

THEMATIC INNOVATION FUND

MONTHLY COMMENTARY

November 30, 2020



As we head into 2021, the consensus is expecting a gradual reopening of the economy as herd immunity is reached from the global distribution of vaccines. Equity markets are already pricing some of this as we note massive outperformance of cyclical industries since last summer and especially in November. We think there are still outperformance opportunities in companies that were disrupted by COVID-19, like airlines and restaurants, for example, but we think this is very tactical in nature as the market will price this upcoming reopening in advance and very fast.

This recession was one of a kind on many fronts. One thing that is different is the fact that savings account balances rise significantly, helped by months of cutbacks on discretionary spending and stimulus payment savings. We're talking about 10% of U.S. GDP (\$2 trillion) over and above what was previously considered an acceptable level of savings. Thus, we are of the view that post-vaccine, we could see a very strong consumer boom in the U.S. This could mean positive earnings revisions for domestic-exposed companies.

The Thematic Innovation Fund is a U.S. equity fund with a thematic investment style that invests in companies from all sectors benefitting 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 benefitting from a deep understanding of long-term innovation themes. We construct the portfolio using a barbell strategy. On one hand, we like to have exposure to innovators and keep between 5% and 15% in small-and mid-capitalization companies. On the other hand, we go with dominant firms where we are currently more exposed to the reopening of the economy.

We think that the current recovery will be more targeted towards productivity than new capacity. To take advantage of this, we are currently invested in themes like building efficiency, smart cities and industrial automation.

We also think that the pandemic brought attention the importance of investing in the future of healthcare. We think the confluence of connectivity and genomics is resulting in many opportunities from a stock selection point of view.

Let's not forget the big picture here. We think artificial intelligence, genomics and smart-energy technologies will drive U.S. equity returns over the next decade like digital advertising, e-commerce and cloud computing explained most of the returns in the last decade. We live in a world of accelerating change from the adoption of these exponential technologies and COVID also contributes to this acceleration. The impact is broad and affects all sectors and industries. In our view, how companies are dealing with this situation is central in terms of stock selection.

Our focus is on risk management and stock selection. Position sizing is very important for us and we apply strict guidelines in order to maintain 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.

We think the pitfall here is to have a narrative that fails to adjust for the significant re-rating of cyclicals since the first

vaccine announcement. There is a good chance that very early in the new year, the markets will be pricing a full reopening of the economy. We think it will be important to be nimble tactically and reinvest in other parts of the market. It's also important to keep an open mind because if there is one thing we have learned from 2020 is that an outlook can change very quickly. Like a famous boxer said once, "Everyone has a plan until they get punched in the mouth!"

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- 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

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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