



# Thematic Innovation (iA)

As at March 31, 2026

## Quarterly Analysis

### KEY TAKEAWAYS

- The Fund underperformed its benchmark amid geopolitical uncertainty. Defensive positioning and AI exposure helped, but weak security selection in financials, health care, and consumer discretionary detracted.
- We initiated positions in Royal Caribbean and Meritage Homes to increase exposure to consumer discretionary, added Exxon Mobil for energy exposure, Costco within consumer staples.
- Our strategy continues to emphasize AI-driven growth while selectively adding industrials and energy infrastructure, reflecting our view that market leadership will broaden.

### PORTFOLIO MANAGER



**Maxime Houde** CFA  
Senior Director, Portfolio Manager,  
Thematic Investing

### PERFORMANCE ANALYSIS

#### Barbell for risk management

With the outbreak of the Iran War, the fund underperformed its benchmark as concerns over a potential economic slowdown weighed on equity markets. Our defensive barbell positioning helped mitigate part of the drawdown. Key contributors during the period included ground transportation stocks, which benefitted from record holiday sales, as well as AI-related memory chip manufacturers. Relative performance was supported by investments in industrials and technology, offset by negative security selection in financials, health care and consumer discretionary.

#### PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	14	318
3 years	15	283
5 years	35	251

Source: Morningstar ratings, U.S. Equity

#### TOP 5 CONTRIBUTORS (% QTD)

Issuer	Return	Weight	Contribution
Sandisk	152.94	0.95	1.02
Exxon Mobil	41.43	1.55	0.53
GE Vernova	36.12	1.19	0.35
Lumentum	60.49	0.40	0.31
XPO	39.07	0.72	0.29

#### TOP 5 DETRACTORS (% QTD)

Issuer	Return	Weight	Contribution
Microsoft	-22.51	5.91	-1.52
Meta	-12.39	3.58	-0.51
Amazon	-8.59	4.98	-0.46
Alphabet	-6.70	6.57	-0.45
Nvidia	-4.84	9.28	-0.39

#### 3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.17	1.00
Volatility	13.32	11.02
Information ratio	0.38	-
Upside capture	114.04	-
Downside capture	124.87	-

#### FUND CHARACTERISTICS

Characteristic	Fund	Index*
Number of holdings	108	503
Dividend yield	1.12	1.43
Top 10 holdings weight	43%	-
1-year trailing turnover	199%	-

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



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### PORTFOLIO ACTIVITY

#### A shift toward cyclical sectors

We capitalized on favourable entry points to initiate or add to several high-conviction positions, including Royal Caribbean, Meritage Homes, Ralph Lauren, and Exxon Mobil. These investments reflected our expectations of a continued K-shaped economy, as well as higher fuel prices, which should benefit energy companies. We also initiated a position in Cloudflare, recognizing the growing importance of network infrastructure for management of accelerating AI-driven traffic. We fully exited Walmart, whose valuation was increasingly looking like that of a technology company rather than a consumer retail business. On the AI front, we established a position in KLA to benefit from rising demand for memory driven by AI usage and model training. Lastly, we added L3Harris Technologies as a potential beneficiary of a significant increase in the U.S. defence budget under the Trump administration.

### PORTFOLIO POSITIONING

#### AI continues to be a central focus

The fund aims for long-term capital growth by targeting U.S. companies that have strong market leadership and are positioned to benefit from ongoing innovation. Looking ahead, we continue to view AI adoption as the dominant structural theme shaping equity markets, even as heightened geopolitical uncertainty introduces new layers of complexity. Trade realignment, energy-security concerns, and supply-chain reshoring are giving rise to investable themes, many of which intersect with and reinforce the broader AI infrastructure buildout. We therefore selectively increase our exposure to these emerging areas when attractive opportunities present themselves. We continue to be optimistic about the long-term potential of AI, automation, and related infrastructure while recognizing that geopolitical developments are accelerating structural shifts across industrials, defence, and energy.

### MARKET OUTLOOK

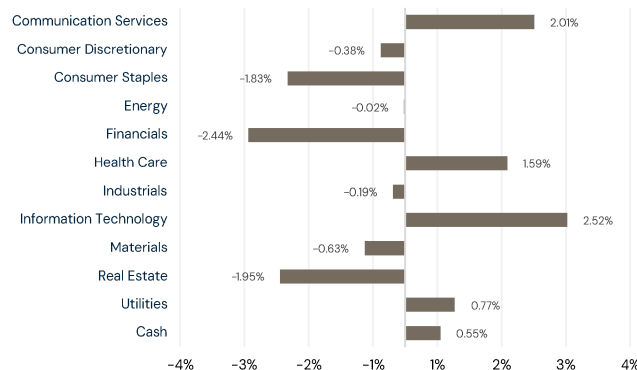
#### Opportunities in mid-cap and cyclical stocks

As we enter the second quarter, markets are being shaped by two reinforcing forces: accelerating AI adoption and emerging investment themes driven by heightened geopolitical volatility. Even though expectations for monetary easing have moderated, the resulting repricing is creating opportunities in small- and mid-cap equities, as AI investment remains robust, and geopolitical catalysts—such as reshoring, defence spending, and energy security—broaden leadership beyond mega-cap technology. Health care remains significantly underallocated and positioned for AI-driven disruption. Against this backdrop, we maintained overweights in health care and AI, while selectively adding exposure to industrials, defence, and energy infrastructure, in line with our view that market leadership will continue to broaden in 2026.

### SIGNIFICANT TRANSACTIONS (Q1 2026)

Positions initiated	Sector
Royal Caribbean	Consumer discretionary
Meritage Homes	Consumer discretionary
Exxon Mobil	Energy
Costco	Consumer staples
Blackrock	Financials
Positions exited	Sector
Tesla	Consumer discretionary
Adobe	Information technology
United Rentals	Industrials
S&P Global	Financials
Walmart	Consumer staples

### SECTOR DEVIATIONS VS. INDEX



### TOP 5 HOLDINGS\*

Holding	Sector	Weight (%)
Nvidia	Information technology	9.36
Alphabet	Communication services	6.34
Apple	Information technology	5.89
Amazon	Consumer discretionary	5.01
Microsoft	Information technology	4.23

\*Excludes cash, cash equivalents, and derivatives

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