AGF U.S. Energy Transition and Adaptation Strategy

AGF | Investments

Strategy Commentary **First Quarter 2025**

Strategy Facts

Strategy category:	Benchmark Index:	Date of inception:	Investment style:	Portfolio Manager
U.S. Equity	Solactive US Energy Transition and Adaptation Opportunities Index	February 9, 2023	All Cap, Agnostic	AGF Investments America Inc. Martin Grosskopf, Portfolio Manager

Market Overview

The first quarter of 2025 was a challenging period for global equities due to global trade uncertainties and disruptive technological advancements. The Emerging Market (EM) and European equities outperformed Developed Markets (DMs) during the quarter. Headwinds from the U.S. trade policy dampened economic growth and global trade.

The U.S. economic growth slowed to 2.4% quarter-on-quarter in the fourth quarter of 2024, due to contraction investment and government expenditure. Consumer price inflation cooled to 2.8% due to lower energy costs. The U.S. Federal Reserve (Fed) held policy rates steady, due to uncertainty from the new tariff policies. The U.S. manufacturing sector reverted to contraction in March with a Purchasing Managers' Index (PMI) of 49.8 due to shrinkage in new orders. The unemployment rate also rose to 4.2% by March.

European equities posted gains benefiting from the investors' rotation to value stocks and strong corporate earnings. Investor sentiment was buoyed by Germany's relaxation of the debt break and the plan to invest €500 billion in developing defense infrastructure. The European Central Bank eased its key refinancing rate, citing declining inflation, and a slight improvement in overall productivity. In Canada, the Bank of Canada cut interest rates by 25 bps twice over the quarter to 2.75% in March, to fuel economic activity. The manufacturing and services sectors contracted over the quarter, due to declining export orders.

In January, the U.S. Climate Alliance sent a letter to the Executive Secretary of the United Nations Framework Convention on Climate Change, affirming the Alliance's dedication to the Paris Agreement, regardless of President Trump's decision to withdraw it. It also indicated that they are on course to achieve their short-term climate goal of reducing collective net greenhouse gas emissions by 26% from 2005 levels by 2025. However, in February, President Trump issued the "Unleashing American Energy" executive order, instructing the federal government to stop the allocation of funds designated by the Inflation Reduction Act and the Infrastructure Investment and Jobs Act.

In February, several states in the U.S., including Colorado, Illinois, Maine, New Jersey and New York introduced new climate disclosure bills. The European Commission introduced the Omnibus Package, which included substantial revisions to both the Corporate Sustainability Reporting Directive and the Corporate Sustainability Due Diligence Directive. The European Commission also unveiled its proposal for the "Clean Industrial Deal," designed to expedite decarbonization efforts and support clean technology sectors.

Strategy Overview

AGF U.S. Energy Transition and Adaptation Strategy underperformed its benchmark, Solactive US Energy Transition and Adaptation Opportunities Index, during the quarter, due to security selection which were partially offset by sectoral allocation decisions.

From a sector perspective, security selection in Industrials was the biggest detractor from overall performance. Security selection and an underweight allocation to Utilities also detracted from performance, as did stock selection and an overweight allocation to Information Technology. This was partially offset by an underweight allocation to Consumer Discretionary, which contributed the most to relative performance. An overweight allocation to Financials also contributed to performance, which was partially offset by security selection in the sector. An overweight allocation to Energy also contributed to performance. The Strategy's cash holding, which averaged 7.4% during the quarter, contributed to performance.

The top detractors from performance during the quarter were First Solar Inc., Fluence Energy Inc. and Quanta Services Inc., while the top contributors to performance were MP Materials Corp., Tesla Inc. and Constellation Energy Corp.,

First Solar designs, manufactures and retails photovoltaic cells, incorporating semiconductor technology. It also provides maintenance services. The company is headquartered in Arizona, United States and operates in the U.S., France, Japan and Chile. The company's stock initially gained due to higher than expected fourth-quarter revenues in 2024 and strong guidance for 2025, despite earnings missing expectations. The stock price fell after President Trump's administration withdrew government funds from clean energy and green energy programs, prioritizing crude oil extraction.

