IA Clarington Loomis Global Allocation Class

Manager commentary – Q2 2024

Investor sentiment was muted coming into the period, as a series of hotter-than-expected inflation reports prompted mounting speculation that the U.S. Federal Reserve (Fed) may in fact need to delay its first interest-rate reduction until 2025. These concerns waned in May and June as inflation pressures showed signs of abating and a series of weaker-than-expected data releases indicated the economy may be cooling. Although the timing and extent of rate cuts remained in question, these developments helped boost confidence that the Fed would loosen monetary policy in the second half of 2024, with futures markets pricing one to two cuts (closer to two) by the end of the year.

Investment-grade bonds produced mixed results in the quarter. U.S. Treasuries registered a narrow gain, driven by shorter-dated bonds. The longer end of the yield curve rose, leading to the underperformance of 10- and 30-year bonds. The two-year note moved from 4.59% to 4.71% over the course of the three-month period, while the 10-year climbed from 4.22% to 4.36%. Still, both finished well off of their late April highs of 5.04% and 4.70%, respectively. Investment-grade corporate bonds finished with a narrow loss, as yield spreads, which began the period on the very low end of their historical range, inched higher toward the end of the quarter. High-yield bonds registered a positive absolute return and outperformed the investment-grade market.

Global developed-market government bonds posted a small loss, as a marginal "higher for longer" narrative was present across many global markets. French politics created some volatility in Europe, keeping some euro government bond yields elevated relative to German bonds. Japan government bonds were a notable underperformer over the quarter as well. Emerging-market bonds delivered a gain, led by the Middle East/Africa region.

Global equities gained ground in the quarter, as investor sentiment remained supported by stable global growth trends and healthy corporate earnings. After a weak showing in April, stocks recovered in May and June to help the major indexes close the quarter near all-time highs. The U.S. outperformed given the persistent strength in mega-cap technology stocks, but the major mid- and small-cap indexes finished in negative territory. Europe performed well overall, but the region's markets closed well off their late-May highs following surprising election results in France and other nations. In Asia, Japan lagged owing to the pronounced weakness in the yen. The emerging markets outpaced their developed-market peers behind strong gains for China, India and Taiwan, reversing a multi-quarter stretch of underperformance for the category.

IA Clarington Loomis Global Allocation Class Series T8 underperformed its benchmark (60% MSCI All Country World Index (CAD)/40% Bloomberg Global Aggregate Bond Index (CAD Hedged) in the second

quarter, with a return of 1.76% versus 2.38%. The Fund's equity and U.S. fixed-income components slightly lagged their respective benchmarks, while the non-U.S. fixed-income component outperformed the fixed-income benchmark.

The three largest contributors to performance in equities were Nvidia Corp., Alphabet Inc. and Taiwan Semiconductor Manufacturing Co. Ltd (TSMC).

Shares of Nvidia outperformed over the period. The business has benefited from a rapid increase in artificial intelligence (AI) spending over the past 18 months, driven in large part by Nvidia's graphics processing units (GPUs). Nvidia's fiscal first-quarter 2025 report surpassed both our internal and consensus expectations given strength in its data centre segment and optimism surrounding the launch of its new Blackwell product line. Blackwell, Nvidia's next generation of graphics processing units (GPUs), brings a four-fold improvement relative to its predecessor Hopper chip for AI training, and a 30-times improvement for inference. Additionally, the Blackwell platform should bring a significant improvement energy consumption, which helps alleviate a major pain point given the very intense power demands to run these workloads. Concerns about a "demand gap" as the business transitions from Hopper to Blackwell have dissipated as demand for Nvidia GPUs continues to increase its breadth to hyperscalers, enterprises and sovereign nations. We continue to find shares of Nvidia attractive based on our discounted cash flow (DCF) valuation framework.

Alphabet, via its Google property, dominates the global search market, with over 90% market share across geographies (outside of China and Russia). The company amasses consumer data from Google search and its other properties – YouTube, GooglePlay, Chrome and Maps – which increases its value proposition to advertisers. We believe Alphabet is positioned to benefit from growth in digital advertising, with few other companies offering the ability to reach desired audiences. Alphabet continues to grow its market share in the cloud business as well as gain traction in devices, where its efforts, while in the early days, appear promising. Shares of Alphabet outperformed as the market became more positive on Alphabet's positioning in generative AI. Earlier in 2023, the stock had lagged as investors assumed that Alphabet was behind competitors like Microsoft and OpenAI. We view Alphabet as one of the more attractive values in our investment universe.

TSMC was a top contributor for the period. As the world's largest foundry for leading-edge chips, TSMC has been a direct beneficiary of the rapid growth in AI spending, in particular around the demand for Nvidia GPUs. Additionally, TSMC has increased capacity in their most-advanced packaging called "CoWoS" (chip-on-wafer-on-substrate), which has resulted in better top-line growth as supply bottlenecks ease. Lastly, TSMC has indicated it plans to increase pricing, which further lifted shares. We continue to find TSMC attractive based on our DCF valuation framework.

IA Clarington Loomis Global Allocation Class

In fixed income, yield curve and duration positioning contributed over the quarter. In particular, underweight-duration, local-market positioning in the Japanese yen and euro-pay markets contributed as yields rose in both bond markets.

