

Annual Management Report of Fund Performance

# AGF Tactical Income Fund

September 30, 2017



## 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 Tactical Income Fund (the "Fund") is to seek a balance of current income and long-term capital appreciation by investing primarily in a diversified portfolio of dividend-paying and distribution-paying Canadian equity and income securities including income trusts, common and preferred shares and corporate debt. The Fund may also invest in foreign securities, which are not expected to exceed 49% of Net Asset Value (see Explanatory Note (1) a)) of the Fund at the time of purchase. Cypress Capital Management Ltd. ("Cypress"), as portfolio manager, combines a top-down macro outlook with fundamental bottom-up company analysis. In top-down investing, the focus involves looking at the "big picture" in the economy and financial world and then breaking those components down into finer details. 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. The portfolio manager focuses on inefficient sectors, adopts a long-term outlook, maintains the discipline to buy only at an attractive valuation and is willing to take off benchmark positions. 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 medium to long-term, seeking a balance between current income and long-term capital appreciation, who wish to receive a monthly distribution and who have medium tolerance for risk.

### Results of Operations

For the year ended September 30, 2017, the Mutual Fund Units of the Fund returned 6.8% (net of expenses) while the S&P/TSX Composite Index ("S&P/TSX Index") and the Blended Benchmark returned 9.2% and 5.4%, respectively. The Blended Benchmark is composed of 60% S&P/TSX Index/25% FTSE TMX Canada Universe Bond Index/15% S&P/TSX Capped REIT Index. 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 S&P/TSX Index due to its fixed income portion, which under-performed equities and detracted from relative performance. On an expense adjusted basis however, the Fund

out-performed the benchmark, driven by strong performance of the equity portion.

Within the equity component of the Fund, out-performance was primarily driven by strong performance from the Fund's preferred share holdings. Fund's sector allocation also contributed to performance, most notably the allocation to U.S. equities, which out-performed the Canadian equities. As at September 30, 2017, the Fund's underweight allocation (excluding preferred shares) to the resource sectors contributed to performance as energy (8.8% versus 20.4% for the S&P/TSX Index) was in negative territory and materials (1.9% versus 11.5%) was the worst performing sector. The largest detractor from relative performance was the Fund's security selection within the materials and energy sectors.

The Fund out-performed the Blended Benchmark due to out-performance across all three asset classes; equities, fixed income and real estate investment trusts ("REITs"). The Fund's asset allocation also contributed, driven by an overweight position in equities (excluding preferred shares and REITs) (71.1% versus 58.7%), underweight in REITs (2.0% versus 16.3%) and underweight in fixed income (12.0% versus 25.0%) as of September 30, 2017.

The Fund's list of top performers was dominated by preferred shares, with ten holdings returning approximately 30.0% over the reporting period, with the group as a whole returning 24.0%. All of the Fund's preferred shares are either rate reset or floating rate issues, which benefit from rising interest rates as seen post the U.S. election and the Bank of Canada's interest rate hikes in July 2017 and September 2017. Also generating strong returns were other interest rate sensitive stocks including Citigroup Inc. and Manulife Financial Corporation, which had an increase in stock value of approximately 56.0% and 41.0%, respectively, over the reporting period.

The Fund's most notable change over the reporting period was a reallocation from equities to preferred shares. The Fund's Canadian equity weighting (excluding ETFs and including REITs) was reduced from 56.7% to 53.7% and U.S. equity weighting from 16.9% to 15.5%, while the preferred share weighting (including ETFs) was increased from 5.8% to 11.4%. This shift reflects a more defensive positioning given the current equity market outlook, as well as targeted exposure to investments that are expected to benefit from a rising interest rate environment.

Certain series of the Fund, as applicable, make monthly distributions at a rate determined by AGF Investments Inc. ("AGFI") from time to time. If the aggregate amount of the monthly distributions made to a series in a year exceeds the portion of the net income and net realized capital gains allocated to such series, 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.

