Rooted in history,
innovating for the future.

Beyond "Liberation Day"

Dan Rohinton, Vice-President, Portfolio Manager, Global Dividend

DISCLAIMER: The portfolios managed by iAGAM do have holdings of the company type discussed below.

"Liberation day" as it was touted by the Trump administration will go down as one of the most shocking events in modern politics. If implemented as announced the average tariff rate will rise from 3% to 29% for the trading partners. Given the magnitude of the "shock and awe" stock markets around the world quickly sold off at the fastest pace we have seen since the early days of COVID-19 and reminiscent of the dark days of the '08-'09. There are multiple paths from here with some benign scenarios where this is an elaborate negotiating tactic ("the art of the deal") to others where retaliatory tariffs kick off a global recession ("the reciprocal tariff war"). I will leave that debate for economists and political strategists, my focus is on stocks.

This is my checklist:

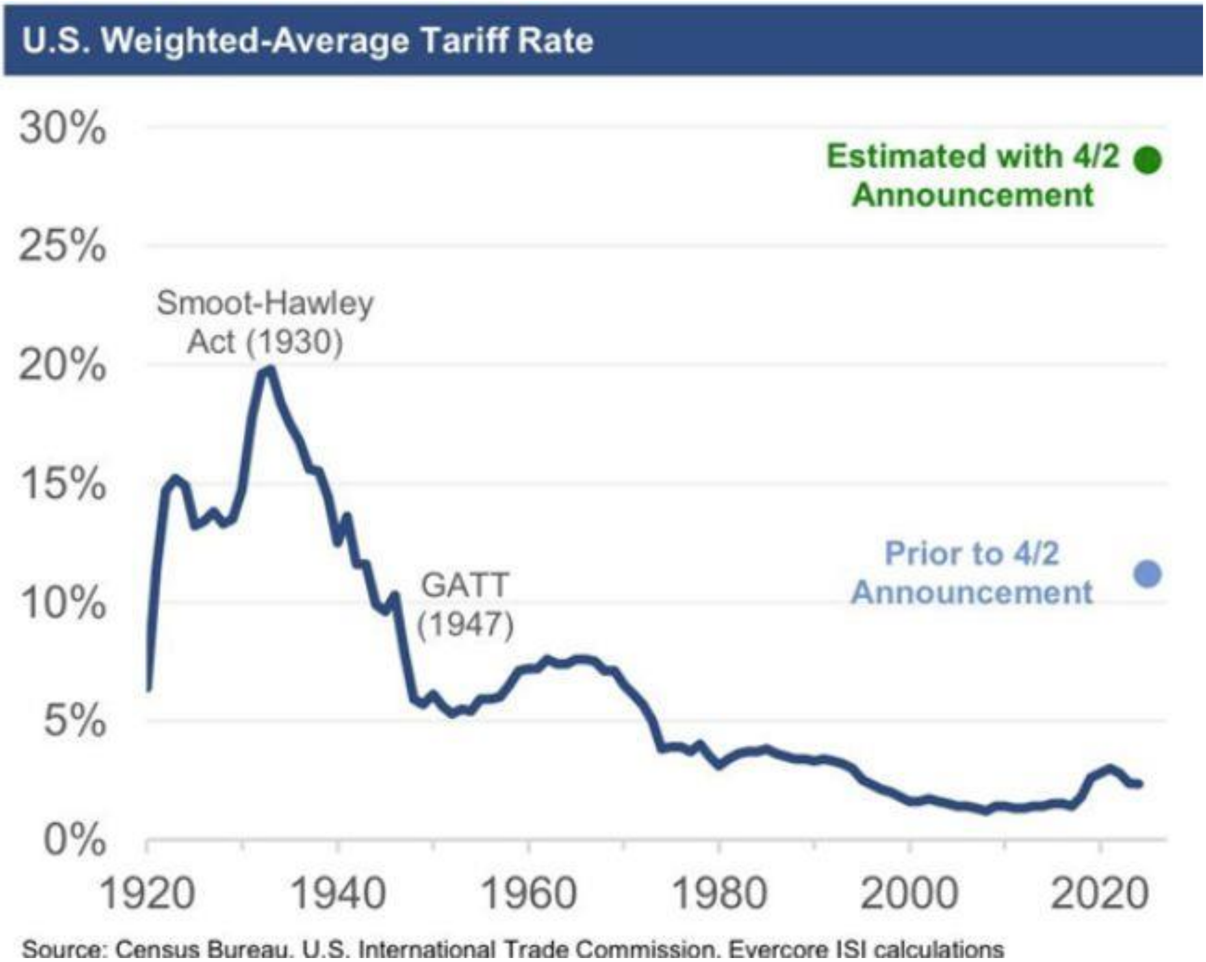
#1) Pricing Power: In an environment when costs are going up directly or indirectly, having the ability with your product or service to use pricing as a lever is critically important. Tariff regimes are cost shocks by a different name, the strongest companies can push these increases onto their consumers or suppliers while minimizing the impact on their own margins. By owning stocks with proven pricing power, we are looking to minimize the negative effects of this tariff induced cost shock.

#2) Leverage: Low leverage and broader balance sheet flexibility in this environment opens several avenues of opportunity or risks depending on your leverage profile. Low leverage gives the optionality to acquire a competitor cheap or repurchase your own stock at a discount. High leverage means you are vulnerable to credit spread expansion and your value chain participants to take advantage of your weaker financial position to extract concessions.

#3) Irrational Dislocations: We are actively on the lookout in these types of environments for stocks that have been unduly punished by the litany of algorithmic players in the market (ETFs, Hedge funds, CTAs, quant/smart beta programs) that operate with very different time horizons. We are actively seeing some of the best and worst business models in their value chain sell off in equal measure. To give a tangible example, since "liberation day" General Motors (-7.9%) has outperformed Visa (-9.6%) and Mastercard (-10.5%). Put simply one of the most impacted and competitive sectors (GM) is outperforming the best duopoly in the world (Visa/Mastercard). Market irrationality can represent a risk, but I also see the opportunity in taking advantage of these dislocations.

In one day, with one speech, we had stumbled into a potential reorienting of the global order by the mercurial Trump. This has spooked markets in a big way, April 4th was the single busiest trading day in the history of stock markets. In these environments your global dividend team has a dual focus, prudently manage the risk of the portfolio and position for attractive opportunities we see today. We will tirelessly do so to deliver on our promise to you!

Have a great week!



Rooted in history,
innovating for the future.

About iA Global Asset Management (iAGAM)

ROOTED IN HISTORY, INNOVATING FOR THE FUTURE.

A magnet for top investment talent, iA Global Asset Management is one of Canada's largest asset managers, with over $100 billion under management across institutional and retail mandates. We help investors achieve their long-term wealth creation goals through innovative investment solutions designed for today's complex markets. We are building upon our historic success, supporting the growth of our core strengths, and exploring innovative ways to meet investor needs. We are rooted in history and innovating for the future. Our experienced portfolio managers use a proprietary investment methodology, rooted in iAGAM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.

General Disclosures