IA Clarington Global Equity 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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By design, the Fund has a static target allocation among its underlying funds, which is rebalanced monthly. The Fund seeks to provide long-term capital appreciation by investing primarily in equity securities of companies located throughout the world, either directly or indirectly through investments in other mutual funds.

In the second quarter of the year, the underlying funds in the portfolio underperformed the benchmark MSCI All County World Index. IA Clarington Global Equity Plus Portfolio Series A posted a three-month return of 1.9%, compared to the benchmark's return of 5.7%.

IA Clarington Loomis Global Equity Opportunities Fund's security selection in the industrials sector was the largest detractor from the Fund's relative results. Exposure to the health care, consumer discretionary and communication services sectors also detracted from relative performance. Exposure to the energy sector was the largest contributor to relative returns, followed by the consumer staples and information technology sectors. Not having exposure to the real estate and utilities sectors also contributed on a relative basis. The three most significant contributors to performance were NVIDIA Corp., Taiwan Semiconductor Manufacturing Co. Ltd. and Halma PLC. The three largest detractors from performance were UnitedHealth Group Inc., O'Reilly Automotive Inc. and Roper Technologies Inc. Over the period, the Fund initiated a position in KLA Corporation.

The underlying fund manager believes that investing in companies with multiple alpha drivers, where the risks can be quantified, can help deliver outperformance. They follow a disciplined and repeatable process, investing only in opportunities that meet their three alpha drivers: quality, intrinsic value growth and attractive valuation. This bottom-up approach results in a concentrated portfolio of businesses where the underlying fund manager fully understands and has quantified the risks associated with each investment. Their scenario analysis, under which they determine a range of business values, is an integral part of this process. Through this framework, they determine the relative attractiveness of their investments to assist in constructing an optimal portfolio.

IA Clarington Global Dividend Fund's performance was driven by strong security selection, particularly within the information technology sector. Key contributors included Microsoft Corp., NVIDIA Corp. and Broadcom Inc., all of which delivered significant returns. A holding in Heidelberg Materials AG also contributed positively. However, the portfolio was negatively impacted by detractors in the health care and utilities sectors, with UnitedHealth Group Inc. and CMS Energy Corp. being the most significant underperformers for the quarter.

The underlying fund manager's strategy is to maintain a resilient portfolio that can navigate volatile conditions while capturing long-term growth. This quarter, they shifted to a more defensive footing. Looking ahead, they expect equity markets will remain highly sensitive to developments on the trade front. The potential for further market adjustments is high, as the full economic impact of these tariffs unfolds. Given this backdrop, the underlying fund manager believes a disciplined and selective approach is crucial. Their focus remains on identifying high-quality companies with strong balance sheets and durable competitive advantages that can maintain resilience in the face of these macroeconomic uncertainties.

Headwinds to performance in IA Clarington QV Global Equity Fund were driven by underweight sector allocation to information technology and overweight allocation to consumer staples, along with selection effects within the consumer discretionary and health care sectors. Geographically, the Fund's overweight allocation to Europe and selection effects in North America were detractors, while superior selection within Europe provided a material benefit. Of note, UnitedHealth Group Inc. was the period's worst-performing holding following operational headwinds that resulted in a withdrawal of current-year financial guidance and a change to the CEO. Although UnitedHealth Group has traditionally been a very high-quality franchise, we are closely monitoring developments for this business given that the broader managed care industry is going through a period of material disruption. Over the quarter, Novo Nordisk AS was reintroduced to the portfolio, in addition to exiting positions in Bayer AG, 3M Co. and TGS ASA.

The underlying fund manager continues to emphasize portfolio resilience and expects IA Clarington QV Global Equity Fund to provide satisfactory results under a variety of scenarios. This underlying fund continues to own a diverse portfolio of high-quality businesses that mostly trade at meaningful discounts to both their own historical valuations and the benchmark index. Downside protection is enhanced by a balance between a materially higher-than-benchmark weight within recession-resistant sectors, and a collection of very inexpensive businesses with significantly above-average return prospects over a period of three to five years. The underlying fund manager's focus on capital preservation has kept exposure to U.S. stocks near the lowest point in their fund's history, at just 42%.

As a globally diversified portfolio, IA Clarington Global Equity Plus Portfolio provides exposure to complementary investment styles, 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 Equity Plus Portfolio - Series A	9.1%	8.4%
MSCI AC World Index (CAD)[1]	15.8%	14.9%

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

IA Clarington QV Global Equity Fund was formerly IA Clarington Global Equity Fund. The name change was effective June 16, 2025.

[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 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 and sector 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. 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.

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.

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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