

IA Clarington Money Market Fund

Manager Commentary – Q1 2026

The last 12 months were eventful on the economic and geopolitical fronts. 2025 was marked by global trade tensions initiated by the U.S. administration, leading to economic uncertainties. As trade tensions gradually eased and a government shutdown episode was settled, the first quarter of 2026 brought renewed geopolitical disruption. Tensions with Europe emerged over territorial disputes, while conflict in Iran produced the most significant economic consequences.

The blockade of the Strait of Hormuz led to a substantial reduction in global oil supply, pushing the price of Brent crude to US\$104 per barrel by the end of March, an increase of more than 90% since the beginning of 2026. The resulting inflationary pressure extended to other commodities, and interest rates increased globally as inflation expectations rose. The magnitude of the inflationary effect will ultimately depend on the duration of the blockade.

The U.S. Federal Reserve kept its policy rate unchanged during the quarter, balancing above-target inflation against a softening labour market where job creation was essentially flat. U.S. growth rebounded in the first quarter, supported by investment spending in artificial intelligence, though the conflict in Iran is expected to act as a challenge. North American markets are less exposed to goods transiting through the Strait, and the U.S. remains a net exporter of oil, suggesting a limited effect on U.S. growth.

In Canada, the labour market started the year on a weak footing, with job losses erasing gains recorded at the end of 2025. Inflation remained well controlled below 2% as of February, although higher energy prices are expected to create renewed upward pressure. Canada's geographic position and the importance of its energy sector should help limit the negative effect of the shock on the domestic economy. In this context, the Bank of Canada is expected to remain on hold.

The Fund has a clear focus on capital preservation and invests primarily in money market instruments that mature in less than 365 days. Throughout the period, the Fund was invested essentially in Treasury bills. The fund manager continues to focus on investing in high-quality issuers and maintaining a high degree of liquidity in the Fund. The fund manager is not taking any unnecessary risk in security selection as the Fund's main investment objectives are capital preservation and liquidity.

The global economy has shown resilience, with gross domestic product growth projected to reach 3.1% to 3.3% in 2026. However, the conflict in Iran has increased uncertainties for both economic and market outlooks. The most significant direct effect is on the price of oil, which leads to higher inflation and higher interest rates.

The fund manager believes that the path forward from this conflict may be difficult to orchestrate, as Iran maintains key leverage through its control of the Strait of Hormuz. In this environment, the fund manager remains attentive to the evolution of the conflict and its effects on economic data and inflation.

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

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