

Annual Management Report of Fund Performance

# AGF Canadian Money Market Fund

September 30, 2018



## 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 Canadian Money Market Fund (the "Fund") is to provide maximum income, while preserving capital and liquidity by investing primarily in Canadian money market instruments, such as Canadian treasury bills. AGF Investments Inc. ("AGFI"), as portfolio manager, invests the Fund in high quality money market instruments ensuring that the Fund's investments maintain a weighted average term to maturity of 90 days or less.

### Risk

The risks of investing in the Fund remain as disclosed in the current prospectus. The Fund continues to be suitable for investors seeking to invest in money market instruments and have low tolerance for risk.

### Results of Operations

For the year ended September 30, 2018, the Mutual Fund Units of the Fund returned 0.0% (net of expenses) while the FTSE TMX Canada 91 Day T-Bill Index ("FTSE TMX 91 Day Index") returned 1.1%. 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 FTSE TMX 91 Day Index primarily due to the adverse effects of rising yields. Money market rates rose across the Canadian money market curve during the reporting period with continued flattening, as the short end rose faster than the long end. The gross yield of the Fund remained higher than the benchmark's yield, with the positive yield advantage contributing to performance.

Relative to the FTSE TMX 91 Day Index, the Fund maintained a shorter maturity profile over the reporting period and this positioning contributed to performance as money market yields climbed during the period. Short-term debt, which accounts for the majority of the Fund's exposure, was less impacted to rising yields as compared to the long end of the curve.

The Fund had net redemptions of approximately \$20 million for the current period, as compared to net redemptions of approximately \$26 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 (see Explanatory Note (1) a)) 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 to a decrease in average Net Asset Values. All other expenses remained fairly consistent throughout the periods.

### Recent Developments

In the portfolio manager's opinion, trade uncertainty and political turmoil could trigger periods of unsettled markets over the coming months. Trade-related risks have abated with a resolution reached over the North American Free Trade Agreement ("NAFTA"), though tensions between the U.S. and China could escalate further, which would weigh on market performance and economic activity. Apart from higher input costs and consumer prices, sentiment around investments and capital expenditure decisions as well as risk premiums may also be negatively impacted. The portfolio manager anticipates an eventual agreement between the U.S. and China will ultimately be established, given the high potential costs of the alternative. However, the level of tariffs could worsen in the near term before conditions improve.

Risk of trade uncertainty and the absence of meaningful inflationary pressure could reduce the need for higher interest rates, though the U.S. Federal Reserve (the "Fed") appears committed to its guided pace of tightening in the near term. The portfolio manager expects the market will be increasingly focused on the Fed for early signals of policy misstep, provided 11 of the past 14 recessions have been linked to action taken by the central bank. Further rate hikes would add pressure to the short end of the curve and contribute to further flattening, though the high debt and slower growth nature of the current economic environment would conceptually be expected to produce a flatter curve. This alleviates the portfolio manager's concerns arising from curve flattening to a degree, and instead suggesting that today's global economy may be able to withstand a flatter curve for a prolonged period of time.

The Bank of Canada ("BoC") is poised to continue with monetary policy tightening as the overhang of NAFTA uncertainty is defused. So long as economic data remains supportive, the portfolio manager expects the BoC will attempt to keep pace with Fed tightening. However,

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.

Canada's overheated housing market in combination with record high household debt levels could force the central bank to hand over the longer term.

The portfolio manager anticipates that bond yields will continue to move higher as central banks continue to tighten policy, albeit generally range-bound in the near term. While the level of yields is certainly worth monitoring, the pace of such shifts is what the portfolio manager believes to be the greater threat to market growth.

Effective October 1, 2018, certain operating expenses relating to registrar and transfer agency services are paid directly by AGFI and in exchange, a fixed rate administration fee was introduced for the Mutual Fund Series, Series D, Series F, Series I, Series J, Series T and Series V Units, as applicable, of the Fund. The administration fee was approved by the unitholders of the Fund on June 14, 2018. The administration fee for each applicable series is calculated daily and payable monthly, based on the average Net Asset Value of the respective series of the Fund at a fixed annual rate, as disclosed in the current prospectus. The Fund continues to pay for all other operating expenses.

#### **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, managing the investment portfolio of the Fund. Under the management agreement, the Fund (except for Series I, 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 \$1,092,000 were incurred by the Fund during the period ended September 30, 2018.

