IA Clarington Inhance SRI Portfolios

Manager Commentary – Q2 2026

Global equity markets advanced sharply in the second quarter as investor sentiment improved despite a still-complex macroeconomic and geopolitical backdrop. Risk appetite was supported by easing tensions in the Middle East, a decline in oil prices from their April peaks, resilient economic data, and continued confidence in the multi-year artificial intelligence (AI) investment cycle. Corporate earnings expectations stayed constructive, while upward earnings revisions across several sectors reinforced optimism around the durability of economic growth. Market leadership remained concentrated, with AI-linked technology hardware, semiconductors and momentum-oriented growth stocks driving a disproportionate share of returns. Although central banks maintained a cautious stance amid lingering inflationary pressures, markets largely looked through policy uncertainty as growth and earnings expectations remained intact. Against this backdrop, global equities delivered strong returns during the quarter, with the MSCI World Index (CAD) rising 15.7%.

Canadian equities, meanwhile, also moved higher, with the S&P/TSX Composite Index rising 6.4% and setting a record high above 35,300 in mid-June before consolidating into quarter-end. While the Canadian market delivered strong absolute returns, it trailed the S&P 500 Index's 14.9% rally, which was fueled by ongoing enthusiasm for AI-related growth opportunities. The macroeconomic backdrop was shaped by developments in the Middle East, where escalating conflict initially drove oil prices sharply higher before crude surrendered most of its war-related gains by quarter-end as a ceasefire reduced supply concerns. Investors also navigated uncertainty surrounding the July 1 review of the Canada-United States-Mexico Agreement (CUSMA). Although the U.S. indicated it would not renew the agreement in its current form, the treaty remains in effect through 2036 and no changes were made to existing tariff structures. At home, economic conditions showed signs of improvement following two consecutive quarters of contraction, with real GDP rising 0.5% in April and employment increasing by 88,000 jobs in May. Against this backdrop, the Bank of Canada maintained its policy rate at 2.25% for a fifth consecutive meeting, largely looking through energy-driven headline inflation of 2.8% as underlying inflation pressures moderated, with core inflation easing to 2.1%.

The IA Clarington Inhance SRI Portfolios generated solid returns over the second quarter as all of the funds posted positive gains, including double-digit returns in IA Clarington Inhance Canadian Equity SRI Class and IA Clarington Inhance Global Small Cap SRI Fund. When compared to their respective benchmarks, IA Clarington Inhance Global Equity SRI Class and IA Clarington Inhance Global Small Cap SRI Fund trailed their respective benchmarks.

IA Clarington Inhance Global Equity SRI Class (Series F) gained 9.3% in the second quarter of 2026, but trailed its benchmark by 630 basis points (bps) as security selection outweighed positive sector allocation. Relative performance was pressured by the Fund's underweight exposure to the strongest AI-linked semiconductor beneficiaries, including not holding Micron Technology, as well as weakness in select software, financial data and exchange, consumer discretionary and industrial holdings. Halma, AutoZone, Copart, Intercontinental Exchange, Nasdaq and several software positions were among the notable detractors. These headwinds were partially offset by strong contributions from Alphabet, Elevance Health, and Edwards Lifesciences, along with the Fund's zero sector allocation to energy and underweight positions in health care and consumer staples. During the quarter, the Fund continued to selectively add exposure to the AI value chain while maintaining its quality growth discipline, initiating positions in Advanced Micro

Devices, Arista Networks, Broadcom, Lam Research, TSMC and Restaurant Brands International, while exiting positions in Dino Polska and Lumine Group.