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 Fund had net redemptions of approximately \$5 million for the current period, as compared to net redemptions of approximately \$11 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 and investor activity, such as number of investor accounts and transactions. Expenses have decreased as compared to the previous period due mainly to a decrease in average Net Asset Values and investor activity. Unitholder servicing and administrative fees decreased due to non-recurring expenses incurred in the previous period. The decrease in audit fees, custodian fees and interest expense were due to variances between the accrued amounts versus the actual expenses incurred in the previous period. All other expenses remained fairly consistent throughout the periods.

#### Recent Developments

Global equity markets were strong over the reporting period, driven higher following the surprise election of Republican candidate Donald Trump as President of the U.S. Europe was the strongest market, up 23.0% on a much improved outlook, followed closely by emerging markets as a group that increased by 22.9%. In the U.S., the S&P 500 Index gained 18.6%, and continued to hit new all-time highs over the reporting period. Canada was the laggard, with the S&P/TSX Index up a relatively modest 9.2%, although up 14.8% in U.S. dollar terms on the back of an appreciating Canadian dollar.

In Canada, the S&P/TSX Index's 9.2% gain was driven by strength in industrials, financials and consumer discretionary sectors, up 20.7%, 19.5% and 19.2%, respectively. Financials sector notably benefited from the rising interest rate environment. Resource space was a major drag as materials and energy sectors, representing a combined 31.8% of the benchmark, were down 0.9% and 3.8%, respectively. Energy sector continued to be impacted by relative weakness in crude oil prices. Health care was the worst performing sector, down 34.9% largely driven by a 44.5% decline in erstwhile benchmark heavyweight Valeant Pharmaceuticals International Inc.

Looking beyond equity markets, the other significant market event over the reporting period was central bank activity. The U.S. Federal Reserve (the "Fed") hiked interest rates by 25 basis points (one basis point ("bp") equals 0.01%) in June 2017, following similar rate hikes in March 2017 and December 2016. The reduction in monetary stimulus reflects the strength of the U.S. economy, notably unemployment rate hitting a sixteen year low of 4.3%. Further tightening of the labour market is expected to return inflation to more normalized levels and drive a gradual normalization of monetary policy. In the portfolio manager's opinion, this will lead to further Fed interest rate hikes and a gradual unwinding of the bulk of the Fed's USD \$4.5 trillion balance sheet, which will also contribute to rising interest rates.

In Canada, the Bank of Canada ("BoC") shifted its tone suddenly and dramatically in July 2017, driven by a surprisingly strong start to the year for the economy. With strong job growth and the Canadian consumer remaining resilient, the BoC called into question the need to maintain the

two 25 bp interest rate cuts implemented in 2015 as oil prices were crashing. Having prepared the market, the BoC proceeded to hike interest rates by 25 bp in July 2017 and another 25 bp in September 2017. The Canadian economy has been solid, with unemployment down to 6.2%, while corporate profits are almost back to the level of 2014 pre-oil crash. The consumer sentiment has remained strong, and concern about interest rate hikes driving the Canadian dollar even higher and negatively impacting exports is somewhat mitigated by expectations that the Fed will also continue to hike interest rates. Driven by the BoC's change of tone and two successive interest rate hikes, the Canadian dollar rallied from a low of approximately USD \$0.73 in May 2017 to USD \$0.80 by the end of September 2017.

Reflecting the solid economic growth, rising inflation expectations and central bank interest rate hikes, bond yields surged over the reporting period. In the U.S., the 10-year treasury rose from 1.59% to 2.33%, while in Canada, the 10-year government bond rose from 1.00% to 2.10%. This sharp rise in yields saw the Canada ten year bond decline in value by 7.1% over the reporting period, highlighting the risk involved when paying lofty valuations for "risk-free" government bonds. While the portfolio manager views the recent BoC interest rate hikes as appropriate, hiking interest rates in the face of highly indebted consumers, a stretched housing market and bank regulators looking to further cool the housing market pose a risk to the strength of the Canadian economy. Other challenges include the impact of a resurgent Canadian dollar on exports and ongoing trade concerns related to the renegotiation of the North American Free Trade Agreement.

While global economic momentum appears solid, with a European recovery underway and U.S and Canada reaching new employment and gross domestic product growth peaks post the financial crisis, the global economy still appears susceptible to shocks. The gradual unwind of the massive worldwide monetary stimulus that supported the recovery looks set to begin, posing an obstacle to growth. In the U.S., all of the elevated risks associated with a Trump presidency remain, and in China, the world's second largest economy, credit-fueled growth appears to be increasingly unsustainable. Broad geopolitical risks involving countries such as Russia, China, North Korea and Syria also remain.

