions:**

<b>Currency/Equity Options Written</b>	
USD-CAD Currency Option Index	(0.2)
Canadian Natural Resources Limited	(0.0)
Waste Connections Inc.	(0.0)
Nutrien Limited	(0.0)
Tourmaline Oil Corporation	(0.0)
Canadian Pacific Railway Limited	(0.0)
Intact Financial Corporation	(0.0)
Boralex Inc.	(0.0)
Johnson & Johnson	(0.0)
iA Financial Corporation Inc.	(0.0)
Cenovus Energy Inc.	(0.0)
AbbVie Inc.	(0.0)
Motorola Solutions Inc.	(0.0)
Northland Power Inc.	(0.0)
<b>Subtotal</b>	<b>(0.2)</b>

The total Net Asset Value of the Fund as at September 30, 2022 was approximately \$14,451,000.

\*\* Debt Instruments



For more information contact your investment advisor or:

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