

Annual Management Report of Fund Performance

# AGF North American Small-Mid Cap Fund

September 30, 2023

## 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.

### Investment Objective and Strategies

Pursuant to the Declaration of Trust, the investment objective of AGF North American Small-Mid Cap Fund (the "Fund") is to seek to obtain superior capital growth through exposure to shares of small and medium companies with superior growth potential in North America with a focus on U.S. listed small and medium companies. To achieve this objective, AGF Investments Inc. ("AGFI"), as portfolio manager, generally allocates the Fund's assets among underlying mutual funds (the "Underlying Funds") managed by third parties or AGFI (or an AGFI affiliate). The Fund's investment in U.S. and Canadian small-mid capitalization funds are rebalanced to the target weighting generally on a quarterly basis or as AGFI deems appropriate. During periods of market downturn or for other reasons, a significant portion of the Fund's assets may be held in cash or cash equivalents.

### Risk

The risks of investing in the Fund remain as disclosed in the current prospectus. Any changes to the Fund over the period have not affected the overall level of risk of the Fund.

The Fund continues to be suitable for investors who want the growth potential of equity securities of small to medium sized U.S. companies and investing for the medium to longer term with a medium tolerance for risk. The suitability of the Fund has not changed from what has been disclosed in the prospectus.

### Results of Operations

For the year ended September 30, 2023, the Fund returned 1.9% (net of expenses) while the S&P MidCap 400 Net Index returned 13.0%.

The discussion below regarding the performance of the Fund references the performance of the Mutual Fund Units of the Underlying Funds. The Fund holds Series O Units of the Underlying Funds. The performance of Series O Units is substantially similar to that of Mutual Fund Units, save for differences in expense structure.

The Fund under-performed the S&P MidCap 400 Net Index due to negative security selection within the Underlying Funds. The Industrials sector was the biggest detractor due to security selection. The Materials sector also detracted from the performance due to security selection. On the

contrary, the Financials sector was the biggest contributor to performance resulting from positive security selection as well as a favourable underweight allocation to the sector. The Real Estate sector also contributed owing to solid security selection.

The Fund's major portfolio categories, as a percentage of Net Asset Value as at September 30, 2023, include approximately 91.0% in foreign equity and 4.0% in Canadian equity via its holdings in the Underlying Funds, and 5.0% in cash and cash equivalents. During the reporting period, the Fund's allocation to foreign equity, Canadian equity and cash and cash equivalents remained fairly consistent.

The Fund had net subscriptions of approximately \$14 million for the current period, as compared to net subscriptions of approximately \$3 million in the prior period. The portfolio manager does not believe that subscription activity had a meaningful impact on the Fund's performance or the ability to implement its investment strategy.

### Recent Developments

Global equities rallied strongly during the reporting period despite facing significant uncertainty and volatility, as central banks continued to fight inflationary pressures with tighter financial conditions. Furthermore, China's faltering economic recovery and a short-lived banking crisis added to the uncertainty. Companies with exposure to artificial intelligence ("AI") and large-language models led a significant market rally, though this was limited to a very narrow group of stocks for the first five calendar months of 2023. However, market breadth started to widen in the final four months of the reporting period as rising real interest rates negatively impacted longer duration equities, which included many technology-focused companies. Long duration equities (often growth-oriented companies) are expected to produce their highest cash flows in the future and thus more sensitive to interest rate changes. The U.S. Federal Reserve (the "Fed") hiked policy rates six times during the reporting period. However, the Fed paused its rate hiking cycle at its September 2023 meeting to assess the lagged effects of rate hikes on the economy as inflationary pressures modestly eased. Elsewhere, core inflation in Europe and the UK remained sticky through the reporting period. Furthermore, Russia backed out of the Black Sea grain trade agreement in July 2023, reviving concerns about global food inflation.

In the U.S., despite expectations of a potential recession, the U.S. economy continued to grow at a 2.1% rate during the second calendar quarter of 2023. Early in 2023, a short-lived banking crisis resulted in three U.S. regional bank failures and one in Europe, leading to rising concerns over a global banking crisis. Nevertheless, regulators around the world

This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1 888 226-2024, by writing to us at AGF Investments Inc., CIBC SQUARE, Tower One, 81 Bay Street, Suite 4000, Toronto, Ontario, Canada M5J 0G1, 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.

were quick to act, which helped mitigate further contagion risk. U.S. consumer sentiment remained resilient, supported by a still robust labour market.

The portfolio manager continues to maintain a constructive view on equities. While equity markets fell during the third calendar quarter of 2023, the portfolio manager expects positive returns in the final quarter of the year as, historically, the fourth calendar quarter is the seasonally strongest period for equities.

The pronounced market narrowness witnessed in the first half of 2023 somewhat eased during the third calendar quarter, primarily due to a substantial increase in U.S. real yields, which had a notable impact on AI/technology and long duration assets. While short-term rates now seem to be more reasonably priced, concerns persist regarding the sustainability of public debt, rising debt issuance and persistent core inflation, which may continue to keep interest rates elevated for an extended period. Consequently, the portfolio manager anticipates market leadership to continue to broaden in this environment and expects the Fund to benefit accordingly.

The portfolio manager is encouraged by the resilience of the U.S. economy, which has been underpinned by a faster-than-expected rebound in business investment and robust private consumption, driven by healthy household balance sheets and a tight labour market. However, the portfolio manager believes that the potential impact of higher for longer interest rates on the economy, a strong dollar, a potential government shutdown, the resumption of student loan repayments and a major auto strike are potential risks to the outlook. Leadership will begin to broaden out. As market participation in the uptrend broadens, the portfolio manager expects the Fund to benefit accordingly.

