IA Clarington QV Global Equity Fund

Manager commentary – Q3 2025

IA Clarington QV Global Equity Fund Series T6 returned 4.8% during the third quarter (Q3) compared to 9.4% for the MSCI World TR Net Index ($CAD).

In the second quarter, the S&P 500 Index rose 10.9% in U.S.-dollar terms (5.2% in Canadian-dollar terms), driven by a resurgence in information technology stocks, particularly those benefiting from renewed optimism regarding artificial intelligence (AI). Toward the end of the second quarter, the S&P 500 exceeded its previous mid-February high, marking one of the fastest corrections on record. Amid ongoing trade uncertainty, the U.S. dollar index experienced its steepest year-to-date decline since 1973.

The U.S.-centric momentum continued in the third quarter, with returns being dominated by a narrow contingent of information technology stocks exposed to the AI fervour. Valuations were also supported by a U.S. Federal Reserve (the Fed) interest-rate cut and generally robust corporate earnings. Weakening U.S. labour data and economic indicators supported the prospect of further interest-rate cuts, despite persistent inflation. The expectation for lower borrowing costs buoyed small-cap stocks, which outperformed their large-cap peers, while growth stocks outpaced value.

Over the six-month period, the Fund's stock selection in the financials and consumer services sectors contributed to performance. Individual contributors included Samsung Electronics Co. Ltd., which rallied strongly owing to a sharp improvement in sentiment toward the company, which signed material chip supply agreements with Tesla Inc. and International Business Machines Corp. Alphabet Inc. has gradually regained investor interest as its AI services were viewed as highly competitive, and the company received a favourable legal ruling. Admiral Group PLC saw strong growth in its U.K. motor business.

The Fund's overweight exposure to the consumer staples and health care sectors, underweight exposure to the information technology sector, and stock selection in the health care sector were the largest detractors from performance. Individual detractors included Centene Corp., which faced ongoing concerns regarding government funding cuts to Medicaid, as well as a decline in its health benefit ratio. Novo Nordisk AS saw a material decline in its share price following a profit downgrade announcement that was driven by increasing competition. Domino's Pizza Group Plc's shares declined significantly following the release of its first-half 2025 results that showed slowing like-for-like sales and store growth.

New positions included Novo Nordisk, a global leader in patented pharmaceutical products focused on the treatment of diabetes and obesity. The stock re-rated near a decade-low valuation multiple on concerns of increasing competition. Estee Lauder Cos. Inc. is a global leader in prestige beauty. Recent operational underperformance and market disruptions reduced its valuation well below long-term averages. Warrior Met Coal Inc. is a U.S.-based, low-cost producer of high-quality metallurgical coal critical for steelmaking. The business appears to be undervalued relative to its ability to generate free cash flow.

Increased positions included Samsung as it traded down, but the business cycle for dynamic random-access memory is rapidly inflecting upwards, and the company has shown material progression with its high-bandwidth memory. PepsiCo Inc. remained near a historically low valuation, but despite subdued consumer demand, the fund manager thinks the market meaningfully underestimates the company's long-term earnings power. Johnson & Johnson is the world's largest, most diversified health care company. It has an enviable earnings track record, and the share prices were near historic lows.

Decreased positions included Admiral Group following a sustained period of share-price appreciation that saw price-to-book-value multiples re-rate back toward long-term averages at a time when the auto insurance cycle is softening. Melexis NV's valuation recovered strongly amid optimism around an upturn in customer activity, but there was still material uncertainty on the timing of automotive customer inventory normalization and subsequent rebuild.

Eliminated positions included Bayer AG after a prolonged period of operational challenges, including litigation and rebuilding its pharmaceutical pipeline. TGS ASA was sold owing to the combination of weak offshore oil and gas spending, minimal clarity on market recovery, and increasing asset intensity. Novartis AG's multiple increased to the higher end of its historical range, moderating the future returns prospects.

Weakening employment and leading economic indicators continue to diverge from rising equity valuations. The Fed has begun cutting interest rates despite persistent inflationary pressures and a historically expensive stock market. Meanwhile, the proliferation of large language models is propelling one of the most profound technological innovation cycles in decades, simultaneously supporting extreme stock market movements and driving massive corporate capital expenditure despite uncertain future returns.

The Fund owns a diversified portfolio that includes a mix of stable, defensive businesses, reasonably priced market leaders and many classic "value" stocks that trade well below the fund manager's estimates of fair value. This "all-weather" strategy is constructed to deliver reasonable outcomes regardless of broader market volatility.

Fund and benchmark performance as at September 30, 2025	1-year	3-year	5-year	10-year
IA Clarington QV Global Equity Fund - Series T6	5.8%	13.2%	12.8%	7.7%
MSCI World Index (CAD)[1]	20.8%	24.2%	15.3%	12.9%

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.

Trademarks displayed herein that are not owned by Industrial Alliance Insurance and Financial Services Inc. are the property of and trademarked by the corresponding company and are used for illustrative purposes only.

The iA Clarington Funds are managed by IA Clarington Investments Inc. iA Clarington and the iA Clarington logo, iA Wealth and the iA Wealth logo, and iA Global Asset Management and the iA Global Asset Management logo are trademarks of Industrial Alliance Insurance and Financial Services Inc. and are used under license. iA Global Asset Management Inc. (iAGAM) is a subsidiary of Industrial Alliance Investment Management Inc. (iAIM).