IA Clarington U.S. Equity Class

Manager commentary – Q4 2024

During the fourth quarter of 2024, IA Clarington U.S. Equity Class Series A returned 4.5%, versus 9.0% for the S&P 500 TR Index (CAD). Within the S&P 500, the top-performing sectors for the quarter included consumer discretionary (+14%), communication services (+9%) and financials (+7%). The weakest-performing sectors included materials (-12%), health care (-10%) and real estate (-8%). Concentration within the U.S. stock market reached a new high, with 10 stocks accounting for the 38.7% of the S&P 500's weight. For the full year, the 'Magnificent 7' rose 48% in U.S. dollars, while the other 493 companies in the S&P 500 rose just 10%.

The Fund's relative underperformance in the quarter was mainly driven by weak security selection within the consumer discretionary and consumer staples sectors, and unfavourable allocation toward the health care and information technology sectors. The Fund's above-average cash position also detracted from relative returns during the quarter. Sector allocation toward consumer discretionary was a modest offsetting contributor to relative returns. Top individual contributors during the period included Darden Restaurants Inc., Amazon.com Inc. and JPMorgan Chase & Co. Top detractors included Centene Corp., Nestle SA and UnitedHealth Group Inc.

As at December 31, 2024, the Fund held 40 positions across eight market sectors, with a cash balance of approximately 8.9%. During the quarter, we made net weighting increases within the consumer discretionary, health care and consumer staples sectors, and net trims within the communication services, information technology, industrials and financials sectors. There were no new portfolio initiations or eliminations over the period.

Within the consumer discretionary sector, additional shares of Amazon were added to the Fund. This increase, combined with strong share price performance, resulted in Amazon becoming the Fund's second-largest holding. Amazon's core retail franchise continues to demonstrate strong momentum, capturing a growing incremental share of ecommerce and total retail sales. The Amazon Web Services cloud platform is also a market leader in terms of scale and profitability. The franchise appears well positioned to continue growing intrinsic value over time.

IA Clarington U.S. Equity Class

Within the health care sector, additional shares of Merck & Co. Inc. were purchased. The company's shares recently derated on near-term challenges within the vaccines segment, providing an attractive level to further increase ownership in a franchise with defensive characteristics and a history of compounding earnings at an attractive rate. The combination of low valuation, a resilient earnings base, and a healthy growth outlook provides compelling upside potential for the shares over our investment horizon. Additional purchases were also made in the consumer discretionary (Darden Restaurants), health care (Centene, Johnson & Johnson) and consumer staples (Nestle, PepsiCo Inc.) sectors.

These purchases were funded through several holding trims and cash on hand. Within the industrials sector, Cummins Inc. was trimmed following strong share price gains that resulted in valuations being pushed near cyclical highs. Despite some mild underlying weakness in the core engines and components segments, the power generation segment continues to drive consolidated growth as it is a beneficiary of the unprecedented investment in data centres.

Within the financials sector, shares of Aflac Inc. were also trimmed. The franchise is a high-quality insurer exhibiting a steady earnings stream and reliable free cash flow that has enabled the company to reward shareholders with growing dividends and meaningful share buybacks. Company shares have re-rated on these quality attributes, thus reducing expected returns going forward. Additional net trims were completed within the communication services (Netflix Inc.), information technology (Oracle Corp.), health care (Solventum Corp., UnitedHealth Group), financials (Bank of America Corp, JP Morgan Chase), consumer staples (Unilever plc, Boston Beer Company Inc.) and consumer discretionary (Starbucks Corp.) sectors.

The current environment remains one of the most extreme in the last 40 years when considering valuations, market concentration and investor sentiment measures. With elevated U.S. deficit spending and double-digit expected earnings growth in 2025, we believe U.S. stocks offer very little room for disappointment given current valuations levels.

The Fund's holdings collectively trade at a sizeable discount to the market while ranking favourably on many fundamental characteristics. We believe our holdings have the potential to grow at reasonable rates in coming years, which, together with dividends, should generate attractive relative returns for clients with less commensurate risk than the broader market.

Fund and benchmark performance as at December 31, 2024	1-year	3-year	5-year	10-year

IA Clarington U.S. Equity Class - Series A	22.7%	12.8%	13.4%	8.1%
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 and speak with your investment advisor.

The performance data comparison presented is intended to illustrate the Fund's historical performance 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. equity market. The Fund's market capitalization and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may differ from 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, the sub-advisor of the Fund was changed from Sarbit Advisory Services Inc. to QV Investors Inc., and the Fund's investment strategies changed.

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.

A mutual fund's "yield" refers to income generated by securities held in the fund's portfolio and does not represent the return of or level of income paid out by the fund.

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.