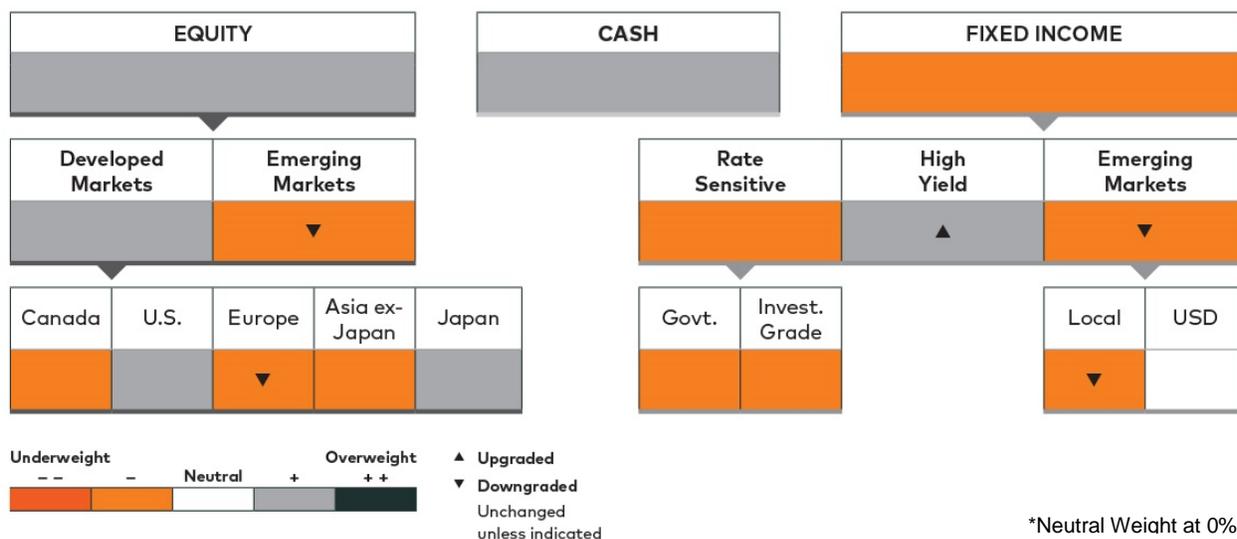


OnCourse AGF Elements Yield Portfolio Q3 2018 Report

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

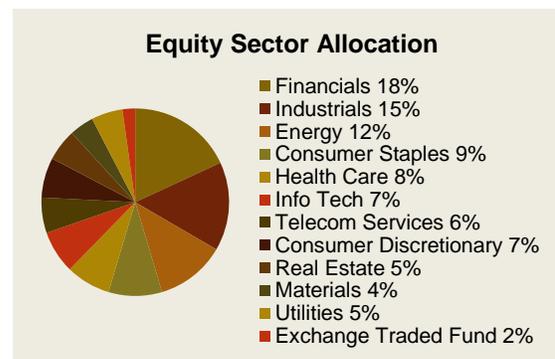
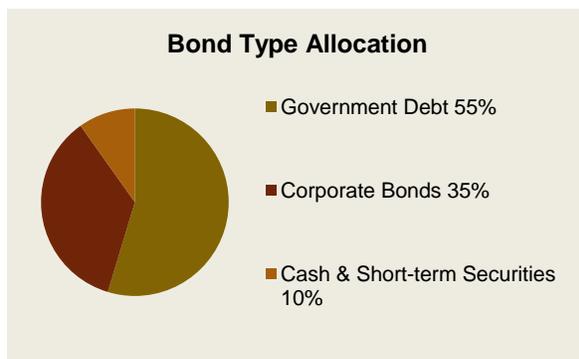
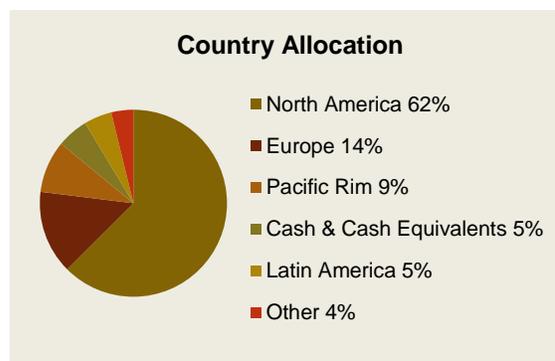
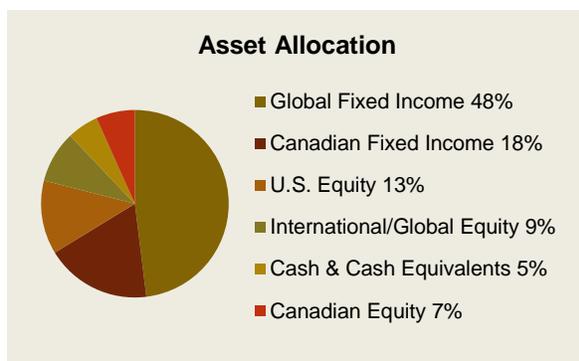
- A modest allocation to cash remains in anticipation of expected volatility

