

IA Clarington Loomis U.S. All Cap Growth Fund

Manager commentary – Q2 2024

IA Clarington Loomis U.S. All Cap Growth Fund Series A posted returns of 4.76% in the second quarter of the year, underperforming the S&P 500 TR (CAD) return of 5.45%. On a U.S.-dollar basis, Nvidia Corp., Alphabet Inc., Alnylam Pharmaceuticals Inc., Arm Holdings PLC and Tesla Inc. were the five largest contributors to performance during the quarter. Below, we highlight Nvidia, Alphabet and Alnylam Pharmaceuticals. Walt Disney Co., Monster Beverage Corp., Workday Inc., Veeva Systems Inc. and Salesforce Inc. were the five largest detractors from performance. Below, we highlight Disney, Monster Beverage and Workday. Stock selection in the health care and consumer discretionary sectors, as well as our allocation to the communication services, financials, industrials and consumer staples sectors, contributed positively to relative performance. Stock selection in the financials, consumer staples, communication services, information technology and industrials sectors, as well as our allocation to the information technology, consumer discretionary and health care sectors, detracted from relative performance.

Nvidia is the world leader in artificial intelligence (AI) computing, which enables computers to mimic human-like intelligence for problem-solving and decision-making capabilities. Founded in 1993 to develop faster and more-realistic graphics for PC-based video games, Nvidia created the first graphic processing units (GPUs), which enable computers to produce and utilize highly realistic 3D graphic imagery and models. The parallel processing capability of Nvidia's GPUs can accelerate computing functions by as much as 10 times. As a result, Nvidia has extended its visual computing expertise beyond its legacy gaming market into innovative new and larger markets, including data centres, where they are used for machine learning and AI applications, and autonomous vehicles. The parallel processing capability also facilitates pattern recognition and machine learning functions that have enabled Nvidia to be at the forefront of growth in AI applications. As a result, the data centre business, which first surpassed the gaming business to become Nvidia's largest revenue and profit generator in its 2023 fiscal year, grew to represent over 75% of revenue in the company's most recent fiscal year. We believe the company's strong and sustainable competitive advantages include its intellectual property, brands, and a large and growing ecosystem of developers and applications utilizing GPU technology. A holding in the Fund since the first quarter of 2019, Nvidia reported another quarter of exceptional financial results that were well above consensus expectations, despite the U.S. Government's September 2023 restriction on the sale of its most advanced chips to China. While China historically accounted for 20% to 25% of data centre revenues, it is down significantly given the government's export restrictions. However, since strong demand for GPUs, primarily from hyperscale customers such as Amazon.com and Meta, exceeds the company's current production capacity, the near-term impact on revenue has been minimal, and the company expects to start selling to China again later this year. As always, we will continue to monitor the situation for any structural changes to our long-term investment thesis. However, we don't see any

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change to Nvidia's dominance and leadership arising from this development. Record data centre revenues of US\$22.6 billion rose 427% year-over-year and represented 87% of quarterly revenues. The company dominated data centre spending on AI computing, with quarterly data centre revenue that was approximately four-times that of competitors Intel and AMD combined. In particular, Nvidia benefited from elevated activity among hyperscale cloud service providers that are building out their infrastructure of accelerated servers to monetize strong demand for GPUs by companies looking to leverage AI capabilities and drive competitive differentiation. Hyperscale customers accounted for over 50% of data centre spending during the quarter. While we anticipate there could be a pause following the initial buildout period as hyperscalers digest their substantial new purchases of GPUs, the companies have already announced increased capital expenditure plans with a greater share going to AI architecture that should continue to benefit Nvidia in its 2025 fiscal year. We believe Nvidia's decades of focused investment, cumulative know-how and robust software platform and architecture that has attracted millions of developers, position the company to benefit from several secular long-term growth drivers, including accelerated adoption and continued growth in applications and use cases for artificial intelligence. Over the long term, we believe virtually all servers will be accelerated, primarily using GPU technology, up from a low-double-digit percentage today. Gaming revenues of US\$2.6 billion rose 18% year-over-year and represented the fourth consecutive quarter of growth after slowing over the prior four quarters. We believe prior weakness in gaming reflected global demand for PCs returning to pre-pandemic levels after a period of excess, along with the impact of macroeconomic weakness and COVID-19 restrictions on China's consumer spending. Gaming results benefited from strong uptake of the company's newest 40-series graphics cards, as well as the actions Nvidia previously took to clear existing inventory in its retail channels. We believe the gaming business can sustain secular growth in the mid-to-high teens, driven by both unit sales and pricing increases. Over our long-term investment horizon, we believe double-digit growth in gaming revenues and faster growth in its data centre markets will enable Nvidia to sustain total annualized revenue growth in excess of 20%. With low capital intensity and high cash-flow returns on invested capital, we believe the company can generate faster growth in free cash flow. We believe Nvidia's strong growth prospects are not currently reflected in its share price. As a result, we believe the company's shares are trading at a significant discount to our estimate of intrinsic value, offering a compelling reward-to-risk opportunity.

