

IA Clarington Global Balanced Plus Portfolio

Manager commentary – Q4 2025

During the fourth quarter, the U.S. Federal Reserve (the Fed) continued its cycle of interest-rate cuts that began at the end of the third quarter, despite a federal government shutdown that paused the publication of economic data for several weeks, making the Fed's job more complex. This government shutdown lasted 43 days, making it the longest in U.S. history. It likely caused an economic slowdown, although the impact should be short lived. The agreement ending the shutdown did not resolve the main sticking point—the end of a subsidy program for medical insurance costs—setting the stage for another confrontation in early 2026.

Although macroeconomic analysis was made more difficult by the lack of data for several weeks, it is clear that the labour market is weakening. The U.S. unemployment rate reached 4.6% in November, as many companies paused their hiring plans. Despite this, layoffs across the economy remain modest, limiting the extent of the damage. Some indicators even show stabilization and a rebound toward the end of the quarter. Beyond the labour market and government shutdown, economic growth remains strong in the U.S., supported by household consumption and investments in artificial intelligence (AI). Inflation is under control but remains above its target, at 2.7% year-over-year in November. Tariffs continue to exert upward pressure on prices, but the risks of an overheating economy are contained for now.

In Canada, the labour market regained strength after a significant weakening during the summer. Even though there is still no trade agreement between Canada and the Trump administration, existing tariffs remain relatively low and the trade relationship has stabilized, allowing business confidence to improve. After a rebound in the third quarter, economic growth is expected to be roughly flat in the fourth quarter, notably owing to population growth being at a standstill. Inflation is stable but near the upper end of the 1–3% range. The Bank of Canada (BoC) ended its easing cycle in October, lowering the policy rate to 2.25%. It is expected to remain on the sidelines for some time.

In Europe, the economy continues its gradual recovery, with industrial production stabilizing, unemployment remaining low, and the services sector expanding. Inflation is stable near 2%, which is keeping the European Central Bank on the sidelines in the medium term.

Major stock indices posted positive performances during the fourth quarter, but returns were lower than in the previous two quarters. The S&P/TSX Composite Index again outperformed its peers with a 5.3% return in the fourth quarter, compared with 2.0% for the S&P 500 Index. Major European markets and emerging markets generated solid returns, outperforming the U.S. market.

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Long-term Canadian bond yields rose as the economy proved more resilient than expected, leading to an adjustment in expectations for the BoC. The Government of Canada 10-year yield reached 3.4%, an increase of 8 basis points. Long-term yields in the U.S. rose slightly. The weakening labour market and monetary policy easing exert downward pressure, while the country's fiscal situation and persistent inflation put upward pressure on yields.

By design, the Fund has a static target allocation among its underlying funds, which is rebalanced monthly. The Fund seeks to provide a combination of income and capital appreciation by investing primarily in equity and fixed-income securities from around the world, either directly or indirectly through investments in other mutual funds.

The Fund is composed of four underlying funds: two small positions in IA Clarington Strategic Corporate Bond Fund and IA Clarington Loomis Global Multisector Bond Fund, with the remainder being split equally between IA Clarington Strategic Income Fund and IA Clarington Loomis Global Allocation Fund.

In the fourth quarter, IA Clarington Global Balanced Plus Portfolio Series A posted a return of 1.4%, while the blended benchmark, 20% FTSE Canada Universe Bond Index, 20% Bloomberg Global Aggregate Bond Index (CAD Hedged), 30% S&P/TSX Composite Index, 30% MSCI AC World Index (CAD) posted a return of 1.9%.

IA Clarington Loomis Global Allocation Fund outperformed relative to its benchmark, 60% MSCI All Country World Index (CAD)/40% Bloomberg Global Aggregate Bond Index (CAD Hedged) over the period. The Fund's equity and fixed-income components contributed to performance.

In equities, the three most significant contributors to performance were Alphabet Inc, Cummins Inc. and Parker-Hannifin Corp. The three largest detractors from performance were The Home Depot Inc., O'Reilly Automotive Inc. and BlackRock Inc. In fixed income, yield curve and duration positioning contributed strongly to relative performance over the quarter. Positioning in the U.S. dollar, Japanese yen and euro-pay markets was a notable contributor. Spread sector allocation also contributed to relative performance over the quarter. Risk-adjusted overweight positions in the communications, sovereign and bank loans sectors particularly contributed to relative performance. Currency allocation net of hedging detracted from relative performance in fixed income, particularly allocation to the U.S. dollar and Japanese yen. Security-specific selections detracted from performance over the quarter. Selections within the communications and energy sectors particularly detracted as issuers held in the portfolio underperformed other issuers held in the Bloomberg Global Aggregate Bond Index.

