

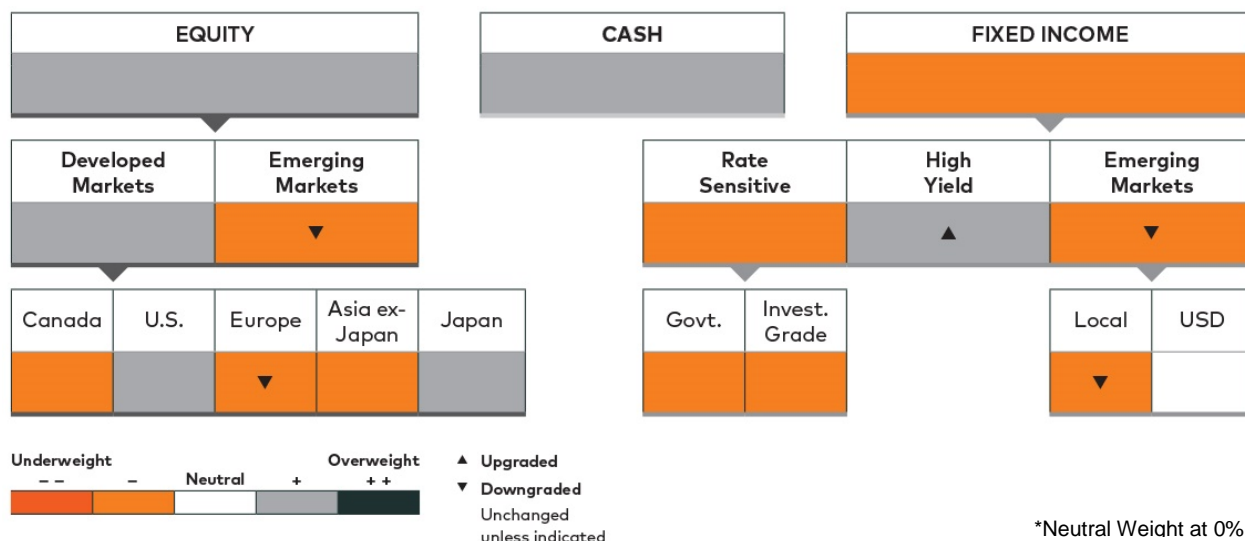
# OnCourse AGF Elements Balanced Portfolio

## Q3 2018 Report

August 2018

### AGF ASSET ALLOCATION COMMITTEE RECOMMENDATIONS

AGF Elements Portfolios were rebalanced on July 13, 2018. The following diagram represents the views of AGF's Asset Allocation Committee which influences the underweight and overweight positioning of the Portfolios.



### REBALANCE RATIONAL

#### Fixed Income

- Fixed income remains underweight as tightening of central bank policy and strengthening global economies may pressure yields
- Interest rate sensitive bonds are moderately underweight with government issued debt favoured over corporate bonds
- High yield bonds are most preferred over the near-term as credit quality remains stable
- Emerging market debt faces trade headwinds, particularly local denominated debt, and therefore has been reduced to an underweight position

