

IA Clarington Thematic Innovation Class

Manager commentary – Q2 2025

Investors faced an unusual number of challenges in the first half of 2025. These included the implementation of new U.S. tariff policies, slowing economic growth, persistent inflation and increasing geopolitical tensions worldwide. Taken together, this uncertainty resulted in market volatility and eroded investor confidence. One of the most notable changes in the market from 2024 to now is the increased volatility stemming from sudden shifts in various policy areas, particularly trade. This uncertainty has likely caused a slowdown in certain business activities, such as hiring, mergers and acquisitions, and private investments. Nonetheless, U.S. consumer spending data remains relatively robust overall. Consequently, most indexes, including the S&P 500 Index, are near all-time highs.

We believe the remainder of 2025 will reward agility, discipline and a forward-looking investment approach. Thematic innovation, particularly around artificial intelligence (AI) and reshoring, continues to offer fertile ground for the generation of alpha. By staying focused on secular growth drivers and maintaining a rigorous risk management framework, we aim to navigate the volatility and capitalize on the opportunities that lie ahead.

IA Clarington Thematic Innovation Fund Series A outperformed the S&P 500 in the second quarter of 2025, with a return of 8.8% compared to 5.2% for the benchmark. A key driver of performance was the tactical decision to increase risk and exposure to growth and AI-related equities during the April market downturn—positioning that proved beneficial as technology and AI led the market recovery.

Overall, performance was supported by an overweight allocation in growth sectors such as information technology and communication services. Stock selection also contributed positively, particularly in technology and AI-related names, as well as in the industrials sector with exposure to enterprise software and data centre capital expenditures.

As we enter the third quarter of 2025, we anticipate greater clarity around U.S. President Trump's policy direction. The consumer remains resilient, and the labour market shows no signs of weakness. We believe the peak in uncertainty is behind us and, so far, hard data has held up. With the reconciliation bill nearing passage, we expect more visibility on tax cuts and a potential boost in consumer sentiment.

Despite a defensive tilt in the first half of 2025, we see selective opportunities emerging in cyclical sectors such as industrials and financials. Staying true to our barbell strategy, we continue to hold established leaders while selectively adding companies with strong operational track records that are mispriced.

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Fund and benchmark performance, as at June 30, 2025	1-year	3-year	5-year	10-year
IA Clarington Thematic Innovation Class – Series A	12.7%	20.6%	13.3%	8.9%
S&P 500 Index (CAD)	14.8%	22.0%	16.7%	14.7%

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

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 Fund's benchmark is the S&P 500 Index (CAD). The S&P 500 Index (CAD) includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. The Fund's market capitalization, geographic and sector 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. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance. Effective May 30, 2019, Taylor Asset Management Inc. was removed as sub-advisor and Industrial Alliance Investment Management Inc. remained as portfolio manager, and the Fund's investment strategies changed. Effective April 1, 2023, the portfolio manager changed to iA Global Asset Management Inc.

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.

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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

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