

Strategy Facts

Strategy category: Emerging markets equity	Benchmark Index: MSCI Emerging Markets Index	Date of inception: March 1994	Investment style: Core	Strategy Managers AGF Investments America Inc. Regina Chi, CFA
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Market Overview

Emerging markets (EM) commenced the year on a softer note, with January highlighting a stark underperformance against developed markets (DM). This was notably influenced by concerns over the high-interest rate environment in the United States, which dampened risk appetite. Equities in China and South Korea declined significantly amid ongoing economic challenges and insufficient policy support.

As the quarter progressed, February offered a brief respite, marked by a modest outperformance of EM over DM, buoyed by positive developments in North Asia. Chinas improved macroeconomic data post-Lunar New Year and policy efforts to bolster economic growth were pivotal in reviving investor optimism. Similarly, South Korea and Taiwan benefitted from specific government initiatives and technological advancements.

However, the quarter concluded with EM resuming its underperformance relative to DM in March amid an uncertain environment that included dovish rhetoric from the U.S. Federal Reserve Board (Fed), rising U.S.-China tensions, and ongoing optimism around Artificial Intelligence (AI) stocks. The divergent outcomes across regions, with EM Asia outperforming the emerging markets in Europe, the Middle East, and Africa, while Latin America significantly underperformed the other two regions due to the underperformance of Brazil.¹

Strategy Overview

For the quarter that ended March 31, 2024, the strategy modestly underperformed the MSCI Emerging Markets Index.

Underperformance was driven by country allocation, while security selection contributed positively. From a country allocation perspective, an overweight to China/Hong Kong, exposure to the United Kingdom (with exposure to EM end markets), and an underweight to Taiwan detracted, while no exposure to Thailand, an overweight to Peru, and an underweight to South Africa contributed positively. Security selection in the United Kingdom, Taiwan and the Czech Republic contributed positively during the quarter, while selection in China/Hong Kong, India, and Brazil detracted.

AIA Group Ltd., a prominent player in the insurance industry, was a top detractor during the quarter. The stock faced challenges primarily due to investor disappointment stemming

from the absence of a new buyback plan. Despite completing a substantial US\$10 billion buyback, expectations for additional shareholder return measures were left unmet as the company chose to balance capital deployment between new business investments and shareholder rewards. This strategic decision, aimed at fostering long-term growth, contributed to AIAs underperformance in the first quarter of 2024. However, its worth noting the company's commitment to disciplined capital management, leveraging its strong balance sheet to support both business expansion and shareholder returns, with a total shareholder return reaching approximately 7% through dividends and buybacks.²

Looking beyond the immediate reaction to the buyback decision, we believe AIA presents a compelling long-term investment case. AIAs operational performance across key markets, including China and Hong Kong, demonstrates early signs of margin improvement and sales growth, supported by a favourable product mix, pricing adjustments, and increasing market share in the competitive insurance landscape. These factors, alongside strong demand for life and savings products and a leading position in the ASEAN markets, position AIA for robust long-term growth. We believe AIA is one of the highest quality insurance companies in EM, and currently trades at an attractive valuation.²

Trip.com Group Ltd. was a top contributor during the quarter. The company operates as a premier online travel agency (OTA) in China, commanding a dominant market share in a market fuelled by urbanization, rising income levels, and a shift towards independent travel preferences. Trip.com reported earnings during the quarter that was characterized by solid revenue and margin expansion. The full-year 2023 adjusted EBITDA margins reached a decade-high, indicating effective cost management and operational efficiency. The Q4 2023 results continued this trend, with total revenue surging 105% year-over-year and accommodation, transportation, and packaged tour revenues witnessing significant growth. This momentum was sustained into Q1 2024, driven by enhanced marketing and conversion efficiencies, cross-selling initiatives, and an overall increase in revenue across all segments.³

In the current uncertain environment, investors are increasingly seeking companies with clear bottom-up drivers and

¹ Bloomberg.

² AGF Investments Inc., AIA Group Ltd. company reports.

³ AGF Investments Inc., Trip.com Group Ltd. company reports.

predictable earnings. Trip.com stands out as particularly well-positioned in this regard, supported by the theme of rising travel globally. Year-to-date performance in travel activity has bolstered our confidence in Trip.com's growth trajectory. Additionally, the stock is currently trading at undemanding levels, thereby enhancing its risk-reward profile.³

Strategy transactions included adding new strategy positions in Embraer SA, Contemporary Amperex Technology Co. Ltd., GPS Participacoes e Empreendimentos SA, KB Financial Group Inc, and Zhongji Innolight Co. Ltd. We exited strategy positions in Country Garden Holdings Co. Ltd., Pick n Pay Stores Ltd., Shinhan Financial Group Co. Ltd., Skshu Paint Co. Ltd., and Wuxi Biologics Cayman Inc.

