New Year. New Decade.
How Late is Too Late?

The U.S. election is the event to watch in 2020, but it’s the late-stage global economy that will determine the fate of the markets.

By Kevin McCreadie
At no time recently has the political climate been so divisive as it is today, all the while being played out in a hyped-up communications age that scrutinizes every move made and every word tweeted by the candidates running for office and the pundits who influence the race.

But for all the potential implications the election holds, investors need to be careful not to get overly caught up in the spectacle. While politics will play an important role in shaping markets in 2020, it’s the late-cycle global economy that is most important and the direction it takes over the next year may have the biggest impact on asset prices.

That’s not to say the two don’t mix. Government has had a hand in many of the issues that have dogged economic conditions this past year, not just in the U.S. where the longest expansion on record has been teetering, but elsewhere around the world where slower growth and recession risks have also been a concern.

None of these issues is bigger than the ongoing trade impasse between the U.S. and China, which according to a recent United Nations report, has been a “lose/lose” for both countries and because of the tit-for-tat tariffs levied, is estimated to have cost the global economy tens of billions of dollars.

The United States election is now less than a year away and the attention it garners in the coming months will be unprecedented.
The recent trade truce between the two sides is a step in the right direction on this front – especially if it results in a phase one deal that includes the U.S. agreeing to cancel additional tariffs on Chinese imports set to take effect in mid-December, while also rolling back some of its existing duties. In return, China would likely need to address U.S. intellectual property and financial services concerns as well as commit to purchasing more U.S. agricultural products going forward.

If struck, such an agreement would no doubt remove a major headwind for the economy and provide a potential boost to risk assets like stocks and high-yield credit. But the opposite might also be true if phase one of the deal is delayed, new tariffs are put in place, or worse, negotiations break down entirely.

Even if phase one gets done, it’s unclear whether there is enough shared political will to continue hammering out a more comprehensive deal. China, for example, may decide it’s better to see how the U.S. election plays out before getting back to the table. It would likely prefer to negotiate with a moderate like Joe Biden rather than U.S. President Trump but would be leery of someone like Elizabeth Warren winning the Democratic nomination given her hard stance on human rights and the escalating protests in Hong Kong.

The ongoing impeachment process also might not help. While it’s unlikely that Trump will be convicted early in the New Year, a trial for his ouster could still be a distraction.

In any case, the trade impasse between China and the U.S. may finally be coming to a head after more than a year of false starts and stalemating, giving investors some much needed clarity on the issue, if not exactly what they wish for.

The same is true of Brexit, another stubborn economic headwind – especially for Europe – that could come to some type of resolution at the end of January.

The outcomes of these two highly-charged political decisions will also continue to hold sway over central bank policy, including the U.S. Federal Reserve that is back in a holding pattern after cutting interest rates three times earlier this year.

Ultimately, the global economy hangs in the balance heading into 2020 and could go either way. That doesn’t mean a recession is imminent if trade talks between China and the U.S. break down, or Britain leaves the
Keep an Eye On:

U.S. jobless claims
The weekly stat of people applying for unemployment benefits is still near historic lows and reflects a resilient U.S. labour market.

Global PMIs
Purchasing Manager Indexes (PMIs) slumped around the world in 2019, but have they bottomed?

CFO Confidence
Duke University’s September survey of global chief financial officers showed 53% of those polled believe the U.S. will be in an economic recession by the third quarter of 2020.

European Union without a deal. In fact, economic data has steadied in recent weeks and remains resilient in many parts of the world, but at this late stage in the cycle, it may not take much to tip it over.

In this environment, investors will need to keep close watch on economic indicators such as weekly U.S. jobless claims and global purchasing manager indexes, which fell throughout 2019, but may be close to bottoming.

At the same time, they will need to weigh their various options carefully. Stock and bond markets could turn on a dime depending on the direction the economy takes and allocations to both may be safer when complemented by alternative asset classes and strategies that offer the potential of non-correlated returns.

In the end, the global economy could be in much better shape heading into 2020 than many investors might have expected just a few months ago. But when it comes to the economic cycle, there’s no question it’s getting late.

What do you see as the key issue facing investors in 2020?
- Trade Disputes
- Monetary Policy
- Rising Populism/Nationalism
- Political Polarization
- Recession Fears

See results

Please see Disclaimer section for full disclosure.
Greg Valliere’s Guide to the U.S. Election

AGF’s Chief U.S. Policy Strategist gives his take on the presidential race and what to expect on the campaign trail.
Key Battlegrounds

For the White House
Our early assessment is that Trump should win Texas, Ohio and probably Florida, while the Democrats’ nominee should win the West Coast – California, Oregon and Washington – while also capturing the Northeast – New York, Massachusetts, etc. The race may come down to three states Trump narrowly carried in 2016 – Michigan, Pennsylvania and Wisconsin. If the Democrats “flip” these states, they would have a path to the White House.

For Congress
Most observers (including us) feel the Democrats are likely to maintain control of the House or Representatives, where they have 233 seats to the Republicans’ 197 (there are four vacancies and one independent). The important race is for the Senate, where the Republicans have a 53-47 majority. They have 23 seats up for re-election, mostly in safe states for them, while the Democrats will defend 12 seats. The Senate is considered a “firewall” that blocks liberal legislation coming from the House, so this will be very important for the markets.

Key Players

Donald Trump 73
The President will have no serious Republican opposition.

Joe Biden 77
The shaky favourite to be the Democrats’ nominee.

Elizabeth Warren 70
The upset has run a surprisingly strong campaign.

Bernie Sanders 78
The self-declared Democratic Socialist.

Michael Bloomberg 77
The late entrant who may have entered the race too late.
### Key Dates

<table>
<thead>
<tr>
<th>February 3 &amp; 11</th>
<th>March 3</th>
<th>July 13-16</th>
<th>August 24-27</th>
<th>September 29</th>
<th>October 7, 15 &amp; 22</th>
<th>November 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Iowa Caucus</td>
<td>Super Tuesday</td>
<td>Democratic National Convention</td>
<td>Republican National Convention</td>
<td>Presidential Debates</td>
<td>Election Day</td>
<td></td>
</tr>
</tbody>
</table>

#### Super Tuesday:

Voting for the Democratic leadership begins with the Iowa caucuses on February 3, followed by the New Hampshire primary on February 11, but the biggest day of all is March 3—Super Tuesday with contests in 14 states and two territories. California is the grand prize—whomever wins there probably will become the frontrunner.

