

AGF Global Sustainable Equity ADR Strategy



Strategy Commentary

Fourth Quarter 2023

Strategy Facts

Strategy category: Global Equity	Benchmark Index: MSCI World Net Index	Date of inception: December 31, 2018 ^a	Investment style: Growth	Portfolio Managers AGF Investments America Inc. Martin Grosskopf, Portfolio Manager Vishal Bané, Co-Portfolio Manager
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Market Overview

Global equity markets began the fourth quarter continuing the slide that began in August, as interest rates continued to rise underpinned by a strong economy in the U.S., where real GDP growth was a robust 5.2% in the third quarter. However, in the last week of October, comments by the U.S. Federal Reserve (Fed) Chair Jerome Powell alluded to the recent rise in interest rates have helped tighten financial conditions, hinting at potentially lessening the need for additional Fed rate increases.

These comments led to a reversal of the steady climb in interest rates, and sparked a rally in global equity markets to end the year. The U.S. government 10-year yield, having hit a peak of 5.0% in mid-October, began a steep decline and ended the year at 3.9%. Investors began to price-in multiple Fed rate cuts in 2024 by the end of 2024. Global equities, meanwhile, saw a strong rally, with the MSCI World Index bottoming on October 27th and ending the quarter up over 10%. The end of 'higher for longer' rates fears boosted growth stocks which delivered 13.2% over the quarter based on the performance of the MSCI World Growth Index.

While the increased cost of capital has impacted renewable energy projects such as solar and offshore wind manufacturing in the third quarter of 2023, the levelized costs of renewables are considerably cheaper than fossil fuels, even more so during the fourth quarter of 2023 as the cost of capital fell. More than USD 200 billion in clean tech projects have been announced that leverage tax credits since the signing of the Inflation Reduction Act. A large share of the manufacturing facilities is located in midwestern and southern states, suggesting a high extent of protection under the scenario that conservatives control multiple branches including the presidency.

As the market normalizes, which it has begun to, we expect industries such as renewables to prosper. For example, the wind industry has experienced stabilizing supply chains and purchasing power is outpacing cost inflation.

Strategy Overview

AGF Global Sustainable Equity ADR Strategy underperformed the MSCI World Net Index benchmark during the quarter. The Consumer Discretionary sector was the biggest detractor from performance. In the Consumer Discretionary sector, due to owning companies across the Electric Vehicle supply chain primarily drove the underperformance. This was partially offset by Industrials which contributed favourably to performance driven by an overweight allocation to the sector. Health Care also

contributed to results owing to a favourable overweight allocation to the sector.

From a country perspective, the United States was the biggest detractor from overall performance. While the US Electric Vehicle supply chain companies were culprits to the underperformance, not owning 6 out of the Magnificent 7 stocks was also underperformance drivers. Japan also detracted from performance. This was partially offset by France and a favourable overweight allocation and stock choices in Sweden.

In terms of individual holdings, the top contributors during the quarter were Dassault Systemes, Hexagon AB and Brookfield Renewable Partners, while the top detractors were Intact Financial Corp, Denso Corporation and Aptiv PLC.

Dassault Systemes is a software company that specializes in 3D design, 3D digital mock-up, and product lifecycle management software. The company's software suite is designed to help organizations streamline their product development processes, enhance collaboration among teams, and improve efficiency in bringing innovative products to market. Dassault serves a broad range of industries, including aerospace, automotive, defense, energy, and consumer goods. The operating margin, particularly in the life sciences space, was lower than previous years, although it is stable.

Aptiv PLC is an auto technology company that specializes in developing and manufacturing advanced technology solutions for the automotive industry. The company focuses on creating technologies related to vehicle safety, connectivity, and autonomous driving. Given that the automotive industry shifting towards electric vehicles, Aptiv is taking advantage of this transition by developing technologies related to electric and hybrid powertrains and charging systems. Aptiv has been impacted by rising costs and parts shortages, which has impacted stock performance. Operating success hinges on an easing in the rise of input costs.

Outlook

AGF Global Sustainable Equity ADR Strategy outperformed since November 2023 and the headwinds it faced in 2022 and early 2023 have not persisted. After a start to the year that plagued the offshore wind and solar industries caused by high costs, we believe 2024 is poised to be a year of steady project implementations due to slowing inflation and lower interest rates. Due to the long-term backing, we believe commitments from policymakers will fuel investments in sustainable technology and infrastructure for the next decade and beyond. We also believe that regardless of the outcome of the 2024 election, there is a low risk of major change to the tax credits and grants written into

^aInception Date is of the Composite for the AGF Global Sustainable Equity ADR strategy.

law in part due to the impact on the economy. Our view for equities is a constructive one. We are anticipating the return to a more favourable environment for equity investors. Although inflation is cooling off, it may be sticky, suggesting that the decrease may take time, but it has been trending in the right direction. More corporate commitments have been made to leverage subsidies provided through government programs such as the IRA and Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act.

