IA Clarington Global Equity Plus Portfolio

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 like the European Union, Japan and South Korea 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 as companies rebuilt inventories.

The "One Big Beautiful Bill" (OBBB) was ratified during the summer. Its net effect will be to stimulate the U.S. economy in the short term, partially offsetting the negative effects of tariffs. However, the combined effect of tariff revenues and the OBBB does not materially change the U.S. fiscal trajectory.

The U.S. economy continued to grow and consumption rebounded, driven by wealthier households and a positive wealth effect from strong financial market performance. Non-residential investment also remained robust, particularly in artificial intelligence (AI).

Job creation slowed significantly over the summer but remained positive. Layoffs were limited, but hiring was also subdued. This may have been the result of lower immigration.
Inflation accelerated slightly, hovering around 3% year-over-year. Tariffs began to affect consumer prices. In this environment, the Fed lowered its benchmark interest rate by 25 basis points (bps), with further cuts expected by year-end.

After contracting in the second quarter, the Canadian economy showed mediocre growth in the third quarter. While consumer spending remained resilient, exports and investments were down. The labour market also weakened. Headline inflation was slightly below the 2% target, but core inflation stagnated between 2% and 3%. In September, the Bank of Canada cut its benchmark interest rate by 25 bps, to 2.50%.

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

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The European economy grew modestly in the third quarter, with inflation being contained 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.

As for equities, the U.S. equity market represented by the S&P 500 Index returned strong results over the six-month period, although the weakening of the U.S. dollar versus the Canadian dollar detracted from returns. The top sectors included information technology, communication services and consumer discretionary. On the international front, the MSCI World Index and MSCI EAFE Index returned 15.6% and 13.2%, respectively (in Canadian-dollar terms, therefore including foreign currency movements) over the same period. Canadian equities also performed well. The top-performing sectors included materials, information technology and financials.

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. The Fund is composed of three equal parts: IA Clarington QV Global Equity Fund, IA Clarington Global Dividend Fund and IA Clarington Loomis Global Equity Opportunities Fund. By design, the Fund has a static target allocation among its underlying funds, which is rebalanced monthly. The Fund provides exposure to complementary investment styles with the aim of delivering a smoother return profile through different market environments.

Over the six-month period, while all underlying funds posted positive returns, they underperformed the benchmark.

For IA Clarington QV Global Equity Fund, overweight exposures to the consumer staples and health care sectors detracted from performance, as did an underweight exposure to the information technology sector and stock selection in health care companies.

The underlying fund’s stock selection in the financials and consumer services sectors contributed to performance.

For IA Clarington Global Dividend Fund, a significantly underweight exposure to the information technology sector detracted from performance, as did an overweight exposure to the energy sector. The underlying fund’s security selection in the financials, health care and industrials sectors also detracted. The underlying fund’s underweight exposure to the consumer staples sector and lack of exposure to the real estate sector contributed to performance, as did its stock selection in the energy and materials sectors.

For IA Clarington Loomis Global Equity Opportunities Fund, security selection in the consumer discretionary, health care, financials, information technology and industrials sectors detracted from performance.

The underlying fund's underweight allocations to the energy and consumer staples sectors contributed to performance, as did its lack of exposure to the real estate and utilities sectors.

According to the underlying fund manager of IA Clarington Loomis Global Equity Opportunities Fund, data centres, AI and machine learning capital expenditures could be the most powerful drivers of economic growth in the next year or two. Meanwhile, wealth effects may be aiding high-end consumer sentiment. The U.S. economy is now sometimes described as being K-shaped, with the top half of the population doing extremely well, but the bottom half experiencing a much more precarious reality. The underlying fund manager remains focused on investing in quality companies that should be able to generate value over the longer term, with high-quality management and robust balance sheets. The underlying fund manager will continue to closely monitor global economic developments, as they may provide investment opportunities.

According to the underlying fund manager of IA Clarington QV Global Equity Fund, weakening employment and leading economic indicators continue to diverge from rising equity valuations. The Fed has begun cutting interest rates despite persistent inflationary pressures and a historically expensive stock market. Meanwhile, the proliferation of AI is propelling one of the most profound technological innovation cycles in decades, simultaneously supporting extreme stock market movements and driving massive corporate capital expenditure despite uncertain future returns.

The underlying fund owns a diversified portfolio that includes a mix of stable, defensive businesses, reasonably priced market leaders and many classic value stocks that trade well below the underlying fund manager's estimates of fair value. This "all-weather" strategy is constructed to deliver reasonable outcomes regardless of the broader extremes in the index.

According to the underlying fund manager of IA Clarington Global Dividend Fund, policy signals and trade rhetoric have remained fluid, and interest-rate expectations were reset as inflation progress slowed unevenly across regions. Equity leadership stayed narrow but durable, led by cash-rich platforms tied to AI and productivity, while cyclicals were more volatile. Periodic volatility appears likely as growth cools and policy paths diverge. The underlying fund manager's stance is selective, prioritizing balance-sheet strength, durable cash flows and credible reinvestment runways, while maintaining the flexibility to add based on market dislocations. This approach should support attractive risk-adjusted returns over time. Earnings breadth may improve gradually as inventories continue to normalize.

Fund and benchmark performance, as at September 30, 2025	1 year	Since inception (Jun. 2024)
IA Clarington Global Equity Plus Portfolio - Series A	9.7%	11.5%
MSCI AC World Index (CAD)[1]	20.8%	20.2%

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 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 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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