AGF U.S. Large Cap Growth Equity Strategy

AGF | Investments

Strategy Commentary **Second Quarter 2024**

Strategy Facts

Strategy category:	Benchmark Index:	Date of inception:	Investment style:	Portfolio Managers
U.S. Equity	S&P 500 Index	April 1957	Bottom-up growth	AGF Investments America Inc. Tony Genua

Market Overview

Global equity markets continued to rally in June and reached new highs, after both the S&P 500 Index and the MSCI ACWI Index experienced their first 5% corrections of the year in April. Investors continue to focus on economic conditions and their ramifications on monetary policy – though "higher for longer" interest rate expectations have increasingly become consensus, expectations have stabilized as the economy shows signs of making slow progress on stubborn and persistent inflation.

The last mile of the battle against U.S. inflation showed some progress with an encouraging Consumer Price Index (CPI) report. Data released in June showed that core CPI saw +0.16% month over month inflation in May, which was softer than anticipated and the lowest reading since August 2021. Moreover, breadth measures also showed significant improvement towards disinflation. Personal Consumption Expenditures Price Index (PCE) data later in the month helped confirm this disinflationary trend, with Core PCE in May on a month over month basis coming in at its lowest reading since November 2020. In response, expectations of rate cuts being pushed out stabilized, with the market pricing in two rate cuts by the end of the year.

Equities meanwhile were further bolstered by a strong earnings season with many U.S. companies beating consensus estimates by an average of 4%. This was the third 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.

Strategy Overview

During the quarter, AGF U.S. Large Cap Growth Equity Strategy performed in line with the benchmark S&P 500 Index. Security selection in the Health Care, Consumer Discretionary, Real Estate, and Industrials sectors were the largest contributors to relative performance. This was partially offset by negative security selection and an underweight allocation in Information Technology which detracted from performance. The Strategy's cash holding also detracted from results.

In terms of individual holdings, the top contributors were Nvidia Corp, Howmet Aerospace Inc., and Eli Lilly & Co., while the top detractors were IQVIA Holdings Inc., Hubspot Inc., and Raymond James Financial Inc.

Outlook

We believe the bull market remains intact, given the ongoing resilience of the U.S. economy. While economic growth is expected to slow from the lofty levels of the second half of 2023, we believe that it will remain healthy and supportive for U.S. and global equity markets.

We believe equities will also benefit from the return of earnings growth – after seeing several quarters of year over year contraction, the S&P 500 Index has seen earnings growth in the past three quarters, with growth expected to improve throughout 2024. Moreover, we believe some of the substantial cash balances accumulated on the sidelines in 2022 and 2023 will eventually find their way back into equities if the Federal Reserve Board (FED) cuts rates later this year.

Moreover, the pushing out of expectations of a Fed interest rate cut may not be negative for equities. The length of the pause in the peak of interest rate cycles has historically been positively correlated with the strength of the rally in equity markets – the longer the pause, the stronger the rally.

Overall, we are encouraged with the continued resilient economy, and the promising secular innovative trends which includes generative AI, health and wellness, and reshoring. We believe U.S. equities are positioned well, though some volatility may be expected along the way, particularly given that 2024 is an election year. We would see any corrections as potential buying opportunities.

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AGF U.S. Large Cap Growth Equity Strategy Annualized Returns – Period Ending June 30, 2024

	3 Months	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
AGF U.S. Large Cap Growth Equity Composite (Gross)	4.5%	18.9%	29.8%	11.0%	19.1%	17.1%	15.0%
AGF U.S. Large Cap Growth Equity Composite (Net)	4.3%	18.5%	29.0%	10.3%	18.4%	16.4%	14.2%
S&P 500 Index	4.3%	15.3%	24.6%	10.0%	15.0%	14.3%	12.9%
Gross Excess Return	0.2%	3.6%	5.2%	0.9%	4.1%	2.9%	2.1%
Net Excess Return	0.0%	3.3%	4.4%	0.3%	3.4%	2.1%	1.4%

Source: AGF Investments as of June 30, 2024. Past performance is not indicative of future results. Performance is based on AGF U.S. Large-Cap Growth 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.

Strategy performance is based on the GIPS AGF U.S. Large Cap Growth 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.

The information contained herein was provided by AGF Investments America Inc. and intends to provide you with information related to the AGF U.S. Large Cap Growth Equity 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.

References to specific securities are presented to illustrate the application of our investment philosophy only and do not represent all of the securities purchased, sold or recommended for the portfolio. It should not be assumed that investments in the securities identified were or will be profitable and should not be considered recommendations by AGF investments Inc.

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The AGF U.S. Large Cap Growth Equity 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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Publication date: July 31, 2024

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AGF U.S. Large-Cap Growth Equity 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	5.90	5.17	13.69	6	0.18	12.63	8.98	2,083.57	24,571
2015	6.11	5.37	1.38	6	0.04	12.22	10.47	1,902.91	18,957
2016	7.47	6.72	11.96	8	0.28	13.62	10.59	2,066.04	20,143
2017	27.60	26.73	21.83	7	0.15	12.13	9.92	2,452.75	23,063
2018	-2.68	-3.36	-4.38	5	N/A	14.60	10.80	1,933.53	20,178
2019	20.71	19.88	31.46	6	N/A	13.80	11.94	2,350.49	23,185
2020	49.69	48.86	18.39	4	N/A	19.23	18.53	2,692.73	24,066
2021	24.61	23.90	28.71	4	N/A	16.56	17.17	3,610.86	26,706
2022	-13.45	-13.97	-18.11	4	N/A	21.17	20.87	3,413.11	23,091
2023	20.71	20.00	26.29	4	N/A	18.74	17.29	4,201.09	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 U.S. Large-Cap Growth Equity Composite has had a performance examination for the periods January 1, 2009 to December 31, 2023. The verification and performance examination reports are available upon request.

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Firm Definition

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 U.S. Large-Cap Growth Equity Composite's mandate is to invest primarily in equity securities of established U.S. companies.

Composite Creation Date

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

Benchmark Description

The benchmark is the S&P 500 Index. The S&P 500 Index is a market capitalization weighted index of 500 large capitalization stocks. The index is designed to measure performance of the U.S. economy through changes in the aggregate market value of 500 stocks representing all major industries.

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.

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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 0.60% 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.

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