IA Clarington Strategic Corporate Bond 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.”

High-yield bonds marginally outperformed investment-grade bonds as economic growth and expectations concerning interest-rate cuts supported the outlook for this part of the bond market. Investment-grade bonds also performed well on expectations for lower interest rates and moderating inflation.

The Fund’s allocations to the consumer cyclical and consumer non-cyclical sectors contributed the most to performance over the period. The two largest contributors were KeHE Distributors LLC (9%, 15/02/2029) and NOVA Chemicals Corp. (9%, 15/02/2030), owing primarily to the attractive coupons of these securities, as well as capital appreciation in an environment of declining yields.

The Fund’s allocation to the communication services sector was the most significant detractor from performance. The largest individual detractors were positions in Corus Entertainment (5%, 11/05/2028) and (6%, 28/02/2030), as Warner Bros. Discovery decided not to renew its programming and trademark agreements with the company, and lower advertising spending has created some financial challenges.

New positions in the Fund included Doman Building Materials Group Ltd. (7.5%, 17/09/2029), Chemtrade Logistics Income Fund (6.375%, 28/08/2029) and ATS Automation Tooling Systems Inc. (6.5%, 21/08/2032).

Increased positions included KeHE Distributors (9%, 15/02/2029), Norwegian Cruise Line Holdings Ltd. (8.375%, 01/02/2028) and Algoma Steel Group Inc. (9.125%, 15/04/2029).

Decreased positions included iShares iBoxx High Yield Corporate Bond ETF, Bombardier Inc. (7.125%, 15/06/2026) and iShares iBoxx $ Investment Grade Corporate Bond ETF.

Eliminated positions included Cominar REIT (4.5%, 15/05/2024), Icahn Enterprises L.P. (6.375%, 15/12/2025) and Royal Caribbean Cruises Ltd. (8.25%, 15/01/2029).

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.

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The Fund's interest-rate sensitivity remains low, and the Fund is positioned in higher-quality high-yield securities to take advantage of attractive yields, while also protecting the portfolio against the risk of a slowing economy.

The fund manager continues to view government bonds a way to opportunistically hedge the Fund's exposure. The fund manager believes the fair value for the U.S. 10-Year Treasury bond is approximately 3.75% to 4.25%, and the Fund currently has no exposure to these issues as yields are currently at the low end of this range.

Fund and Benchmark Performance as at: September 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Strategic Corporate Bond Fund – Series A	10.5%	2.1%	2.9%	2.8%
FTSE Canada Corporate Bond Index	14.0%	1.5%	2.1%	3.1%

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 FTSE Canada Corporate Bond Index is based on the Corporate sector of the FTSE Canada Universe Bond Index. The Corporate sector is further divided into sub-sectors based on major industry groups: Financial, Communication, Industrial, Energy, Infrastructure, Real estate, and Securitization. The Fund can invest in both investment grade and high yield bonds while the benchmark has exposure only to investment grade bonds. The Fund may have exposure to bonds domiciled both in Canada and outside of Canada while the benchmark only has exposure to bonds 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.

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