IA Clarington Inhance Global Small Cap SRI Fund (Series F) posted a return of 10.5%, underperforming the MSCI World Small Cap Index (CAD), which gained 17.0%. Underperformance was primarily driven by security selection, particularly within the information technology sector, where the Fund had less exposure to semiconductor-related winners and greater exposure to software names that remained under pressure. The largest relative detractor was not owning Sandisk, whose large benchmark weight and strong gain created a meaningful headwind. Guidewire Software, Workiva, Boyd Group, Pan Pacific International and Five Below also detracted. Sector allocation provided a positive offset, helped by the Fund's overweight position in information technology and zero weight in energy. Contributors were led by AI-related beneficiaries, including AAON, Softcat, Computacenter, Aalberts, Stevanato Group and Belimo. During the quarter, the Fund initiated positions in Graco, Ryan Specialty and Wise Group, while exiting Bytes Technology, Dino Polska, Grocery Outlet, Tecan Group and National Storage Affiliates REIT.

IA Clarington Inhance Canadian Equity SRI Class (Series F) returned 9.9% outperforming the S&P/TSX Composite Index, which rose 7.0%. Outperformance was driven primarily by sector allocation, most notably the Fund's underweight allocation to materials and zero weight to energy, while security selection detracted. Badger Infrastructure, Aritzia, Shopify and Jamieson Wellness were the leading contributors, while Boyd Group, TMX Group, Stantec, Moody's and Mastercard were the main detractors. During the quarter, the Fund added 5N Plus, CIBC, Dream Industrial REIT, Loblaw, Manulife, North West Co, Primaris REIT, Quebecor and RB Global.

IA Clarington Inhance Monthly Income SRI Fund (Series F6) rose 9.5% outperforming its blended benchmark return of 5.5%. The Fund benefited from its underweight allocation to fixed income, as equities outperformed bonds during the quarter. Within the equity sleeve, performance was supported primarily by sector allocation, led by the Fund's zero-weight position in energy and underweight in materials, while selection in real estate, materials and information technology also contributed. Exchange Income Corp., Texas Instruments, Lamar Advertising and Richards Group were the largest contributors, while CME Group, North West Co., and Gildan Activewear were the main detractors. Fixed-income performance lagged the FTSE Canada Universe Bond Index as longer-term bonds outperformed amid declining interest rates, while the Fund's preferred share holdings contributed positively in a supportive risk environment.

IA Clarington Inhance Bond SRI Fund (Series F) returned 2.1% outperforming its benchmark by 10 bps. Results were supported by an overweight allocation to long-maturity provincial bonds, which benefited from credit-spread tightening, along with an underweight to federal bonds, an overweight to corporate bonds, a small preferred share allocation, and slightly long duration positioning. During the quarter, the Fund added select senior bank and high-quality corporate new issues, including Projet REM and Amazon, while also initiating a long-maturity U.K. gilt position funded by the sale of a similar-duration Canadian government bond, with currency exposure hedged. The Fund also trimmed preferred shares, including positions in Great-West Lifeco, Power Financial and Intact Financial. Positioning remains broadly balanced across the curve, with a modest underweight to mid-maturities and a slight overweight to longer maturities, while longer-dated exposure remains defensively focused on bonds with maturities of less than 25 years.

Equity market performance continues to be heavily influenced by AI-related investment themes, although leadership has become increasingly concentrated and volatility among perceived beneficiaries has risen as valuations and expectations have moved higher. Recent market rotations underscore how quickly investor

sentiment can shift when fundamentals fail to keep pace with elevated expectations. While we remain constructive on the long-term growth potential of AI and data centre spending, we believe diversification and active management are becoming increasingly important. At the same time, we see attractive opportunities emerging beyond the information technology sector, supported by easing geopolitical tensions, lower energy prices and several durable long-term themes, including rising electricity demand driven by data centres, electrification, and industrial reshoring. History has shown that periods of market uncertainty are ultimately followed by recovery, reinforcing the importance of maintaining a disciplined, diversified investment approach across sectors and geographies.

