

IA Clarington Monthly Income Balanced Fund

Manager commentary – Q2 2024

Interest rates rose slightly during the quarter, with the U.S. 10-year yield increasing by approximately 20 basis points, leading to mostly flat returns for sovereign bond indices. Corporate bond spreads did not move much, staying at multi-year lows. Global equity markets continued to move higher, led by the U.S. market. Globally, the S&P/TSX Composite Index and the MSCI EAFE Index underperformed on a relative basis. Within equities, growth sectors such as information technology outperformed value sectors, such as utilities, on a relative basis. The Canadian dollar depreciated against the U.S. dollar by approximately 1%. On the commodities front, gold prices rose by 4.3% and copper prices by 9.6%, while oil prices declined by 2.0%.

The Fund maintains an overweight position in equities relative to cash, but the magnitude of our overweight has been slightly reduced. Our overall outlook on corporate earnings remains positive. We maintained the Fund's long position in Japanese equities, which we continue to believe will benefit from a relatively accommodative monetary policy implemented by the Bank of Japan, as well as from positive earnings from Japanese corporations.

Regarding fixed income, the size of the underweight position has also been reduced in the past month. We hold a relatively "dovish" view on future Bank of Canada interest-rate moves, in the context of a slowing economy and a constrained household sector. We remain optimistic about the U.S. economy and continue to believe that the U.S. Federal Reserve will not lower interest rates as much as is currently priced into the yield curve.

During the quarter, we maintained the Fund's long positions in gold and copper. Gold is benefitting from a potential peak in real interest rates as well as diversification purchases by central banks. Meanwhile, the copper supply-demand balance remains very tight – especially because the Chinese economy seems to have found a bottom in terms of growth momentum.

Strong relative performance of the Fund's underlying equity managers contributed to performance. Top contributors included IA Clarington Dividend Growth Class, IA Clarington Global Multifactor Equity Fund and IA Clarington Thematic Innovation Class.

In terms of asset allocation, the Fund's slight overweight position in equities over the quarter and long position in gold also contributed to performance.

Currently, we slightly favour equities over fixed income. Within equities, we target to be slightly overweight in the U.S. and Japan. We continue to be exposed to gold and copper via long futures positions, and are unhedged on foreign currency exposures overall.

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Fund and benchmark performance, as at June 30, 2024	1 year	3 year	5 year	10 year
IA Clarington Monthly Income Balanced Fund – Series T6	10.8%	2.8%	5.1%	4.4%
40% FTSE Canada Universe Bond Index, 60% S&P/TSX Composite Index	8.8%	2.9%	5.7%	5.1%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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.

For definitions of technical terms in this piece, 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 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 benchmark is a blend of 40% FTSE Canada Universe Bond Index and 60% S&P/TSX Composite Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The FTSE Canada Universe Bond Index is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate, and municipal bonds issued domestically in Canada. The S&P/TSX Composite Index is the premier indicator of market activity for Canadian equity markets, with 95% coverage of Canadian-based, TSX-listed companies. The index includes common stock and income trust units and is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices. The Fund's fixed income component may have different sector exposure, credit quality and interest rate sensitivity than the benchmark. The Fund may have exposure to equities and bonds domiciled both in Canada and outside of Canada while the benchmark only has exposure to equities and bonds domiciled in Canada. The Fund may have currency risk exposure while the benchmark has none. The Fund may hold cash while the benchmark does not. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. It is not possible to

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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.

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