

Annual Management Report of Fund Performance

# AGF American Growth 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 American Growth Fund (the "Fund") is to provide long-term capital growth by investing primarily in equity securities of established U.S. companies. AGF Investments Inc. ("AGFI"), as portfolio manager, follows a bottom-up growth investment style. In bottom-up investing, the portfolio manager focuses attention on a specific company rather than on the industry in which that company operates or on the economy as a whole. Growth potential, financial condition and management of a company are assessed using fundamental analysis. The portfolio manager, as part of this evaluation, looks for companies that have above-average earnings and/or revenue growth, display key growth characteristics relative to their own history, industry or overall market, and can sustain their competitive position. In periods of unusual market conditions, a significant portion of the Fund's assets may be held in cash or fixed income securities.

### Risk

The risks of investing in the Fund remain as disclosed in the current prospectus. The Fund continues to be suitable for investors investing for the longer term, seeking the growth potential of equity securities of U.S. companies and who have a medium tolerance for risk.

### Results of Operations

For the year ended September 30, 2018, the Series S Units of the Fund returned 28.9% (net of expenses) while the S&P 500 Net Return Index ("S&P 500 Net Index") returned 21.4%.

The Fund out-performed the S&P 500 Net Index primarily due to strong security selection, particularly in the telecommunication services, consumer discretionary, consumer staples, health care and financials sectors. The Fund's overall sector allocation effect was also positive, as average underweight allocations to the health care (11.7% versus 14.3%), consumer staples (4.1% versus 7.2%) and utilities (nil versus 2.9%) sectors contributed to performance. These contributing factors were partially offset by negative security selection in the materials and industrials sectors.

In terms of individual holdings, the top contributors to performance during the reporting period were Amazon.com Inc., Netflix Inc. and NVIDIA Corporation, while the top

detractors were Albemarle Corporation, Tesla Inc. and Alaska Air Group Inc. As of September 30, 2018, the Fund no longer held Albemarle Corporation in its portfolio.

The Fund had net subscriptions of approximately \$147 million for the current period, as compared to net redemptions of approximately \$91 million in the prior period. Rebalancing by an institutional program resulted in net subscriptions of approximately \$121 million in the Fund. The portfolio manager does not believe that subscription/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 increase in management fees accounted for most of the increase in expenses during the period as compared to the previous period due to an increase in average Net Asset Values. All other expenses remained fairly consistent throughout the periods.

### Recent Developments

The year ended September 30, 2018 was a rewarding one for equity investors. From the last calendar quarter of 2017, equities continued to rally, reflecting the coordinated global growth environment which remained supportive. The passage of the tax reform bill by the U.S. Congress in December further propelled equity markets higher in January.

However, equity markets saw substantially more volatility in the first calendar quarter of 2018, as equities fell with investors grappling with ongoing risks, including higher bond yields and the potential for trade tariffs. Yet, after a weak period, equities resumed climbing higher and continued to do so throughout the second and third calendar quarters of 2018.

The U.S. continued to dominate the investment narrative during the reporting period, as equities had a good start to calendar year 2018 on the back of an excellent earnings environment, with U.S. companies delivering year-over-year earnings growth rates above 20.0%. While some of that strength was a result of the significant tax cuts that were implemented in late 2017, growth in pre-tax profits remained at very healthy levels while top line growth was the best seen since 2005. The strong earnings environment, combined with continued strong macroeconomic data, helped sustain the equities rally throughout the period under review.

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.

The portfolio manager believes that the scope for further progress in the U.S. stock market remains in place. With strong macroeconomic fundamentals and consumer confidence close to 20-year highs, the portfolio manager expects consumer spending to continue to spur demand for the economy, fueled by a historically low unemployment rate, wage gains, rising household wealth from high stock prices and a recovery in housing prices. Further, capital expenditures have also demonstrated strength recently with non-residential fixed investment up 8.5% in the second calendar quarter of 2018. This is particularly impressive since capacity utilization remains below the 80.0% level, which is typically the threshold where capital expenditures accelerate.

