IA Clarington Global Multifactor Equity Fund

Manager commentary – Q2 2025

The second quarter kicked off at full speed with the U.S. administration's "Liberation Day" and the implementation of reciprocal tariffs. These were later temporarily suspended, which contributed to an improvement in the global economic climate. A bilateral agreement was reached with the U.K., and discussions with China led to a postponement of new tariff impositions.

Despite this easing, risks remain high. Tariffs on steel and aluminum were doubled, and the end of the moratorium on reciprocal tariffs is expected in July. Legal uncertainty regarding the legitimacy of current measures adds another layer of complexity, with little clarity on short-term policy options.

The "One Big Beautiful Bill" continues its course in Congress, bringing both spending and tax cuts. When adding the impact of tariffs on revenues, the net effect on the deficit is expected to be neutral, keeping it very high compared to the historical average. The long-term fiscal trajectory of the U.S. remains unsustainable.

The U.S. economy has shown remarkable resilience in the face of declining confidence and rising uncertainty. The phenomenon of "tariff front running"—importers accelerating shipments in anticipation of higher tariffs—has helped cushion the blow. Easing trade tensions has also supported the perception that disruptions are temporary, stabilizing consumption. Companies have not initiated significant layoffs, and investment in intelligence continues at a rapid pace, supporting growth.

Despite this resilience, some leading indicators point to a slowdown, especially in the labour market, where job creation is slowing and unemployment insurance claims are ticking up slightly. However, these signals are not yet alarming.

Inflation remains above the U.S. Federal Reserve's (the Fed) target, but has shown signs of moderating over the quarter. The impact of tariffs has not yet been fully passed through to consumer prices, which could change if the planned increases in July are implemented. The Fed remains in a wait-and-see mode, balancing growth and inflation risks.

In Canada, the economy is showing signs of weakening, largely owing to uncertainty surrounding U.S. tariffs. That said, there are emerging signs of a possible trade agreement with the U.S., which could significantly reduce current tariffs and, thus, limit the risk of recession. Inflation remains persistent, preventing the Bank of Canada (the BoC) from further easing its monetary policy. The new federal government, elected with a strong economic mandate, plans to launch major infrastructure projects, notably in energy, and to rapidly increase defense spending. These measures should boost economic activity, but raise questions about fiscal sustainability.

In Europe, the economy is slowly regaining strength, supported by the European Central Bank's still-accommodative monetary policy. However, growth remains modest, held back by persistent weak domestic demand and ongoing geopolitical uncertainties.

NATO countries have agreed to increase defense spending to 5% of GDP, up from the previous target of 2%. This should create upward pressure on fiscal spending and sovereign interest rates.

Markets experienced significant volatility early in the quarter in response to trade tensions. However, gradual easing allowed the S&P 500 Index to regain lost ground, up 12% on the quarter. This rebound was supported by technology giants, which continue to benefit from the tailwind of artificial intelligence.

In the second quarter, European and Canadian markets no longer outperformed U.S. markets. For example, the performance of the EURO STOXX50 was flat on the quarter, while the S&P/TSX Composite Index was up by 8%.

After a strong start to the year, IA Clarington Global Multifactor Equity Fund faced a more challenging second quarter, primarily owing to weaker performance in June. Series A of the Fund ended the quarter with a return of 3.9%, underperforming the benchmark MSCI World Index (CAD), which posted a return of 5.7%. This places the Fund's second-quarter performance in the 69th percentile relative to global equity peers, while positioning us at the 32nd percentile over the one-year period.

From a factor perspective, momentum continued to be the key contributor, adding 80 basis points during the quarter. In contrast, both quality and value detracted from performance, with contributions of -59 and -56 basis points, respectively.

Regionally, our model maintained strong results in the EAFE (Europe, Australasia, and Far East) region, while performance in the U.S. and Canada proved more difficult. Our timing strategy with regard to the U.S. versus the EAFE region finished the quarter relatively flat, as neither region significantly outperformed the other. As at quarter-end, the Fund maintained a slightly overweight allocation in the EAFE region (by approximately 2%).

As we move into the second half of the year, we continue to rely on our disciplined and systematic investment approach. Our multifactor model is designed to adapt to evolving market dynamics and remains focused on delivering long-term value to our investors.

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Fund and benchmark performance, as at June 30, 2025	1-year	3-year	5-year	10-year
IA Clarington Global Multifactor Equity Fund– Series A	15.0%	18.9%	12.6%	8.7%
MSCI World Index^ (CAD)	15.9%	20.5%	14.6%	11.7%

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.

^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 while returns for one year or less are cumulative figures and are not annualized.

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