The underlying fund manager believes the stage is set for robust earnings growth across developed and emerging markets. In 2026, healthy economic growth and moderating inflation should bolster most

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markets. The expansion phase of the credit cycle is likely to persist. Corporate fundamentals have been solid and 2026 profit margins should remain near multi-year highs in most regions. Earnings growth is likely to accelerate in Europe but still lag the growth rates of the MSCI Emerging Markets Index and S&P 500. Globally, risk premiums look slim across both credit and equity market valuations, but that does not imply potential for a market drawdown. In the underlying manager's view, it seems more likely that fixed-income and equity assets can post modest total returns while the economic and earnings backdrop remains supportive.

Within the equity sleeve of IA Clarington Strategic Income Fund, the largest contributors to the Fund's performance during the fourth quarter came from its sector exposure to financials and materials equities. The underlying fund's top contributors to performance during the past three months included holdings in Royal Bank of Canada (RBC) shares and Keyera Corp. 6.875% 2079 bonds. RBC outperformed following strong financial results, as well as a positive revision to its medium-term ROE (return on equity) target to "17% or better," up from the target it had set at its Investor Day. Keyera completed a consent solicitation during the period, which amended the terms such that it will no longer be automatically exchanged for preferred shares in the event of a bankruptcy, making the terms consistent with the company's other outstanding hybrid notes. The largest detractors from performance during the quarter came from exposure to Stantec Inc. and Telus Corp. Stantec underperformed following strong share-price performance through the earlier part of 2025 on concerns that AI could negatively impact the broader engineering industry. Telus shares underperformed following concerns about the sustainability of its dividend, which led the company to issue multi-year free-cash-flow and growth guidance, as well as pause its dividend growth.

This past quarter, and year, were dominated by better-than-expected earnings and cash flow growth, all underwritten by strong economic growth. Earnings growth in the Canadian markets was significantly higher than the average growth rate over the past 15 years, and was generally broad based. Valuations within equity markets continue to trade at a discount to other global markets, which also helped drive the strongest equity returns in our local market since 2009. Given recent conditions and expectations of better economic growth in North America and generally lower central bank rates globally, the underlying fund manager expects these trends to continue in the coming year. While the magnitude of equity returns is likely to be lower, the positive direction should produce better-than-average returns as 2026 unfolds. We would be remiss not to acknowledge the frothy valuations concentrated within the information technology sector; however, we also see a broadening out of opportunities outside of this sector from both an earnings perspective and relative valuations.

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As a globally diversified balanced solution, IA Clarington Global Balanced Plus Portfolio provides diversification by asset class and investment style, with the aim of delivering a smoother return profile through different market environments.

Fund and benchmark performance, as at December 31, 2025	1-year	Since inception (Jun. 2024)
IA Clarington Global Balanced Plus Portfolio - Series A	8.2%	9.6%
20% FTSE Canada Universe Bond Index, 20% Bloomberg Global Aggregate Bond Index (CAD Hedged), 30% S&P/TSX Composite Index, 30% MSCI AC World Index (CAD) ¹	15.2%	16.1%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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.

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

¹Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. 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 FTSE Canada Universe Bond Index (20%), Bloomberg Global Aggregate Bond Index (Currency Hedged) (20%), S&P/TSX Composite Index (30%) and MSCI AC World Index (CAD) (30%). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. 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 Bloomberg Global Aggregate Index is a flagship measure of global investment grade debt from twenty-eight local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index: the US Aggregate, the Pan-European Aggregate, the Asian-Pacific Aggregate, and the Canadian Aggregate Indices. The S&P/TSX Composite Index is the premier indicator of market activity for Canadian equity markets, with 95% coverage of Canadian-based, TSX-listed companies. The index includes common stock and income trust units and is designed to offer the

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representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices. The MSCI AC World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 50 country indexes comprising 23 developed and 24 emerging market country indexes. The Fund's market capitalization, geographic, sector and credit quality 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. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. 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 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.

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