Annual Management Report of Fund Performance

# AGF US Sector Rotation Fund

September 30, 2023

AGF | Investments™

## 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 US Sector Rotation Fund (the "Fund") is to provide long-term capital appreciation while normally maintaining lower than market volatility. The Fund incorporates embedded downside risk management in order to protect capital in periods of falling equity markets. To achieve this objective, AGF Investments Inc. ("AGFI"), as portfolio manager, seeks to provide risk controls in down markets and enhanced alpha in the up markets. Alpha is the excess return of the portfolio over the benchmark. The Fund seeks to obtain exposure to a diversified portfolio consisting primarily of, but not limited to, any combination of U.S. sector based exchange traded funds ("ETFs") and/or equity securities, short-term instruments as well as cash and cash equivalents. The Fund may be invested in ETFs and/or securities representing U.S. equity market sectors, which include consumer discretionary, consumer staples, communications services, energy, financials, healthcare, industrials, materials, real estate, technology and utilities. The portfolio manager uses proprietary multifactor quantitative models that utilize fundamental factors as well as market risk measurement factors to establish allocations to U.S. equity market sector ETFs as well as to allocate cash and cash equivalents. The sector allocation model is driven by factors such as size, valuation and momentum whereas the Market Risk Model utilizes, but is not limited to, price and return data to generate a proprietary equity risk indicator. A consolidated model, which overlays the equity risk indicator onto the sector allocation model, determines final allocations for the strategy. The Fund has the flexibility to be invested in any combination of sector ETFs and/or equity securities, investment grade bonds, high-quality short-term securities, cash and 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 U.S. equity securities, are comfortable holding 100% cash and/or short-term instruments in down markets and investing for the 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 14.6% (net of expenses) while the S&P 500 Net Return Index ("S&P 500 Net Index") returned 19.0%.

The Fund under-performed the S&P 500 Net Index due to defensive position of cash holdings (including short-term), which averaged 17.9% during the reporting period. The sector allocation effect has been positive; however, the stocks in the Fidelity sector ETFs have smaller market capitalizations than those of the benchmark, resulting in negative security selection effect in a period when large capitalization stocks out-performed. From a sector allocation perspective, Information Technology was the biggest detractor owing to an unfavourable underweight allocation, while Consumer Discretionary was the biggest contributor to performance resulting from a favourable underweight allocation to the sector. The Consumer Staples and Utilities sectors also contributed, driven by underweight allocations.

Through the reporting period, the Fund remained focused on its objective of protection in down markets, while participating in up markets.

During the last calendar quarter of 2022, the Fund underwent a sector change triggered by an improving sector score in Health Care, benefited from better sentiment score. After the allocation change, the Fund was overweight the Energy, Communication Services, Materials and Health Care sectors, while being underweight the Industrials, Consumer Discretionary, Consumer Staples and Utilities sectors. The Fund had a neutral weight to the Information Technology, Financials and Real Estate sectors.

The Fund's portfolio was slightly re-positioned in mid-February, driven by sector rank changes. In particular, the Information Technology sector rank deteriorated due to more expensive valuation as well as the sector's sentiment falling to the bottom compared to others. After the allocation change, the Fund was overweight the Communication Services, Energy, Materials and Financials sectors, while being underweight the Real Estate, Utilities, Consumer Discretionary and Information Technology sectors. The Fund had a neutral weight to the Industrials, Health Care and Consumer Staples sectors.

During the second calendar quarter of 2023, the Fund's portfolio was re-positioned again to incorporate sector rank changes. In particular, the sector ranking for Information Technology improved significantly due to better sentiment score. Meanwhile, the Materials sector rank deteriorated, also driven by sentiment. In addition, the introduction of a regime factor also caused changes in sector ranks and resulted in allocation changes. After the allocation changes, the Fund was overweight the Communication Services,

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 or SEDAR at 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.

Energy, Financials and Industrials sectors, while being underweight the Consumer Discretionary, Health Care, Real Estate and Utilities sectors. The Fund had a neutral weight to the Materials, Consumer Staples and Information Technology sectors.

Close to the end of the third calendar quarter of 2023, the Fund adjusted its sector allocation due to rank changes in its sector model. In particular, the Industrial sector rank dropped resulting from deterioration in sentiment. The Fund's current sector weights are listed below:

- Overweight in Communication Services, Consumer Staples, Energy and Information Technology (up from neutral);

- Neutral weight in Consumer Discretionary (up from underweight), Materials and Financials (down from overweight); and

- Underweight in Health Care, Utilities, Real Estate and Industrials (down from overweight).

