

Thematic Innovation Fund

MONTHLY COMMENTARY

April 2023



The global economy remains resilient

Economic data continue to be constructive

Economic data revealed that April was a positive month for the global economy, with growth remaining remarkably resilient despite higher interest rates. Economic data continued to be constructive, with falling energy prices helping bring headline inflation down, flash PMIs showing an increase in economic activity across manufacturing and services sectors, and some signs of a cooling labour market.

The first-quarter earnings season is better than expected

The first-quarter earnings season is better than expected so far, with consumer companies continuing to showcase their pricing power. Industrials were more resilient than expected, and the mega-cap tech companies displayed good cost controls and better-than-expected top-line growth.

We're cautiously optimistic because we think the credit crunch resulting from the regional banking crisis has been brought under control. Even so, rates must fall, and the debt ceiling issue must be resolved, to give the market a strong base to build on.

Performance analysis

In April, stock selection was slightly negative, driven mostly by Palo Alto Networks and CrowdStrike, which underperformed after a competitor reported disappointing quarterly results.

Not owning Tesla was a positive, as it largely underperformed after its earnings failed to meet expectations. In health care, Bellus Health was one of the biggest contributors, after receiving a buyout offer from GSK at a 100% premium.



Maxime Houde, CFA

Associate Director and Associate Portfolio Manager,
North American Equities and Thematic Investing

- Joined iAGAM in 2015
- Close to 10 years of investment experience
- Bachelor's degree in Finance, Université Laval

We see opportunities in smid-cap innovators

We expect to see continued volatility in the first half of the year and will take advantage of it to continue improving the fund's risk-return profile. Relatively speaking, we think structural growth stocks will be favoured in the coming low-to-negative GDP growth environment. Our rule of thumb is that investing in structural growth and the innovation economy is best done as we emerge from the trough of a cycle when growth is a rarity.

We see opportunities in smid-cap innovators and have started to align our positioning accordingly. U.S. smid-cap stocks are trading in single-digit percentiles, close to their lowest relative valuations ever.

"We think large language models, such as ChatGPT, are this tech cycle's 'iPhone moment' and will have major repercussions across the technology ecosystem and the economy."

As the technology matures and use cases are developed, we aim to gain exposure to companies that will benefit from the mass adoption of these models, while avoiding those at risk of being left behind.

Key Takeaways

- April was a positive month for the global economy, with growth remaining remarkably resilient despite higher interest rates.
 - The first-quarter earnings season is better than expected so far.
 - We see opportunities in smid-cap innovators.
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