

# IA Clarington U.S. Dividend Growth Fund

## Manager commentary – Q4 2024

Over the period, the performance of major companies continued to vary significantly. The market has been supported by strength in the consumer discretionary sector as well as selective companies within the information technology sector as the rally driven by artificial intelligence (AI) continued to sustain investor enthusiasm. Earnings were uneven across the sectors, but the mega-cap technology stocks delivered strong results. Equity markets ended the year with balanced optimism.

We continue to expect stock selection to remain pivotal for future returns in the information technology sector. Given the state of current valuations, maintaining realistic growth expectations is essential. With respect to AI-related companies, valuations of some companies are likely stretched. Therefore, we remain selective in our approach, focusing on the highest-quality companies that are integral to the value chain. We believe that the software industry, along with defensive sectors will be key for the upcoming quarter. Major revisions downwards from an earnings perspective could cause a downturn in the markets, especially given the current valuation environment.

IA Clarington U.S. Dividend Growth Fund generated positive returns owing to strong security selection in the financials and information technology sectors. Key contributors to this performance included Apollo Global Management Inc., Visa Inc. and Broadcom Inc., driven by robust quarterly earnings performance and a positive forward outlook. However, holdings within the health care sector underperformed, mainly attributable to a significant downturn in Elevance Health Inc. There seem to be significant near-term challenges regarding Medicaid (health insurance government program for individuals with lower incomes) that caused a rapid lowering of valuations following the release of earnings.

Our Fund is positioned to preserve capital through short-term volatility while aiming to outperform the broad market over the long run. Given our views on AI, we are adopting a cautious stance, anticipating that opportunities will emerge in software once the AI rally subsides. We believe maintaining a defensive positioning is essential, as economic conditions can change rapidly and geopolitical tensions could lead to inflationary pressures. We see favourable risk-reward opportunities in the software industry, as well as in defensive sectors like utilities and health care.

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Fund and benchmark performance as at December 31, 2024	1 year	3 year	5 year	10 year
IA Clarington U.S. Dividend Growth Fund – Series A	31.5%	11.7%	12.8%	10.3%
S&P 500 Index (CAD)	36.4%	13.8%	16.9%	15.6%

For definitions of technical terms in this piece, please visit [iaclarington.com/glossary](http://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 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 invests in dividend paying stocks while the benchmark is comprised of companies, which may not necessarily pay a dividend. 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 November 26, 2012, McLean Budden Limited was removed as sub-advisor to the Fund.

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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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. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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