#### The Conventions:

- The Democrats will hold their party convention on July 13-16 in Milwaukee. It’s possible that no candidate will have enough delegates to win a first-ballot nomination. The Republican convention, on August 24-27 in Charlotte, should be a coronation for Trump.

#### The Debates:

- The presidential debates will be held September 29, October 15 and October 22. There will be one vice-presidential debate on October 7.

#### Election Day:

The campaign will really heat up ahead of the November 3 election; 270 Electoral College votes are needed to win. Trump won 304 against Hillary Clinton in 2016; she won 227, with scattered votes for independents.
Key Issues

Unemployment <4% = Trump Advantage

Healthcare

Impeachment Trial Spring 2020

U.S. Budget over US$1 Trillion a year

Tech Industry Privacy Issues

Climate Change

No question, the economy almost always eclipses all other issues. If the unemployment rate stays below 4%, Trump will have a major advantage. He also needs to resolve the China trade dispute, and we expect progress on so-called Phase One of that this winter.

Taxes will be very controversial; Trump may seek still another tax cut – which the Democrats will reject unless there’s a tax hike on corporations and the wealthy.

Climate change is an increasingly important topic, especially among young voters. It could be a sleeper issue in 2020.

Health care is always a dominant issue; Democrats want to expand Obamacare or adopt a “Medicare for all” plan. This will be scrutinized by health care providers and the drug industry, which would be vulnerable if more left-leaning programs prevail.

The tech industry, which is increasingly unpopular because of privacy issues, will be a ripe target of both parties, but we don’t anticipate Washington breaking up the industry or imposing harsh penalties.

There’s widespread support for infrastructure improvements, but no one can figure out how to pay for it.

The U.S. budget has surged past US$1 trillion a year, and with some Democrats espousing Modern Monetary Theory (MMT) and even more spending, there seems to be no enthusiasm in either party for deficit reduction.

Scandals could be dominant; we expect Trump will be acquitted in an impeachment trial sometime in early 2020, but his very controversial personality could be a liability for the Republicans.

Please see Disclaimer section for full disclosure.
Global equities performed strongly in 2019, supported by central bank easing and dramatically lower bond yields, and they remain attractive across several regions heading into the new year due to supportive fundamentals and valuations. This is true, in particular, for the likes of Japan, Europe and the emerging markets (EM), but central bank policy, global trade, geopolitics and the U.S. dollar will still be key market drivers.

The health of the global economy has been reliant on the American consumer and the underlying strength of U.S. labour markets. Thus, any positive developments in trade relations between China and the U.S. and more certainty on Brexit should underpin business confidence and may lead to a modest acceleration of investment spending and economic growth. U.S. elections in November 2020 may result in periodic volatility and will depend on the Democratic Party’s choice of candidate. While a U.S. trade deal with China is possible, substantive progress is unlikely, and U.S. trade visibility with the European Union remains low.

Despite U.S. yield curve inversion in 2019, we do not foresee an

Back to Fundamentals
Policy support has overwhelmed fundamentals in recent years. Will it play a diminished role in 2020?

By Stephen Way
imminent recession, given a still solid labour market and other recessionary indicators that are not alarming at this juncture. We believe that we are in an environment of low interest rates, which will remain range-bound over the long term.

Uncertainty around Brexit continues to weigh on consumer and business confidence and investment in the U.K., though an agreement that averts a no-deal Brexit scenario should be supportive for growth and equity market performance in the region. Encouragingly, global manufacturing data could bottom towards the end of 2019 and inflect higher during 2020. We anticipate the German economy will benefit greatly, especially if the Chinese economy rebounds. While we expect the European Central Bank’s accommodative stance will remain supportive in 2020, additional fiscal measures are required. For the broader region, we look for more substantial progress on reform momentum and integration is necessary for a sustained improvement in economic growth prospects.

Economic growth in Japan may moderate in 2020 as the economy continues to adjust to the consumption tax hike in October 2019. Encouragingly, monetary policy remains supportive and fiscal stimulus should provide continued support for the economy over the medium term. We are also encouraged by the ongoing improvements of Japanese companies, fueled by increased shareholder activism and corporate governance reforms.

Any positive developments in trade relations between China and the U.S. and more certainty on Brexit should underpin business confidence and may lead to a modest acceleration of investment spending and economic growth.

Selective EM equities are poised to outperform next year, though this is dependent on a weaker U.S. dollar, which is expected over the long term. Several factors are encouraging in EM, including relative economic momentum and earnings revisions, a stabilization in China’s purchasing manager index (PMI), the rise in foreign exchange reserves and investor positioning. This anticipates a rebound in China’s economy in 2020 as the previously announced fiscal stimulus continues to filter through the economy and additional policy support should be expected if required.

Perfect Asymmetry
Why minimizing losses matters

Please see Disclaimer section for full disclosure.
A Tale of Two Halves

High-yield and emerging market debt look attractive to start the year, but don’t count rates out altogether.

Andy Kochar, Tom Nakamura, Tristan Sones, and David Stonehouse

A combination of macro factors drove a sustained downward shift in yields through much of 2019, leading to an inverted yield curve. As we enter a new decade, however, it appears the ‘heavy lifting’ related to these factors is behind us. Trade-related pressures within North America and between the U.S. and China, as well as Brexit-related issues in the U.K., may be nearing resolution or a détente for the time being. Combine these abating political concerns with troughing global growth and easier monetary conditions from major central banks, and a reasonable case could be made for a mid-cycle rise in Treasury yields, similar to those experienced in previous cycles. Our belief is that the U.S. 10-year Treasury yield could rise as much as 100 basis points or so from September 2019’s lows to begin the new year, though direction after that becomes less clear.

Repricing in credit markets should be viewed as a buying opportunity for high-yield in this environment of slow positive growth and benign inflation. Some emerging markets have lagged in large part due to trade headwinds, U.S. dollar strength and, more recently, regional weakness in Latin American markets. But a reversal...
of these factors should be constructive overall despite the need in many developing countries to implement necessary reforms that so far have been difficult to achieve.

Rate-sensitive bonds, meanwhile, are expected to be negatively impacted by curve steepening in the near term.

Among other dynamics, sovereign Canadian bonds could do better than U.S. bonds given the Bank of Canada’s position as the highest-yielding policy rate among developed markets and its discomfort with Canadian dollar strength. While fundamentals suggest moderately higher yields for now, a lack of meaningful inflation globally and lower potential output should limit a more significant rise and the high-water mark that yields reached in late-2018 is unlikely to be tested in 2020.

