IA Clarington Global Equity Fund

Manager commentary – Q4 2024

While IA Clarington Global Equity Fund generated positive returns in 2024, performance relative to the MSCI World Index was highly challenged and this trend intensified in the fourth quarter. Being diversified by geography, sector and business model proved to be a losing proposition in a year where the bulk of the benchmark's gains were generated from a small handful of very expensive mega-cap stocks priced in an ascendant U.S. dollar. As economic and earnings growth remained resilient in the U.S. while deteriorating in Europe, U.S. valuations and the U.S. dollar rose significantly in 2024, but the opposite occurred in Europe. U.S. stocks rose 36% in Canadian-dollar terms (25% in U.S. dollars), while Europe rose just 11% in Canadian dollars. Concentration within the U.S. stock market reached a new high, as 10 stocks accounted for 38.7% of the S&P 500's weight, while U.S. stocks rose to an all-time high weight of 74% in the global index. The 'Magnificent 7' technology giants rose 48% in U.S. dollars, while the other 493 companies in the S&P 500 rose just 10%. Not only did global investors need to own U.S. stocks to hope to keep up with the index, they had to heavily own a few very highly valued tech stocks.

In the fourth quarter, IA Clarington Global Equity Fund Series T6 declined 2.8%, bringing its full-year return to 7.8%, while the MSCI World Index (CAD) returned 6.3% in the quarter and 29.4% for the year. Underperformance was driven by selection effects in five sectors, and an underweight position in U.S. stocks compared to the benchmark as the U.S. dollar rose approximately 7% versus the Canadian dollar in the quarter.

During the fourth quarter, we initiated positions in Trip.com Group, Sands China Ltd. and Merck & Co., and increased existing holdings including Centene Corp. and Admiral Group plc. Purchases were funded by reductions in existing holdings.

Following three years of deeply negative returns in Chinese equity markets as the country struggles with declining growth and the deflationary pressures of an unwinding housing bubble, many high-quality businesses reached bargain prices. As a result, we bought small positions in Trip.com and Sands China, which were partially funded with a reduction in Alibaba Group Holding Ltd., whose share price rose approximately 43% in the third quarter.

Sands China is the leading owner and operator of integrated resorts and casinos in Macau, the world's largest gaming market. We expect an ongoing recovery in gaming and tourism to support strong earnings growth in coming years, as well as the resumption of a large dividend that was cut during the COVID-19 era. Trip.com is China's largest online travel agency. We expect the rapid development of China's middle class and the expansion of its international business to drive strong growth in the next decade. We also initiated a position in Merck at 11x forward earnings. We expect Merck's strong research and development franchise and ongoing growth from blockbuster cancer drug Keytruda to propel per-share growth in coming years.

We increased U.K. auto insurer Admiral Group in the fourth quarter as the multiple contracted despite strong tailwinds from premium pricing aligning with claims inflation and robust core customer growth. We also increased Medicaid insurer Centene, as the multiple tumbled to a decade low of approximately 9x forward earnings over policy concerns from the incoming U.S. administration. The company believes it can still grow between 13-15% in coming years.

This current environment remains one of the most extreme in the last 40 years by most valuation and investor sentiment measures. With the U.S. deficit running at similarly high levels and expected earnings growth of 14% for U.S. stocks in 2025, led once again by the Magnificent 7, the market environment may well remain buoyant in 2025. But market valuations offer very little room for disappointment. Potential risks include geopolitical conflict, the failure of Donald Trump's campaign promises to meet expectations, disillusionment that the boom in spending related to artificial intelligence will generate a timely return, and unexpected deterioration in unemployment and inflation trends.

Many holdings in the Fund trade at meaningful discounts to long-term average valuations, while the broader market trades at a premium of more than 20%. While we believe this provides a margin of safety, if investor sentiment remains buoyant, this valuation differential is unlikely to matter in the short term. We continue to expect our holdings to grow at reasonable rates in coming years, which, together with dividends, could present strong return prospects for clients with less commensurate risk than the broader market.

Fund and benchmark performance as at December 31, 2024	1-year	3-year	5-year	10-year
IA Clarington Global Equity Fund - Series T6	7.8%	6.5%	7.8%	7.2%
MSCI World Index (CAD)[1]	29.4%	11.0%	13.5%	12.3%

For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment 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. There are various important differences that may exist between the Fund and the stated indices that may affect the performance of each. The MSCI World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index (CAD) consists of 23 developed market country indices. The Fund's market capitalization, geographic and sector 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. 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 July 2, 2014, the portfolio sub advisor changed from BNP Paribas Investment Partners Canada Ltd. to QV Investors Inc.

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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