

# Q & A with Tony Genua



Tony Genua, Senior Vice-President and Portfolio Manager, AGF Investments, has managed AGF American Growth Class since 2005. Given his extensive U.S. all-cap knowledge and global experience, he was appointed lead manager of AGF U.S. Small-Mid Cap Fund<sup>1</sup> and AGF Global Select Fund<sup>2</sup> in February 2013.

Throughout his 30-year career in U.S. and global portfolio management, Tony has fine-tuned and stayed true to a disciplined, high-conviction investment strategy that aims to identify leading growth companies positioned to benefit from timely thematic trends and opportunities.

We recently spoke with Tony about his unique approach and value proposition.

## AGF funds managed by Tony Genua

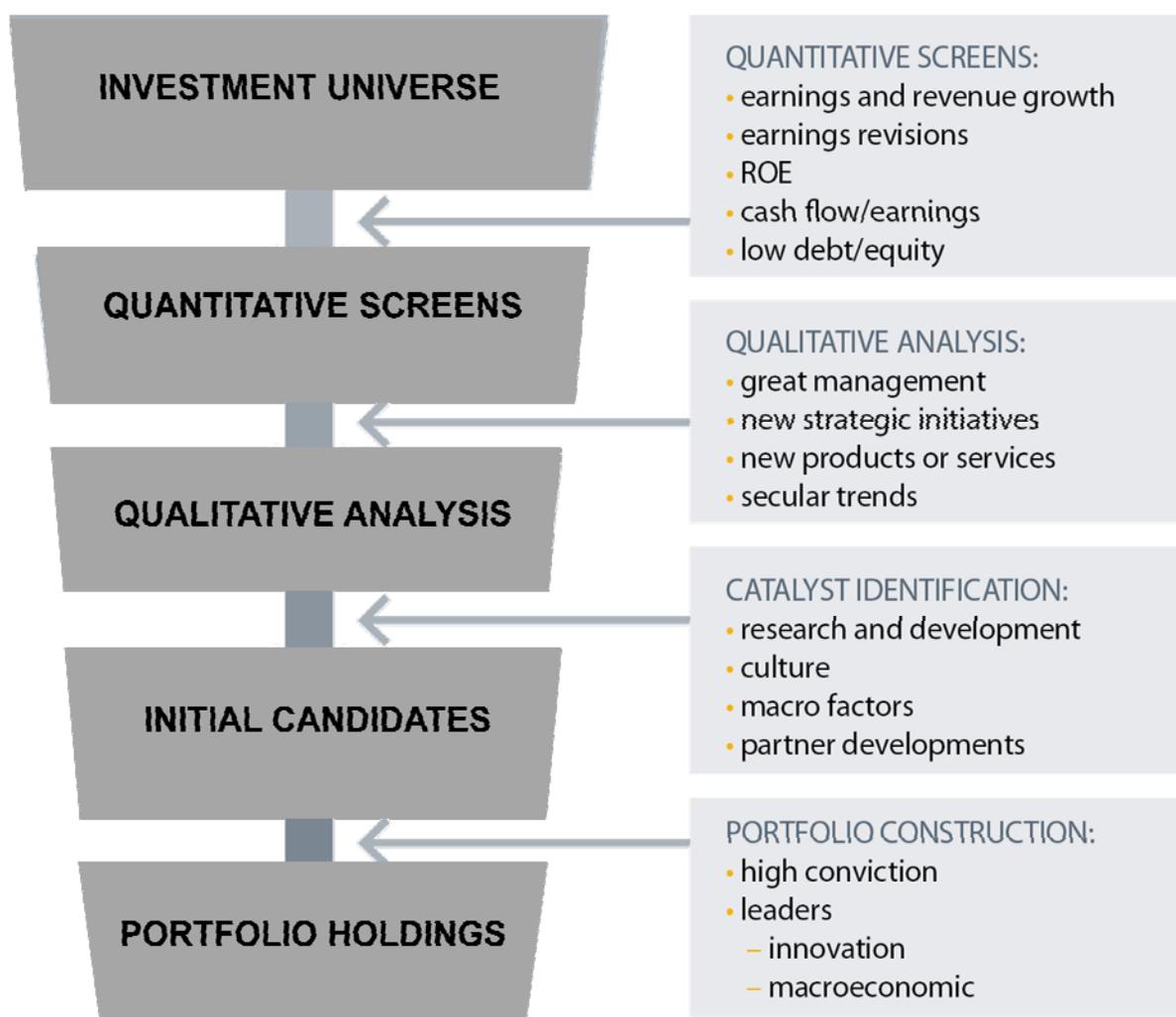
	AGF American Growth Class	AGF U.S. Small-Mid Cap Fund <sup>1</sup>	AGF Global Select Fund <sup>2</sup>
<b>Objective(s)</b>	Long-term capital growth	Superior capital growth	Capital appreciation and global diversification
<b>Fund type</b>	U.S. equity	U.S. small- and mid-cap equity	Global equity all-cap
<b>Type of equity holdings</b>	Dominant growth companies located in the world's largest market	Primarily in shares of small- and medium-capitalization companies with superior growth potential	Select global companies with leading growth prospects
<b>Benchmark</b>	S&P 500 Total Return Index	S&P Midcap 400 Index <sup>3</sup>	MSCI All Country World Total Return Index
<b>Holdings</b>	30-50	20-40	20-60
<b>Market Cap (US\$)</b>	+\$1 billion	+\$500 million to \$20 billion	All cap
<b>Risk profile</b>	 Low Med High	 Low Med High	 Low Med High



