

IA Clarington Target Click 2030 Fund

Manager commentary – Q4 2025

During the fourth quarter of 2025, the U.S. Federal Reserve (the Fed) continued its cycle of interest-rate cuts that began at the end of the third quarter, despite a federal government shutdown that paused the publication of economic data for several weeks, making the Fed's job more complex.

This government shutdown lasted 43 days, making it the longest in U.S. history. It likely caused an economic slowdown, although this should be short-lived. The agreement ending the shutdown did not resolve the main sticking point—the end of a subsidy program for medical insurance costs—setting the stage for another confrontation in early 2026.

Although macroeconomic analysis was made more difficult by the lack of data for several weeks, it is clear that the labour market is weakening. The U.S. unemployment rate reached 4.6% in November, as many companies paused their hiring plans. Despite this, layoffs across the economy remain modest, limiting the extent of the damage. Some indicators even show stabilization and a rebound toward the end of the quarter.

Beyond the labour market and the government shutdown, economic growth has remained strong in the U.S., supported by household consumption and investments in artificial intelligence.

Inflation is under control but remains above its target, at 2.7% year-over-year in November. Tariffs continue to exert upward pressure on prices, but the risks of an overheating economy are contained for now.

The Fed is grappling with a situation where risks to both inflation and unemployment are rising, putting its dual mandate at odds. The Board of Governors is placing more emphasis on the labour market, resulting in three consecutive interest-rate cuts (September, October, December). Political interference from the Trump administration continues, but the institution appears to be resisting, making an excessive monetary stimulus unlikely.

In Canada, the labour market regained strength after a significant weakening during the summer. Even though there is still no trade agreement between Canada and the Trump administration, existing tariffs remain relatively low, and the trade relationship has stabilized, allowing business confidence to improve. After a rebound in the third quarter, economic growth in Canada is expected to be roughly flat in the fourth quarter, notably owing to population growth being at a standstill.

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Inflation is stable but near the upper end of the 1–3% range. The Bank of Canada ended its easing cycle in October, lowering the policy rate to 2.25%. It is expected to remain on the sidelines for some time. In early November, the federal budget was tabled, relying on an increased deficit to finance public investments, particularly to boost export capacity outside the U.S. The aim is also to crowd-in private investment, especially in nationally significant projects. The short-term impact of the budget should be limited, but positive effects may emerge starting in 2027 or 2028. The fiscal situation is deteriorating, putting upward pressure on interest rates.

In Europe, the economy continues its gradual recovery, with industrial production stabilizing, unemployment remaining low, and the services sector expanding. Inflation is stable near 2%, which is keeping the European Central Bank on the sidelines in the medium term.

From a geopolitical perspective, ceasefire negotiations in Ukraine are ongoing, but a deal still appears distant. The U.S. is increasingly pressuring the Nicolás Maduro regime in Venezuela, with a significant concentration of military forces deployed in the Caribbean.

Global markets delivered moderate gains in the fourth quarter, with the S&P/TSX Composite Index outperforming major indices as U.S. growth remained resilient despite a prolonged government shutdown and easing by the Fed. Labour market weakness and geopolitical tensions added to volatility, while energy prices fell and gold surged. In Canada, stable inflation and firmer business confidence supported yields. Looking ahead, we expect uneven but positive global growth, with monetary policy largely on hold and AI-related investment continuing to drive market leadership despite occasional volatility.

IA Clarington Target Click 2030 Fund – Series A outperformed its benchmark over the fourth quarter of 2025. Security selection within the Fund's fixed-income component was the main contributor to performance. The main detractor from performance during the quarter was its underweight position in equities, which outperformed during the period. The overweight position in fixed income detracted to 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 lowering the allocation in equities. More specifically, the Fund will continue to invest mainly in Ontario provincial bonds due in 2030.

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Fund and benchmark performance, as at December 31, 2025	1 year	3 years	5 years	10 years
IA Clarington Target Click 2030 Fund – Series A	3.7%	4.7%	-1.1%	1.4%
20% MSCI World Index[^] (CAD)¹, 80% FTSE Canada All Government Bond Index	4.7%	7.2%	1.9%	3.6%

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 (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.

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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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