IA Clarington Thematic Innovation Class

Manager commentary – Q2 2024

The first half of the year was characterized by a reassessment of expected cuts in interest rates. This lower expectation for an imminent round of rate decreases was owing to several signs indicating that inflation was more persistent than previously thought. However, the economy remained strong and appeared to be positioned for favourable circumstances that lean toward a gentle economic slowdown rather than a full-on recession. The progression of artificial intelligence (AI) themes has been notable and significant. The mid-year results confirmed our belief that rapid adoption of AI would speed up the move to cloud computing, which will largely benefit the leading companies in the sector. Our attention has now turned to the creation of the necessary infrastructure to support large-scale AI, which, in our opinion, will trigger a major cycle across the AI infrastructure beneficiaries. It should also extend to other areas beyond technology, such as the shift to renewable energy, reshoring and automation.

Given the considerable capital investment funneled into AI infrastructure, we strategically reallocated our focus towards industries such as industrials, materials, hardware utilities and semiconductor companies, which we identified as poised to reap the major benefits of these investments. We drew the significant conclusion that the integration of AI translates into a fresh investment cycle in utilities, promising particular benefits for the renewable energy industry. Further, we increased our exposure to Apple Inc. considerably, perceiving their hardware as a critical tool for enabling consumer access to AI.

During the quarter, the Fund's semiconductor investments in NVIDIA Corp., Broadcom Inc. and SiTime Corp. have again paid off, with these firms thriving in the AI proliferation through their specialized products. Apple made waves at the WWDC conference with a slew of AI enhancements for the iPhone that is likely to drive a multiyear upgrade cycle. Our investments in First Solar Inc. and Vistra Corp., which are key beneficiaries of hyperscaler capital expenditure to help meet surging demand, also proved fruitful via addressing the large energy needs required from AI.

We believe the Fund is positioned to deliver long-term capital growth through its exposure to U.S. companies that have dominant market positions and are poised to benefit from innovation trends. Our base case scenario remains an economic "soft landing," but since we have seen some weakening in economic data in the second quarter, we have subsequently increased the Fund's exposure to more defensive and thematic names.

Although we anticipate an increasingly volatile environment driven by the U.S. election and a slowing of the economy, we believe that industries benefiting from AI, automation and reshoring should be favourable and expect them to maintain their market leadership.

As we look forward to the second half of 2024, structural growth stocks are likely to remain in favour, underpinned by stabilized long-term interest rates and consistently below-average potential growth of gross domestic product.

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Technology shifts usually usher in new market cycles and regimes, and we foresee AI becoming the defining technological turning point of our generation. Using the era framework data as a guide, we expect to witness a significant shift from the semiconductor industry to infrastructure and software layers as use cases emerge and are commercialized/monetized.

In line with our "barbell" investment approach, we will persist in identifying the potential market leaders of tomorrow among innovative firms, while concurrently ensuring our capital is effectively allocated to dominant market players that should stand to gain from the widespread permeation of innovation within the economy.

Fund and benchmark performance, as June 30, 2024	1 year	3 year	5 year	Since inception (Jun. 2014)
IA Clarington Thematic Innovation Class – Series A	31.8%	8.7%	14.2%	8.4%
S&P 500 Index (CAD)	28.8%	13.7%	16.1%	15.7%

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. Effective May 30, 2019, Taylor Asset Management Inc. was removed as sub-advisor and Industrial Alliance Investment Management Inc. remained as portfolio manager, and the Fund's investment strategies changed. Effective April 1, 2023, the portfolio manager changed to iA Global Asset Management Inc.

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.

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.