

Interim Management Report of Fund Performance

# AGF Tactical Fund

March 31, 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.

### Results of Operations

For the six months ended March 31, 2018, the Series S Units of AGF Tactical Fund (the "Fund") returned 5.4% (net of expenses) while the FTSE TMX Canada 91 Day T-Bill Index ("FTSE TMX 91 Day Index") and the FTSE TMX 91 Day Index + 100 bps annualized returned 0.5% and 1.0%, respectively.

The Fund out-performed both benchmarks due to its U.S. and Japanese equity exposure, which led treasury bills by a wide margin. The Fund's Canadian equity exposure partially detracted as the category under-performed both benchmarks during the reporting period. A significant weighting in Canadian dollar also slightly detracted performance, as cash under-performed the FTSE TMX 91 Day Index + 100 bps annualized Index.

The Fund had net redemptions of approximately \$55 million for the current period, as compared to net redemptions of approximately \$4 million in the prior period. Rebalancing by an institutional program resulted in net redemptions of approximately \$78 million in the Fund. 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. Expenses have decreased as compared to the previous period due mainly to a decrease in average Net Asset Values. The increase in annual and interim reports and custodian fees and decrease in audit fees 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

The portfolio manager remains constructive towards global growth over the long-term, though is expecting considerably more volatility over the short-term. As such, the portfolio manager continues to favour equities over bonds, yet with a defensive shift in positioning for the upcoming period. Within

equities, developed markets are preferred over emerging markets. While the economic backdrop in emerging markets has improved of late and valuations remain attractive, trade uncertainty will likely weigh on equity markets in the months ahead. Within developed markets, the portfolio manager continues to view U.S. equities favourably as recently passed tax bill is expected to lift company earnings. Japanese equities are also favoured, as accommodative policy and pro-growth reforms have led to sustained economic growth. European markets have withstood substantial political uncertainty, much of which has now passed, with little disruption. However, some risk does remain with ongoing Brexit negotiations, leading to a neutral outlook. Canadian equities remain out-of-favour as external risks threaten trade-reliant sectors and weigh negatively on market sentiment. Asia Pacific markets (ex-Japan) offer attractive valuations, though a potential for slowing growth in China and heightened trade risk result in a moderately unfavourable outlook. The portfolio manager holds an overall underweight position in fixed income as continued tightening by the U.S. Federal Reserve and range-bound yields are expected in the near term. Emerging markets debt is most preferred within the asset class, particularly local denominated issues, though the portfolio manager remains cautious of currency effects. Credit conditions are also starting to deteriorate with concerns over valuations and technical indicators. The risk/reward trade-off for high yield debt has become less appealing, resulting in an underweight position.

### Related Party Transactions

AGF Investments Inc. ("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 \$1,310,000 were incurred by the Fund during the six month period ended March 31, 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 \$4,000 incurred by the Fund were paid to AGFC during the six month period ended March 31, 2018.

AGFI and AGFC are indirect wholly-owned subsidiaries of AGF Management Limited.

This interim management report of fund performance contains financial highlights, but does not contain either the interim or annual financial statements of the investment fund. You can get a copy of the interim or 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.

## 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.

\* represents initial Net Assets  
~ annualized

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

## 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 six months ended March 31, 2018 and 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.

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

For the periods ended	Mar 31, 2018 (\$)	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>10.89</b>	<b>10.35</b>	<b>10.14</b>	<b>10.00</b>	<b>10.00*</b>	-
<b>Increase (decrease) from operations:</b>						
Total revenue	0.08	0.19	0.16	0.09	-	-
Total expenses	(0.01)	(0.03)	(0.04)	(0.02)	-	-
Realized gains (losses)	0.28	0.76	(0.40)	0.31	-	-
Unrealized gains (losses)	0.29	(0.21)	0.95	(0.32)	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.64</b>	<b>0.71</b>	<b>0.67</b>	<b>0.06</b>	-	-
<b>Distributions:</b>						
From income (excluding dividends)	(0.03)	(0.01)	(0.01)	-	-	-
From dividends	(0.17)	(0.18)	(0.05)	-	-	-
From capital gains	(0.07)	-	(0.32)	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.27)</b>	<b>(0.19)</b>	<b>(0.38)</b>	-	-	-
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>11.21</b>	<b>10.89</b>	<b>10.35</b>	<b>10.14</b>	<b>10.00</b>	-

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

For the periods ended	Mar 31, 2018	Sept 30, 2017	Sept 30, 2016	Sept 30, 2015	Sept 30, 2014	Sept 30, 2013
Total Net Asset Value (\$000's)	265,380	311,266	275,504	201,301	150	-
Number of units outstanding (000's)	23,679	28,587	26,622	19,853	15	-
Management expense ratio <sup>(5)</sup>	0.23%-	0.12%	0.09%	-	-	-
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.39%-	1.29%	1.26%	1.20%-	-	-
Trading expense ratio <sup>(7)</sup>	0.10%-	0.13%	0.25%	0.09%-	-	-
Portfolio turnover rate <sup>(8)</sup>	23.38%	95.48%	156.43%	55.70%	-	-
Net Asset Value per unit	11.21	10.89	10.35	10.14	10.00	-

### Explanatory Notes

(1) a) This information is derived from the Fund's audited annual financial statements and unaudited interim 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) Series S Units of the Fund commenced operations in January 2015, 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 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, calculated daily and payable monthly. 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.

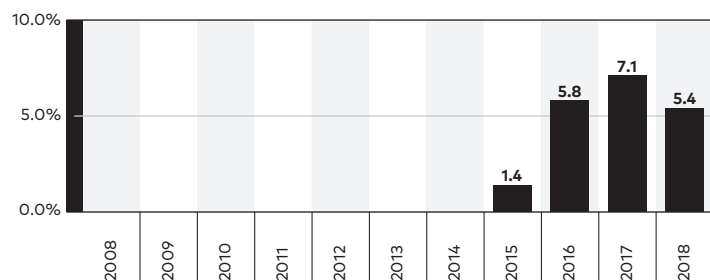
All rates of return are calculated based on the Net Asset Value.

### Year-By-Year Returns

The following bar chart shows the Fund's annual performance for each of the past 10 years to September 30, 2017 (interim performance for the six months ended March 31, 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.

\* The indicated rates of return shown here are the historical 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 S Units



Performance for 2015 represents returns for the period from January 15, 2015 to September 30, 2015.

## Summary of Investment Portfolio

As at March 31, 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 June 30, 2018.

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 (%)
Cash & Cash Equivalents	38.8
Japan	28.1
United States	26.0
Canada	7.0

Portfolio by Sector	Percentage of Net Asset Value (%)
Cash & Cash Equivalents	38.8
ETFs – International Equity	28.1
ETFs – United States Equity	26.0
ETFs – Domestic Equity	7.0

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
Cash & Cash Equivalents	38.8
International Equity	28.1
United States Equity	26.0
Canadian Equity	7.0

Top Holdings	Percentage of Net Asset Value (%)
iShares MSCI Japan ETF	28.1
iShares Core S&P 500 ETF	22.1
SPDR S&P Oil & Gas Exploration & Production ETF	3.9
BMO Junior Oil Index ETF	3.6
iShares S&P/TSX Capped Energy ETF	3.4
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 265,380</b>



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.