IA Clarington Global Multifactor Equity Fund

Manager commentary – Q4 2025

During the fourth quarter, the U.S. Federal Reserve continued its cycle of interest rate cuts that began at the end of the third quarter, despite a government shutdown that paused the publication of economic data for several weeks, making the Fed's job more complex.

This government shutdown lasted 43 days, making it the longest in U.S. history. It likely caused an economic slowdown, although this should be short-lived. The agreement ending the shutdown did not resolve the main sticking point—the end of a subsidy program for medical insurance costs—setting the stage for another confrontation in early 2026.

Although macroeconomic analysis was made more difficult by the lack of data for several weeks, it is clear that the labor market is weakening. The unemployment rate reached 4.6% in November, as many companies paused their hiring plans. Despite this, layoffs across the economy remain modest, limiting the extent of the damage. Some indicators even show stabilization and a rebound toward the end of the quarter.

Beyond the labor market and the government shutdown, economic growth remains strong in the United States, supported by household consumption and investments in artificial intelligence.

Inflation is under control but remains above its target, at 2.7% year-over-year in November. Tariffs continue to exert upward pressure on prices, but the risks of an overheating economy are contained for now.

The Fed is grappling with a situation where risks to both inflation and unemployment are rising, putting its dual mandate at odds. The Board of Governors is placing more emphasis on the labor market, resulting in three consecutive rate cuts in September, October, and December. Political interference from the Trump administration continues, but the institution appears to be resisting, making an excessive monetary stimulus unlikely.

In Canada, the labor market regained strength after a significant weakening during the summer. Even though there is still no trade agreement between Canada and the Trump administration, existing tariffs remain relatively low, and the trade relationship has stabilized, allowing business confidence to improve. After a rebound in the third quarter, economic growth is expected to be roughly flat in the fourth quarter, notably due to population growth being at a standstill.

Inflation is stable but near the upper end of the 1–3% range. The Bank of Canada ended its easing cycle in October, lowering the policy rate to 2.25%. It is expected to remain on the sidelines for some time.

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In early November, the federal budget was tabled, relying on an increased deficit to finance public investments, particularly to boost export capacity outside the United States. The aim is also to crowd-in private investment, especially in nationally significant projects. The short-term impact of the budget should be limited, but positive effects may emerge starting in 2027 or 2028. The fiscal situation is deteriorating, putting upward pressure on interest rates.

In Europe, the economy continues its gradual recovery, with industrial production stabilizing, unemployment remaining low, and the services sector expanding. Inflation is stable near 2%, which is keeping the European Central Bank on the sidelines in the medium term.

From a geopolitical perspective, ceasefire negotiations in Ukraine are ongoing, but a deal still appears distant. The United States is increasingly pressuring the Nicolás Maduro regime in Venezuela, with a significant concentration of military forces in the Caribbean.

Despite a rebound in November and December, it was not enough to offset the difficult performance in October. IA Clarington Global Multifactor Equity Fund closed the fourth quarter at -28 basis points (“bps”) relative to the MSCI World Index, bringing our 2025 annual active return to -170 bps. For the quarter, we ranked at the 50th percentile versus peers, ending the year at the 52nd percentile.

From a super-factor perspective, momentum continued its losing streak that began in June, detracting 89 bps in Q4 and finishing the year slightly negative at -7 bps. Quality added 7 bps during the quarter, closing the year at -31 bps, while value staged a strong comeback, contributing 67 bps in Q4 and ending the year positive at +16 bps.

Regionally, our model maintained strong relative performance in the EAFE (Europe, Australasia, and Far East) region throughout the year, while results in the U.S. and Canada remained challenging. Our U.S. versus EAFE region timing strategy detracted 10 bps in Q4, bringing its full-year impact to -70 bps. Since early August, we have maintained a slight overweight to the U.S. region of approximately 3%, following a shift in our regional timing signal.

2025 proved to be a challenging year overall, marked by factor rotations and regional divergences. While momentum dominated early in the year, its reversal in the second half weighed on results. Value showed resilience late in the year, and quality remained relatively stable. Despite these headwinds, our systematic approach continues to provide a disciplined framework for navigating complex markets. As we look ahead to 2026, we remain committed to leveraging our multifactor model to capture opportunities across regions and factors, with a focus on delivering long-term value for our investors.

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Fund and benchmark performance, as at December 31, 2025	1 year	3 years	5 years	10 years
IA Clarington Global Multifactor Equity Fund – Series A	11.5%	19.3%	12.0%	8.9%
MSCI World Index^ (CAD)[1]	15.4%	21.6%	13.8%	12.1%

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

IA Clarington Global Multifactor Equity Fund was formerly IA Clarington Global Value Fund. The name change was effective June 17, 2024.

[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 is intended to illustrate the historical performance of the Fund 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. 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.

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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