

THEMATIC INNOVATION FUND

QUARTERLY COMMENTARY

March 31, 2022



The war in Ukraine is having a major impact on global trade flows but the fact that the Russian army has retreated in some regions removes a worst-case scenario of a conflict that could have a spillover effect in the region. We have made some adjustments by adding positions in companies that will either benefit from a sustainable rise in agricultural product prices or the rising complexities brought by disrupted trade flows. Monetary policy authorities seem determined to bring back inflation down at the expense of economic growth. To accomplish what is usually referred as a soft landing, meaning avoiding recession while raising interest rates, has been extremely difficult to realize historically and is certainly a recipe for higher volatility for the rest of the year. It's usually a time in the cycle where the average investment horizon gets shorter, which means that long-term opportunities abound. The worst mistake would be to sell those long-term winners and let fear drive our decisions.

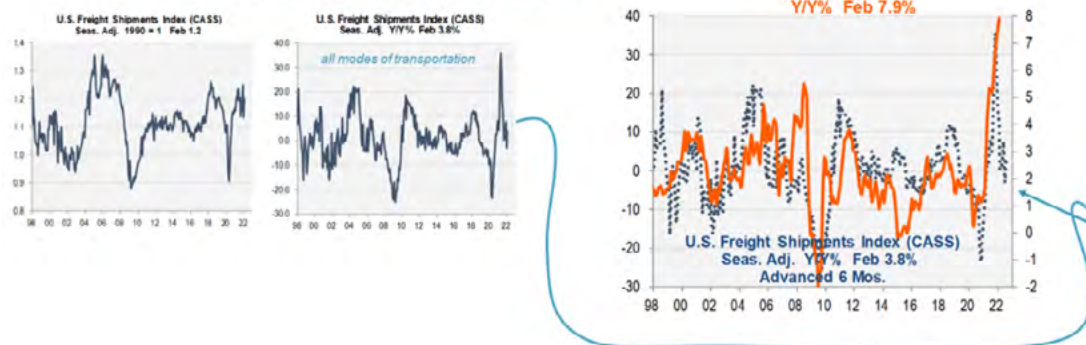
The iA Thematic Innovation Fund is a U.S. equity fund with a thematic investment style that invests in companies from all sectors benefiting from technological advances or prospering in a perpetually changing environment. This is a well-diversified strategy which makes it possible to have a strong focus on risk management while benefiting from a deep understanding of long-term innovation themes. We

construct the portfolio with a barbell strategy. On one side, we like to have exposure to innovators and keep between five percent and 15% in small- and mid-capitalization. Each position needs to make sense from a risk and return point of view. It's currently "hunting season" for this portion of the portfolio as we see many opportunities with a positive free cash flow generation profile and strong potential inflection coming in the next few years. We will continue to add methodically and gradually to new and existing positions while moving away from some of the big tech companies that had a significant weighting in the portfolio since inception. It might have been a bit premature to do so in the first quarter of the year as the market is grappling with tougher monetary policies, an unexpected war and rising inflation. However, we think we are transitioning towards slowing economic growth and peaking inflation data read going forward (see chart), which should eventually favour that side of the portfolio. On the other end, we go with dominant firms where we currently see more opportunities in some defensive sectors, such as healthcare, and in companies that have historically showcased a higher level of pricing power. The healthcare sector, which has underperformed significantly since mid-2020, is relatively well positioned from here, in an environment of declining economic growth and reduced political pressures with its historical discount to the rest of the market. We think this strategy design will enable us to add alpha during this next phase of the cycle.

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 keep strong discipline and not let emotions get 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.

SLOWER FREIGHT SHIPMENT MOMENTUM IN THE U.S. MEANS SLOWER INFLATION AHEAD



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.

JEAN-PIERRE CHEVALIER, CFA

- Senior Portfolio Manager, U.S. Equities
- Joined iAIM in 2011
- 15 years of experience in the industry
- Bachelor's degree in Business Administration, Université Laval

Main funds managed by the team

✓	Thematic Innovation
✓	U.S. Equity
✓	Global Equity
✓	Global True Conviction
✓	Thematic Innovation Hybrid 75/25
✓	Global Equity Hybrid 75/25
✓	Global True Conviction Hybrid 75/25
✓	IA Clarington Thematic Innovation Class
✓	IA Clarington Global Value Fund

iAIM snapshot

- Principal asset manager for iA Financial Group
- 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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