

IA Clarington Canadian Leaders Class

Manager commentary – Q2 2024

After the upward trend in interest rates resumed, supported by good economic data at the start of 2024, indicators began to show signs of slowing down during the second quarter of the year. In addition, an easing of inflationary pressures has also been observed in the U.S. in recent months. This long-awaited trend reversal was enough to break the upward direction in interest rates observed at the beginning of the year and propel the stock markets to new records.

For the rest of the year, with the first central banks – including the Bank of Canada – reducing their key rates at the beginning of June, the cycle of monetary policy easing is well underway. As for the U.S., interest rates could remain a little higher than expected for a longer period, but it is still possible to see the U.S. Federal Reserve act before the end of 2024 and reduce interest rates. For this reason, we believe our initial scenario from the start of the year is still valid and realistic. Stocks that respond positively to lower interest rates, such as those in the utilities sector, underperformed in the first half of the year, but still offer attractive return potential in a monetary easing cycle.

Over the past three months, once again, sector allocation and security selection had a positive impact on performance, with allocation being the largest contributor to performance. More specifically, the relative overweighting of the information technology sector, as well as an underweighting of the financials sector, were two significant contributors to the Fund's performance. During the quarter, there were no significant detractors from performance at the sector allocation level. In terms of security selection, most of the gains were generated within the information technology sector. Companies like NVIDIA Corp. have again generated substantial returns in recent months. Within the Fund's Canadian sleeve, stock selection in the materials sector contributed positively owing to producers of gold and base metals.

Although some central banks have begun to reduce their key rates as part of the monetary policy easing cycle, there are still major divergences across developed markets. As a result, we remain cautious and believe that interest rates in some regions could remain higher for longer over the coming months.

In addition to interest rates, we believe it's important to prepare the portfolio for the U.S. elections, with lessons learned from an in-depth analysis of market behaviour after the 2016 and 2020 elections. We are still a few months away from this important event, but it's critical to understand the potential effects of the presidential election and what "Trump 2.0" could mean for specific policies, industries and companies.

In the U.S., we will persist in identifying the potential market leaders of tomorrow among innovative firms, while concurrently ensuring our capital is allocated effectively to dominant market players.

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| Fund and benchmark performance, as at June 30, 2024 | 1 year | 3 year | 5 year | Since performance start date (Feb. 2014) |
|---|--------|--------|--------|--|
| IA Clarington Canadian Leaders Class – Series A | 19.0% | 6.9% | 10.2% | 6.7% |
| 40% S&P 500 Index (CAD), 60% S&P/TSX Composite Index | 18.6% | 9.1% | 12.1% | 10.5% |

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.

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