

# IA Clarington Loomis Global Allocation Fund

## Manager commentary – Q3 2024

Second-quarter financial market performance generally reflected the evolving outlook for inflation, economic growth and U.S. Federal Reserve (the Fed) policy. Investor sentiment was muted coming into the period, as inflation reports dampened expectations for the number of interest-rate cuts the Fed was likely to enact before year-end.

Financial assets delivered robust returns in the third quarter, as favourable developments with respect to the economy and central bank policy offset geopolitical risks and uncertainty surrounding the upcoming U.S. election.

The Fund's majority equity allocation underperformed the MSCI All Country World Index over the last six-month period. The Fund's fixed-income component outperformed the Bloomberg Global Aggregate Index, resulting in a total fund return that was in-line with the blended index.

In equities, the Fund's security selection in the industrials sector was the largest contributor to performance. The Fund's exposure to the financials, health care, consumer staples and energy sectors also contributed. Individual contributors included NVIDIA Corp., S&P Global Inc. and Taiwan Semiconductor Manufacturing Co. Ltd. (TSMC). NVIDIA continued to deliver results that exceeded consensus, with its year-to-date data centre business revenues up 230%. S&P Global benefited from a strong recovery in bond issuance. Its ratings business grew 33% in the second quarter, providing a meaningful boost to enterprise margins. TSMC has benefited from the adoption of artificial intelligence and graphical processing units, with customers NVIDIA and Advanced Micro Devices Inc. relying on its chips.

In fixed income, the Fund's exposure to credit-sensitive sectors contributed to performance. Security specific selections in the communications, consumer non-cyclical and information technology sectors contributed, as did its spread-sector allocation, particularly risk-adjusted overweight exposures to the communication services, financials, and consumer non-cyclical sectors. Yield curve and duration (interest-rate sensitivity) positioning also contributed over the period, particularly local market positioning in the U.S. dollar, Canadian dollar and Japanese yen pay markets.

In equities, the Fund's security selection in the consumer discretionary sector was the largest detractor from performance. A lack of exposure to the utilities sector detracted from performance, as did positions in the communication services, information technology and materials sectors. Individual detractors included Airbnb Inc., LVMH Moët Hennessy Louis Vuitton SE and ASML Holding NV. Shares of Airbnb declined over concerns about slowing revenue growth, and shares fell in May after the company

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announced guidance for second-quarter revenue growth below that achieved in recent quarters. Shares of LVMH underperformed on growing market concerns over slowing consumer demand, particularly in China. ASML faced challenges as investors questioned whether the business could meet the upper end of its 2025 sales guidance.

In fixed income, the Fund's currency allocation, net of hedging, detracted from performance, particularly its allocations to the Japanese yen, Chinese renminbi and U.S. dollar. Although yield curve and duration positioning overall contributed to performance, local market positioning in the euro and Chinese renminbi pay markets detracted.

An equity position was initiated in CGI Inc., a Quebec-based global information technology service provider offering expertise in consulting, systems integration, application maintenance, and business process outsourcing. A strong backlog coupled with long-term contracts supports cash flow visibility.

A new fixed-income position was added in CDW Corp., the largest player in the fragmented U.S. value-added reseller market.

Equity positions were increased and decreased over the period based on valuation and risk/reward profile.

The Fund's fixed-income position in The Boeing Company was increased given the fund manager's expectation that, despite the many challenges confronting the company's operations and governance, Boeing could ultimately rectify its manufacturing problems, leading to higher production rates, higher free cash flow and improving leverage metrics.

The Fund's fixed-income position in OneMain Finance Corp. was trimmed to raise reserves and build greater liquidity and flexibility into the portfolio.

Eliminated equities positions included infrastructure company Vinci SA as the fund manager saw more interesting opportunities elsewhere. Nike Inc. was sold as it seemed unlikely the company would achieve the fund manager's forecast of intrinsic value growth (free cash flow growth).

The Fund's fixed-income position in Teladoc Health Inc. was sold to raise reserves and build greater liquidity and flexibility into the portfolio.

While most major economies may avoid recessions over the next six to 12 months, market volatility could increase. The fund manager expects U.S. inflation to continue trending down toward the Fed's 2% target over the next few quarters.

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With this said, the fund manager believes real gross domestic product (after inflation) is on pace to come in above trend in 2024, near 2.75%. That is unlikely to be repeated in 2025, even with interest-rate cuts. Softer growth could pressure corporate revenues and profit margins, weighing on the outlook for both equities and fixed-income credit.

In this still-somewhat uncertain backdrop, the fund manager remains focused on investing in quality companies that should be able to manage the current environment and generate value over the longer term. Periods of volatility can provide opportunities to build positions in quality companies at more attractive valuations.

Fund and benchmark performance, as at September 30, 2024	1 year	3 years	5 years	10 years
IA Clarington Loomis Global Allocation Fund – Series T8	25.9%	4.9%	7.4%	7.0%
40% Bloomberg Global Aggregate Bond Index (CAD Hedged), 60% MSCI AC World Index (CAD) <sup>1</sup>	22.5%	5.9%	7.6%	7.6%

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.

<sup>1</sup>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. 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 (Currency 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 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

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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 February 23, 2015, the sub-advisor of the Fund changed from Aston Hill Asset Management Inc. to Loomis, Sayles & Company, L.P. and IA Clarington Investments Inc. and the investment strategies of the Fund were changed. IA Clarington Loomis Global Allocation Fund was formerly IA Clarington Global Allocation Fund.

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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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