

NORTH AMERICAN EQUITY

MONTHLY COMMENTARY

May 31, 2021



We are back to many themes where we are starting to see a rising amount of investment opportunities in the last few weeks. In our “Let’s talk” presentation¹ back in March, we explained how we apply a technology lifecycle model called the hype cycle along with our traditional discounted cash flows valuation model, which led us to take lots of profits in some of last year’s winners. Subsequently, this framework did not disappoint, and we saw corrections in many themes that had seen their stock prices get too high, too fast. Fast forward to today, we are sharpening our pencils and coming back with new positions in themes that have been severely punished year to date.

The best expression of this is that we are coming back to our smart energy big theme with renewed exposures to renewables and energy storage. While stock prices corrected significantly there, the big picture improved with an increasing alignment of innovation and public and political support. Last year was a record year in terms of investment in the energy transition and this is just the start as, according to the International Renewable Energy Agency (IRENA), we will need to spend 2.5 times more per year on average until 2050 to get anywhere close to long-term objectives from the 2016 Paris agreement.

These targets could also be heightened with the big catalyst coming from the COP26 conference that will be held in Glasgow this fall, where we expect further engagements from worldwide governments, so stay tuned! To conclude, we will continue to work on our unique thematic style while incorporating our differentiated view of the markets.

The energy patch continues to face pressure to lower emissions from their operations. Targeted emissions reductions will be critical when it comes to a comprehensive ESG strategy. We are looking at carbon capture, utilization and sequestration opportunities and early movers like Advantage Energy. Also, with activist pressure to respond to climate change, shareholders asking for cash return, and the lack of capital spending, we believe it could lead to a potential increase in crude oil price over the next few years.

In Canada, more than 70 companies have announced IPOs this year for a value of approximately \$7B. Most of them are in the technology and materials sectors. With that dynamic in mind, we recently added Dialogue and Neighbourly to the portfolio. Within the Information Technology sector, we believe that emerging companies such as Quisitive and Converge offer growth opportunities far superior to more mature companies.

¹ <https://www.youtube.com/watch?v=HeJ284-FLfU>

Within the fund, TOY (Spin Master Corp) continues to benefit from the resumption of normal life in North America, which fuels toy gifting for occasions such as birthday parties. Investors are looking forward to the launch of the Paw Patrol movie in August, which stars the voices of Kim Kardashian and Jimmy Kimmel. The release of the

movie comes just after the reopening of movie theatres and could be a major boost to Paw Patrol toy sales. TOY is also making significant progress with the digital platform, with the Toca Boca game boasting 50M in monthly active users, and continues to see traction on social media platforms including TikTok.



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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

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- 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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