IA Clarington Loomis Global Equity Opportunities Fund

Manager commentary – Q4 2024

Notwithstanding some volatility, the fourth quarter marked a solid end to 2024 as strong economic data, interest rate cuts and the U.S. election results bolstered sentiment. Global equity markets finished the fourth quarter up more than 5%, with multiple sectors posting double-digit results (as measured by the MSCI All Country World Index in CAD). The consumer discretionary sector led the group, followed by the communication services and information technology sectors. The materials, health care and real estate sectors declined over the period.

IA Clarington Loomis Global Equity Opportunity Fund Series A returned 4.5%, slightly underperforming the MSCI All Country World Index, which returned 5.4% (also in CAD terms). The information technology sector was the largest detractor from relative results, followed by the health care and industrials sectors. The financials sector, consumer staples sector, and not having exposure to the utilities sector contributed on a relative basis.

The three most significant detractors from performance were Atlas Copco AB, Nomura Research Institute Ltd. and Mettler-Toledo International Inc.

Atlas Copco shares declined over the quarter, following disappointing guidance from one of its customers, ASML Holding NV, a manufacturer of semiconductor equipment. The semiconductor industry is an important market for Atlas, comprising nearly one-third of its sales. However, Atlas' results remained strong; orders grew in the quarter, a sign that Atlas revenues may outperform ASML, at least in the near term. The share price further weakened in December after the U.S. Federal Reserve (Fed) meeting.

Shares of Japanese IT Services company Nomura Research Institute retracted some of their recent gains after the company's quarterly results missed expectations. The miss was largely owing to one-time items; namely, the company took a data centre impairment charge of 2 billion Japanese yen (~13 million USD), as the strategic migration of its software from owned data centre to third-party cloud infrastructure is progressing more smoothly than expected. We view this development as a long-term positive, and adjusting for the charge, quarterly results were in line with our expectations. We are encouraged that more Japanese enterprises are choosing to partner with Nomura Research Institute as they re-invest in technology infrastructure. We continue to view the stock as attractive on our scenario-based valuation framework.

Mettler-Toledo shares underperformed despite strong quarterly results from the company and its industry peers. We believe demand for Mettler-Toledo's weights, pipettes and other laboratory tools is on the rebound, driven by the lapping COVID-19-related revenue streams and the essential nature of its products. We maintain that Mettler-Toledo is one of the best-executing companies in the life sciences tools industry and the health care space more broadly, as evidenced by consistent expansion of both gross and operating margins. At current valuation levels, we believe the risk/reward profile remains attractive.

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The three largest contributors to performance were Amazon.com Inc., Nvidia Corp. and Alphabet Inc.

Shares of Amazon rose in the quarter, with most of the outperformance concentrated in November. The higher share price was likely post-election hopes for the possibility of lower taxes and lighter regulation. Large technology companies like Amazon have faced regulatory scrutiny, so the prospect of a friendlier regulatory environment may have boosted Amazon more than most companies.

Nvidia was a top contributor over the three-month period as optimism over the company's revenue trajectory continued to mount. Nvidia will be ramping their Blackwell product line in 2025, which offers considerable power and compute advantages relative to its current Hopper line. Additionally, further developments in artificial intelligence (AI) models, including OpenAI's o3 model, continue to lend credence to the idea of continued model improvement with more compute and therefore better end-user outcomes. We continue to find shares of Nvidia attractive based on our scenario-based valuation framework.

Shares of Alphabet outperformed as market participants began to appreciate the company’s strong position in the current investment cycle around generative AI, abandoning earlier perceptions that the company lagged behind competitors such as Microsoft Corp. and OpenAI. Alphabet has made significant R&D investments, most of which went into pioneering AI advances like Transformer, the model architecture that created the framework for current leading chatbots, including OpenAI's ChatGPT and Google's Gemini. We are pleased to see the company increasingly incorporate more of these capabilities into its core products, delivering value to its customers. We believe that Alphabet remains one of the more attractive values in our investment universe.

We eliminated our position in Texas Instruments Inc., a semiconductor company, in the fourth quarter as we became concerned about the business' ability to grow intrinsic value. Specifically, we had doubts about the company's elevated inventory strategy, large capacity investments, and its ability to regain lost market share.

Our investment philosophy is predicated on the belief that investing in companies with multiple alpha drivers, where the risks can be quantified, may help deliver outperformance. We follow a disciplined and repeatable process, investing only in opportunities that meet our three alpha drivers: quality, intrinsic value growth and attractive valuation. This bottom-up approach results in a concentrated portfolio of businesses where we fully understand and have quantified the risks associated with each investment. Our scenario analysis, under which we determine a range of business values, is an integral part of this process. Through this framework, we determine the relative attractiveness of our investments to assist in constructing an optimal portfolio.

As we enter 2025, a global cycle of cutting interest rates is underway, but it has been shallow given still-decent economic conditions. We expect central banks, outside of Japan, will likely continue to reduce rates in 2025, with recent data indicating inflation is largely under control. We think the Fed will undertake four 25-basis-point cuts (one at every-other 2025 meeting). We see the Bank of England’s Monetary Policy Committee in a position similar to that of the Fed; euro area inflation should come

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down faster than that of the U.S. as demand is much less robust. Conditions are different in Japan, where inflation is around 2.0% and small rate increases are possible.

Under the new U.S. administration, we think increased tariffs, tax cut extensions, and adjustments to current policies are likely. The lack of clarity on potential U.S. fiscal policy makes it nearly impossible to accurately model economic outcomes. However, we believe policy changes are unlikely to interrupt the economic trajectory.

Lower short-end interest rates, slightly lower long-end rates and decent economic growth should continue to support investor risk appetite. We are also encouraged by the broadening of earnings growth across sectors. We believe earnings growth could accelerate in industrials, health care, materials and consumer staples sectors (and potentially the energy sector), while the information technology and communication services sectors remain firm.

As with all years, 2025 is not without risks. There is a tremendous amount of market optimism regarding the new U.S. administration; we saw many consumer and business sentiment measures surge after the U.S. election. Most markets are priced for solid economic and corporate earnings growth. It is possible that sentiment has become “frothy.” Economies need inflation to continue to trend lower. Additionally, escalating military conflict is never positive for investor sentiment – we are monitoring developments closely.

As such, our focus remains on investing in quality companies we believe have the ability to generate value over the longer term. Periods of volatility can provide us with the opportunity to build positions in quality companies at more attractive valuations.

Fund and benchmark performance, as at December 31, 2024	1 year	3 years	5 years	Since inception (Nov. 2019)
IA Clarington Loomis Global Equity Opportunities Fund – Series A	26.6%	6.8%	10.9%	11.6%
MSCI AC World Index (CAD)[1]	28.1%	10.1%	12.4%	12.7%

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.

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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 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 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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