

IA Clarington QV Canadian Small Cap Class

Manager commentary – Q3 2025

IA Clarington QV Canadian Small Cap Class invests substantially all of its assets in units of IA Clarington QV Canadian Small Cap Fund (“the Reference Fund”). Its performance therefore largely reflects the performance of that fund. All reference made to “the Fund” hereinafter reflects a discussion of the portfolio holdings and characteristics of the Reference Fund.

Over the last six-month period, Global equities rallied as inflationary pressures eased, trade and geopolitical tensions stabilized, and central banks maintained more accommodative stances. Canadian equities led the way as both small- and large-cap indexes outperformed their U.S. counterparts, especially benefiting from stronger precious metal prices as well as growing political momentum behind strategic domestic investment projects that could bolster future growth. These gains arose despite lingering macroeconomic weakness in growth and employment.

The Fund generated a strong absolute performance, largely owing to its positioning in the consumer discretionary, financials and industrials sectors. Individual contributors included Aritzia Inc., which benefited from improving sentiment based on attractive compounding from investments in supply-chain improvements, digital marketing efforts and growing its exposure in the U.S. The company has also mitigated some effects of tariffs through a flexible supply-chain strategy while still emphasizing product quality. Pet Valu Holdings Ltd. has demonstrated resilient growth despite an environment of lower consumer spending and is taking market share from peers. Its investments into automated distribution centres have improved cash flows through lower capital expenditures.

The Fund’s exposure to the materials sector was the biggest detractor from performance as it had no direct exposure to gold and other precious metals at a time when gold and silver companies were contributing nearly half of the benchmark returns. Individual detractors included GDI Integrated Facility Services Inc., which saw weaker growth that was in-line with peers given a more cost-focused customer base. Enghouse Systems Ltd. faced organic declines in its business that were partly driven by a shift toward a subscription-based model. Knight Therapeutics Inc. was nearing an inflection point where its investments on launching and marketing new pharmaceutical products would start to generate incremental sales.

Increased positions included Mullen Group Ltd., which has the largest less-than-truckload network in Western Canada and the second largest trucking fleet nationally. In addition to its core transportation business, Mullen provides complementary logistics and warehousing services, and specialized services to oil-and-gas customers as well as other industrial customers. Cargojet Inc. was increased as the share

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price remained under pressure owing to negative sentiment surrounding potential trade restrictions and the potential impact on air cargo volumes. The fund manager believed that the risks of a potential near-term disruption in U.S.–Canada trade flows could be offset by increased trade activity with other international markets to which Cargojet is meaningfully exposed.

Decreased positions included Andlauer Healthcare Group Inc., which was trimmed following the announcement of its acquisition by United Parcel Service Inc.

Recent market strength has been supported in part by near-term, relatively benign employment and inflation levels, and increasing expectations for interest-rate cuts. Despite this, the extended S&P 500 Index valuation levels and historically tight credit spreads (the difference in yield between debt instruments with similar terms, but different credit ratings) should signal reduced compensation for taking on risk. Therefore, the fund manager believes that investors who consider both risk and reward should use caution.

The fund manager's mission is to both preserve and grow clients' capital. The fund manager believes that the probability of achieving this mission in the upcoming years has improved this year based on the collective actions of individual holdings and the continued portfolio improvement evidenced by the Fund's year-to-date capital allocation. Importantly, in a scenario of rising inflation against a backdrop of slow growth, the Fund's combination of resilient business models, idiosyncratic growth prospects, pricing power and lower financial risk should allow it to navigate such an environment reasonably.

Despite the volatility year-to-date, companies held by the Fund have collectively deployed billions in organic and inorganic investments to strengthen their competitive positions and grow their future earnings power. The Fund has deployed incremental capital into businesses with sound market positions, stable to strong financial positions and attractive valuations. The Fund exhibits attributes such as valuation risk below that of the broader market, well-diversified economic exposures, and fortified franchise and earnings growth outlooks. While the fundamentals may take some time to yield additional results, the Fund generates a sustainable and attractive 2.7% dividend yield, with over 85% of holdings paying a dividend.

	1-year	3-year	5-year	10-year
Fund and benchmark performance as at September 30, 2025				
IA Clarington QV Canadian Small Cap Class - Series A	15.1%	15.7%	15.4%	8.6%

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S&P/TSX SmallCap Index	28.6%	21.3%	16.7%	11.8%
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For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.

This Fund changed its name from IA Clarington Canadian Small Cap Class, effective June 16, 2025.

The performance data comparison presented is intended to illustrate the Fund's historical performance as compared with historical performance of widely quoted market indices. As this fund invests substantially in its Reference Fund (IA Clarington QV Canadian Small Cap Fund), the differences discussed are those of the Reference Fund. 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/TSX SmallCap Index provides an investable index for the Canadian small cap market. It includes common stock and is calculated in real-time. To be eligible for inclusion in the index, the float-adjusted market capitalization and the total company market capitalization of a security must represent a minimum weight of 0.005% and maximum weight of 0.08% of the float and total market capitalization of the S&P/TSX Composite at the stock level on the reference date, based on the volume weighted average price (VWAP) of the security on the TSX over the last 10 trading days prior to the reference date. For the Fund's investment purposes, companies with a market capitalization of less than C\$ 3 billion are considered to be smaller capitalization companies. The Fund's sector and geographic 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 for more than one year are historical annual compounded total returns while returns for one year or less are cumulative figures and are not annualized.

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