#### Cash

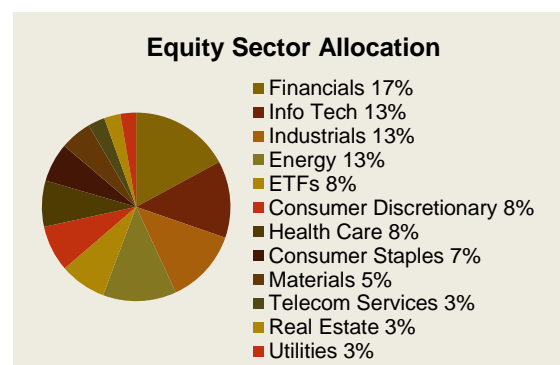
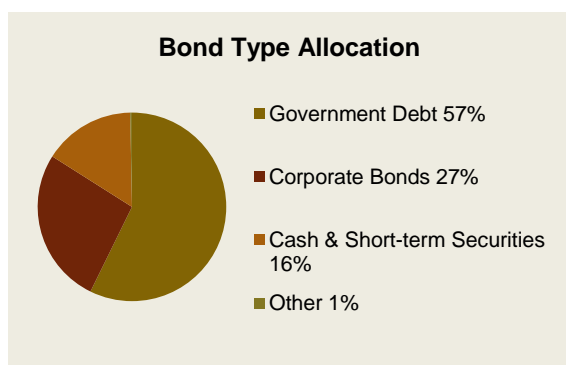
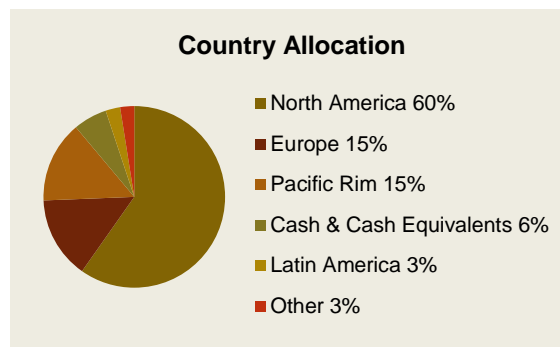
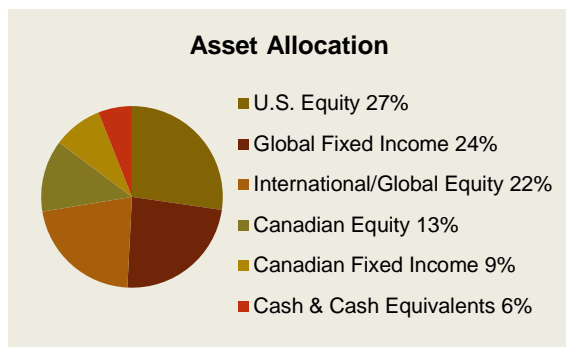
- A modest allocation to cash remains in anticipation of expected volatility

#### Equities

- Equities are overweight as global growth remains supportive late into the current cycle
- Developed markets are preferred over emerging markets as trade risks remain elevated
- Rising energy prices should assist the Canadian market, though it remains vulnerable to ongoing trade negotiations
- U.S. markets are overweight, supported by global economic growth and fiscal stimulus
- Heightened political risks and trade uncertainties in Europe lead to an underweight position
- Asia Pacific (ex-Japan) sensitivity towards worsening trade relations suggests a moderate underweight
- Japan is most preferred with accommodative policy and sustained improvement in economic conditions supportive of market growth

Percent Target Allocations	Neutral Allocation	Previous Quarter	Current Quarter	Change
<b>Canadian Equities</b>	<b>15</b>	<b>12</b>	<b>13</b>	<b>+1</b>
AGF Canadian Growth Equity Fund <sup>1</sup>		2	2	-
AGF Canadian Small Cap Fund		2	2	-
AGFiQ Dividend Income Fund <sup>2</sup>		6	6	-
AGFiQ Enhanced Core Canadian Equity ETF		2	3	+1
<b>International/Global Equities</b>	<b>45</b>	<b>43</b>	<b>43</b>	<b>-</b>
AGF American Growth Fund		7	7	-
AGF Global Equity Fund <sup>3</sup>		12	10	-2
AGF Global Dividend Fund		4	4	-
AGF Emerging Markets Fund		2	2	-
AGF European Equity Fund		3	3	-
AGF Asian Growth Class		2	2	-
AGF Global Sustainable Growth Equity		3	3	-
AGFiQ Enhanced Core U.S. Equity ETF		5	5	-
AGFiQ Enhanced Core International ETF		2	2	-
AGFiQ Enhanced Core Emerging Markets ETF		1	1	-
AGFiQ Enhanced Global Infrastructure ETF		1	2	+1
AGFiQ Enhanced Global ESG Factors ETF		1	2	+1
<b>Specialty Funds</b>	<b>-</b>	<b>11</b>	<b>10</b>	<b>-1</b>
AGF Global Resources Class		2	2	-
AGF Tactical Income Fund <sup>5</sup>		9	8	-1
<b>Canadian Fixed Income</b>	<b>10</b>	<b>6</b>	<b>6</b>	<b>-</b>
AGF Fixed Income Plus Fund		6	6	-
<b>Global Fixed Income</b>	<b>30</b>	<b>28</b>	<b>28</b>	<b>-</b>
AGF Global Bond Fund		19	19	-
AGF Total Return Bond Fund		5	5	-
AGF High Yield Bond Fund <sup>4</sup>		2	2	-
AGF Emerging Markets Bond Fund		2	2	-