As far as market risk goes, notwithstanding the strength of the U.S. economy, the risk remains that much of President Trump's pro-business/reflationary stance (i.e. tax reform, fiscal stimulus and trade protectionism) may never come to fruition. The reality is that several of his policy proposals have already been hampered. To the extent that U.S. equity market strength has been driven by the President Trump's proposed agenda, the risk remains that the market could be disappointed.

The portfolio manager maintains a moderately cautious view on equity markets. Within the context of above average valuations, a tightening monetary policies of the Fed and BoC, and a significantly extended period without a market correction, it wouldn't be surprising to see some downside volatility ahead for markets. Expanding valuations (i.e. price earnings multiples) have been the main driver of market performance for quite some time and a shift to earnings growth as a driver poses challenges if expectations are not met. However, the portfolio managers

believe that stock selection will be increasingly more important and will provide investment opportunities as stock correlations have dropped significantly. In this environment, the Fund's investment strategy remains the same, with a focus on good companies with strong competitive positions, that trade at attractive valuations and that are expected to perform well over the long-term even if there is short-term market volatility.

## 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 acts either as the investment (portfolio) manager itself or hires an external investment manager to manage the investment portfolio of the Fund. AGFI and Cypress entered into an investment management agreement pursuant to which Cypress is responsible for managing the investment portfolio of the Fund. Under the management agreement, the Fund (except for 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 \$1,613,000 were incurred by the Fund during the period ended September 30, 2017.

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 \$103,000 incurred by the Fund were paid to AGFC during the period ended September 30, 2017.

AGFI, Cypress 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. Information for the periods prior to October 1, 2013 is derived from financial statements prepared in accordance with Canadian generally accepted accounting principles as defined in Part V of the CPA Handbook ("Canadian GAAP").

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

| For the periods ended  | Sept 30,<br>2017 (\$) | Sept 30,<br>2016 (\$) | Sept 30,<br>2015 (\$) | Sept 30,<br>2014 (\$) | Sept 30,<br>2013 (\$) |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| <b>Net Assets, beginning of period<sup>(1)</sup></b>           | 11.74                 | 11.28                 | 12.25                 | 11.06                 | 11.24                 |
| <b>Increase (decrease) from operations:</b>                    |                       |                       |                       |                       |                       |
| Total revenue  | 0.39                  | 0.41                  | 0.43                  | 0.49                  | 0.52                  |
| Total expenses   | (0.30)                | (0.33)                | (0.37)                | (0.37)                | (0.33)                |
| Realized gains (losses)  | 0.75                  | 0.78                  | 0.69                  | 0.54                  | 0.14                  |
| Unrealized gains (losses)                                      | (0.04)                | 0.26                  | (0.97)                | 1.32                  | 0.26                  |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>0.80</b>           | <b>1.12</b>           | <b>(0.22)</b>         | <b>1.98</b>           | <b>0.59</b>           |
| <b>Distributions:</b>  |                       |                       |                       |                       |                       |
| From income (excluding dividends)                              | –                     | –                     | –                     | –                     | –                     |
| From dividends   | (0.07)                | (0.51)                | (0.03)                | (0.13)                | (0.17)                |
| From capital gains   | –                     | –                     | –                     | –                     | –                     |
| Return of capital  | (0.65)                | (0.17)                | (0.69)                | (0.60)                | (0.67)                |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.72)</b>         | <b>(0.68)</b>         | <b>(0.72)</b>         | <b>(0.73)</b>         | <b>(0.84)</b>         |
| <b>Net Assets, end of period<sup>(4)</sup></b>                 | <b>11.81</b>          | <b>11.74</b>          | <b>11.28</b>          | <b>12.25</b>          | <b>11.00</b>          |

