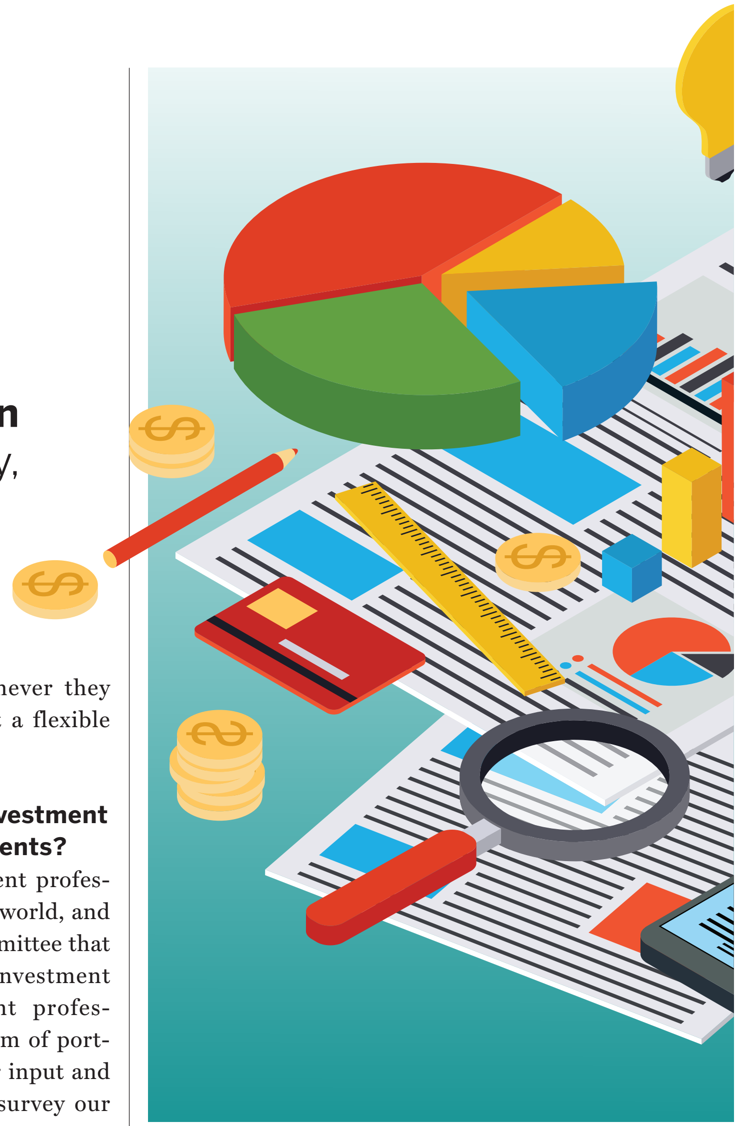
PORTFOLIO MANAGER

In their element

WP caught up with two of the managers of the AGF Elements portfolios, **Tony Genua** and **Jean Charbonneau**, to get their opinions on strategy, asset allocation and interest rates



WP: Why did you create the AGF Elements portfolios?
Tony Genua: We introduced the AGF Elements portfolios to address the different needs and risk profiles of investors. AGF has always offered a number of mutual funds to clients, including balanced portfolios, which range from more conservative portfolios – with less exposure to equities – to an all-equity global portfolio.

AGF Elements consists of five portfolios, each with an individual risk profile based on its asset mix. The portfolios consist of fund-of-funds. About a year ago, we introduced a tactical fund into the Elements portfolios, which gives us added flexibility to introduce individual securities as well as ETFs. It helps us to be more nimble in response to the volatility that seems to be increasing in the marketplace.

WP: What benefits does the AGF Elements solution offer to investors and advisors?
Jean Charbonneau: This is an actively managed solution with an asset allocation team that analyzes tactical decisions on a quarterly basis. That's one of the main benefits for investors. Also, our tactical fund acts as an umbrella fund, which overarches the five profiles within Elements. The tactical fund provides us the flexibility to capture opportunities whenever they arise. We're able to implement a flexible strategy, and that's a big benefit.

WP: How do you identify investment opportunities for AGF Elements?
TG: AGF has over 50 investment professionals in offices all around the world, and we have an asset allocation committee that is a subcomponent of these investment professionals. Our investment professionals work across the spectrum of portfolios, and we utilize all of their input and knowledge. Every quarter, we survey our investment professionals to make sure we capture all of their opinions on events in the capital markets.

