

IA Clarington Global Multifactor Equity Fund

Manager commentary – Q3 2024

During the period, the global economy continued its path toward normalization with notable developments across key regions.

The U.S. economy continued to normalize. The pace of job creation has slowed since April, and historical revisions have shown that fewer jobs than initially reported have been created since the spring of 2023. While hiring has slowed down, the participation rate (estimate of an economy's active workforce) has continued to rise, leading to a higher unemployment rate. At the end of the third quarter, the U.S. economy was displaying more signs of stability than weakness, especially in terms of consumer spending, which remained robust. Inflationary pressures eased, indicating a shift towards a more sustainable growth path.

The Canadian economy appears to be in a precarious situation on a per-capita basis, as its weak productivity remains a challenge despite strong population growth. The housing market remains at risk as the Bank of Canada is rushing towards a neutral policy interest rate of about 3%, which is expected to be reached by mid-2025. The timing and pace of interest-rate cuts support a reacceleration of real Canadian economic growth in 2025, as well as an exit from the prolonged per-capita recession (when GDP per capita falls in two consecutive quarters). Real economic growth or real GDP is GDP adjusted for inflation or deflation (when prices fall).

Globally, disinflation (slowdown in the growth of prices) continued as supply-chain pressures eased and commodity prices stabilized. For instance, the eurozone reported that inflation had dropped to 1.8% in September, and inflation in emerging markets has generally trended downwards. This has opened the door to synchronized interest-rate cuts from global central banks, adding liquidity to the global economy.

Europe remains stuck in subdued growth, with Germany showing no real growth since early 2022. Challenges include weak demographics, lack of productivity growth (the growth of output not accounted for by the growth of an input or inputs), the absence of synchronized intra-eurozone fiscal policy and a weak Chinese economy. That said, the recent bottoming of the credit cycle points to an early sign of changing fortunes.

In China, a balance-sheet recession poses significant challenges. A balance sheet recession is a type of economic recession that occurs when high levels of private sector debt cause individuals or companies to collectively focus on saving by paying down debt rather than spending or investing, causing economic growth to slow or decline. Despite the government's fiscal stimulus and central banks lowering interest rates with the aim of stimulating economic activity, concerns about high debt levels and a struggling property market have hampered a robust recovery. China's current economic backdrop resembles Japan's 1990s experience, where a forced deleveraging (reducing debt) effort neutralized consumer spending and business investments, essentially leading to fire sales on assets as the private sector focused on reducing aggregate debt. In such an environment, loose monetary policy becomes

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ineffective as demand for loans crumble, while direct cash transfers to households, which was proposed in China in September, become a viable solution.

Globally, equities delivered highly favourable results during the period. The S&P/TSX Composite Index, representing the Canadian equity market, returned 10.0%, led by the materials, utilities and real estate sectors. Its U.S. counterpart, the S&P 500 Index, returned 10.2% (in Canadian-dollar terms), led by the utilities, information technology and real estate sectors.

On the global front, the MSCI World Index and MSCI EAFE Index, returned 9.0% and 6.6% respectively, over the last six months (in Canadian-dollar terms).

The Fund outperformed on a relative basis, mainly due to security selection. The Fund operates on a quantitative basis, and most decisions are based on outputs provided by its proprietary model, which involves the analysis of several quantitative factors.

The Fund's security selection within the information technology sector was a top contributor to the Fund's performance. Individual contributors included overweight positions in Apple Inc. and Vistra Corp.

The Fund's security selection within commodity-related sectors, such as energy and materials detracted from performance.

Individual detractors included the Fund's lack of exposure to Tesla Inc., as the stock performed well during the period.

New positions in the Fund included Walmart Inc., Uber Technologies Inc. and T-Mobile US Inc. Increased positions included NVIDIA Corp., Amazon.com Inc. and Microsoft Corp., while decreased positions included Broadcom Inc. and Home Depot Inc.

To fulfill the Fund's quantitative mandate, the fund manager does not try to predict the future evolution of the market, but instead focuses on ensuring that the model's exposure to various factors remains relevant. Thus, the Fund is designed with an aim to react effectively within varying market conditions.

Effective June 17, 2024, IA Clarington Global Value Fund was renamed IA Clarington Global Multifactor Equity Fund in order to fully reflect its quantitative strategy.

Fund and benchmark performance, as at September 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Global Multifactor Equity Fund– Series A	30.4%	10.5%	12.1%	9.5%
MSCI World Index^ (CAD)	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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The performance data comparison is intended to illustrate the historical performance of the Fund 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. 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.

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.

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