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

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

| For the periods ended   | Sept 30, 2017 | Sept 30, 2016 | Sept 30, 2015 | Sept 30, 2014 | Sept 30, 2013 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Net Asset Value (\$000's)                                       | 80,821        | 88,751        | 100,457       | 130,095       | 146,403       |
| Number of units outstanding (000's)                                   | 6,844         | 7,560         | 8,908         | 10,619        | 13,231        |
| Management expense ratio <sup>(5)</sup>                               | 2.43%         | 2.75%         | 2.95%         | 2.96%         | 2.98%         |
| Management expense ratio before waivers or absorptions <sup>(6)</sup> | 2.48%         | 2.78%         | 2.95%         | 2.96%         | 2.98%         |
| Trading expense ratio <sup>(7)</sup>                                  | 0.05%         | 0.06%         | 0.07%         | 0.10%         | 0.16%         |
| Portfolio turnover rate <sup>(8)</sup>                                | 17.97%        | 15.06%        | 23.95%        | 12.41%        | 31.12%        |
| Net Asset Value per unit  | 11.81         | 11.74         | 11.28         | 12.25         | 11.06         |

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

| For the periods ended  | Sept 30, 2017 (\$) | Sept 30, 2016 (\$) | Sept 30, 2015 (\$) | Sept 30, 2014 (\$) | Sept 30, 2013 (\$) |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Net Assets, beginning of period<sup>(1)</sup></b>           | <b>12.44</b>       | <b>11.80</b>       | <b>12.65</b>       | <b>11.32</b>       | <b>11.40</b>       |
| <b>Increase (decrease) from operations:</b>                    |                    |                    |                    |                    |                    |
| Total revenue  | 0.41               | 0.43               | 0.45               | 0.49               | 0.53               |
| Total expenses   | (0.19)             | (0.17)             | (0.22)             | (0.26)             | (0.23)             |
| Realized gains (losses)  | 0.77               | 0.90               | 0.73               | 0.56               | 0.14               |
| Unrealized gains (losses)                                      | (0.08)             | 0.26               | (1.47)             | 1.37               | 0.28               |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>0.91</b>        | <b>1.42</b>        | <b>(0.51)</b>      | <b>2.16</b>        | <b>0.72</b>        |
| <b>Distributions:</b>  |                    |                    |                    |                    |                    |
| From income (excluding dividends)                              | –                  | –                  | –                  | –                  | –                  |
| From dividends   | (0.15)             | (0.54)             | (0.01)             | (0.21)             | (0.31)             |
| From capital gains   | –                  | –                  | –                  | –                  | –                  |
| Return of capital  | (0.61)             | (0.18)             | (0.74)             | (0.54)             | (0.55)             |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.76)</b>      | <b>(0.72)</b>      | <b>(0.75)</b>      | <b>(0.75)</b>      | <b>(0.86)</b>      |
| <b>Net Assets, end of period<sup>(4)</sup></b>                 | <b>12.63</b>       | <b>12.44</b>       | <b>11.80</b>       | <b>12.65</b>       | <b>11.26</b>       |

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

| For the periods ended   | Sept 30, 2017 | Sept 30, 2016 | Sept 30, 2015 | Sept 30, 2014 | Sept 30, 2013 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Net Asset Value (\$000's)                                       | 2,969         | 2,035         | 1,045         | 1,535         | 1,679         |
| Number of units outstanding (000's)                                   | 235           | 164           | 89            | 121           | 148           |
| Management expense ratio <sup>(5)</sup>                               | 1.40%         | 1.32%         | 1.64%         | 1.97%         | 2.00%         |
| Management expense ratio before waivers or absorptions <sup>(6)</sup> | 1.45%         | 1.35%         | 2.26%         | 2.23%         | 2.19%         |
| Trading expense ratio <sup>(7)</sup>                                  | 0.05%         | 0.06%         | 0.07%         | 0.10%         | 0.16%         |
| Portfolio turnover rate <sup>(8)</sup>                                | 17.97%        | 15.06%        | 23.95%        | 12.41%        | 31.12%        |
| Net Asset Value per unit  | 12.63         | 12.44         | 11.80         | 12.65         | 11.32         |

