

AGF U.S. Small-Mid Cap Growth Equity Strategy



Strategy Commentary

First Quarter 2024

Strategy Facts

Strategy category: U.S. Small/Mid Cap Equity	Benchmark Index: S&P MidCap 400 Total Return Index	Date of inception: June 1993	Investment style: Fundamental/bottom-up growth	Portfolio Managers AGF Investments Inc. Tony Genua Sam Mitter
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Market Overview

Global equity markets started the year with a strong rally which continued well into 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 sentiment 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. Meanwhile, the Bank of Japan hiked its lending rate for the first time in 8 years.

Through the quarter, the Fed kept interest rates the same and with continued resilient economic data, investors began to price out the number of expected rate cuts in 2024. While the economy largely continues to prosper, unemployment did rise in February to 3.9%, though the economy continues to create jobs at a healthy pace above the pre-pandemic average. The yields on the US 10-year and 2-year notes have also risen since the start of the year, after a steady decline in the second half of 2023.

The US equity market (as represented by the S&P 500) continued its steady climb since the start of the year, gaining over 10% during the quarter. The rally was led by the performance of Artificial Intelligence (AI) chipmakers and other technology stocks, though the market did see significant broadening participation as well with cyclical sectors such as Industrials, Energy, and Financials also among the leading sectors during the quarter with Information Technology.

The US small cap equity market (as represented by the S&P MidCap 400 Index) continued its steady climb since the start of the year, gaining 8% during the quarter. Energy and Consumer Staples were the biggest contributors to performance, while Real Estate detracted the most from overall results.

Strategy Overview

During the quarter, AGF U.S. Small-Mid Cap Strategy outperformed the benchmark, S&P MidCap 400 Index, due to security selection and sector allocation decisions. Security selection in the Consumer Discretionary, Health Care, and Financials sectors contributed the most to performance. This was partially offset by security selection in Information Technology, Energy, and Communication Services which

detracted the most from performance. The Strategy's cash holding, also detracted from performance.

In terms of individual holdings, the top contributors during the quarter included Vertiv Holdings Co., Shockwave Medical Inc., and Interactive Brokers, while the top detractors included Aehr Test Systems, Wesco International Inc., and GitLab Inc.

Outlook

As the bull market continued during the first quarter of 2024, we maintain a constructive view on equities. We remain encouraged by the resilience of the US economy, which has been underpinned by a labour market that continues to create jobs at a level above the pre-pandemic average, which in turn is supporting consumer spending, particularly in services. While economic growth in the US is expected to slow from the lofty levels of the 2nd half of 2023, we believe that it will remain healthy and supportive for 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 has seen earnings growth in the past two 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 its way back into equities, as the Fed eventually cuts rates later on this year.

Overall, we are encouraged with the broadening equity market, the continued resilient economy, and the promising secular innovative trends which includes generative AI, health and wellness, and reshoring. We believe equities are positioned well for the balance of the year, though some volatility may be expected along the way, particularly given that 2024 is an election year. We could potentially see any inevitable corrections as buying opportunities.

AGF U.S. Small-Mid Cap Growth Equity Strategy Annualized Returns – Period Ending March 31, 2024

	3 Months	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
AGF U.S. Small-Mid Cap Growth Equity Composite (Gross)	14.5%	14.5%	13.1%	-2.0%	9.4%	12.5%	10.6%
AGF U.S. Small-Mid Cap Growth Equity Composite (Net)	14.3%	14.3%	12.1%	-2.8%	8.5%	11.5%	9.6%
S&P MidCap 400 Index	10.0%	10.0%	23.3%	7.0%	11.7%	10.3%	10.0%
Gross Excess Return	4.6%	4.6%	-10.3%	-9.0%	-2.3%	2.2%	0.6%
Net Excess Return	4.3%	4.3%	-11.2%	-9.8%	-3.2%	1.2%	-0.4%

Source: AGF Investments as of March 31, 2024. Past performance is not indicative of future results. Performance is based on AGF U.S. Small-Mid 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. Small-Mid 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. Small-Mid Cap Growth Equity 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.

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The AGF U.S. Small-Mid 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 Investment 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 Investment Inc. does not have investment authority over client accounts accessing the Strategy through a SMA platform.

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AGF U.S. Small-Mid Cap Growth Equity Composite January 1, 2012 – 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	36.19	34.97	41.21	1	N/A	14.32	16.49	201.31	25,482
2014	-10.19	-11.03	9.77	1	N/A	13.79	11.86	150.31	24,571
2015	10.96	9.95	-2.18	1	N/A	14.47	11.81	145.66	18,957
2016	2.31	1.37	20.74	1	N/A	16.01	12.23	128.44	20,143
2017	35.16	33.95	16.24	1	N/A	13.86	10.91	151.72	23,063
2018	-0.94	-1.85	-11.08	1	N/A	16.11	13.31	143.38	20,178
2019	33.02	31.83	26.22	1	N/A	16.73	14.46	182.37	23,185
2020	44.79	43.60	13.66	1	N/A	23.54	23.31	293.98	24,066
2021	7.53	6.62	24.76	1	N/A	21.46	21.83	425.69	26,706
2022	-21.99	-22.67	-13.06	1	N/A	25.24	24.51	328.15	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 U.S. Small-Mid Cap Growth 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 U.S. Small-Mid Cap High Growth Equity Composite includes all portfolios invested primarily in shares of small and medium companies with superior growth potential in the United States.

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 400 MidCap Index. The S&P 400 MidCap Index measures the performance of mid-sized companies in the U.S. equities market with a market cap range between US\$ 1.4 billion - US\$ 5.9 billion at the time of addition to the index, it is part of a series of S&P U.S. indices that can be used as building blocks for portfolio construction. Prior to December 1, 2013 the benchmark was the Russell 2500 Growth 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 0.85% 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.