

AGF U.S. Large Cap Growth Equity Strategy



Strategy Commentary

Third Quarter 2025

Strategy Facts

Strategy category: U.S. Equity	Benchmark Index: S&P 500 Index	Date of inception: April 1957	Investment style: Bottom-up growth	Strategy Managers¹ AGF Investments Inc. Auritro Kundu Mike Archibald
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Market Overview

The third quarter of 2025 marked a period of recovery for global equities and featured several pivotal monetary policy decisions. While central bank actions and geopolitical developments influenced investor sentiment, U.S. equities advanced over the quarter with several major benchmark indexes reaching record highs. The rally was largely supported by the ongoing Artificial Intelligence (AI) boom and the growing expectations of monetary easing.

In July, the U.S. finalized new trade agreements with several key partners, and President Trump's flagship fiscal package dubbed the One Big Beautiful Bill (OBBB), was officially approved. Technology stocks led market gains through the quarter, supported by optimism surrounding AI, stronger-than-expected corporate earnings and the resumption of chip exports to China. Weaker-than-anticipated employment data further fueled expectations for a potential rate cut despite persistent inflation. By August, progress in trade negotiations, a rebound in manufacturing activity and a second-quarter GDP growth rate of 3.8% bolstered overall business confidence. In September, the U.S. Federal Reserve (Fed) shifted its monetary policy stance, with Chair Jerome Powell announcing a 25-basis-point rate cut to address softening labour market conditions, which outweighed concerns over persistent inflation. The Fed also projected the potential for two additional rate cuts in 2025. Following the announcement, mortgage applications rose as homeowners sought to capitalize on lower borrowing costs, while housing starts declined. Toward the end of the quarter, technology stocks experienced a modest pullback amid renewed concerns about a potential AI-driven market bubble.

Within U.S. equities, Communication Services, Information Technology, and Consumer Discretionary sectors outperformed, supported by robust corporate earnings and continued advancements in AI and automation. Consumer Staples and Health Care lagged, weighed down by policy changes, persistent inflation and fears of an economic slowdown. Additionally, small cap stocks outperformed large caps, while growth stocks led value stocks.

Strategy Overview

For the quarter ended September 30, 2025, AGF U.S. Large Cap Growth Equity Strategy underperformed the benchmark, the S&P 500 Net Index.

Security selection in Energy, Health Care and Communication Services detracted the most from performance. The Strategy's cash position also detracted. This was partially offset by security selection in Information Technology, which contributed the most to performance. An underweight allocation and security selection in Consumer Staples also contributed, as did security selection in Financials.

In terms of individual holdings, the top detractors were Expand Energy Corp., Axon Enterprise Inc. and Boston Scientific Corp., while the top contributors were AppLovin Corp., Robinhood Markets Inc. and Alphabet Inc.

Outlook

U.S. equities continue to show strength, supported by solid fundamentals and resilient earnings. The strategy is strategically positioned with the aim to capture growth in U.S. equities, with a balanced approach to structural themes while remaining flexible in the face of evolving macro conditions.

The Fed's dovish stance and the beginning of the rate-cutting cycle are likely to benefit both defensive sectors and cyclical industries. While policy uncertainty and fiscal imbalances persist, greater clarity in U.S. fiscal direction in Q4 could unlock broader market momentum.

Economic expansion remains intact, driven by consumer resilience, robust corporate cash flows, and healthy balance sheets. While tariffs may weigh on goods and manufacturing, sustained expansion in services and industrial activity is expected to help offset some of the impact.

We maintain a disciplined approach, focusing on sectors with strong earnings momentum and actively identifying emerging market leaders. The strategy remains agile, using market pullbacks to build exposure to long-term growth trends.

¹ Offered on a sub-advised basis in Europe and through AGF International Advisors Company Ltd.

The Strategy performance referenced is based on a single representative account managed in accordance with the AGF U.S. Large Cap Growth Equity Strategy. Strategy performance is gross of fees.

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