IA Clarington Multi-Strategy Alternative Pool

Manager commentary – Q4 2025

Global equities delivered strong returns in Q4. The S&P 500 gained 2.7% for the quarter and 17.9% for the year. Canadian equities outperformed, with the S&P/TSX up 6.3% in Q4 and 31.7% for the year, driven by a surge in gold miners and materials. International markets also posted solid gains, with MSCI World up 3.4% and MSCI Emerging Markets up 5.7% for the quarter.

Gold was a standout performer, rallying 11.9% in Q4 and 64.6% for the year, supported by central bank buying. Oil prices (WTI) declined 7.9% in Q4 and nearly 20% for the year, as supply growth outpaced demand. Broad commodity indices were flat to slightly negative.

Canadian fixed income returns were mixed. The FTSE Canada Universe Bond Index fell 0.3% in Q4 but ended the year up 2.6%. Long-duration bonds lagged, with the FTSE Canada Long Term Index down 1.4% for the quarter and 0.7% for the year.

The U.S. dollar (DXY) was stable in Q4 (+0.6%) but declined 9.4% for the year. The Canadian dollar strengthened, with USD/CAD down 1.4% in Q4 and 4.6% for the year. The euro and the British pound also gained against the U.S. dollar.

The macro environment was shaped by several key themes. AI-related capital expenditure continued to surge, driving investment and productivity optimism, though broad-based macro impacts remain slow to materialize. Policy and politics played a significant role, with the anticipated Fed leadership transition and political pressures influencing expectations for rate cuts. Canada benefited from its position as a critical energy supplier to the U.S. and rising gold prices, but faces challenges around provincial cooperation and trade diversification.

Top contributors to the Fund’s Q4 performance included PICTON Market Neutral Equity Alternative Fund and IA Clarington Global Macro Advantage Fund.

Within PICTON Market Neutral Equity Alternative Fund, stock selection in Financials and Information Technology sectors, contributed positively to performance during the quarter, as did the overweight exposure to Financials and Materials. Stock selection in Materials slightly hindered the performance. Market leadership periodically tilted toward higher-beta and more speculative factors, particularly around shifts in rate expectations. While we selectively participated where positive fundamental change supported the move, we continued to avoid lower-quality exposures inconsistent with our process. With volatility remaining low and investor complacency elevated, we have taken advantage of attractive pricing to add portfolio downside protection. This approach enhances downside resilience while preserving flexibility to lean into opportunities should markets experience a macro or geopolitical shock.

Within IA Clarington Global Macro Advantage Fund, our commodity positioning was a key driver of returns in Q4. A long copper position contributed +128 bps, supported by tight supply and surging demand from AI-related infrastructure investments. We expect continued market tightness in 2026 and are maintaining this position. Additional gains came from a short in cocoa (+28 bps) as global supply recovered and a long in platinum (+27 bps) to capture the precious metals rally. In currencies, Our long Australian dollar versus U.S. dollar added +54 bps, reflecting our positive outlook on commodities and base metals. As a major exporter, Australia benefits from favorable terms of trade during commodity bull markets. In Q4, markets began pricing in 2026 rate hikes amid strong economic momentum. With global growth accelerating and base metal prices rising, we expect this trend to persist and maintain high conviction in the position. The largest detractor in Q4 was our long yen versus U.S. dollar position, costing -70 bps. We entered the trade based on deep undervaluation and expectations that the Bank of Japan would tighten policy to contain inflation. While undervaluation created a favorable backdrop, the BOJ remained cautious, keeping real rates highly accommodative. As this view failed to materialize, we trimmed the position, which is no longer a significant source of risk for the fund. Looking ahead, we are optimistic about global macro opportunities. In Q4, we began deploying risk into relative value positions in global equity indices, improving capital efficiency and raising annualized volatility from ~5% to ~7%, now aligned with long-term targets. With increasingly divergent country and company prospects, we see a favorable environment for our macro equity market-neutral sleeve. We also expect attractive opportunities in market-neutral commodity and currency strategies, supported by both long- and short-term macro drivers.

Top detractors from the Fund’s performance in the quarter included RP Alternative Global Bond Fund and PICTON Long Short Income Alternative Fund.

The RP Alternative Global Bond Fund generated positive returns from credit spread exposure despite a selloff in US investment grade spreads. Active duration management limited the adverse effect of rising risk-free yields on bond prices. High-quality USD-denominated global systemically important banks and Yankee banks led credit returns. Domestic systemically important banks, as well as a new issue from First National Financial, which saw spreads rally by more than 40bps, delivered strong returns. The portfolio’s holdings of Spirit AeroSystems bonds rallied materially after being taken out at a significant premium upon completion of Boeing's acquisition, resulting in a strong payoff. The underlying fund’s credit hedges were net detractors overall, but they provided downside protection during swift selloffs in early October and mid-November. Interest rate exposure was managed actively between 0 and 6.0yrs of duration, ultimately finishing the year at 5.7yrs, which is well above the underlying fund’s historical average. Alternatively, credit risk remained muted, with the exception of a tactical increase in late November that was materially reduced heading into year-end, in anticipation of an active new-issue calendar in early 2026. Geographically, the underlying fund reduced non-Canadian credit in favour of rotating into lower-beta domestic exposures. Sector-wise, single-name shorts in cyclical sectors such as consumer discretionary and materials increased, while opportunities within real estate and TMT debt were added. In terms of credit quality, the portfolio remains up-in-quality with only ~4% high yield exposure and embedded downside protection through credit hedges.