Alphabet is a holding company that owns a collection of businesses – the largest and most important of which by far is Google. Google is the global leader in online search and advertising, and also offers online cloud solutions to businesses and consumers globally. A holding in the portfolio since inception, Alphabet reported quarterly financial results that were fundamentally solid and above consensus expectations for revenue, operating income, operating margins, and earnings per share. The company also announced an increased capital return program, which included the initiation of an annual quarterly dividend and an incremental US\$70 billion in share repurchase authorizations. We believe Google has

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been operating as an AI-first company for much of the past decade, and the company continues to focus on leveraging its AI-driven innovation internally and to improve performance for both advertisers and search users. In March 2023, Google released its AI “chatbot” Bard, and has since made it available globally in over 40 different languages. Nearly 80% of the company’s advertising customers are using at least one AI-powered search product, and the company continues to integrate more generative AI functionality into search, as well as providing AI services to businesses through its cloud business and rolling out AI features to its entire ad ecosystem, including features designed to support bidding, targeting and creative measurement. For the quarter, total revenue of US\$81 billion represented a 16% year-over-year increase in constant currency that was 2% above consensus expectations. Reported earnings per share rose 62% and were 25% above expectations. Alphabet presents results in three segments: Google Services, Google Cloud, and Other Bets. Google Services revenue increased 14% year-over-year and represented 87% of total revenue. Advertising revenue accounted for 88% of Google Services revenue and increased by 13% compared with the year-ago quarter. Advertising revenue was driven by the search business which grew 14% year-over-year. Outside of search, the company reported 21% growth in YouTube, which benefited from improvement in brand advertising and direct response ads, while the network advertising businesses continued to show weakness, declining 1% year-over-year. As with other platforms, the company is transitioning to short-form videos, where monetization is currently lower. However, the company recently reported that YouTube Shorts were being watched by over two billion logged-in users monthly, and were averaging over 70 billion daily views. Google Cloud revenue rose 28% year-over-year and represented 12% of total revenue, driven by Google Cloud Platform, the company’s infrastructure- and platform-as-a-service offerings. Alphabet’s Other Bets segment reported revenue of US\$495 million that increased 72% year-over-year and represented less than 1% of total revenues. Many of these businesses are still early stage and results are volatile on a quarterly basis. Google’s attractive financial model generates strong free cash flow and earns high returns on invested capital, enabling it to reinvest significantly in its business. Over the past five years, Google has invested over US\$170 billion in R&D, an amount very few other companies could replicate. We believe Alphabet’s competitive advantages include its scale, brand strength, the power of its network and business ecosystem, as well as its investments in research and development. We believe a global, secular shift from traditional advertising to online advertising is the biggest long-term growth driver for Google. We estimate that online advertising accounts for a mid-20% share, or approximately US\$500 billion, of the US\$1.85 trillion annual spending on global advertising and marketing. Over our investment horizon, we believe this penetration will increase to over 40%. We continue to believe investors underestimate Google's growth opportunities and the intrinsic value of the business given its unique and difficult-to-replicate attributes and business model. We believe the company’s shares trade at a significant discount to our estimate of intrinsic value, and offer a compelling reward-to-risk opportunity.

