INVESTMENT FUNDS

NORTH AMERICAN EQUITY

MONTHLY COMMENTARY

Novembre 30, 2021

November has been a roller-coaster ride, with the emergence of the new Omicron variant. Global equities and commodities fell in November, with fears over the new variant weighing on sentiment. Investors also had to deal with a hawkish tilt to commentary from the Federal Reserve (Fed). The threat of persistently higher inflation meant a swifter tapering of asset purchases by the Fed.

Concerning inflation, supply-chain bottlenecks and higher energy and other raw material prices add to strong positive base effects. Central banks must act carefully and avoid making policy errors by raising interest rates too fast.

Most commodities have experienced a remarkable resurgence since March 2020. On the crude oil front, the OPEC+ group stuck to their 400,000-barrel-a-day monthly growth agreement in early December but kept its meeting formally open "pending further developments of the pandemic" and vowed to "make immediate adjustments if required". OPEC+ painted a rosier-than-expected outlook for demand and in that context, we remain positive on the Canadian energy patch.

Within the Fund, we recently added Transalta. Alberta power pricing has been very strong in 2021 on the back of favourable market dynamics and weather. We think this should position the company for continued strong results in 2021. The Alberta hydro assets should continue to benefit from a tighter market and have a favourable cost structure. We are also very confident that some Canadian tech companies held in the portfolio, like Quisitive and Nuvei, will outperform in 2022.

Few big themes were top-of-mind this year. First, the broadening impact of the digital revolution, as it transforms non-tech industries, was a big factor helping companies better execute in this environment. Second, the energy transition and its long tail of CAPEX heavy decarbonization opportunities is becoming more and more a reality and has also the potential to introduce significant volatilities in the commodity complex. We see opportunities spanning decades around the technologies enabling the energy transition. Lastly, the emergence of Web 3.0 (e.g. digital assets) and the eventual next computing platform (e.g. metaverses) is still quite early but with promises of changing actual status quo and unleashing disruption along the way.

As we move into 2022, we also see opportunities revolving around the upcoming enterprise spending boom. We already have good visibility in a record level of CAPEX from the semiconductors industry, the public cloud buildout, and the telecom sector. We continue to favour cybersecurity as well, as the critical nature of digital infrastructure justifies massive investments on that front. Automation should also be favoured in this environment, either from a software perspective or from the need to modernize outdated equipment. As usual, we like to balance these opportunities with positions that have good potential as well but also reduce the overall risk of the portfolio. Speaking of which, we like the traditionally defensive Health Care sector, which has underperformed significantly since mid-2020. We think an environment of declining fiscal and monetary supports, reduced political pressures and historical discount to the rest of the market bodes relatively well for the sector.

Over the medium term, we are becoming more selective regarding our allocation in big technology companies. We think we are still early in the themes of the last decade: mobile internet, e-commerce, cloud computing and digital advertising, which means many years of strong earnings growth are still ahead. That said, a rising number of headwinds from regulation, fossilization, and technology (e.g. Web 3.0) are becoming a reality. As business models get proven and profitability level are reached, we seek to gradually increase our allocation in what we consider the themes of the next decades: energy transition, robotics, automation, AI-genomics fusion, the next computing platform and Web 3.0. Doing this too soon would increase risks in a disproportionate way while alternatively investing in old-economy business models facing disruption is also not an option. We have benefited strongly from the last decade's distribution of returns and are laying the blueprint to continue doing so in the next.

MARC GAGNON, M. Sc., CFA

- 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

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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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