IA Clarington Target Click 2030 Fund

Manager commentary – Q2 2025

The second quarter kicked off at full speed with the U.S. administration's "Liberation Day" and the implementation of reciprocal tariffs. These were later temporarily suspended, which contributed to an improvement in the global economic climate. A bilateral agreement was reached with the U.K., and discussions with China led to a postponement of new tariff impositions.

Despite this easing, risks remain high. Tariffs on steel and aluminum were doubled, and the end of the moratorium on reciprocal tariffs is expected in July. Legal uncertainty regarding the legitimacy of current measures adds another layer of complexity, with little clarity on short-term policy options.

The "One Big Beautiful Bill" continues its course in Congress, bringing both spending and tax cuts. When adding the impact of tariffs on revenues, the net effect on the deficit is expected to be neutral, keeping it very high compared to the historical average. The long-term fiscal trajectory of the U.S. remains unsustainable.

The U.S. economy has shown remarkable resilience in the face of declining confidence and rising uncertainty. The phenomenon of "tariff front running"—importers accelerating shipments in anticipation of higher tariffs—has helped cushion the blow. Easing trade tensions has also supported the perception that disruptions are temporary, stabilizing consumption. Companies have not initiated significant layoffs, and investment in intelligence continues at a rapid pace, supporting growth.

Despite this resilience, some leading indicators point to a slowdown, especially in the labour market, where job creation is slowing and unemployment insurance claims are ticking up slightly. However, these signals are not yet alarming.

Inflation remains above the U.S. Federal Reserve's (the Fed) target, but has shown signs of moderating over the quarter. The impact of tariffs has not yet been fully passed through to consumer prices, which could change if the planned increases in July are implemented. The Fed remains in a wait-and-see mode, balancing growth and inflation risks.

In Canada, the economy is showing signs of weakening, largely owing to uncertainty surrounding U.S. tariffs. That said, there are emerging signs of a possible trade agreement with the U.S., which could significantly reduce current tariffs and thus limit the risk of recession. Inflation remains persistent, preventing the Bank of Canada from further easing its monetary policy. The new federal government, elected with a strong economic mandate, plans to launch major infrastructure projects, notably in energy, and to rapidly increase defense spending. These measures should boost economic activity but raise questions about fiscal sustainability.

In Europe, the economy is slowly regaining strength, supported by the European Central Bank's still-accommodative monetary policy. However, growth remains modest, held back by domestic demand that remains weak, and ongoing geopolitical uncertainties.

NATO countries have agreed to increase defense spending to 5% of their GDP, up from the previous target of 2%. This should create upward pressure on fiscal spending and sovereign interest rates.

Markets experienced significant volatility early in the quarter in response to trade tensions. However, gradual easing allowed the S&P 500 Index to regain lost ground, up 12% on the quarter. This rebound was supported by technology giants that continue to benefit from the tailwind of artificial intelligence.

In the second quarter, European and Canadian markets no longer outperformed U.S. markets. For example, performance of the EURO STOXX 50 Index was flat over the quarter, while the S&P/TSX Composite Index was up by 8%.

The Canadian fixed-income market finished the quarter slightly negative, with the FTSE Canada Universe Bond Index posting a return of -0.57%, the FTSE Canada Long Term Bond Index posting a negative return of -2.32%, and the FTSE Canada Corporate Bond Index posting a return of 0.45%.

IA Clarington Target Click 2030 Fund Series A underperformed its benchmark during the second quarter of 2025.

Its negative relative return was mostly owing to its underweight position in equities, which outperformed during the period. The Fund's overweight position in fixed income detracted to performance as the asset class generated lower returns compared to equities.

Security selection within the fixed-income component was a contributor to performance.

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 lowering the allocation in equities. More specifically, the Fund will continue to invest mainly in Ontario provincial bonds due in 2030.

IA Clarington Target Click 2030 Fund

Fund and benchmark performance, as at June 30, 2025	1-year	3-year	5-year	10-year
IA Clarington Target Click 2030 Fund – Series A	6.4%	4.1%	-1.1%	1.0%
20% MSCI World Index (CAD)[1], 80% FTSE Canada All Government Bond Index	7.6%	6.9%	2.0%	3.5%

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.

[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 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.

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.

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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