

Portfolio Strategies for Global Investing

# A Diversified Approach to Emerging Markets





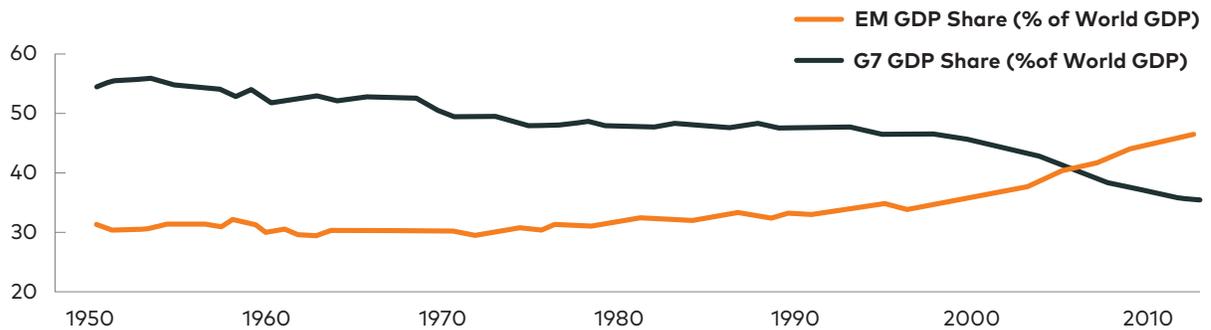
# A Diversified Approach to Emerging Markets

Investors have traditionally looked to emerging markets as a way to further diversify their global portfolios. Over the past few years, many have begun to shy away from this growing region based on intermittent volatility.

With greater focus on structural reform in many countries across the region, we see an exciting and dynamic investment opportunity emerge, one that can be an important part of any investment portfolio for investors seeking alpha.

## 1 EM: A Driver of Global Economic Growth

One of the major market "winners" of the recent hyper-globalization has been emerging markets. For the first time in 50 years, we begin to see emerging markets gaining a greater share of global GDP.



Source: World Economics, Barclays Research as of March 2017.

## 2 Wages: A Story of Growth and Increased Distribution

The emerging market middle class has shown greater wage growth in the middle class than that of both the middle and upper class of developed markets. This provides a compelling back drop for continued innovation and investment opportunity in sectors driven by consumer demand.

### Real Income Over 20 Years, Cumulative Change

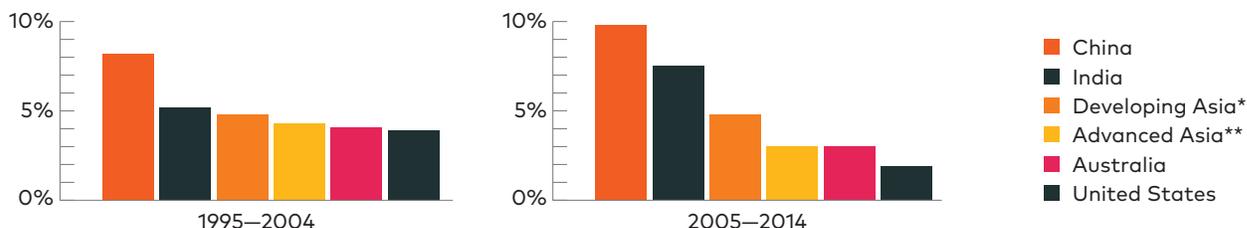


Source: Lakner and Milanovic. Data available at: <http://go.worldbank.org/nwbukl3.JP0>. BCA Research, December 9, 2016.

### 3 Emerging Consumer Driven Economies

In fact, in the past 10 years we've begun to see growing consumption of goods and services throughout the emerging markets. This has led to greater domestic innovation to capture this growing demand.

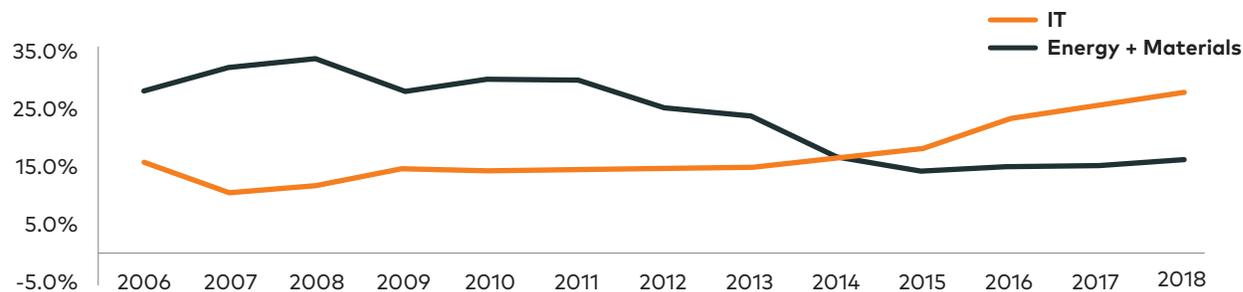
#### Over Decade - Annual Consumption Growth