Much of that, however, will depend on whether central banks are forced to start tightening again in the case of an accelerating cyclical rebound in the economy, or the opposite happens, and they apply further easing due to rising recession fears in 2021.

If choosing between the two, we believe there is a greater probability that yields resume their downward trend by the second half of 2020. While guidance towards exact timing is fickle, the commonly accepted notion that an inverted yield curve precedes recession has a strong track record in recent history and must be respected. That said, we also acknowledge that the right mix of macro forces could support extended upside in yields beyond the spring, which is something to watch for as the year unfolds.

Stay current on global markets.

Subscribe today

Please see Disclaimer section for full disclosure.
Currencies are in a tug-of-war. Pulling from one side of the rope is ample central bank liquidity, partial progress and healing of trade war issues, and muted inflation pressures which together buoy global growth expectations. At face value, these factors would be expected to create a natural tailwind for many emerging market (EM) currencies as well as currencies with pro-cyclical tendencies, such as the Canadian dollar, Australian dollar and the Norwegian krone.

Tugging against these strengthening factors, however, are recession worries amplified by fragile growth, ongoing trade disputes and fears of ineffective monetary policy stimulus. In this environment, foreign exchange (FX) markets are more likely to be range-bound, with a slight bias in favour of safe-haven currencies such as the U.S. dollar, Japanese yen and Swiss franc.

So, what side gives? Perhaps the former, at least to start the year. With global growth still likely to be muted, there simply isn’t enough economic improvement to “float all boats.” But that’s not where the tug-of-war necessarily ends.

While the players have
changed, competing forces have been at play for several years now, resulting in uninspiring growth and inflation, as well as compressed FX volatility.

In currency markets, when sentiment is relatively balanced, and volatility is low, it is carry (or the yield differential) that tends to drive exchange rates. With the U.S. having the highest deposit rate in the G10, the U.S. dollar has enjoyed the dual benefits of being a high-carry currency in addition to its traditional role of being a safe-haven currency. However, as the tug-of-war unfolds, the greenback’s dominance may diminish.

U.S. elections are another key factor that will contribute to uncertainty. A re-election of President Trump could raise questions of whether his second term will be characterized by a more tempered approach to diplomacy or by an unfettered pursuit of ideology. On the other hand, reaction to a Democrat winning the White House will depend on who is at the top of the ticket; a centrist may be benign for markets, but a left-leaning leader is likely to create concern for U.S. growth prospects and be negative long term for the U.S. dollar.

Recent events in Hong Kong, Chile and Bolivia offer a reminder that social unrest is unfolding across the globe. Stalled improvements in quality of life and technology that enables the mobilization of like-minded citizens have made such episodes more commonplace. Discerning between currencies of countries where governments are either proactive or are effective and timely in their reactions will allow investors to capitalize on opportunities, particularly in emerging markets.

In our view, EM currencies are likely to provide the best opportunity in 2020. Many of the concerns noted have strong or outsized impacts on EM currencies. Absent a strong, broad trend in the U.S. dollar, selective exposures to EM currencies is our preferred approach to take in the coming year.

Please see Disclaimer section for full disclosure.
Is Gold Back in Favour?

By Steve Bonnyman

Gold has moved back onto the radar screens of many investors following its recent price increase to levels not seen since 2013. And while the price has since leveled off, the rally may not be over yet.

In fact, this could be the start of a longer-term bull market in gold bolstered by growing risk aversion and increased appetite for asset allocation strategies that are more broadly diversified.

The key to any gold forecast is to figure out how it might perform both as a commodity and a currency. There are no conventional ways of measuring or assessing its “value”, other than recognizing its history as a long-term store of value.

That said, the catalysts that triggered the price move earlier in the year have not disappeared. As a commodity, gold deposits are increasingly difficult to find and costly to extract, and the increasing cash constraints placed upon the industry by the capital markets will slow new production growth (at least until prices improve) suppressing new supply.

Gold’s outlook as a currency, meanwhile, will likely rely on its response to foreign exchange price dynamics and measures of global risk. A corollary to that is how it holds up as an investment, whereby it is influenced by the flows in and out of other asset classes.
With that in mind, there is a strong likelihood that central banks will want to diversify their holdings away from the U.S. dollar – a portion of which will likely end up in gold – particularly given the current U.S. Administration’s penchant for wanting to rewrite the rules of global trade.

The likelihood of a recession and/or significant market correction also continues to rise with each year of this already extended cycle. This moves us another step closer to falling economic data, rising equity market volatility, and the requirement for another round of rate cuts – all positive stimulus to the gold price.

Of course, none of these potential headwinds for gold are set in stone. If a trade deal with China is reached, or we get a sustained improvement in the global economic outlook that corresponds with higher rates and/or a rise in the U.S. dollar, the prospects for gold would dull.

The U.S. election cycle also poses both opportunities and challenges for gold – notwithstanding the sideshow of the ongoing impeachment. Opponents of the existing administration will likely focus on recession risks (since incumbents rarely get re-elected when one occurs), while the government may throw additional support at the economy to boost growth next year.

Either way, gold is starting to make a lot more sense in an investor’s portfolio than it has in some time.

Source: Bloomberg LP as of November 15, 2019

Do you think a recession is imminent?

- Yes
- No

See results
Factor in the Past
Why value’s underperformance is reminiscent of the 1990s.

By Mark Stacey, Grant Wang and Bill DeRoche

Cheap has not been cheerful for investors in recent years. Value investing, the style made famous by Warren Buffett, has regularly underperformed other time-tested factors and has been the weak link in many portfolios. But this has happened before and now may be the time to start thinking more positively about the prospects for inexpensive stocks.

If anything, value’s underperformance is most reminiscent of the late 1990s when the market cycle was also growing long in the tooth and eventually gave way to the dot.com boom and bust.

Back then, U.S. value stocks underperformed U.S. growth stocks for most of the 1990s, netting significantly smaller gains in a climate of outsized gains. On a cumulative basis over the decade, growth stocks almost doubled value stocks. But in the early 2000s, when stock prices collapsed, value was the factor that stood up better, falling far less than growth did during the downturn and gaining more once markets bottomed and began to rally again.

In part, this can be attributed to how individual sectors of the U.S. market performed both before the tech bubble burst and after it. Information technology (IT),
which is synonymous with growth, was the top-performing sector throughout the ‘90s, followed by financials, health care, consumer discretionary, and industrials, while the more value-oriented sectors – including energy and materials stocks – were at the bottom. But once the bubble burst, sector leadership was turned on its head, with value and defensives outperforming and IT stocks leading the laggards.

