

IA Clarington Agile Core Plus Bond Fund

Manager commentary – Q2 2025

The second quarter of 2025 marked a period of crosscurrents in the macroeconomic landscape. Inflation tempered globally, albeit unevenly across sectors and regions. Central banks across major economies adopted a more “dovish” tone, with the European Central Bank cutting interest rates in response to easing inflation and slower growth. In contrast, the U.S. Federal Reserve (the Fed) remained on hold, citing persistent core inflation and ongoing strength in the labour market.

Bond markets responded positively to the prospect of monetary policy easing, while credit spreads held firm. However, signs of decelerating momentum in housing, employment and consumer activity began to surface, reinforcing the late-cycle environment.

Global markets saw divergent trends. European economies benefited from stabilizing energy prices and favourable credit spreads, while Asia-Pacific regions, particularly Australia and Indonesia, presented attractive opportunities in investment-grade fixed income. Emerging markets sovereigns, including Brazil and Mexico, continued to appeal to investors seeking higher yields and improving fundamentals.

IA Clarington Agile Core Plus Bond Fund returned 1.03% for the quarter (gross of fees), underperforming its benchmark, 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (USD), 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (CAD) by 10 basis points.

Strong relative performance within the quarter was driven by tactical positioning within spread sectors (fixed-income investments that offer yields higher than government bonds) and active yield curve management. The Fund’s overweight allocation to investment-grade credit, particularly in the front-to-intermediate tenors/maturity, generated consistent carry (coupon income) while benefiting from modest compression of credit spreads. Within our corporate credit holdings, exposure to high-quality issues in the financials and industrials sectors contributed to returns, as did select provincial and municipal bond positions.

Compared to its benchmark, the portfolio maintained a modest underweight allocation to government bonds and a duration of 3.93 years. This shorter-duration stance was a slight headwind during brief rallies in interest rates across North American yield curves, but has helped reduce interest-rate volatility overall. Foreign exchange exposure was mainly hedged back to the Canadian dollar, insulating the Fund from global currency swings.

We anticipate further moderation in inflation in the second half of 2025, albeit at a slower pace. Central banks are expected to proceed cautiously with interest-rate cuts, balancing the need to support growth with the risk of re-accelerating inflation. In the U.S., however, the Fed may delay its first cut until inflation shows more decisive movement toward target.

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Our outlook supports a continuation of the Fund's emphasis on spread sectors with attractive risk-adjusted yields. We remain selective in credit, focusing on resilient issuers in sectors with strong cash flow visibility and avoiding areas exposed to refinancing stress. In government bonds, we will tactically adjust duration to exploit volatility around data releases and central bank communications.

We believe that the Fund remains well positioned to generate steady income and protect capital in an environment of transitioning monetary policy and late-cycle dynamics.

Fund and benchmark performance as at June 30, 2025	1 year	3 year	5 year	10 year
IA Clarington Agile Core Plus Bond Fund – Series A	5.2%	3.6%	1.8%	1.7%
50% Bloomberg Global Aggregate Corporate Bond 1-5Y (USD), 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (CAD)	10.2%	7.0%	2.3%	2.9%

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, 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 benchmark is a blend of 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (USD) and 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (CAD). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The Bloomberg Global Aggregate Corporate 1-5 Year Float adjusted Bond Index is based on the Bloomberg Global Aggregate Corporate Index, and to be eligible for the index, bonds must be issued by a Corporate issuer, and must have between one year and up to five years remaining until maturity. The Bloomberg Global Aggregate Corporate Index is a flagship measure of global investment grade, fixed-rate corporate debt. This multi-currency benchmark includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors. 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.

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Agile Investment Management, LLC was appointed sub-advisor to the IA Clarington Core Plus Bond Fund effective September 4, 2024. This Fund changed its name from IA Clarington Core Plus Bond Fund, effective June 16, 2025.

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.

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