## Q: How do you divide your time when constructing the portfolios?

A: I typically spend 80% of my time on bottom-up stock selection and the remaining 20% on macro analysis and sector evaluation.

I use a bottom-up stock selection process based on in-depth fundamental research. The process begins with a definition of an investment universe. The steps described below ultimately narrow this universe to a high-conviction portfolio.



### Step 1 – Quantitative screens

The universe is narrowed through a variety of qualitative and quantitative screens that are used to identify growth companies.

The quantitative screens narrow the investable universe by analyzing fundamental factors including revenue growth, earnings growth and positive earnings revisions. Growth is viewed from a historical perspective in conjunction with an examination of its sustainability into the future.

### Step 2 – Qualitative analysis

To further narrow the investable universe and determine the optimal growth candidates, ongoing, targeted research identifies companies with leading product or service innovations, strong management and industry leadership in attractive markets.

In-depth analysis and due diligence is performed on each company. The rigorous bottom-up research ensures each candidate for portfolio inclusion exhibits strong fundamentals and confirms that these companies exhibit the potential for sustained growth as well as continued innovation in their products and services. Valuation is constantly monitored on an absolute basis, on a relative basis to industry peers and the market, relative to its long-term history.

### Step 3 – Catalyst identification

The catalyst identification further reduces the universe, singling out potential purchase candidates. A number of factors are scrutinized at this stage including market share trends, research and development (R&D) and profitability are included in the list of considerations for evaluating a company's ability to grow at above-average rates. Innovation and the allocation of spending to R&D are closely monitored, as is the productivity of this spending. Valuations relative to peers, such as price to earnings and free-cash-flow generation, are key considerations.

### Step 4 – Portfolio construction

The resulting portfolio consists of companies that exhibit strong growth characteristics. The typical range for position weights is 1-8%.