## Series Q Units – Net Assets per Unit<sup>(1)</sup>

| For the periods ended  | Sept 30, 2017 (\$) | Sept 30, 2016 (\$) | Sept 30, 2015 (\$) | Sept 30, 2014 (\$) | Sept 30, 2013 (\$) |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Net Assets, beginning of period<sup>(1)</sup></b>           | <b>9.96</b>        | <b>9.32</b>        | <b>10.00*</b>      | –                  | –                  |
| <b>Increase (decrease) from operations:</b>                    |                    |                    |                    |                    |                    |
| Total revenue  | 0.33               | 0.37               | 0.17               | –                  | –                  |
| Total expenses   | (0.01)             | (0.01)             | (0.01)             | –                  | –                  |
| Realized gains (losses)  | 0.63               | 0.63               | 0.39               | –                  | –                  |
| Unrealized gains (losses)                                      | (0.06)             | 0.23               | (0.92)             | –                  | –                  |
| <b>Total increase (decrease) from operations<sup>(2)</sup></b> | <b>0.89</b>        | <b>1.22</b>        | <b>(0.37)</b>      | –                  | –                  |
| <b>Distributions:</b>  |                    |                    |                    |                    |                    |
| From income (excluding dividends)                              | –                  | –                  | –                  | –                  | –                  |
| From dividends   | (0.15)             | (0.43)             | –                  | –                  | –                  |
| From capital gains   | –                  | –                  | –                  | –                  | –                  |
| Return of capital  | (0.47)             | (0.14)             | (0.24)             | –                  | –                  |
| <b>Total annual distributions<sup>(3)</sup></b>                | <b>(0.62)</b>      | <b>(0.57)</b>      | <b>(0.24)</b>      | –                  | –                  |
| <b>Net Assets, end of period<sup>(4)</sup></b>                 | <b>10.26</b>       | <b>9.96</b>        | <b>9.32</b>        | –                  | –                  |

\* represents initial Net Assets

~ annualized

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

## Series Q Units – Ratios/Supplemental Data<sup>(1)</sup>

| For the periods ended   | Sept 30, 2017 | Sept 30, 2016 | Sept 30, 2015 | Sept 30, 2014 | Sept 30, 2013 |
|---|---------------|---------------|---------------|---------------|---------------|
| Total Net Asset Value (\$000's)                                       | 9,505         | 6,266         | 2,366         | –             | –             |
| Number of units outstanding (000's)                                   | 927           | 629           | 254           | –             | –             |
| Management expense ratio <sup>(5)</sup>                               | 0.04%         | 0.02%         | –             | –             | –             |
| Management expense ratio before waivers or absorptions <sup>(6)</sup> | 0.22%         | 0.20%         | 0.17%         | –             | –             |
| Trading expense ratio <sup>(7)</sup>                                  | 0.05%         | 0.06%         | 0.07%         | –             | –             |
| Portfolio turnover rate <sup>(8)</sup>                                | 17.97%        | 15.06%        | 23.95%        | –             | –             |
| Net Asset Value per unit  | 10.26         | 9.96          | 9.32          | –             | –             |

## Explanatory Notes

(1) a) This information is derived from the Fund's audited annual financial statements. Prior to October 1, 2014, the net assets per unit presented in the financial statements ("Net Assets") differed from the net asset value per unit calculated for fund pricing purposes ("Net Asset Value"), due to differences in valuation techniques of certain investments as required under Canadian GAAP. The adoption of IFRS, effective October 1, 2014, has generally eliminated the difference between Net Assets per unit and Net Asset Value per unit.

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 | March 2003 |
| Series F Units    | April 2003 |
| Series Q Units    | April 2015 |

(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 the respective series, calculated daily and payable monthly. Management fees in respect of 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 | 2.00%                              | 57.62%              | 42.38%                                       |
| Series F Units    | 0.90%                              | —                   | 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, 2017, 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 Dividend Fund with the Fund in August 2011 and the mergers of Acuity Focused Total Return Trust and Acuity Growth & Income Trust with the Fund in July 2011 did not constitute material changes to the Fund and accordingly did not impact the ability of the Fund to maintain its historical performance.

