IA Clarington U.S. Dividend Growth Fund

Manager commentary – Q1 2025

As 2024 progressed, the world appeared to be slowly finding the right balance between encouraging growth and controlling inflation. Central banks throughout the world made concerted efforts to manage the cost of living and inflation challenges facing individuals and businesses.

The most recent quarter was dominated by U.S. President Trump's surprisingly aggressive stance on tariffs, particularly towards Canada. By the end of the period, Trump had implemented 25% tariffs on steel, aluminum and cars, with more tariff announcements expected in April.

U.S. growth was expected to be somewhat flat in the first quarter, as consumer and business confidence was increasingly shaken by political uncertainty. Amid the combination of downside risks to growth and upside risks to inflation, the U.S. Federal Reserve held its target interest rate steady at 4.50%.

The U.S. equity market, as represented by the S&P 500 Index, returned favourable results in 2024 but regressed by 4.3% in the first quarter of 2025 given economic pressures from tariffs and more expensive valuations. Over the period, this resulted in a return of 8.3% in U.S.-dollar terms and 15.1% in Canadian-dollar terms.

The Fund's security selection within the information technology, consumer staples, materials and financials sectors contributed to performance over the period (April 1, 2024 – March 31, 2025), as did its overweight exposures to the financials and utilities sectors, which outperformed the benchmark. Individual contributors included Broadcom Inc., which produced robust revenue and earnings in the second and third quarters, owing in part to growth in key segments like Ethernet networking and custom accelerators for artificial intelligence data centres. Additionally, Broadcom's successful integration of VMware Inc. has played a crucial role in its share price performance. CMS Energy Corp. experienced strong gains owing to favourable regulatory decisions and declining interest rates. Philip Morris International Inc.'s strategic shift towards smoke-free products has been well received by the market.

The Fund's overweight exposures to the materials and health care sectors detracted from performance as these sectors lagged the market. The Fund's security selection in the health care and consumer discretionary sectors also detracted, as did its cash position. Individual detractors included Microsoft Corp., which saw weaker sales in its cloud services and software segments, and increased competition and regulatory scrutiny further dampened investor sentiment. Elevance Health Inc. faced rising health care costs, lower-than-expected enrollment in its insurance plans and regulatory pressures.

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New positions included CME Group Inc., one of the world's leading derivatives marketplaces. CME is a high-quality company that could see increased revenue owing to increased trading volumes as a result of higher market volatility. The Sherwin-Williams Co. was added as existing housing turnover was at historically low levels given that many U.S. homeowners are locked into long-dated mortgages that they likely do not want to reset into higher mortgage rates.

Increased positions included CMS Energy as the company benefited from both realized and anticipated interest-rate cuts, and the fund manager prefers to maintain the Fund's exposure to utilities companies in Michigan's utilities-friendly environment.

Decreased positions included Apple Inc., which was trimmed as its multiples (a ratio that measures a company's financial health and indicates how much investors are willing to pay for a security) approached highly elevated levels and its forward earnings (a company's projected or expected earnings) were contingent on what the company could achieve regarding Apple Intelligence.

Eliminated positions included American Water Works Co. Inc., which was sold to fund the increase in CMS Energy. Berry Global Group Inc. was sold to rotate the Fund's positions into higher-quality companies.

U.S. equity markets have faced significant volatility driven primarily by President Trump's tariff policies targeting imports from key trading partners like Canada, Mexico and China. Sectors with global supply chains, like materials and consumer discretionary, are particularly vulnerable. The ISM Manufacturing Index fell to 49 in March, signaling an economic contraction (slowdown in the economy). This decline is likely attributable to decreased factory orders and employment as companies and workers grapple with market uncertainty.

Looking ahead, equity markets are expected to remain sensitive to developments in the White House. The Portfolio Manager will be cautious and closely monitor developments in trade negotiations in order to mitigate risk in the Fund.

Fund and benchmark performance as at March 31, 2025	1 year	3 year	5 year	10 years
IA Clarington U.S. Dividend Growth Fund – Series A	16.1%	12.6%	16.0%	9.1%
S&P 500 Index (CAD)	15.1%	14.3%	18.9%	13.9%

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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.

The information provided should not be acted upon without obtaining legal, tax, and investment advice from a licensed professional. Statements by the portfolio manager or sub-advisor represent their professional opinion and do not necessarily reflect the views of iA Clarington. Specific securities discussed are for illustrative purposes only and should not be considered a recommendation to buy or sell. Mutual funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ.

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. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.