Within PICTON Long Short Income Alternative Fund, allocation to various capital structure opportunities such as limited recourse capital notes (LRCNs), hybrid securities, and synthetic risk transfers (SRTs) collectively performed well during the period and provided stability to the portfolios. While our shorts and hedges collectively detracted from absolute performance during the period, they achieved their intended role of dampening volatility and lowering market beta. Our portfolios were defensively positioned throughout the quarter, given expensive valuations in credit and lingering macro uncertainty. We took advantage of the complacency in credit markets to add to hedges and rotate our shorts into lower quality and higher beta credits. With growing government bond supply and deteriorating fiscal profiles globally, we remain focused on shorter-duration positioning, given the potential for further steepening of yield curves. We believe the current environment highlights the potential benefits of strategies designed to emphasize stability and income, while maintaining flexibility to navigate volatility.

The Fund’s investments into PG Partners Fund Access Fund and Blue Owl Credit Income Trust were deployed into these underlying strategies as of November 1.

The PG Partners Fund Access Fund’s performance declined modestly in November amid volatile markets. Private market activity rebounded as transaction volumes recovered, and Partners Group sees strong opportunities in control investments and select secondaries across regions, redeploying proceeds from exits into attractive direct and partnership deals. On the exit side, Partners Group sold a 24.9% stake in Apex Logistics to Kuehne+Nagel at an enterprise value exceeding USD 4 billion. Under Partners Group’s ownership, Apex grew EBITDA by 151% over five years and expanded from a China-based operation to a global platform serving more than 20,000 customers across 70+ countries. Looking ahead, the focus remains on long-term value creation by targeting assets with structural demand rather than short-term cycles. Infrastructure is a strategic overweight for its inflation-linked cash flows and resilience, supported by secular trends such as AI-driven data center demand, power generation needs, and modernization cycles. Infrastructure secondaries continue to offer stable flows, with mid-market inflection secondaries providing attractive discounts.

Blue Owl Credit Income Trust’s performance was supported by continued portfolio resilience and disciplined credit selection. Performance benefited from steady income generation, and the strength of a diversified portfolio focused on larger borrowers with experienced management teams. Portfolio health remained solid, providing a stable foundation for consistent returns. The investment team continued to actively manage the portfolio, maintaining close engagement with management teams and financial sponsors while monitoring credit fundamentals across sectors. This hands-on approach helped ensure that individual portfolio companies were well positioned to navigate evolving market dynamics. Borrowers have continued to demonstrate operational stability, supported by thoughtful capital structures and prudent financial management.

The Fund is a multi-manager, fund-of-funds solution that sources best-in-class liquid and illiquid (private) alternative strategies to provide a diversified source of returns designed to complement a traditional equity/bond balanced portfolio. The fund manager has optimized the Fund's allocations to produce a combined portfolio with the goal of maximizing strong expected absolute returns with low volatility. The target allocations ensure that the Fund is strategically diversified across managers, strategy types and asset classes.

From time to time, the fund manager makes tactical allocation adjustments to capitalize on the current opportunity set. During the quarter, the team shifted some exposure from the RP Alternative Global Bond Fund into the Picton Long Short Income Alternative Fund, and also reallocated modestly from the Blue Owl Credit Income Trust to the PG Partners Fund Access Fund. These changes reflect prudent risk management in a credit environment where spreads remain tight and opportunities are relatively muted.

The 2026 outlook points to a constructive but fragile macro backdrop—global growth is set to accelerate on the back of coordinated rate cuts and massive AI-driven investment, yet the growth remains uneven across regions, policy uncertainty is rising, and equity valuations are high after several years of outsized gains. At the same time, political and fiscal risks in the U.S. and trade uncertainty in Canada add further volatility to traditional markets. In this environment of high dispersion, elevated expectations, and potential policy shocks, diversification into alternatives offers uncorrelated return drivers and enhanced downside protection, improving the resilience and flexibility of portfolios for 2026 and beyond.

Fund and Benchmark Performance as at: December 31, 2025	1 year	Since inception (Nov. 2024)
IA Clarington Multi-Strategy Alternative Pool - Series A	2.8%	3.3%
22.5% Bloomberg Global Aggregate Corporate Index (CAD Hedged), 22.5% ICE BofA Global High Yield Constrained Index (CAD Hedged), 55% FTSE Canada 91-Day T-Bill Index	4.2%	4.0%

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