

IA Clarington Strategic Equity Income Fund

Manager commentary – Q3 2024

During the six-month period ending September 30, 2024, inflation moderated considerably, while economic growth remained quite resilient. Recent interest-rate cuts by many central banks around the world have lent credence to the view that the most likely economic outcome is a “soft landing.”

Equities trended higher over this period, led by defensive higher-yielding sectors that performed quite well as lower yields supported valuations across these sectors.

The Fund’s exposures to the financials and utilities sectors were the largest contributors to performance during the period. The single largest contributor to performance was Royal Bank of Canada, as the company performed well following its successful acquisition and integration of HSBC Bank Canada, and also benefited from the effects of the steepening yield curve (long-term bonds were offering higher yields than short-term bonds). Carrier Global Corp. was the second-largest driver of performance. Shares rallied as interest rates declined, and the company provided data indicating that heating, ventilation and air conditioning orders were rebounding strongly.

The Fund’s exposures to the consumer cyclical and materials sectors were the largest detractors from performance during the period. The single largest detractor was Magna International Inc., as its share price declined following the bankruptcy of Fisker Inc., causing the company to cut its full-year guidance. The second-largest detractor was Superior Plus Corp., as unseasonably warm weather negatively affected propane demand and the departure of Certarus Ltd.’s CEO also weighed on the stock.

New positions in the Fund included Johnson & Johnson, CMS Energy Corp. and Target Corp.

Increased positions included Visa Inc., Carrier Global and Enbridge Inc.

Decreased positions included Microsoft Corp., Brookfield Corp. and Republic Services Inc.

Eliminated positions included Norfolk Southern Corp., Algonquin Power & Utilities Corp. and Capital Power Corp.

The fund manager expects economic growth to slow over the coming quarters but believes that lower interest rates and ample liquidity should support an economic soft landing.

The Fund continues to hold higher-than-benchmark exposures to defensive businesses with higher yields, given their perceived attractive valuation and relative yields available to investors.

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Fund and Benchmark Performance as at: September 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Strategic Equity Income Fund – Series Y	22.4%	6.6%	7.7%	6.0%
S&P/TSX Composite Index	26.7%	9.5%	10.9%	8.1%

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, please visit iaclarington.com/glossary and speak with your financial 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 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 invests in dividend paying stocks while the benchmark is comprised of companies which may not necessarily pay a dividend. The Fund may have exposure to equities domiciled both in Canada and outside of Canada while the benchmark only has exposure to equities 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. 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.

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