ESG Engagement Activity

Below is a summary of engagement activities in the second quarter:

We held an engagement with **Gildan Activewear** to better understand its 2026 scores in the World Benchmarking Alliance's Corporate Human Rights Benchmark (CHRB), beginning with three areas: embedding respect for human rights in culture and management systems, policy commitments, and board accountability. The engagement is part of the broader Investor Alliance for Human Rights and CHRB engagement initiative, of which VCIM is a member. This was the first of four planned meetings over two years to better understand Gildan's overall human rights framework, including its strengths, challenges and areas for continued improvement. VCIM is the lead investor for this engagement.

An engagement was held with **DRI Healthcare** on governance. We had a proactive conversation to discuss the vote for an amendment to its Omnibus Equity Incentive Plan ahead of the annual general meeting (AGM). The company provided more information on its rationale and sought our feedback.

Members of the ESG team met with **Scotiabank** and **Royal Bank of Canada** to discuss their approaches to climate strategy. These conversations covered the banks' current net-zero approaches, recent changes to interim emissions-reduction targets where relevant, and broader perspectives on climate-related risk management and fossil fuel financing.

VCIM and other investors sent follow-up correspondence to **Amazon** after a March investor meeting with the company's ESG team on freedom of association and human capital management. The correspondence encouraged stronger workforce disclosure, particularly on workforce stability and spending, and disclosing metrics that align with recommendations by the Human Capital Management Coalition, such as workforce headcount by employment type and voluntary and involuntary turnover rates. The letter also encouraged consolidated disclosure in Amazon's sustainability reporting, noting peer examples from Walmart, Home Depot, Lowe's, Costco and Target. Investors indicated that enhanced disclosure would support more informed dialogue on human capital risk exposure amid ongoing workforce transformation and proposed reconnecting with Amazon in the fall to continue the discussion.

We signed an investor letter to **Amazon** expressing concern over the company's current pregnancy accommodations process and the potential risks it poses to both the company and long-term investors. The letter requested the Board review and strengthen the company's pregnancy accommodations framework and consider adopting policy recommendations proposed by Warehouse Life, a workers' rights organization, with regard to protections for pregnant and postpartum employees.

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We signed a collaborative investor letter sent to **Alphabet**, urging the use of RDR (Ranking Digital Rights) Index evaluations and continued advancement in human rights due diligence, content moderation rules, and remedy and redress policies according to the RDR benchmark assessment.

We met with **LVMH Moet Hennessy Louis Vuitton SE** to continue our discussions on chemical management. We discussed a centralized versus segment-level model anchored in regulatory compliance and the value of reporting at the group level. The company stated its openness to incremental progress on this topic. We will continue pushing for stronger group-level principles beyond regulation, securing concrete ChemFORWARD participation, and improving transparency on fragrance allergens and hazardous chemicals, areas where LVMH has committed to provide further detail.

Alphabet, parent company of Google, held its AGM in June and VCIM presented our shareholder proposal requesting that the company conduct a third-party assessment on strategies it can take to mitigate the amount of false information generated by its various AI models. The proposal received 9.3% support of total votes, which translates to 28.9% of independent votes excluding insider shares. Prior to the AGM, our proposal was also highlighted by the Globe and Mail. We believe this proposal successfully helped raise shareholder awareness of AI misinformation risks and the need for stronger safeguards to reduce the generation of false information by the company's AI models.

VCIM joined other investors in signing the 2026 Platform Living Wage Financials (PLWF) investor letter, which encourages companies to strengthen their approach to living wages and living incomes by making public commitments, establishing time-bound implementation plans, and supporting the conditions necessary for sustainable wage growth throughout their value chains. We plan to use the letter as a basis for engagement with **Yum! Brands**, **Restaurant Brands International**, and **McDonald's**, and to re-engage **Five Below** on living wage practices following prior discussions in 2024.

