

# IA Clarington Canadian Dividend Fund

## Manager commentary – Q3 2025

The end of the period (April 1, 2025 – September 30, 2025) was marked by easing trade tensions and global economic resilience, but there were concerns about U.S. inflation and a loss of independence and credibility at the U.S. Federal Reserve (the Fed).

The Canadian economy contracted in the second quarter but showed modest growth in the third quarter. Consumer spending remained resilient, but exports and investments were down, and the labour market weakened. Headline inflation (total inflation which includes volatile components such as energy and food) was slightly below the 2% target, but core inflation (excludes energy and food inflation components) stagnated between 2% and 3%. The Bank of Canada cut its benchmark interest rate by 25 basis points in September.

The Carney government unveiled its initial list of nation-building projects, which included projects already well advanced in their approval process. The main themes were export diversification, energy dominance and critical minerals. Fiscal spending was expected to increase significantly from higher military defense spending.

Canadian equities, represented by the S&P/TSX Composite Index also performed well, progressing 22.1%. The top-performing sectors included materials, information technology and financials.

The Fund's security selection within the information technology sector was the most notable contributor to performance. The Fund's underweight exposure to the industrials sector also contributed. Individual contributors included Royal Bank of Canada, a leading Canadian financial institution that delivered strong stock performance driven by a significant exceeding of earnings (company's profit or net income) expectations in the third quarter. Record capital markets revenue and the successful integration of HSBC Holdings PLC's Canadian operations enhanced operating leverage (expressed in percentage terms, the fixed costs of a company relative to its total costs) and boosted investor confidence, supporting upward revisions to earnings guidance regarding return on equity (the amount of profit generated per dollar of shareholder equity). The Toronto-Dominion Bank, another major Canadian financial institution, performed well and was supported by robust third-quarter results. Earnings exceeded expectations, with adjusted earnings per share (adjusted to exclude one-time or non-recurring items) of \$2.20 and 10% year-over-year revenue growth driven by solid Canadian banking and wealth management contributions. Strategic restructuring initiatives and cost-saving measures further enhanced the company's operating leverage, while a strong common equity tier-1 ratio of 14.8% (a measure of the bank's financial strength and ability to withstand losses) reinforced investor confidence despite ongoing U.S. regulatory remediation and macroeconomic uncertainty.

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The Fund's security selection within the financials and industrials sectors was the main detractor from performance. The Fund's overall sector allocation in the materials and financial sectors also detracted. Individual detractors included Waste Connections Inc., a leading North American waste services provider, as its stock performance declined owing to lower waste volumes and commodity-related challenges. Rising fuel and labour costs further pressured margins, dampening investor sentiment. Constellation Software Inc., a global provider of vertical market software, performed poorly amid uncertainty related to artificial intelligence, and weaker-than-expected earnings. The CEO's surprise resignation further dampened investor confidence.

New positions included CRH PLC, which was added based on its attractive risk-reward profile ahead of its inclusion in the index.

Increased positions included LVMH Moët Hennessy Louis Vuitton SE based on an attractive setup, supported by improving business fundamentals (business factors that suggest a company's underlying financial health is improving).

Decreased positions included Waste Connections, which was trimmed modestly to reflect the stock's price appreciation.

Eliminated positions included Microsoft Corp., which was sold to take advantage of the stock's price appreciation.

Canada remains in the late stage of the business cycle, with growth slowing under higher real interest rates (the rate of interest an investor receives after accounting for inflation) and persistent inflation. Trade uncertainty has begun to ease somewhat, with improving prospects for a pragmatic North American trade framework that would temper tariff risks. Fiscal spending plans point to support for infrastructure and energy projects, which may aid employment and corporate activity while raising questions about long-term fiscal flexibility. Against this backdrop, equity markets are likely to remain headline-driven and range-bound (a move between a high point of resistance and a low point of support) at times.

The fund manager's approach is to keep an eye on valuations (a measurement of how much an investment is worth), emphasize dividend sustainability and balance-sheet strength, and maintain the flexibility to lean into select market dislocations where there are durable cash flows and clear competitive advantages.

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Fund and benchmark performance as at September 30, 2025	1 year	3 year	5 year	10 years
IA Clarington Canadian Dividend Fund – Series A	16.6%	14.4%	12.8%	8.7%
15% S&P 500 Index (CAD), 85% S&P/TSX Composite Dividend Index	23.6%	20.0%	17.3%	12.7%

For definitions of technical terms, visit [iaclarington.com/glossary](http://iaclarington.com/glossary) or speak with your investment advisor.

The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted market indices. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The Fund's benchmark is a blend of 15% S&P 500 Index (CAD), and 85% S&P/TSX Composite Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The S&P 500 Index (CAD) includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. The S&P/TSX Composite Index which is the premier indicator of market activity for Canadian equity markets, with 95% coverage of Canadian-based, TSX-listed companies. The index includes common stock and income trust units and is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices. The Fund's market capitalization, geographic, and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. The Fund may hold cash while the benchmark does not. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance. Effective February 7, 2014, IA Clarington Dividend Growth Fund merged into the Fund. Effective December 30, 2014, the investment objectives and strategies of the Fund were changed.

Indicated mutual fund rates of return include changes in share or unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Returns for time periods of more than one year are historical annual compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized. Where applicable, compound growth charts are used only to illustrate the effects of a compound growth rate and are not intended to reflect future values or returns of a fund. A mutual fund's "yield" refers to income generated by securities held in the fund's portfolio and does not represent the return of or level of income paid out by the fund.

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