

# IA Clarington Thematic Innovation Class

## Manager commentary – Q4 2024

The fourth quarter of 2024 brought significant developments across the global economy, highlighted by the U.S. presidential election on November 5, widespread central bank rate cuts, and diverging regional economic trends.

The U.S. economy continued to outperform global peers, with real GDP growth for 2024 estimated at 2.7%, more than double the consensus forecasts from the start of the year. This robust performance was underpinned by strong consumer spending, rising productivity and elevated business sentiment.

The re-election of Donald Trump as U.S. president signals an eventful year ahead on the macroeconomic and policy front. The incoming administration has prioritized unlocking the economic potential of the U.S. through deregulation and tax reforms. So far, Trump has demonstrated commitment to this agenda by nominating policy “hawks” and regulation skeptics to key administrative roles. Despite the political shifts, the U.S. economy remains stable, supported by resilient consumer spending and easing inflationary pressures.

As we move into the first quarter of 2025, large-cap, cash-flow-generating technology stocks are likely to remain market favourites. However, we expect to see broader market participation across select subsectors and smaller-cap stocks, driven by lower interest rates and the pro-business stance of the Trump administration.

Technological advancements often herald new market cycles and economic regimes. We believe artificial intelligence (AI) represents the defining technological milestone of our generation. Following the trajectory of the data era, we anticipate a significant shift in value creation from the semiconductor industry to the infrastructure and software layers. In 2025, we expect the commercialization and monetization of AI agents and fully autonomous vehicles to gain momentum, driving meaningful economic impact.

Our portfolio benefited significantly in the fourth quarter of 2024 from investments in power transmission and electronic equipment tied to AI advancements. Top contributors to returns were concentrated in the financials, information technology and consumer discretionary sectors. The Fund’s strategic overexposure to information technology and consumer discretionary stocks proved advantageous on a relative basis.

Tesla, Inc. and Robinhood Markets, Inc. were standout performers during the quarter. Tesla’s performance was fueled by optimism surrounding the mass adoption of fully self-driving vehicles, while Robinhood benefited from renewed interest in cryptocurrency adoption following Donald Trump’s election victory.

Looking ahead, we will continue to execute our barbell investment strategy, focusing on both identifying future market leaders among innovative firms and maintaining positions in established companies. This

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approach allows us to capture growth opportunities from disruptive startups while leveraging the stability and market dominance of mature companies positioned to benefit from long-term innovation trends.

We believe the Fund remains well positioned to deliver sustained capital growth, with significant exposure to U.S. companies holding dominant market positions and poised to capitalize on transformative trends like AI and automation. While our base-case scenario projects a “soft landing” for the U.S. economy, supported by easing monetary policy, we recognize the fiscal uncertainties introduced by Trump’s re-election.

Although volatility may rise amid inconsistent economic policies, we remain cautiously optimistic. Evergreen themes such as artificial intelligence, automation and reshoring continue to provide compelling opportunities. Additionally, cyclical sectors stand to benefit from lower interest rates, offering attractive investment prospects in the months ahead.

Fund and benchmark performance, as at December 31, 2024	1-year	3-year	5-year	10-year
<b>IA Clarington Thematic Innovation Class – Series A</b>	36.9%	9.7%	15.2%	9.3%
<b>S&amp;P 500 Index (CAD)</b>	36.4%	13.8%	16.9%	15.6%

For definitions of technical terms in this piece, please visit [iaclarington.com/glossary](https://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.

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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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