That’s also what has transpired during the current market cycle, with IT outpacing all other sectors over the past 10 years. And the parallels to the ‘90s don’t end there: low unemployment, slower growth and rate cuts were all part of the macro landscape in the late ‘90s – just as they are today. So too was the spectacle of a U.S. Presidential impeachment.

None of this guarantees that investors will see a market repeat of the early 2000s. However, investors are already kicking the tires on value again. The factor has outperformed in varying regions and sectors around the world at times in 2019. And while it can’t be said for sure if value will continue to outperform, history can be a compelling guide and factors like it tend to remain out of favour for only so long.

Still, investors need to be careful about chasing one winning factor at the expense of all others. By choosing a multi-factor approach, they improve the chance of achieving better risk-adjusted returns over time.

None of this guarantees that investors will see a market repeat of the early 2000s. However, investors are already kicking the tires on value again. The factor has outperformed in varying regions and sectors around the world at times in 2019. And while it can’t be said for sure if value will continue to outperform, history can be a compelling guide and factors like it tend to remain out of favour for only so long.

Still, investors need to be careful about chasing one winning factor at the expense of all others. By choosing a multi-factor approach, they improve the chance of achieving better risk-adjusted returns over time.

Which asset class do you see performing the best in 2020?

- Equities
- Fixed Income

Please see Disclaimer section for full disclosure.
2020 Vision

A new year. A new decade. So, what’s coming into focus for investors? Here are some of the technologies, trends, travels and treatments that could emerge as potential opportunities over the next 10 years and beyond.
Supercharging the Information Superhighway

By Grace Huang

Fifth generation (5G) wireless technology is at the centre of a controversial debate. Governments around the world are questioning whether the latest advance in telecommunications networks and those who build them pose a serious threat to their national security. But make no mistake: 5G has already begun to roll out in some countries globally and will have far-reaching implications for investors in the next several years.

5G is crucial to the ongoing development of the digital economy. It is a vast improvement on previous wireless generations and will provide unprecedented bandwidth, speed and capacity for processing the increasingly complex data sets that are needed to fully enable innovations such as the Internet of Things (IoT), Artificial Intelligence (AI), Virtual and Augmented Reality (VR/AR), and automation.

According to IHS Markit, a global research firm, 5G has the potential to impact as many as 16 different industries globally and generate US$13.2 trillion in sales by 2035. This will create investment opportunities in several areas, including for builders of network towers and equipment, semiconductor chip makers, the telecoms, smartphone manufacturers, video game creators and many other consumer-focused companies.

Competition among nations will also be fierce in the coming years. While South Korea was the first country to launch 5G mobile service in April 2019, over the next 25 years, the U.S. and China are expected to account for 53% of the total average investment in cellular research and development (R&D) and capital expenditures in the 5G mobile value chain, IHS Markit says.

All in, the global wireless industry is expected to gain hundreds of billions in incremental annual revenue over the next decade. This is in part because telecom firms may regain lost pricing power as the result of new opportunities in enterprise and industrial segments of the market, as well as increased consolidation.

It should be noted that 5G isn’t clear of caveats. Ongoing security concerns may continue to slow down the global 5G roll out, as might persistent worries about the huge upfront costs of building out the next generation of networks. Still, it’s hard to see a future without it.

Please see Disclaimer section for full disclosure.
Now, It’s Personal

By Carmen Tang

Giving someone a dose of their own medicine could take on a whole new meaning for investors now that the market for personalized medicine is starting to hit its stride. Nowhere is this truer than in the field of oncology where the science of genomics is pushing the global pharmaceutical industry towards a more targeted, less invasive new wave in cancer treatment.

Advances in genetic testing, for instance, may soon result in a new standard for therapy selection in lung cancer patients, whereby tissue biopsies are replaced by the prick of a needle to determine a tumour’s unique protein biomarker and the drug most suitable for treating it.

Liquid biopsy tests, as they are commonly known, may improve monitoring of individual responses to certain drug therapies as well, including those that work by boosting a patient’s own immune system. Immunotherapy can cause tumours to grow larger before eventually shrinking as cancerous cells are killed, making computerized tomography (CT) scans problematic. But by tracking the amount of tumour DNA circulating in the blood, a patient’s response to the treatment can be accurately determined at an earlier point in time.

A simple draw of blood is also proving capable of detecting the recurrence of certain cancers in a timelier manner than current methods that also rely heavily on CT scans. In one such test, tumour tissue is sequenced to identify the most common genetic mutations found in a patient’s primary tumour.

By some estimates, these applications have a potential market value somewhere near US$21 billion, but that doesn’t fully consider liquid biopsy tests that may soon enable detection of cancer in asymptomatic patients.

It may take a while for personalized medicine and DNA sequencing to reach a critical mass, but the wait time may be worth it.

Please see Disclaimer section for full disclosure.
Commercial space travel is still a moonshot for most investors, but it is moving closer to lift off as the cost of space launches declines dramatically due to investments by a new era of billionaire-backed companies such as SpaceX, Blue Origin and Virgin Galactic. By 2040, the industry is expected to reach US$1.5 trillion, or 5% of U.S. GDP, up from US$385 billion in 2017, according to the U.S Chamber of Commerce.

The recent Virgin Galactic public offering sheds light on its “once-in-a-lifetime” spaceflight ambitions that will offer a luxury experience for the rich. The company believes its addressable market will reach 2.3 million people in 2023, which is just 0.1% of high-net-worth individuals (classified as exceeding $10 million in net worth). By 2023, Virgin Galactic is targeting five vehicles in operation, 270 annual flights, 1,565 passengers flown, and $250,000 fares per passenger – resulting in revenues of $590 million. As the business scales and costs improve due to manufacturers’ efficiencies and technological advances, Virgin Galactic ultimately believes it can target approximately 40 million individuals (with between one and US$10 million in net worth). SpaceX, meanwhile, has already agreed to take Japanese billionaire Yusaku Maezawa on a tourist trip to the moon with the mission expected in 2023.

The scope of the commercial space age will introduce reusable spacecrafts, new hybrid rocket motors, improved re-entry mechanisms, and miniaturisation of electronics – all key to driving costs down. Due to reusable rockets, the cost of space launches could fall by a factor of 100, according to research from Bank of America. Much bigger rockets can reduce costs further and could lead to other longer-term space innovations, such as intercity travel. If 10- to 12-hour long-haul flying times between global cities could be cut to two or three hours, there could be a market for such services, especially at the high-end bracket, ultimately impacting the airline industry.

