IA Wealth Core Bond Pool

Manager commentary – Q2 2025

Although the second quarter of 2025 did not set any performance records, in some ways it felt like it should have. Kicked off by U.S. President Trump's often-confusing tariff policies, bond yields gyrated for much of the quarter, moving between concerns about inflation and recession. To illustrate, U.S. 10-year Treasury yields traded in a range of 4% to 4.6%. Geopolitical tensions in the Middle East and concern about Trump's potential interference with the U.S. Federal Reserve (the Fed) brought yields down from the middle of May onward, as U.S. 10s finished the second quarter around 4.25%, while the 2s-30s curve steepened 35 basis points to just over 100. Credit spreads were relatively unmoved through the quarter as outsized demand for product helped to anchor levels.

The Fund maintains an overweight allocation to credit, and incremental yield from spread product such as corporate, municipal and provincial bonds contributed to the Fund's performance. Duration and yield curve positioning added value on the margin. A widening of spreads over the period was a very minor detractor from relative performance.

As much as investors tried to forget about tariffs, Trump's renewed focus on his bewildering trade war had the markets worried about inflation again, moving yields higher to start the summer. What's more, the passage of his tax bill brought the negative impact of its associated trade deficits front and centre, placing further upward pressure on bonds yields. Although we expect the Fed to start cutting policy rates later this year and yields to come down, we believe investors will remain skittish on bonds in the meantime, while the yield curve to steepen further. Meanwhile, ongoing demand for credit product should help keep spreads in check.

In April, we added more credit exposure to the Fund, expecting the spread market's adverse reaction to the U.S. trade war to be short lived, which it was. Conversely, we reduced the Fund's exposure to provincial bonds since their spreads had tightened. We plan to increase our exposure to credit on any subsequent widening, given the market's predilection to pull spreads back to the low end of the range owing to disequilibrium. Volatility will likely persist in the interest-rate markets, so we will continue to be nimble in our positioning. We will maintain exposure to the U.S. treasury market since Canada appears expensive on a relative basis.

Fund and benchmark performance as at June 30, 2025	1 year	3 year	5 year	10 year

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IA Wealth Core Bond Pool – Series A	5.6%	3.8%	-0.9%	1.0%
FTSE Canada Universe Bond Index	6.1%	4.3%	-0.4%	1.9%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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 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 the FTSE Canada Universe Bond Index, which 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 Fund's geographic, sector and credit quality exposure may differ from 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.

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 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.

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.

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