IA Clarington Target Click 2030 Fund

Manager Commentary – Q2 2026

Similar to recent quarters, the second quarter of 2026 was dominated by the conflict in Iran, as fighting continued to begin the period. A ceasefire was announced in early April, followed by several weeks of negotiations and culminating in a peace agreement by mid-June.

The Strait of Hormuz remained largely closed for most of the quarter, leading to a significant drawdown in global oil inventories. However, oil prices began to decline soon after the ceasefire announcement and dropped sharply once the peace deal was confirmed, moving from around US$100 on April 1 to US$70 by June 30. Shipping through the Strait gradually resumed toward the end of June.

Rising energy prices pushed inflation higher. In the U.S., headline CPI inflation exceeded 4%, while core inflation (which excludes energy) remained more contained at around 3%. The sharp decline in oil prices in June is expected to help ease inflation in the coming months, though inflation is likely to remain above target.

At the same time, the U.S. economy remains resilient, supported by expansionary fiscal policy and strong investment in artificial intelligence (AI). The labour market has strengthened again, with job creation rising and unemployment remaining stable.

Against this backdrop, the new Chair of the U.S. Federal Reserve (the Fed), Kevin Warsh, has taken office. With inflation still elevated and policymakers increasingly focused on inflation risks, markets now expect one to two additional interest-rate hikes by year-end.

Over the quarter, this resulted in stable long-term interest rates and rising short-term rates. In other words, the yield curve flattened, reflecting expectations of tighter monetary policy alongside reduced fears of a sustained inflation spiral. Ten-year yields held near 4.4%, while two-year yields rose from 3.8% to 4.1%.

In Canada, GDP declined in the first quarter, but available indicators suggest a rebound in the second quarter. Meanwhile, the labour market has stabilized, with unemployment between 6.5% and 7%. Slower population growth, due to changes in immigration policy, is acting as a headwind for economic growth. Overall, the Canadian economy is slowing, but the risk of recession remains low.

Inflation in Canada has also increased, driven by higher energy and food prices, although core inflation remains well controlled. Inflation is expected to hover around 3% in the coming months. In this environment, the Bank of Canada is likely to keep interest rates unchanged in 2026, with potential rate hikes in 2027 if growth strengthens. Interest rates edged down slightly over the quarter, reflecting weaker growth and lower inflation risks. As a result, markets have revised down their expectations for the policy rate.

Several central banks raised interest rates during the quarter. Notably, the European Central Bank (ECB), the Bank of Japan and the Reserve Bank of Australia each increased their policy rates by 25 basis points. While modest so far, this tightening cycle could gradually weigh on global economic growth over the medium term.

Bond markets experienced elevated volatility in the second quarter, as had been the case in the first quarter of 2026, with yields closely tracking geopolitical developments involving Iran and the U.S., including disruptions like the temporary closure of the Strait of Hormuz. Shifts in tensions repeatedly influenced risk sentiment and drove fluctuations in government bond yields. The 10-year Government of Canada yield peaked near 3.70% in mid-May before declining to around 3.35% in mid-June. At the same time, evolving

communication from central banks, particularly the Fed and the ECB, added to uncertainty, even as the U.S. economy remained resilient despite this highly uncertain environment.

The Fund underperformed its benchmark during the second quarter of 2026.

The main detractor from performance during the quarter was the Fund's underweight position in equities, which outperformed significantly over the period. The Fund's overweight position in fixed income detracted from performance as the asset class generated lower returns compared to equities.

To meet its obligations due in 2030, the Fund will keep and gradually increase its allocation towards fixed-income securities with a maturity in 2030, while reducing its allocation to equities. More specifically, the Fund will continue to invest primarily in Ontario provincial bonds due in 2030.

Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	5-year	10-year
IA Clarington Target Click 2030 Fund – Series F	1.4%	2.5%	3.9%	0.1%	1.8%
20% MSCI World Index^ (CAD), 80% FTSE Canada All Government Bond Index	4.6%	7.5%	7.3%	3.0%	3.8%

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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.

^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 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 (80%) and MSCI World Index (CAD) (20%). 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.

IA Clarington Target Click 2030 Fund

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.

Series F securities are available only to investors participating in fee based advisory programs through their dealer. No sales charges apply when investing in Series F. iA Clarington does not pay ongoing trailing commissions to dealers for Series F and therefore are not embedded in the Management Expense Ratio (MER). Instead, investors pay an explicit dealer advisor fee for investment advice and related services. Any differences in performance between fund series are primarily due to differences in fees and expenses, as described in the fund's prospectus.

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 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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