

Strategy Facts

Strategy category: Canadian fixed income	Benchmark Index: Bloomberg Canada Aggregate Index	Date of inception: November 1998	Investment style: Top-down macroeconomic approach with bottom-up fundamental security selection	Strategy Managers AGF Investments Inc. David Stonehouse
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Market Overview

Global bond markets posted gains in the fourth quarter of 2025, despite a slight rise in U.S. Treasury yields as markets anticipated rate cuts during the quarter amid signs of slowing growth and relatively stable credit spreads. Rate sensitive categories underperformed high yield and investment grade corporate bonds, while convertible bonds delivered strong returns driven by gains in U.S. equity markets. Floating rate loans were the second-best performing category in relative terms.

During the quarter, the 43-day U.S. government shutdown and the growing concerns of overvaluation of artificial intelligence (AI) related stocks impacted investor sentiments. Further in U.S.-China trade negotiations as it relates to AI, and the lack of meaningful impact of tariffs on inflation, also revived investor optimism.

The U.S. economy grew at an annualized rate of 4.3% in the third quarter of 2025, the highest in two years, driven by higher consumer and government spending, and exports. The Congressional Budget Office estimated a 1% to 2% shortfall in fourth quarter GDP growth due to the prolonged government shutdown. Consumer price inflation fell to 2.7% year-on-year in November from 3% in September, primarily driven by falling home prices. Personal Consumption Expenditure inflation, however, rose to 2.8% in September.

The U.S. Federal Reserve (Fed) eased the federal funds rate by 25 bps for the third consecutive month in December, bringing it to the 3.5%–3.75% range, the lowest since 2022. The U.S. Dollar Index rose marginally over the quarter, impacted by the resilient GDP growth and more hawkish Fed commentary regarding the path of interest rates in 2026.

The headline inflation in Canada was in line at 2.2% from October to November, due to the falling gasoline prices. Core inflation was at 2.9% in November, unchanged from October and the highest in two years. The unemployment rate in Canada fell to 6.5% in November, the lowest in 16 months, as a sharp jump in part-time employment over both months reversed the trend of rising unemployment throughout the year. The Bank of Canada held its policy rate unchanged at 2.25% in December,

after the 25-bps rate cut in October, and signaled a prolonged pause in the months ahead.

The European Central Bank (ECB) kept its key interest rates unchanged over the quarter, with the deposit facility at 2%, the main refinancing operations at 2.15%, and the marginal lending facility at 2.40%. The ECB reiterated its commitment to maintaining inflation at 2% over the medium term, highlighting a data-dependent approach. Consumer price inflation in the Eurozone fell to the ECB's 2% target in December mainly due to energy costs.

Strategy Overview

The AGF Fixed Income Plus Strategy outperformed its benchmark, the Bloomberg Canada Aggregate Index, during the quarter on a net-of-fees basis. An overall positive category allocation mainly contributed to performance, while security selection contributed to a lesser extent. The Strategy's foreign currency exposure also contributed slightly. The Strategy's significant overweight allocation to corporate bonds along with a positive security selection contributed the most to performance, while a negative currency effect detracted. Within this category, allocation to Banking and security selection in the Consumer Cyclical sectors primarily drove returns.

On the other hand, the Strategy maintained a significant underweight allocation to government bonds during the quarter, which detracted from relative performance. However, this was offset by positive security selection within the category, particularly in the Local Authority, sub-category, which contributed to performance.

Moreover, the Strategy's underweight allocation to Canadian Treasuries contributed to performance. However, this was more than offset by negative security selection within the category which detracted from relative performance. The Strategy's out-of-benchmark allocation to convertible bonds detracted the most from overall performance. This category was notably the biggest detractor from an allocation standpoint over the period.

Additionally, the Strategy's modest allocation to cash marginally detracted from overall performance, accompanied by a modest negative currency effect.

Outlook

The Strategy manager remains selective with a disciplined strategy focused on quality issuers of government and corporate bonds with strong fundamentals and capable of supporting debt servicing. Elevated corporate yields relative to historical norms continue to offer attractive total return potential, while demand remains strong for sectors with reliable earnings such as technology, healthcare, and utilities. Corporate debt with prudent leverage and disciplined capital allocation continues to reinforce investor confidence, supported by financial discipline, transparency, and reliable income and attractive relative value across investment-grade and select high-yield sectors.