AGF CustomerFirst Inc. ("AGFC") provides transfer agency services to the Fund pursuant to a services agreement with AGFI. Unitholder servicing and administrative fees of approximately \$547,000 incurred by the Fund were paid to AGFC during the period ended September 30, 2018.

AGFI and AGFC are indirect wholly-owned subsidiaries 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, 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.

## **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. Previously, financial statements were prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

## Mutual Fund Units - Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2018 (\$)	Sept 30, 2017 (\$)	Sept 30, 2016 (\$)	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.14	0.07	0.06	0.09	0.11
Total expenses	(0.14)	(0.07)	(0.06)	(0.09)	(0.11)
Realized gains (losses)	-	-	-	-	-
Unrealized gains (losses)	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

## Mutual Fund Units - Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016	Sept 30, 2015	Sept 30, 2014
Total Net Asset Value (\$000's)	104,501	122,727	149,425	171,030	172,994
Number of units outstanding (000's)	10,450	12,273	14,943	17,103	17,299
Management expense ratio <sup>(5)</sup>	1.65%	0.70%	0.63%	0.87%	1.11%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	2.05%	1.68%	1.68%	1.66%	1.63%
Trading expense ratio <sup>(7)</sup>	-	-	-	-	-
Portfolio turnover rate <sup>(8)</sup>	N/A	N/A	N/A	N/A	N/A
Net Asset Value per unit	10.00	10.00	10.00	10.00	10.00

## Series F Units - Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2018 (\$)	Sept 30, 2017 (\$)	Sept 30, 2016 (\$)	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.13	0.07	0.06	0.09	0.11
Total expenses	(0.10)	(0.07)	(0.06)	(0.09)	(0.10)
Realized gains (losses)	-	-	-	-	-
Unrealized gains (losses)	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.03</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.01</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.03)	(0.00)	(0.00)	(0.00)	(0.01)
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.03)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.00)</b>	<b>(0.01)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

## Series F Units - Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016	Sept 30, 2015	Sept 30, 2014
Total Net Asset Value (\$000's)	1,604	3,031	2,753	2,780	4,354
Number of units outstanding (000's)	160	303	275	278	435
Management expense ratio <sup>(5)</sup>	1.09%	0.70%	0.63%	0.87%	0.96%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.09%	1.18%	0.85%	1.22%	0.96%
Trading expense ratio <sup>(7)</sup>	-	-	-	-	-
Portfolio turnover rate <sup>(8)</sup>	N/A	N/A	N/A	N/A	N/A
Net Asset Value per unit	10.00	10.00	10.00	10.00	10.00

## Series O Units - Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2018 (\$)	Sept 30, 2017 (\$)	Sept 30, 2016 (\$)	Sept 30, 2015 (\$)	Sept 30, 2014 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00*</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.14	0.07	0.06	0.09	-
Total expenses	-	-	-	-	-
Realized gains (losses)	-	-	-	-	-
Unrealized gains (losses)	-	-	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.14</b>	<b>0.07</b>	<b>0.06</b>	<b>0.09</b>	<b>-</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.14)	(0.07)	(0.06)	(0.09)	-
From dividends	-	-	-	-	-
From capital gains	-	-	-	-	-
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.14)</b>	<b>(0.07)</b>	<b>(0.06)</b>	<b>(0.09)</b>	<b>-</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>	<b>10.00</b>

## Series O Units - Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016	Sept 30, 2015	Sept 30, 2014
Total Net Asset Value (\$000's)	2,482	2,498	2,483	1,944	1
Number of units outstanding (000's)	248	250	248	194	1
Management expense ratio <sup>(5)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.33%	0.35%	0.07%	0.48%	97488.18%-
Trading expense ratio <sup>(7)</sup>	-	-	-	-	-
Portfolio turnover rate <sup>(8)</sup>	N/A	N/A	N/A	N/A	N/A
Net Asset Value per unit	10.00	10.00	10.00	10.00	10.00

## Explanatory Notes

(1) a) This information is derived from the Fund's audited annual financial statements. Under 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").

Total Net Asset Value and number of units outstanding presented as at September 30, 2015 may have been adjusted to include certain transactions, if applicable, for the purpose of comparability with subsequent reporting periods. These adjustments have no effect on the Net Asset Value per unit.