It remains to be seen, however, what impact space travel will have on investors and their portfolios. But the countdown to finding out is on.

Please see Disclaimer section for full disclosure.
Closet Disruption

By Maksim Piskunov

There’s no question the role that technology has played in changing the habits of consumers in recent years. Whether it’s hailing a ride, or renting a vacation home, we buy, sell and rent things like no other generation and are constantly looking for new ways of transacting.

On this front, the next big wave of disruption may be ready to upend what’s in our closets. In recent years, Clothing as a Service (CaaS) or RE-Commerce (resale ecommerce) has become one of the fastest growing segments of the overall apparel and accessories market and it looks set to expand even further given a confluence of trends that go beyond just technological enablement.

First is the search for affordability and elevation of thrift as it becomes more difficult than ever for consumer incomes to keep up in a culture increasingly shaped by “influencers” with expensive tastes.

The second trend is the growing focus on sustainability as climate change concerns take centre stage in public debate. At least two-thirds of GenZ shoppers have made an eco-friendly purchase in the past year, according to a CGS survey. And faced with a backlash against excess consumption, some of the biggest fast fashion brands in the world now offer clothing recycling to maintain relevance.

There is also the growing desire for novelty and variety, with 56% of 18-29 year-olds preferring retailers who offer something new every visit, according to a Global Data survey.

As a result, second-hand apparel is growing in acceptance, particularly among younger shoppers. This, in turn, is fueling a growing luxury consignment market and has several clothing brands – both mainstream and otherwise – experimenting with more rental sales of their merchandise, as well as subscription services in hopes of creating greater loyalty and better margins.

Not everyone will benefit from this latest disruption. But those retailers who can get it right will be in good position to gain a bigger share of our closets.

Please see Disclaimer section for full disclosure.
A decade ago it was thought that a computer could never beat a master Go player. The very complex, 3,000-year-old Chinese game has more possible moves than the total number of atoms in the universe.

But then it happened. In early 2016, AlphaGo, Google’s artificial intelligence (AI)-assisted program, beat 18-time Go world champion Lee Sedol four games to one and just months later, AlphaGo Master, a more advanced version, played 60 professional Go players and beat them all.

Since that time, AI and related technologies such as machine learning, speech recognition and natural language and image processing has only become more advanced. Not nearly to the point of replacing humans in everything we do, but enough to perform very specific tasks better and much faster than us.

In turn, it has become integral to enabling some of today’s most anticipated technological advances, including those that will shape our transportation, manufacturing, healthcare and investment industries for years to come. By 2025, the market for AI is expected to reach nearly US$209-billion from US$24-billion in 2018, representing a compounded annual growth rate of 36% over that period, according BrandEssence, a market research firm.

AI will be front and centre in several new investment opportunities and will also help investors increasingly with their decision-making. In fact, as complex as the game of Go is, the investment world is much more complicated, and machine learning, as well as natural language processing, is already helping asset managers integrate more alternative sources of data into their research.

This includes unstructured information such as satellite imagery of parking lots to gauge real-time supply and demand metrics, as well as earnings call transcripts to gauge executive sentiment.

And so, while AI remains far from ubiquitous, it has long passed Go and will have a growing influence on our lives over time.

Please see Disclaimer section for full disclosure.

Nothing Artificial About It

By Stewart Boxall
As climate change intensifies, momentum is gaining for swift action to reduce global carbon emissions. A major energy transition is necessary to reduce emissions intensity while satisfying rising worldwide energy demand. This transition will require billions of dollars invested in renewable energy, electrical infrastructure, battery technology, carbon capture and storage, and other potential solutions over the coming decades.

The most prominent sources of global carbon emissions are power generation (40%), and transportation (25%) according to the International Energy Agency (IEA). Progress has been made in many areas displacing coal-fired power with lower-emission natural gas and renewables. Solar and wind power are cost-competitive with coal and gas-fired power in certain geographies, and both are expected to continue growing strongly. However, renewables alone cannot sustain baseload electricity demand in most jurisdictions without a dramatic breakthrough in battery technology. Thus, a combination of natural gas, hydro, and nuclear will remain mainstays of global electricity supply.

For transportation, electric vehicles (EV) are an obvious solution for reducing emissions, but EV adoption varies dramatically by region based on government policies, subsidies, demographics, income levels, weather, and range requirements. It is much more challenging to electrify heavy-duty freight (trucking, rail), marine shipping, and air travel, which will all rely on fossil fuels for decades to come. Continued improvements in fuel efficiency, the use of liquefied natural gas, and biofuels (from waste, animal fats, algae) can all reduce emissions intensity here.

Carbon capture and storage (CCS) technologies will also help in meeting net emission-reduction goals. These involve capturing and storing carbon, usually in underground geological formations, effectively creating negative emissions to offset sectors that are difficult to de-carbonize; such as certain industrial processes (cement, steel-making), heavy-duty transportation, and air travel.

While the energy transition doesn’t spell the complete demise of fossil fuels, it is clearly creating opportunities to benefit from increasing investment in renewables, batteries, and emissions-reduction technologies.

Please see Disclaimer section for full disclosure.
Getting Engaged

How money managers are using their shareholder clout to affect responsible change.

By Hyewon Kong
Not so long ago, the investment industry largely considered responsible investing to be a highly specialized niche. Times have changed.

Today, so-called ESG principles – short for environmental, social and governance – have dramatically risen in prominence, in both the business world and among investment managers. There may be no better example of ESG’s growing acceptance than a statement from the U.S. Business Roundtable in August, in which 181 CEO members, representing some of the world’s largest companies, declared that the purpose of a corporation was “to create value for all stakeholders.” That includes employees, customers as well as suppliers and communities and is a radical departure from the organization’s official position for more than 20 years: that a corporation’s purpose is to serve the interests of just shareholders.

As a new decade approaches, the focus on environmental, social and governance issues is only expected to increase, not just in official declarations from the corporate world, but also in the principles and practices of the investment industry. Part of the reason is the evolving legal and regulatory landscape. Yet, just as important is the evolving recognition that good stewardship and sustainable investing practices are crucial components of risk management and of asset managers’ duty to investors. As this trend continues, consideration of ESG factors and robust stewardship will no longer be “nice-to-haves” for asset managers – they will be table stakes.