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Alnylam Pharmaceuticals is a leader in gene therapies based on its pioneering small-interfering RNA (siRNA) approach to disease treatment. Founded in 2002, Alnylam was one of the first companies to develop and commercialize therapies based on RNA interference (RNAi), a breakthrough discovery in understanding how genes are naturally regulated within cells that was recognized with the 2006 Nobel Prize in Medicine. RNAi therapies exploit a naturally occurring biological pathway within cells that regulates the expression of specific genes. In particular, siRNA has proven to be one of the most effective approaches to RNAi therapy, and Alnylam remains the first and only company to successfully commercialize siRNA-based therapies. We believe Alnylam's strong and sustainable competitive advantages include its deep, cumulative and compounding knowledge in the science of RNAi therapeutics, in particular its creation and advancement of unique siRNA-based therapies, and the multiple partnerships it has entered on the basis of its technology, which provide both external funding and established commercialization avenues. Today, the company's technology is the basis for five approved therapies, 10 therapies currently in clinical trials, and a robust pipeline of potential treatments that we expect to enter the clinic in the coming years, with a focus on genetic diseases, cardiometabolic diseases, infectious diseases, and central nervous system and ocular diseases. A Fund holding since the second quarter of 2021, Alnylam reported quarterly financial results that reflected solid commercial execution and were ahead of consensus expectations for revenues and earnings per share. Our long-term investment thesis for Alnylam is a function of the broad opportunity we see arising from the breadth of clinical programs based on the company's siRNA platform. Alnylam's current lead products are ONPATTRO and AMVUTTRA, both approved in hATTR-PN, which is a small indication that impacts less than 10,000 people in the U.S. The company is attempting to prove clinical benefit in wild-type ATTR with cardiomyopathy (ATTR-CM), the same disease but with related cardiac manifestations and a much larger patient population, with potentially over 400,000 addressable patients globally. Vutrisiran, the molecule behind AMVUTTRA, is being tested in ATTR-CM in phase 3 trials, and is the most significant near-term readout and significant potential near-term growth driver. In the prior quarter, shares responded negatively to the company's announcement that it was redesigning the statistical analysis for its Phase III HELIOS-B trial for vutrisiran in ATTR-CM, which would result in a three-month delay in trial results. Vutrisiran is already approved for the related indication of hATTR with polyneuropathy. While the market reaction may have reflected concern that the results of the original trial design, previously anticipated to be released in late March or early April, suggested potentially inadequate results, we believe management's changes made sense and that their rationale is sound. We believe the redesign reflected the company's takeaways from the U.S. FDA's complete response letter, issued in October, regarding trials for an earlier generation therapy (patisiran) in the same indication. The redesign was intended to more fully demonstrate the absolute value of vutrisiran, as well as its benefit in combination with other therapies. Further, by extending the minimum duration of treatment by three months, the updated analysis will allow Alnylam to further substantiate the clinical benefit of the therapy. While we recognized the delay prolonged the inherent uncertainty in the outcome, it did not fundamentally change

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our assumptions or view that the trial will likely be positive and demonstrate clear benefits. In late June, shares neared an all-time high after the company announced top-line results from the redesigned study that reflected positive results across all endpoints. The full dataset is expected to be vetted at a medical conference in late-August, and Alnylam intends to file a U.S. Supplemental New Drug Application using a priority review voucher in late 2024. We believe the uniqueness of Alnylam's pioneering scientific expertise and technology is evident from both its existing products, which provide meaningful value to previously underserved patient populations, as well as the numerous partnerships in which world-class global pharmaceutical companies and specialty competitors alike have sought to access its proprietary technology. With its approved therapies and substantial pipeline of significant late-stage clinical programs, we believe the company has now reached the point at which its existing therapies will continue to contribute positively and its subsequent innovations will shift its financial profile from that of an early-stage biotech company to a profitable business with normalized margins that is able to internally fund its ongoing growth needs. Over our long-term investment horizon, we believe the company can generate substantial revenue growth, while turning profitable and generating substantial cumulative free cash flow. We believe Alnylam's market price continues to substantially undervalue the potential contribution from the company's clinical-stage assets – which we believe is unsupported by the company's established track record for producing genetically validated therapeutics. Further, while embedded expectations reflect some success for its currently marketed products, we believe the market remains narrowly focused on the near-term path to approval and timing for vutrisiran in ATTR-CM. We believe Alnylam's platform is validated and improving in efficacy, duration and breadth of issues addressed, which we believe will serve as the basis for ongoing innovation over our long-term investment horizon and beyond. As a result, we believe the company is selling at a substantial discount to our estimate of its intrinsic value and offers a compelling reward-to-risk opportunity.