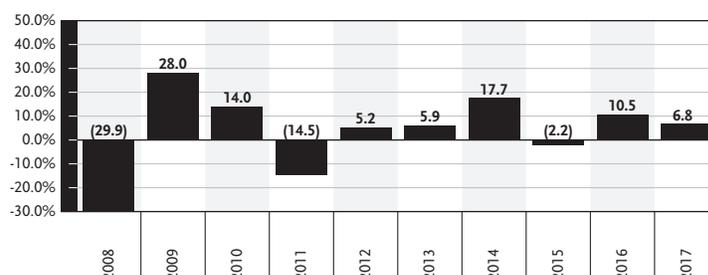
All rates of return are calculated based on the Net Asset Value.

### Year-By-Year Returns

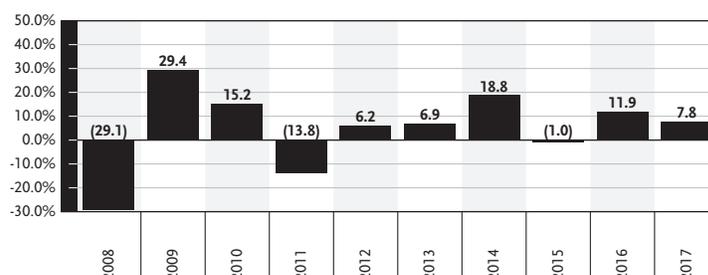
The following bar charts show the Fund's annual performance for each of the past 10 years to September 30, 2017 as applicable, and illustrate how the Fund's performance has changed from year to year. The charts show, in percentage terms, how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

Annual performance prior to 2011 represents returns for the twelve month period ended December 31. Performance for 2011 represents returns for the period from January 1, 2011 to September 30, 2011. Annual performance for 2012 and thereafter represents returns for the twelve month period ended September 30.

### Mutual Fund Units

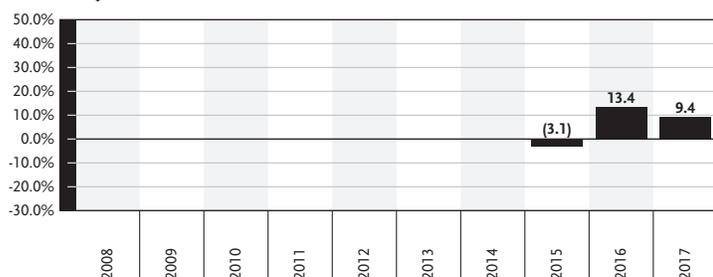


### Series F Units



\* 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.

## Series Q Units



Performance for 2015 represents returns for the period from May 14, 2015 to September 30, 2015.

## Annual Compound Returns

The following table compares the historical annual compound returns for each series with the indices, for each of the periods ended September 30, 2017.

| Percentage Return:      | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|-------------------------|--------|---------|---------|----------|-----------------|
| Mutual Fund Units       | 6.8    | 4.9     | 7.5     | 2.4      | N/A             |
| S&P/TSX Composite Index | 9.2    | 4.5     | 8.1     | 4.1      | N/A             |
| Blended Benchmark       | 5.4    | 4.5     | 6.3     | 4.9      | N/A             |
| Series F Units          | 7.8    | 6.1     | 8.7     | 3.5      | N/A             |
| S&P/TSX Composite Index | 9.2    | 4.5     | 8.1     | 4.1      | N/A             |
| Blended Benchmark       | 5.4    | 4.5     | 6.3     | 4.9      | N/A             |
| Series Q Units          | 9.4    | N/A     | N/A     | N/A      | 8.0             |
| S&P/TSX Composite Index | 9.2    | N/A     | N/A     | N/A      | 4.8             |
| Blended Benchmark       | 5.4    | N/A     | N/A     | N/A      | 4.1             |

The S&P/TSX Composite Index is a capitalization-weighted index designed to measure market activity of stocks and trusts listed on the Toronto Stock Exchange.

The FTSE TMX Canada Universe Bond Index is a market capitalization-weighted index designed to be a broad measure of the Canadian investment grade fixed income market.

The S&P/TSX Capped REIT Index is a sub-index of the broad-based S&P/TSX Income Trust Index. This sector-based index comprises real estate income trusts ("REITs"), which are classified in the GICS real estate sector, with individual constituent REITs' relative weights capped at 25%.

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

## Summary of Investment Portfolio

As at September 30, 2017

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, 2017.