## Q: Can you provide more information on your screening and idea generation?

A: My portfolios include leading growth companies in every cycle. As such, on any given day, my candidate list comes from three main sources:

1. Conferences, events, onsite visits and management meetings
2. Overall themes or macro considerations (such as where we are in the current economic cycle, policy initiatives, demographics)
3. Quantitative screening for the following:
  - strong expected growth:

- above-average revenue growth
- positive EPS revisions
- above-average earnings growth
- rising free cash flow
- attractive valuations (P/E, P/S):
  - absolute basis
  - relative to market
  - relative to industry
  - relative to long-term growth

**Q: You're known for your focus on innovation. Where are you currently finding your ideas?**

**A:** Here's where we believe tomorrow's leaders can be found – and you can see this reflected in the fund holdings:

- Technology (cloud, mobility, social media, big data, collaborative consumption, 3D printing)
- Health Care (life sciences/genomics, electronic medical records)
- Renaissance of U.S. manufacturing (transportation, durables)
- Renewable energy/clean technology (solar, wind, energy efficiency)
- U.S. energy self-sufficiency (chemical, refiners)

**Q: Why do you prefer to limit the portfolios to fewer names?**

**A:** Each portfolio is constructed to represent confidence in the highest conviction ideas that have the greatest potential to become future leaders, given the macroeconomic environment, liquidity constraints and aggregate portfolio composition. The result is core portfolios of approximately 40 holdings.

**Q: Do you leverage the research and analysis from other AGF teams when filtering your selections??**

**A:** Yes, definitely. My approach and what I look for is unique but I take advantage of the in-house research capabilities of both the North American and Global teams. At AGF, there is continuous collaboration on ideas and opinions. My colleagues have a wealth of experience and expertise in different schools of thought and style. That insight is worth considering and is factored in my investment decisions.

**Q: How do companies move from the candidate list into the portfolio?**

**A:** From the purchase candidate list, we perform further due diligence, but there needs to be a catalyst for the candidate to be added to my portfolio. This catalyst could be an additional datapoint on fundamentals, price momentum indicators or other developments deemed to impact the markets.

### Q: What about your sell criteria?

**A:** I sell stocks that no longer exhibit strong growth characteristics. These can be a result of disappointing earnings and revenue growth and/or deterioration in fundamentals. Stocks will also be sold if a stock hits my estimated target price or eliminated when a better candidate is identified. Finally, price momentum will be a component of the decision-making process.

### Q: How are the Funds differentiated?

**A:** While each includes innovative companies that I believe are the leaders of today and tomorrow, each Fund focuses on a different target group:

- **AGF American Growth Class** is mainly U.S. large-cap companies with a market capitalization of more than \$1 billion
- **AGF U.S. Small-Mid Cap Fund** not surprisingly focuses primarily on small- to mid-cap U.S. companies (\$500 million to \$20 billion)
- **AGF Global Select Fund** can go anywhere and include companies of any market capitalization

### Q: Any overlap between the Funds?

**A:** Each Fund provides unique exposure while also complementing the others. AGF Global Select Fund has overlap with the two U.S. funds: 70% of AGF Global Select Fund's U.S. holdings are held in AGF American Growth Class and/or AGF U.S. Small-Mid Cap Fund.\*

### Q: How does AGF Global Select Fund fit with the other AGF global equity funds?

**A:** AGF Global Select Fund is a more tactical, highly concentrated portfolio that looks to differentiate itself through its active share and selections of high-growth, innovative companies. The Fund complements other core funds such as AGF Global Equity Fund.

For more information about the Funds that Tony manages, please visit [AGF.com](http://AGF.com) and contact your Financial Advisor.

\*Source: AGF Investment Operations, November 30, 2013.

<sup>1</sup>The Fund was renamed from AGF Aggressive U.S. Growth Fund, effective November 1, 2013. AGF Investments Inc. replaced Driehaus Capital Management LLC as portfolio manager, effective February 19, 2013.

<sup>2</sup>The Fund was renamed from AGF Aggressive Global Stock Fund, effective November 1, 2013. AGF Investments Inc. replaced Driehaus Capital Management LLC as portfolio manager, effective February 19, 2013.

<sup>3</sup>On December 1, 2013, the Fund's benchmark changed from the Russell 2500 Total Return Index to the S&P MidCap 400 Index. The benchmark change was applied from this date forward.

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