IA Wealth Growth Portfolio

Manager commentary – Q1 2025

As 2024 progressed, the world appeared to be slowly finding the right balance between encouraging growth and controlling inflation. Central banks throughout the world made concerted efforts to manage the cost of living and inflation challenges facing individuals and businesses.

The most recent quarter was dominated by U.S. President Trump's surprisingly aggressive stance on tariffs, particularly towards Canada. By the end of the period, Trump had implemented 25% tariffs on steel, aluminum and cars, with more tariff announcements expected in April.

U.S. growth was expected to be somewhat flat in the first quarter, as consumer and business confidence was increasingly shaken by political uncertainty. The U.S. Federal Reserve held its target interest rate steady at 4.50%.

In Canada, the economic recovery was going well, with interest-rate cuts taking the policy interest rate down to 2.75%. However, uncertainty related to trade policy caused household and business confidence to plummet, slowing the economy.

The European economy continued to stagnate, but optimism returned with peace negotiations in Ukraine and the announcement of substantial fiscal stimulus in Germany. Some signs of a pick-up in growth emerged, but tariffs weighed down activity.

China's economy struggled with a balance sheet recession, as households and companies alike prioritized debt repayment over spending or investing, leading to economic stagnation.

The U.S. equity market, as represented by the S&P 500 Index, returned favourable results in 2024 but regressed by 4.3% in the first quarter of 2025 given economic pressures. Over the 12-month period, this resulted in a return of 8.3% in U.S.-dollar terms and 15.1% in Canadian-dollar terms.

Canadian equities, as represented by the S&P/TSX Composite Index, fared better toward the end of the period, with returns of 1.0% for the last quarter and 15.8% for the period.

On the global front, the MSCI World Index and MSCI EAFE Index respectively returned -1.7% and 6.9% over the last quarter (in Canadian-dollar terms, therefore including foreign currency movements) and 13.8% and 11.5% for the period.

Regarding fixed income, the FTSE Canada Universe Bond Index returned 7.7% for the period and was supported by interest rate-declines, including a 2.0% progression for the last quarter.

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During the period, the Fund generally held an overweight position in equities and an underweight position in fixed income, which contributed to performance as equities outperformed fixed income. The Fund’s slightly underweight exposure to U.S. equities contributed to performance, as did its overweight exposure to short-term securities. Individual contributors included IA Clarington Loomis Global Multisector Bond Fund, PIMCO Monthly Income Fund and IA Clarington Global Dividend Fund, which all outperformed their respective benchmark.

Detractors from the Fund’s performance included Manulife Global Equity Class, IA Clarington Strategic Equity Income Fund, IA Clarington Global Equity Fund and IA Clarington Floating Rate Income Fund.

The Fund’s allocation shifted slightly from equities to fixed income and money markets during the period. Within fixed income, the Fund’s allocation to corporate bonds and money markets increased. Within equities, the Fund’s allocation shifted to global equities from U.S. and Canadian equities. The Fund’s allocation to emerging markets equities decreased slightly.

The Fund gained exposure to Japan through a long position in Nikkei futures.

The Fund is no longer invested in gold via long futures positions.

The fund manager maintains the Fund’s generally overweight stance on equities, but now favours international over North American markets. Non-U.S. equities, particularly European ones, are benefiting from an improving manufacturing cycle, better fiscal support and cheaper valuations.

The fund manager’s view on government bonds remains neutral. High-yield bonds still offer attractive returns, and the asset class remains a hedge against equity and growth risks, but central banks are moving cautiously. The fund manager expects central banks to prioritize growth support over inflation concerns.

In currencies, the Fund has an overweight exposure to the Japanese yen. After years of depreciation, the yen is the most undervalued developed market currency, but inflationary pressures are changing this dynamic. The Fund also has overweight exposures to the Canadian dollar and euro relative to the U.S. dollar.

Within asset classes, the fund manager has a slight tactical preference for equities over fixed income and cash. Within equities, the fund manager prefers to access Japanese markets using Nikkei futures. The Fund has increased its short U.S.-dollar positions versus the Canadian dollar, the Japanese yen and the euro.

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Fund and benchmark performance, as at March 31, 2025	1-year	3-year	5-year	Since inception (Apr. 2016)
IA Wealth Growth Portfolio – Series B	6.8%	4.4%	7.9%	4.8%
7% ICE BofA US High Yield Constrained Index (CAD Hedged), 10% S&P 500 Index (CAD), 20% S&P/TSX Composite Index, 28% FTSE Canada Universe Bond Index, 35% MSCI World Index (CAD)[1]	12.2%	8.5%	11.6%	8.8%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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.

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

[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 Fund's strategy is to invest in other investment funds. 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 benchmark is a blend of 7% ICE BofA US High Yield Constrained Index (CAD Hedged), 10% S&P 500 Index (CAD), 20% S&P/TSX Composite Index, 28% FTSE Canada Universe Bond Index and 35% MSCI World Index (CAD). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. 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 S&P/TSX Composite Index is the premier indicator of market activity for Canadian equity markets, with 95% coverage of Canadian-based, TSX-listed companies. The index includes common stock and income trust units and is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices. The S&P 500 Index (CAD) includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. The FTSE Canada Universe Bond Index is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada. The ICE BofA US High Yield Constrained Index (CAD Hedged) tracks the performance of U.S. dollar denominated below investment grade corporate debt publicly issued in the U.S. domestic market. The Fund's geographic, sector and credit quality exposure may differ from that of the benchmark. The Fund's fixed income component can invest in both investment grade and high yield bonds while the benchmark has exposure only to investment grade bonds. The Fund may have different currency risk exposure than the benchmark. The Fund may hold cash while the benchmark does not. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. 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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