IA Clarington Global Dividend Fund

Manager commentary – Q3 2024

In recent quarters, the global economy has continued its path toward normalization, with notable developments across key regions. Globally, disinflation (reduction of inflation) continued as supply-chain pressures eased and commodity prices stabilized. For instance, the eurozone reported inflation had dropped to 1.8% in September, and inflation in emerging markets has generally trended downwards.

Europe's economic growth remained subdued, with Germany showing no real growth since early 2022. Challenges included weak demographics, lack of productivity growth (the ability to produce greater quantities of goods and services in better and faster ways), the absence of synchronized fiscal policy (measures a government takes to influence the direction of the economy such as tax rate increases or decreases, government spending increases or decreases) within the eurozone and a weak Chinese economy. However, the recent bottoming of the credit cycle (A credit cycle has two phases: expansion and contraction of access to credit. During an expansion, borrowers have easy access to credit, as interest rates are typically lower and borrowers face less stringent qualifications. During a contraction, it is more difficult for borrowers to access credit as interest rates are typically higher and lending requirements are more strict.) may be an early sign of changing fortunes.

The U.S. economy continued to normalize over the last 6 months ("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 slowed, the participation rate (the ratio between the total labour force divided by the total working-age population) continued to rise, leading to a higher unemployment rate (the number of unemployed persons expressed as a percentage of the labour force). At the end of the period, 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 has been in a precarious situation on a per-capita (average per person) basis, as its weak productivity remained a challenge despite strong population growth. The housing market was at risk of more volatile conditions reemerging as the Bank of Canada rushed towards a neutral (sustainable) policy interest rate of about 3%, which is expected to be achieved by mid-2025.

Globally, equities delivered favourable results. The MSCI World Index and MSCI EAFE (The acronym for countries in Europe, Australasia and the Far East) Index returned 9.0% and 6.6%, respectively, in Canadian-dollar terms, including foreign-currency movements.

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The Fund's security selection in the communications, consumer staples and information technology sectors contributed to performance. An overweight exposure to the utilities sector also contributed, as did underweight exposure to the industrials sector. Individual contributors included Apple Inc., the American technology company best known for consumer electronics, software and services. Strong quarterly earnings (profits) helped boost its share price, and the market has viewed Apple's partnership with OpenAI, L.L.C. positively. American semiconductor manufacturing company Broadcom Inc. experienced strong gains owing to strong revenue (sales) and earnings performance driven by growth in key segments, and the company's successful integration of VMware Inc. contributed to strong share price performance.

The Fund's underweight exposure to the information technology sector detracted from performance, as did stock selection in the consumer discretionary sector. Individual detractors included American discount store chain Dollar General Corp., as lower-income customers struggled with lower benefits, lower tax refunds and higher inflation. This has made the operating environment difficult and created expectations for weaker operating results (refers to financial outcome after including expenses but excluding taxes and interest expenses). Rentokil Initial PLC, one of the world's largest pest control companies, experienced sluggish sales in North America as well as negative currency impacts, and the company cut its earnings guidance (estimate of future profitability) in September.

New positions included CME Group Inc., one of the world's leading financial derivatives (A financial instrument whose value and performance is dependent on the value and performance of an underlying security) marketplaces, as the company appeared well positioned to benefit from increased market and trading activity. Aerospace manufacturing company TransDigm Group Inc. was added owing to its strong performance and expanded competitive positioning.

Increased positions included Broadcom Inc. given present AI tailwinds (refers to favourable conditions for particular investments or the market as a whole) and the company's niche positioning in the value chain.

Decreased positions included Rentokil, and the fund manager plans to monitor its performance and assess its competitive positioning.

Eliminated positions included home improvement company Lowe's Cos. Inc., which was sold given the fund manager's view that the stock price is pricing in higher short-term existing home sales. Dollar General Corp. was sold owing to the fund manager's expectations that weaker operating results would persist through the rest of 2024.

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The fund manager has low confidence in the path of performance going into the final quarter of 2024. The fund manager expects the market to be more volatile in the next few months as the cross-currents of a significant China reflationary impulse, election-related volatility and aggressive expectations for accommodative monetary policy (a central bank policy that seeks to stimulate economic growth by increasing access to credit through low or reduced interest rates) open up a wide range of outcomes for investors. The fund manager's goal is to remain focused on businesses that have strong multi-year horizons and are dominant in their respective value chains.

Fund and benchmark performance as at September 30, 2024	1-year	Since inception (Feb 2023)
IA Clarington Global Dividend Fund – Series A	26.0%	15.8%
MSCI World Index (CAD)[1]	32.3%	21.3%

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

[1]Source: 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 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 Fund's benchmark, the MSCI World Index, is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of 23 developed market country indices. 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.

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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