

AGF U.S. Energy Transition and Adaptation Strategy

Strategy Facts

Strategy category: U.S. Equity	Benchmark Index: Solactive US Energy Transition and Adaptation Opportunities Index	Date of inception: February 9, 2023	Investment style: All Cap, Agnostic	Portfolio Manager AGF Investments America Inc. Martin Grosskopf, Portfolio Manager
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Market Overview

The third quarter of 2024 was an eventful period for global equities, with markets in many of the developed economies reaching new highs. The rally was initially driven by the performance of large cap technology stocks. However, later in the quarter, a period of market rotation broadened the equity market's earnings to low and mid cap stocks from concentration in large cap stocks. Major central banks including the U.S. Federal Reserve (Fed), the Bank of Canada (BoC), the Bank of England and the European Central Bank, initiated rate cuts in response to slowing inflation across the regions.

The U.S. economy experienced a 3% quarter-on-quarter growth in the second quarter of 2024, driven by consumer spending, private inventory investment, government spending and non-residential fixed investments. Consumer price inflation slowed to 2.5% in August from 2.9% in July, due to falling energy prices and cooling of food and transportation prices. The Fed eased the federal funds rate for the first time in over four years as a 50 bps cut put key lending rates in the range of 4.75%-5%.

Equity markets in the European Union (EU) endured a contraction in manufacturing, poor economic growth and high energy costs. EU markets recorded positive returns for the quarter; however underperforming global and emerging markets. Canadian equities gained even as the economy recorded a 0.5% growth rate in the second quarter. Unemployment rose to 6.6% in August even as inflation fell to the desired 2% mark. The BoC eased rates in July and September, leading to higher consumer confidence levels and softer contractions in manufacturing activity.

In July, Institutional Shareholder Services ESG introduced new industry average emission intensity data, enhancing its existing climate solutions portfolio. This data aims to assist insurance firms and banks in meeting their obligations regarding mandatory climate-related disclosures. Additionally, in July, the European Securities and Markets Authority released a statement regarding the European Sustainability Reporting Standards, alongside its final report on the enforcement guidelines for sustainability information.

The Corporate Sustainability Due Diligence Directive (CSDDD) was published in the Official Journal of the EU in July. Member states are required to incorporate the CSDDD provisions into their national legislation by July 26, 2026. This directive imposes a due diligence obligation on large companies within the EU as well as non-EU companies that have substantial operations in the EU,

aiming to mitigate negative human rights and environmental impacts.

Strategy Overview

AGF U.S. Energy Transition and Adaptation Strategy outperformed its benchmark, Solactive US Energy Transition and Adaptation Opportunities Index, during the quarter due to positive security selection decisions, which were partially offset by sectoral allocation decisions.

From a sector perspective, Industrials, Materials and Information Technology were the biggest contributors to overall performance due to positive security selection. On the other hand, Consumer Discretionary was the biggest detractor from relative performance due to an underweight allocation and negative security selection. An overweight allocation to Energy and an underweight allocation to Utilities also detracted, which was partially offset by positive security selection in both sectors.

The top contributors during the quarter were Fluence Energy Inc., Public Service Enterprise Group Inc., and Constellation Energy Corp., while the top detractors were Tesla Inc., Nextracker Inc., and Advantage Energy Ltd.

Fluence Energy Inc., headquartered in Arlington, Virginia; sells energy storage products with integrated artificial intelligence-enabled software, to power producers, utilities, developers and generators. The company is a joint venture of Siemens and the AES corporation. The company's third fiscal quarter's GAAP gross profit margin rose to 17.2%, EBITDA to \$15.6 million and net income to \$1.1 million. Investors were most enthusiastic about the record \$1.3 billion quarterly order intake of the company, raising stock value over the quarter.

Advantage Energy Ltd. is a Canadian oil and gas company headquartered in Calgary, Alberta. The company engages in the development and production of natural gas and crude oil in Alberta. The company's share price lagged due to a disappointing second-quarter earnings report, posting a loss of CA\$12.1 million and the earnings per share (EPS) coming in 180% below expectations.

Outlook

The strategy manager believes that 2024 will be a year characterized by steady sustainable project implementations, with expected completion dates falling within the 2026-2027 period. 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 U.S. 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 the U.S. economy.

The strategy manager continues to maintain a positive outlook on global equities. U.S. inflation has continued to cool off suggesting that market broadening could remain a theme in Q4, a strong tailwind for thematic investing and sustainable stocks.

More capital has continued to pour in clean tech and energy such as solar, wind, clean hydrogen at a rate never seen before to take advantage of the Inflation Reduction Act. Hundreds of thousands of new jobs have been created in the U.S. as well. The real economy has grown as a result. We believe this is the direction of travel not only for the United States, but also globally.

AGF U.S. Energy Transition and Adaptation Strategy Annualized Returns – Period Ending September 30, 2024

	3 Months	YTD	1 Year	2 Year	3 Year	4 Year	5 Year	6 Year	7 Year	8 Year	9 Year	10 Year	SPSD ¹
AGF U.S. Energy Transition and Adaptation Composite (Gross)	10.8%	8.8%	12.2%	-	-	-	-	-	-	-	-	-	4.9%
AGF U.S. Energy Transition and Adaptation Composite (Net)	10.6%	8.2%	11.5%	-	-	-	-	-	-	-	-	-	4.1%
Solactive US Energy Transition and Adaptation Opportunities Index	9.7%	17.3%	22.8%	-	-	-	-	-	-	-	-	-	13.3%
Gross Excess Return	1.2%	-8.5%	-10.6%	-	-	-	-	-	-	-	-	-	-8.5%
Net Excess Return	1.0%	-9.1%	-11.3%	-	-	-	-	-	-	-	-	-	-9.2%

Source: AGF Investments as at September 30, 2024. **Past performance is not indicative of future results.** Strategy performance is based on the GIPS AGF U.S. Energy Transition and Adaptation Composite, a copy of the GIPS-compliant presentation can be found in the appendix. Performance is in U.S. dollars (US\$) and displays gross-of-fee 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. ¹SPSD is Since Performance Start Date of the composite for the AGF U.S. Energy Transition and Adaptation Strategy, February 9, 2023.

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Strategy performance is based on the GIPS AGF U.S. Energy Transition and Adaptation 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 U.S. Energy Transition and Adaptation Composite January 1, 2023 – 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)*
2023	-0.85	-1.43	4.03	1	N/A	N/A	N/A	0.49	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. Energy Transition and Adaptation Composite has had a performance examination for the periods March 1, 2023 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 AGF U.S. Energy Transition and Adaptation Composite includes all portfolios that invest primarily in equity securities of companies providing solutions related to reducing the environmental footprint of the current energy system and adaptation to climate change.

Composite Creation Date

The composite was created in February 2023. The composite's inception was in February 2023.

Benchmark Description

The benchmark is the Solactive US Energy Transition and Adaptation Opportunities Index. The Solactive US Energy Transition and Adaptation Opportunities Index is a representation of securities involved in the US Energy Transition through activities in the energy production, energy raw materials, infrastructure, and technologies that are required for the energy transition.

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, 2023, 100% of this composite was represented by non-fee paying portfolios.

Past performance does not guarantee future results.