

AGF U.S. Large Cap Growth Equity Strategy



Strategy Commentary

Third Quarter 2024

Strategy Facts

Strategy category:

U.S. Equity

Benchmark Index:

S&P 500 Index

Date of inception:

April 1957

Investment style:

Bottom-up growth

Portfolio Managers

AGF Investments America Inc.
Tony Genua

Market Overview

Global equity markets had a volatile start to the quarter as markets digested disappointing economic data prints and political developments. Investors continued to focus on economic conditions and their ramifications on monetary policy as softer inflation supported by a weaker-than-expected U.S. Consumer Price Index (CPI) print and labour market data spurred a sector rotation into cyclicals and small-cap stocks – which are more sensitive to interest rates.

A late July swoon turned into an early August scare, as the unwinding of the Japanese yen carry-trade led to the unwinding of positions and broad weakness in global equity markets. The volatility was made more severe with disappointing employment and Purchasing Managers' Index (PMI) reports, which led to a resurgence of fears about a recession. This resulted in one of the more violent equity market sell-offs over the past 70 years. As fears dissipated, U.S. equity markets rebounded and expectations of a rate cutting cycle by the U.S. Federal Reserve (Fed) increased.

In mid-September, the Fed followed through and cut interest rates by 0.5%, putting an end to a 23-year high and bringing rates to a target range of 4.75-5.0%. Supported by decelerating inflation figures and softer labor market data, this move marked the first cut by the Fed since the start of the COVID-19 pandemic in March 2020. With financial conditions easing, the S&P 500 Index reached a new all-time high following the news.

Equities meanwhile continued to be bolstered by a strong earnings season with U.S. companies in the S&P 500 Index beating consensus estimates by an average of 4% and delivering 11% earnings per share (EPS) growth in the Q2 2024 earnings season. This was the fourth 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 outperformed the benchmark S&P 500 Net Index. Security

selection in Information Technology detracted the most from performance, which was partially offset by an underweight allocation to the sector. Security selection in Consumer Discretionary also detracted. The Strategy's cash holding, which averaged 8% during the quarter, also detracted from results. This was partially offset by security selection and an overweight allocation to Industrials, which contributed the most. Security selection in Real Estate also contributed.

In terms of individual holdings, the top detractors were HubSpot Inc., Synopsys Inc. and Lam Research Corp., while the top contributors were Iron Mountain Inc., Howmet Aerospace Inc. and Constellation Energy Inc.

Outlook

We believe the bull market remains intact, given the ongoing resilience of the U.S. economy. The economy has been underpinned by a labour market that has been resilient, although there have been some signs of recent softening. While economic growth is slowing, we believe that it will remain positive and supportive for equity markets.

With the equity market, we remain constructive. We believe equities are benefitting from positive earnings growth, which ultimately has been the most correlated factor with the markets. 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 continues on the path to reducing rates. We believe that rate cuts will favour certain sectors in the market and drive market leadership in the foreseeable future, which underscores the importance of maintaining objectivity throughout the changing macroeconomic environment.

Overall, we are encouraged with the continued resilient economy, and the promising secular innovative trends which includes generative Artificial Intelligence (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 would see any inevitable corrections as potential buying opportunities.

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

	3 Months	YTD	1 Year	3 Year	5 Year	7 Year	10 Year
AGF U.S. Large Cap Growth Equity Composite (Gross)	6.4%	26.5%	42.5%	13.8%	21.6%	17.3%	15.9%
AGF U.S. Large Cap Growth Equity Composite (Net)	6.3%	26.0%	41.7%	13.1%	20.9%	16.6%	15.1%
S&P 500 Index	5.9%	22.1%	36.4%	11.9%	16.0%	14.5%	13.4%
Gross Excess Return	0.5%	4.4%	6.1%	1.8%	5.6%	2.8%	2.5%
Net Excess Return	0.4%	3.9%	5.3%	1.2%	4.9%	2.1%	1.7%

Source: AGF Investments as of September 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.

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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: October 29, 2024



AGF U.S. Large-Cap Growth Equity Composite January 1, 2013 – 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	39.53	38.59	32.39	6	N/A	14.76	11.96	1,936.45	25,482
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

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. Large-Cap Growth Equity Composite has had a performance examination for the periods January 1, 2009 to December 31, 2022. The verification and performance examination reports are available upon request.

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Firm Definition

AGF Investments is a group of wholly owned subsidiaries of AGF Management Limited, a Canadian reporting issuer. Founded in 1957, AGF Management Limited is a diversified global asset management firm offering investment solutions to a wide range of clients, from individual investors and financial advisors to institutions. AGF Investments has investment operations and client servicing teams in North America, Europe and Asia. AGF Investments offers individuals and institutions a broad array of investment strategies through four key investment management platforms - fundamental, quantitative, private alternatives and private client. The subsidiaries included in AGF Investments are AGF Investments Inc., AGF Investments America Inc., AGF Investments LLC (formerly FFCM LLC), and AGF International Advisors Company Limited.

Effective January 1, 2019, the definition of the firm was revised to include AGFiQ and AGF Investments LLC.

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.

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 0.58% 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.