

Thematic Innovation (iA)

KEY TAKEAWAYS

- The fund underperformed in the first quarter owing to growth-sector overweights as well as stock-picking challenges in AI and tech corrections.
- We took a defensive approach with telecom, staples, and insurance investments for balanced exposure.
- We are cautiously optimistic about AI trends amidst volatility.

PORTFOLIO MANAGER



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Thematic Investing

PERFORMANCE ANALYSIS

Performance in the first quarter

For the first quarter of 2025, the Thematic Innovation Fund underperformed its benchmark. Our fund is geared toward growth and AI, which saw the biggest scare in the first few months of 2025.

Overall, the fund's performance was hurt by overweights in growth sectors, such as technology, and underweights in defensive sectors, such as staples and energy. Additionally, our stock picking attribution was negatively affected by exposure to technology and AI-related growth, and industrial names, particularly those exposed to enterprise software and data-centre capex. These names corrected on DeepSeek's news, which drove the uncertainty surrounding AI capex.

TOP 5 CONTRIBUTORS (% QTD)

Issuer	Return	Weight	Contribution
Inari Medical	55.30	0.08	0.28
Exxon Mobil	10.15	1.45	0.16
Duke Energy	13.59	1.02	0.14
Arthur J Gallagher & Co	16.76	0.68	0.14
CME Group	15.61	0.86	0.14

TOP 5 DETRACTORS (% QTD)

Issuer	Return	Weight	Contribution
Nvidia	-17.99	7.16	-1.35
Broadcom	-27.89	2.72	-0.79
Microsoft	-10.72	7.10	-0.77
Alphabet	-18.54	4.23	-0.75
Amazon	-13.41	5.25	-0.70

PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	43	285
3 years	54	251
5 years	48	223

Source: Morningstar ratings, US Equity

3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.04	1.00
Volatility	15.24	14.12
Information ratio	-0.29	-
Upside capture	103.83	-
Downside capture	114.78	-

FUND CHARACTERISTICS

Characteristic	Fund	Index*
Number of holdings	86	500
Dividend yield	1.21	1.60
Top 10 holdings weight	40%	-
1-year trailing turnover	256%	-

* Index: S&P 500 Total Return (\$CA)

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PORTFOLIO ACTIVITY

Playing defensive with growth

We invested in AT&T, owing to the telecom industry's efficiency cycle and the increasing competition from cable service providers. We also initiated an allocation to Colgate-Palmolive, given its broad-based volume growth, the defensive nature of its products and its solid pricing strategy.

Even though we still like GE Vernova, we reduced our exposure on capex fears, and we added back Synopsys to benefit from electronic design automation.

We also invested in Nutanix, positioned to benefit from AI cloud deployments, and Marsh McLennan, which we see as an undervalued name in the insurance industry. We view the sector as shielded from tariffs and positioned for growth owing to secular trends and consolidation benefits.

PORTFOLIO POSITIONING

Barbell approach with exposure to thematic innovators and dominant firms

The fund is positioned to deliver long-term capital growth with exposure to U.S. companies that have dominant market positions and are poised to benefit from innovation trends.

Even though we expect a volatile environment, given Trump's inconsistent economic policies, we remain cautiously optimistic on evergreen trends, such as AI, automation, and reshoring. But we think the current environment warrants a more defensive stance relative to the past two years. We have, therefore, increased our exposure to dominant firms that have strong pricing power and should see little impact from tariffs, while dollar cost averaging into leaders in the AI race.

MARKET OUTLOOK

We see opportunities in large-cap players that have pricing power and low tariff risks

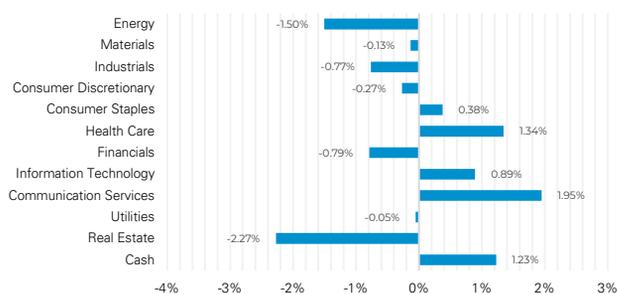
Heading into the second quarter of 2025, we expect heightened uncertainty and volatility to lead to a cautious mindset among companies and investors alike. Even though lower interest rates would be helpful, as in the first months of 2025, we are seeing a pause by consumers and businesses. We expect the prevailing sense of uncertainty to subside gradually in the coming months, with increased clarity on tariffs, ongoing negotiations, and the impending budget reconciliation facilitating tax cuts in the latter half of the year. Looking ahead, we think 2025 could be the year when we see incremental quantifiable benefits of AI adoption through internal and external efficiencies, top-line incrementality, and visible applicable and scalable use through applications and/or software services. Despite the defensive shift in our first-quarter positioning in line with the prevailing market sentiment, we think the future leaders in thematic sectors are undervalued because of the uncertainty.

Adhering to our barbell investment strategy, we will continue to seek emerging market innovators while maintaining investments in established companies. This well-rounded approach allows us to capitalize on disruptive technology opportunities while also benefiting from the stability and strength of established market players with enduring pricing power, strategic capital allocation practices, and advantageous positions within their supply chains.

SIGNIFICANT TRANSACTIONS (Q1 2025)

Positions initiated	Sector
GE Aerospace	Industrials
AT&T	Communication Services
Colgate-Palmolive	Consumer Staples
Nutanix	Information Technology
Marsh McLennan	Financials
Positions exited	Sector
ServiceNow	Information Technology
Starbucks	Consumer Discretionary
Morgan Stanley	Financials
Wells Fargo	Financials
Salesforce	Information Technology

SECTOR DEVIATIONS VS. INDEX



TOP 5 HOLDINGS

Holding	Sector	Weight (%)
Microsoft	Information Technology	7.14
Nvidia	Information Technology	6.83
Amazon	Consumer Discretionary	5.14
Apple	Information Technology	5.13
Meta Platforms	Communication Services	4.36

About iA Global Asset Management (iAGAM)

ROOTED IN HISTORY, INNOVATING FOR THE FUTURE.

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

General Disclosures

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