Meanwhile, there has been some encouraging news with respect to trade protectionism. The portfolio manager believes the tariffs announced to date are not yet significant enough to materially derail economic growth, and there has been some progress with respect to trade deals since the second calendar quarter of 2018. A new trade deal between the U.S., Canada and Mexico has recently been agreed to, on decidedly more favourable terms for the U.S. when compared to the previous agreement. Though coming to a trade agreement with China is likely to be considerably more difficult, the U.S. has negotiating leverage through a superior economic growth profile and less overall reliance on trade.

Finally, the upcoming mid-term elections are likely to dominate the political narrative over the coming quarter. The portfolio manager would highlight that mid-term elections have been rewarding years for equity markets historically, as they have on average out-performed all non mid-term election years. Further, a split government has not been an impediment to equity market returns historically, as the average S&P 500 Index return during mid-term election years where Congress has switched controlling parties has been 10.3% in the ensuing six months.

Overall, the portfolio manager remains focused on the bottom-up fundamentals in the companies held in the portfolio, focusing on those with expanding addressable markets and those taking share from their competitors. The portfolio manager's recent repositioning into companies in the industrials sector did not help relative performance in the third quarter of the reporting period, but has begun to bear fruit in the last quarter as industrial companies out-performed. The portfolio manager expects these domestically focused companies to be better insulated from trade tensions and larger beneficiaries from tax reform.

While there are many risks that worry investors, such as trade tensions and rate hikes, the equity market has been resiliently climbing the proverbial "wall of worry" and continues to make new highs. If history is any indication, bull markets tend to climb the wall of worry and end with irrational exuberance. To date, the portfolio manager has not seen signs of high investor sentiment readings, particularly in light of the continued outflows from U.S. equities. In the portfolio manager's opinion, this lack of investor confidence,

which historically is a contrarian indicator, combined with a continued favourable profit picture suggests that there may yet be more good times ahead.

## 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 pays management fees, calculated based on the Net Asset Value of Series S Units of the Fund. Management fees of approximately \$2,218,000 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 \$7,000 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").

### Series S 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>31.59</b>	<b>30.31</b>	<b>34.29</b>	<b>29.71</b>	<b>26.58</b>
<b>Increase (decrease) from operations:</b>					
Total revenue	0.24	0.28	0.24	0.34	0.27
Total expenses	(0.06)	(0.06)	(0.06)	(0.07)	(0.05)
Realized gains (losses)	4.28	7.24	4.94	8.21	4.27
Unrealized gains (losses)	3.58	(2.14)	(2.27)	(1.66)	1.57
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>8.04</b>	<b>5.32</b>	<b>2.85</b>	<b>6.82</b>	<b>6.06</b>
<b>Distributions:</b>					
From income (excluding dividends)	(0.00)	(0.00)	(0.01)	(0.03)	-
From dividends	(0.21)	(0.21)	(0.39)	(0.23)	(0.15)
From capital gains	(3.58)	(3.39)	(7.32)	(1.37)	(3.19)
Return of capital	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(3.79)</b>	<b>(3.60)</b>	<b>(7.72)</b>	<b>(1.63)</b>	<b>(3.34)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>36.15</b>	<b>31.59</b>	<b>30.31</b>	<b>34.29</b>	<b>29.71</b>

### Series S 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)	267,278	89,017	172,962	241,476	258,488
Number of units outstanding (000's)	7,394	2,818	5,707	7,041	8,701
Management expense ratio <sup>(5)</sup>	-	-	-	-	-
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.18%	1.21%	1.18%	1.17%	1.18%
Trading expense ratio <sup>(7)</sup>	0.07%	0.08%	0.09%	0.09%	0.07%
Portfolio turnover rate <sup>(8)</sup>	90.62%	51.41%	74.78%	75.69%	71.46%
Net Asset Value per unit	36.15	31.59	30.31	34.29	29.71

