IA Clarington Loomis Global Multisector Bond Fund

Manager commentary – Q1 2025

In the first quarter of 2025, the U.S. bond market made gains, with positive total returns across all major segments of the asset class. The U.S. administration announced a series of tariffs on its global trading partners, raising concerns of a U.S. recession if the policies aren't reversed. The prospect of slower growth revived expectations that the U.S. Federal Reserve (the Fed) would cut interest rates as 2025 progressed. The shift in tone led to a decline in government bond yields, which benefited the credit sectors.

Despite a sell-off in March, high-yield bonds recorded an overall gain in the first quarter. While declining U.S. Treasury yields provided a benefit for the asset class, spreads (the yield difference between two types of fixed-income or credit instrument) rose as investors grew increasingly uncertain about the impact of tariffs on economic growth. As a result, high-yield bonds lagged the investment-grade market.

The "risk-off" tone in the financial markets boosted higher-rated investment-grade bonds relative to their lower-quality counterparts. In addition, more defensive sectors in the category generally outpaced those with a greater degree of economic sensitivity.

Investment-grade corporate bonds produced positive returns in the first quarter but slightly underperformed U.S. Treasuries. Corporate bonds benefited from the decline in yields that accompanied mounting concerns about tariffs. However, the resulting uncertainty contributed to an increase in yield spreads, causing the asset class to lag government issues.

For the 12-month period ending March 31, 2025, the Fund's overall duration (sensitivity to interest rates) contributed to performance, specifically in the third quarter of 2024, when the Fund's overall portfolio duration was short relative to the benchmark as yields were rising. The Fund's security selection, especially within investment-grade and high-yield corporate bonds, contributed to performance, as did its selection in convertible securities. Within high-yield corporate credits, select positions in the communications sector were beneficial. Similarly, excess return in convertible securities came from higher-conviction positions in the communications sector.

The Fund's holdings of defensive, reserve-like positions detracted from performance as they did not keep up with the riskier asset classes.

New positions included the new Turkish lira as the fund manager believes that Turkey benefits from strong underlying growth drivers, a relatively low stock of debt and generally restrained fiscal policy.

Increased positions included bank loans based on attractive spreads relative to high-yield positions. The fund manager added to select bank loans where the credit looked attractive and the position could pick up a little more spread versus high-yield credit. The fund manager also built up a position in The Boeing Co. during periods of weaker spreads as the company's balance sheet and liquidity issues were solved in late 2024, and the company was expected to improve its manufacturing execution.

Decreased positions included Rocket Mortgage, LLC. Fitch Ratings, Inc. upgraded the company's rating to BBB-, and the position was trimmed as the projected excess return was less attractive.

Eliminated positions included a high-yield corporate bond issued by Ichan Enterprises L.P., following its strong performance in 2024.

Entering 2025, market sentiment was largely positive, supported by the new U.S. administration's potential pro-growth policies, such as tax cuts and deregulation. However, the immediate deluge of executive orders and cuts to government departments raised concerns that the new administration's policy actions could disrupt the economy and financial markets. The Fed held policy interest rates steady in March but acknowledged that the economic outlook was less certain. Persistent inflation combined with decreased domestic demand amid tariffs could force the Fed to decide whether to focus on growth or inflation.

On a global basis, U.S. President Trump's "America First" policy could force European leaders to recommit to substantial borrowing for security infrastructure. By loosening its budget deficit limit, Europe could see a surge in deficit spending, more government bond issuance and large investments in the economy. Like Europe, China has been overly dependent upon external trade. The Chinese government will likely continue bolstering domestic demand while it defends its economy against tariff pressures.

The fund manager believes that long-term value has returned to fixed-income markets. As investors sit on record levels of cash, strong demand will likely support bond markets. The fund manager sees potential opportunities in investment-grade credit, high-yield credit, bank loans and securitized credit.

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Fund and benchmark performance, as at March 31, 2025	1 year	3 year	Since inception (Jul. 2020)
IA Clarington Loomis Global Multisector Bond Fund – Series A	5.7%	0.8%	-0.4%
Bloomberg U.S. Aggregate Bond Index (CAD Hedged)[1]	3.6%	-0.4%	-1.8%

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 and speak with your investment advisor.

[1]Source: Bloomberg L.P. The Bloomberg U.S. Aggregate Bond Index (CAD Hedged) is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage-backed securities, asset-backed securities and collateralized mortgage-backed securities.

The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted 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 market capitalization, geographic, sector and credit quality exposure and interest rate sensitivity may differ from that of the benchmark. The Fund's currency risk exposure may be different from 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.

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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