IA Clarington Dividend Growth Class

Manager Commentary – Q2 2026

Similar to recent quarters, the second quarter of 2026 was dominated by the conflict in Iran, as fighting continued to begin the quarter. A ceasefire was announced in early April, followed by several weeks of negotiations and culminating in a peace agreement by mid-June.

The Strait of Hormuz remained largely closed for most of the quarter, leading to a significant drawdown in global oil inventories. However, oil prices began to decline soon after the ceasefire announcement and dropped sharply once the peace deal was confirmed, moving from around US$100 on April 1 to US$70 by June 30. Rising energy prices pushed inflation higher, although the sharp decline in oil prices in June should help bring inflation down in the coming months.

Several central banks raised interest rates during the quarter, including the European Central Bank, the Bank of Japan and the Reserve Bank of Australia, with each increasing policy rates by 25 basis points. In Canada, GDP declined in the first quarter, but available indicators suggest a rebound in the second quarter, while the labour market has stabilized, with unemployment between 6.5% and 7%. Inflation has also increased, driven by higher energy and food prices, although core inflation remains well controlled.

Equity markets delivered strong performance over the quarter, supported by the gradual resolution of the Iran conflict, with the S&P 500 Index gaining 14.1%, compared to 5.8% for the S&P/TSX Composite Index, which was supported by financials and select technology names. Within Canada, energy also lagged as oil prices softened late in the quarter after the U.S.-Iran offramp, while gold faced pressure as well. The U.S. dollar appreciated by 2.4% against the Canadian dollar as the interest-rate differential widened.

The quarter was positive on absolute basis for the Canadian dividend growth strategy, with the underweight position in gold helping offset the drag from an underweight position in the financials sector. In addition, select foreign holdings, used to complement sectors where the Canadian market offers fewer high-quality companies, contributed positively to performance.

Portfolio activity was modest during the quarter. We reduced our weighting in Canadian Natural Resources after the geopolitical off-ramp and upgraded the portfolio by shifting capital from Oracle to Microsoft. We also added Apotex Health, select gold names, and Capital Power.

The portfolio remains anchored in leading Canadian franchises with durable competitive advantages, disciplined capital allocation and sustainable dividend policies. We balance cyclical exposure in energy and materials with stable, interest-rate-resilient businesses in utilities and telecommunications. Position sizing reflects our convictions, with larger weights in companies demonstrating consistent cash-flow generation and prudent capital management. We continue to favour businesses with pricing power and management teams focused on long-term value creation. Overall, we believe the portfolio is well positioned to deliver steady compounding while maintaining the flexibility to capitalize on market dislocations.

Our primary concern remains the elevated valuations of Canadian bank stocks. At the same time, we have become incrementally more constructive on gold equities after the recent shift in expectations for short-term interest rates. That said, our investment approach remains grounded in dividend sustainability, balance-sheet strength and valuation discipline. We think this framework positions the portfolio to navigate uncertainty while capturing opportunities as market conditions evolve.

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Fund and Benchmark Performance as at: June 30, 2026	Q2 2026	1-year	3-year	5-year	10-year
IA Clarington Dividend Growth Class - Series F6	7.4%	25.9%	19.2%	12.8%	11.0%
15% S&P 500 Index (CAD), 85% S&P/TSX Composite Dividend Index	8.6%	31.7%	22.9%	16.1%	13.5%

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

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 is a blend of 15% S&P 500 Index (CAD), and 85% S&P/TSX Composite Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. 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 S&P/TSX Composite Index which 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 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 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.

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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