

Trade updates

BMO AM Canadian Stock Selection – Architect

BMO AM Canadian Balanced – Architect

BP Canadian Equity – BluePrint

BP Balanced – BluePrint

BP Canadian Balanced – BluePrint

BP Total Equity – BluePrint

August 9, 2024

RECENT TRADES

New Buy	iA Financial Corporation Inc (TSE: IAG)
Increase Weight	-
Decrease Weight	-
Full Sell	-

PORTFOLIO MANAGERS

Jordan Luckock, CFA, Portfolio Manager, Fundamental Equities

Andrew Osterback, CFA, Portfolio Manager, Active Fixed Income

RATIONALE

iA Financial Corporation Inc (TSE: IAG)

We recently initiated a new position in iA Financial, a Quebec-based life insurance company that also offers wealth solutions, P&C products, and dealer services with operations in Canada and the U.S. iA has a market leading position in several of the areas where it competes. In Canada, IAG is ranked #1 in the number of individual insurance policies issued¹ with a leading position in the mass/mid market, #1 in gross and net sales of seg funds², and the #1 wealth distributor of non-bank assets³. Its key competitive advantages are the ability to build strong distribution networks for its products and services, its broad and evolving range of products and its high-performing digital tools. This results in an impressive level of organic capital generation at >\$600mm annually that is available

to be deployed towards growing the dividend and share repurchases. In fact, iA has \$1.1bn of excess capital today (or ~15% of its equity) and intends buy back up to 8% of its shares outstanding. We believe buybacks may be a more permanent feature of its capital allocation priorities going forward. Additionally, the company has the best 5-year, 10-year, and 20-year track record in terms of share price performance, dividend growth, and book value per share appreciation of the publicly-traded Canadian lifecos⁴. And on a go forward basis, we believe it has the strongest potential for EPS growth among peers. Despite this, the stock continues to trade at a discount to its peers on a forward P/E and P/B basis. It is our view that the company is undervalued at these levels and that the stock will re-rate higher as the earnings benefit of recent sales flows through results (the market may be misunderstanding the way sales/future profits are recorded under the new accounting regime) and the U.S. dealer services continues to build momentum off its cyclical low. We believe with continued execution from a strong management team, the stock will continue to narrow the valuation discount relative to peers.

¹ LIMRA, June 2024.

² Investor Economics, February 2024.

³ McKinsey, June 2024.

⁴ Bloomberg, August 2024.

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