

IA Clarington Multi-Strategy Alternative Pool

Manager commentary – Q2 2025

The second quarter began with the Trump administration's announcements of "Liberation Day" tariffs, which included "reciprocal" tariffs on many U.S. trading partners. The magnitude of these tariffs was well beyond what had been expected by markets and created an immediate cross-asset shock, leading to an initial risk-off reaction, with safe-haven currencies outperforming and equities declining overall. However, there was a rapid risk-on pivot: equities rebounded aggressively as it became clear that the Trump administration would back down on the most maximalist version of its new trade agenda.

In June, Israel launched strikes on Iranian nuclear sites, triggering a 12-day military exchange. While oil prices spiked initially, fears of a broader regional escalation faded quickly. Energy market volatility surged but retraced as the Strait of Hormuz remained open and it became clear that global energy supplies were not threatened. Directionally, the price of crude oil was broadly unchanged during the war, despite wild swings.

These shocks—which came from unexpected trade policy announcements and geopolitics—both led to strong initial market reactions, which then faded. Overall, these catalysts created choppy markets in the second quarter; perhaps the only clear trend in markets was the broad selloff of the U.S. dollar. Most other asset prices were characterized by sharp selloffs followed by immediate recoveries, and vice versa.

Over the period, the top contributor to the Fund's performance was PICTON Market Neutral Equity Alternative Fund. The top detractor from the Fund's performance was IA Clarington Global Macro Advantage Fund.

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.

We have optimized the Fund's allocations to produce a combined portfolio with the goal of maximizing the Fund's ability to deliver strong expected absolute returns with low volatility. The target allocations ensure that the Fund is strategically diversified across managers, strategy types and asset classes.

Looking ahead, the ongoing trade war and policy uncertainty will likely continue to weigh on markets and business activity, as the U.S. Federal Reserve awaits further data on the economic impacts before making monetary policy decisions. All the while, increased inflation expectations, weakness in the housing market and an increasingly "tapped out" U.S. consumer points to recession risk.

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In the near-to-medium term, uncertainty will likely continue to be an inherent feature of the global economic landscape. We believe that the uncertain macroeconomic environment has created favourable conditions for alternative strategies.

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

The Fund was launched on November 21, 2024. Performance data is not presented for a Fund that has been distributing securities for less than 12 consecutive months.

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