

**Interim Management Report of Fund Performance**

# **AGF European Equity Fund**

March 31, 2021



## 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.

### Results of Operations

For the six months ended March 31, 2021, Series S Units of AGF European Equity Fund (the "Fund") returned 21.3% (net of expenses) while the MSCI Europe Index returned 13.8%. Unlike the benchmark, the Fund may be subject to valuation adjustments as outlined in the Fund's valuation policies as it relates to non-North American equities held by the Fund. A fair value adjustment can either positively or negatively impact the Fund's rate of return.

The Fund out-performed the MSCI Europe Index due to strong security selection. During the period under review, the Fund maintained broad diversification at the country and sector level to take advantage of potential return opportunities and to reduce risk. From a geographic perspective, the Fund's exposure to France, Ireland and the UK contributed to performance, while its exposure to Switzerland and nil exposure to Sweden and Norway detracted. From a sector perspective, the Fund's exposure to financials, materials and industrials contributed positively, while its exposure to information technology and health care detracted.

The Fund had net redemptions of approximately \$6 million for the current period, as compared to net redemptions of approximately \$3 million in the prior period. Rebalancing by an institutional program resulted in net subscriptions of approximately \$1 million in the Fund. The portfolio manager does not believe that redemption/subscriber activity had a meaningful impact on the Fund's performance or the ability to implement its investment strategy.

Total expenses before foreign withholding taxes, commissions and other portfolio transaction costs vary period over period mainly as a result of changes in average Net Asset Values (see Explanatory Note (1) a)) and investor activity, such as number of investor accounts and transactions. Expenses have increased as compared to the previous period due mainly to an increase in average Net Asset Values. Custodian fees increased due to an increase in market value of investment portfolio and interest expense increased due to an increase in overdraft positions throughout the period. The increase in independent review committee fees was due to variances between the accrued amounts versus the actual expenses incurred in the previous period. All other expenses remained fairly consistent throughout the periods.

### Recent Developments

The portfolio manager is positive on the outlook for global economic growth and equities. While COVID-19 cases and hospitalizations declined globally, the emergence of new and

more infectious mutations and the risk that existing vaccines may be less effective against some strains remains a humanitarian concern and an ongoing risk for equity markets. However, as vaccines continue to be rolled out globally and testing becomes more effective and quicker, the portfolio manager believes market sentiment should be well supported alongside ample fiscal and monetary stimulus, barring any complications in vaccine effectiveness or distribution. Despite delays in Europe, the portfolio manager is encouraged by the progression of the vaccine rollouts, particularly in the U.S. and the UK. Positively, governments and central banks will remain focused on economic recovery and the deflationary impact of further lockdowns, a green light for additional stimulus. The unprecedented level of stimulus will likely result in further improvement in global economic activity, which the portfolio manager believes should continue to support global equities, particularly cyclical and value stocks, which have out-performed towards the end of calendar year 2020 and into 2021. This rotation was further propelled by rising inflation expectations and bond yields, with the U.S. 10-year treasury yield reaching its highest level since January 2020. While rising bond yields had always been anticipated as the global economy recovered, the pace and magnitude of this increase in calendar year 2021 has taken the market by surprise and has resulted in elevated market volatility. As the global economy continues to recover, the risks of higher bond yields could result in central banks withdrawing stimulus, leading to a further selloff in equity and bond markets.

In Europe, the portfolio manager continues to monitor developments related to the pandemic, including vaccine rollout and additional lockdowns in the region. The latest lockdown extensions and slow vaccine rollout increase the potential for a double-dip recession; however, the Eurozone has provided significant stimulus, which should continue to support an economic recovery and equity markets in the region. The European Union ("EU") has also taken a material step in support of fiscal integration with the EUR €750 billion EU Recovery Fund, endorsing the principle of the mutualization of debt in the region. Additionally, the European Central Bank's continued expansion of its balance sheet also remains supportive. In the portfolio manager's opinion, valuations in Europe remain cheap relative to the U.S. and should benefit more from the global cyclical recovery.

The portfolio manager continues to believe in the long-term opportunity for Europe, particularly given the attractive valuations and the gearing the region will have to a global recovery. However, volatility should be expected in the interim.

