# IA Clarington Loomis Global Allocation Fund

## Manager commentary – Q1 2025

In the second quarter of 2024, financial market performance generally reflected the evolving outlook for inflation, economic growth and U.S. Federal Reserve (the Fed) policy. Investor sentiment was muted, as a series of reports indicating higher-than-expected inflation dampened expectations for the number of interest-rate cuts the Fed was likely to enact before year-end. Initially, futures markets were indicating that the Fed could make as many as six quarter-point reductions in 2024, but by April, speculation had mounted that the Fed may in fact need to delay its first interest-rate cut until 2025. These concerns quickly waned as inflationary pressures showed signs of abating and a series of weaker-than-expected data releases indicated that the economy may be cooling.

Financial assets delivered robust returns in the third quarter, as favourable developments with respect to the economy and central bank policy offset geopolitical risks and uncertainty surrounding the upcoming U.S. election.

Financial assets produced mixed results in the fourth quarter. Strong economic conditions in the U.S., together with an election result perceived to be market-friendly, supported risk assets but weighed on investments that were more sensitive to interest rates. International markets, including equities, bonds and currencies, generally lagged owing to the broadly weaker economic outlook outside of the U.S.
The first quarter of 2025 brought a change in leadership across the world financial markets. U.S. mega-cap information technology stocks lagged other segments of the equity market, more interest-rate-sensitive fixed-income assets outpaced the credit sectors, and the U.S. dollar weakened considerably.

In equities, the Fund's exposure to the consumer staples sector was the largest contributor to performance over the 12-month period, followed by its exposures to the materials and financials sectors. The Fund's lack of exposure to the real estate sector also contributed. Individual contributors included NVIDIA Corp., which outperformed as the second year of the accelerated computing buildout has been a considerable driver for the business. S&P Global Inc. performed well as global debt issuance rebounded, aiding the ratings business. Taiwan Semiconductor Manufacturing Co. Ltd.'s dominant position in the manufacturing of advanced semiconductors was supported by secular forces, and the business continues to successfully address customer needs.

The Fund's exposure to the consumer discretionary sector was the largest detractor from performance, followed by its exposures to the health care and communication services sectors. The Fund's exposures to the industrials and information technology sectors also detracted. Individual detractors included Airbnb Inc., which underperformed as its valuation fell meaningfully, reflecting concerns about consumer spending on travel. ASML Holding NV was weaker amid concerns around China, customer concentration and end markets not focused on artificial intelligence. LVMH Moet Hennessy Louis Vuitton SE was weaker amid market concerns over slowing consumer demand, particularly in China.

In fixed income, the Fund's exposure to credit-sensitive sectors contributed to performance. Credit spreads (the difference in yield between debt instruments with similar terms but different credit ratings) were volatile, but tightening spreads over late 2024 led to strong performance. The Fund's security selections in the communication services, information technology and consumer cyclical sectors contributed to performance. The Fund's spread sector allocation contributed to performance, particularly its risk-adjusted overweight exposures to communication services, consumer non-cyclical and finance companies. The Fund's yield curve and duration positioning (sensitivity to interest rates) also contributed, particularly its local-market positioning in the U.S. dollar, Japanese yen and Canadian dollar pay markets.

The Fund's currency allocation, net of hedging, was the largest detractor from performance, particularly its allocations to the Japanese yen, Chinese renminbi and U.S. dollar. The Fund's local-market positioning in the euro and Chinese renminbi pay markets also detracted.

New equity positions included CGI Inc., a Quebec-based global information technology service provider. CGI has a client-centric operating model and a strong track record of delivering work on time and on budget. Builders FirstSource Inc. is the largest supplier of building products, prefabricated components and services to professional builders in the U.S. The company offers a one-stop-shop solution for its customers with its extensive product and services portfolio. Allison Transmission Holdings Inc. designs, manufactures and distributes vehicle propulsion solutions for commercial and defense vehicles, and operates in over 150 countries. The company benefits from a capital-light business model, structural pricing advantages and cost discipline.

The fund manager increased and decreased the Fund's equity positions based on valuations and risk/reward profiles.

Eliminated equity positions included Vinci SA, Veralto Corp. and IQVIA Holdings Inc., which were sold to fund more attractive opportunities elsewhere. Nike Inc. did not seem likely to achieve the fund manager's forecast of intrinsic value growth (free cash flow growth). Texas Instruments Inc. was sold owing to concerns about its ability to grow intrinsic value, particularly regarding its elevated inventory strategy, large capacity investments and ability to regain lost market share. Accenture PLC was sold owing to concerns about the company's intrinsic value growth given its lower revenue growth.

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New fixed-income positions included EchoStar Communications Corp., a U.S.-based communication services company that provides satellite TV, streaming TV, satellite broadband and wireless mobile phones. EchoStar's recently launched Jupiter-3 satellite could see topline growth in the near term.

Increased fixed-income positions included The Boeing Company, which has faced many challenges to its operations and governance but could ultimately rectify its manufacturing problems.

Decreased fixed-income positions included Rocket Mortgage LLC, which was trimmed to raise reserves and increase the Fund's liquidity and flexibility.

Eliminated fixed-income positions included Icahn Enterprises L.P., which was sold to raise reserves and increase the Fund's liquidity and flexibility.

Prior to the implementation of widespread tariffs, the global disinflationary trend had been stalling, with services and shelter inflation remaining elevated. The price of goods may also remain higher.

Credit markets could remain volatile in response to headlines. The fund manager believes that risk premiums across the corporate bond market will likely rise as markets digest tariffs and an expected slowdown in U.S. growth. However, the fund manager also believes that credit remains supported by corporations' overall health and the potential for more favourable monetary policy from central banks.

The range of U.S. import tariffs will likely be negative for global growth. While many economies depend more on exports than the U.S., the U.S. is now facing an increased risk of recession. Following the U.S. presidential election, rising trade tensions and protectionist policy was presumed to be a catalyst for U.S.-dollar strength, especially with deregulation and favourable tax policy supporting the U.S. economy. However, diverging fiscal policies and weaker global growth may see the U.S. dollar decline relative to currencies of other developed countries.

| Fund and benchmark performance, as at March 31, 2025 | 1 year | 3 years | 5 years | 10 years |
|---|---|---|---|---|
| IA Clarington Loomis Global Allocation Fund – Series T8 | 6.0% | 7.3% | 8.4% | 6.6% |
| 40% Bloomberg Global Aggregate Bond Index (CAD Hedged), 60% MSCI AC World Index (CAD)[1] | 9.7% | 7.5% | 9.1% | 6.7% |

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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.

[1]Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

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 a blend of Bloomberg Global Aggregate Bond Index (Currency Hedged) (40%) and MSCI AC World Index (CAD) (60%). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-eight local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index: the US Aggregate, the Pan-European Aggregate, the Asian-Pacific Aggregate, and the Canadian Aggregate Indices. The MSCI AC World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 50 country indexes comprising 23 developed and 24 emerging market country indexes. The Fund's market capitalization, geographic, sector and credit quality exposure may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. The Fund may hold cash while the benchmark does not. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance.

Effective February 23, 2015, the sub-advisor of the Fund changed from Aston Hill Asset Management Inc. to Loomis, Sayles & Company, L.P. and IA Clarington Investments Inc. and the investment strategies of the Fund were changed. IA Clarington Loomis Global Allocation Fund was formerly IA Clarington Global Allocation Fund.

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.

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.

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.