To this end, an important milestone came in 2010, when the U.K. Financial Reporting Council released its Stewardship Code, outlining seven principles that fund managers investing on behalf of institutions such as pensions should adopt. The code established a “comply or explain” approach: while it doesn’t require compliance to its principles, it does require fund managers to explain why when they do not comply. Other jurisdictions have since followed the U.K.’s example. Japan adopted its own stewardship code in 2014, and the Investor Stewardship Group, a coalition of U.S. and international institutional investors, published its Framework for U.S. Stewardship and Governance in 2017.

The existing codes are largely concerned with ensuring managers have stewardship...
policies – for instance, on how they will discharge their responsibilities, on how they will manage conflicts, on co-operative action with other investors, and on reporting. Soon, however, a watershed moment in stewardship is approaching.

Responsible investing and stewardship are not just window-dressing; they are increasingly going to be a key driver of an asset manager’s mandate to deliver outstanding returns to investors.

In January, a new revision to the U.K. Code will come into effect, and it puts a stronger focus on the activities and outcomes of stewardship rather than merely policies. As well, it places emphasis on how investment and stewardship are integrated, including on ESG issues. And it mandates investors to explain how their stewardship policies apply across asset classes (publicly listed equities, fixed income, private equity and so on) and to investments outside the U.K. In today’s globalized investment landscape, the effects of the new code will be felt far beyond the U.K.’s borders. And, importantly, over the next decade it can be expected that other jurisdictions – including Europe, more Asian countries and Canada – will follow.

From a regulatory perspective, therefore, it only makes sense to be proactive in adopting policies and practices that conform to the trend. Yet the need goes beyond regulation. Research demonstrates that companies who are best-in-class or improving on ESG factors also deliver best-in-class returns over the long term. They tend to have a lower cost of capital, have lower long-term risk profiles and perform better on a range of metrics. Responsible investing and stewardship are not just window-dressing; they are increasingly going to be a key driver of an asset manager’s mandate to deliver outstanding returns to investors. And that means assuming a more active engagement model with the companies they invest in.

Climate change provides a good example of how these trends are playing out. All companies are exposed to climate change as a systemic risk; regulatory drivers (for example, carbon taxes) will affect corporate decisions on capital expenditures and planning, as well as the top and bottom line for companies in certain sectors, such as oil & gas. Increasingly, asset managers will have to ask and answer key questions about their role in addressing climate risk.

How do we engage with the companies we invest in on the issue? How can we assist those companies in managing the impact? And how do we incorporate consideration of climate change into our investment decisions?
On these and other issues, investor engagement will become much more important. At AGF, we have adopted four pillars for investment stewardship. The first two concern our approach to ESG issues: first, research, analysis, and evaluation of these issues as a fundamental part of assessing the value and performance of an investment; and second, incorporate ESG into our risk and oversight at the portfolio level. The other two pillars, however, guide our interaction with the companies we invest in: active ownership, with proxy voting as a core component; and engagement, through which we dialogue with companies, policymakers and other investors to influence and promote ESG value-adding practices.

These stewardship pillars do not dictate how our portfolio managers must vote their proxies, but they do require them to comply or explain – consistent with the approach of the U.K. and other stewardship codes. After all, the level of awareness of ESG factors is not consistent across sectors or geographies, but our commitment to responsible stewardship means that often we will seek progress, not perfection. As well, we will continually assess the ESG performance of companies in which we invest, and factor our assessment into investing and stewardship decisions. And if we vote our proxy a certain way, we will explain the rationale.

From Oct. 2018 - Sept. 2019, AGF Investments Inc. voted at

| 2,152 public company meetings |
| 9% of agenda items at shareholder meetings |
| 348 shareholder proposals on ESG issues |

Including

| 26 on environmental issues |
| 58 on social issues |
| 264 on governance and disclosure issues |

Source: AGF ESG Committee as at September 30, 2019. Proxy voting and engagement figures include the activities of AGF Management Limited’s investment management subsidiaries.

This commitment is unwavering, but also evolving rapidly, not just for AGF, but the asset management industry generally. Responsible investing and stewardship no longer fall into the category of “niche” or “fad”; they are realities whose time has truly come.

Please see Disclaimer section for full disclosure.
Country Matters

Broad diversification across the emerging markets may be more important than ever to investors.

By Regina Chi
Not all emerging markets (EM) are created equal.

In fact, EM countries, economies and markets display significant diversity and fragmentation. Perhaps as importantly, the “rules” developed-market investors tend to follow when evaluating equities often don’t apply well to EM. Political developments, how well investable equities reflect the real economy, regulatory differences and other factors can create inefficiencies and highly idiosyncratic investing environments, with a consequent impact on return.

For those reasons, simply buying an EM index or focusing on high-GDP-growth economies may not be enough to generate either effective diversification or better-than-benchmark performance.

That’s not to say the rules of EM investing stand completely apart; generating solid returns often comes down to informed stock selection no matter in what part of the world you invest in. But when it comes to the developing world, identifying the high-quality stocks means identifying the highest-potential markets and requires a strong focus on country fundamentals.

This may be truer now than ever. While country factors have always been important in generating returns in emerging markets, the retrenchment of globalization and the social and economic forces that underpin the move towards protectionism throughout the world may see them play an even bigger role in determining performance going forward.

As trade barriers grow higher, for instance, economies are likely to become more regionalized and individual country returns will tend to become more uncorrelated with one another.

Moreover, supply chains have already begun shifting away from China and towards other parts of the world – Vietnam, Indonesia and Mexico, for example – as China’s labour costs have risen. And now the recent trade dispute with the United States, China’s largest export market, has only accelerated that trend.
The current state of equity markets, meanwhile, often does not accurately capture evolving trends. The MSCI Saudi Arabia index has been dominated by domestic financials but the economy is heavily dependent on energy. However, the IPO of state-owned Saudi Aramco – which could make the oil enterprise the largest publicly listed company in the world – has the potential to dramatically change the mix.

Our research also suggests that while many investors pay attention to economic growth or a country’s political environment, they might overlook other, more detailed factors.

Take the fact that most EM countries still rely on capital controls to regulate financial flows and mitigate volatility in their capital accounts. Such controls create a structural bias towards the home market. China, which limits annual offshore transactions to US$50,000 per citizen, provides one important example: onshore shares of dual-listed Chinese companies (so-called A-shares) tend to trade at a 30% premium to their offshore equity (so-called H-shares).

Indian equities, moreover, look expensive relative to other emerging markets (about a 70% premium to the MSCI EM index), but there’s a reason for that too. Over the past decade, assets under management in India have grown eightfold, to more than US$150 billion, but Indian pension funds are not allowed to invest in foreign assets. The result: much of that capital is effectively held captive, suggesting Indian stocks might not be so expensive after all.

