IA Clarington Loomis Global Equity Opportunities Fund

Manager commentary – Q2 2025

Global equity markets experienced a meaningful turnaround in the second quarter. While markets initially declined in early April owing to U.S. President Trump's announcement of higher-than-expected tariffs, they quickly rebounded after trade tensions eased and investor confidence was supported by a strong earnings season and resilient consumer demand. The information technology sector posted the strongest results, returning over 16% for the period (as measured by the MSCI All Country World Index in CAD.). The communication services and industrials sectors also outperformed the broader market. The energy and health care sectors declined by more than 8%.

Over the quarter, IA Clarington Loomis Global Equity Opportunity Fund Series A returned 2.8% (in CAD terms), underperforming the MSCI All Country World Index, which returned 5.7% (also in CAD terms). Security selection in the industrials sector was the largest detractor from relative results. The health care, consumer discretionary and communication services sectors also detracted from relative performance. The energy sector was the largest contributor to relative returns, followed by the consumer staples and information technology sectors. Not having exposure to the real estate and utilities sectors also contributed on a relative basis.

The three largest detractors from performance were UnitedHealth Group Inc. (UNH), O'Reilly Automotive Inc. and Roper Technologies Inc.

Shares of UNH underperformed over the period. Much of the decline came on May 13 when the company announced that the CEO had stepped down and that the company would suspend guidance for 2025. This followed a cut to earnings guidance for 2025 in April, driving a share price decline. The original cut to guidance came primarily from higher-than-expected expenses as a result of higher utilization in the Medicare Advantage business, and a reduction in funding paid from the Center for Medicare and Medicaid Services (CMS) to UNH. The May 13 update suggested that medical costs continued to accelerate, leading the company to withdraw its earnings guidance. However, the company stated that despite earnings pressure this year, it expects to return to growth in 2026, aided by the fact that Medicare policies are repriced annually, and price increases can be made going forward to account for higher medical costs. Shares remained in a "wait and see" mode in June as the market awaits potential clarity on earnings guidance with results due in July.

Shares of O'Reilly Automotive lagged over the period. O'Reilly had been an outperformer earlier in the year (gaining 20% in the first quarter), as tariffs on automobiles imported into the U.S. were viewed favourably for O'Reilly's business. More expensive imported cars would encourage owners to hold onto their cars for longer. Older cars tend to need more replacement parts, which would boost sales for O'Reilly and peers. However, on May 12, the U.S. and China agreed to slash tariffs on each other's goods for 90 days. This caused a rally for many companies that had been viewed as negatively exposed to tariffs, while those like O'Reilly, who would potentially benefit from tariffs, lagged. Underperformance continued in June with losses of an additional 1%, while optimism for better-than-expected tariff outcomes may have contributed to broader market strength.

Shares of Roper Technologies traded closely to other portfolio holdings for much of April, but a small gap appeared towards the end of the month. Many companies reported earnings that were better than feared, lifting shares in mid-to-late April. Roper reported results in line with expectations on April 28, which led to a neutral response in share price and likely led to the slight underperformance during the month relative to other companies. Roper had also been viewed as a relative winner in a high-tariff environment because most of its revenues come from software rather than physical goods that are exposed to tariffs. This led to a 13% gain in the first quarter, while other companies lagged. Similar to O'Reilly, the tariff pause with China in May helped companies that were tariff exposed, while companies with less tariff exposure lagged.

The three most significant contributors to performance were NVIDIA Corp., Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) and Halma PLC.

NVIDIA was a top contributor for the three-month period as its data centre business continued to grow. Notably, the company's Blackwell platform has been released, continuing with the one-year product cycle cadence that allows for continued market leadership. Global AI usage has gained traction and NVIDIA remains the preferred compute provider, driven by its leadership in both its hardware and software capabilities. Shares of NVIDIA remain attractive based on our scenario analysis framework.

Shares of TSMC outperformed over the period; the company holds over 90% market share in the production of leading-edge semiconductors. Notably, TSMC announced an incremental US$100 billion in U.S. capital expenditures to expand its geographical footprint for chip production, reducing reliance on Taiwan. Shares of TSMC remain attractive based on our scenario analysis framework.

Shares of Halma outperformed as exceptional performance in the Photonics business augmented strong results in the rest of the portfolio. Photonics, or the use of light to transfer data, has been a strong part of Halma's portfolio as it has leveraged a position in the data centre to help develop co-packaged optics (CPO) for future semiconductor networking. The balance of the portfolio, including Safety and Healthcare, has performed remarkably well as the company's niche, non-discretionary products continue to grow within their markets.

Over the period, we initiated a position in KLA Corp. KLA is a global leader in process control and yield management solutions used in semiconductor manufacturing and related industries. The company's metrology and inspection equipment account for approximately 66% of revenue, with 20% coming from its services business and the balance across its specialty semi and printed circuit board businesses. KLA rates highly across our quality metrics; it also has a dominant market share of over 50% in key end-markets, with competitors having a fraction of KLA's market presence. Management is long-tenured, with both CEO Rick Wallace and CFO Bren Higgins having been with the company since 1988 and 1999, respectively. KLA has employed shareholder-friendly capital allocation over time, utilizing over 50% of free cash flow for share buybacks, 37% for dividends and 10% for mergers and acquisitions. It maintains strong intellectual property assets via its complex product set and skilled workforce (about 65% of professional roles hold Master and PhD degrees). Return on invested capital has been exceptionally high, driven by improving invested capital turnover and NOPAT margins. We believe a long runway, underpinned by technological progress in advanced logic and DRAM (dynamic random-access memory), should allow the business to continue to grow intrinsic value. Shares of KLA are attractive based on our scenario analysis framework.

Our investment philosophy is predicated on the belief that investing in companies with multiple drivers of alpha, where the risks can be quantified, can help deliver outperformance. We follow a disciplined and repeatable process, investing only in opportunities that meet our three alpha drivers: quality, intrinsic value growth and attractive valuation. This bottom-up approach results in a concentrated portfolio of businesses where we fully understand and have quantified the risks associated with each investment. Our scenario analysis, under which we determine a range of business values, is an integral part of this process. Through this framework, we determine the relative attractiveness of our investments to assist in constructing an optimal portfolio.

Fund and benchmark performance, as at June 30, 2025	1-year	3-year	5-year	Since inception (Nov. 2019)
IA Clarington Loomis Global Equity Opportunities Fund – Series A	6.7%	18.5%	9.9%	10.2%
MSCI AC World Index (CAD)[1]	15.8%	19.6%	13.7%	12.3%

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

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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 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 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 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.

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