IA Clarington Global Multifactor Equity Fund

Manager commentary – Q4 2024

The fourth quarter of 2024 saw significant developments across the global economy, with the U.S. election on November 5, multiple central bank cuts to interest rates, and diverging regional economic trends.

The U.S. economy continued outperforming its peers, as real GDP appeared on pace for 2.7% in 2024, more than double the consensus expectations recorded at the beginning of the year. Consumer spending remains solid, productivity is rising, and business sentiment is elevated. Donald Trump's victory promises an interesting year ahead on the macroeconomic and policy front, as the coming U.S. administration's first economic objective is to unlock the economic potential of the U.S. through deregulation and tax reforms. To date, Trump has been walking the talk, having already nominated policy "hawks" and regulation skeptics for most key administrative roles. Despite the political shifts, consumer spending remained robust, and inflationary pressures continued to ease, indicating a stable economic environment.

European macroeconomic data continued to show weakness, with subdued growth across the region. Germany struggled with stagnant growth, while southern European economies performed slightly better. The main questions hanging over the continent are whether the fight on inflation is progressing quickly enough, and if the European Central Bank can deliver every rate cut the market is pricing in for 2025, which would provide much-needed economic support.

China's economy is struggling with a balance-sheet recession, with households and companies alike prioritizing debt repayment over spending or investing, leading to economic stagnation amid less consumption and investment. The situation is further complicated by the ongoing housing crisis, with billions of dollars tied up in incomplete projects. This predicament not only leaves homeowners and investors in a state of uncertainty, but also dampens overall activity as households prioritize saving over spending. In such an environment, traditional monetary policy measures are insufficient, and rate cuts by the central bank are equivalent to pushing on a string. Instead, history advocates for direct fiscal stimulus as the most effective solution. The Chinese government tried introducing multiple, timid policies to stimulate growth, but the economic recovery remains tepid.

Canada's economy is still feeling the hangover from the Bank of Canada's (BoC) strict monetary policy. Concerns about weak productivity and high household debt persist, and the political landscape remains uncertain, adding to the economic challenges. While the fight on inflation seems to have concluded in a resounding victory, with the BoC implementing two large rate cuts in the quarter (bringing the policy rate down to 3.25%), sights return squarely on the weak performance of real GDP per capita, which has contracted in eight of the last nine quarters. With household debt levels among the highest in the G7, Canada's housing market remains acutely sensitive to interest rate changes. Rising rates in recent years have slowed housing activity, but the five consecutive rate cuts in 2024 could reignite concerns that shelter inflation will make a comeback. The recent changes to Canada's immigration policy could keep housing and inflation under control, through subdued demand for housing.

Despite a challenging final month, the Fund outperformed on a relative basis for the quarter and over the entire year. Regionally, the Fund's model performed exceptionally well in the Europe, Australasia and the Far East (EAFE) region during the last quarter of 2024, finishing the year ahead of both the U.S. and Canada. The Fund's U.S. versus EAFE regional timing model also contributed to performance. As at December 31, 2024, the Fund maintained an overweight position in the U.S. region by approximately 6%.

The momentum factor remained the principal driver of the Fund's performance, while the quality factor was the main detractor. The value factor was relatively flat, contributing seven basis points during the quarter.

Looking forward, we are optimistic about our quantitative strategy's ability to navigate various market conditions. Our multifactor model remains a robust and systematic approach, designed to effectively leverage a diverse set of market factors to consistently deliver value to investors.

Fund and benchmark performance, as at December 31, 2024	1-year	3-year	5-year	10-year
IA Clarington Global Multifactor Equity Fund– Series A	29.6%	10.4%	12.1%	9.7%
MSCI World Index^ (CAD)	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.

IA Clarington Global Multifactor Equity Fund was formerly IA Clarington Global Value Fund. The name change was effective June 17, 2024.

^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.

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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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