Data is real household consumption annual growth. \*Indonesia, Malaysia, Philippines, Thailand. \*\*HK, Singapore, Korea, Taiwan. Source: IMF, Thomson Reuters as at March 2016.

### 4 A Tech Revolution is Well Underway

That shift towards the technological innovation has caused a reorientation of the sector weights within the emerging markets major benchmark, MSCI EM Index. For the first time in over 10 years, the information technology sector has surpassed energy and materials.



Source: MSCI, Thomson Reuters Datastream, HSBC, August 2018.

### 5 EM Bonds: Delivering Diversification and a Greater Potential for Capital Appreciation

What we begin to see is the emergence of investment opportunities in the emerging markets both in equity and fixed income. Emerging market bonds have the potential to provide greater diversification for fixed income portfolios while also generating a greater potential for capital appreciation.

2010	2011	2012	2013	2014	2015	2016	2017
Real Return +11.09%	Real Return +18.35%	Global HY Bonds +16.96%	Convertible Bonds +24.70%	U.S. Bonds +15.52%	Convertible Bonds +21.58%	Global HY Bonds +10.32%	U.S. Bonds +9.61%
Global HY Bonds +8.83%	DM Bonds +12.62%	EM Bonds +15.33%	Global HY Bonds +14.53%	EM Bonds +14.20%	EM Bonds +21.47%	U.S. Bonds +6.91%	Convertible Bonds +8.43%
CAD Corp. Bonds +7.34%	U.S. Bonds +10.51%	Convertible Bonds +10.06%	FR Loans +12.35%	Real Return +13.18%	U.S. Bonds +20.59%	FR Loans +6.35%	CAD Corp. Bonds +3.38%
EM Bonds +6.95%	CAD Gov t Bonds +10.20%	FR Loans +7.24%	U.S. Bonds +4.55%	Convertible Bonds +12.96%	FR Loans +19.11%	EM Bonds +6.08%	Global HY Bonds +3.18%
CAD Gov t Bonds +6.51%	EM Bonds +9.62%	CAD Corp. Bonds +6.22%	Global Bonds +3.94%	FR Loans +10.75%	Global HY Bonds +16.67%	CAD Corp. Bonds +3.73%	CAD Gov t Bonds +2.18%

Source: Morningstar, as of December 31, 2016, in Canadian dollars. For illustrative purposes. You cannot invest directly in an index.

## AGF offers a full suite of solutions, providing the ability for investors to access emerging markets at the level they feel most comfortable with:

<b>Equities</b> AGF Emerging Markets Fund/Class	Fully invested equity portfolio of companies predominantly domiciled in the emerging markets. Utilizing a country allocation framework that allows the fund to manage across a variety of countries and sectors.
AGFiQ Enhanced Core Emerging Markets ETF (GEM)	Taking a factor-based, quantitative approach to investing, this ETF focuses on equity securities in the emerging markets that have shown a historical propensity to deliver a greater potential for positive risk-adjusted returns with enhanced downside protection.
<b>Balanced</b> AGF Emerging Markets Balanced Fund	The portfolio managers work closely to ensure they balance the portfolio between equity and fixed income to take advantage of market dislocations wherever they occur.
<b>Fixed Income</b> AGF Emerging Markets Bond Fund	AGF Emerging Market Bond Fund provides access to a portfolio of fixed income securities spread across both sovereign government and corporate bonds throughout the emerging markets.
<b>Managed Solution</b> AGF Elements Global Portfolio/Class <sup>1</sup>	A diverse equity portfolio of global securities with an allocation to emerging markets. AGF Elements Global Portfolio provides investors a more moderate way to take advantage of the opportunities that emerging markets have to offer.

<sup>1</sup> On April 9, 2014, unitholders/shareholders approved a change in investment objective to provide superior long-term returns by investing primarily in equity mutual funds from around the globe. For more information regarding the underlying funds, please refer to AGF.com/Funds. For up-to-date information, visit AGF.com/Elements.

## For more information, visit [AGF.com](http://AGF.com)



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