Constellation Energy specializes in the production and distribution of clean and carbon free energy in the United States, from nuclear, hydro, wind and solar infrastructure. It is headquartered in Maryland. Constellation's stock gained after the company reported higher than expected

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fourth quarter earnings, driven by rising energy demand and low costs. In the first quarter of 2025, Constellation won a $1 billion USD federal contract for supplying nuclear energy to the government and it also announced an agreement to acquire Calpine Corp.

Outlook

Despite a broader downturn in energy transition investing such as electrical vehicle supply chain and early growth sectors such as bioenergy and nuclear, we believe the energy transition is expected to remain on course due to the sheer investments globally. The shift toward cleaner, more resilient energy systems is being driven by structural forces that go beyond market cycles, namely, the urgent need for climate adaptation, energy security, and technological innovation. Around the world, governments and industries are prioritizing decarbonization and grid modernization in response to extreme weather events, rising energy costs, and geopolitical instability. These pressures are creating real opportunities in areas like electrification, grid resilience, and climate-resilient infrastructure. As climate risks intensify, investment in sustainable energy solutions is increasingly seen as a necessity rather than a choice, underpinning the long-term case for the transition.

AGF U.S. Energy Transition and Adaptation Strategy Annualized Returns – Period Ending March 31, 2025

	3 Months	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year	SPSD[1]
AGF U.S. Energy Transition and Adaptation Composite (Gross)	-9.3%	-9.3%	-2.9%	-2.0%	-	-	-	-	-	-	-	-	-2.8%
AGF U.S. Energy Transition and Adaptation Composite (Net)	-9.4%	-9.4%	-3.6%	-2.7%	-	-	-	-	-	-	-	-	-3.5%
Solactive US Energy Transition and Adaptation Opportunities Index	-4.9%	-4.9%	4.2%	5.8%	-	-	-	-	-	-	-	-	6.1%
Gross Excess Return	-4.4%	-4.4%	-7.1%	-7.8%	-	-	-	-	-	-	-	-	-8.9%
Net Excess Return	-4.5%	-4.5%	-7.8%	-8.5%	-	-	-	-	-	-	-	-	-9.6%

Source: AGF Investments as at March 31, 2025. **Past performance is not indicative of future results**. Strategy performance is based on the GIPS AGF U.S. Energy Transition and Adaptation Composite, a copy of the GIPS-compliant presentation can be found in the appendix. Performance is in U.S. dollars (US$) and displays gross-of-fee returns and net-of-fee returns. Net-of-fee returns are calculated by deducting the maximum institutional fee charged from the gross-of-fee return. One cannot invest directly in an index. [1]SPSD is Since Performance Start Date of the composite for the AGF U.S. Energy Transition and Adaptation Strategy, February 9, 2023.

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Strategy performance is based on the GIPS AGF U.S. Energy Transition and Adaptation Composite. The performance presented is gross and net of fees; rates of return for greater than one year have been annualized. AGF Investments uses Canadian dollar gross of fees returns and converts them on a monthly basis using spot rates sourced from Bloomberg. Net-of-fees returns are calculated by deducting the maximum institutional fee charged from the gross of-fee return. Actual fees may vary depending upon the fee schedule and size.

The commentaries contained herein are provided as a general source of information based on information available as of March 31, 2025 and are not intended to be comprehensive investment advice applicable to the circumstances of the investor. Every effort has been made to ensure accuracy in these commentaries at the time of publication, however, accuracy cannot be guaranteed. Market conditions may change and AGF Investments America Inc. accepts no responsibility for individual investment decisions arising from the use or reliance on the information contained here.
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The AGF U.S. Energy Transition and Adaptation Strategy is available to institutional clients via various channels. Clients accessing the Strategy through a Separately Managed Account (SMA) platform will experience performance results that differ from results produced by AGF Investments America Inc.'s discretionary management of the Strategy based on a number of factors, including but not limited to fees charged, implementation of the Strategy by the SMA provider and investment restrictions applicable to each client's account. AGF Investments America Inc. does not have investment authority over client accounts accessing the Strategy through an SMA platform.

