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CANADA, THE G7 OPPORTUNITY

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"Canada has long been undervalued by global investors, especially compared to other markets like the United States, Europe, and Asia. Today, however, the landscape has changed." - **Dean Orrico, president and CEO of Middlefield**, a partner of HANetf, sheds new light on the North American country, which is currently enjoying publicity thanks to the ongoing World Cup.

What is changing today and why should it be considered a strategic component of a global portfolio?

We are seeing global markets expanding beyond the most technology-driven sectors; demand for clean, reliable, and safe energy sources is growing, especially in light of the wars in Ukraine and Iran and the energy needs to support the development of artificial intelligence (AI) infrastructure; and investors are seeking more resilient sources of diversification in markets with strong fundamentals and companies capable of generating income and earnings growth over time.

Canada boasts an abundant supply of natural resources and is among the world's top five producers of important energy resources and critical minerals. It also offers exposure to key sectors, institutional stability, fiscal strength, and a stock market comprised of many quality companies trading at attractive valuations. It's also important to note that, unlike the past decade, Canada is now led by Prime Minister Mark Carney, who has set a goal of transforming the country into an energy superpower by committing to accelerating major infrastructure projects, including ports, transportation systems, and LNG facilities.

How has the way investors view the Canadian market changed?

Recent developments have led investors to reassess their priorities. Geopolitical volatility, supply chain tensions, and macroeconomic uncertainty have made a country's ability to offer stability, visibility, and access to strategic resources increasingly important. Today, markets no longer look only at expected growth or relative valuations. The geopolitical context has made supply security much more relevant. In the past, investors focused mainly on growth, technology, and the cost of capital; today, the availability of resources, jurisdictional stability and the ability to bring energy and raw materials to global markets are increasingly important.

This is where Canada is returning to the spotlight. In addition to having a broad resource base, the country offers these resources within a developed market and with a solid institutional framework. Unlike many other resource-rich countries, it is among the most sustainability-focused energy and mineral producers. For example, technologies such as carbon capture and storage are actively being developed and integrated to limit the environmental impact of natural resource development. This is shifting investor interest from a predominantly tactical view to a more structural assessment of the role the Canadian market can play in global portfolios.

And from an equity perspective?

Canadian stocks still trade at a discount compared to global markets, despite many companies having solid balance sheets, attractive dividends, and convincing earnings growth prospects. In light of the recent outperformance of Canadian stocks, we can say that the market is only now beginning to recognize this opportunity, and we believe that **Canada should no longer be considered a mere "regional niche" but a fully developed market capable of structurally contributing to the diversification of global portfolios.**

Where do you see the most interesting opportunities today and in which sectors?

Energy remains one of the most interesting areas. Many Canadian producers have competitive costs, solid balance sheets, low leverage, and strict capital allocation discipline, allowing them to remain profitable even in more complex contexts and continue to return capital to shareholders. Another important area is **energy infrastructure**, which offers greater visibility on cash flows and is exposed to long-term dynamics related to the country's energy infrastructure development. Finally, **real estate** remains an area to be evaluated selectively: the sector has suffered from rising rates, but in some segments, valuations remain discounted relative to fundamentals and could offer interesting opportunities in the medium term. Sophisticated private investors have begun to show interest, with three Canadian REIT (Real Estate Investment Trust) acquisitions announced in the last 12-15 months, and Blackstone is reportedly in talks to acquire another Canadian REIT with exposure to multifamily and industrial properties.

What role can natural resources and infrastructure play today in building equity exposure to Canada?

These two areas are an essential component of the investment thesis on Canada. Canada is one of the world's leading producers of natural resources and critical minerals, including potash, uranium, oil, natural gas, and gold. However, for this advantage to translate into value, resources must be developed, transported, and made available to end markets. This is where energy infrastructure, pipelines, midstream companies, and utilities come into play: these segments perform an essential function and can offer investors exposures less directly tied to short-term commodity price movements. As mentioned, the Canadian federal government is now taking a leading role in ensuring that global capital is welcome and is **accelerating major new infrastructure programs in the energy and minerals sectors.**

Canada is also a rare example of a G7 country actively reducing the risk related to investment approval timelines in energy. This has led to the recent announcement of off-take agreements between Canada and Germany, signed in early June 2026, for 2 million tons per year of liquefied natural gas, and uranium supply contracts between Canada and India, signed in March 2026 and lasting until 2035.

In an income-oriented equity strategy, what criteria guide the selection of companies and portfolio construction?

The starting point for an income-oriented strategy is to identify companies capable of offering sustainable cash flows that can grow over time. For this reason, **we focus on quality large-cap companies with resilient balance sheets, solid cash flows and governance, disciplined capital allocation, high earnings quality, and attractive valuations**. Our strategy combines a top-down reading of themes and sectors with a bottom-up analysis of individual companies, aiming to identify favorable structural drivers and companies capable of performing through different market cycles.

Which themes could most support the market?

Several themes should be monitored, starting with global demand for reliable energy sources and natural resources. If this trend continues, Canada can continue to benefit from its role as a stable and developed supplier. The second theme concerns valuations. As mentioned, Canadian stocks still trade at a discount to global markets despite displaying solid fundamentals. Additional support may come from domestic policies aimed at promoting trade, investment, deregulation, and large infrastructure projects. These factors could strengthen the investment case for sectors such as **energy, infrastructure, financials, and real estate**.

And what about possible risks to monitor?

Commodity price trends, the evolution of geopolitical tensions, interest rate levels, inflation expectations, and currency movements can affect market performance. For this reason, it is essential to maintain a selective approach, focusing on companies with solid balance sheets, resilient cash flows, and the ability to generate sustainable income even in more volatile market environments.

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