

IA Clarington Dividend Growth Class

Manager commentary – Q2 2024

In the second quarter of the year, the market generated negative returns as investors grew pessimistic over the growth of the Canadian economy. The performance of the broader market was offset by the outperformance in the materials and consumer staples sectors. Interestingly, the top gainers for the quarter did not reside within these sectors. The companies that outperformed the most were Constellation Software Inc. and Fairfax Financial Holdings Ltd. within the information technology and financial sectors, respectively. The artificial intelligence (AI) trade was the theme of the quarter in the U.S. as AI-related companies brought a substantial level of returns for the period.

With consecutive inflation numbers coming in slower than expected both in the U.S. and Canada, an economic slowdown beginning in the back half of 2024 is becoming more apparent. The market has priced in several interest-rate reductions by the end of this year. The Canadian market is concentrated in the financial and natural resources industries, which react negatively to interest-rate cuts and slowing economic environments, respectively. We expect turbulence in the Canadian market for the rest of the year as the economy enters the limbo period with rate cuts and low economic growth. The U.S. economy is also expected to see economic drawdown for the remainder of 2024. However, the most recent Consumer Price Index print increased the plausibility of an economic “soft-landing” scenario (a cyclical slowdown in economic growth that ends without a period of outright recession).

IA Clarington Dividend Growth Class significantly outperformed the market benchmark, largely as a result of stock selection. Many of the Fund’s holdings were among the top-20 leaders for the quarter, dispersed across the information technology, financials and consumer staples sectors. Constellation Software returned 7.12% for the quarter on the announcement of a dividend increase. We also hold a position in Fairfax Financial, which returned 6.59% for the period over incremental positive news for the company. Some other major contributors include Dollarama Inc., Thomson Reuters Corp. and Royal Bank of Canada. The AI trade also contributed to our portfolio’s returns.

We’ve positioned the Fund to generate long-term capital growth through exposures to the Canadian and U.S. markets. With the shifting economic landscape both domestically and south of the border, we believe both equity markets will react negatively to the changes in the short run. At large, we’ve positioned our portfolio defensively to minimize the risk of economic drawdowns. Simultaneously, we remain opportunistic on individual company outperformances that may be found and realized through careful stock selection.

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Fund and benchmark performance as at June 30, 2024	1 year	3 year	5 year	10 year
IA Clarington Dividend Growth Class – Series T6	10.3%	4.9%	6.3%	5.5%
15% S&P 500 Index (CAD), 85% S&P/TSX Composite Index	14.5%	7.2%	10.3%	8.3%

For definitions of technical terms in this piece, please visit iaclarington.com/glossary or 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 15% S&P 500 Index (CAD), and 85% 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 which 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 Dividend Growth Fund merged into the Fund. Effective December 30, 2014, the investment objectives and strategies of the Fund were changed.

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.

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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. Please read the

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