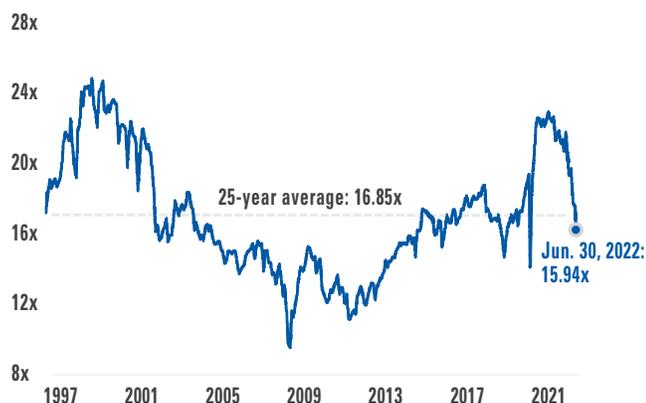


S&P 500 Index: Forward P/E Ratio



Source: JP Morgan Guide to the Markets, as at June 30, 2022.

Have you trimmed any of your energy holdings or do you believe there is more upside potential?

- We have trimmed over 500 basis points of exposure on a year-to-date basis, but energy still represents about 10% of the portfolio as of June 30.
- We still like energy for a number of reasons. First, today's supply and demand dynamics are very positive for pricing, in our view. Years of under-investment in oil – notably after the 2014 price collapse as well as during the pandemic – have created tight supplies in oil markets.
- We are also seeing tight supplies in natural gas and refined products while demand continues to normalize, contributing to the strong pricing environment and outsized profitability for the sector.
- From a capital discipline perspective, most producers today will only redirect a portion of their cash flow to reserve replacement and production growth – a notable departure from prior cycles, where most exploration and production companies invested in excess of 100% of their cash flows.
- We expect capital discipline to continue, resulting in only nominal production growth going forward. Accordingly, we expect free cash flow levels to be directed towards dividends, share buybacks and debt repayment. Fund holdings such as Chevron Corporation and ExxonMobil Corporation could be debt free by the end of 2023 if this capital discipline is maintained.

Are you looking at opportunities in the technology sector?

- As of June 30, the information technology sector was down 27% on a year-to-date basis, while its forward earnings multiple was down to 20x versus its peak of 29x in December of last year.

- We regularly screen all areas of the market, including technology, on several variables that matter to us. These include:
 - Growth, including the track record of historical compounding
 - Return on capital
 - Balance sheet strength
 - Capital allocation
 - Valuation
- Currently, if we exclude valuation, information technology franchises rank very well on growth, quality, balance sheet strength and capital allocation. We formally reviewed a number of these franchises, and continue to do so today. However, most technology names still do not compete for that marginal dollar of capital within the portfolio because we believe most of them trade above their fair value, despite the significant share price decline across the sector.
- Today, the information technology sector still trades at a 25% premium to the broader market; on average it trades closer to a 5% premium.

Sector Exposure

Sector	IA Clarington U.S. Equity Class	U.S. Equity Category
Materials	0.0%	3.1%
Consumer discretionary	11.0%	10.3%
Financial services	13.2%	10.1%
Real estate	0.0%	0.0%
Communication services	9.6%	8.5%
Energy	9.8%	5.3%
Industrials	12.0%	8.8%
Information technology	1.0%	27.3%
Consumer staples	10.3%	6.9%
Health care	21.8%	15.0%
Utilities	3.0%	0.0%

Source: iA Clarington and Morningstar, as at June 30, 2022.

Why does defense win championships?

- If you look at Stanley Cup-winning teams over the past decade, the vast majority excelled at playing defense over the course of a full season, in some cases much more so than scoring goals. Taking this analogy to investing, it means managing risk over the long term and recognizing that periods of excessive risk-taking with little consideration for quality or value can often

lead to unfavorable outcomes for investors, particularly when markets transition into a bear market phase, such as the one we are experiencing today.

- Within the fund, defense or ballast is achieved through our risk management, which emphasizes building a diversified portfolio of high-quality businesses that exhibit below-average risk. From a process perspective, our objective when playing defense is to protect our clients' capital, and we know that certain characteristics lend themselves to minimizing downside risk in volatile markets.

What characteristics limit downside risk in volatile markets?

- One is business resiliency. What we are looking for here is a history of revenue, earnings and cash flow stability across economic cycles.
- Valuation is another important characteristic, and here we are looking for a margin of safety. This has been a hallmark of our process from the very beginning.
- From a balance sheet perspective, we look for low financial leverage (low absolute debt levels).
- Dividends are also important. The fund is not a dividend mandate per se, but we think the ability to pay dividends over time speaks to the underlying quality and stability of a franchise.

- We also recognize that sectors such as consumer staples and health care are more defensive than other areas of the market, and this is why we continue to overweight both.

What is QV's edge relative to peers?

- Our edge is our discipline in sticking to our investment process, which means consistent execution of our approach across market cycles. This is easy to say but not so easy to do, especially during times when your investment approach is out of favour.
- Another advantage is our alignment with clients. QV is an employee-owned firm and all portfolio managers are shareholders. In addition, we are only allowed to invest in QV funds, so our personal interests when making investment decisions are fully aligned with the interests of our clients.

Visit iaclarington.com to learn more about Richard Fortin and the IA Clarington U.S. Equity Class.

For definitions of technical terms, visit iaclarington.com/glossary or speak with your financial advisor.

Fund and benchmark performance as at June 30, 2022	1 year	3 year	5 year	10 years
IA Clarington U.S. Equity Class – Series A	3.2%	9.0%	3.9%	8.1%
S&P 500 Index (CAD)	-6.9%	10.1%	11.2%	15.7%

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 for time periods of more than one year are historical annual compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized. Where applicable, compound growth charts are used only to illustrate the effects of a compound growth rate and are not intended to reflect future values or returns of a fund. 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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