

IA Clarington U.S. Dollar Floating Rate Income Fund

Manager commentary – Q1 2025

For 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 tranches at favourable prices as a source of cash and redeployed that cash into individual loans. Individual contributors included a second-lien term loan position issued by Convergent Technologies LLC, 6.75%, 2029-03-30, which was purchased at \$93.30 and sold for \$98.80.

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 more than 100 new loans, which were added for a 9% increase in loan allocation. The fund manager increased the number of positions from 81 total holdings with an average size of 123 basis points, to 192 total holdings with an average position size of 52 basis points, thereby diversifying the loan holdings.

Eliminated positions included bonds from Air Canada, Corus Entertainment Inc. and Iron Mountain Inc., and the proceeds were redeployed into loans. Approximately 40 existing loan positions were sold as part of an effort to diversify the Fund and achieve a slightly higher yield.

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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 | Since inception (Dec. 2015) |
|--|--------|--------|--------|-----------------------------|
| IA Clarington U.S. Dollar Floating Rate Income Fund – Series A | 1.1% | 0.5% | 3.1% | 2.0% |
| S&P UBS Leveraged Loan Index USD | 7.0% | 7.1% | 8.9% | 5.7% |

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 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

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included in the benchmark. For this Fund, performance is reported in USD and any investments in non-U.S. based issuers (including Canadian issuers) may be purchased in currencies other than U.S. dollars. When these non-U.S. investments are purchased in a currency other than U.S. dollars, the value of the investment will be affected by the value of the U.S. dollar relative to the value of the other currency. If the U.S. dollar rises in value relative to the other currency but the value of the non-U.S. based investment otherwise remains constant, the value of the investment in U.S. dollars will have fallen. Similarly, if the value of the U.S. dollar has fallen relative to the other currency, the value of the U.S. Dollar Fund's investment will have increased. As the Fund's performance is reported in USD, the U.S. indices referenced within are also quoted in their native currencies of U.S. dollars to reflect the performance of the holdings. 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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