IA Clarington Canadian Leaders Class

Manager commentary – Q3 2024

In recent quarters, the global economy has continued its path towards normalization, with notable developments across key regions.

The Canadian economy has been in a precarious situation on a per-capita basis, as its weak productivity remained a challenge despite strong population growth. The housing market was at risk of more volatile conditions reemerging as the Bank of Canada rushed towards a neutral policy interest rate of approximately 3%, which was expected to be achieved by mid-2025.

The U.S. economy continued to normalize over the period. The pace of job creation has slowed since April, and historical revisions have shown that fewer jobs than initially reported have been created since the spring of 2023. While hiring slowed, the participation rate (estimate of an economy's active workforce) continued to rise, leading to a higher unemployment rate. At the end of the period, the U.S. economy was displaying more signs of stability than weakness, especially in terms of consumer spending, which remained robust. Inflationary pressures eased, indicating a shift towards a more sustainable growth path.

For the last six months, the S&P/TSX Composite Index, representing the Canadian equity market, returned 10.0%, led by the materials, utilities and real estate sectors. Its U.S. counterpart, the S&P 500 Index, returned 10.2% in Canadian-dollar terms, led by the utilities, information technology and real estate sectors.

The Fund’s underweight allocation to and security selection within the energy sector contributed to performance, as did its security selection within the communication services and consumer staples sectors. Individual contributors included Canadian discount retail chain Dollarama Inc., which benefited from more price conscious consumers. In general, the company tends to perform well during more difficult economic times. Shares of the Royal Bank of Canada, Canada’s largest multinational financial services company, rose during the period in response to forecasts for increased demand and volume for mortgages in 2025.

The Fund’s security selection within the industrials, information technology and financials sectors detracted from performance. The Fund’s elevated cash levels also detracted from performance, as markets rose over the period. The Fund’s slight underweight exposure to metals and mining companies detracted from performance as well. Individual detractors included Canadian National Railway Co., a Class I freight railway, as it was affected by lower volume owing to a slowing economy as well as a labour strike. Canadian Natural Resources Ltd., a senior Canadian oil and natural gas company, was affected by falling oil prices.

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New positions included Torex Gold Resources Inc., a Canadian intermediate gold producer, due to its attractive valuation and potential to benefit from increasing gold prices. The fund manager's conversations with management have also reduced concerns regarding the company's operations in higher-risk countries.

Increased positions included Shopify Inc., a Canadian multinational e-commerce company, as the fund manager was optimistic about its execution on the cost side of the business. The company was improving profitability and the generation of free cash flow, and was not experiencing a slowdown in sales.

Decreased positions included Boyd Group Services Inc., a non-franchised collision repair operator, as the fund manager was assessing the company's shift in focus from mergers and acquisitions to organic growth.

Eliminated positions included Maple Leaf Foods Inc., as the company had not achieved its goals for raising margins from new plants and facilities.

The fund manager is constructive on the Canadian market and believes that the timing and pace of interest-rate cuts should support a reacceleration of real Canadian economic growth in 2025, as well as an exit from the prolonged per-capita recession (when GDP per capita falls in two consecutive quarters). Real economic growth or real GDP is GDP adjusted for inflation or deflation (when prices fall). Canada's cyclical and commodity-based businesses stand to benefit from the interest-rate cuts coming from central banks across the globe.

With regards to commodities, the fund manager has a positive view on natural gas and believes that companies should benefit from the transition to cleaner energy. Further, gold prices continue to reach new highs, supported by strong central bank buying.

Fund and benchmark performance, as at September 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Canadian Leaders Class – Series A	29.8%	9.0%	11.2%	7.4%
40% S&P 500 Index (CAD), 60% S&P/TSX Composite Index	30.6%	11.5%	13.2%	11.1%

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For definitions of technical terms in this piece, please 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 Fund's benchmark is a blend of 40% S&P 500 Index (CAD), 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 S&P 500 Index (CAD) includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. 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 market capitalization, geographic, and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. 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. Effective February 7, 2014, IA Clarington Canadian Leaders Fund merged into the Fund.

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.

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