

IA Clarington Global Balanced Plus Portfolio

Manager commentary – Q1 2025

The Fund was launched on June 17, 2024. Performance data is not presented for a Fund that has been distributing securities for less than 12 consecutive months.

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 interest rates steady during the quarter, leaving the target interest rate at 4.50%.

In Canada, the economic recovery was going well at the end of 2024 and the beginning of 2025, with interest-rate cuts taking the policy interest rate down to 2.75%. However, uncertainty related to trade policy resulted in household and business confidence plummeting, slowing the economy.

The European economy continued to stagnate, but optimism returned with peace negotiations in Ukraine and the announcement of substantial fiscal stimulus in Germany. Some signs of a pick-up in growth emerged, but tariffs weighed down activity.

China's economy struggled with a balance sheet recession, as households and companies alike prioritized debt repayment over spending or investing, leading to economic stagnation.

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 was launched on June 17, 2024 and 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.

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The Fund's top contributor over the 12-month period was IA Clarington Strategic Income Fund owing to its equities exposure to the financials and utilities sectors, and its fixed-income exposure to the financials and government sectors. The largest individual security contributor was Loblaw Cos. Ltd.

IA Clarington Loomis Global Allocation Fund detracted from relative performance. Within the underlying fund, exposure to the consumer discretionary sector was the largest detractor from performance, followed by exposures to the health care and communication services sectors. The underlying fund's exposures to the industrials and information technology sectors also detracted. Individual detractors included Airbnb Inc., ASML Holding NV and LVMH Moët Hennessy Louis Vuitton SE.

According to the underlying fund manager of IA Clarington Loomis Global Allocation Fund, prior to the trade conflict the global disinflationary trend had been stalling at the margin, with services and shelter inflation remaining elevated. The price of goods may also remain elevated. Early estimates of a 0.25-0.5% bump in U.S. inflation from tariff impacts now seem far too low, but tariff retaliation and changes to the flow of goods muddy the waters for inflation elsewhere.

Credit markets may remain volatile in response to headlines. The underlying fund manager of IA Clarington Loomis Global Allocation Fund believes that risk premiums across the corporate bond market will likely rise as markets digest tariffs and expectations for slower U.S. growth. On a longer-term basis, the underlying fund manager believes that credit should continue to be supported by corporations' overall health and the potential for more favourable monetary policy.

The range of reciprocal U.S. import tariffs is negative for global growth. Many economies are more dependent on exports than is the U.S., but the U.S. economy is facing an increased risk of recession. Following the U.S. presidential election, rising trade tensions and protectionist policy were presumed to be a catalyst for U.S.-dollar strength, especially with deregulation and favourable tax policy supporting the U.S. economy. However, with diverging fiscal policies and weaker global growth, the U.S. dollar may decline against the currencies of developed countries.

As such, the focus of the underlying IA Clarington Loomis Global Allocation Fund remains on investing in quality companies that the underlying fund manager believes have high-quality management and robust balance sheets, and should be able to generate value over the longer term. The underlying fund manager is closely monitoring the forthcoming discussions and negotiations while anticipating that these recent developments will be catalysts for volatility, which may provide the underlying fund with opportunities to build positions in sound companies at more attractive valuations.

The underlying fund manager of IA Clarington Strategic Income Fund expects economic growth will slow over the coming quarters as trade tensions and tariffs create challenges, and this will be the primary focus of financial markets over the short term. As a result, IA Clarington Strategic Income Fund

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maintains above-benchmark exposures to defensive businesses with higher yields given their perceived attractive valuation and relative yields. IA Clarington Strategic Income Fund also increased its overall bond exposure to take advantage of attractive yields while positioning the portfolio against the risk of slower economic growth.

The Fund provides diversification by asset class and investment style, with the aim of delivering a smoother return profile through different market environments.

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.

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