INVESTMENT FUNDS

NORTH AMERICAN EQUITY

MONTHLY COMMENTARY

July 31, 2021

In July, OPEC+ have agreed to extend the production agreement to December 2022 to stabilize the oil markets. OPEC+ cut production by a record 9.8MMbls/d in April 2020 and have returned 4MMbls/d into the market to date with 5.8MMbls/d remaining. One risk is that spare capacity is overstated and OPEC+ could struggled to grow supply given the lack of investment from international oil companies. Given this environment, we remain comfortable with the actual supply and demand balance for the coming months. However, with activist pressure to respond to climate changes, 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 and we remain positive on the Canadian energy patch.

In Canada, the IPO frenzy is continuing this summer, but the pace of new issue activity is moderating. Some companies even had to pull the plug on their plans to go public because of a lack of interest from investors. We remain highly selective with the new companies coming to market. Still, we recently participated in the successful IPO of Pet Valu, Canada's largest pet specialty retailer which has the potential to deliver constant growth over time.

Within the fund, Storage Vault Canada Inc. (SVI) continues to benefit from robust market conditions for self-storage, driven by pandemic-related dislocation, economic reopening, and a gradual return of immigration, all of which have helped push occupancies and rents higher. In addition, SVI continues to benefit from elevated demand for PPE storage, as well as new small business formation/closures (good for small-scale warehousing). Given that we are still in the early stages of the re-opening, we think SVI is well-positioned to benefit from elevated organic growth for the balance of 2021 and into 2022.

In the U.S. we'll continue with our *barbell* strategy, looking for the big winners of tomorrow on the innovators side of the portfolio while making sure we're in the right dominant companies that benefits from the diffusion of innovation across the economy. We like this design a lot as it helps with risk management versus some of the purer play innovation high-octane strategy. The impact of technology is broad and across all industries. Most investors see it as a sector of the market and fail to incorporate this. In our view, how companies are dealing with innovation is central in terms of stock selection as we think that investing is about the future.

iA Financial Group

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iA Investment Management

After this summer, we think we will be at peak economic growth driven by peak fiscal and monetary policies, peak reopening, peak inflation in the U.S. and peak credit impulse in China, all of which should favour outperformance of the U.S. equity markets, because of the defensive and structural growth attributes, as markets stop to reward cyclical exposures, in the face of slowing improvements going forward. There is already a high level of visibility in all of those except maybe inflation, which could stay at a slightly higher level than expected in the short term, but the jury is still out. Don't get us wrong, we think monetary and fiscal policies will continue to support growth, but we don't think that it will get any better and, historically, that's never good for the average cyclicals outperformance.

This is leading us back to many themes where we have been starting to see a rising number of investment opportunities in the last few weeks. The best expression of this is that we are coming back to our big theme of smart energy with renewed exposures to renewables and energy storage. While stock prices corrected significantly there, the big picture improved with an increasing alignment of innovation, 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 the long-term objectives from the 2016 Paris Agreement. These targets could also be reinforced at the COP26 conference, to be held in Glasgow this fall, where we expect further engagements from worldwide governments, so stay tuned!

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— Principal Portfolio Manager, North American Equities
— Joined iAIM in 1998
— More than 25 years of investment experience
— MBA in Finance, Université Laval
— Bachelor's degree in Business Administration, Université Laval

JEAN-PIERRE CHEVALIER, CFA

— Senior Portfolio Manager, U.S. Equities
— Joined iAIM in 2011
— 14 years of experience in the industry
— Bachelor's degree in Business Administration, Université Laval

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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