Founded 100 years ago, Disney is one of the world's largest and most-renowned vertically integrated media companies, with iconic entertainment brands and decades of film and TV content that it leverages across its media networks, theme parks, motion picture studios, and direct-to-consumer (DTC) businesses. A holding since the second quarter of 2020, Disney reported quarterly financial results that were in line with consensus expectations for revenues and better than expected for operating income and earnings per share (EPS), leading the company to increase its full-year EPS growth forecast to 25% from "at least 20%," previously. However, some investors may have been disappointed that the company didn't raise its free-cash-flow projection for the full year, and with commentary suggesting that operating income in both its DTC and Experiences businesses was likely to be weaker in the current quarter owing to temporary conditions. Despite continued healthy growth in the Parks business, evidence of travel beginning to moderate from its post-COVID peak may have also contributed to negative sentiment. None of these concerns impact our long-term investment thesis for the company, which also saw the DTC segment achieve profitability for the first time in the quarter and expects all its

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streaming businesses, inclusive of sports, to reach profitability in the fourth quarter. For the quarter, revenue rose 1% year-over-year and operating profit rose 17%. The company's entertainment segment accounted for almost 45% of revenue but declined 5% year-over-year, driven by ongoing weakness in linear owing to cord cutting and renegotiated carriage agreements, as well as a lack of major theatrical content in content sales/licensing in comparison with the prior-year quarter, which included the positive impact of Avatar. Offsetting this weakness was 13% growth in DTC, where subscribers to its Disney+ Core streaming services rose 6% year-over-year. Following the November 2019 launch of its Disney+ service, the company surpassed its five-year goal of attaining 130 million global subscribers in just 12 months, which we believe underscores the global appeal of its unique content and brands. Operating profit of US\$47 million in the company's DTC segment rose from a loss of over US\$600 million in the prior-year quarter, benefiting from price increases across its streaming services and Disney+ Core subscriber growth. Revenue in the company's Experiences segment accounted for about 38% of total revenue and rose 10% year-over-year, while operating income grew by 12%. The segment continues to perform strongly, driven by its domestic business, which has seen strong growth at Walt Disney World and cruises, as well as strength in its international business, in particular Hong Kong Disneyland. The company's sports segment represented approximately 20% of total revenues which grew 2% year-over-year, while operating income declined 2% owing to higher programming and production costs arising from an additional college football playoff game in the quarter and lower affiliate revenues with fewer subscribers more than offsetting rate increases. The underlying ESPN product and programming remains strong, benefitting from higher advertising rates and viewership, with total day viewership reaching its highest April level since 2012, Monday Night Football having its most watched season since 2000, and the NFL post-season breaking viewership records. We believe Disney's strong and sustainable competitive advantages include its iconic brands, content and intellectual property (IP), its massive scale in the media, entertainment, and leisure industries, and a structural cost advantage that directly benefits its streaming business. We believe the company is pursuing a well-articulated strategy to optimize distribution for its high-quality, best-in-class brands and franchises through a multi-pronged DTC strategy, which we believe will be central to the company's media strategy over the next decade. Over our long-term investment horizon, we believe the company's portfolio of iconic brands, its massive scale and geographic reach, and nearly impossible-to-replicate guest experiences, leave the company well positioned to benefit from secular growth in global entertainment spending. We believe current market expectations substantially underestimate the uniqueness of the company's IP, the opportunity to monetize that IP across several global business segments, and its ability to generate sustainable growth in free cash flow. As a result, we believe the shares trade at a substantial discount to our estimate of intrinsic value and offer a compelling reward-to-risk opportunity.

Monster Beverage is a leading marketer and distributor of energy drinks in the U.S. and internationally. We believe Monster's strong and sustainable competitive advantages include its iconic brands, the