Credit positioning also contributed to performance over the period. In particular, positioning in the consumer non-cyclical, consumer cyclical and finance companies market segments contributed. Within consumer non-cyclical, holdings of Bausch Health Companies Inc. and Teva Pharmaceuticals Industries Ltd. contributed. Holdings of Uber Technologies Inc. and Carnival Corp. were top drivers of returns within the consumer cyclical industry. Lastly, within the finance companies industry, holdings of Rock Holdings Inc. contributed to performance.

In equities, the three most significant detractors from performance were Salesforce Inc., Nike Inc. and LVMH Moët Hennessy Louis Vuitton SE.

Shares of Salesforce, a software company, underperformed after the company reported quarterly results that suggested demand for its front-office automation software decelerated after a strong end to 2023. Revenue growth, still respectable at 11% over previous year period, was weaker owing to a combination of macroeconomic uncertainty and growing pains as the company made changes to how it markets and sells products. We remain confident in Salesforce's ability to grow its intrinsic value, driven by its revenue growth and a steadily improving margin profile that we forecast to reach 30% or better this fiscal year.

Nike designs, develops and sells athletic footwear, apparel, equipment, accessories and services. Shares underperformed during the period as macro-level consumer challenges hampered revenue growth and anticipated margin expansion. Possible missteps in some categories relative to peers and a rebalancing of distribution also impacted shares.

LVMH is a global producer and distributor of luxury goods. Its products span fashion and leather goods; jewelry; wines and spirits; perfumes and cosmetics; as well as retail brands such as Sephora and DFS, the airport duty-free retailer. Shares underperformed during the period amid growing market concerns over a slowdown in the luxury space, after several years of high growth and above-average price increases. In our view, LVMH is strongly diversified across both product categories and geographies. With its meaningful scale and strong generation of free cash flow, it is uniquely positioned to continue executing on its strategy. The company is attractively valued based on our DCF methodology.

IA Clarington Loomis Global Allocation Class

In fixed income, currency allocation was the most significant detractor from performance over the quarter. In particular, allocations to the Japanese yen, Brazilian real and euro detracted from performance.

Although credit positioning as a whole contributed to performance over the period, allocations to the communications sector detracted from performance. In particular, holdings of Altice France SA detracted from returns.

U.S. nominal growth of gross domestic product has retreated from an exceptional level. We acknowledge signs of financial strain in lower-income consumers, but positive U.S. consumption trends should continue as long as the labour market remains healthy. Lagged effects of monetary policy continue to emerge, but financial conditions, the "wealth effect" and elevated fiscal spending are still providing support. Pockets of weakness in lower-income consumers, commercial real estate and small businesses have so far been offset by strength among wealthy consumers and large-cap companies. We think capital expenditures should further aid economic growth, largely driven by technology and research & development spending, which could rise at a strong pace over at least the next few quarters. We believe these factors indicate that the operating environment for corporations should remain positive even if growth fails to meet expectations. Nevertheless, slower-than-expected economic conditions would represent a key risk for risk assets, and we do not believe valuations in credit markets justify taking undue risk.

Elections are a market-moving factor across the globe this year. In the U.S., neither presidential candidate appears interested in fiscal austerity. As a result, the U.S. government budget deficit is unlikely to improve over the near term. The fiscal position of the U.S. government introduces the risk of higher bond yields, but the market does not appear to be pricing this risk so far. Elsewhere around the globe, France, Brazil, Mexico and Indonesia are among the most market-influential countries to see their political landscape in 2024 raise concerns about fiscal discipline.

Evidence continues to mount that the disinflationary trend toward the Fed's inflation objective continues slowly. The lagged impact on wages and service sector prices remains in play globally, and the possibility of a more persistent wage-price interaction remains a threat. However, as inflation moderates globally, we expect central banks around the world to continue stepping away from restrictive policies.

IA Clarington Loomis Global Allocation Class

Fund and benchmark performance, as at June 30, 2024	1 year	3 year	5 year	10 year
IA Clarington Loomis Global Allocation Class – Series T8	18.4%	3.4%	6.4%	6.0%
40% Bloomberg Global Aggregate Bond Index (CAD Hedged), 60% MSCI AC World Index (CAD)[1]	15.1%	4.6%	7.0%	7.4%

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.

[1]Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted market indices. As this fund invests substantially in its Reference Fund (IA Clarington Loomis Global Allocation Fund), the differences discussed are those of the Reference Fund. 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 Bloomberg Global Aggregate Bond Index (CAD Hedged) (40%) and MSCI AC World Index (CAD) (60%). 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 Index is a flagship measure of global investment grade debt from twenty-eight local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index: the US Aggregate, the Pan-European Aggregate, the Asian-Pacific Aggregate, and the Canadian Aggregate Indices. The MSCI AC World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI AC World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 50 country indexes comprising 23 developed and 24 emerging market country indexes. The Fund's market capitalization, geographic, sector and credit quality exposure may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. The Fund may hold cash while the benchmark does not. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance. Effective December 30, 2014, the portfolio manager of the Fund was changed from Aston Hill Asset Management Inc. to Industrial Alliance Investment Management Inc. and the investment objectives and strategies of the Fund were changed. IA Clarington Loomis Global Allocation Class was formerly IA Clarington Global Allocation Class.

IA Clarington Loomis Global Allocation Class

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.

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