In the first calendar quarter of 2023, the Fund reduced its cash and cash equivalents (including short-term) from approximately 26.0% to 15.0% and added to equities to be in line with the Market Risk Model. The level has been maintained through the rest of the trailing six-month period. As of September 30, 2023, the Fund held approximately 98.0% equities, 4.0% cash and cash equivalents and 2.0% in other net liabilities. The portfolio manager is cautious on near to medium term risks including the potential slowdown in global economy, deterioration of corporate earnings, as well as tightening financial conditions after the streak of central bank hikes exemplified by U.S. regional bank crisis and monitors the risk through the lens of Market Risk Model.

The Fund had net subscriptions of approximately $54 million for the current period, as compared to net subscriptions of approximately $12 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 gained ground during the reporting period despite facing volatility fueled by a high-stake guessing game about global interest rates, China's faltering economic recovery and a short-lived banking crisis that freshened memories of 2008. The Information Technology sector stood out for the better part of 2023, as the rise of artificial intelligence boosted investor sentiment and speculation was rife about the future of technology. The U.S. Federal Reserve (the "Fed") hiked policy rates six times during the reporting period, with the Fed funds rate reaching 5.5% on its upper bound and above core inflation numbers at the time. However, the Fed paused its rate hiking cycle at its September 2023 meeting to allow time to assess the lagged effects of rate hikes on the economy's productivity. 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 leading to rising concerns over a global banking crisis. Nevertheless, regulators around the world were quick to act, which helped mitigate further contagion risk. Fed Chair Jerome Powell also announced that the rates should be expected to remain elevated for the foreseeable future. Unemployment in the country rose to 3.8% in August 2023 from 3.5% in July 2023, the highest it has been since September 2022. Towards the end of September 2023, the uncertain status of Republican Kevin McCarthy, who is under fire from members of his own party for agreeing on spending limits with the Democratic party, led to concerns of a government shutdown on October 1, 2023. However, the shutdown was averted after the House and the Senate both agreed on a short-term funding deal.

U.S. equities (as measured by the S&P 500 Index) rallied during the reporting period. There were strong gains in the Communication Services, Information Technology and Consumer Discretionary sectors. Overall, Real Estate stocks lagged the most during the reporting period, as did Utilities and Financials stocks. Value stocks out-performed growth stocks during the reporting period, while large capitalization stocks out-performed small capitalization stocks.

Subjective forecasts of market outlook do not have a role in the Fund's investment methodology, except as can be implied from portfolio positioning, which is based on the output of quantitative models.

The Fund remains focused on its objective of protection in down markets, particularly against heightened volatility in U.S. markets, and participation in up markets. The Market Risk Model continues to monitor market risk on a daily basis to dynamically adjust the Fund's equity exposure to protect the portfolio from significant drawdowns. The Sector Allocation Model continually scores sectors based on well-known drivers of equity market returns, value, sentiment, profitability, momentum, size, as well as the investment quality factor and will continue to make adjustments as necessary. In the first calendar quarter of 2023, the Sector Allocation Model added a new top-down macro factor by using machine learning methods to look at the sector performances in historical periods with similar macroeconomic environment to the date of evaluation. A top-down investment approach involves looking at the "big picture" in the economy and financial world and then breaking those components down into finer details. In the second calendar quarter of 2023, the model added another top-down component, the regime factor, which considers sectors' different behaviors in various inflation-growth regimes.

Effective June 22, 2023, the risk rating of the Fund was changed from "low to medium" to "medium". No material changes have been made to the investment objective, strategies or management of the Fund.

**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, managing the investment portfolio of the Fund. The Fund was also party to an investment advisory agreement with AGFI and AGF Investments LLC. AGF Investments LLC acts as the investment advisor and provides investment advisory services to the Fund. 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 $128,000 were incurred by the Fund during the period ended September 30, 2023.