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benefits of scale, and its strong entrepreneurial culture. A holding in the Fund since 2013, the company reported quarterly financial results that were in line with both near-term consensus expectations as well as our long-term revenue growth expectations. The company saw a slight decline in market share in the U.S. as competitors Celsius and Red Bull both grew more quickly. The company has already launched innovations that will compete more directly with Celsius's health and wellness offerings, including Monster's Reign Storm product, which is already seeing good traction and received additional shelf space during the quarter. The company also expects share gains for Bang, acquired in July 2023, where it is leveraging the Coca-Cola distribution system to roll out the brand more extensively. Despite the share decline, Monster's 7% sales growth in the U.S. was in line with our long-term expectations for mid-to-high single-digit growth in the U.S. The company continued to perform well in channels not measured by Nielsen, such as e-commerce and sales through Home Depot. The company also continued to experience faster growth outside the U.S., where it saw share gains in many key markets. Over time, we believe the company will leverage its superior distribution and industry leadership to gain shelf space and incremental distribution for its new offerings as it has on prior occasions. While cost inflation has impacted the consumer packaged goods industry broadly, Monster has been able to increase prices on multiple occasions in its largest U.S. market over the past few years, and expects to again increase pricing later this year. The company also plans to raise prices in its international markets as well. Monster's sustained strong growth has led the company to operate less efficiently in order to meet consumer demand. However, we believe the company is making great progress in alleviating some of these transitory costs and will benefit from its ongoing pricing initiatives. Despite near-term pressure on margins, we believe Monster will benefit from margin expansion over the long term as it achieves greater scale in international markets. The global energy drink industry is effectively a duopoly, creating strong competitive advantages for Monster and Red Bull, which command a combined share of approximately 75%-80% of the U.S. market, and an estimated 50% of the US\$50 billion global energy drink market. Per-capita consumption of energy drinks in developed and developing markets have both increased meaningfully over the last decade, but remains much higher in developed markets. Patiently built using non-traditional, grassroots marketing, Monster's iconic brand is a competitive advantage so difficult to replicate that even Pepsi and Coca-Cola were unable to make meaningful inroads in the profitable and growing energy drink market, despite over a decade of effort and investments. In 2014, Monster entered a partnership with Coca-Cola in which Coca-Cola purchased a 16.7% stake in the company, and Monster became its exclusive energy drink partner. The partnership gives Monster access to Coca-Cola's unmatched global distribution system, accelerating its pace of international expansion and extending its benefits of scale. We believe energy drinks are here to stay and that continued increases in per-capita consumption in international markets will drive secular growth over our investment horizon. We estimate Monster can grow in the mid-teens in international markets and at a mid-to-high single-digit rate in the U.S. market over our long-term investment horizon. As the company continues to scale its business in international markets, we expect it will be able to increase cash flow

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growth, expand margins and improve its return on invested capital. With its shares selling at a significant discount to our estimate of intrinsic value, we believe Monster offers a compelling reward-to-risk opportunity.

Workday is a leading enterprise resource planning (ERP) software provider focused on human capital management, financial management, and planning and analytics applications primarily for large global enterprises, medium-sized enterprises, educational institutions and government agencies. The company was founded in 2005 to create a next-generation, cloud-delivered, software-as-a-service (SAAS) solution to enable organizations to better plan, manage, execute and analyze financial and human resource functions from a single platform. A Fund holding since March 2020, Workday reported quarterly financial results that were fundamentally solid and included revenues, operating profit, operating margins, and earnings per share (EPS) that were above consensus expectations. Investors responded negatively to a modest downward revision to the company's full-year revenue growth outlook, which it lowered to 17% from 17.5% previously. We believe Workday's strong and sustainable competitive advantages, which include its culture, focus and scale, and a large installed base of clients that face high switching costs, will enable it to continue to benefit from secular growth in adoption of its cloud-based applications and to grow faster than the industry as a whole. Revenue in the quarter increased 18% to US\$2 billion. Workday generated 19% subscription growth along with a gross retention rate of over 95%, reflecting the "stickiness" of its client relationships. The company grew faster than our estimate of low-to-mid-teens growth for the overall industry, indicating the company continued to grow share of the cloud-based enterprise application market. Adjusted operating margins of 26% rose 240 basis points year-over-year, while free cash flow rose 33% versus the prior-year period. The long-term secular growth driver for Workday is growth in ERP applications. We believe the digital transformation of business practices is increasing demand for enterprise application software and promoting the shift to cloud-based SAAS solutions. We believe Workday's share price embeds expectations for key revenue and cash-flow growth drivers that are well below our long-term assumptions. As a result, we believe the company is selling at a significant discount to our estimate of its intrinsic value and offers a compelling reward-to-risk opportunity.

Our investment process is characterized by bottom-up, fundamental research and a long-term investment time horizon. The nature of the process leads to a lower turnover portfolio where sector positioning is the result of stock selection. At period-end, the Fund held overweight positions in the communication services, consumer discretionary and health care sectors. The Fund held underweight positions in the financials, information technology, industrials and consumer staples sectors. We held no positions in the energy, utilities, materials, or real estate sectors. We remain committed to our long-term investment approach to invest in those few high-quality businesses with sustainable competitive advantages and profitable growth when they trade at a significant discount to intrinsic value.

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Fund and benchmark performance, as at June 30, 2024	1 year	3 year	Since inception (Feb. 2021)
IA Clarington Loomis U.S. All Cap Growth Fund – Series A	29.8%	9.4%	11.3%
S&P 500 Index (CAD)	28.8%	13.7%	16.0%

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

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 Fund's benchmark is the S&P 500 Index (CAD). The S&P 500 Index (CAD) includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. 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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