IA Clarington Target Click 2030 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 jobs creation has slowed since April, but the participation rate (estimate of an economy's active workforce) has continued to rise, leading to an increase in the 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.

The Canadian economy is 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.

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 loose monetary policy, concerns about high debt levels and a struggling property market have hampered a robust recovery. In such an environment, monetary policy becomes ineffective as demand for loans crumble, while direct cash transfers to households, which was proposed in China in September, become a viable solution.

North American equity markets 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, respectively, returned 9.0% and 6.6% over the last six months (in Canadian-dollar terms, therefore including foreign-currency movements).

On the fixed-income side, the FTSE Canada Universe Bond Index returned 5.6% for the period, assisted by interest-rate declines.

In order to honour its guarantees, the Fund is largely invested in zero-coupon bonds maturing in 2030. The remaining portion of the Fund is invested in a global equity fund and Treasury bills.

Security selection within the Fund's equity sleeve contributed to performance as its only underlying equity fund, IA Clarington Global Equity Exposure Fund, performed well during the period. However, the Fund's small weighting in this underlying fund limited its contribution to performance.

The Fund's fixed-income exposure to Ontario zero-coupon bonds maturing in 2030 benefited from declining interest rates, as bond prices and interest rates have an inverse relationship.

The Fund's investment in global equity was modestly reduced and its fixed-income position was increased as part of a natural shift in the Fund's portfolio composition in order to better honour the Fund's guarantees for 2030.

New positions included Canadian Treasury bills, replacing short-term investments that had reached maturity during the period.

Decreased positions included IA Clarington Global Equity Exposure Fund, in favour of additional provincial zero-coupon fixed-income securities maturing in 2030.

Economic conditions continue to normalize as higher interest rates have slowed growth and inflation to more appropriate levels. Consumers, particularly those in the U.S., remain robust and benefit from a wealth effect that has accumulated in recent years.

Central banks are cutting their policy interest rates now that inflation has been retreating, allowing for a more sustainable growth path in the coming year.

The Fund continues its natural shift in portfolio composition to honour its guarantees for 2030 by reducing its exposure to equity markets.

IA Clarington Target Click 2030 Fund

Fund and benchmark performance, as at September 30, 2024	1-year	3-year	5-year	10-year
IA Clarington Target Click 2030 Fund – Series A	12.2%	-1.7%	-0.3%	1.5%
20% MSCI World Index (CAD)[1], 80% FTSE Canada All Government Bond Index	16.3%	1.7%	2.8%	4.0%

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.

[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 benchmark is a blend of FTSE Canada All Government Bond Index (80%) and MSCI World Index (CAD) (20%). 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.

IA Clarington Target Click 2030 Fund

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 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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Commissions, trailing commissions, management fees, brokerage fees and expenses all may be associated with mutual fund investments, including investments in exchange-traded series of mutual funds. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.