IA Clarington Monthly Income Balanced Fund

Manager commentary – Q4 2024

Interest rates rose sharply during the quarter, with the U.S. 10-year yield increasing by approximately 80 basis points. This surge led to negative returns for U.S. sovereign bonds, which declined by 3.1%. On the other hand, corporate bond spreads tightened, resulting in slightly positive returns for U.S. high-yield bonds, at 0.2%. Meanwhile, emerging market bonds faced challenges, delivering a return of -2.1%. Global equity markets continued their upward trajectory, with the MSCI World Index gaining 1.9%. Leading the charge were the Nasdaq Index (+6.3%), the Nikkei 225 Index (+5.4%), and the S&P/TSX Composite Index (+3.8%). However, the MSCI EAFE Index and MSCI Emerging Markets Index lagged, recording losses of -0.6% and -4.4%, respectively. Within equities, growth sectors relatively outperformed value sectors on a global basis.

The currency market experienced notable volatility, with the Canadian dollar tumbling 6.0% against the U.S. dollar. Commodity prices reflected mixed trends, as gold declined slightly by 0.4% while oil surged by 5.2%.

We continue to favour equities over cash and bonds, with a particular focus on Canadian, U.S. and Japanese markets. In Canada, the combination of improving earnings growth and aggressive policy easing measures by the Bank of Canada makes the equity market increasingly appealing despite persistent negative sentiment. We believe the U.S. remains an attractive destination for investment, supported by a strong earnings outlook and the early development secular themes related to artificial intelligence, which provide a significant tailwind. Similarly, corporate reform initiatives in Japan and a more accommodative Bank of Japan are expected to support earnings and broader market performance.

In the fixed-income space, while higher yields have created opportunities, we remain cautious owing to upside risks to interest rates driven by resilient economic growth and persistent inflation. The U.S. Federal Reserve's outlook for further policy easing has grown uncertain amid robust economic performance and slightly above-target inflation. These factors suggest that bond yields are likely to remain range-bound in the near term.

Within the currency market, we are adopting a contrarian perspective on the Canadian dollar. We believe the current "bearish" sentiment around Canada's economic prospects is overly pessimistic and are taking steps to hedge USDCAD exposure opportunistically. This positioning aligns with our view of a potential reversal in the loonie's fortunes by early 2025. At the same time, our outlook on gold has shifted, as we anticipate higher real interest rates in the U.S., continued strength in the U.S. dollar, and easing geopolitical risks to weigh on the metal's performance.

IA Clarington Monthly Income Balanced Fund

The fund's outperformance was partially driven by asset allocation, with slight overweighting in equities in Canada and Japan and underexposure to low volatility sectors in Canada. Further, underlying equity fund managers performed well on a relative basis. The largest contributors to performance included IA Clarington Global Multi-factor Equity Fund and IA Clarington Dividend Growth Class.

Tactically, we remain focused on equities, particularly in Canadian, U.S., and Japanese markets, while continuing to underweight fixed income and cash. We have initiated hedging strategies on USDCAD to benefit from a potential rebound in the Canadian dollar and plan to expand these positions opportunistically in early 2025. Additionally, we hold small short positions on gold through futures contracts, reflecting our cautious stance on the metal amid evolving macroeconomic conditions.

Fund and benchmark performance, as at December 31, 2024	1 year	3 year	5 year	10 year
IA Clarington Monthly Income Balanced Fund – Series T6	15.9%	4.5%	6.1%	5.2%
40% FTSE Canada Universe Bond Index, 60% S&P/TSX Composite Index	14.5%	5.0%	7.1%	6.1%

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.

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 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.

The information provided should not be acted upon without obtaining legal, tax, and investment advice from a licensed professional. Statements by the portfolio manager or sub-advisor represent their professional opinion and do not necessarily reflect the views of iA Clarington. Specific securities discussed are for illustrative purposes only and should not be considered a recommendation to buy or sell. Mutual funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ.

Commissions, trailing commissions, management fees, brokerage fees and expenses all may be associated with mutual fund investments, including investments in exchange-traded series of mutual funds. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.