# IA Clarington Multi-Strategy Alternative Pool

## Manager commentary – Q4 2025

Global equities delivered strong returns in the fourth quarter. The S&P 500 Index gained 2.7% for the quarter and 17.9% for the year. Canadian equities outperformed, with the S&P/TSX Composite Index up 6.3% in the fourth quarter and 31.7% for the year, driven by a surge in gold miners and materials. International markets also posted solid gains, with MSCI EAFE Index up 6.1% and MSCI Emerging Markets Index up 5.7% for the quarter.

Gold was a standout performer, rallying 11.9% over the quarter and 64.6% for the year, supported by central bank buying. Oil prices (West Texas Intermediate) declined 7.9% in the quarter 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 the fourth quarter 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 index (DXY) was stable in the fourth quarter (+0.6%) but declined 9.4% for the year. The Canadian dollar strengthened, with USD/CAD exchange rate down 1.4% in the quarter and 4.6% for the year. The euro and the British pound also gained against the U.S. dollar.

The macroeconomic environment was shaped by several key themes. Capital expenditure related to artificial intelligence (AI) 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 leadership transition at the U.S. Federal Reserve and political pressures influencing expectations for interest-rate cuts. Canada benefited from rising gold prices and its position as a critical energy supplier to the U.S., but faces challenges around provincial cooperation and trade diversification.

Top contributors to the Fund's fourth-quarter 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 to performance during the quarter, as did the overweight sector exposure to financials and materials. Stock selection in the materials sector slightly hindered the Fund's performance. Market leadership periodically tilted toward higher-beta and more speculative factors, particularly around shifts in interest-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, commodity positioning was a key driver of returns in the fourth quarter. A long copper position contributed +128 basis points (bps) of performance, 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 position in cocoa (+28 bps) as global supply recovered, and a long position in platinum (+27 bps) to capture the precious metals rally. In currencies, the Fund's 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 favourable terms of trade during commodity bull markets. In the fourth quarter, markets began pricing in 2026 interest-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 over the quarter was the Fund's 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 (BoJ) would tighten monetary policy to contain inflation. While undervaluation created a favourable backdrop, the BoJ remained cautious, keeping real rates highly accommodative. As this view failed to materialize, we trimmed the position and it is no longer a significant source of risk for the Fund. Looking ahead, we are optimistic about global macro opportunities. In the fourth quarter, we began deploying risk into relative value positions in global equity indices, improving capital efficiency and raising annualized volatility from roughly 5% to roughly 7%, now aligned with long-term targets. With increasingly divergent country and company prospects, we see a favourable 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.

Elsewhere, the underlying RP Alternative Global Bond Fund generated positive returns from credit spread exposure despite a selloff in U.S. investment-grade spreads. Active duration management limited the adverse effect of rising risk-free yields on bond prices. High-quality U.S.-dollar-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 40 bps, 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 6.0 years of duration, ultimately finishing the year at 5.7 years, which is well above the underlying fund's historical average. Alternatively, credit risk remained muted, except for 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 (technology, media and telecommunications) debt were added. In terms of credit quality, the portfolio remains up-in-quality with only about 4% high-yield exposure and embedded downside protection through credit hedges.

Finally, 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 short positions 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 in PG Partners Fund Access Fund and Blue Owl Credit Income Trust were deployed into these underlying strategies as of November 1. Since that time, both strategies have detracted from overall Fund performance.

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 US$4 billion. Under Partners Group's ownership, Apex grew EBITDA (earnings before interest, taxes, depreciation and amortization) 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 position given its inflation-linked cash flows and resilience, supported by secular trends such as AI-driven data centre demand, power generation needs and modernization cycles. Infrastructure secondaries continue to offer stable flows, with mid-market inflection secondaries providing attractive discounts.

The Fund's investment in Blue Owl Credit Income Trust was affected by currency movements but remained supported by the portfolio's resilience and disciplined credit selection. 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. We have 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, we make tactical allocation adjustments to capitalize on the current opportunity set. During the quarter, we shifted some exposure from RP Alternative Global Bond Fund into PICTON Long Short Income Alternative Fund, and also reallocated modestly from Blue Owl Credit Income Trust to PG Partners Fund Access Fund. We believe 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% |

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

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The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted indices. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The benchmark is a blend of Bloomberg Global Aggregate Corporate Index (CAD Hedged) (22.5%), ICE BofA Global High Yield Constrained Index (CAD Hedged) (22.5%), and FTSE Canada 91-Day T-Bill Index (55%). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The Bloomberg Global Aggregate Bond Index (CAD-Hedged) covers the most liquid portion of the global investment grade fixed-rate bond market, including government, credit and collateralized securities, hedged to the Canadian dollar. The ICE BofA Global High Yield Constrained Index (CAD-Hedged) is a market value-weighted index, hedged to the Canadian dollar that tracks the performance of USD, CAD, GBP and EUR denominated below investment grade corporate debt publicly issued in the major domestic or Eurobond markets with issuer exposure capped at 2%. The FTSE Canada 91-Day T-Bill Index is designed to track the performance of Government of Canada 3-month Treasury Bills. The index is designed to reflect the performance of a portfolio that only owns the current on the run T-Bill, switching into the new T-Bill at each auction. 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.

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.

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