We believe the EU Green Deal and the EU's response to the IRA will likely provide more subsidies and relaxed regulations to push investments in clean energy and technology. China and the EU are competing with the U.S.' green subsidies. It is a global green arms race, and we believe this should benefit the AGF Global Sustainable Equity ADR Strategy. ESG and sustainable investing

remain under high regulatory scrutiny. Possible tailwinds include government subsidies, an increase in private spending, and a decrease in cost (the cost of solar and wind have decreased sharply in the last decade). AGF is well positioned to meet any changes to disclosure or reporting requirements that may result from proposals in the legislative or regulatory landscape. Policy tailwinds could provide long-term growth prospects for AGF Global Sustainable Equity ADR Strategy.

The manager reallocated to companies that we believe would benefit from the lowering interest rate environment with the notion that they have more favourable growth prospects. The manager believes all holdings have a great long-term story, which is still intact, largely because the global economy is transitioning to high adoption of green technologies.

AGF Global Sustainable Equity ADR Strategy Annualized Returns – Period Ending December 31, 2023

	3 Months	YTD	1 Year	2 Years	3 Years	4 Years	5 Years	6 Years	7 Years	8 Years	9 Years	10 Years	SPSD ¹
AGF Global Sustainable Equity ADR Composite (Gross)	10.4%	12.3%	12.3%	-9.7%	-0.2%	7.7%	11.3%	-	-	-	-	-	11.3%
AGF Global Sustainable Equity ADR Composite (Net)	10.2%	11.5%	11.5%	-10.3%	-0.9%	7.0%	10.5%	-	-	-	-	-	10.5%
MSCI World Net Index	11.4%	23.8%	23.8%	0.7%	7.3%	9.4%	12.8%	-	-	-	-	-	12.8%
Gross Excess Return	-1.0%	-11.5%	-11.5%	-10.4%	-7.5%	-1.7%	-1.5%	-	-	-	-	-	-1.5%
Net Excess Return	-1.2%	-12.3%	-12.3%	-11.0%	-8.2%	-2.4%	-2.3%	-	-	-	-	-	-2.3%

Source: AGF Investments as at December 31, 2023. Past performance is not indicative of future results. Performance is based on AGF Global Sustainable Equity 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-fees returns are calculated by deducting the maximum institutional fee charged from the gross-of-fee return. One cannot invest directly in an index. ¹SPSD is Since Performance Start Date of the composite for the AGF Global Sustainable Equity ADR Strategy, December 31, 2018

Strategy performance is based on the GIPS AGF Global Sustainable Equity 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 portfolio size. Past performance is not indicative of future results. The information contained herein was provided by AGF Investments America Inc. intending to provide you with information related to AGF Global Sustainable Equity ADR Strategy at a point in time. It is not intended to be investment advice applicable to any specific circumstances 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.

Past performance is not necessarily a guide to 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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The AGF Global Sustainable Equity ADR 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 a SMA platform.

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AGF Global Sustainable Equity ADR Composite January 1, 2019 – 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)
2019	27.05	26.18	27.67	1	N/A	N/A	N/A	0.47	23,185
2020	35.35	34.43	15.90	1	N/A	N/A	N/A	0.64	24,066
2021	21.89	21.05	21.82	2	N/A	18.20	17.06	12.91	26,706
2022	-27.38	-27.90	-18.14	2	N/A	23.69	20.43	9.35	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 Global Sustainable Equity ADR Composite has had a performance examination for the periods December 31, 2018 to December 31, 2022. 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 delivering excellence in investing in the public and private markets through its three distinct business lines: AGF Private Capital, AGF Private Wealth and AGF Investments.

*AGF Investments is AGF's group of companies who manage and advise on a variety of investment solutions managed by its fundamental and quantitative investing teams. AGF brings a disciplined approach focused on providing an exceptional client experience and incorporating sound responsible and sustainable practices. The firm's investment solutions, driven by its fundamental, quantitative and private investing capabilities, extends globally to a wide range of clients, from financial advisors and their clients to highnet 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.

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Composite Description

The Global Sustainable Growth Equity ADR Composite's mandate is to provide capital growth potential by investing in a diversified portfolio of companies around the world, via securities listed on North American exchanges, that fit the composite's concept of sustainable development. The mandate focuses on four major themes: energy and energy efficiency, water/waste water solutions, waste management and pollution control and environment and health and safety, while also performing thorough due diligence on company fundamentals.

Composite Creation Date and Inception Date

The Composite was created on December 31, 2018. The composite's inception was in December 2018.

Benchmark Description

The benchmark is the MSCI World Net Index.

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, 2022, 100% of this composite was represented by non-fee paying portfolios.

Past performance does not guarantee future results.