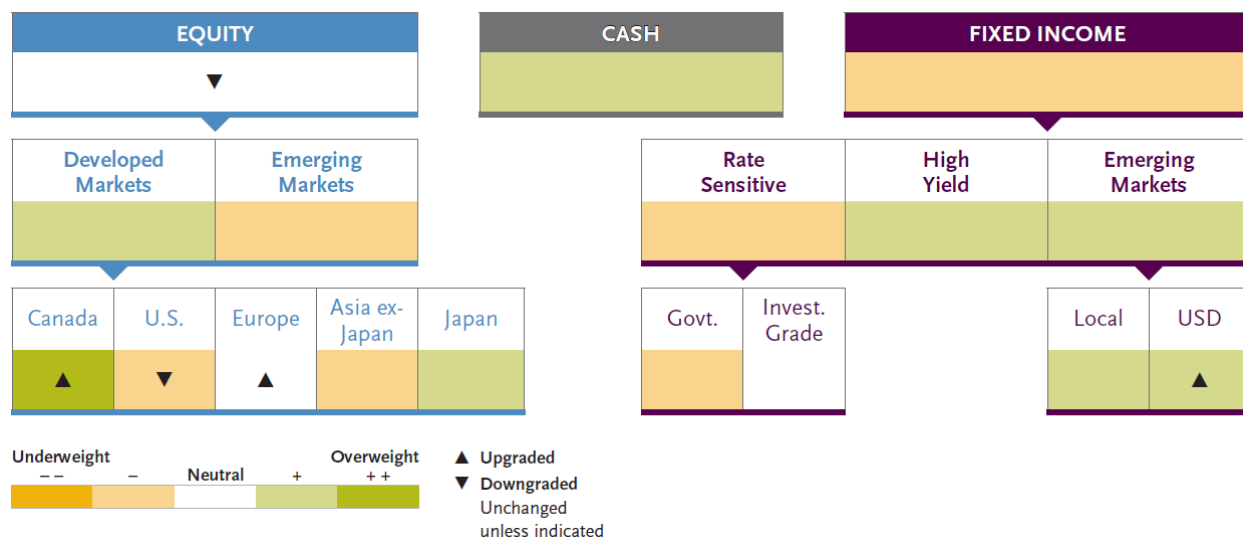


# OnCourse AGF Elements Yield Portfolio Q3 2017 Report

July 2017

## AGF ASSET ALLOCATION COMMITTEE RECOMMENDATIONS

AGF Elements Portfolios were rebalanced on July 24, 2017. The following diagram represents the views of AGF's Asset Allocation Committee which influences the underweight and overweight positioning of the Portfolios.



## REBALANCE RATIONALE

### Fixed Income

- Overall fixed income allocation remains underweight on prospects of higher interest rates. Strengthening global economies could further pressure bond returns
- Emerging market debt is preferred within the asset class as the economic backdrop continues to improve
- High yield bonds remain favourable with higher coupon income and reasonable fundamentals, though valuations are near cycle-highs
- Interest rate sensitive bonds remain underweight, as these bonds are most susceptible if interest rates move higher

### Cash

- An overweight to cash remains, with further allocation added in the quarter reflecting the Committee's cautious outlook

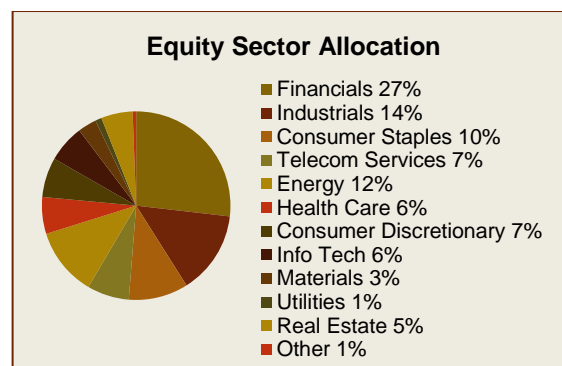
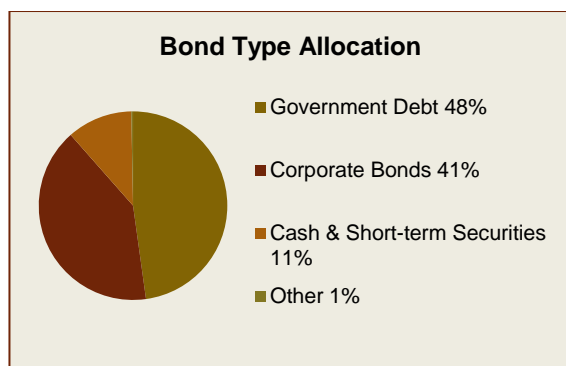
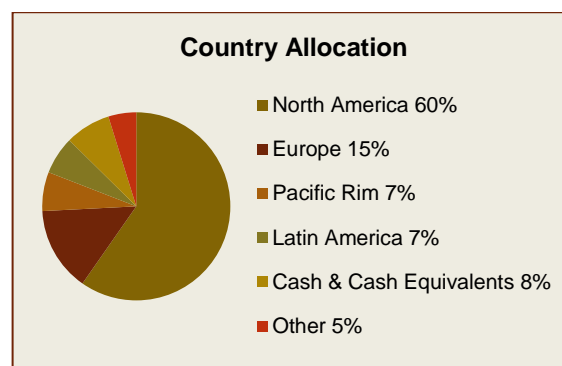
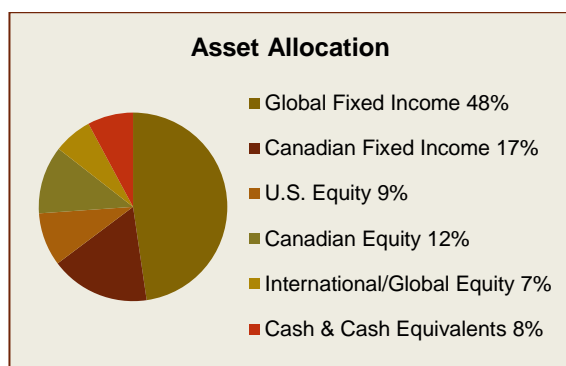
### Equities

