



# Thematic Innovation (iA)

As at December 31, 2025

## Quarterly Analysis

### KEY TAKEAWAYS

- Relative performance was muted in the fourth quarter; sector allocation results were positive but were offset by weak security selection in information technology.
- We initiated positions in Visa and Adobe to reinforce exposure to digital payments and software innovation, and we added GE Vernova and XPO Inc for industrial diversification.
- Our strategy continues to emphasize AI-driven growth and cyclical opportunities ahead of expected rate cuts, while maintaining a balanced risk profile.

### PORTFOLIO MANAGER



**Maxime Houde** CFA

Senior Director, Portfolio Manager,  
Thematic Investing

### PERFORMANCE ANALYSIS

#### Multiple sources of added value

The fund's performance was mostly in line with its benchmark index in the fourth quarter of the year. Key contributors included a pick-up in M&A activity across the health care sector, as well as the decision to add AI memory chip makers based on upside conviction. Over all, performance was supported by relative overweights in health care and communication services, combined with relative underweights in consumer staples and real estate. Stock selection was also additive, notably in health care and the hardware subsector of information technology.

#### TOP 5 CONTRIBUTORS (% QTD)

Issuer	Return	Weight	Contribution
Alphabet	26.59	6.09	1.43
Sandisk	93.28	0.75	0.63
Eli Lilly	38.94	1.73	0.54
Lumentum	124.19	0.52	0.44
Establishment Labs	75.10	0.55	0.32

#### TOP 5 DETRACTORS (% QTD)

Issuer	Return	Weight	Contribution
Microsoft	-7.86	7.96	-0.66
Meta	-11.83	3.41	-0.40
Oracle	-34.29	0.94	-0.36
Netflix	-23.33	1.22	-0.31
Arthur J. Gallagher	-17.51	1.02	-0.21

#### PERCENTILE RANKING (GROSS RETURNS)

Period	Percentile ranking	Nb of funds in category
1 year	12	316
3 years	17	281
5 years	39	251

Source: Morningstar ratings, U.S. Equity

#### 3-YEAR RISK-RETURN ANALYSIS

Indicator	Fund	Index*
Beta	1.16	1.00
Volatility	13.06	10.87
Information ratio	0.59	-
Upside capture	114.80	-
Downside capture	124.90	-

#### FUND CHARACTERISTICS

Characteristic	Fund	Index*
Number of holdings	108	503
Dividend yield	0.83	1.36
Top 10 holdings weight	45%	-
1-year trailing turnover	174%	-

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



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### PORTFOLIO ACTIVITY

#### A shift toward cyclical sectors

We capitalized on favourable entry points to invest in several names of interest, including Ulta Beauty, Chipotle Mexican Grill, and Hilton Worldwide, expecting fundamental improvements for consumer-focused companies as we head into 2026. We fully exited Roblox, expecting growth to slow in 2026 as it faces the challenges of surpassing the success of its Grow a Garden game and increased business investments that could pressure margins. On the AI front, we initiated a position in Ciena, which is positioned to benefit from scale-across networking of data centres. We also initiated positions in Samsara and Shopify, because we think they are strategically aligning their businesses with the emerging role of AI in software.

### PORTFOLIO POSITIONING

#### AI continues to be a central focus as new themes arise amid economic acceleration

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 to 2026, we see AI adoption emerging as a key theme alongside companies exposed to cyclical trends influenced by fiscal and monetary policies. Accordingly, we selectively increase our exposure to cyclical sectors when attractive opportunities present themselves. We continue to be optimistic about the long-term potential of AI, automation, and related infrastructure, particularly as adoption continues to expand. We expect a wider range of index performers in 2026 as AI adoption spreads across various sectors of the economy.

### MARKET OUTLOOK

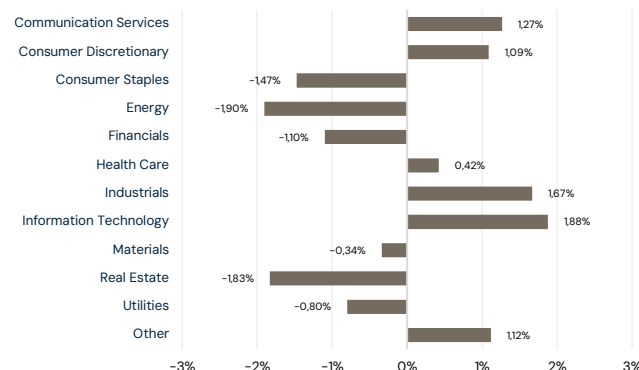
#### Opportunities in mid caps and cyclicals

As we enter the first quarter, we expect several key trends that shaped 2025 to continue. First, with expectations for additional rate cuts becoming more firmly established, the upward rerating of small- and mid-cap equities that began in the latter half of last year is likely to persist. Second, AI-related investment should remain robust, supported by strong near-term guidance across the supply chain and hyperscaler customers. Finally, health care continues to be one of the most under allocated subsectors and is poised to outperform as policy headwinds recede. Considering these dynamics, we are maintaining our overweight positions in health care and AI within the IT sector, while sustaining a selective tilt toward smaller caps and cyclical names, reflecting our view that outperformance within the index will broaden.

#### SIGNIFICANT TRANSACTIONS (Q4 2025)

Positions initiated	Sector
Visa	Financials
GE Vernova	Industrials
Adobe	Information Technology
Xpo	Industrials
Ulta Beauty	Consumer Discretionary
Positions exited	Sector
Oracle	Information Technology
Costco	Consumer Staples
Eaton	Industrials
AT&T	Communication Services
Nutanix	Information Technology

#### SECTOR DEVIATIONS VS. INDEX



#### TOP 5 HOLDINGS\*

Holding	Sector	Weight (%)
Nvidia	Information Technology	9.20
Microsoft	Information Technology	7.79
Alphabet	Communication Services	6.36
Amazon	Consumer Discretionary	4.84
Apple	Information Technology	3.91

\*Excludes cash, cash equivalents, and derivatives

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