Again, such idiosyncratic features will become even more important for EM investors going forward.

**Here are a few of the significant trends we see playing out over the next year:**

**China still matters:**
Yes, supply chains are recalibrating at the expense of China’s historical export domination, but it remains the global growth lever. If China does well, the rest of the world does well. It still has a healthy current account and has shown a willingness to implement stimulus to keep the economy growing. With optimism over a trade truce with the U.S. growing, it’s possible that the gloom over manufacturing and exports will recede, which (combined with European fiscal stimulus) could make 2020 a better year for Chinese stocks.

“...
Pay attention to current account balances:
Our research suggests that a healthy current account balance-to-GDP ratio has been a reliable indicator of market outperformance. For example, during the 2013 “taper tantrum,” when investors panicked in response to the U.S. Federal Reserve slowing its quantitative easing program, emerging markets with a current account deficit were devastated.

Thailand, which had a healthy current account surplus (and still does), was an exception. Notably, China also has a very positive current account; so do Russia, Singapore, Taiwan and South Korea.

Don’t sleep on Brazil:
Valuation screens – and the country’s tumultuous political record – do not adequately reflect the potential for growth in the world’s ninth-largest economy. The new government under Jair Bolsonaro is enacting a host of pension, tax and administrative reforms that should result in more fiscal power. If an improved economic background translates into higher corporate earnings, an overweight position on Brazil could well be warranted.

Treating emerging markets as a homogeneous asset class, as investors often do, cannot capture important country-specific realities and nuances. Anyone who has travelled the world will have observed the obvious fact that while people share common traits, every country is different, with its own strengths, weaknesses and idiosyncrasies. Why would anyone invest as if they were all the same?

Please see Disclaimer section for full disclosure.
Closing the Gap

Why infrastructure investing is at a tipping point

By Steve Bonnyman
For decades, the need for infrastructure spending has followed a script similar to the old chestnut about meteorology:

“Everybody talks about the weather, but nobody does anything about it.”

Granted, episodes of government infrastructure investment have punctuated recent political and economic history – for instance, in response to the Great Recession – and U.S. President Donald Trump’s promise of a trillion-dollar infrastructure project briefly sparked market enthusiasm in the wake of his 2016 election. So far, that promise has resulted in nothing concrete and the sum total of infrastructure investment in recent years has barely begun to address the perceived need.

In short, the world is rapidly approaching a critical tipping point. Aging infrastructure is increasingly failing, and new technologies, such as 5G wireless networks and renewable energy, require a next generation of infrastructural support for their deployment. The need for repair, replacement and innovation in infrastructure seems bound to become only more pressing.

The demand for extensive infrastructure development across most of the economies of the world remains undisputed. Estimates of its costs abound; for instance, a 2016 study by the consulting firm McKinsey & Co. estimated that US$3.3 trillion needs to be invested globally in infrastructure every year to just to support current economic growth rates.

Evidence of crumbling infrastructure is also mounting. Its impacts range from the deadly to the inconvenient: potable water issues in Walkerton, Ontario (biological contamination in 2000) and in Flint, Michigan (lead contamination); bridge collapses in Italy, India and the United States in more recent years; power outages in California in 2019; and closer to home, the estimated 600,000 and 250,000 potholes crews in Edmonton and Toronto, respectively, patched in 2018.

Consulting firm McKinsey & Co. estimated that US$3.3 trillion needs to be invested globally in infrastructure every year to 2030.

“Fixing” such problems requires investment, of course, but the primary challenges remain. Not only does infrastructure generally require lots of upfront capital combined with long permitting and construction timelines, projects typically offer long
payback periods, and therefore have historically been the domain of government investment.

Meanwhile, public capital markets – a potential source of financing – have been enamoured with “capital-light” businesses, owing to their lower capital requirements and hence higher near-term return on invested capital. And it has helped that governments have been reluctant to give up their control of “public works” even though their revenues are being consumed by more visible, near-term demands like health care, leaving little for long-term, expensive projects.

The political landscape is changing, however, and despite the concerns it raises, populism might well have an upside at least for infrastructure investment. A rising tide of public unrest (driven in part by a politically empowered youth demographic) could be the catalyst for governments to relinquish domination of infrastructure projects and establish the regulatory, subsidy, and return-on-investment characteristics to stimulate private capital to fill the gap.

Infrastructure investment by the private sector is a fairly new industry, being roughly 20-plus years old, and it has long been considered the domain of large private specialty funds. In fact, capital market investors have also had the opportunity to participate, by investing in stocks of “through the chain” (for example, power producers, electrical equipment manufacturers, toll roads and airports) or “bottom of chain” (aggregates, steel, cement, engineering and construction, etc.) companies.
More recently, market evolution has allowed the private investor to participate more directly in infrastructure investment. We see several driving economic forces that could support this trend and create new opportunities. Among them:

**E-commerce**

Time is becoming a competitive element in e-commerce, as purchasers expect to order anything, anytime and anywhere and have it delivered tomorrow. This model increases the focus on supply chain logistics and infrastructure support. Transportation comprises roughly 50% of supply chain costs for e-commerce, and failing infrastructure presents a key bottleneck to timely delivery.

**Energy transition**

With its focus on the use of fossil fuels in transportation and by utilities, energy transition has been the lightning rod of the climate change debate. The two issues are inexorably linked, as the commonly proposed replacement for carbon-based fuel for transportation – electrification – will create an increased load on the electrical grid. Meanwhile, integrating wind and solar power into the existing system will require huge investment in power infrastructure.

**Water**

According to the United Nations, the gap between demand for water and available water worldwide will approach 40%. Meanwhile, the UN estimates that 30% of global water abstraction is lost every year through infrastructure leakage. New water technologies (purification, desalination) and maintenance/replacement of existing pipes and processing facilities are poised to become a critical need.

Within the public markets, there is already a broad base of global opportunities to invest in the infrastructure chain, from stable, high-cash-flow regulated utilities to public airports, shipping ports and communication towers, as well as the core builders of infrastructure such as engineering and construction firms, cement companies and aggregate producers.

We believe the demand for both renewed infrastructure and growth infrastructure to meet evolving economic needs may be reaching a tipping point. If so, then capital market investors might find infrastructure to be a theme whose time, at long last, has come.

Please see Disclaimer section for full disclosure.

What themes resonate with you most?

