IA Clarington QV U.S. Equity Class

Manager Commentary – Q1 2026

During the first quarter of 2026, IA Clarington QV U.S. Equity Class Series F returned 3.1% versus -2.6% for the S&P 500 TR Index ($CAD). Over the past year, the return was 11.0% for the Fund compared to 14.2% for the benchmark.

The U.S. equity market, as represented by the S&P 500 Index, delivered strong gains over the past 12 months. Returns through the summer and early fall were driven by a narrow group of information technology stocks benefiting from investor enthusiasm surrounding artificial intelligence (AI). Valuations were supported by the start of the U.S. Federal Reserve's (the Fed) cutting cycle and robust corporate earnings, while a softening labour market and weakening leading economic indicators supported the prospect of further rate cuts despite persistently sticky inflation. The expectation for lower borrowing costs buoyed small-capitalization stocks, which outperformed their large-cap peers, while growth stocks outpaced value.

A broadening of market leadership took place in the final quarter of 2025, with sectors such as health care, materials and financials coming to the fore on attractive valuations and improving fundamentals. In early 2026, escalating hostilities in the Middle East produced a defensive rotation, with energy stocks benefiting as oil and gas supply disruptions pushed commodity prices well above year-end levels.

Positive selection effects within the information technology and communication services sectors contributed to the Fund's performance during the 12-month period. An overweight allocation to energy and an underweight in financials were also additive.

Applied Materials Inc. contributed to the Fund's performance, driven by accelerating demand for AI-computing infrastructure. Concerns around capacity digestion in China caused brief weakness, but management's constructive 2026 outlook was well received by investors. Alphabet Inc. also contributed as solid revenue and earnings growth drove the share price higher. Google Cloud was a standout, with AI adoption driving a 47% year-over-year increase in run-rate revenues. The company's full-year operating margin of 32% was also solid. Johnson & Johnson contributed as strong top-line growth and a robust pipeline of new therapies to offset biosimilar erosion resonated with investors amid mounting macro risks. Overweight exposure to the consumer staples and health care sectors, combined with an underweight in information technology, detracted from the Fund's performance. Selection within health care and consumer discretionary also detracted.

Novo Nordisk AS detracted from the Fund's performance after issuing underwhelming 2026 guidance citing competitive pressure and pricing challenges that could result in negative sales and profit growth. Poor trial results for its next-generation obesity drug, CagriSema, which failed to demonstrate non-inferiority versus Eli Lilly and Co.'s Tirzepatide, added further pressure. The company has since launched an oral version of its Wegovy weight loss drug, which has been well received. Centene Corp. also detracted after withdrawing annual guidance as a result of a slowing ACA Marketplace business and worse-than-expected morbidity rates. UnitedHealth Group Inc. detracted as a rare earnings shortfall driven by higher-than-expected medical costs prompted the company to withdraw financial guidance and replace its CEO.

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The fund manager added new holdings in The Estée Lauder Companies Inc., Warrior Met Coal Inc., Halliburton Company, Old Dominion Freight Line Inc. and Netflix Inc. The fund manager increased the Fund's holdings in Novo Nordisk, Unilever PLC, PepsiCo Inc., Chevron Corp., Exxon Mobil Corp. and EOG Resources Inc.

Holdings in Hormel Foods Corp., Oracle Corp., Wells Fargo & Co., Aflac Inc. and Micron Technology Inc. were eliminated. The fund manager reduced the Fund's holdings in 3M Company, JPMorgan Chase & Co., UnitedHealth Group, Applied Materials and Alphabet Inc.

While the near-term outcome for the Strait of Hormuz remains uncertain, the conflict in the Middle East marks a continued shift toward a multipolar world. The fund manager believes equity market volatility could remain a persistent feature, as production declines and the destruction of energy infrastructure may constrain medium-term energy supply while supporting inflationary pressures. The fund manager believes diversification among the Fund's holdings should provide ongoing ballast, with numerous holdings trading toward trough valuations and providing attractive mid-term return potential. The remainder offer stable earnings growth or above-average compounding prospects that may provide inflation and downside protection through the current uncertainty.

Fund and benchmark performance as at March 31, 2026	**1-year**	**3-year**	**5-year**	**10-year**
IA Clarington QV U.S. Equity Class - Series F	11.0%	15.9%	13.8%	9.7%
S&P 500 Index (CAD)	14.2%	19.5%	14.4%	15.0%

Get ahead

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

This Fund changed its name from IA Clarington U.S. Equity Class, effective June 16, 2025.

Series F securities are available only to investors participating in fee based advisory programs through their dealer. No sales charges apply when investing in Series F. iA Clarington does not pay ongoing trailing commissions to dealers for Series F and therefore are not embedded in the Management Expense Ratio (MER). Instead, investors pay an explicit dealer advisor fee for investment advice and related services. Any differences in performance between fund series are primarily due to differences in fees and expenses, as described in the fund's prospectus.

The performance data comparison presented is intended to illustrate the Fund's historical performance 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. equity market. The Fund's market capitalization and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may differ from 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 the sub-advisor of the Fund was changed from Sarbit Advisory Services Inc. to QV Investors Inc., and the Fund's investment strategies changed.

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.

iA Clarington™ Investments

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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.

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.

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. Future-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ. Opinions may change as market conditions or other factors evolve.

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 presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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