# IA Wealth Core Bond Pool

## Manager Commentary – Q2 2026

For the three-month period ended June 30, 2026, financial markets navigated a backdrop of elevated geopolitical and trade uncertainty. Concerns surrounding the conflict in the Middle East and its impact on global energy supplies contributed to higher oil prices and renewed inflationary pressures, while ongoing trade tensions and CUSMA trade renegotiations added to market volatility.

Despite these challenges, the global economy remained resilient. Economic growth continued to be supported by the delayed effects of prior interest-rate cuts, supportive fiscal policies and robust investment in artificial intelligence (AI) and related infrastructure. Equity markets generally benefited from these favourable fundamentals, while fixed-income markets faced headwinds as investors reassessed inflation and interest-rate expectations.

Overall, risk assets demonstrated resilience during the quarter, supported by a still-constructive macroeconomic environment, although investors remained attentive to evolving inflation and to geopolitical and trade-related risks.

Second-quarter fund performance showed a clear improvement after a challenging first quarter. Our underweight position in federal bonds contributed positively, as this segment underperformed. The Fund's allocation to long-term provincial bonds also added value, benefiting from strong outperformance along the yield curve. In addition, our exposure to Mexican bonds (MBONOs) was a positive contributor, outperforming the Canadian market and enhancing overall returns.

That said, some positions detracted from performance. The Fund's broader underweight position in provincial bonds weighed on results, as the sector delivered strong overall returns. Security selection in corporate bonds also affected performance adversely. Finally, our exposure to U.S.-denominated securities was a headwind, as U.S. fixed-income markets underperformed their Canadian counterparts.

During the second quarter, we made several tactical adjustments to the portfolio in response to evolving market conditions. We added exposure to two-year U.S. Treasuries, taking advantage of attractive front-end yields and support provided by a still-restrictive monetary policy backdrop. We also maintained most of our international bond holdings, reflecting a preference for diversification amid uneven global growth dynamics. On duration, we remained nimble, gradually adding exposure through mid-May as yields moved higher and valuations improved. After the sharp rally—driven in part by increased expectations of an agreement between the U.S. and Iran—we actively reduced duration and locked in gains, preserving flexibility in a still-uncertain environment.

We increased the portfolio's duration in the first part of the second quarter as bond yields moved higher through the end of May, creating more attractive entry points across sovereign curves. When yields reversed sharply in the final two weeks of the month, we used that strength to scale back the Fund's duration exposure and lock-in gains from the move. Thereafter, we maintained a predominantly short-duration stance, reflecting a macroeconomic backdrop in which growth continued to surprise to the upside while inflation in the U.S. remained above target. Against this backdrop, the U.S. Federal Reserve's (the Fed) continued hawkish bias reinforces our cautious positioning, as we aim to protect against further upward pressure on yields while preserving flexibility.

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We are maintaining a cautious outlook on bond markets, with volatility likely to persist in the near term. The recent signing of a 60-day agreement between the U.S. and Iran provides a temporary easing of geopolitical tensions, yet uncertainty remains beyond this short window. The U.S. economy continues to show resilience, with inflation still above target, reinforcing a more hawkish stance from the Fed under its new Chair, whose policy bias and messaging are contributing to upward pressure on yields and a higher terminal-rate narrative. In contrast, the Canadian economy appears more fragile amid uncertainty caused by the renegotiation of CUSMA. Against this backdrop, we see further upward pressure on bond yields, while expecting corporate credit spreads—despite being relatively expensive—to remain broadly stable, supported by solid fundamentals.

| Fund and benchmark performance as at June 30, 2026 | Q2 | 1 year | 3 year | 5 year | 10 year |
|---|---|---|---|---|---|
| IA Wealth Core Bond Pool – Series F | 2.2% | 3.4% | 4.4% | 0.8% | 1.7% |
| FTSE Canada Universe Bond Index | 2.0% | 3.5% | 4.4% | 0.8% | 1.7% |

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For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.

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.

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 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.

iA Clarington™ Investments

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