

Interim Management Report of Fund Performance

# AGF Short-Term Income Class

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 Mutual Fund Shares of AGF Short-Term Income Class (the "Fund") returned 0.2% (net of expenses) while the FTSE TMX Canada 91 Day T-Bill Index ("FTSE TMX 91 Day Index") and the FTSE TMX Canada Short Term Bond Index ("FTSE TMX Short Term Bond Index") both returned 0.5%. The performance of the other series of the Fund is substantially similar to that of the Mutual Fund Shares, save for differences in expense structure. Refer to "Past Performance" section for performance information of such series.

On a gross-of-fees basis, the Fund out-performed the FTSE TMX 91 Day Index due to the inclusion of bonds of greater maturity than the index, which out-performed despite yields rising across most of the Canadian yield curve. The Fund's overweight exposure to corporate bonds contributed positively to returns due to their out-performance during the reporting period.

On a gross-of-fees basis, the Fund out-performed the FTSE TMX Short Term Bond Index due to an overweight exposure to corporate bonds, which out-performed, in addition to an underweight exposure to government bonds, which under-performed as yields rose across the curve up to and including nine years in maturity. Inclusion of real return bonds also benefited performance due to rising breakeven inflation rates during the reporting period.

The Fund had net redemptions of approximately \$3 million for both the current and prior periods. 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 decrease in interest expense was due to a decrease in overdraft positions throughout the period. The increase in annual and interim reports 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

Uncertainty surrounding trade escalated during the first calendar quarter of 2018 as the Trump administration imposed tariffs on several of its trading partners, most prominently China. While concern about the North American Free Trade Agreement has softened in recent weeks, it remains to be seen what demands the Trump administration will place on Canada and Mexico following their temporary exclusion from recent steel and aluminum tariffs. As such, the portfolio manager expects the Bank of Canada ("BoC") will remain cautious in raising interest rates further as it observes how trade negotiations unfold as well as the moderation in economic activity following a strong year in 2017. Canada's strong growth drivers in recent years, which included consumer spending and housing investment, are likely to moderate further, as interest rates have risen and tighter mortgage rules have impacted housing demand. Encouragingly, Canada's labour market remains strong, which should help support these economic growth drivers, albeit at a more moderate pace. While any improvement in the economic data, including faster economic growth, rising inflation and/or further improvement in the labour market, may prompt the BoC to hike policy rates sooner than expected, the portfolio manager expects the pace of interest hikes to remain benign, at most matching that of the U.S. Federal Reserve (the "Fed").

The portfolio manager expects the Fed to remain committed to tightening policy given healthy financial conditions, as evidenced by the recent interest rate hike in March 2018 and the ongoing scheduled reduction in its balance sheet. The recent passage of tax and government spending bills in the U.S. are expected to continue boosting economic growth. As the year progresses, however, the market may be increasingly focused on the flattening of the yield curve if the Fed tightens too quickly. Another event for bond investors to consider in late 2018 and into 2019 is the potential that the European Central Bank and Bank of Japan may start tapering their respective quantitative easing programs. In this environment, the portfolio manager anticipates that bond yields will move higher if global growth and inflation continue to improve. Developments on these fronts will be a

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.

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key element influencing the path of bond yields and monetary policy.

The portfolio manager's outlook continues to be mildly positive as economic growth momentum continues, partially offset by the somewhat elevated valuations of riskier asset classes. Consequently, the portfolio manager prefers investment grade corporate bonds over government bonds, which may struggle if yields rise.

### Related Party Transactions

AGF Investments Inc. ("AGFI") is the manager ("Manager") 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 Shares, if applicable) pays management fees, calculated based on the Net Asset Value of the respective series of the Fund. Management fees of approximately \$112,000 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. Shareholder servicing and administrative fees of approximately \$16,000 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.

### 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 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 share 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 ("Canadian GAAP").

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### Mutual Fund Shares – Net Assets per Share<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>13.75</b>	<b>13.90</b>	<b>13.72</b>	<b>13.60</b>	<b>13.43</b>	<b>13.31</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.22	0.43	0.38	0.24	0.29	0.18
Total expenses	(0.06)	(0.12)	(0.12)	(0.12)	(0.12)	(0.08)
Realized gains (losses)	(0.19)	(0.06)	0.42	(0.25)	(0.11)	0.02
Unrealized gains (losses)	0.06	(0.40)	(0.50)	0.26	0.11	(0.00)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.03</b>	<b>(0.15)</b>	<b>0.18</b>	<b>0.13</b>	<b>0.17</b>	<b>0.12</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>13.78</b>	<b>13.75</b>	<b>13.90</b>	<b>13.72</b>	<b>13.60</b>	<b>13.43</b>

### Mutual Fund Shares – 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)	18,845	22,046	26,590	27,926	28,072	30,661
Number of shares outstanding (000's)	1,368	1,603	1,913	2,036	2,064	2,282
Management expense ratio <sup>(5)</sup>	0.89%-	0.87%	0.88%	0.87%	0.87%	0.61%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.75%-	1.68%	1.75%	1.60%	1.62%	1.56%
Trading expense ratio <sup>(7)</sup>	-	-	-	-	-	-
Portfolio turnover rate <sup>(8)</sup>	15.14%	26.20%	70.67%	52.32%	45.79%	86.41%
Net Asset Value per share	13.78	13.75	13.90	13.72	13.60	13.43