Outlook

We maintain our positive outlook on EM equities, despite ongoing global macroeconomic and geopolitical uncertainties. Our optimism is founded in the resilience of earnings growth and the potential for multiple expansion in EMs, fuelled by increasing concerns over U.S. earnings per share risk and the anticipated Federal Reserve rate-cutting cycle, which could weaken the U.S. dollar and bolster non-U.S. equities. This environment could particularly favour EM currencies and equities.

The relative growth acceleration of EMs compared to DMs remains a significant tailwind, supported by the expectation of rate cuts by EM central banks to align with a favourable macroeconomic environment. These developments, alongside

attractive valuations in EMs compared to DMs, could present significant investment opportunities.

In China, despite facing challenges, we hold a more optimistic outlook for 2024, focusing on stabilizing the property market and fostering new growth drivers. Key policy insights are anticipated from significant political events, with the government and central banks support being crucial for confidence and economic growth.

We anticipate the U.S. Federal Reserve and the European Central Bank to initiate rate cuts mid-year, in response to inflation dynamics. This policy shift is expected to loosen financial conditions in EMs, with varied growth paths, which could be positive for EM equities.

Potential risks to the outlook include the lagged effects of high interest rates, a projected slowdown in the U.S. economy in the latter half of 2024, U.S. and EM elections, a fragile recovery in the eurozone, and continued uncertainties in China's economy.

AGF Emerging Markets Equity Strategy Annualized Returns – Period Ending March 31, 2024

	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year
AGF Emerging Markets Equity Composite (Gross)	2.2%	-1.9%	-5.1%	-7.4%	6.2%	0.4%	0.1%	2.9%	4.6%	2.5%	2.5%
AGF Emerging Markets Equity Composite (Net)	2.0%	-2.7%	-5.9%	-8.1%	5.4%	-0.5%	-0.8%	2.0%	3.6%	1.6%	1.5%
MSCI Emerging Markets Index	2.4%	8.6%	-1.3%	-4.7%	8.3%	2.6%	0.9%	4.1%	5.7%	3.6%	3.3%
Gross Excess Return	-0.2%	-10.5%	-3.8%	-2.7%	-2.1%	-2.2%	-0.9%	-1.2%	-1.1%	-1.1%	-0.9%
Net Excess Return	-0.4%	-11.2%	-4.5%	-3.5%	-3.0%	-3.1%	-1.7%	-2.1%	-2.1%	-2.0%	-1.8%

Source: AGF Investments as at March 31, 2024. Past performance is not indicative of future results. Performance is based on AGF Emerging Markets Equity composite, the GIPS-compliant presentation found at the end of the document. Performance is in U.S. dollars (US\$) and displays gross 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.

³ AGF Investments Inc., Trip.com Group Ltd. company reports.

Strategy performance is based on the GIPS AGF Emerging Markets Equity 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 portfolio size. Past performance is not indicative of future performance.

The value of investments and the income from them can fall as well as rise. Investments denominated in foreign currencies are subject to fluctuations in exchange rates, which may have an adverse effect on the value of the investments, sale proceeds, and on dividend or interest income. Investors may not necessarily recoup the full value of their original investment. Investors should be aware that forward looking statements and forecasts may not be realised.

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AGF Emerging Markets Equity Composite January 1, 2013 – December 31, 2022

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)
2013	-11.76	-12.74	-2.27	6	N/A	18.56	19.03	2,391.40	25,482
2014	0.69	-0.42	-1.82	5	N/A	15.03	14.99	2,166.18	24,571
2015	-15.98	-16.83	-14.60	4	N/A	12.99	14.04	1,313.42	18,957
2016	10.79	9.70	11.60	3	N/A	14.34	16.07	972.94	20,143
2017	31.58	30.30	37.75	3	N/A	13.51	15.36	1,168.43	23,063
2018	-10.69	-11.58	-14.24	3	N/A	13.42	14.62	1,221.78	20,178
2019	23.53	22.32	18.88	3	N/A	13.88	14.17	1,485.83	23,185
2020	12.28	11.28	18.69	5	N/A	20.49	19.62	1,651.93	24,066
2021	-1.83	-2.63	-2.22	4	N/A	19.74	18.35	1,501.22	26,706
2022	-15.97	-16.65	-19.74	4	N/A	22.05	20.26	1,193.41	23,091

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, 2022.

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 Emerging Markets Equity Composite has had a performance examination for the periods January 1, 2006 to December 31, 2022. The verification and performance examination reports are available upon request.

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Effective January 1, 2019, the definition of the firm was revised to include AGFiQ and AGF Investments LLC.

Composite Description

The Emerging Markets Equity Composite's mandate is to invest primarily in equities of companies that are located or active mainly in emerging market countries with certain social and geographical restrictions. The investment approach is growth at a reasonable price, the investment style is fundamental, bottom-up in managing the portfolios.

Composite Creation Date

The composite was created in January 2011. The composite's inception was in December 2005.

Benchmark Description

The benchmark is the MSCI Emerging Markets Index. The MSCI Emerging Markets Index is a market capitalization weighted index that measures the equity performance of emerging markets.

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 0.80% 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.