IA Clarington Target Click 2030 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 overspending. 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 Group of Seven (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.

The Canadian fixed-income market finished the quarter flat, with the FTSE Canada Universe Bond Index posting a return of 0.0%, the FTSE Canada Long Term Bond Index posting a negative return of -0.8%, and the FTSE Canada Corporate Bond Index posting a return of 1.0%. Despite this, 2024 was positive overall for the asset class.

The Fund's underweight position in equities was the largest detractor from performance, as equities performed well during the period. The overweight position in fixed income also detracted from performance as the asset class generated lower returns compared to equities.

To meet its obligations due in 2030, the Fund will continue to increase its allocation towards fixed-income securities with a maturity in 2030, while lowering its allocation to equities. More specifically, the Fund will continue to invest mainly in Ontario provincial zero-coupon bonds due in 2030.

Fund and benchmark performance, as at December 31, 2024	1-year	3-year	5-year	10-year
IA Clarington Target Click 2030 Fund – Series A	4.3%	-1.6%	0.0%	1.2%
20% MSCI World Index (CAD)[1], 80% FTSE Canada All Government Bond Index	8.1%	1.1%	2.9%	3.8%

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.

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.

The information provided should not be acted upon without obtaining legal, tax, and investment advice from a licensed professional. Statements by the portfolio manager or sub-advisor represent their professional opinion and do not necessarily reflect the views of iA Clarington. Specific securities discussed are for illustrative purposes only and should not be considered a recommendation to buy or sell. Mutual funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ.

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.