AGFI and AGF Investments LLC 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, 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(1)**

| For the periods ended | Sept 30, 2023 ($) | Sept 30, 2022 ($) | Sept 30, 2021 ($) | Sept 30, 2020 ($) | Sept 30, 2019 ($) |
|---|---|---|---|---|---|
| **Net Assets, beginning of period(1)** | **25.17** | **25.00*** | **–** | **–** | **–** |
| **Increase (decrease) from operations:** | | | | | |
| Total revenue | 0.61 | 0.20 | – | – | – |
| Total expenses | (0.20) | (0.07) | – | – | – |
| Realized gains (losses) | 0.13 | (0.05) | – | – | – |
| Unrealized gains (losses) | 2.10 | (1.61) | – | – | – |
| **Total increase (decrease) from operations(2)** | **2.64** | **(1.53)** | **–** | **–** | **–** |
| **Distributions:** | | | | | |
| From income (excluding dividends) | – | – | – | – | – |
| From dividends | (0.16) | – | – | – | – |
| From capital gains | (0.01) | – | – | – | – |
| Return of capital | – | – | – | – | – |
| **Total annual distributions(3)** | **(0.17)** | **–** | **–** | **–** | **–** |
| **Net Assets, end of period(4)** | **28.66** | **25.17** | **–** | **–** | **–** |

* represents initial Net Assets
(1), (2), (3), (4), (5), (6), (7) and (8) see Explanatory Notes

### Ratios/Supplemental Data[1]

| 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) | 69,272 | 11,208 | - | - | - |
| Number of units outstanding (000's) | 2,417 | 445 | - | - | - |
| Management expense ratio[5] | 0.44% | 0.44% | - | - | - |
| Management expense ratio before waivers or absorptions[6] | 0.44% | 0.44% | - | - | - |
| Trading expense ratio[7] | 0.06% | 0.27% | - | - | - |
| Portfolio turnover rate[8] | 41.62% | 0.00% | - | - | - |
| Net Asset Value per unit | 28.66 | 25.17 | - | - | - |

**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.

(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 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.

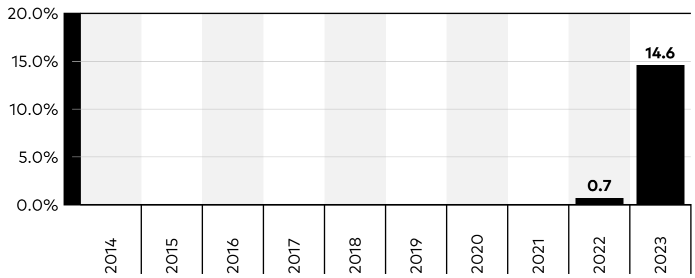
All rates of return are calculated based on the Net Asset Value.

**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.

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

* 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.




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: | 1 Year | 3 Years | 5 Years | 10 Years | Since Inception |
|---|---|---|---|---|---|
| Fund | 14.6 | N/A | N/A | N/A | 12.3 |
| S&P 500 Net Return Index | 19.0 | N/A | N/A | N/A | 14.5 |

The S&P 500 Net Return Index is a capitalization-weighted index of 500 stocks net of dividends and withholding taxes. The index is designed to measure performance of the broad U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

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 ETFs are available on the internet at www.sedar.com and/or www.sec.gov/edgar.shtml, as applicable.

| Portfolio by Country | Percentage of Net Asset Value (%) |
|---|---|
| United States | 98.0 |
| Cash & Cash Equivalents | 3.8 |
| Other Net Assets (Liabilities) | (1.8) |

| Portfolio by Sector | Percentage of Net Asset Value (%) |
|---|---|
| ETFs – United States Equity | 85.5 |
| ETFs – United States Short-Term Income | 12.5 |
| Cash & Cash Equivalents | 3.8 |
| Other Net Assets (Liabilities) | (1.8) |

| Portfolio by Asset Mix | Percentage of Net Asset Value (%) |
|---|---|
| United States Equity | 98.0 |
| Cash & Cash Equivalents | 3.8 |
| Other Net Assets (Liabilities) | (1.8) |

| Top Holdings | Percentage of Net Asset Value (%) |
|---|---|
| Fidelity MSCI Information Technology Index ETF | 25.1 |
| SPDR Bloomberg 1-3 Month T-Bill ETF | 12.5 |
| Fidelity MSCI Communication Services Index ETF | 11.0 |
| Fidelity MSCI Financials Index ETF | 10.8 |
| Fidelity MSCI Consumer Discretionary Index ETF | 9.0 |
| Fidelity MSCI Energy Index ETF | 7.5 |
| Fidelity MSCI Consumer Staples Index ETF | 7.2 |
| Fidelity MSCI Health Care Index ETF | 6.3 |
| Fidelity MSCI Industrials Index ETF | 4.5 |
| Cash & Cash Equivalents | 3.8 |
| Fidelity MSCI Materials Index ETF | 2.1 |
| Fidelity MSCI Real Estate Index ETF | 1.0 |
| Fidelity MSCI Utilities Index ETF | 1.0 |
| **Total Net Asset Value (thousands of dollars)** | **$ 69,272** |

Invested in Discipline

For more information contact your investment advisor or:

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