Government bond yields remain near their highs but have come down as Central Banks have begun to ease monetary policy, however, they still present a compelling case for income and downside protection. The Strategy manager believes that the interest rate environment will remain favourable, supported by structural measures and central bank independence, which should help contain long-end yield volatility. The Fed has also projected between one and two 25bps cut in 2026. Fixed income also retains its role as an effective hedge against equity risk, with inflation moderating in most developed markets. The Strategy manager remains vigilant of the impact of rising sovereign debt along with the potential for capital appreciation and a hedge for equity risk.

Strategy performance is based on the AGF Fixed Income Plus GIPS Composite. Strategy performance is gross of fees.

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AGF Fixed Income Plus GIPS Composite Report January 1, 2015 – December 31, 2024

Year	Gross of Fee Composite Return (%)	Benchmark Return (%)	Number of Portfolios	Internal Dispersion (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Composite AUM (\$CAD mil)	Firm AUM (\$CAD mil)*
2015	3.37	3.52	2	N/A	4.14	4.08	629.74	26,221
2016	2.18	1.66	4	N/A	4.05	3.98	1,625.92	27,080
2017	3.02	2.52	4	N/A	4.09	4.22	1,519.56	28,990
2018	1.81	1.41	2	N/A	3.16	3.38	1,168.18	27,548
2019	7.56	6.86	2	N/A	3.25	3.55	1,567.55	30,107
2020	11.73	8.42	1	N/A	5.01	4.12	1,651.80	30,633
2021	-1.60	-2.60	1	N/A	5.36	4.63	1,692.66	33,782
2022	-11.41	-11.27	1	N/A	7.05	6.30	1,539.89	31,265
2023	8.03	6.54	1	N/A	6.96	6.96	1,736.12	32,675
2024	5.84	4.03	1	N/A	7.21	7.09	1,931.10	37,901

Compliance Statement

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A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The AGF U.S. Large-Cap Growth Equity Composite has had a performance examination for the periods January 1, 2009 to December 31, 2024. The verification and performance examination reports are available upon request.

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Firm Definition

Founded in 1957, AGF Management Limited (AGF) is an independent and globally diverse asset management firm. Our companies deliver excellence in investing in the public and private markets through three business lines: AGF Investments, AGF Capital Partners and AGF Private Wealth.

AGF brings a disciplined approach, focused on incorporating sound, responsible and sustainable corporate practices. The firm's collective investment expertise, driven by its fundamental, quantitative and private investing capabilities, extends globally to a wide range of clients, from financial advisors and their clients to high-net worth and institutional investors including pension plans, corporate plans, sovereign wealth funds, endowments and foundations.

Headquartered in Toronto, Canada, AGF has investment operations and client servicing teams on the ground in North America and Europe. AGF serves more than 800,000 investors. AGF trades on the Toronto Stock Exchange under the symbol AGF.B.

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Composite Description

The Fixed Income Plus Composite's mandate is to provide steady income to investors by investing primarily in fixed-income securities. Beginning in the fourth quarter of 2009, some portfolios in the composite used forward contracts to reduce their exposure to currency fluctuations.

Composite Creation Date

The composite was created in January 2000. The composite's inception was in December 1999

Benchmark Description

The benchmark is the Bloomberg Canada Aggregate Index. The Bloomberg Canada Aggregate Index measures the investment grade, Canadian dollar-denominated, fixed rate, taxable bond market. Prior to September 1, 2019, the benchmark was the FTSE TMX Canada Universe Bond Index.

Currency

Valuations and returns are computed and stated in Canadian Dollars.

Minimum Portfolio Size

There is no minimum portfolio size required for inclusion into the composite.

Calculation Methodology

Results reflect the reinvestment of dividend, income and other earnings.

Gross-of-fees returns are presented before management expenses and custodial fees, but after all trading expenses and withholding taxes.

Composite returns are calculated using asset-weighted returns by weighing the individual account returns using beginning-of-period values.

Internal Dispersion Measure

Internal dispersion is calculated using the asset-weighted standard deviation of all accounts included in the composite for the entire year; it is not presented for periods less than one year or when there were five or fewer portfolios in the composite for the entire year as this is not considered meaningful.

Three-Year Annualized Ex-Post Standard Deviation

The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. The standard deviation is presented once the composite has three full calendar years of performance. Gross returns are used to calculate risk measures.

Fee Schedule

The maximum management fee for the strategy is 0.35% per annum.

Additional Information

The portfolios in this composite are valued at systematic adjusted fair value.

Policies for fair value and systematic adjusted fair value portfolios, calculating performance, preparing compliant presentations, and a complete list and description of firm composites are available upon request at GIPS@AGF.com.

Past performance does not guarantee future results