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
Canadian Equities	10	7	8	+1
AGFIQ Dividend Income Fund ¹		7	8	+1
International/Global Equities	15	22	21	-1
AGF Global Dividend Fund		20	18	-2
AGFIQ Enhanced Global Infrastructure ETF		2	3	+1
Canadian Fixed Income	15	12	12	-
AGF Fixed Income Plus Fund		12	12	-
Global Fixed Income	60	59	59	-
AGF Global Bond Fund		27	27	-
AGF Total Return Bond Fund		21	21	-
AGF High Yield Bond Fund ²		6	7	+1
AGF Emerging Markets Bond Fund		5	4	-1

CURRENT ALLOCATIONS (as of July 17, 2018)



QUARTER REVIEW – Q2 2018

Fund Performance

- For the quarter ended June 30, 2018, the AGF Elements Yield Portfolio returned -0.6% while the blended benchmark returned 0.7%. The blended benchmark is composed of 60% Barclays Capital Global Aggregate Bond Index/15% FTSE TMX Canada Universe Bond Index/15% MSCI All Country World Index/10% S&P/TSX Composite Index.
- The Portfolio's benchmark asset mix is 75% fixed income and 25% 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 Canadian equities was marginally reduced in favour of global equities related to the infrastructure industry. This underweight exposure 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 further 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.
- The Portfolio's underlying equity funds detracted from relative performance as AGF Dividend Income Fund and Global Dividend Fund lagged their respective benchmarks. Underlying fixed income performance largely detracted as well. AGF Emerging Markets Bond Fund narrowly outperformed, while all other fixed income funds underperformed their respective benchmarks.

Performance as of June 30, 2018	PSD	3mo	6mo	YTD	1-Yr	3-Yr	5-Yr	10-Yr	Since PSD
AGF Elements Yield Portfolio - Series J	2011-12-05	-0.6%	-0.3%	-0.3%	0.9%	3.2%	4.8%	-	4.4%
AGF Elements Yield Portfolio - MF Series	2005-11-25	-0.6%	-0.3%	-0.3%	0.9%	3.1%	4.7%	4.4%	4.5%
AGFiQ Dividend Income Fund ¹	2003-04-16	4.7%	0.0%	0.0%	7.0%	8.2%	7.9%	4.0%	8.6%
AGF Global Dividend Fund	2007-08-22	-0.7%	0.0%	0.0%	3.9%	6.5%	11.2%	8.1%	6.6%
AGF Fixed Income Plus Fund	1998-11-30	0.2%	0.0%	0.0%	-0.8%	0.2%	2.1%	3.1%	4.0%
AGF Global Bond Fund	2010-06-17	-1.5%	0.7%	0.7%	0.0%	2.1%	3.9%	-	3.8%
AGF Total Return Bond Fund	2001-07-09	-0.8%	-0.4%	-0.4%	-1.0%	2.0%	3.8%	5.0%	5.7%
AGF High Yield Bond Fund ²	1994-02-22	-0.5%	-1.4%	-1.4%	-0.9%	2.0%	3.7%	4.5%	5.0%
AGF Emerging Markets Bond Fund	2010-11-29	-3.7%	-1.0%	-1.0%	-1.5%	2.6%	4.2%	-	3.7%

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

¹ AGF Dividend Income Fund was renamed AGFiQ Dividend Income Fund effective April 26, 2018.

² 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.

For more information, please contact your financial representative.

For more information regarding the underlying funds, please refer to AGF.com/Funds.

For up-to-date information, visit 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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