## CURRENT ALLOCATIONS (as of July 17, 2018)



## QUARTER REVIEW – Q2 2018

### Fund Performance

- For the quarter ended June 30, 2018, the AGF Elements Balanced Portfolio returned 0.7%, while the blended benchmark returned 2.1%. The blended benchmark is composed of 45% MSCI All Country World Index/30% Barclays Capital Global Aggregate Bond Index/15% S&P/TSX Composite Index/10% FTSE TMX Canada Universe Bond Index.
- The Portfolio's benchmark asset mix is 40% fixed income and 60% equities. Relative to the benchmark, the Portfolio maintained a modest overweight to equities and underweight to fixed income for the quarter based on the AGF Asset Allocation Committee's more constructive view for the asset class. Within equities, the Committee favoured global markets over Canadian equities, specifically U.S. equities, which were supported by global economic growth and fiscal stimulus. This positioning within equities detracted marginally from performance, as Canadian markets generally outpaced U.S. equities during the quarter, though U.S. equities earned strong absolute returns. The Portfolio's underweight to fixed income positively impacted performance, as equities rallied due to higher energy prices and supportive economic data during the quarter.
- During the quarter, the Portfolio's allocation to emerging market equities was reduced in favour of global developed market equities, including those related to the infrastructure industry and ESG factors. The Portfolio's maintained underweight exposure to Canadian equities weighed negatively on performance, as Canadian equities outperformed most other developed markets due in part to rising energy prices. Exposure to high yield bonds was modestly reduced, though the Portfolio continued to maintain its overweight within the fixed income asset class, which detracted. High yields bonds lagged during the quarter as late-cycle effects began to wear on fundamentals and credit quality.
- Performance of the underlying funds was mixed during the quarter. AGF American Growth Class, AGF Asian Growth Class and AGF Emerging Markets Fund outperformed their respective benchmarks, while all other equity funds underperformed. Within fixed income, AGF Emerging Markets Bond Fund outperformed, while all others underperformed their respective benchmarks.

