

IA Wealth Enhanced Bond Pool

Manager commentary – Q3 2025

The end of the period 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 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.

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

The U.S. economy grew and consumption rebounded, driven by wealthier households and a positive wealth effect. Non-residential investment also remained robust, particularly in artificial intelligence.

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

Inflation hovered around 3% year-over-year, and tariffs began to affect consumer prices. The Fed lowered its benchmark interest rate by 25 basis points (bps), with further cuts expected by year-end.

The Canadian economy contracted in the second quarter but showed modest growth in the third. While consumer spending remained resilient, exports and investments were down, and the labour market weakened. Headline inflation was slightly below the 2% target, but core inflation stagnated between 2% and 3%. The Bank of Canada cut its benchmark interest rate by 25 bps in September.

The Carney government unveiled its initial list of nation-building projects, which included projects already well advanced in their approval process. The main themes were export diversification, energy dominance and critical minerals. Fiscal spending was expected to increase significantly from higher defense spending.

The European economy grew modestly in the third quarter, with inflation remaining around 2%. The European Central Bank held interest rates steady, and markets did not expect further cuts. Fiscal risks emerged in France and the U.K., as both countries needed to consolidate their fiscal positions but faced political opposition.

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For the six-month period ending September 30, 2025, individual contributors from the Fund's performance included IA Clarington Loomis Global Multisector Bond Fund, PIMCO Monthly Income Fund and IA Clarington Strategic Corporate Bond Fund, which all outperformed their respective benchmarks.

Individual detractors from the Fund's performance included BMO Long Federal Bond Index ETF and IA Wealth Core Bond Pool.

The fund manager slightly decreased the Fund's duration (interest-rate sensitivity) by reducing its position in long-dated bonds and increasing its cash allocation.

The Fund has shifted to a broadly neutral fixed-income stance globally, with a tilt toward U.S. bonds. Yields in the U.S. remain meaningfully higher than in Europe or Japan. While sovereign bonds offer diversification benefits and a potential hedge against volatility, the fund manager believes the risk/reward profile remains challenged in the current environment.

The Fund has shifted to an underweight exposure to the U.S. dollar owing to Fed policy easing, political pressure on central bank independence and a persistent current account deficit.

The Fund is structurally positioned with a lower duration (mainly in Canada), an overweight exposure to U.S. fixed income and an overweight exposure to corporate bonds. However, the Fund's tactical asset allocation slightly reduces the size of these tilts through small, long positions in long-term federal bonds in Canada and a slight underweight in underlying funds with higher credit exposure.

Fund and benchmark performance, as at September 30, 2025	1 year	3 year	Since inception (Jul. 2020)
IA Wealth Enhanced Bond Pool – Series B	2.5%	4.4%	0.2%
25% Bloomberg U.S. Aggregate Bond Index (CAD Hedged) ¹ , 75% FTSE Canada Universe Bond Index	2.5%	4.4%	-0.4%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your financial advisor.

¹Source: Bloomberg L.P.

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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 benchmark is a blend of 25% Bloomberg U.S. Aggregate Bond Index (CAD Hedged) and 75% FTSE Canada Universe Bond Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The Bloomberg U.S. Aggregate Bond Index (CAD Hedged) is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and collateralized mortgage-backed securities. The FTSE Canada Universe Bond Index is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada. The Fund's fixed income holdings may have different sector exposure, credit quality and interest rate sensitivity than the benchmark. The Fund may have currency risk exposure while the benchmark has none. 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.

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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