- Equities remain preferred relative to fixed income, though in light of near-term risks, exposure to equities has been reduced to a neutral allocation
- Developed markets remain preferred over emerging markets in the near-term
- Within developed markets, a preference for Canadian equities has increased from the prior quarter
- The U.S. has been downgraded in the near-term, mostly due to stretched valuations and slowing growth
- Europe has been upgraded to a neutral view. Political risks have softened, though valuations still appear stretched
- Exposure to Asia Pacific (ex-Japan) remains underweight over the near-term
- Japan remains a modest overweight with attractive valuations and supportive central bank policy



Percent Target Allocations	Neutral Allocation	Previous Quarter	Current Quarter	Change
<b>Canadian Equities</b>	<b>10</b>	<b>13</b>	<b>14</b>	<b>+1</b>
AGF Dividend Income Fund		13	14	+1
<b>International/Global Equities</b>	<b>15</b>	<b>15</b>	<b>14</b>	<b>-1</b>
AGF Global Dividend Fund		15	14	-1
<b>Canadian Fixed Income</b>	<b>15</b>	<b>16</b>	<b>14</b>	<b>-2</b>
AGF Fixed Income Plus Fund		16	14	-2
<b>Global Fixed Income</b>	<b>60</b>	<b>56</b>	<b>58</b>	<b>+2</b>
AGF Global Bond Fund		23	24	+1
AGF Total Return Bond Fund		21	21	-
AGF High Yield Bond Fund <sup>1</sup>		6	6	-
AGF Emerging Markets Bond Fund		6	7	+1

**CURRENT ALLOCATIONS (as of July 27, 2017)**



## QUARTER REVIEW – Q2 2017

### Fund Performance

- For the quarter ended June 30, 2017, the AGF Elements Yield Portfolio returned 0.3% while the blended benchmark returned 0.2%. 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 slight underweight to fixed income, with greater exposure to equities based on the AGF Asset Allocation Committee's more constructive view for the asset class. This positioning contributed to out-performance, as global equity markets were generally positive during the quarter, while fixed income faced headwinds from rising rates.
- During the quarter, the Portfolio's allocation to global equities was reduced in favour of fixed income, specifically investment grade bonds. An out-of-benchmark exposure to high yield bonds within the fixed income asset class contributed to returns, as high yield continued to outperform most other fixed income categories due to higher coupon income and reasonable fundamentals. Within equities, an overweight exposure to Canadian equities detracted, though this was partially offset by outperformance from the underlying Canadian equity funds.
- The Portfolio's underlying equity funds experienced mixed results in comparison to their respective benchmarks as AGF Dividend Income Fund outperformed, while AGF Global Dividend Fund underperformed. Within fixed income, AGF Global Bond Fund, AGF Total Return Bond Fund and AGF High Yield Bond Fund outperformed. AGF Fixed Income Plus Fund and AGF Emerging Markets Bond Fund lagged their respective benchmarks, though performed relatively well on an absolute return basis.

Performance as of June 30, 2017	PSD	3mo	6mo	1-Yr	3-Yr	5-Yr	10-Yr	Since PSD
<b>AGF Elements Yield Portfolio (Series J)</b>	<b>2011-12-05</b>	<b>0.4%</b>	<b>2.9%</b>	<b>4.8%</b>	<b>3.9%</b>	<b>5.0%</b>	<b>-</b>	<b>5.0%</b>
AGF Dividend Income Fund	2003-04-16	-1.4%	1.2%	9.5%	2.7%	7.4%	2.8%	8.7%
AGF Global Dividend Fund	2007-08-22	0.9%	5.0%	9.5%	10.4%	13.5%	-	6.9%
AGF Fixed Income Plus Fund	1998-11-30	0.5%	1.9%	-0.3%	1.8%	2.3%	3.5%	4.3%
AGF Global Bond Fund	2010-06-17	0.4%	1.9%	-0.8%	3.7%	3.7%	-	4.4%
AGF Total Return Bond Fund	2001-07-09	0.6%	3.2%	5.9%	3.5%	4.8%	5.2%	6.2%
AGF High Yield Bond Fund <sup>1</sup>	1994-02-22	1.0%	3.5%	9.9%	2.7%	4.8%	4.7%	5.3%
AGF Emerging Markets Bond Fund	2010-11-29	-0.1%	3.2%	4.7%	5.4%	5.0%	-	4.5%

<sup>1</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.

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

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Publication date: July 26, 2017

