

IA Wealth Enhanced Bond Pool

Manager commentary – Q4 2024

Interest rates moved strongly higher over the period, with the U.S. 10-year yield increasing by around 80 basis points, leading to negative returns for U.S. sovereign bonds. Corporate bond spreads tightened during the quarter, which led to slightly positive returns for U.S. high-yield bonds. Emerging market bonds (J.P. Morgan EMBI Global Diversified Index) returned around -1.9%. The Canadian dollar tumbled by roughly -6.0% relative to the U.S. dollar.

Despite higher yields, we see upside risk on interest rates as a result of strong growth and persistent inflation. Accordingly, we remain vigilant and prudent. The outlook for the U.S. Federal Reserve's (Fed) policy easing campaign has become uncertain given the resilient U.S. economy. With strong growth and slightly above-target inflation, the Fed may need to reconsider its current stance. Thus, bond yields are likely stuck in a range over the near term.

A structural overweight in U.S. fixed income was the main detractor from the Fund's performance during the quarter, as U.S. bonds underperformed Canadian bonds. Also, underlying fund managers slightly underperformed market indices overall. The most significant detractors were IA Wealth Core Bond Pool and PIMCO Monthly Income.

The Fund is structurally positioned with a lower duration (mainly in Canada), overweight U.S. fixed-income exposure and overweight exposure to corporate bonds versus its peer category (product design). However, the Fund's tactical asset allocation slightly reduces the size of these tilts by holding small, long positions in long-term federal bonds in Canada (BMO Long Federal Bond Index ETF), as well as slightly underweight positions in underlying funds that have more credit exposure.

Fund and benchmark performance, as at December 31, 2024	1 year	3 year	Since inception (Jul. 2020)
IA Wealth Enhanced Bond Pool – Series B	4.0%	-0.9%	-0.4%
25% Bloomberg U.S. Aggregate Bond Index (CAD Hedged) ¹ , 75% FTSE Canada Universe Bond Index	3.2%	-1.2%	-1.2%

Non-traditional fixed income asset classes may carry higher risk, but generally provide higher yield than traditional fixed income asset classes. For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your financial advisor.

¹Source: Bloomberg L.P.

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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 25% Bloomberg U.S. Aggregate Bond Index (CAD Hedged) and 75% FTSE Canada Universe Bond Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The Bloomberg U.S. Aggregate Bond Index (CAD Hedged) is a broad-based benchmark that measures the investment grade, U.S. dollar-denominated, fixed-rate taxable bond market. This includes Treasuries, government-related and corporate securities, mortgage backed securities, asset-backed securities and collateralized mortgage-backed securities. 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 Fund's fixed income holdings may have different sector exposure, credit quality and interest rate sensitivity than the benchmark. The Fund may have currency risk exposure while the benchmark has none. 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.

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.

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