

# IA Wealth Core Bond Pool

## Manager commentary – Q4 2024

It was not the end to 2024 that fixed-income investors had hoped for, as a fourth-quarter rout in 10-year U.S. Treasuries added 80 basis points and brought the yield to 4.6%. Stronger-than-expected economic data raised concerns the U.S. Federal Reserve (Fed) would slow its pace of interest rate cuts, which it eventually intimated that it would. In addition, rhetoric by U.S. President-elect Trump around the broad imposition of tariffs added 40 basis points to yields in December alone, given concerns about ensuing inflation. Of note, 10-year Government of Canada bond yields only rose by 20 basis points in the fourth quarter as Canada's weaker economic conditions have the Bank of Canada (BoC) continuing to slash rates.

Yields start 2025 on the back foot as U.S. President-elect Trump accelerated conjecture about tariffs, potential trade discord and even military conquest, spurring trepidation inflation may reemerge, even before it fully abated. Notwithstanding, we believe interest rates will settle as the year progresses and both the BoC and Fed continue to support accommodative monetary conditions, with the former more aggressive amid comparatively weaker economic conditions at home. We expect Government of Canada 10-year bond yields to eventually head back down to 3%, and the U.S. to eventually move towards 4%, but we believe there will be considerable volatility given ongoing political and geopolitical friction throughout the world.

Contributing to the Fund's performance over the period were holdings in municipal and corporate bonds, as their short duration was beneficial in the context of the significant rise in bond yields during the quarter. Furthermore, specifically for corporate bonds, risk premiums continued to compress as the market no longer anticipates a sharp slowdown in the American economy.

In contrast, holdings in federal and provincial bonds detracted from the Fund's performance. In both cases, the portfolio was underweighted on a relative basis, which was beneficial as these securities underperformed the benchmark. However, to offset this underweight exposure, we held bonds with long maturities that underperformed owing to the significant rise in bond yields during the quarter.

Given our expectation for ongoing volatility, we maintain our agile positioning for duration and will look to selectively extend in situations when yields back up materially. We believe credit spreads will tighten more in 2025 and the Fund has a modestly overweight position in corporate bonds as asset-liability matchers and ongoing annuity sales drive demand against a fairly neutral economic backdrop and attractive all-in yields. We prefer shorter duration in corporate issues, where breakeven points are still decently attractive. We also have overweight exposure to municipal bonds, leveraging our inherent knowledge of the Quebec economy to participate in non-rated issuances from various municipalities in that province.

# IA Wealth Core Bond Pool

Fund and benchmark performance as at December 31, 2024	1 year	3 year	5 year	10 year
IA Wealth Core Bond Pool – Series A	3.9%	-1.1%	0.2%	1.0%
FTSE Canada Universe Bond Index	4.2%	-0.6%	0.8%	2.0%

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](http://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.

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.

The information provided should not be acted upon without obtaining legal, tax, and investment advice from a licensed professional. Statements by the portfolio manager or sub-advisor represent their professional opinion and do not necessarily reflect the views of iA Clarington. Specific securities discussed are for illustrative purposes only and should not be considered a recommendation to buy or sell. Mutual funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ.

# IA Wealth Core Bond Pool

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. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

The iA Clarington Funds are managed by IA Clarington Investments Inc. iA Clarington and the iA Clarington logo, iA Wealth and the iA Wealth logo, and iA Global Asset Management and the iA Global Asset Management logo, are trademarks of Industrial Alliance Insurance and Financial Services Inc. and are used under license. iA Global Asset Management Inc. (iAGAM) is a subsidiary of Industrial Alliance Investment Management Inc. (iAIM).