INVESTMENT FUNDS

NORTH AMERICAN EQUITY

MONTHLY COMMENTARY

March 31, 2021

The recovery in economic activity combined with OPEC's commitment to limiting oil production have caused global oil inventories to decline rapidly in recent months. Now, demand is recovering, and oil should continue to perform well over the coming months. That sector has been neglected by investors since 2014 and continues to offer an affordable level of valuation despite the good performance achieved so far this year. Moreover, this commodity has performed best in periods when inflation accelerated and is considered an effective hedge against rising prices.

In terms of positioning, we construct the portfolio using a barbell strategy. On one end, we like to have exposure to innovators and keep a portion invested in small-mid capitalisation. On the other end, we go with dominant firms where we are currently slightly more exposed to the reopening of the economy. We intend to gain profits in more cyclical positions in the next few months and reinvest in strong secular compounders that have lagged significantly in the last 6 months. We also think that the current recovery will be more targeted towards productivity than towards new capacity. To take advantage of this, we are currently invested in themes such as building efficiency, smart cities and industrial automation.

In Canada, more than 30 companies have announced IPOs this year and most of them are in the tech sector. With that dynamic in mind, we recently added Dialogue and Farmers Edge to the portfolio. Within the Information Technology sector, we believe that companies such as these offer growth opportunities far superior to more mature companies. Despite the recent downturn, the software industry continues to have a high "active weight" on the Canadian side of the portfolio.

We also think that the pandemic has brought attention to the importance of investing in the future of healthcare. We think the confluence of connectivity and genomics is resulting in many opportunities from a stock selection point of view, especially now that many stocks of interest have corrected significantly in the last few months. We think a few themes went through a hype cycle recently and this has culminated, as always, in some turmoil and single name corrections. As consensus gets away from these themes and stocks are left for dead, we think it's a fertile ground for the strategy.

Within the fund, we continue to invest in Knight-Swift Transportation in the Industrials sector. KNX continues to benefit from the resurgence of consumer spending in the U.S. The transportation industry currently lacks capacity and we believe this will continue as new regulations and rising insurance costs are limiting new entrants. These two dynamics should lead to an increase in freight rates that will more than offset potential wage increases needed to retain current drivers. In addition to the macro tailwinds, Knight-Swift is a best-in-class operator and its under-levered balance sheet opens the company to potential M&A, another potential source of upside.

MARC GAGNON, M. Sc., CFA

- Principal Portfolio Manager, North American Equities
- Joined iAIM in 1998
- More than 25 years of investment experience
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- Portfolio Manager, U.S. Equities
- Joined iAIM in 2011
- 14 years of experience in the industry
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Main funds managed by the team

✓	Canadian Equity Growth
✓	Real Estate Income
✓	Global True Conviction
✓	Canadian Equity Growth Hybrid 75/25
✓	Global True Conviction Hybrid 75/25
✓	IA Clarington Canadian Leaders Class

iAIM snapshot

- Principal asset manager for iA Financial Group
- Major player in the asset management industry
- Manages $97 billion in general portfolios and segregated and mutual funds
- A team of 184 people, including 108 investment professionals (including 44 CFA charterholders)
- Composed of experienced managers who emphasize fundamental analysis, identification of value and long-term investing

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