

## NORTH AMERICAN EQUITY

# QUARTERLY COMMENTARY

September 30, 2021



Together, the fourth wave and inflation were the dominant economic issues in recent weeks. In addition, fears about a spreading energy crisis and supply disruptions continue to creep up. Europe and Asia are grappling with a natural gas shortage and energy price inflation could impair growth in these regions and eventually impact the rest of the world. For these reasons, central banks must act carefully and avoid making policy errors by raising interest rates too quickly. Despite these concerns, the market turned to optimism with the very good start to the third-quarter U.S. earnings season.

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 October despite President Joe Biden's request to boost oil production. With the global demand revised upwards and the return of air traffic, the near-term outlook continues to be vulnerable to an outsized rise in energy prices. An increase in winter demand due to natural gas switching for crude and fuel oils could exacerbate the situation and speculators may be eyeing \$100/barrel for crude as the next big level. 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 and this should position the company for continued strong results in 2021. Alberta hydro assets should continue to benefit from a tighter market and have a favourable cost structure.

Adoption of the automation theme is also being accelerated by the current environment in the labour market. For example, we've heard full-service restaurant companies highlighting that to adjust to the current labour shortage, they are deciding to permanently replace part of their staff with technologies. We are seeing the same for retailers and customer service departments across industries. We are also hearing about the drug industry, which is expected to shrink by 10% the number of salespeople as work from home enables one to take 10 virtual meetings a day instead of driving to five different offices. The adoption of robotics was also accelerated by the pandemic and is no longer confined to a few industries like automotive. There are three million industrial robots working globally and we expect this number to reach five million in 2025. We live in a dynamic world and companies are quick to adjust to new realities, as we saw last year. In 2022, as the economy continues to recover from the pandemic, fiscal programs supporting consumers will be sunset while central banks try to tighten their policies. As growth slows, this should favour the U.S. equity market because of its higher thematic and quality exposures.

In the meantime, 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 benefit from the diffusion of innovation across the economy. We like this design a lot as it helps with risk management. The impact of technology is

broad and across all industries. Most investors see it as a sector of the market (GICS) and fail to incorporate it. 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.



#### 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

#### iAIM snapshot

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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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