### Series F Shares – Net Assets per Share<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>14.34</b>	<b>14.46</b>	<b>14.23</b>	<b>14.06</b>	<b>13.85</b>	<b>13.72</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.23	0.45	0.36	0.26	0.30	0.18
Total expenses	(0.04)	(0.09)	(0.09)	(0.09)	(0.08)	(0.08)
Realized gains (losses)	(0.20)	(0.07)	0.46	(0.24)	(0.11)	0.03
Unrealized gains (losses)	0.06	(0.43)	(0.49)	0.25	0.10	(0.00)
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>0.05</b>	<b>(0.14)</b>	<b>0.24</b>	<b>0.18</b>	<b>0.21</b>	<b>0.13</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	-	-	-	-	-	-
From capital gains	-	-	-	-	-	-
Return of capital	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>14.39</b>	<b>14.34</b>	<b>14.46</b>	<b>14.23</b>	<b>14.06</b>	<b>13.85</b>

### Series F Shares – 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)	2,769	2,822	2,858	2,576	3,501	3,466
Number of shares outstanding (000's)	192	197	198	181	249	250
Management expense ratio <sup>(5)</sup>	0.60%-	0.60%	0.61%	0.60%	0.60%	0.59%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.61%-	1.51%	1.37%	1.42%	1.42%	1.36%
Trading expense ratio <sup>(7)</sup>	-	-	-	-	-	-
Portfolio turnover rate <sup>(8)</sup>	15.14%	26.20%	70.67%	52.32%	45.79%	86.41%
Net Asset Value per share	14.39	14.34	14.46	14.23	14.06	13.85

~ annualized

(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 and unaudited interim financial statements. Prior to October 1, 2014, the net assets per share presented in the financial statements ("Net Assets") differed from the net asset value per share 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 share and Net Asset Value per share.

Total Net Asset Value and number of shares 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 share.

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 Shares October 1994  
Series F Shares January 2000

(2) Net Assets, dividends and distributions are based on the actual number of shares outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of shares outstanding over the financial period.

(3) Dividends and distributions were paid in cash/reinvested in additional shares of the Fund, or both.

(4) This is not a reconciliation of the beginning and ending Net Assets per share.

(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, income 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, attributable to that series, expressed as an annualized percentage of average daily Net Asset Value of that series during the period.

(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.

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(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 Shares, 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 shares, 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 Shares	1.00%	50.02%	49.98%
Series F Shares	0.75%	-	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.

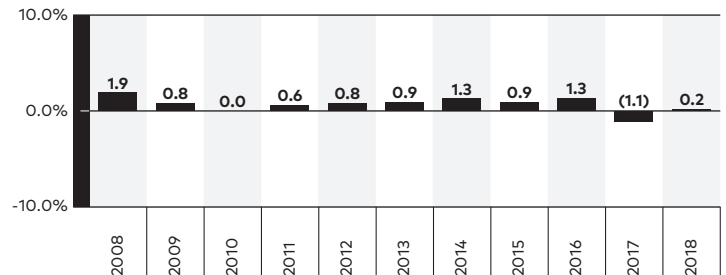
It is AGFI's policy to report rates of return for series in existence greater than one year. The performance start date for each series represents the date of the first purchase of such series, excluding seed money.

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

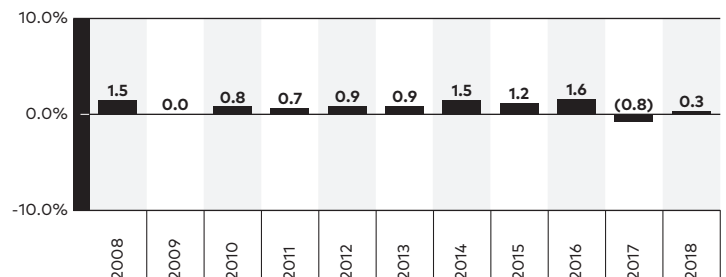
## Year-By-Year Returns

The following bar charts show 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 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.

### Mutual Fund Shares



### Series F Shares



## 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.

Portfolio by Sector	Percentage of Net Asset Value (%)
Corporate Bonds	47.3
Provincial Bonds	24.3
Government Bonds	17.6
Government Guaranteed Investments	7.3
Cash & Cash Equivalents	4.8
Asset-Backed Securities	1.0

\* 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.

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Portfolio by Credit Rating**	Percentage of Net Asset Value (%)
AAA	29.2
AA	7.1
A	55.8
BBB	10.2

Top Holdings	Percentage of Net Asset Value (%)
Government of Canada**	17.6
Province of Quebec**	8.5
Province of Ontario**	7.6
Canada Housing Trust No. 1**	7.3
Hydro One Inc.**	4.1
CPPIB Capital Inc.**	3.4
Royal Bank of Canada**	3.1
Brookfield Asset Management Inc.**	3.0
John Deere Canada Funding Inc.**	3.0
Province of British Columbia**	2.8
Province of Manitoba**	2.5
The Bank of Nova Scotia**	2.5
Sun Life Financial Inc.**	2.4
Mondelez International Inc.**	2.3
OMERS Realty Corporation**	2.1
Toronto Hydro Corporation**	2.0
TransCanada PipeLines Limited**	1.9
BP Capital Markets PLC**	1.9
Canadian Imperial Bank of Commerce**	1.8
Intact Financial Corporation**	1.7
Bank of Montreal**	1.7
Honda Canada Finance Inc.**	1.6
CU Inc.**	1.6
Wells Fargo Canada Corporation**	1.5
Province of Alberta**	1.5
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 21,614</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:

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