

IA Clarington Dividend Growth Class

Manager commentary – Q1 2025

As 2024 progressed, the world appeared to be slowly finding the right balance between encouraging growth and controlling inflation. Central banks throughout the world made concerted efforts to manage the cost of living and inflation challenges facing individuals and businesses.

The most recent quarter was dominated by U.S. President Trump's surprisingly aggressive stance on tariffs, particularly towards Canada. By the end of the period, Trump had implemented 25% tariffs on steel, aluminum and cars, with more tariff announcements expected in April.

U.S. growth was expected to be somewhat flat in the first quarter, as consumer and business confidence was increasingly shaken by political uncertainty. The U.S. Federal Reserve held its target interest rate steady at 4.50%.

In Canada, the economic recovery was going well, with interest-rate cuts taking the policy interest rate down to 2.75%. However, uncertainty related to trade policy caused household and business confidence to plummet, slowing the economy.

Canadian equities, as represented by the S&P/TSX Composite Index, fared better toward the end of the period, with a 1.0% return for the last quarter and a 15.8% return for the period.

The Fund's security selection in the materials, communication services, financials and energy sectors contributed to performance over the period (April 1, 2024 – March 31, 2025), as did its overweight allocation to the health care sector. Individual contributors included multinational pipeline and energy company Enbridge Inc., as the stock benefited from excitement around the potential for artificial intelligence data centres to be powered by natural gas. Additionally, Enbridge has benefited from favourable expectations for interest-rate cuts amid decelerating inflation in Canada. Prominent gold mining company Agnico Eagle Mines Ltd. benefited from rising gold prices and successful expansion projects. Robust earnings (a company's profit or net income) driven by increased production and cost efficiencies further boosted investor confidence.

The Fund's overweight allocation to the communication services sector detracted from performance as the sector lagged the benchmark, and its underweight allocation to the materials sectors detracted from performance as this was the top-performing sector during the period. The Fund's security selection within the health care sector was also a significant detractor. Individual detractors included North American transportation company Canadian National Railway Co. as its stock declined owing to weaker freight volumes and increased operational costs. Additionally, regulatory challenges and competitive

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pressures have further dampened investor sentiment. Leading energy company Canadian Natural Resources Ltd. was weaker owing to fluctuating oil prices and higher production costs, in addition to environmental regulations and geopolitical uncertainties.

New positions included Great-West Lifeco Inc., which increased the Fund's exposure to financial services companies and aligns with the fund manager's focus on companies that have strong fundamentals (refers to the characteristics of a company that are analyzed when valuing its worth) and cash flows (refers to the cash a company generates after accounting for capital expenditures), as well as the ability to navigate uncertain conditions.

Increased positions included Canadian Natural Resources Ltd. as the Fund shifted incrementally toward more defensive positions. The company added energy exposure that should allow the Fund to benefit from inflation, and oil sands are one of the lowest full-cycle-cost cost (refers to the total cost associated with a product or project throughout its entire lifecycle) ways to gain commodity exposure.

Decreased positions included Brookfield Corp., which was trimmed in favour of Brookfield Asset Management Inc., primarily to increase the Fund's overall dividend yield (a financial ratio that indicates how much a company pays out in dividends each year relative to its share price) while maintaining a similar business exposure.

Eliminated positions included GFL Environmental Inc. as part of a reassessment of the Fund's exposure to the waste management sector.

Canada's equity market experienced notable volatility, primarily owing to escalating trade tensions resulting from President Trump's tariff policies. Despite such challenges, the Canadian economy demonstrated resilience in January, posting 0.4% growth in gross domestic product (the total dollar value of all goods and services a country produces over a specific time period), which was partially owing to businesses accelerating cross-border trade before tariffs could be implemented, although the outlook for subsequent months remains cautious.

Looking ahead, the Canadian equity market appears poised to navigate a complex environment marked by trade uncertainties and policy adjustments. The Portfolio Manager will be cautious and closely monitor developments in trade negotiations in order to mitigate risk in the Fund.

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Fund and benchmark performance as at March 31, 2025	1 year	3 year	5 year	10 year
IA Clarington Dividend Growth Class – Series T6	15.9%	5.6%	13.6%	6.9%
15% S&P 500 Index (CAD), 85% S&P/TSX Composite Dividend Index	15.4%	8.7%	17.3%	9.9%

For definitions of technical terms, visit 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.

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Commissions, trailing commissions, management fees, brokerage fees and expenses all may be associated with mutual fund investments, including investments in exchange-traded series of mutual funds. Please read the

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