

## Strategy Commentary

Third Quarter 2024

### Strategy Facts

<b>Strategy category:</b> Global Equity	<b>Benchmark Index:</b> MSCI All Country World Index	<b>Date of inception:</b> August 31, 2011 <sup>^</sup>	<b>Investment style:</b> Growth	<b>Strategy Managers</b> AGF Investments America Inc. Tony Genua, Portfolio Manager
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### Market Overview

Global equity markets had a volatile start to the quarter as markets digested disappointing economic data prints and political developments. Investors continued to focus on economic conditions and their ramifications on monetary policy as softer inflation supported by a weaker-than-expected U.S. Consumer Price Index print and labour market data spurred a sector rotation into cyclicals and small-cap stocks – which are more sensitive to interest rates.

A late July swoon turned into an early August scare, as the unwinding of the Japanese yen carry-trade led to the unwinding of positions and broad weakness in global equity markets. The volatility was made more severe with disappointing employment and Purchasing Managers' Index (PMI) reports, which led to a resurgence of fears about a recession. This resulted in one of the more violent equity market sell-offs over the past 70 years. As fears dissipated, U.S. equity markets rebounded and expectations of a rate cutting cycle by the U.S. Federal Reserve (Fed) increased.

In mid-September, the Fed followed through and cut interest rates by 0.5%, putting an end to a 23-year high and bringing rates to a target range of 4.75-5.0%. Supported by decelerating inflation figures and softer labour market data, this move marked the first cut by the Fed since the start of the COVID-19 pandemic in March 2020. With financial conditions easing, the S&P 500 Index reached a new all-time high following the news.

Equities meanwhile continued to be bolstered by a strong earnings season with U.S. companies in the S&P 500 Index beating consensus estimates by an average of 4% and delivering 11% earning per share (EPS) growth in the Q2 2024 earnings season. This was the fourth consecutive quarter with positive year-over-year earnings growth – a positive development given that earnings growth bottomed in the second quarter of 2023 and has been on an upward trajectory since.

Elsewhere globally, European stocks continued to absorb geopolitical uncertainties and disappointing PMI reports and returns lagged their US and UK counterparts. China continued to face challenges in their real estate sector and broader economy while authorities sought to implement liquidity measures (lowering the benchmark loan prime rate, cutting the reverse repo rate) to support their financial system. Relief came at the end of the quarter as equities rallied on news that China finally appears to be going for

economic growth as pressure mounts for stimulus from policy makers, which historically, is a good sign for U.S. risk assets in the form of higher CPIs.

### Strategy Overview

During the quarter, AGF Global Select Equity ADR Strategy underperformed the benchmark, the MSCI All Country World Index. Security selection in Financials, Consumer Staples and Health Care detracted the most from overall performance. The Strategy's cash holding, which averaged 5.8% during the quarter, also detracted from performance. Consumer Discretionary contributed the most to relative performance, owing to positive security selection in and an overweight allocation to the sector. Security selection decisions in Communication services and an underweight allocation to Information Technology also contributed to performance.

From a geographic perspective, the Strategy's security selection in the United States and Japan detracted the most from performance, while security selection in Switzerland and Argentina contributed the most.

In terms of individual holdings, the top contributors were On Holding AG, MercadoLibre Inc., and Duolingo Inc., while the top detractors were ELF Beauty Inc., LPL Financial Holdings Inc., and Amazon.com Inc.

### Outlook

We believe the bull market remains intact, given the ongoing resilience of the U.S. economy. The economy has been underpinned by a labour market that has been resilient, although there have been some signs of recent softening. While economic growth is slowing, we believe that it will remain positive and supportive for equity markets.

With the equity market, we remain constructive. We believe equities are benefitting from positive earnings growth, which ultimately has been the most correlated factor with the markets. Moreover, we believe some of the substantial cash balances accumulated on the sidelines in 2022 and 2023 will eventually find its way back into equities, as the Fed continues on the path to reducing rates. We believe that rate cuts will favour certain sectors in the market and drive market leadership in the foreseeable future, which underscores the importance of maintaining objectivity throughout the changing macroeconomic environment.

Overall, we are encouraged with the continued resilient economy, and the promising secular innovative trends which includes generative Artificial Intelligence (AI), health and

<sup>^</sup>Inception date is of the Composite for the AGF Global Select Equity ADR strategy.

wellness, and reshoring. We believe global equities are positioned well for the balance of the year, though some volatility may be expected along the way. We would see any inevitable corrections as potential buying opportunities.

AGF Global Select ADR Strategy Annualized Returns – Period Ending September 30, 2024

	3 Months	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
AGF Global Select ADR Composite (Gross)	6.5%	24.1%	37.1%	8.3%	19.2%	16.1%	14.3%
AGF Global Select ADR Composite (Net)	6.3%	23.4%	36.2%	7.6%	18.4%	15.3%	13.5%
MSCI All Country World Index	6.7%	19.1%	32.3%	8.6%	12.7%	10.8%	9.9%
Gross Excess Return	-0.2%	5.0%	4.8%	-0.3%	6.5%	5.3%	4.4%
Net Excess Return	-0.4%	4.4%	3.8%	-1.0%	5.6%	4.5%	3.6%

Source: AGF Investments as at September 30, 2024. **Past performance is not indicative of future results.** Performance is based on AGF Global Select ADR 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.

The information contained herein was provided by AGF Investments America Inc. and intends to provide you with information related to the AGF Global Select Composite Strategy at a point in time. It is not intended to be investment advice applicable to any specific circumstance and should not be construed as investment advice. Market conditions may change impacting the composition of a portfolio. AGF Investments America Inc. assumes no responsibility for any investment decisions made based on the information provided herein.

Strategy performance is based on the GIPS AGF Global Select ADR 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.

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## AGF Global Select ADR Composite January 1, 2014 – 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)*
2014	4.62	3.89	4.71	1	N/A	13.04	10.48	0.93	24,571
2015	1.53	0.82	-1.84	1	N/A	13.38	10.78	0.95	18,957
2016	4.07	3.35	8.48	1	N/A	16.06	11.07	0.98	20,143
2017	37.51	36.58	24.62	1	N/A	14.56	10.37	0.85	23,063
2018	-6.39	-7.05	-8.93	1	N/A	16.31	10.48	0.80	20,178
2019	30.35	29.46	27.30	1	N/A	15.11	11.21	1.04	23,185
2020	48.78	47.77	16.82	1	N/A	23.05	18.12	1.14	24,066
2021	21.19	20.36	19.04	1	N/A	20.51	16.83	1.38	26,706
2022	-13.43	-14.04	-17.96	1	N/A	22.96	19.86	1.20	23,091
2023	12.79	12.01	22.81	1	N/A	16.72	16.27	1.35	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 Global Select ADR Composite has had a performance examination for the periods August 31, 2011 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 Global Select ADR Composite (USD) includes all portfolios invested in common shares of small, medium and large cap companies around the world that are traded on U.S. exchanges. The concentrated portfolios are managed in a growth style.

### Composite Creation Date and Inception Date

The composite was created on July 1, 2013. The composite's inception was in August 2011.

### Benchmark Description

The benchmark is the MSCI All Country World Index. The MSCI All Country World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and 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 0.70% 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](mailto: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.