IA Clarington QV Global Equity Fund

Manager commentary – Q2 2025

IA Clarington QV Global Equity Fund Series T6 returned 0.3% during the second quarter, compared to 5.7% for the MSCI World Index (CAD). Year-to-date, the Fund returned 3.8%, compared to 3.9% for the MSCI World.

"U.S. exceptionalism" returned with a vengeance in the second quarter as the S&P 500 Index rose 10.9% in U.S. dollars (5.2% in Canadian dollars), driven by a resurgence in information technology stocks, particularly those benefiting from renewed optimism about artificial intelligence. Near quarter-end, the S&P 500 exceeded its previous mid-February high, marking one of the fastest corrections on record, recovering a near -19% peak-to-trough drawdown in just over 10 weeks. Meanwhile, amid ongoing trade uncertainty and fiscal prolificacy, the U.S. Dollar Index experienced its steepest year-to-date decline since 1973, falling by over 10% and moderating S&P 500 equity returns for Canadian investors.

Headwinds to performance were driven by underweight sector allocation to information technology and overweight allocation to consumer staples, along with selection effects within the consumer discretionary and health care sectors. Geographically, the Fund's overweight allocation to Europe and selection effects in North America were detractors, while superior selection within Europe provided a material benefit. Of note, UnitedHealth Group Inc. was the period's worst-performing holding following operational headwinds that resulted in a withdrawal of current-year financial guidance and a change to the CEO. Despite traditionally being a very high-quality franchise, we are closely monitoring developments for this business given that the broader managed care industry is going through a period of material disruption.

Over the quarter, we reintroduced Novo Nordisk AS to the portfolio, in addition to exiting positions in Bayer AG, 3M Co. and TGS ASA.

Novo Nordisk is a global leader in patented pharmaceutical products focused on the treatment of diabetes and obesity. They are the world's largest producer of novel insulin therapies, in addition to several of the most well-known GLP-1 products, such as Ozempic, Wegovy, Rybelsus and Saxenda. Novo is an exceptional business that consistently generates greater than 50% returns on invested capital, with a strong balance sheet and an attractive growth outlook. After having exited Novo at roughly 35x price-to-earnings in 2023, we were able to reintroduce this high-quality franchise as the stock traded down toward decade-low multiples of about 18x amid fears around increasing competition within their core obesity franchise.

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We exited our positions in Bayer and TGS as operational headwinds created less-attractive dynamics relative to stronger portfolio franchises with comparable upside potential. 3M was also exited as the multiple normalized toward historical norms, creating a below-average expected return in an inherently cyclical business.

The market's fixation on near-term uncertainty for Ashtead Group PLC, Thor Industries Inc., Bank OZK and Applied Materials Inc. provided attractive valuations with which to increase the allocation, during April's market decline, to the unique long-term compounding potential of these businesses. We also added to Hormel Foods Corp. based on the outlook for a sustained period of double-digit earnings growth at a time when the valuation was near a decade low. Holdings in Alibaba Group Holding Ltd. and Admiral Group PLC were trimmed following strong appreciation that moderated future return prospects.

Tepid leading economic indicators, rising unemployment and nominal GDP growth trending toward the Federal Funds Rate suggest that the North American economy may be entering the late stages of the economic cycle. Despite this, U.S. equity valuations are at or near record levels, in large part driven by retail investors who are increasingly conditioned to automatically and agnostically "buy the dip." In what appears to be an escalating environment of imprudence in the face of material economic and fiscal fragility, we continue to emphasize portfolio resilience and expect the Fund to provide satisfactory results under a variety of scenarios.

The Fund continues to own a diverse portfolio of high-quality businesses that mostly trade at meaningful discounts to both their own historical valuations and the benchmark index. Downside protection is enhanced by a balance between a materially higher-than-benchmark weight within recession resistant sectors, and a collection of very cheap businesses with significantly above-average return prospects over a period of three to five years. Our focus on capital preservation has kept exposure to U.S. stocks near the lowest point in the Fund's history, at just 42%. We believe that the Fund's historically low valuation of just 14.7x expected earnings, return on equity of 19%, dividend yield of 2.8% and strong balance sheets across our holdings, provide a compelling risk-adjusted value proposition over the coming three to five years.

Fund and benchmark performance as at June 30, 2025	1-year	3-year	5-year	10-year
IA Clarington QV Global Equity Fund - Series T6	7.1%	11.5%	11.4%	6.9%
MSCI World Index (CAD)[1]	15.9%	20.5%	14.6%	11.7%

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

This Fund changed its name from IA Clarington Global Equity Fund, effective June 16, 2025.

[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 MSCI World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index (CAD) consists of 23 developed market country indices. The Fund's market capitalization, geographic and sector 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. 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 July 2, 2014, the portfolio sub advisor changed from BNP Paribas Investment Partners Canada Ltd. to QV Investors Inc.

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 for more than one year are historical annual compounded total returns while returns for one year or less are cumulative figures and are not annualized.

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.

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