

THEMATIC INNOVATION FUND

MONTHLY COMMENTARY

October 31, 2021



This is my comment from last July, which is more relevant than ever.

Metaverses

“As the digital and physical world converge, we are leading in a new layer of the infrastructure stack, the Enterprise Metaverse.”

— Satya Nadella, Microsoft CEO, July 27, 2021

“We will effectively transition from people seeing us as a social media company to being a metaverse company.”

— Mark Zuckerberg, Facebook CEO, June 2021

This is 2021, people are suddenly starting to talk about this metaverse thing more seriously and maybe it has something to do with the fact that CEOs of trillion-dollar companies are not only talking about it but signalling that this idea is central to their strategic vision. To us, that’s the most important takeaway from the last earnings season in the U.S. stock market. It seems to us that we are far from being done with the co-evolution of financial markets and technology, which has been accelerating over the last decade. Interesting indeed, but what exactly are we talking about here? What is this metaverse idea?

The simplest way to explain the Metaverse is as the successor state of mobile internet. It’s very easy to get lost here as what we used to call social media, virtual and

augmented reality experience, multiplayer gaming, blockchain, videocalling, digital avatar and more are now all referred to as part of the Metaverse. It’s also easy to brush this idea away as being just another fad and something laughable. It would not be the first thing that started out as being overlooked and ended up being material to society, especially when looking at meaningful innovations throughout history. To us, the road from desktop computers to the mobile internet to the next computing platform is a no brainer and will happen whether we call it Metaverse or something else. As an investor, we need to recognize that we don’t know exactly what form it will take and what will be the “killer app” fast forwarding adoption. Does anyone remember that the game Angry Birds was one of the main “killer apps” that launched the iPhone up the sales charts at first? We think we need to be ready for the potential impacts and opportunities available in the market as ignoring the parabolic curves emerging across industries and economies is a significant risk.

This is exactly what the thematic style of investing makes possible for us. We have already identified over 50 companies that could benefit significantly from this next computing platform. Some are already strong firms that enabled the rise of the mobile internet while others are new business models, ready to disrupt the existing ecosystem. The obvious candidates are from the Big Tech companies referenced above to many entertainment companies trying to position their platforms as part of the Metaverse. These platforms should not be thought of only as multiplayer gaming universes, there’s also potential in construction, manufacturing, creative spaces and soon everywhere! Everything that can be duplicated virtually to innovate or improve efficiencies is a candidate. Less obvious are the many companies in the infrastructure layer that

stands to benefit from the rising need for hardware, data centres, networking, and semiconductors generated by those user-generated content platforms. There are also some fintech companies, as we foresee these environments as being highly automated from a financial standpoint, we don't see these platforms being governed centrally. One of the potential "killer apps" could be some form of blockchain technology. To us, the best way to think about the blockchain is also a new form of computing, it's a computer that is distributed and operates way faster than any individual computer because it's the combination of everyone's computer. Again, we should not pretend to know what form it will take but, as an investor, we need to observe closely and be ready to act. To summarize, we are already positioned in many companies that benefit from the continued rise of the internet economy as a percentage of the overall GDP. We simply think this growth runway is very long, underestimated and will continue to evolve over the next decade.

In the meantime, we'll continue with our barbell strategy, looking for the big winners of tomorrow on the innovators side of the portfolio while making sure we're in the right dominant companies that benefit from the diffusion of innovation across the economy. We like this design a lot as it helps with risk management versus some of the purer play innovation high-octane strategies. The impact of technology is broad and across all industries. Most investors see it as a sector of the market and fail to incorporate it. In our view, how companies are dealing with innovation is central in terms of stock selection, as we think that investing is about the future. Clearly, we will continue to work on our unique thematic style while incorporating our differentiated view of the future.



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JEAN-PIERRE CHEVALIER, CFA

- Senior Portfolio Manager, U.S. Equities
- Joined iAIM in 2011
- 14 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

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- 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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