

IA Clarington Target Click 2025 Fund

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. Amid the combination of downside risks to growth and upside risks to inflation, the U.S. Federal Reserve held interest rates steady during the quarter, leaving the target interest rate at 4.50%.

In Canada, the economic recovery was going well at the end of 2024 and early 2025, with interest-rate cuts taking the policy interest rate down to 2.75%. However, uncertainty related to trade policy resulted in household and business confidence plummeting, 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.

Regarding fixed income, the FTSE Canada Universe Bond Index returned 7.7 % for the 12-month period and was assisted by interest-rate declines. This included a 2.0% progression for the last quarter.

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 from tariffs and more expensive valuations. Over the period, this resulted in a return of 8.3% in U.S.-dollar terms.

On the international front, the MSCI EAFE Index returned 2.9% over the last quarter (in local currency) and 4.1% for the period.

To honour its guarantees, the Fund is almost fully invested in zero-coupon bonds maturing in June of 2025. The remaining portion of the Fund is invested in a global equity fund and Treasury bills.

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The Fund's equity component contributed to performance as its only underlying equity fund, iA Clarington Global Equity Exposure Fund, generated positive results. The underlying fund's exposures to the S&P 500 and to the MSCI EAFE and its options holdings contributed to performance. The systematic leverage applied to the underlying fund also contributed to performance. However, owing to its small weight within the portfolio and its modest returns, the underlying fund's effect on performance was limited.

The Fund's fixed-income portion contributed to performance as its returns were favourably affected by declining interest rates, although the Fund's interest-rate sensitivity was modest. The Fund was almost fully invested in Ontario zero-coupon bonds maturing in June 2025. These shorter-term bonds performed well during the period.

The fund's investment in global equity was modestly reduced and its fixed-income position was increased as part of a natural shift in portfolio composition to better honour the Fund's guarantees for June 2025.

New positions included Canadian Treasury Bills that replaced short-term instruments, which had reached maturity during the past few months.

Decreased positions included IA Clarington Global Equity Exposure Fund to shift the portfolio composition toward more provincial zero-coupon fixed-income securities maturing in 2025.

Eliminated positions included Canadian Treasury Bills that reached maturity during the period.

Economic conditions have become more difficult recently with the aggressive tariff conflict initiated by the U.S. government. Uncertainty has resulted in volatile market conditions and negative equity market returns in recent months. Consumer and business confidence has weakened, and inflation is on the rise.

The fund manager will be watching to see how central banks respond to economic developments, as fighting inflation while trying to encourage growth can be challenging. Typically, interest-rate interventions can affect inflation in one direction while having the opposite effect on growth.

The Fund continues its natural shift in portfolio composition to honour its guarantees for 2025, decreasing the Fund's exposure to market conditions.

Fund and benchmark performance, as at March 31, 2025	1-year	3-year	5-year	10-year
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IA Clarington Target Click 2025 Fund – Series A	8.3%	4.6%	2.2%	1.2%
10% MSCI World Index (CAD)¹, 90% FTSE Canada All Government Bond Index	7.9%	2.9%	1.6%	2.4%

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 financial advisor.

¹Source: 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 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 FTSE Canada All Government Bond Index (90%) and MSCI World Index (CAD) (10%). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The FTSE Canada All Government Bond Index consists of a selection of investment-grade Government of Canada fixed-income securities issued domestically in Canada. The FTSE Canada All Government Bond Index is comprised of Canadian investment grade bonds and has different portfolio duration characteristics. 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 Fund's market capitalization, geographic, sector and credit quality 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. 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.

Each of the IA Clarington Target Click Funds (the "Funds") will pay, on the Fund's maturity date, the highest month-end net asset value per unit achieved during the life of the Fund. Industrial Alliance Insurance and Financial Services Inc. ("Industrial Alliance"), the parent company of the Manager of the Funds, has provided a guarantee to each of the Funds that it will pay any shortfall to the Fund if the net asset value of any Fund is less than its guaranteed value at maturity. Each Fund's maturity date will occur on June 30 of the year specified in the Fund's name. The guaranteed amount will benefit the investors who hold units of the Fund on that maturity date. If an

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investor were to redeem units of the Fund before the maturity date, the redemption will be based on the net asset value at the time of transaction. In some circumstances, the maturity date for a Fund may be accelerated, in which case the Fund will pay the greater of the net asset value on that accelerated maturity date and the net present value of the guaranteed amount, less any applicable redemption charges.

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Commissions, trailing commissions, management fees, brokerage fees and expenses all may be associated with mutual fund investments, including investments in exchange-traded series of mutual funds. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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