## Related Party Transactions

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 of the Fund, providing analysis and making decisions as to which Underlying Funds the Fund invests in and the target weighting of the Fund's assets. Fees payable to AGFI for such services are payable directly by unitholders and are not expenses of the Fund.

AGFI pays for all of the operating expenses relating to the operation of the Fund, except for certain costs as disclosed in the current prospectus, in exchange for a fixed rate administration fee. The administration fee is calculated based on the Net Asset Value of the Fund at a fixed annual rate of 0.32%. Administration fees of approximately \$34,000 were incurred by the Fund during the period ended September 30, 2023.

AGFI is an indirect wholly-owned subsidiary 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, taxation, changes in government regulations, unexpected judicial or regulatory proceedings, technological changes, cybersecurity, the possible effects of war or terrorist activities, outbreaks of disease or illness that affect local, national or international economies (such as COVID-19), natural disasters and disruptions to public infrastructure, such as transportation, communications, power or water supply or other 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 past five years as applicable.

### Net Assets per Unit<sup>(1)</sup>

For the periods ended	Sept 30, 2023 (\$)	Sept 30, 2022 (\$)	Sept 30, 2021 (\$)	Sept 30, 2020 (\$)	Sept 30, 2019 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>27.03</b>	<b>25.00*</b>	-	-	-
<b>Increase (decrease) from operations:</b>					
Total revenue	0.07	0.02	-	-	-
Total expenses	(0.10)	(0.02)	-	-	-
Realized gains (losses)	0.01	-	-	-	-
Unrealized gains (losses)	(1.61)	(0.72)	-	-	-
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>(1.63)</b>	<b>(0.72)</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>Net Assets, end of period<sup>(4)</sup></b>	<b>27.54</b>	<b>27.03</b>	-	-	-

### Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Sept 30, 2023	Sept 30, 2022	Sept 30, 2021	Sept 30, 2020	Sept 30, 2019
Total Net Asset Value (\$000's)	16,355	3,289	-	-	-
Number of units outstanding (000's)	594	122	-	-	-
Management expense ratio <sup>(5)</sup>	0.35%	0.35%	-	-	-
Management expense ratio before waivers or absorptions <sup>(6)</sup>	0.35%	0.35%	-	-	-
Trading expense ratio <sup>(7)</sup>	0.11%	0.09%	-	-	-
Portfolio turnover rate <sup>(8)</sup>	2.39%	0.00%	-	-	-
Net Asset Value per unit	27.54	27.03	-	-	-

### Explanatory Notes

- (1) a) This information is derived from the Fund's audited annual financial statements. Under International Financial Reporting Standards ("IFRS"), investments that are traded in an active market are generally valued at closing price, which is determined to be within the bid-ask spread and most representative of fair value. As a result, there is no difference between the net assets per unit presented in the financial statements ("Net Assets") and the net asset value per unit calculated for fund pricing purposes ("Net Asset Value").
- b) The Fund commenced operations in July 2022, 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 characterization of the distributions is based on management's estimate of the actual income for the year.

\* represents initial Net Assets

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

- (4) This is not a reconciliation of the beginning and ending Net Assets per unit.
- (5) The management expense ratio ("MER") 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 exchange traded funds ("ETFs") in which the Fund has invested, expressed as an annualized percentage of average daily Net Asset Value 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 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. AGFI is responsible for the day-to-day operations of the Fund, which include providing investment and management services as well as other administrative services required by the Fund. The management fees for such services are payable directly by the unitholders, not by the Fund.

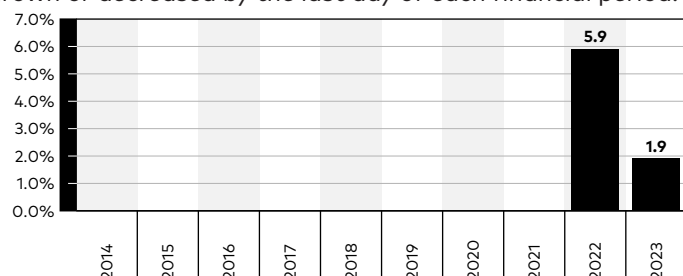
## Past Performance\*

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.

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, 2023 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.



Performance for 2022 represents returns for the period from July 6, 2022 to September 30, 2022.

### Annual Compound Returns

The following table compares the historical annual compound returns for the Fund with the index, for each of the periods ended September 30, 2023.

Percentage Return:	Since				
	1 Year	3 Years	5 Years	10 Years	Inception
Fund	1.9	N/A	N/A	N/A	6.4
S&P MidCap 400 Net Index	13.0	N/A	N/A	N/A	12.3

The S&P MidCap 400 Net Index is a capitalization-weighted index which measures the performance of the mid-range sector of the U.S. stock market.

For a discussion of the relative performance of the Fund as compared to the index, see Results of Operations in the Management Discussion of Fund Performance.

## Summary of Investment Portfolio

As at September 30, 2023

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 December 31, 2023.

The prospectus and other information about the underlying investment funds are available on the internet at [www.sedar.com](http://www.sedar.com).

Portfolio by Sector	Percentage of Net Asset Value (%)
Equity Funds	95.5
Cash & Cash Equivalents	5.0
Other Net Assets (Liabilities)	(0.5)

Top Holdings	Percentage of Net Asset Value (%)
AGF U.S. Small-Mid Cap Fund	91.5
Cash & Cash Equivalents	5.0
AGF Canadian Small Cap Fund	4.0
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 16,355</b>

\* The indicated rates of return shown here are the historical annual compounded total 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.



For more information contact your investment advisor or:

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