INVESTMENT FUNDS

NORTH AMERICAN EQUITY

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Let's start with a quick recap of the macro situation before the recent actions of the Russian army. Supply chain problems were finally starting to be resolved as inflation readings were peaking and the market was anticipating an aggressive Fed determined to raise interest rates this year.

What changed over the last few weeks? Energy and agriculture flows are disrupted, leading to a surge in prices, while the Fed is signalling that it will still go ahead with its rate increase plan unless financial conditions starts to deteriorate meaningfully. Sanctions are hitting hard on both sides and Apple, Amazon, Boeing, Coca-Cola, Mastercard, Visa, FedEx, Shell, Volkswagen, Samsung, and many more have stopped doing business in Russia. Russia and Ukraine are now effectively cut off from global trade flows. What initially looked like a special operation lasting a few days is now officially a full-scale invasion that could last weeks if not months with the risk of further escalation in the region.

Apart from the energy sector and soft commodities, raw materials like copper and nickel are also facing increased supply risks. Russia is one of the largest copper producers in the world and is the second largest exporter of refined copper globally. We saw a significant deficit in the refined copper market last year and the situation is set to repeat itself in 2022. In this context, we are maintaining our exposure to base metal producers, but we are carefully monitoring the impact of an economic slowdown on the demand side.

Are we seeing any long-term ramifications? Yes, the most obvious would be an acceleration in the trend of economies becoming less energy intensive. In the last 25 years, the world has become way more efficient from an energy standpoint, with way less energy consumption per every dollar of GDP. As an example, a durable spike in gasoline prices would be a formidable economic incentive to move towards more electric cars. A higher percentage of electricity generation from renewable sources, especially in Europe, would also be needed to achieve a higher level of energy independence. This could also increase the pace of industrialization in the U.S., which has really picked up in the last few years, and increase investment from an equipment and technology standpoint.

We already have adjusted the portfolio as we moved many cyclical positions in the Financials and Consumer sectors towards more defensive ones. We continue to like our significant overweight in Health Care, as we see limited impacts to this industry and increasing long-term opportunities. We are not afraid to adjust our views when new material information comes in. This iso effectively a cornerstone of our investment process, something called Bayesian thinking. Thus, we will continue to closely monitor the situation and make changes to the strategy if warranted.

Our focus is on risk management and stock selection. We refrain from selecting stocks based solely on their thematic exposure; it must make sense from a valuation standpoint. We use a discounted cash flow model to help our selection and we see many opportunities in secular growth stories with positive free cash flow yield that we see as currently dislocated following big selloffs. Position sizing is very important for us and we apply strict guidelines to maintain strong discipline and not let emotions come in the way.
In terms of selection, we think that investing is about the future and will continue work on our unique thematic style while incorporating our differentiated view of the future.

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- Principal Portfolio Manager, North American Equities
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- More than 25 years of investment experience
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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

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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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