

# THEMATIC INNOVATION FUND

## MONTHLY COMMENTARY

May 29, 2020



**“We have seen two years worth of digital transformation in two months”**

– Satya Nadella, Microsoft CEO, April 29th, 2020

This quote summarizes well what happened in the last few months: accelerated adoption of many innovation themes that had begun in the last few years. Whether it is the strong adoption of ecommerce, the rise of digital ecosystems like videogames, the digital transformation of corporate America, the surge in remote learning, the transition towards payment technology, the buildup of cloud datacenters, the electronification of everything, the automation of manufacturing, the strong uptake in medical research, the advancement of diagnostics technology or the deployment of renewable energy, to name a few, we see clear acceleration of pre-existing trends. Historically, recession, economic turmoil and social instability have always been hotbeds for acceleration of change, so we were prepared for that...to a certain extent. We never thought governments from around the world would impose lockdowns, but we always thought the next recession would serve as a catalyst

for the strategy. So here we are, at the crossroads between a pre and post-Covid world and we believe that all the investment themes listed above (and many more) will become forefront for every investor... but we were lucky to have a substantial head start. We are prepared for the recovery, but we don't think there is going to be a re-normalization on many fronts. As I'm writing this, I'm looking at ecommerce sales growth numbers in states that have aggressively reopened their economies like Georgia, Arizona and Florida. They are still up more than 70% similarly to during April and May (months under lockdown) and have not yet slowed. This points to behavioral change. I'm also looking at the incredible spotlight the Covid-19 has put on medical research: there's the urgency to find a vaccine of course, but many are also realizing the incredible progress that was made in the last few years, whether in cancer research or medical device innovation. Green shoots are emerging, but we are also cognizant of the many risks ahead of us: a potential second wave, the US election & the path to re-employment, and geopolitical tensions come to mind. It's why we will continue to manage risks in a very pragmatic way and have a very diversified portfolio, because concentration could be a risk and innovation is everywhere!

We believe the current environment is very favorable for US stocks, and for our strategy more specifically. I'll leave you with a chart that reminds us that the US stock market has been driving global stocks for many years. I think that the reasons why are structural in nature as US companies have been and still are best positioned to take advantage of innovation and technological advancement, in every sector of the economy.

### S&P v MSCI world ex US



Source: Gerard Minack, Downunder Daily



We have seen **accelerating adoption of many innovation themes** that had begun in the last few years.

#### JEAN-PIERRE CHEVALIER, CFA

- Portfolio Manager, US Equities
- Joined iAIM in 2011
- 14 years of experience in the industry
- Bachelor's degree in Business Administration, Université Laval

#### List of the 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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