

# IA Clarington U.S. Dividend Growth 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 tariffs were later postponed, which contributed to an improvement in the global economic climate. Markets experienced significant volatility early in the quarter in response to trade tensions. Even so, gradual easing allowed the S&P 500 Index to regain lost ground, and it rose 12.0% on the quarter. The rebound was supported by technology giants, which continued to benefit from the tailwind of artificial intelligence (AI).

Despite some easing of trade tensions, the U.S. equity market experienced a volatile quarter as investors reacted to tariff policies targeting key trading partners. This created significant uncertainty for sectors with global supply chains and was reflected in economic data, with the ISM Manufacturing Index signaling a contraction in the factory sector. Earnings were uneven across sectors, but many mega-cap technology stocks continued to deliver strong results, buoyed by investor enthusiasm for AI.

We expect the market will remain highly sensitive to policy developments and their economic consequences. Given the high valuations in some parts of the information technology sector, a disciplined and selective approach remains pivotal for future returns. Our focus is on identifying high-quality companies with strong balance sheets and durable competitive advantages that can maintain resilience through a potentially challenging macroeconomic environment.

Over the period, the Fund's performance was driven by strong security selection in the information technology sector. Key contributors to this performance included Broadcom Inc., Microsoft Corp. and NVIDIA Corp., all of which benefited from robust earnings and continued positive sentiment around AI. However, this was partially offset by underperformance from some names within the health care sector, notably UnitedHealth Group Inc., as well as headwinds faced by our holdings in the utilities sector.

Our strategy is to preserve capital through short-term volatility while aiming to outperform over the long run. This quarter, we shifted to a more defensive footing. We took profits in highly valued technology and payments leaders like Alphabet Inc. and Mastercard Inc., and trimmed exposure to certain cyclical service-based names. We redeployed that capital into defensive sectors, initiating a position in The Hershey Company and adding to the Fund's holding in Ares Capital Corp.

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Fund and benchmark performance as at June 30, 2025	1 year	3 year	5 year	10 years
IA Clarington U.S. Dividend Growth Fund – Series A	12.0%	16.0%	13.5%	9.2%
S&P 500 Index (CAD)	14.8%	22.0%	16.7%	14.7%

For definitions of technical terms, visit [iaclarington.com/glossary](http://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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with mutual funds. Please read the prospectus for a more detailed discussion on specific risks of investing in mutual funds.

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