# IA Clarington Tactical Income Class

## Manager commentary – Q1 2025

The Fund invests substantially all of its assets in units of IA Clarington Strategic Income Fund (“the Reference Fund”). Its performance therefore largely reflects the performance of that fund. All reference made to “the Fund” hereinafter reflects a discussion of the portfolio holdings and characteristics of the Reference Fund.

Inflation moderated considerably over the past year, while economic growth remained quite resilient. However, tariffs have created a significant degree of uncertainty in recent months, resulting in volatility across financial markets.

High-yield bonds outperformed investment-grade bonds as economic growth and expectations for interest-rate cuts have supported the outlook for this part of the bond market. Investment-grade bonds have also performed well on expectations for interest-rate cuts and moderating inflation.

Equities trended higher, led by defensive higher-yielding sectors that performed quite well as lower yields supported their valuations.

The Fund’s equity component contributed to overall performance for the 12-month period ending March 31, 2025, with the Fund’s exposures to the financials and utilities sectors being the largest contributors. The largest individual security contributor was Loblaw Cos. Ltd. owing to the company’s ability to generate consistent and low-volatility earnings growth in a slowing economic environment.

The fixed-income component contributed to the Fund’s overall performance. Within fixed income, the Fund’s exposures to the financials and government sectors were the largest contributors to performance. Individual contributors included a position in U.S. Treasury (4.125%, 15/11/2032). Yields declined through the middle of 2024 owing to lower inflation and growing expectations for the U.S. Federal Reserve to cut interest rates, which had a positive impact on longer-duration (more interest-rate sensitive) investment-grade bonds.

For the equity component, the Fund’s exposure to consumer cyclicals companies was the largest detractor from performance. Individual detractors included Superior Plus Corp. as unseasonally warm weather negatively affected propane demand, which led the company to lower its annual guidance and dividend in favour of share repurchases.

For the fixed-income component, the Fund’s exposure to the communication services sector was the largest detractor from performance. Individual detractors included Corus Entertainment Inc. (5%, 11/05/2028) as Warner Bros. Discovery Inc. decided not to renew its programming and trademark agreements with the company, resulting in lower advertising revenue.

The Fund benefited from an increasing weight to both fixed income and equities during the period, and by extension a lower exposure to cash and equivalents.

New positions included Wells Fargo & Co., Uber Technologies Inc., Canadian Treasury (0%, 18/06/2025) and U.S. Treasury (4.625%, 15/02/2035).

Increased positions Included Visa Inc., Canadian Imperial Bank of Commerce, U.S. Treasury (4.125%, 15/11/2032) and iShares iBoxx $ Investment Grade Corporate Bond ETF.

Decreased positions Included Microsoft Corp., Superior Plus, Corus Entertainment (6%, 28/02/2030) and Ford Credit Canada Co. (2.961%, 16/09/2026).

Eliminated positions included Norfolk Southern Corp., Bank of Nova Scotia, Government of Canada (2.5%, 01/12/2032) and AtkinsRéalis Group Inc. (3.8%, 19/08/2024).

The fund manager expects economic growth to slow over the coming quarters as trade tensions and tariffs will likely create challenges and remain the primary focus of financial markets over the short term.

The Fund continues to hold overweight exposures to defensive businesses with higher yields given their perceived attractive valuations and relative yields. The fund manager has increased the Fund’s overall bond exposure to take advantage of attractive yields, while also positioning the portfolio against the risk of slower economic growth.

| Fund and Benchmark Performance as at: March 31, 2025 | 1-year | 3-year | 5-year | 10-year |
|---|---|---|---|---|
| **IA Clarington Tactical Income Class – Series T6** | 6.8% | 2.7% | 8.0% | 3.8% |
| **40% FTSE Canada Universe Bond Index, 60% S&P/TSX Composite Index** | 12.6% | 5.8% | 10.3% | 6.0% |

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 financial advisor.

The performance data comparison presented is intended to illustrate the historical performance of the IA Clarington Tactical Income Class as compared with historical performance of widely quoted market indices. As this fund invests substantially in its Reference Fund (IA Clarington Strategic Income Fund), the differences discussed are those of the Reference Fund. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The benchmark is a blend of 40% FTSE Canada Universe Bond Index 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 FTSE Canada Universe Bond Index is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada. 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 fixed income component can invest in both investment grade and high yield bonds while the benchmark has exposure only to investment grade bonds. The Fund may have exposure to equities and bonds domiciled both in Canada and outside of Canada while the benchmark only has exposure to equities and bonds 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. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance. On December 30, 2014, the portfolio manager, investment objective and strategies of the Fund changed. These changes may have affected the Fund’s 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 are historical annual compounded total returns.

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.

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