

# IA Clarington Canadian Leaders Class

## Manager commentary – Q2 2025

U.S. and Canadian stock markets both experienced a dynamic first half of 2025, shaped by evolving interest-rate expectations, policy shifts and sector-level developments. Mid-year performance was slightly negative for the S&P 500 Index, and more significantly in Canadian-dollar terms, following appreciation of the Canadian dollar. In contrast, Canada's S&P/TSX Composite Index began in March to clearly outperform the U.S. market. This shift was driven by several factors: Canada's economy showed surprising resilience, supported by strong consumption and business investment; while the Bank of Canada's earlier interest-rate cuts helped stimulate credit growth. By mid-year, Canada's market had not only held its gains, but emerged as a regional outperformer as the market appeared to have believed that the impact of tariffs on Canada won't cause significant harm.

Overall, we are positive on commodities and continue to think that Canada is better positioned than the U.S., with a more stable politic environment, a fiscal deficit at a much better level, and with the anticipation of a favourable outcome regarding trade negotiations with the U.S. In the U.S., we are apprehensive of more permanent inflation than the market has forecasted, which could eventually lead to stagflation. With that in mind, artificial intelligence remains a cornerstone of our investment thesis for the U.S. portion of the portfolio.

IA Clarington Canadian Leaders Class Series A outperformed its benchmark (60% S&P/TSX, 40% S&P 500) in the second quarter of 2025, posting a return of 8.5% compared to the index return of 7.2%, primarily owing to strong security selection.

Over the period, industrials was the top-contributing sector in the Fund, supported by additional positive contributions from the financials, communication services and consumer staples sectors. Currency hedging of U.S.-dollar exposure also added value during the period.

We reduced our U.S. equity exposure in favour of Canadian holdings, anticipating a more stable macroeconomic environment in Canada. Following the U.S. administration's "Liberation Day" in April, we viewed the proposed tariffs as unsustainable and selectively increased portfolio risk. Throughout the period, we maintained exposure to natural gas producers and gold miners, which benefited from strong commodity fundamentals and growing investor demand for safe-haven alternatives to the U.S. dollar. We continue to monitor the current market environment closely and remain prepared to adjust the portfolio's positioning as conditions evolve.

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Fund and benchmark performance, as at June 30, 2025	1-year	3-year	5-year	10-year
<b>IA Clarington Canadian Leaders Class – Series A</b>	19.2%	16.5%	14.8%	8.5%
<b>40% S&amp;P 500 Index (CAD), 60% S&amp;P/TSX Composite Index</b>	21.7%	18.5%	15.8%	11.7%

For definitions of technical terms in this piece, please visit [iaclarington.com/glossary](http://iaclarington.com/glossary) and 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 40% S&P 500 Index (CAD), and 60% 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 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 Canadian Leaders Fund merged into the Fund.

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 are historical annual compounded total returns.

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