IA Clarington Floating Rate Income Fund

Manager commentary – Q1 2025

During the 12-month period ending March 31, 2025, risk-on sentiment resulted in strong loan market pricing across the quality spectrum. An imbalance of supply and demand in the loan market led to loan prices trading over par (the face-value of a debt instrument) and companies refinancing their loans at lower coupons, which subsequently also traded back to par.

Talk of U.S. tariffs had an outsized impact on the industries that were likely to be affected, including building materials, chemicals and consumer discretionary.

The Fund's single-name risk (concentration of holdings in a single entity or group) was reduced across the portfolio for increased diversification and downside protection, which contributed to performance. The Fund's positioning was shifted toward lower-rated holdings and away from the highest-quality portion of the index, which increased the Fund's yield and contributed to performance. The Fund continued shifting away from speculative holdings, such as stressed high-yield bonds, converts and private credits, and into loan issuance with better risk-to-return profiles, which also contributed to performance. The Fund used collateralized loan obligation (CLO) tranches at favourable prices as a source of cash and redeployed that cash into individual loans. Individual contributors included CLOs issued by RRAM, 2036-04-15, 11.8%, which was purchased at $97.80 and sold for $100.40, and INVCO, 2035-04-20, 11.6%, which was purchased at $100.10 and sold for $100.28.

Legacy private credit (a debt security or lending arrangement that is not accessible in the public markets) positions generally detracted from performance, due to the unfavourable financial performance and outlook of these securities. Agile refrains from adding new positions in private securities.

New positions included around 150 new loans, increasing the portfolio's loan allocation by 11%. To diversify the loan holdings, the fund manager took the portfolio from 105 total holdings with an average position size of 95 basis points, to 200 total holdings with an average position size of 50 basis points. DirecTV LLC corporate bonds were also added for liquidity and a favourable outlook on narrowing spreads.

Decreased positions included private credit valuation and market value positions as write-downs occurred. The Fund trimmed its overall bond allocation by selling approximately $17 million in existing positions.

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Eliminated positions included eight CLO tranches, which were sold for approximately $32 million amid a move toward a more traditional bank loan portfolio. Approximately 50 existing loan positions were sold to help reposition the Fund with increased diversification and yield.

The fund manager sees increasing odds of an economic downturn, although this scenario is not the most likely case. Instead, the fund manager's base case has shifted to a "cooling off" scenario that is likely to involve stalled growth and a short-term increase in inflation. This base case was issued prior to the April 2 tariff announcements.

The fund manager's view towards risk assets is increasingly cautious in the short-term owing to expected near-term volatility and market uncertainty given the recent and ever-evolving tariff announcements.

Throughout the last year, the fund manager acted with care when adding risk, as credit spreads narrowed and, therefore, compensation for stepping down in quality had been squeezed lower.

The fund manager's base case called for the U.S. Federal Reserve (the Fed) to continue its monetary easing cycle, but at a more measured pace. However, the current tariff announcements and subsequent negotiations introduce volatility to the market that could pressure risk assets, at least on a technical level if not a fundamental one. The fund manager expects the Fed to remain in an easing cycle that could accelerate if tariffs put fundamental stress on the economy.

Fund and benchmark performance as at March 31, 2025	**1 year**	**3 year**	**5 year**	**10 year**
IA Clarington Floating Rate Income Fund – Series A	-0.8%	0.8%	2.5%	1.6%
S&P UBS Leveraged Loan Index USD	7.0%	7.1%	8.9%	5.0%

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, visit iaclarington.com/glossary or speak with your investment advisor.

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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 the S&P UBS Leveraged Loan Index USD which is designed to mirror the investable universe of the U.S. dollar-denominated leveraged loan market. The Fund's geographic, sector and credit quality exposure may differ from that of the benchmark. The Fund can invest in high yield corporate bonds and government bonds, which are not included in the benchmark. The Fund aims to fully hedge the portfolio’s foreign currency exposure at all times to remove any currency fluctuation risk. As a result, the U.S. indices referenced within are quoted in their native currencies of U.S. dollars to reflect the performance of the holdings as opposed to currency performance. 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.

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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