IA Clarington Global Balanced Plus Portfolio

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 were later temporarily suspended, which contributed to an improvement in the global economic climate. A bilateral agreement was reached with the U.K., while discussions with China led to a postponement of new tariff impositions.

The U.S. economy has shown remarkable resilience in the face of declining confidence and rising uncertainty. The phenomenon of "tariff front running"—importers accelerating shipments in anticipation of higher tariffs—has helped cushion the blow. Easing trade tensions has also supported the perception that disruptions are temporary, helping to stabilize consumption. Companies have not initiated significant layoffs, and investment in intelligence continues at a rapid pace, supporting growth.

Inflation remains above the U.S. Federal Reserve's (the Fed) target, but has shown signs of moderating over the quarter. The impact of tariffs has not yet been fully passed through to consumer prices, which could change if the planned tariff increases in July are implemented. The Fed remains in a wait-and-see mode, balancing growth and inflation risks.

In Canada, the economy is showing signs of weakening, largely owing to uncertainty surrounding U.S. tariffs. That said, there are emerging signs of a possible trade agreement with the U.S., which could significantly reduce current tariffs and, thus, limit the risk of recession. Inflation remains persistent, preventing the Bank of Canada from further easing its monetary policy. The new federal government, elected with a strong economic mandate, plans to launch major infrastructure projects, notably in energy, and to rapidly increase defense spending. These measures should boost economic activity but raise questions about fiscal sustainability.

In Europe, the economy is slowly regaining strength, supported by the European Central Bank's still-accommodative monetary policy. However, growth remains modest, held back by persistent weak domestic demand and ongoing geopolitical uncertainties.

Markets experienced significant volatility early in the quarter in response to trade tensions. However, gradual easing allowed the S&P 500 Index to regain lost ground, up 12% on the quarter. This rebound was supported by technology giants, which continue to benefit from the tailwind of artificial intelligence.

In the second quarter, European and Canadian markets no longer outperformed U.S. markets. For example, the performance of the EURO STOXX 50 was flat on the quarter, while the S&P/TSX Composite Index was up by 8%.

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Interest rates in the U.S. remained largely stable in the second quarter, with 10-year rates ending the quarter at around 4.25%, not far from their level at the beginning of the quarter. This, however, masks an increase (to over 4.50%) in May as investors started to worry about fiscal sustainability. In Canada, 10-year rates increased throughout the quarter from around 3.0% to 3.3%, as the growth outlook brightened along with expectations of higher fiscal spending.

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 second quarter, IA Clarington Global Balanced Plus Portfolio Series A posted a return of 3.8%, 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 4.4%.

IA Clarington Loomis Global Allocation Fund underperformed relative to its benchmark, 60% MSCI All Country World Index (CAD)/40% Bloomberg Global Aggregate Bond Index (CAD Hedged) over the period. The equity component of this underlying fund lagged its benchmark, while its U.S. and non-U.S. fixed-income components outperformed the fixed-income benchmark.

In equities, the three most significant contributors to this underlying fund's performance were NVIDIA Corp., Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC) and Halma PLC. The three largest detractors from performance were UnitedHealth Group Inc. (UNH), O'Reilly Automotive Inc. and Roper Technologies Inc. In fixed income, credit positioning contributed to performance over the period. In particular, positioning in the consumer cyclical, communications and consumer non-cyclical sectors contributed. Within consumer cyclical, holdings of Carnival Corp. and Uber Technologies Inc. were top drivers of returns. Holdings of EchoStar Communications Corp. and Altice France Holding SA contributed within the communications sector. Lastly, holdings of Teva Pharmaceutical Industries Ltd. and Bausch Health Companies Inc. contributed within the consumer non-cyclical sector. Currency allocation was the most significant detractor from performance over the quarter. In particular, allocations to the U.S. dollar, Japanese yen and Brazilian real detracted from performance. Although yield curve and duration positioning as a whole contributed to performance over the period, local-market positioning in the euro and Chinese renminbi-pay markets detracted from returns – these underweight duration positions detracted as yields decreased in both bond markets.

The underlying fund manager is optimistic about global equities heading into the second half of 2025, as they expect profit growth to broaden across sectors and continue into 2026. Earnings estimates for next year indicate nearly double-digit growth rates for the U.S., Europe, Japan and the emerging markets. Although some progress may be made in shrinking the U.S. budget deficit, they are not optimistic that the U.S. administration's target of reducing the deficit to 3% of GDP over the next three years will be achieved. Lack of fiscal discipline has left many governments debt ridden, pressuring higher interest on debt that could meaningfully weigh on global growth, or limit countercyclical responses. Growth fears could renew a market focus on fiscal deficits and raise bond market volatility, or keep upward pressure on term premia.

Changes to IA Clarington Strategic Income Fund during the second quarter were marginal and generally opportunistic. Within this underlying fund's equity exposure, the underlying fund manager added to some technology and U.S. bank-related securities after U.S. tariff announcements contributed to a significant correction in parts of the equity market. The largest contributors to performance during the second quarter came from exposure to securities related to the financials and industrials sectors, as they contributed 1.61% and 1.57%, respectively, to the underlying fund's quarterly performance.

Within fixed income, credit spreads in high-yield fixed income moved lower when adjusting for changes to government bonds, suggesting that even with recent market turmoil expectations for higher-yielding bonds remain favourable. During the quarter and in response to the potential negative impact of outsized tariffs, the underlying fund's exposure to government bonds and cash was increased, while exposure to corporate bonds that are more economically sensitive than longer-duration government debt was simultaneously decreased. The underlying fund's overall credit quality remained squarely in the BBB average rating bucket during the quarter. The underlying fund manager expects to increase exposure to corporate debt and reduce duration as the year progresses and more evidence of a stronger economy emerges. They continue to expect that the Canadian dollar will strengthen against the U.S. dollar and, as such, they remain almost fully hedged to the underlying fund's U.S.-dollar exposure.

IA Clarington Strategic Income Fund's top two contributors to performance during the past three months included holdings in AtkinsRéalis Group Inc. and Stantec Inc. AtkinsRéalis has benefitted from increasing nuclear power demand given the rapid build-out of artificial intelligence capabilities, as well as its continued progress in exiting its historically problematic fixed-price contract business. Stantec has continued to benefit from strength in the engineering and construction sectors following stimulus packages passed over the last few years, as well as acquisitions that have helped drive incremental growth.

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The largest detractors from this underlying fund's performance during the quarter came from exposure to Waste Connections Inc. and the U.S. Treasury 4.125% 2032 bond. Waste Connections underperformed following speculation that costs at its Chiquita Canyon landfill could rise amid elevated temperatures. The U.S. Treasury bond underperformed as yields generally rose following Liberation Day, as capital broadly rotated towards riskier assets and away from relatively safer government bonds.

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 June 30, 2025	1 year	Since inception (Jun. 2024)
IA Clarington Global Balanced Plus Portfolio - Series A	9.2%	8.7%
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]	14.6%	14.2%

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, visit iaclarington.com/glossary and speak with your investment advisor.

[1]Source: 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) (60%). 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 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 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.

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