

AGF Global Sustainable Equity ADR Strategy



Strategy Commentary

First Quarter 2024

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 started the year with a strong rally which continued well into the month of March. The Federal Reserve (Fed) held a seemingly neutral-to-dovish stance on interest rates, even though the economy continued to grow strongly at 3.4% in the final quarter of 2023, which buoyed investor spirit across the globe. The European Central Bank (ECB) also kept interest rates the same through the quarter and signaled that rate cuts might happen sooner rather than later. Speaking of central banks, the Bank of Japan hiked its lending rate for the first time in 8 years, as some of Japan's biggest companies agreed to raise wages by 5.28% for 2024, the heftiest pay hike in 33 years.

As the Fed waits on the final effects of the lagged impact of elevated interest rates, the current economic growth figures indicate the U.S economy is not slowing down as the quarterly GDP growth in the fourth quarter of 2023 was the highest in 2 years. This played on the central bank's decision on lending rates as they exercised caution to avoid a stagflationary scenario. While the economy largely continues to prosper, unemployment did rise in the month of February to 3.9%. Consumer confidence has dipped since the start of the year, as there remain concerns about the long-term future of the economy. The inflation level in the U.S. slightly increased in February to 3.2% and unemployment slightly rose by 0.2% to 3.9% in February. The country witnessed a rise in retail sales to 0.6%. The US equity market (as represented by the S&P 500 Index) continued its steady climb since the start of the year, gaining over 10% during the quarter. A strong performance by the technology sector, chip manufacturers also helped the market to remain confident and provided positive results during the quarter. The U.S. 10-year Treasury yield touched 4.3% in February.

ESG investments have underperformed the broader equity market but remained positive. Last year saw the greatest number of ESG, and sustainability regulations passed in a single year. In January, the global green bond market surged to an impressive \$65.37 billion, marking a significant 67% increase from the previous year. The decline in borrowing costs and the seemingly insatiable demand from investors have significantly boosted bond issuance in global markets. The demand for sustainable bonds remained strong with Qatar ready to sell its first green bond and France being the top sovereign seller of green bonds. In March, markets responded positively when the U.S. Securities Exchange Commission (SEC) adopted the

Climate-Related Disclosure Rules and China released new ESG disclosure guidelines for the stock market.

Strategy Overview

AGF Global Sustainable Equity ADR Strategy underperformed the MSCI World Net Index benchmark during the quarter. The Information Technology and Financials sectors were the biggest detractors from performance. This was partially offset by Industrials and Consumer Discretionary, which contributed favorably to performance driven by security selection within the sector.

From a country perspective, the United States was the biggest detractor from overall performance. France also detracted from performance. This was partially offset by Japan and stock choices in Finland, which was partially offset by an unfavorable overweight allocation to the country.

In terms of individual holdings, the top contributors during the quarter were Denso Corp., Trex Company and Ecolab Inc., while the top detractors were Dassault Systemes, Vestas Wind Systems and Infineon Technologies.

Based in Virginia, Trex is a leading manufacturer and distributor of composite decking, railing, and outdoor living products and accessories, and has a great sustainability angle. Their offerings cater to both residential and commercial markets across the United States. The company witnessed a rise in the share price as it reported positive earnings in the previous quarter. An increase in mortgage rates has prompted a surge in home renovation demand. In addition, the company's financials and growth prospects, in our view, are positive for the rest of 2024.

Centered in Germany, Infineon Technologies AG develops, manufactures, and markets semiconductors and semiconductor-based solutions worldwide. The company's share price declined as it missed the market expectations for revenue earned in the first quarter. It also lowered its revenue guidance for the year 2024 due to lower demand of semiconductors negatively impacting the investor sentiments.

Outlook

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 law in part due to the impact on

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

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 Inflation Reduction Act (IRA) and Creating Helpful Incentives to Produce Semiconductors (CHIPS) Act, after the US doubled the pace of cutting carbon emissions since the passing of the IRA.

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. 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 the Strategy.

AGF Global Sustainable Equity ADR Strategy Annualized Returns – Period Ending March 31, 2024

	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)	4.5%	4.5%	7.7%	0.7%	0.4%	15.2%	10.3%	9.0%	10.4%	10.7%	9.3%	7.6%	4.5%
AGF Global Sustainable Equity ADR Composite (Net)	4.3%	4.3%	6.9%	-0.1%	-0.3%	14.4%	9.5%	8.2%	9.6%	10.0%	8.5%	6.9%	4.3%
MSCI World Net Index	8.9%	8.9%	25.1%	7.9%	8.6%	18.5%	12.1%	10.7%	11.1%	11.5%	9.8%	9.4%	8.9%
Gross Excess Return	-4.4%	-4.4%	-17.5%	-7.2%	-8.2%	-3.3%	-1.8%	-1.7%	-0.7%	-0.8%	-0.5%	-1.8%	-4.4%
Net Excess Return	-4.6%	-4.6%	-18.2%	-7.9%	-8.9%	-4.1%	-2.5%	-2.5%	-1.5%	-1.6%	-1.3%	-2.5%	-4.6%

Source: AGF Investments as at March 31, 2024. **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

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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 size.

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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.