

IA Clarington Target Click 2025 Fund

Manager commentary – Q2 2024

The reacceleration of the global manufacturing cycle continued in the second quarter of 2024, with emerging economies playing a predominant role.

Progress in global inflation data has taken a turn for the better in recent months, illustrated by a surprisingly positive trend in the U.S. despite the still-robust economic backdrop.

Anecdotal evidence is suggesting that the manufacturing sector is heating up in China, and along with it, demand for commodities. The main challenge for Chinese authorities remains its residential housing sector, which has yet to show any signs of a turnaround despite the aggressive stimulus package announced in May, letting local governments buy up unsold homes, removing minimum interest rates on mortgages, and reducing payments for potential home buyers. In particular, metal prices could remain under pressure until we see signs of stabilization.

Financial markets have witnessed predominantly positive performance, particularly in U.S. large-cap equities, which have led the way. However, it's worth noting that market breadth has displayed signs of deterioration throughout the quarter, and gains have been predominantly fueled by the performance of large technology companies. Market breadth is a set of indicators that analyze the number of stocks advancing relative to those that are declining in a given index or on a stock exchange, such as the New York Stock Exchange.

While the U.S. economy has been a lone bright spot ever since the short-lived technical recession of early 2022, we are seeing more and more countries returning to expansion over the last few months. Europe exited recession in the first quarter of 2024, although Germany seems to still be struggling to find escape velocity.

Following a rather flat first quarter of 2024, Canadian fixed income posted gains in the second quarter as the Bank of Canada delivered a first interest rate reduction. The FTSE Canada Universe Bond Index posted a return of 0.9%, the FTSE Canada Long Term Bond Index posted a return of 0.2%, and the FTSE Canada Corporate Bond Index posted a return of 1.1%.

The Fund outperformed on a relative basis during the second quarter of 2024. The main contributor to performance was the outperformance of the fixed-income portion of the portfolio. However, the Fund's underweight position in equities detracted from performance as equities generated strong returns during the period.

To meet its obligations due in 2025, the Fund will keep and gradually increase its allocation to fixed-income securities with a maturity in 2025, while lowering its allocation to equities. More specifically, the Fund will continue to invest mainly in Ontario provincial bonds due in 2025.

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Fund and benchmark performance, as at June 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Target Click 2025 Fund – Series A	8.6%	0.6%	1.2%	1.6%
10% MSCI World Index (CAD)¹, 90% FTSE Canada All Government Bond Index	4.8%	-1.1%	0.8%	2.7%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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.

For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your financial advisor.

¹Source: 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 benchmark is a blend of FTSE Canada All Government Bond Index (90%) and MSCI World Index (CAD) (10%). The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The FTSE Canada All Government Bond Index consists of a selection of investment-grade Government of Canada fixed-income securities issued domestically in Canada. The FTSE Canada All Government Bond Index is comprised of Canadian investment grade bonds and has different portfolio duration characteristics. 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, sector and credit quality 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. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. 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.

Each of the IA Clarington Target Click Funds (the "Funds") will pay, on the Fund's maturity date, the highest month-end net asset value per unit achieved during the life of the Fund. Industrial Alliance Insurance and Financial

IA Clarington Target Click 2025 Fund

Services Inc. ("Industrial Alliance"), the parent company of the Manager of the Funds, has provided a guarantee to each of the Funds that it will pay any shortfall to the Fund if the net asset value of any Fund is less than its guaranteed value at maturity. Each Fund's maturity date will occur on June 30 of the year specified in the Fund's name. The guaranteed amount will benefit the investors who hold units of the Fund on that maturity date. If an investor were to redeem units of the Fund before the maturity date, the redemption will be based on the net asset value at the time of transaction. In some circumstances, the maturity date for a Fund may be accelerated, in which case the Fund will pay the greater of the net asset value on that accelerated maturity date and the net present value of the guaranteed amount, less any applicable redemption charges.

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