

THE NEXT FRONTIER

Over the course of a bull market, leadership tends to remain consistent. The corporate leaders of the present secular bull market in equities have primarily been in the information technology sector, specifically companies enabling digitalization. Looking back to 2015, we had the view that an impending technological advance was imminent and would power corporate profits for years to come. In consequence, we bolstered our portfolios with industry leaders capitalizing on key secular growth themes in technology including e-commerce, cloud computing, interactive software, and connectivity.

We believe that we are presently on the verge of a great new wave of innovation that will dramatically change our lives and elongate the secular bull market in equities. In many ways, we view this current period as analogous to the industrial revolution, where new technologies such as steam power, the railroad, and factories dramatically changed the course of humanity. Today, we see emerging technologies such as artificial intelligence (AI), virtual and augmented reality, and the metaverse having the same impact. We believe these forces will unlock unimaginable investment opportunities and drive radical systemic change.

Artificial intelligence, known as AI, is the simulation of human intelligence by computers, giving computers the ability to carry out tasks normally achieved by humans. AI equips machines with intellectual human characteristics, such as problem solving, visual perception, speech recognition, and the ability to learn from past experiences and comprehensive data sets. Over the past half decade, AI has been deeply integrated into consumer processes. For instance, facial recognition technology, digital assistants, and search algorithms and recommendations are all enabled by AI. We believe these applications are just scratching the surface. In the coming years, as AI technology continues to evolve, it will impact virtually every industry and bring forth far-reaching ramifications. For instance, AI technology will power self-driving cars, advanced robotics, digital twin simulations, and drug discovery. We believe AI has the potential to be one of the greatest technological innovations in human history. Our ABC Funds are well-positioned to capitalize on AI as a secular growth driver, with NVIDIA, Alphabet, Amazon, Meta, and Microsoft as core holdings.

The metaverse can be defined as a network of fully immersive 3-D spaces that will enable users to work, socialize, shop, and play in virtual worlds with digital avatars. As a concept, the metaverse first originated in science fiction writer Neal Stephenson's 1992 novel, "Snow Crash". Thirty years later, with the advent of virtual and augmented reality and a rapidly connected and digitalized global economy, this concept is quickly becoming reality. We view the metaverse as the next extension of the internet. The metaverse has the potential to revolutionize several areas including e-commerce, remote working, gaming, consumer goods and healthcare. We believe the metaverse is an enormous investment opportunity for the future. In fact, in a November 2021 interview, Meta Platforms CEO Mark Zuckerberg stated ***"our hope is within a decade, the metaverse will reach a billion people, host hundreds of billions of dollars of digital commerce, and support jobs for millions of creators and developers"***.

Earlier this month, ABC Funds' holding of Activision Blizzard became the object of an all-cash, friendly takeover by Microsoft. Interestingly, in regards to the acquisition, Microsoft stated ***"this acquisition will accelerate the growth in Microsoft's gaming business across mobile, PC, console and cloud and will provide building blocks for the metaverse"***. We believe this \$69 billion acquisition validates the metaverse as a powerful investment theme. Our ABC Funds hold companies with significant exposure to the metaverse, including: Meta, NVIDIA, Apple, Microsoft, Adobe, Autodesk, and Electronic Arts.

In conclusion, our present optimism is premised on our view that equities remain in a secular bull market led by the proliferation of digitalization and quantum leaps in technology. Looking ahead, we believe we are on the edge of the next frontier, which will elongate this investment cycle for years to come.





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FEATURED ABC COMMON STOCK HOLDINGS:

Meta Platforms is a social technology company focused on building apps and technologies that connect people and grow businesses. Meta owns and operates Facebook, Instagram, WhatsApp, and a number of important subsidiaries. The company is the world leader in social media, with over 2.9 billion monthly active users on Facebook and another several billion between Instagram and WhatsApp. Formerly known as Facebook, the company rebranded to Meta in October of last year, as management shifted its focus toward building the metaverse and becoming a leader in virtual reality (VR). The company owns Oculus, the producer of the world's most popular VR headset, the Oculus Quest 2. The Quest 2 was likely a top gift for the holiday season, as the Oculus app was the most downloaded app on Apple's App Store during that period. Meta is also focused on VR software, with their Horizon suite of apps, which includes Horizon Worlds, Horizon Workplace, and Horizon Venues, which will connect users, businesses, and creators in interactive 3-D spaces. Fundamentally, Meta is attractively valued at 22x 2022 earnings, is projected to grow revenues by nearly 20% this year, and has recently increased its share buyback program by an additional \$50 billion.

Thermo Fisher Scientific is a healthcare company that is a world leader in servicing the life science industry. The company provides key instruments, reagents, and consumables used by biological and medical research, and laboratory products. We believe Thermo Fisher is an excellent investment due to its strong core business fundamentals and significant organic growth ahead. An aging population and continued advances in life science research has resulted in a strong funding environment for pharmaceutical and biotech companies. Consequently, there is increasing demand for the company's products as well as its clinical research capabilities primarily due to recent acquisitions. Additionally, there is further upside through new product innovations as well as their ability to increase market share. The company continues to be a major force in COVID-19 testing and in the development of therapies and vaccines. Management has deployed its capital effectively through acquisitions that add new capabilities, as well as funding dividends and share buybacks.



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Administrative Information

- As RBC Investor Services is no longer able to accept or issue physical cheques, please contact our office to make alternative arrangements.
- All client requests are to be directed to ABC Funds.
- As there were no distributions for our funds in 2021, there will be no T3 tax slips issued.
- T4s will be mailed by mid-February 2022.
- The Capital Gains/Losses Report for redemptions made in 2021 is included with your December 31, 2021 statement.
- Contribution slips for RRSP contributions made in 2021 will be mailed by the end of January 2022.
- Contribution slips for RRSP contributions made in the first 60 days of 2022 will be mailed by the end of March 2022.
- The ABC RSP contribution deadline for 2021 contributions is February 28, 2022. All contributions must reach our office no later than this date.
- RBCITS is the custodian of the ABC Funds and is responsible for providing account statements to all our clients. We ask that you retain these statements for your records as there may be additional costs for retrieving historical data.
- Please send us your updated Know Your Client (KYC) information form if your personal or financial circumstances have changed.

This newsletter is published by I.A. Michael Investment Counsel Ltd., Managers of the ABC Funds

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