

IA Clarington U.S. Dividend Growth Fund

Manager commentary – Q2 2024

Between semiconductor-related companies to model trainers, artificial intelligence (AI) continues to drive a disproportionate level of return compared to other sectors in the U.S. market. Most other sectors underperformed the market, with the largest laggard being the materials sector. This major bifurcation between AI and non-AI related sectors highlights the lofty investor expectations of AI, even with the backdrop of a slowing economic environment.

After a series of on-consensus inflation numbers in the U.S., the market is becoming more confident in its predictions of an economic slowdown in the second half of 2024. This expectation is already reflected in the market, as sectors not associated with AI underperformed in the second quarter. We believe that the AI rally has been driven by a handful of companies, and any negative AI-related news regarding these companies could cause the entire trade to crumble and cascade down. Looking ahead, we believe that the software industry and defensive sectors like utilities, health care and consumer staples will offer better risk-reward opportunities in the U.S.

IA Clarington U.S. Dividend Growth Fund's performance benefited from the AI rally, mainly through our positions in the information technology and communication services sectors. The performance primarily came from first-derivative AI participants such as NVIDIA Corp., Broadcom Inc., Meta Platforms Inc. and Alphabet Inc., as they each reported meaningful growth in key AI verticals. Outside of AI, selection in many sectors contributed to the Fund's good performance.

The Fund is positioned to preserve capital in times of short-term volatility while aiming to provide attractive long-term risk-adjusted returns. Given our views on AI, we are taking a cautious stance on it, and believe opportunities will be found in software after the AI rallies subside. The most recent Consumer Price Index print nudged the economy towards the "soft-landing" scenario (a soft landing is a cyclical slowdown in economic growth that ends without a period of outright recession), which helped investors regain some confidence in sectors that tend to underperform during economic drawdowns. Although this is good news for the economy in general, we believe an overall defensive positioning is still necessary as the direction of the economy can change quickly.

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Fund and benchmark performance as at June 30, 2024	1 year	3 year	5 year	10 years
IA Clarington U.S. Dividend Growth Fund – Series A	23.1%	11.9%	11.9%	10.3%
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 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.

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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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