

IA Clarington U.S. Dividend Growth Fund

Manager commentary – Q3 2025

The end of the period (April 1, 2025 – September 30, 2025) was marked by easing trade tensions and global economic resilience, but there were concerns about U.S. inflation and a loss of independence and credibility at the U.S. Federal Reserve (the Fed).

The ratification of trade agreements between the U.S. and key partners such as the European Union, Japan and South Korea reduced uncertainty and made the business environment more predictable. That said, tariffs accounted for 10% of total imports as of August, and this proportion was expected to rise as companies rebuilt inventories.

The “One Big Beautiful Bill” (OBBB) was ratified during the summer. Its net effect will be to stimulate the U.S. economy in the short term, partially offsetting the negative effects of tariffs. However, the combined effect of tariff revenues and the OBBB does not materially change the U.S. fiscal trajectory.

The U.S. economy continued to grow and consumption rebounded, driven by wealthier households and a positive wealth effect from strong financial market performance. Non-residential investment also remained robust, particularly in artificial intelligence (AI).

Job creation slowed significantly over the summer but remained positive. Layoffs were limited, but hiring was also subdued. This may have been the result of lower immigration.

Inflation accelerated slightly, hovering around 3% year-over-year. Tariffs began to affect consumer prices.

In this environment, the Fed lowered its benchmark interest rate by 25 basis points, with further cuts expected by year-end.

In equities, the U.S. equity market represented by the S&P 500 Index returned strong results, although the weakening of the U.S. dollar versus the Canadian dollar detracted from returns. The top sectors included information technology, communication services and consumer discretionary.

The Fund’s security selection in the consumer staples, communication services and materials sectors contributed to performance, as did its underweight exposure to the energy and health care sectors. Individual contributors included Microsoft Corp., which delivered strong stock performance driven by robust third-quarter earning results. Revenue and earnings per share (a company's profits per share of common stock outstanding) exceeded expectations, fueled by 33% growth of its Azure platform and surging AI adoption. Continued momentum in cloud computing and strategic AI investments reinforced investor confidence. Alphabet Inc. also performed well, driven by robust advertising revenue growth and

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accelerating momentum in cloud-computing services. Investor confidence was boosted by continued AI integration across products and disciplined cost management.

The Fund's stock selection in the financials and information technology sectors were the primary detractors from performance. The Fund's significantly underweight exposure to the information technology sector also detracted, as did its overweight exposure to the consumer staples sector. Individual detractors included leading U.S. healthcare insurer UnitedHealth Group Inc., as its stock performance declined owing to surging medical costs and higher utilization trends, particularly in Medicare Advantage. The company's narrowing margins (profits after accounting for cost) and an earnings-per-share miss further weighed on investor sentiment. Accenture PLC, a global professional services firm, saw its stock performance decline owing to weaker consulting demand and delayed client spending on digital transformation. Investor sentiment was further dampened by pressure on margins from higher labour costs and cautious enterprise budgets.

New positions included diversified real estate investment trust Prologis Inc. for its differentiated yield.

Increased positions included NVIDIA Corp. as part of a broader adjustment to the Fund's AI-related exposure.

Decreased positions included Waste Connections Inc. to reflect the stock's price appreciation.

Eliminated positions included Exxon Mobil Corp., and the proceeds were redeployed in favour of an investment with more durable cash flow coverage (a company's ability to meet its debt obligations using the cash it generates from normal business operations).

According to the fund manager, policy signals and trade rhetoric have remained fluid, and interest-rate expectations were reset as inflation progress slowed unevenly across regions. Equity leadership stayed narrow but durable, led by cash-rich platforms tied to AI and productivity, while cyclical stocks (stocks whose performance is impacted by economic expansions and contractions) were more volatile. Periodic volatility appears likely as growth cools and policy paths diverge. The underlying fund manager's stance is selective, prioritizing balance-sheet strength, durable cash flows and credible runways for reinvestment, while maintaining the flexibility to add selectively amid market dislocations. This approach should support attractive risk-adjusted returns over time. Earnings breadth (refers to the number of companies whose earnings are increasing or decreasing) may improve gradually as inventories continue to normalize.

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Fund and benchmark performance as at September 30, 2025	1 year	3 year	5 year	10 years
IA Clarington U.S. Dividend Growth Fund – Series A	11.4%	18.2%	13.2%	9.8%
S&P 500 Index (CAD)	21.1%	25.5%	17.4%	15.7%

For definitions of technical terms, visit iaclarington.com/glossary or 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 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 invests in dividend paying stocks while the benchmark is comprised of companies, which may not necessarily pay a dividend. 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 November 26, 2012, McLean Budden Limited was removed as sub-advisor to the 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 time periods of more than one year are historical annual compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized. Where applicable, compound growth charts are used only to illustrate the effects of a compound growth rate and are not intended to reflect future values or returns of a fund. 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.

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