

Thematic Innovation Fund

MONTHLY COMMENTARY

January 2023



Strong start to 2023

Inflation numbers fuel a rally

The US stock market had a strong start to the year, with all indexes ending in positive territory. Investor sentiment improved significantly after inflation numbers for December 2022 came in below expectations, fuelling a market rally on hopes that US Inflation had peaked.

Cautious optimism

Fed Chair Powell's acknowledgment of disinflation during the last FOMC meeting fuelled a rally, with market participants pricing in a soft-landing scenario. We are cautiously optimistic because we think cooling inflation, a continued slowdown in rate hikes and better-than-expected earnings will create a base that the market can build on.

Performance analysis

On the sector allocation front, our underweight positions in the consumer discretionary and information technology sectors detracted from the Fund's overall return during the month, as did our overweight position in the underperforming health care sector.

On the stock selection front, our overweight positions in Amazon, Bark and Exact Sciences added value to the Fund's performance during the month.



Jean-Pierre Chevalier, CFA

Senior Director, Portfolio Manager, US Equities and Thematic Investing

- 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

Renewed opportunity in the mega cap technology companies

We think the best approach is a barbell strategy with emphasis on dominant firms that focus on free cash flow generation. At the same time, we continue to increase our allocation gradually, as business models prove themselves and reach attractive levels of profitability in what we think will be the themes of the next few decades: the energy transition, robotics, automation and next-generation computing platforms.

"We see renewed opportunity in mega cap technology companies, which are focusing on streamlining and cost discipline in ways not seen before."

These companies have adopted a balanced approach between investment in leapfrogging and current profitability. We think this approach creates a strong foundation they can build on.

Key Takeaways

- The latest FOMC meeting fuelled a rally as market participants began pricing in a soft-landing scenario.
 - We continue to be cautiously optimistic as we move through 2023.
 - We see renewed opportunity in the mega cap technology companies.
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About iAIM

A magnet for top investment talent, iAIM 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 iAIM's unifying commitment to strong risk management, analytical rigor and a disciplined, process-driven approach to asset allocation and security selection.

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