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

## 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) Series S Units of the Fund commenced operations in January 2009, 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 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) 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, 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, 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.
- (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 Series S Units. 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 rate	Dealer compensation	General administration and investment advice
Series S Units	1.00%	-	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

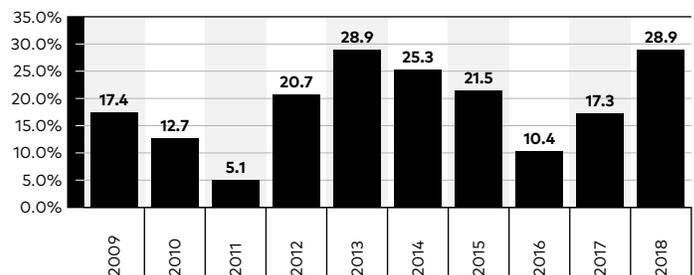
ended September 30, 2018, certain other funds with similar investment objectives merged into the Fund. Generally, for fund mergers, the continuing fund is considered a new fund for the purpose of calculating rates of return and therefore, the rates of return have not been provided for the period of the merger and previous periods. However, the merger of AGF U.S. Value Fund with the Fund in May 2009 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 chart shows the Fund's annual performance for each of the past 10 years to September 30, 2018 as applicable, and illustrates how the Fund's performance has changed from year to year. The chart shows, 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.

### Series S Units



Performance for 2009 represents returns for the period from January 26, 2009 to September 30, 2009.

### Annual Compound Returns

The following table compares the historical annual compound returns for each series with the index, for each of the periods ended September 30, 2018.

Percentage Return:	1 Year	3 Years	5 Years	10 Years	Since Inception
Series S Units	28.9	18.6	20.5	N/A	19.2
S&P 500 Net Return Index	21.4	15.4	18.5	N/A	16.3

The S&P 500 Net Return Index is a capitalization-weighted index of 500 stocks net of dividends and withholding taxes. The index is designed to measure performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

For a discussion of the relative performance of the Fund as compared to the index, see Results of Operations in the Management Discussion of Fund Performance.

\* 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.

## 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 Country	Percentage of Net Asset Value (%)
United States	90.9
Cash & Cash Equivalents	7.9
China	1.2

Portfolio by Sector	Percentage of Net Asset Value (%)
Information Technology	17.0
Health Care	16.7
Industrials	16.0
Financials	14.1
Consumer Discretionary	13.0
Cash & Cash Equivalents	7.9
Energy	5.8
Consumer Staples	4.6
Telecommunication Services	3.9
Real Estate	1.0

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
United States Equity	90.9
Cash & Cash Equivalents	7.9
International Equity	1.2

Top Holdings	Percentage of Net Asset Value (%)
Amazon.com Inc.	8.5
Illumina Inc.	4.5
T-Mobile US Inc.	3.9
Centene Corporation	3.6
Costco Wholesale Corporation	3.6
CSX Corporation	3.6
Alaska Air Group Inc.	3.2
UnitedHealth Group Inc.	3.1
Activision Blizzard Inc.	3.1
Occidental Petroleum Corporation	3.0
T. Rowe Price Group Inc.	2.9
IDEXX Laboratories Inc.	2.9
The Charles Schwab Corporation	2.8
Anadarko Petroleum Corporation	2.8
Caterpillar Inc.	2.8
Old Dominion Freight Line Inc.	2.6
NVIDIA Corporation	2.6
Jazz Pharmaceuticals PLC	2.5
Primerica Inc.	2.5
United Rentals Inc.	2.3
Global Payments Inc.	2.2
E*TRADE Financial Corporation	2.2
Corning Inc.	2.0
Raymond James Financial Inc.	1.9
PayPal Holdings Inc.	1.8
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 267,278</b>



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