

IA Clarington Global Risk-Managed Income Portfolio

Manager commentary – Q3 2024

During the six-month period ending September 30, 2024, the global economy continued its path towards normalization with notable developments across key regions.

The U.S. economy continued to normalize over the period. The pace of job creation has slowed since April, and historical revisions have shown that fewer jobs than initially reported have been created since the spring of 2023. While hiring has slowed down, the participation rate (estimate of an economy's active workforce) has continued to rise, leading to a higher unemployment rate. At the end of the third quarter, the U.S. economy was displaying more signs of stability than weakness, especially in terms of consumer spending, which remained robust. Inflationary pressures eased, indicating a shift towards a more sustainable growth path.

The Canadian economy appears to be in a precarious situation on a per-capita basis, as its weak productivity remains a challenge despite strong population growth. The housing market remains at risk as the Bank of Canada is rushing towards a neutral policy interest rate of about 3%, which is expected to be reached by mid-2025. The timing and pace of interest-rate cuts support a reacceleration of real Canadian economic growth in 2025, as well as an exit from the prolonged per-capita recession (when GDP per capita falls in two consecutive quarters). Real economic growth or real GDP is GDP adjusted for inflation or deflation (when prices fall).

Globally, disinflation (slowdown in the growth of prices) continued as supply-chain pressures eased and commodity prices stabilized. For instance, the eurozone reported that inflation had dropped to 1.8% in September, and inflation in emerging markets has generally trended downwards. This has opened the door to synchronized interest rate cuts from global central banks, adding liquidity to the global economy.

Europe remains stuck in subdued growth, with Germany showing no real growth since early 2022. Challenges include weak demographics, lack of productivity growth (the growth of output not accounted for by the growth of an input or inputs), the absence of synchronized intra-eurozone fiscal policy and a weak Chinese economy. That said, the recent bottoming of the credit cycle points to an early sign of changing fortunes.

In China, a balance-sheet recession poses significant challenges. A balance sheet recession is a type of economic recession that occurs when high levels of private sector debt cause individuals or companies to collectively focus on saving by paying down debt rather than spending or investing, causing economic growth to slow or decline. Despite the government's fiscal stimulus and loose monetary policy, concerns about high debt levels and a struggling property market have hampered a robust recovery. In such an

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environment, a loose monetary policy becomes ineffective as demand for loans crumble, while direct cash transfers to households, which was proposed in China in September, become a viable solution.

Globally, equities delivered highly favourable results during the six-month period ending September 30, 2024. The S&P/TSX Composite Index, representing the Canadian equity market, returned 10.0%, led by the materials, utilities and real estate sectors. Its U.S. counterpart, the S&P 500 Index, returned 10.2% (in Canadian-dollar terms), led by the utilities, information technology and real estate sectors. On the fixed-income side, the FTSE Canada Universe Bond Index returned 5.6% for the period, assisted by interest-rate declines.

The Fund's overweight duration and exposure to corporate bonds contributed to performance.

Within equities, top contributors to the Fund's performance included IA Clarington U.S. Dividend Growth Fund, IA Clarington Dividend Growth Class and IA Clarington Global Multifactor Equity Fund.

Within fixed income, top contributors to performance included IA Clarington Loomis Global Multisector Bond Fund, IA Clarington Strategic Corporate Bond Fund, iShares iBoxx \$ High Yield Corporate Bond ETF and iShares J.P. Morgan USD Emerging Markets Bond ETF.

The Fund's equity downside protection strategy detracted from performance due to a structural defensive positioning within equities and given that equity markets rallied during the period.

Top detractors from the Fund's performance included IA Clarington Floating Rate Income Fund, IA Clarington Core Plus Bond Fund and IA Clarington Global Equity Fund.

The fund manager's outlook for equities is influenced by opposing factors: challenging valuations and a consensus that remains optimistic about future developments in artificial intelligence, with a supportive corporate earnings outlook. Overall, the fund manager still has a relatively optimistic view on equity markets, with a focus on U.S. and Canadian equities. At the other end of the equity spectrum, the fund manager is less optimistic about Chinese equities, as the overhang from the property market downturn continues to constrain the economy and policymakers remain reluctant to provide stimulus.

The U.S. Federal Reserve's shift from inflation to growth signals a cyclical change in the role that fixed income can play in portfolio construction. In a world more concerned with growth than inflation, the fund manager believes fixed income can potentially act as a protection against downside equity risk within an equity-centric portfolio, as the central bank can provide a buffer to a slowing economy by cutting interest rates, leading to fixed-income gains that may cushion equity volatility (interest rates and bond prices are inversely related).

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The fund manager expects to maintain the Fund's defensive position of having an underweight exposure to equities and overweight exposure to fixed income. Within equities, the fund manager expects to maintain the Fund's tilt towards value-oriented managers. Within fixed income, the fund manager expects to maintain the Fund's tilt towards corporate bonds that offer higher income.

Fund and benchmark performance, as at September 30, 2024	1 year	Since inception (Jan. 2022)
IA Clarington Global Risk-Managed Income Portfolio— Series A	17.4%	3.8%
15% S&P 500 Index (CAD), 15% Bloomberg Global Aggregate Bond Index (CAD Hedged), 15% S&P/TSX Composite Index, 10% MSCI AC World Index (CAD)¹, 25% FTSE Canada Universe Bond Index, 20% FTSE Canada 91 Day T-Bill Index.	17.9%	5.5%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. 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.

For definitions of technical terms in this piece, visit iaclarington.com/glossary and speak with your investment advisor.

¹Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

The Fund's strategy is to invest in other investment funds. 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 benchmark is a blend of 15% S&P 500 Index (CAD), 15% Bloomberg Global Aggregate Bond Index (CAD Hedged), 15% S&P/TSX Composite Index, 10% MSCI AC World Index (CAD), 25% FTSE Canada Universe Bond Index and 20% FTSE Canada 91 Day T-Bill Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The MSCI AC World Index (CAD) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets. The MSCI ACWI consists of 50 country indexes comprising 23 developed and 27 emerging market country indexes. The S&P/TSX Composite Index

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is the premier indicator of market activity for Canadian equity markets, with 95% coverage of Canadian-based, TSX-listed companies. The index includes common stock and income trust units and is designed to offer the representation of a broad benchmark index while maintaining the liquidity characteristics of narrower indices. 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 FTSE Canada Universe Bond Index is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada. The Bloomberg Global Aggregate Bond Index (CAD Hedged) is a flagship measure of global investment grade debt from twenty-eight local currency markets. This multi-currency benchmark includes treasury, government-related, corporate and securitized fixed-rate bonds from both developed and emerging markets issuers. There are four regional aggregate benchmarks that largely comprise the Global Aggregate Index: the US Aggregate, the Pan-European Aggregate, the Asian-Pacific Aggregate, and the Canadian Aggregate Indices. The Global Aggregate Index also includes Eurodollar, Euro-Yen, and 144A Index-eligible securities, and debt from five local currency markets not tracked by the regional aggregate benchmarks (CLP, COP, MXN, PEN, and ILS). A component of the Multiverse Index, the Global Aggregate Index was created in 2000, with index history backfilled to January 1, 1990. The Fund may have different currency risk exposure than the benchmark. FTSE Canada 91 Day T-Bill Index consists of a benchmark that tracks the performance of Government of Canada Treasury Bills, with 3-month T-Bills. The index is designed to reflect the performance of a portfolio that only owns a single security, the current on the run T-Bill for the relevant term, switching into the new T-Bill at each auction. The Fund's market capitalization, geographic, sector and credit quality 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. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance.

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. The information

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