INVESTMENT FUNDS

NORTH AMERICAN EQUITY

MONTHLY COMMENTARY

January 31, 2021

As this is the first monthly commentary for the North American Equity Fund, it is relevant to explain the changes that have been made to the strategy in recent months. Being the iAIM fund with the longest track record, it was time for an update. In addition to a name change, the geographic exposure has also been modified with the weight of U.S. equities being increased to nearly 50%. In general, the strategy is oriented on two key factors: quality and growth.

With the catastrophic impacts of the COVID-19 epidemic on the global economy in 2020, governments have been very active in putting in place measures to support consumers and businesses. In fact, a third round of measures should be announced soon in the United States and cheques will be sent directly to American households. Combined with a high savings rate, these measures should provide a strong boost to consumption at a time when vaccine distribution is accelerating. In this context, sectors negatively affected by the pandemic, such as restaurants, airlines and hotels will be big beneficiaries.

In Canada, technology companies with an acquisition growth strategy have done very well since the beginning of the year. Converge Technology and Quisitive are good examples. Also, with the confirmation in January of a Democrat-controlled U.S. Senate, the cannabis sector and more specifically Village Farm made positive contributions to the portfolio.

In Canada, several small- and mid-cap companies have been added in the technology sector. In addition to the companies mentioned above, Lightspeed and Dye & Durham offer growth opportunities far superior to more mature companies in this sector. The software industry therefore has one of the highest active weights on the Canadian side.

Within Canadian investments, we continue to overweight Aritzia in the consumer discretionary sector. The fashion retailer's performance during the pandemic has demonstrated strong brand loyalty and the demand for leisure wear will continue to pick up as we return to normal. We remain constructive on Aritzia's long-term outlook given the significant growth potential in both the U.S. and men's markets.

Several commodities have experienced significant increases in recent months. In many cases, the companies exploiting these resources have performed well on the stock market. Even though oil has returned to pre-pandemic levels, valuations in this sector are still depressed. The ability of several companies in this industry to generate cash flow cannot be ignored forever and the weight of companies like Enerplus has recently been increased in the portfolio. Also, for the reasons mentioned above, the consumer discretionary sector continues to be very attractive.

On the U.S. side, as vaccines are globally distributed, our barbell strategy is working very well so far. On one side, we invest in dominant firms that have seen their moats reinforced by COVID and that have the capacity to benefit from an acceleration in structural innovative forces and a positive exposure to the gradual

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reopening of economies. Deere is a position that fits this description right now, with their growth driven by their sales in the precision agriculture segment. On the other side, we invest in innovation enablers, with our themes of predilection moving from "manipulation of digits" (software, social media, etc.) to "manipulation of atoms" (robotics, automation, AI, smart energy and genomics). An example here would be NextEra Energy Partners, with their opportunity to recharge electric vehicles.

Currently, our U.S. investments focus on renewable energy, battery technologies, electric vehicles, agricultural technologies and smart grids. These themes are currently well supported by the confluence of technological and political currents. Surprisingly, the number of public companies in these areas is currently quite limited in the U.S. market. We look forward to seeing new companies enter the market in the next two years, which could provide an opportunity to increase our allocation to them.

Looking ahead to the next six months, we believe a pitfall would be to have a narrative that ignores the significant reassessment of cyclical companies since the first announcement of a vaccine. In our view, some parts of the market are currently anticipating a complete reopening of the economy later this year. We believe that companies capable of exceeding expectations and giving better visibility on their growth potential will outperform this year. We believe it will be important to continue to be tactically agile and adjust our risk exposure accordingly.

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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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