

IA Clarington Global Equity Fund

Manager commentary – Q3 2024

IA Clarington Global Equity Fund Series T6 returned 6.2% during the third quarter of the year outperforming the MSCI World Index (CAD) which returned 5.0%.

In the second quarter, benchmark returns were driven by a small number of mega-cap stocks that were related to artificial intelligence (AI) and had high price-to-earnings ratios. Seven mega caps drove the entire return of the S&P 500 Index during the second quarter, while the remaining holdings cumulatively detracted 1%.

Global stocks rallied into the third quarter on continued hopes that U.S. Federal Reserve interest-rate cuts would engineer an economic “soft landing” following the S&P 500’s mid-summer decline. Meanwhile, 10-year U.S. government bond yields compressed in anticipation of multiple interest-rate cuts alongside falling inflation and weakening jobs data.

Market returns broadened in the third quarter as small-cap stocks, value stocks and sectors like utilities, industrials and financials led index performance.

The Fund’s stock selection in the industrials and consumer discretionary sectors contributed to performance over the six-month period. Individual contributors included Alibaba Group Holding Ltd., as its valuation had begun recovering from historic lows, primarily driven by recent Chinese government stimulus measures that sparked a stock market rally and improved overall market sentiment. Unilever PLC delivered strong earnings results, showing notable improvements in underlying sales growth and profitability. 3M Co.’s second-quarter results led to a near-historical one-day positive re-rating in valuation, driven in part by impressive operating income.

The Fund’s stock selections in the information technology, financials and communication services sectors detracted most from performance. Individual detractors included Samsung Electronics Co. Ltd. as expectations for an industry rebound moderated and the company lagged its peers in the quickly growing market for high bandwidth memory chips. Shares of The Walt Disney Company traded lower, primarily owing to a weaker near-term outlook within the company’s key theme parks business. Alten SA anticipated low organic growth and faced a challenging near-term demand environment.

New positions included Instalco AB, a leader in electrical, plumbing, and heating, ventilation and air conditioning (HVAC) installations and servicing of commercial premises. Its decentralized, acquisition-focused model has generated a strong track record of consistent growth. Melexis NV is a global semiconductor company that designs, develops, tests, and markets integrated circuits and sensor

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solutions. It has high returns on invested capital, and its potential for double-digit revenue growth offers attractive return prospects. Solventum Corp.'s stable profit margins and strong position in diverse, non-cyclical end markets have allowed it to generate consistent results. Tencent Holdings Ltd. is China's largest internet conglomerate and the world's largest online gaming company. Its net cash balance sheet, strong growth prospects and reasonable valuation offered a substantial margin of safety.

Increased positions included European holdings in WH Smith PLC and Alten SA, as well as Starbucks Corp. and Samsung as valuations approached multi-year lows. Alibaba was increased as the new management team's growth initiatives gained traction and the company accelerated shareholder-friendly initiatives, including a quarterly buyback.

Decreased positions included Alphabet Inc., Amazon.com Inc., Netflix Inc., Centene Corp. and UnitedHealth Group Inc.

Eliminated positions included BASF SE, as the forces of de-industrialization in Europe and persistently higher cost of feedstock owing to the war in Ukraine have put the company at a structural disadvantage. Lennox International Inc. approached a record-high valuation, and upside potential appeared unattractive relative to downside risk. Sandoz Group AG was sold in favour of other health care holdings. Verizon Communications Inc. and Wells Fargo & Co. were sold to fund opportunities with better long-term prospects.

U.S. equities remain priced for a soft economic landing and a reacceleration of corporate profits despite signs of economic pressure, while many European companies remain priced for lacklustre growth. The fund manager believes the best risk-adjusted opportunities appear to be in high-quality businesses that demonstrate earnings stability and growth, but trade at more reasonable valuations than market averages, as well as in businesses where low expectations embedded in current valuations could lead to attractive outcomes when conditions eventually normalize.

The Fund continues to trade near its widest historical discount to the global stock market, despite higher returns on invested capital, a superior dividend yield and comparable growth prospects over the coming year. The fund manager thinks this combination provides a meaningfully differentiated value proposition for clients to the broader stock market.

Fund and benchmark performance as at September 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Global Equity Fund - Series T6	17.7%	10.1%	9.9%	8.0%

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MSCI World Index (CAD) ¹	32.3%	11.4%	13.5%	12.1%
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For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.

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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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