

# IA Clarington Core Plus Bond Fund

## Manager commentary – Q4 2024

### **Economic Overview**

The final quarter of 2024 showcased a dynamic economic landscape shaped by persistent inflation, resilient labour markets and evolving central bank policies. In Canada, the economy remained on uncertain footing, with economic data indicating a moderate slowdown. Inflationary pressures persisted, driven in part by rising energy costs, while the Bank of Canada held the Overnight Lending Rate steady at 4.25%. In the U.S., a robust jobs market supported consumer spending, yet concerns over fiscal deficits and higher bond yields tempered optimism. The U.S. Federal Reserve adopted a cautious approach, maintaining its policy rate at 4.50-4.75%, as inflation remained above its 2% target.

Global markets saw divergent trends. European economies benefited from stabilizing energy prices and favourable credit spreads, while Asia-Pacific regions, particularly Australia and Indonesia, presented attractive opportunities in high-yield credit. Emerging market sovereigns, including Brazil and Mexico, continued to appeal to investors seeking higher yields and improving fundamentals.

### **Fund Performance and Portfolio Positioning**

Over the quarter, IA Clarington Core Plus Bond Fund Series F posted a modest return of 1.0%, while continuing to focus on minimizing volatility. Tactical asset allocation and a focus on quality corporate credit contributed to performance. Canadian investment-grade corporate bonds, the largest allocation within the Fund, outperformed their U.S. counterparts owing to wider credit spreads and lower interest rate risk. The Fund's duration was tactically managed, decreasing by 0.5 years in anticipation of near-term interest rate volatility.

Private credit exposures were selectively trimmed, with proceeds reallocated to higher-quality investment-grade corporate bonds in both Canada and the U.S. This shift aimed to enhance liquidity and mitigate risks associated with rising borrowing costs.

The Fund's U.S.-dollar exposure was fully hedged against the Canadian dollar, capitalizing on a potentially undervalued Canadian dollar in the long run, while detracting from the Fund's overall quarterly return in the short term. Tactical management of the Fund's CADMXN hedge positioning contributed to the quarter's return as the currency pair experienced heightened volatility leading into the new year.

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## Market Outlook and Strategy

As we look ahead to 2025, several themes are expected to shape fixed-income markets:

1. **Inflationary persistence:** In the U.S., inflation is likely to remain elevated, driven by fiscal policies, including tariffs and potential tax cuts. Central banks are expected to adopt a “higher for longer” stance on interest rates, necessitating a focus on relatively shorter-duration assets.
2. **Geopolitical risks:** Ongoing conflicts and protectionist trade policies pose headline risks, particularly for global markets with high exposure to China and other emerging economies.
3. **Credit opportunities:** Investment-grade and high-yield bonds in select regions, including Europe and Asia, offer attractive spreads and potential for yield enhancement. Defensive industries like banking, energy and utilities remain focal points, given their resilience in inflationary environments.

The Fund remains committed to its disciplined investment approach, balancing risk and return through diversification, rigorous credit analysis, and active management of duration and currency exposures. Our base case anticipates a “soft landing” (a scenario where economic growth slows down, but ends without a period of outright recession) for the global economy, with modest growth and contained volatility. However, we remain vigilant and prepared to adjust strategies in response to evolving market conditions.

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Fund and benchmark performance as at December 31, 2024	1-year	3-year	5-year	10-year
IA Clarington Core Plus Bond Fund – Series A	5.2%	0.5%	1.4%	1.8%
50% Bloomberg Global Aggregate Corporate Bond 1-5Y (USD), 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (CAD)	6.9%	2.3%	2.0%	2.6%

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](http://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 benchmark is a blend of 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (USD) and 50% Bloomberg Global Aggregate Corporate Bond 1-5Y (CAD). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The Bloomberg Global Aggregate Corporate 1-5 Year Float adjusted Bond Index is based on the Bloomberg Global Aggregate Corporate Index, and to be eligible for the index, bonds must be issued by a Corporate issuer, and must have between one year and up to five years remaining until maturity. The Bloomberg Global Aggregate Corporate Index is a flagship measure of global investment grade, fixed-rate corporate debt. This multi-currency benchmark includes bonds from developed and emerging markets issuers within the industrial, utility and financial sectors. 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.

Agile Investment Management, LLC was appointed sub-advisor to the IA Clarington Core Plus Bond Fund effective September 4, 2024. This change may have affected the Fund's performance.

Series F is only available through a fee-based account with a full-service investment dealer. Please refer to the prospectus to learn more about Series F and its targeted payout options. If you buy other series of the Fund any differences in performance is primarily due to different fees and expenses.

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 for time periods of more than one year are historical annual compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized.

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