The recent international spread of COVID-19 has heightened certain risks associated with investing in the Fund, including liquidity risk. There are many factors that affect liquidity as well as the value of an investment. Those factors generally affect securities markets, including but not limited to general economic and political conditions, fluctuations in interest

This interim management report of fund performance contains financial highlights, but does not contain either the interim or annual financial statements of the investment fund. You can get a copy of the interim or annual financial statements at your request, and at no cost, by calling 1 800 268-8583, by writing to us at AGF Investments Inc., 55 Standish Court, Suite 1050, Mississauga, Ontario, Canada L5R 0G3 attention: Client Services, 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.

rates and factors unique to each issuer of the securities held by an investment fund, such as changes in management, strategic direction, achievement of strategic goals, mergers, acquisitions and divestitures, changes in distribution and dividend policies and other events. While the precise impact of the recent COVID-19 outbreak remains unknown, it has introduced uncertainty and volatility in global markets and economies. The duration of the COVID-19 outbreak and its impact cannot be determined with certainty, but it may adversely affect the performance of the Fund. The portfolio manager, however, does not believe any changes to the Fund over the period has affected the overall risk of the Fund.

## Related Party Transactions

AGF Investments Inc. ("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, managing the investment portfolio of the Fund. The Fund was also party to an investment advisory agreement with AGFI and AGF International Advisors Company Limited ("AGF International"). AGF International acts as an investment advisor and provides investment advisory services to the Fund. Under the management and investment advisory agreements, the Fund pays management and advisory fees calculated based on the Net Asset Value of Series S Units of the Fund. Management and advisory fees of approximately \$324,000 were incurred by the Fund during the six months ended March 31, 2021.

AGFI and AGF International are indirect and direct wholly-owned subsidiaries of AGF Management Limited, respectively.

## 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 six months ended March 31, 2021 and the past five years as applicable.

### Series S Units - Net Assets per Unit<sup>(1)</sup>

For the periods ended	Mar 31, 2021 (\$)	Sept 30, 2020 (\$)	Sept 30, 2019 (\$)	Sept 30, 2018 (\$)	Sept 30, 2017 (\$)	Sept 30, 2016 (\$)
<b>Net Assets, beginning of period<sup>(1)</sup></b>	<b>8.52</b>	<b>9.59</b>	<b>9.94</b>	<b>10.36</b>	<b>9.11</b>	<b>10.34</b>
<b>Increase (decrease) from operations:</b>						
Total revenue	0.15	0.30	0.40	0.41	0.49	0.38
Total expenses	(0.05)	(0.09)	(0.12)	(0.16)	(0.14)	(0.16)
Realized gains (losses)	0.15	0.07	(0.68)	0.21	0.22	(1.14)
Unrealized gains (losses)	1.59	(0.95)	0.13	(0.67)	1.05	0.37
<b>Total increase (decrease) from operations<sup>(2)</sup></b>	<b>1.84</b>	<b>(0.67)</b>	<b>(0.27)</b>	<b>(0.21)</b>	<b>1.62</b>	<b>(0.55)</b>
<b>Distributions:</b>						
From income (excluding dividends)	-	-	-	-	-	-
From dividends	(0.22)	(0.37)	(0.25)	(0.27)	(0.25)	(0.15)
From capital gains	-	-	-	-	-	(0.48)
Return of capital	-	-	-	-	-	-
<b>Total annual distributions<sup>(3)</sup></b>	<b>(0.22)</b>	<b>(0.37)</b>	<b>(0.25)</b>	<b>(0.27)</b>	<b>(0.25)</b>	<b>(0.63)</b>
<b>Net Assets, end of period<sup>(4)</sup></b>	<b>10.10</b>	<b>8.52</b>	<b>9.59</b>	<b>9.94</b>	<b>10.36</b>	<b>9.11</b>

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

## Series S Units - Ratios/Supplemental Data<sup>(1)</sup>

For the periods ended	Mar 31, 2021	Sept 30, 2020	Sept 30, 2019	Sept 30, 2018	Sept 30, 2017	Sept 30, 2016
Total Net Asset Value (\$'000's)	65,309	59,859	65,285	100,269	58,848	59,360
Number of units outstanding ('000's)	6,467	7,022	6,808	10,090	5,679	6,513
Management expense ratio <sup>(5)</sup>	0.57%	0.57%	0.57%	0.59%	0.88%	0.89%
Management expense ratio before waivers or absorptions <sup>(6)</sup>	1.31%	1.31%	1.27%	1.25%	1.31%	1.36%
Trading expense ratio <sup>(7)</sup>	0.11%	0.14%	0.22%	0.40%	0.22%	0.47%
Portfolio turnover rate <sup>(8)</sup>	5.02%	20.52%	23.57%	32.76%	30.50%	75.71%
Net Asset Value per unit	10.10	8.52	9.59	9.94	10.36	9.11