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	December 1975
Series F Units	January 2000
Series O Units	September 2014

c) In September 2014, the Fund recommenced the offering of Series O Units that are available to institutional investors. Series O Units previously commenced offering in January 2009 and was closed due to full redemption by unitholders in March 2013. The financial data of the Series O Units includes the results of operations from date of recommencement.

\* represents initial Net Assets

- annualized

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

- (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) 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 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 I, 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	1.00%	0.28%	99.72%
Series F Units	0.50%	-	100.00%

## 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.

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, 2018, 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 Money Market Fund with the Fund in August 2011 did not constitute a material change 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.

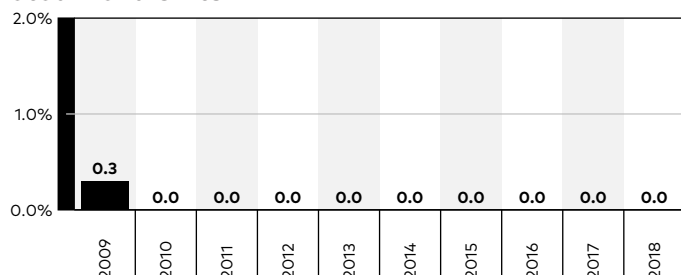
## Year-By-Year Returns

The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2018 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts

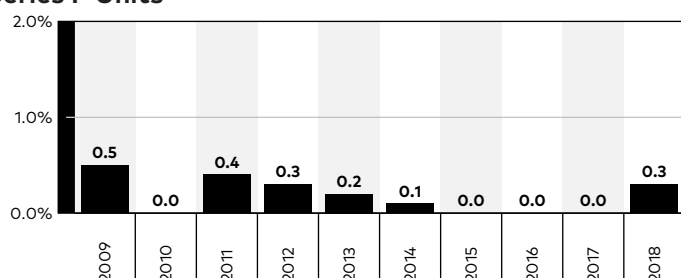
\* The indicated rates of return shown here are the historical annual compounded total returns including changes in security value and reinvestment of all distributions and do not take into account sales, redemption, distribution or other optional charges by any securityholder that would have reduced returns or performance. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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.

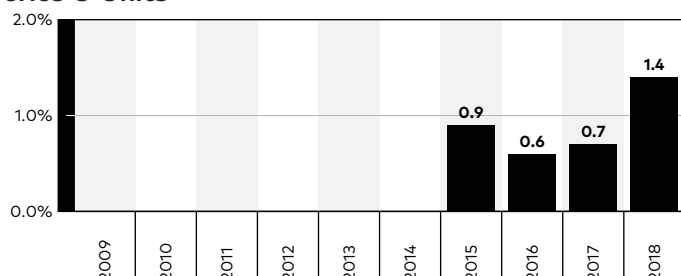
## Mutual Fund Units



## Series F Units



## Series O Units



Performance for 2015 represents returns for the period from October 3, 2014 to September 30, 2015.

## Summary of Investment Portfolio

As at September 30, 2018

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, 2018.

Portfolio by Sector	Percentage of Net Asset Value (%)
Bankers' Acceptances	49.8
Treasury Bills	38.1
Promissory Notes	8.8
Short-Term Deposits	2.7
Corporate Bonds	1.1

Portfolio by Credit Rating**	Percentage of Net Asset Value (%)
AAA	18.4
AA	7.2
A	74.9

Top Holdings	Percentage of Net Asset Value (%)
Government of Canada**	18.4
Bank of Montreal**	9.7
Canadian Imperial Bank of Commerce**	9.5
Royal Bank of Canada**	9.4
The Bank of Nova Scotia**	9.4
Province of Alberta**	8.8
Province of Newfoundland and Labrador**	8.0
The Toronto-Dominion Bank**	7.2
Province of Prince Edward Island**	6.3
Province of Quebec**	5.5
HSBC Bank Canada**	4.5
CIBC Mellon Trust Company**	2.7
Honda Canada Finance Inc.**	1.1
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 108,587</b>

\*\* 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.

\*\* Debt Instruments



For more information contact your investment advisor or:

**AGF Investments Inc.**

55 Standish Court, Suite 1050

Mississauga, Ontario L5R 0G3

Toll Free: (800) 268-8583

Web: [AGF.com](http://AGF.com)

Securities of the funds are offered and sold in the United States only in reliance on exemptions from registration. No securities regulatory authority has expressed an opinion about these securities. It is an offence to claim otherwise.

™ The "AGF" logo and all associated trademarks are registered trademarks of AGF Management Limited and used under licence.