Performance as of June 30, 2018	PSD	3mo	6mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since PSD
<b>AGF Elements Balanced Portfolio - Series J</b>	<b>2011-12-06</b>	<b>0.3%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>4.3%</b>	<b>4.3%</b>	<b>7.2%</b>	<b>-</b>	<b>6.8%</b>
<b>AGF Elements Balanced Portfolio - MF Series</b>	<b>2005-11-25</b>	<b>0.3%</b>	<b>0.7%</b>	<b>0.7%</b>	<b>4.2%</b>	<b>4.2%</b>	<b>7.1%</b>	<b>4.4%</b>	<b>4.3%</b>
AGF American Growth Fund	04/18/1957	6.2%	15.2%	15.2%	22.4%	14.7%	19.0%	11.0%	8.9%
AGF Asian Growth Class	10/31/1991	-3.0%	-0.5%	-0.5%	9.5%	4.6%	9.8%	5.5%	4.6%
AGF Canadian Growth Equity Fund <sup>1</sup>	10/01/1969	1.4%	-4.5%	-4.5%	2.6%	1.5%	4.5%	0.9%	4.0%
AGF Canadian Small Cap Fund	02/15/1996	5.3%	-0.9%	-0.9%	1.2%	5.3%	7.6%	1.9%	7.6%
AGF Emerging Markets Fund	03/11/1994	-5.3%	-0.9%	-0.9%	4.4%	4.7%	5.0%	4.2%	10.5%
AGF Emerging Markets Bond Fund	11/02/2010	-3.7%	-1.0%	-1.0%	-1.5%	2.6%	4.2%	-	3.7%
AGF European Equity Class	04/11/1994	-2.3%	-1.2%	-1.2%	1.3%	-0.7%	5.6%	-0.8%	1.7%
AGF Fixed Income Plus Fund	11/30/1998	0.2%	0.0%	0.0%	-0.8%	0.2%	2.1%	3.1%	4.0%
AGF Global Bond Fund	06/15/2010	-1.5%	0.7%	0.7%	0.0%	2.1%	3.9%	-	3.8%
AGF Global Dividend Fund	08/09/2007	-0.7%	0.0%	0.0%	3.9%	6.5%	11.2%	8.1%	6.6%
AGF Global Equity Fund <sup>3</sup>	11/28/1994	-2.8%	-1.9%	-1.9%	3.2%	6.5%	11.1%	6.9%	7.3%
AGF Global Resources Class	04/19/2000	10.0%	4.7%	4.7%	17.3%	-2.5%	-2.1%	-3.6%	6.4%
AGF Global Sustainable Growth Equity	12/31/1991	0.4%	2.5%	2.5%	8.9%	7.7%	9.6%	1.6%	6.2%
AGF High Yield Bond Fund <sup>4</sup>	02/08/1994	-0.5%	-1.4%	-1.4%	-0.9%	2.0%	3.7%	4.5%	5.0%
AGF Total Return Bond Fund	06/15/1994	-0.8%	-0.4%	-0.4%	-1.0%	2.0%	3.8%	5.0%	5.7%
AGFiQ Dividend Income Fund <sup>2</sup>	04/14/2003	4.7%	0.0%	0.0%	7.0%	8.2%	7.9%	4.0%	8.6%
AGFiQ Enhanced Core Canadian Equity ETF	01/30/2017	5.7%	0.3%	0.3%	5.9%	-	-	-	5.6%
AGFiQ Enhanced Core Emerging Markets Equity ETF	01/30/2017	-2.7%	1.7%	1.7%	11.1%	-	-	-	13.6%
AGFiQ Enhanced Core International Equity ETF	01/30/2017	0.9%	2.8%	2.8%	6.8%	-	-	-	13.2%
AGFiQ Enhanced Core U.S. Equity ETF	01/30/2017	4.6%	4.7%	4.7%	11.6%	-	-	-	11.9%
AGF Tactical Income Fund <sup>5</sup>	01/15/2015	3.1%	2.9%	2.9%	9.6%	7.1%	-	-	6.6%

Source: AGF Investment Operations as at June 30, 2018. C\$, net of fees.

<sup>1</sup> AGF Canadian Stock Fund was renamed AGF Canadian Equity Growth Fund effective April 26, 2018.

<sup>2</sup> AGF Dividend Income Fund was renamed AGFiQ Dividend Income Fund effective April 26, 2018.

<sup>3</sup> On April 18, 2008, the Fund changed its investment objective to provide long-term capital growth and invest primarily in shares of companies around the world. The Fund may invest up to 25% of its assets in companies in emerging markets.

<sup>4</sup> On April 10, 2012, unitholders approved a change in the investment objective providing the Fund with greater flexibility to invest in high-yield bonds issued or guaranteed by corporations around the world.

<sup>5</sup> On May 1, 2012, the Fund's benchmark changed from a blended index of 75% S&P/TSX Composite Index / 25%.

**For more information, please contact your financial representative.**

For more information regarding the underlying funds, please refer to [AGF.com/Funds](http://AGF.com/Funds).

For up-to-date information, visit [AGF.com/Elements](http://AGF.com/Elements).

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On January 1, 2015, the Portfolio's benchmark changed from a blended index of 40% S&P/TSX Composite Index / 20% MSCI All Country World Index / 15% FTSE TMX Canada Universe Bond Index / 25% Barclays Capital Global Aggregate Bond Index to a blended index of 15% S&P/TSX Composite Index / 45% MSCI All Country World Index / 10% FTSE TMX Canada Universe Bond Index / 30% Barclays Capital Global Aggregate Bond Index. The benchmark change was applied from this date forward.

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