## Explanatory Notes

- (1) a) This information is derived from the Fund's audited annual financial statements and unaudited interim 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) Series S Units of the Fund commenced operations in January 2015, 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 computation of the distributions per unit does not take into account the management fee distributions (see note 5 below). 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") of a particular series 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, allocated to that series, expressed as an annualized percentage of average daily Net Asset Value of that series during the period. For new series launched, the MER is annualized from the date of the first external purchase.
- (6) AGFI waived certain fees or absorbed certain expenses otherwise payable by the Fund. The amount of expenses

waived or absorbed is determined annually on a series by series basis 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. As a result of providing investment advisory and management services, AGFI receives a monthly management and advisory fee, based on the Net Asset Value of Series S Units. AGFI uses these management and advisory fees to pay for investment advice, as well as for general administrative expenses such as overhead, salaries, rent, legal and accounting fees relating to AGFI's role as manager.

	As a percentage of management and advisory fees		
	Annual rate	Dealer compensation	General administration and investment advice
Series S Units	1.00%	-	100.00%

## 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.

It is AGFI's policy to report rates of return for series in existence greater than one year. The performance start date for each series represents the date of the first purchase of such series, excluding seed money.

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

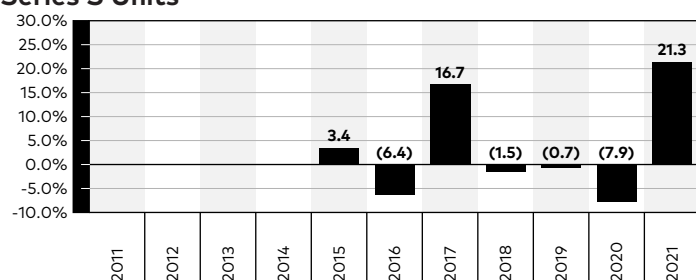
(1), (2), (3), (4), (5), (6), (7) and (8) see Explanatory Notes

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

## Year-By-Year Returns

The following bar chart shows the Fund's annual performance for each of the past 10 years to September 30, 2020 (interim performance for the six months ended March 31, 2021) 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.

### Series S Units



Performance for 2015 represents returns for the period from January 15, 2015 to September 30, 2015.

## Summary of Investment Portfolio

As at March 31, 2021

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 June 30, 2021.

Portfolio by Country	Percentage of Net Asset Value (%)
France	27.2
United Kingdom	18.0
Germany	16.9
Switzerland	13.1
Ireland	7.2
Italy	6.6
Netherlands	4.4
Spain	2.7
Luxembourg	2.5
Cash & Cash Equivalents	0.3

Portfolio by Sector	Percentage of Net Asset Value (%)
Financials	22.7
Industrials	16.6
Health Care	13.4
Consumer Staples	10.6
Materials	10.4
Information Technology	6.9
Energy	6.1
Consumer Discretionary	5.3
Utilities	4.6
Communication Services	2.0
Cash & Cash Equivalents	0.3

Portfolio by Asset Mix	Percentage of Net Asset Value (%)
International Equity	98.6
Cash & Cash Equivalents	0.3

Top Holdings	Percentage of Net Asset Value (%)
Siemens AG	5.0
BNP Paribas SA	5.0
Compagnie de Saint-Gobain	4.6
Novartis AG	4.5
ING Groep NV	4.4
SAP SE	4.1
AXA SA	4.0
Roche Holding AG	3.9
Enel SpA	3.4
Nestle SA	3.2
BAE Systems PLC	3.1
Danone SA	3.1
Royal Dutch Shell PLC	3.0
Bank of Ireland Group PLC	2.7
ArcelorMittal SA	2.5
CRH PLC	2.5
Intesa Sanpaolo SpA	2.4
Daimler AG	2.3
Sanofi	2.2
TOTAL SA	2.1
Smith & Nephew PLC	2.0
BASF SE	1.9
Rio Tinto PLC	1.8
Lloyds Banking Group PLC	1.6
Compagnie Generale des Etablissements Michelin SCA	1.5
<b>Total Net Asset Value (thousands of dollars)</b>	<b>\$ 65,309</b>



For more information contact your investment advisor or:

**AGF Investments Inc.**

55 Standish Court, Suite 1050

Mississauga, Ontario L5R 0G3

Toll Free: (800) 268-8583

Web: [AGF.com](http://AGF.com)

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