VCIM participated in an investor discussion to review next steps following the vote on its previously co-filed shareholder proposal at **The Home Depot's** May 21 AGM. The proposal requested a Board report assessing data privacy risks from the company's sharing of sensitive customer data with third parties, including risks related to law enforcement access, ALPR cameras provided by Flock Safety, and broader legal, reputational, privacy and civil rights concerns. The proposal **received 8.8%** support, meeting the minimum threshold to refile. Investors discussed potential next steps, including assessing re-filing options, following up on unanswered AGM questions, benchmarking peer ALPR oversight practices, and coordinating with investor and civil society partners to encourage stronger safeguards and disclosure.

Other:

Excessive Executive Compensation Webinar
On May 28, VCIM participated as a presenter in a global investor webinar hosted by the Interfaith Center for Corporate Responsibility (ICCR), formally launching an investor statement on excessive executive compensation and the corresponding investor guidelines. The session explained the rationale for the initiative, outlined how excessive executive pay and widening pay gaps can pose risks to long-term value creation, and introduced the guidelines as a practical stewardship framework for investors. Together, the statement and guidelines are intended to help investors better address excessive executive pay through engagement, voting and policy alignment.

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VCIM supported an investor letter to **Palantir**, which was open to concerned **i**nvestors regardless of whether or not they held the company**.** The letter raised concerns over the potential use of Palantir's technology in human rights violations and called on the company to commission and disclose an independent Human Rights Impact Assessment, alongside strengthened due diligence and transparency on product use. Palantir is not held in any portfolios managed by VCIM and remains on our ineligible list of companies.

Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	5-year	10-year	Since Inception[1]
IA Clarington Inhance Conservative SRI Portfolio - Series F	**4.3%**	**4.8%**	**6.3%**	**-**	**-**	**2.7%**
10% S&P/TSX Composite Index, 15% MSCI World Index^ (CAD), 75% FTSE Canada Universe Bond Index	4.5%	9.4%	8.8%	-	-	4.9%
IA Clarington Inhance Moderate SRI Portfolio - Series F6	**5.0%**	**4.3%**	**6.7%**	**2.5%**	**4.4%**	**-**
15% S&P/TSX Composite Index, 20% MSCI World Index^ (CAD), 65% FTSE Canada Universe Bond Index	5.4%	11.9%	10.6%	5.6%	5.9%	-
IA Clarington Inhance Balanced SRI Portfolio - Series F	**6.5%**	**3.8%**	**7.7%**	**3.3%**	**5.9%**	**-**
25% MSCI World Index^(CAD), 30% S&P/TSX Composite Index, 45% FTSE Canada Universe Bond Index	6.8%	17.4%	14.3%	8.4%	8.2%	-
IA Clarington Inhance Growth SRI Portfolio - Series F	**7.3%**	**3.9%**	**8.5%**	**3.8%**	**7.0%**	**-**
30% MSCI World Index^ (CAD), 35% FTSE Canada Universe Bond Index, 35% S&P/TSX Composite Index	7.8%	20.1%	16.2%	9.8%	9.4%	-
IA Clarington Inhance High Growth SRI Portfolio - Series F	**8.4%**	**0.7%**	**8.0%**	**-**	**-**	**4.9%**
25% S&P/TSX Composite Index, 20% FTSE Canada Universe Bond Index, 55% MSCI World Index^ (CAD)	10.7%	23.0%	18.8%	-	-	12.7%

[1] IA Clarington Inhance Conservative SRI Portfolio and IA Clarington Inhance High Growth SRI Portfolio inception period is January 2022.

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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 FTSE Canada Universe Bond Index, S&P/TSX Composite Index and MSCI World Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. 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 S&P/TSX Composite Index 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 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 has exposure to securities of companies which meet the fund manager's socially responsible investment principles, while the holdings in the benchmark may not align with these principles. The Fund's market capitalization, geographic, sector exposure and credit quality may differ from that of the benchmark. The Fund's currency risk exposure may be different than that of the benchmark. The Fund's may hold cash while the benchmark does not. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. It is not possible to invest directly in market indices. The performance comparison is for illustrative purposes only and does not imply future performance.

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