

## Thematic Innovation (iA)

### KEY TAKEAWAYS

- Our underperformance was due to exposure to the AI theme.
- We invested in consumer discretionary and exited overvalued SiTime, Entegris, and Starbucks.
- We are positioned for growth, with dominant firms in AI, automation, and reshoring.

### PORTFOLIO MANAGER



#### Maxime Houde CFA

Director, Portfolio Manager,  
Thematic Investing

### PERFORMANCE ANALYSIS

#### Moderated performance in the third quarter

During the quarter, our exposure to the AI theme was a negative contributor to performance.

Yield-sensitive sectors, such as utilities and real estate, led the market in the third quarter, and our underexposure was negative on a relative basis.

Our top contributors were Apple, Exact Sciences and Starbucks, which saw company-specific catalysts, namely positive read-throughs on the iPhone 16, an FDA approval and a CEO change, respectively. Even so, they were outweighed by detractors in big tech, including Microsoft and Amazon, and health care names, such as Merck.

#### TOP 5 CONTRIBUTORS (% QTD)

Issuer	Return	Weight	Contribution
Apple	8.92	7.11	0.56
Meta Platforms	11.68	2.97	0.51
Exact Sciences	56.76	0.53	0.23
Starbucks	17.89	0.71	0.21
CMS Energy	17.85	1.24	0.21

#### TOP 5 DETRACTORS (% QTD)

Issuer	Return	Weight	Contribution
Alphabet	-10.71	3.76	-0.47
Microsoft	-5.39	7.50	-0.44
Nvidia	-5.45	6.88	-0.27
Amazon	-6.58	4.72	-0.27
Dexcom	-35.60	0.26	-0.19

#### PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	14	259
3 years	65	224
5 years	20	202

Source : Morningstar ratings, US Equity

#### 3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.01	1.00
Volatility	14.58	13.88
Information ratio	-0.68	-
Upside capture	95.51	-
Downside capture	109.90	-

#### FUND CHARACTERISTICS

Characteristic	Fund	Index*
Number of holdings	84	504
Dividend yield	1.05	1.50
Top 10 holdings weight	40%	
1-year trailing turnover	251%	

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

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### PORTFOLIO ACTIVITY

#### Exiting overvalued, entering undervalued

We sold positions in the semiconductor space (SiTime and Entegris) owing to their high valuations and we took advantage of market volatility to invest in Taiwan Semiconductor, which should benefit greatly from AI investments and the challenges Intel is facing.

We also initiated a position in Wayfair, a leading home-furnishings player that should benefit from the ongoing rate-cut cycle, which is projected to drive a rebound in home sales in the United States.

In light of multiple partnerships between hyperscalers and nuclear utility players, we initiated a position in Cameco in anticipation of a resurgence of investment in nuclear power. Finally, after Starbucks' new CEO was announced, we decided to exit our position owing to valuation concerns.

### 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. Our base-case scenario is still a soft landing, but heading toward year-end we see a positive outlook driven by supportive fiscal and monetary policies in all the major countries.

Although we still expect a volatile environment driven by the U.S. election, we think industries benefitting from AI, automation, and reshoring – as well as cyclical sectors benefitting from rate cuts – should be favourable, and we expect them to maintain or to gain market leadership.

### MARKET OUTLOOK

#### We see opportunities in small- and mid-cap innovators

As we head into the last quarter of 2024, structural growth stocks are likely to remain in favour, underpinned by stabilized long-term interest rates and GDP growth consistently below average potential.

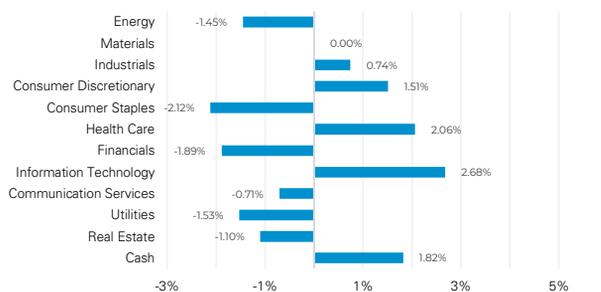
Technology shifts usually usher in new market cycles and regimes, and we foresee artificial intelligence becoming the defining technological turning point of our generation. Using the data-era framework as a guide, we expect to witness a significant shift from the semiconductor industry to infrastructure and software layers, as use cases emerge and are commercialized/monetized.

In line with our barbell investment approach, we will persist in identifying potential market leaders of tomorrow from among innovative firms, while ensuring our capital is also allocated to dominant market players that stand to gain as innovation permeates the economy.

### SIGNIFICANT TRANSACTIONS (Q3 2024)

Positions initiated	Sector
Spotify	Communication Services
Wayfair	Consumer Discretionary
Ge Vernova	Industrials
Cameco	Energy
Taiwan Semiconductor Manufacturing	Information Technology
Positions exited	Sector
SiTime	Information Technology
Magnite	Communication Services
Starbucks	Communication Discretionary
Samsara	Information Technology
Entegris	Information Technology

### SECTOR DEVIATIONS VS. INDEX



### TOP 5 HOLDINGS

Holding	Sector	Weight (%)
Microsoft	Information Technology	7.56
Nvidia	Information Technology	6.92
Apple	Information Technology	5.86
Amazon	Consumer Discretionary	4.81
Meta Platforms	Communication Services	3.52

## 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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