- Sustainable Investing
- Infrastructure
- Emerging Markets
- Alternatives

See results
The Q&A

It’s been one of the best decades ever for U.S. equity markets. Tony Genua, portfolio manager of AGF’s namesake strategy, offers his unique perspective on what the next 10 years will bring for the most popular universe of stocks in the world.
You’ve experienced various market environments through your long tenure in the industry. With a new decade about to start, what do you believe equity investors are in for over the next 10 years?

I’m so glad that the question is about a 10-year horizon versus one year. An examination of a century of U.S. market history leads to several observations relevant to what one might expect for the coming decade. First, 10-year returns for the S&P 500 Index are positive 94% of the time over the past 100 years, according to Bloomberg data. There have been three occasions when 10-year market returns were negative: the 1930s (Great Depression); the early 1970s (Arab oil embargo); and the 2000s (bookended by the dot.com bubble bursting and the global financial crisis). Since there has never been a negative return over a 20-year holding period, the 10-year returns following a poor period have been positive in all instances. While negative-return decades have been followed by positive-return decades, it is interesting to note a lack of correlation between how good a past-decade return was and the subsequent decade return. Some have suggested that with equity market returns from 2010-2019 being so high, the 2020s are unlikely to be a healthy period for returns. This may be the case, but in my opinion, the next decade will see equity market returns in-line with historical experience of roughly 9-10%. This return forecast is particularly attractive relative to what can reasonably be expected from most fixed-income instruments, given the very low starting level of interest rates as we enter the 2020s.

What do you believe were the trends fueling the past returns and how might that change in the coming year and decade ahead?

There is no question several significant trends have emerged in the past 10 years. This includes social media, e-commerce and streaming content such as video, music and podcasts as well as innovations such as cloud infrastructure and solutions; artificial intelligence; electric, hybrid and autonomous vehicles; and personalized medicine. These noted trends and others will continue to impact the global economy as they result in the introduction of new products and services. What is interesting from an investment perspective is the twin dynamic of some of these trends being relatively established and perhaps vulnerable to disruption while other trends are still relatively early in benefiting from the significant addressable market that has yet to develop.

It seems many of these trends are associated with growth-style investing, which has had a good run over the past 10 years. Can that continue?

Growth has indeed had a very good past decade and that should come as no surprise considering the improved fundamentals of the companies that have participated in many of these trends. Moreover, the economic recovery from the depths of the global financial
crisis has been the longest on record, but also the shallowest in the past 75 years. As such, the sectors, industries and companies that typically comprise the value style approach have not had the cyclical uplift associated with past economic cycles. Other considerations in the growth/value debate range from the shift towards a service-oriented economy and the changing behaviour of younger consumers to the significant investment in non-tangibles versus fixed assets and the definitional aspects of what constitutes growth versus value. There is also a matter of having a very long-term perspective in looking at how growth has performed relative to value. From this multi-decade viewpoint, growth still has a long way to go since growth has only outperformed value two out of the last nine decades, according to FTSE Russell research.

Any final thoughts?

Often, it is suggested that one should be cautious on U.S. equities in the year ahead given the length of the current economic expansion and subsequent bull market. There are, of course, the usual suspects to blame for a challenging economic environment. These include: the U.S.-China trade war; Brexit; political candidates unfriendly to the market; the ever-so-brief inverted yield curve and low CEO confidence. Most of these concerns relate to the end of the economic expansion. Despite these risks, I’m not expecting a recession in 2020 and corporate profits should make progress, fuelling higher stock prices. Investors should stay the course in having U.S. equity exposure that is appropriate for their portfolio. As Warren Buffet said: “The stock market is designed to transfer money from the active investor to the patient investor.”

Stay current with AGF.

Subscribe today

Please see Disclaimer section for full disclosure.
Contributors
Contributors

Kevin McCreadie
Chief Executive Officer and
Chief Investment Officer
AGF Management Limited

Regina Chi
Vice-President and Portfolio
Manager, Emerging Markets

Greg Valliere
Chief U.S. Policy Strategist
AGF Investments

Stephen Way
Senior Vice-President and
Head of Global and Emerging
Markets Equities

Andy Kochar
Portfolio Manager and Head
of Global Credit

Tom Nakamura
Vice-President and Portfolio
Manager, Currency Strategy
and Co-Head of Fixed Income

Tristan Sones
Vice-President and Portfolio
Manager, Co-Head of Fixed
Income

David Stonehouse
Senior Vice-President and
Head of North American and
Specialty Investments

Steve Bonnyman
Co-Head North American
Research and Portfolio
Manager

Mark Stacey
Co-CIO AGF IQ Quantitative
Investing, Head of Portfolio
Management

In order of appearance. All contributors are employees of AGF Investments Inc. except where noted.
AGF INSIGHTS | Outlook 2020

Grant Wang
Co-CIO AGFiQ Quantitative Investing, Head of Research

Bill DeRoche
Chief Investment Officer, AGF Investments LLC., Head of AGFiQ Alternative Strategies

Grace Huang
Associate Portfolio Manager

Carmen Tang
Equity Analyst

Auritro Kundu
Equity Analyst

Maksim Piskunov
Associate Portfolio Manager

Stewart Boxall
Manager, Technology Development and Analyst

Dillon Culhane
Equity Analyst

Hyewon Kong
Associate Portfolio Manager

Tony Genna
Senior Vice-President and Portfolio Manager
The commentaries contained herein are provided as a general source of information based on information available as of November 30, 2019 and should not be considered as investment advice or an offer or solicitations to buy and/or sell securities. Every effort has been made to ensure accuracy in these commentaries at the time of publication however, accuracy cannot be guaranteed. Investors are expected to obtain professional investment advice.

The views expressed in this outlook are those of the authors and do not necessarily represent the opinions of AGF, its subsidiaries or any of its affiliated companies, funds or investment strategies.

AGF Investments is a group of wholly owned subsidiaries of AGF Management Limited, a Canadian reporting issuer. The subsidiaries included in AGF Investments are AGF Investments Inc. (AGFI), Highstreet Asset Management Inc. (Highstreet), AGF Investments America Inc. (AGFA), AGF Asset Management (Asia) Limited (AGF AM Asia) and AGF International Advisors Company Limited (AGFIA). AGFA is a registered advisor in the U.S. AGFI and Highstreet are registered as portfolio managers across Canadian securities commissions. AGFIA is regulated by the Central Bank of Ireland and registered with the Australian Securities & Investments Commission. AGF AM Asia is registered as a portfolio manager in Singapore. The subsidiaries that form AGF Investments manage a variety of mandates comprised of equity, fixed income and balanced assets.

™ The 'AGF' logo is a trademark of AGF Management Limited and used under licence.