I'm responsible for US growth equities, and I've been looking at the US stock market for over 30 years. Jean has been working in fixed-income markets for over 30 years. That depth of experience is brought to bear for investors. It's about the debate, the dialogue and different points of view. It doesn't just depend on one person or asset category – the committee brings together diverse opinions to develop a broad-based, informed view of the capital markets.

WP: How important a role does the AGF Asset Allocation Committee play in your overall strategy?
JC: It's very important. We initiate debate, have discussions and funnel all of our knowledge and expertise. We use the Black-Litterman reverse optimization process, and the committee meetings are where we get the information needed for that reverse optimization.

The AGF Asset Allocation Committee determines the overall asset mix within the portfolios, and as you know, asset allocation can be a strong driver of returns.

WP: What has been your approach regarding interest rates?
JC: A combination of interest rate anticipation and duration management is

central to the strategy of AGF Elements. This is what a bond manager is all about. Since the Great Recession, we've had to closely monitor our policymakers; that's been an underlying theme. Central bankers have been the dominant players in the marketplace, and we need to understand how that impacts the markets.

WP: How would you assess the current state of the markets?

TG: Recently, we've seen considerable volatility and uncertainty, particularly as global growth continues to slow down. Barely two weeks ago, the IMF reduced the global growth profile based on slowing global economies. It does seem as though the markets are starting to stabilize on a subdued rate of economic growth, and we think that eventually the markets will work themselves into a better position.

The AGF Asset Allocation Committee particularly likes US equities, and although the US is somewhat challenged by weak oil prices, there are still relatively good conditions vis à vis other corporate profit pictures around the world. We're liking the US, and we're overweight there.

In Canada, oil prices have rebounded from their lows in late January and early February, so we're becoming more constructive on the Canadian stock market and in our Canadian portfolios, compared to the benchmarks.

JC: The central bankers have created distortion in the marketplace in recent years; there's been a disconnect between value and fundamentals. The transparency created by central bankers has resulted in less value in the market; the fundamentals are less clear. In recent years, there has been a significant repricing of emerging markets, and that could highlight some value at some point.

WP: What are the biggest risks you see for global investors over the next few years?

TG: The EU Brexit vote and Fed policy in North America are two definite risk factors. I would welcome a Fed rate increase because, compared to where they've been historically, we're far from normal in terms of interest rates. In the US, both candidates in the upcoming election have attributes that may not be welcomed by the stock markets.

JC: The markets are driven by liquidity and momentum more than fundamentals at the moment. We've seen a lot of liquidity taken out of markets in recent years, so that could prevent brokers from market-making, which could have a big impact.

WP: What opportunities are there for advisors for investors in today's volatile markets?

TG: I draw an analogy between now and where we were in 2011. With the sovereign debt crisis in Europe in 2011, we had a lot of international risk, and today it's more around slowing economic growth internationally and the Brexit vote. We have a fair number of risk factors. In 2011, we had domestic concerns around the US losing its triple-A bond status, and today it's around Fed policy and lacklustre economic growth.

In 2011, those risk factors ended up creating a buying opportunity for the stock market, and we think that something similar could happen again. The AGF Asset Allocation Committee is keeping a cash position to be ready for this opportunity. Advisors should stay the course and not be too shaken up by downdrafts in the stock market.

JC: Leave market timing decisions to the professional asset allocation committees, who can monitor markets daily and have the nimbleness to make adjustments to portfolios. Market timing is not a thing that an advisor should be concentrating on. WP

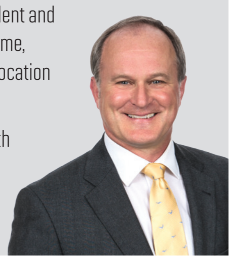
TONY GENUA

Years in the industry: 30+

Position: Senior vice-president and portfolio manager, US equity, and co-chair of the Asset Allocation Committee

Career highlight: Looking for investment opportunities around the world

JEAN CHARBONNEAU



Years in the industry: 32

Position: Senior vice-president and portfolio manager, fixed income, and co-chair of the Asset Allocation Committee

Career highlight: Along with Genua, bringing the asset allocation committee concept to AGF