

IA Wealth Core Bond Pool

Manager commentary – Q3 2024

During the six-month period ending September 30, 2024, the global economy continued its path toward normalization with notable developments across key regions.

The U.S. economy continued to normalize over the period. The pace of job creation has slowed since April, and historical revisions have shown that fewer jobs than initially reported have been created since the spring of 2023. While hiring has slowed down, the participation rate has continued to rise, leading to a higher unemployment rate. At the end of the third quarter, the U.S. economy was displaying more signs of stability than weakness, especially in terms of consumer spending, which remained robust. Inflationary pressures eased, indicating a shift towards a more sustainable growth path.

The Canadian economy appears to be in a precarious situation on a per-capita basis, as its weak productivity remains a challenge despite strong population growth. The housing market remains at risk as the Bank of Canada (BoC) is rushing towards a neutral policy interest rate of about 3%, which is expected to be reached mid-2025.

Globally, disinflation continued as supply-chain pressures eased and commodity prices stabilized. For instance, the eurozone reported that inflation had dropped to 1.8% in September, and inflation in emerging markets has generally trended downwards. This has opened the door to synchronized interest rate cuts from global central banks, adding welcome liquidity to the global economy.

Even though the Fund held an underweight position in the provincial segment, the specific bonds owned generally had longer maturities than those in the benchmark (FTSE Canada Universe Bond Index). These holdings outperformed as yields were lower, contributing to performance. Security selection in the federal segment also contributed to performance.

The biggest detractor over the period was security selection in municipal bonds.

Many of the Fund's purchases and sales of specific positions were part of an active strategy in which the fund manager strives to predict movements in the interest-rate curve in order to manage the Fund's interest-rate sensitivity. Most of the issuers stayed the same, but the maturity dates of the holdings changed.

Decreased positions included rated municipal bonds, as these securities provide little in the way of extra yield.

The fund manager believes that the timing and pace of interest-rate cuts should support the reacceleration of real Canadian economic growth in 2025, as well as an exit from the prolonged per-

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capita recession. The fund manager also expects inflation to continue slowing down in both Canada and the U.S.

The fund manager has a cautious outlook on corporate credit while favouring shorter-dated bonds. The fund manager anticipates ongoing yield volatility, which should create opportunities to actively and tactically manage the Fund's positioning.

Fund and benchmark performance as at September 30, 2024	1 year	3 year	5 year	10 year
IA Wealth Core Bond Pool – Series A	12.9%	-0.7%	0.0%	1.2%
FTSE Canada Universe Bond Index	12.9%	-0.1%	0.6%	2.3%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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 Fund's benchmark is the FTSE Canada Universe Bond Index, which is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada. The Fund's geographic, sector and credit quality exposure may differ from 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.

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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