An Investment in the AGF U.S. Energy Transition and Adaptation Strategy is subject to risks including but not limited to: Investing in a U.S. Energy Transition and Adaptation Strategy involves several risks that investors should be aware of. Here are some key points typically included in a risk disclosure for such strategies: Market Risk: The value of investments in energy transition and adaptation can fluctuate due to market conditions, economic events, and changes in energy prices, potentially leading to losses. Regulatory Risk: Changes in government policies, regulations, and incentives related to energy transition and climate change can significantly impact the performance of these investments. Technology Risk: The success of energy transition strategies often depends on the development and adoption of new technologies. There is a risk that these technologies may not perform as expected or may become obsolete. Operational Risk: Investments in energy infrastructure and adaptation projects can face operational challenges, including construction delays, cost overruns, and maintenance issues. Liquidity Risk: Some investments in this strategy may be in less liquid assets, making it difficult to buy or sell them at desired prices, especially during market downturns. Concentration Risk: These strategies may focus on specific sectors or types of assets, increasing volatility and risk if those sectors underperform. Environmental and Social Risk: Projects related to energy transition and adaptation can face environmental and social challenges, including community opposition and environmental impact concerns. Economic and Political Risk: Changes in economic conditions, political events, or international developments can impact the performance of energy transition and adaptation investments.

It should not be assumed that an investment in the strategy will be profitable or that the strategy will be able to meet its investment objective.

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Invested in Discipline

AGF U.S. Energy Transition and Adaptation Composite January 1, 2023 – December 31, 2023

Year	Gross of Fee Composite Return (%)	Net of Fee Composite Return (%)	Benchmark Return (%)	Number of Portfolios	Internal Dispersion (%)	Composite 3-Yr St Dev (%)	Benchmark 3-Yr St Dev (%)	Composite AUM (USD$ mil)	Firm AUM (USD$ mil)*
2023	-0.85	-1.43	4.03	1	N/A	N/A	N/A	0.49	24,659

Compliance Statement
AGF Investments claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. AGF Investments has been independently verified for the periods January 1, 2006 - December 31, 2023.

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. Energy Transition and Adaptation Composite has had a performance examination for the periods March 1, 2023 to December 31, 2023. The verification and performance examination reports are available upon request.

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Firm Description
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.

*AGF Investments represents AGF's group of companies who manage and advise on a variety of investment solutions managed by its fundamental and quantitative investing teams. AGF Investments Inc. is a wholly-owned subsidiary of AGF Management Limited and conducts the management and advisory of mutual funds in Canada.

Composite Description
The AGF U.S. Energy Transition and Adaptation Composite includes all portfolios that invest primarily in equity securities of companies providing solutions related to reducing the environmental footprint of the current energy system and adaptation to climate change.

Composite Creation Date
The composite was created in February 2023. The composite's inception was in February 2023.

Benchmark Description
The benchmark is the Solactive US Energy Transition and Adaptation Opportunities Index. The Solactive US Energy Transition and Adaptation Opportunities Index is a representation of securities involved in the US Energy Transition through activities in the energy production, energy raw materials, infrastructure, and technologies that are required for the energy transition.

Currency
Valuations and returns are computed and stated in U.S. Dollars.

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

Calculation Methodology
Results reflect the reinvestment of dividends, income and other earnings.

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

Net of fees returns are calculated by deducting the maximum institutional fee charged from the gross of fee return.

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 0.70% 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.

As at December 31, 2023, 100% of this composite was represented by non-fee paying portfolios.

Past performance does not guarantee future results.