IA Clarington Strategic Equity Income Fund

Manager Commentary – Q2 2026

As we reflect on the past quarter, several positive things stand out and were expected by our team entering the year. Economic growth was solid, particularly in the U.S., as was earnings growth that exceeded expectations by a significant amount during the past three to six months. As the conflict in the Middle East gave way to prospects for peace, so did many of the risks associated with higher prices driven by higher energy costs. Although elevated, inflation expectations were set to decline, in our opinion, as lower oil prices reflect better prospects and the limited go-forward effects of last year's tariffs. Productivity gains have accelerated higher while U.S. employment and consumer debt remained stimulative. Most markets and sectors across fixed income and equities enjoyed positive returns during the past quarter.

IA Clarington Strategic Equity Income Fund posted returns of 8.8% over the past quarter, driven predominately from our investments in securities related to economic growth while minimizing the impact of commodity-related equities.

The Fund's largest contribution to performance during the quarter came from our exposure to banks, as better economic prospects improved their loan provision levels and earnings profile. The Fund's top-two contributors to performance during the past three months included holdings in Toronto-Dominion Bank and Royal Bank of Canada. Toronto-Dominion Bank delivered better-than-expected earnings growth, lower-than-expected credit provisions and a continued improvement in its return on equity (ROE). Royal Bank of Canada also demonstrated improving earnings growth and lower-than-expected credit provisions, generating an ROE above the medium-term target of 17% set at its Investor Day.

The largest detractors from the Fund's performance during the quarter came from the Fund's exposure to Agnico Eagle Mines and Stantec. Agnico Eagle tracked the performance of gold lower throughout the quarter as worries about higher inflation lifted expectations for interest-rate hikes, which ultimately reduced demand for the precious metal. Stantec underperformed following its earnings release that showed organic growth slowing to below-target levels for the year, exacerbating the market's concerns about the risk of disruptions related to artificial intelligence (AI) on its business.

Excess liquidity and corporate earnings commentary after the first quarter gave us confidence in our expectations for the second quarter and remainder of the year, as overall prospects for growth remain strong. We would be remiss if we did not point out some of the risks that may contribute to a market's correction. Our biggest concern is a sustained and higher 10-year bond yield that may trigger a short-term but impactful market correction, given the relationship between equity yields and bonds yield approaching 5% in the U.S. and exceeding 4% in Canada. Although not expected, we remain "barbelled" in our investment approach to this possibility, with a much larger-than-benchmark exposure to defensive business models that should perform well in a corrective environment.

The Fund's current equity positioning favours securities correlated to the economy and focused in sectors such as financials and industrials. As well, our income and defensive positioning is concentrated in utilities sector securities that should benefit from the expansion of the electrical grid, and in consumer-related stocks that have mature and cash-flow-rich business models with less expected volatility. We added to the Fund's exposure to Canadian banks during the quarter, while further reducing our already-low exposure to positions in the materials and energy sectors.

IA Clarington Strategic Equity Income Fund

Fund and Benchmark Performance as at: June 30, 2026	Q2	1-year	3-year	5-year	Since inception (Sep. 2017)
IA Clarington Strategic Equity Income Fund – Series F	8.8%	22.4%	16.7%	11.2%	9.8%
S&P/TSX Composite Dividend Index	7.1%	32.4%	22.7%	15.9%	12.9%

Get ahead

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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. For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.

Series F securities are available only to investors participating in fee-based advisory programs through their dealer. No sales charges apply when investing in Series F. iA Clarington does not pay ongoing trailing commissions to dealers for Series F and therefore are not embedded in the Management Expense Ratio (MER). Instead, investors pay an explicit dealer advisor fee for investment advice and related services. Any differences in performance between fund series are primarily due to differences in fees and expenses, as described in the fund's prospectus.

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 S&P/TSX Composite Dividend Index aims to provide a broad-based benchmark of Canadian dividend-paying stocks. The index includes all stocks in the S&P/TSX Composite with positive annual dividend yields as of the latest rebalancing of the S&P/TSX Composite. The Fund may have exposure to equities domiciled both in Canada and outside of Canada while the benchmark only has exposure to equities domiciled in Canada. The Fund may have currency risk exposure while the benchmark has none. 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.

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 more than one year are historical annual compounded total returns while returns for one year or less are cumulative figures and are not annualized.

The information provided should not be acted upon without obtaining legal, tax, and investment advice from a licensed professional. Statements by the portfolio manager or sub-advisor represent their professional opinion and do not necessarily reflect the views of iA Clarington. Specific securities discussed are for illustrative purposes only and should not be considered a recommendation to buy or sell. Mutual funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ. Future-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ. Opinions may change as market conditions or other factors evolve.

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. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

iA Clarington™ Investments

IA Clarington Strategic Equity Income Fund

The iA Clarington Funds are managed by IA Clarington Investments Inc. iA Clarington and the iA Clarington logo, iA Wealth and the iA Wealth logo, and iA Global Asset Management and the iA Global Asset Management logo are trademarks of Industrial Alliance Insurance and Financial Services Inc. and are used under license. iA Global Asset Management Inc. (iAGAM) is a subsidiary of Industrial Alliance Investment Management Inc. (iAIM).

iA Clarington™ Investments