

Strategy Facts

Strategy category:

U.S. Small/Mid Cap Equity

Benchmark Index:

S&P MidCap 400 Index

Date of inception:

June 1993

Investment style:

Fundamental/bottom-up growth

Portfolio Managers

AGF Investments Inc.
Mike Archibald
Auritro Kundu
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Market Overview

The fourth quarter of 2024 began on a positive note as the U.S. equity market rallied amidst renewed optimism for technology and artificial intelligence (AI) related products. Strong corporate earnings, especially in Financials, also contributed to the market's upward trend. Meanwhile, the conflict in the Middle East, escalating oil prices and lowered expectations of rate cuts by the U.S. Federal Reserve (Fed) were priced in by investors.

Donald Trump's victory in November's presidential election aided investor sentiment and the perceived shift towards a more business-friendly Trump administration and the possibility of further tax cuts, more stringent trade policies and expansionary fiscal policy all continued to boost U.S. equity markets.

As the U.S. quarterly GDP growth numbers continued to rise, the Fed continued easing key lending rates. During the November and December Fed meeting, Chairperson Jerome Powell announced a rate cut of 25 bps. The decision came on the back of increasing unemployment numbers in November and rising inflation in both October and November.

However, the possible shift to a more hawkish monetary policy stance in 2025 announced by the Fed in December led to a broad-based selloff impacting the rate-sensitive Real Estate and Consumer Discretionary sectors the most. The short-lived Santa Claus Rally coupled with a relief rally that Washington avoided a government shutdown, and a muted U.S. inflation print also drove market performance.

The fourth quarter of 2024 marked the fifth consecutive quarter of positive year-on-year earnings with the S&P 500 Index posting 2.1% growth. Information Technology, Consumer Discretionary and Communication Services were the top-performing sectors in the index, while Health Care, Materials and Real Estate were the weakest sectors. Large cap stocks outperformed small cap stocks during the quarter and growth stocks outperformed value stocks.

Strategy Overview

During the quarter, AGF U.S. Small-Mid Cap Growth Equity Strategy outperformed the benchmark, S&P MidCap 400 Index, due to strong security selection. Security selection and an underweight allocation to Real Estate contributed the most to performance. Security selection in Industrials and Health Care also contributed. On the other hand, security selection in Energy and an overweight allocation to Information Technology detracted the most from performance. Security selection in Materials also detracted, which was partially offset by an underweight allocation to the sector.

In terms of individual holdings, the top contributors to performance during the quarter included Astera Labs Inc., Deckers Outdoor Corp. and Interactive Brokers Group Inc., while the top detractors included Impinj Inc., Viking Therapeutics Inc. and Wingstop 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 U.S. equity markets.

While the Fed will be cautious with further interest rate cuts in 2025, the easing of inflationary pressures could lead to further cuts in other major economies which could provide support for global equities.

While U.S. equity markets remain strong, global economic and geopolitical changes weigh on investor sentiment. Lower taxes and reduced regulations as anticipated with the incoming Trump administration could catalyze increased economic activity, while proposed import tariffs could potentially reignite inflationary pressures globally.

The strategy manager remains constructive on the long-term outlook of the U.S. equity market, underpinned by strong earnings growth and secular innovative trends, including generative artificial intelligence, health and wellness, and reshoring. While some volatility may be expected along the way, the strategy manager views any corrections as potential buying opportunities.

AGF U.S. Small-Mid Cap Growth Equity Strategy Annualized Returns – Period Ending December 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)	2.5%	30.3%	30.3%	1.6%	10.3%	11.6%	12.7%
AGF U.S. Small-Mid Cap Growth Equity Composite (Net)	2.3%	29.2%	29.2%	0.8%	9.4%	10.6%	11.7%
S&P MidCap 400 Index	0.3%	13.9%	13.9%	4.9%	10.3%	9.1%	9.7%
Gross Excess Return	2.1%	16.4%	16.4%	-3.3%	0.0%	2.5%	3.0%
Net Excess Return	1.9%	15.3%	15.3%	-4.1%	-1.0%	1.6%	2.0%

Source: AGF Investments as of December 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 realized.

An Investment in the AGF U.S. Small-Mid Cap Growth Equity Strategy is subject to risks including but not limited to: Market Risk: The value of small and mid-cap growth stocks can fluctuate significantly due to market conditions, economic events, and changes in interest rates, potentially leading to substantial losses and greater volatility. Volatility Risk: Small and mid-cap stocks tend to be more volatile than large-cap stocks. This means they can experience larger price swings, which can be both an opportunity and a risk. Liquidity Risk: Small and mid-cap stocks may have lower liquidity compared to large-cap stocks. This can make it more difficult to buy or sell these stocks at desired prices, especially during market downturns. Concentration Risk: The strategy may focus on a smaller number of stocks, which can increase volatility and risk if the selected stocks underperform. Sector Risk: Small and mid-cap growth strategies may have significant exposure to specific sectors. If these sectors experience downturns, it can negatively impact the performance of the strategy. Economic and Political Risk: Changes in economic policies, political events, or international developments can impact small and mid-cap growth stocks and may create greater volatility.

It should not be assumed that an investment in the strategy will be profitable or that the strategy will be able to meet its investment objective.

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.

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. 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, 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	-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
2023	3.23	2.36	16.44	1	N/A	21.54	19.74	331.47	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. Small-Mid Cap Growth Equity Composite has had a performance examination for the periods January 1, 2006 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. 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.