The prospectus and other information about the ETFs are available on the internet at [www.sedar.com](http://www.sedar.com) and/or [www.sec.gov/edgar.shtml](http://www.sec.gov/edgar.shtml), as applicable.

| Portfolio by Country    | Percentage of Net Asset Value (%) |
|-------------------------|-----------------------------------|
| Canada                  | 76.3                              |
| United States           | 15.5                              |
| Cash & Cash Equivalents | 4.2                               |
| ETFs – International    | 3.4                               |
| Bermuda                 | 0.6                               |

| Portfolio by Sector          | Percentage of Net Asset Value (%) |
|------------------------------|-----------------------------------|
| Financials                   | 20.8                              |
| Energy                       | 10.4                              |
| ETFs – United States Equity  | 10.0                              |
| Utilities                    | 7.6                               |
| Corporate Bonds              | 6.4                               |
| Consumer Discretionary       | 6.4                               |
| Real Estate                  | 5.9                               |
| Consumer Staples             | 5.8                               |
| Cash & Cash Equivalents      | 4.2                               |
| ETFs – International Equity  | 3.4                               |
| ETFs – Domestic Equity       | 3.4                               |
| Industrials                  | 3.3                               |
| High Yield Bonds             | 2.8                               |
| ETFs – Domestic Fixed Income | 2.6                               |
| Telecommunication Services   | 2.3                               |
| Materials                    | 1.9                               |
| Health Care                  | 1.6                               |
| Information Technology       | 1.2                               |

| Portfolio by Asset Mix  | Percentage of Net Asset Value (%) |
|-------------------------|-----------------------------------|
| Canadian Equity         | 67.1                              |
| United States Equity    | 15.5                              |
| Canadian Fixed Income   | 9.2                               |
| Cash & Cash Equivalents | 4.2                               |
| International Equity    | 4.0                               |

| Portfolio by Credit Rating†† | Percentage of Net Asset Value (%) |
|------------------------------|-----------------------------------|
| A                            | 4.2                               |
| BBB                          | 3.2                               |
| BB                           | 4.0                               |
| B                            | 4.0                               |
| CCC                          | 0.7                               |
| Not Rated                    | 5.2                               |

†† 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.

| Top Holdings  | Percentage of<br>Net Asset Value (%) |
|---|--------------------------------------|
| Brookfield Asset Management Inc.                    | 5.0                                  |
| The Toronto-Dominion Bank                           | 4.0                                  |
| Royal Bank of Canada                                | 3.7                                  |
| Alimentation Couche-Tard Inc.                       | 3.7                                  |
| Enbridge Inc.                                       | 3.6                                  |
| The Bank of Nova Scotia                             | 3.6                                  |
| Magna International Inc.                            | 3.6                                  |
| Manulife Financial Corporation                      | 2.8                                  |
| Algonquin Power & Utilities Corporation             | 2.8                                  |
| Pembina Pipeline Corporation                        | 1.9                                  |
| Tricon Capital Group Inc.                           | 1.7                                  |
| iShares S&P/TSX Canadian Preferred Share Index ETF  | 1.7                                  |
| BMO Laddered Preferred Share Index ETF              | 1.7                                  |
| Innergex Renewable Energy Inc.                      | 1.6                                  |
| Canadian Natural Resources Limited                  | 1.6                                  |
| Vanguard FTSE Europe ETF                            | 1.6                                  |
| iShares Canadian HYBrid Corporate Bond Index ETF    | 1.5                                  |
| Vanguard S&P 500 ETF                                | 1.4                                  |
| H&R Real Estate Investment Trust                    | 1.4                                  |
| iShares Core S&P 500 ETF                            | 1.4                                  |
| SPDR S&P 500 ETF Trust                              | 1.3                                  |
| Suncor Energy Inc.                                  | 1.3                                  |
| Vanguard Large-Cap Fund ETF                         | 1.3                                  |
| iShares S&P 500 Value ETF                           | 1.3                                  |
| Vanguard Dividend Appreciation Fund ETF             | 1.3                                  |
| <b>Total Net Asset Value (thousands of dollars)</b> | <b>\$ 93,295</b>                     |



For more information contact your investment advisor or:

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