IA Clarington Inhance Bond SRI Fund

Manager Commentary – Q2 2026

Early in the quarter, fixed-income markets continued to be dominated by the escalating conflict in the Middle East and its impact on oil prices. Higher energy prices drove inflation expectations higher and contributed to a broad repricing with regard to the expected path of central bank interest rates in developed markets. By mid-May, with oil prices topping US$100 per barrel, global bond yields reached multi-year highs, with some countries' long-dated bond yields touching their highest levels in two decades. By quarter-end, however, tentative progress toward a ceasefire agreement and the resumption of oil flows through the Strait of Hormuz pushed oil prices sharply lower, retracing nearly all of the gains since the start of the conflict. In turn, this decline in oil prices lowered inflation expectations and supported a modest recovery in interest rates.

Coming off a small contraction in GDP in the first quarter, Canada entered the second quarter with weak growth momentum, but saw a strong rebound in activity in April, led by goods-producing sectors, energy, manufacturing and construction. Canada's headline inflation (representing the overall increase in prices for goods and services within an economy) was "noisy" given the volatility in energy prices, but the Bank of Canada's (BoC's) preferred core measures (which excludes energy and food price inflation) remained close to 2%, allowing the BoC to maintain its on-hold stance. At both its April and June meetings, the BoC held its policy rate at 2.25%, maintaining a broadly neutral tone that acknowledged weak economic activity and the underutilization of productive resources in the economy, while remaining cautious about the risk of persistent inflation.

The FOMC meeting in June, its first with Kevin Warsh as Chair, saw several changes from the prior regime, including the removal of forward guidance, the establishment of five sub-committees to examine the U.S. Federal Reserve's structure and policy, and a significant reduction in the length of the policy statement.

Government of Canada bond yields ended the quarter 7 to 12 basis points (bps) lower across the yield curve, outperforming most developed bond markets. The modest move in yields masked a highly volatile intra-quarter move, which saw a nearly 40 bps peak-to-trough swing in the Government of Canada 10-year yield.

Reflecting the shift lower in bond yields, the FTSE Canada Universe Bond Index posted a positive return of 2.0% over the second quarter. Long-term bonds outperformed, reflecting the flattening of the yield curve. Sector-wise, provincial bonds were the strongest performers, by virtue of the sector's longer duration and strong credit spread tightening in the mid- and long-maturity tenors. Federal bonds were the weakest-performing sector in the second quarter but still generated a solid 1.49% total return.

IA Clarington Inhance Bond SRI Fund (Series F) posted a total return of 2.1% in the second quarter, outperforming the benchmark by 10 basis points over the period. Outperformance was driven by a combination of security selection, specifically being overweight long-maturity provincials, which benefited from strong credit-spread tightening in the mid- and long-maturity tenors, and sector allocation, namely being underweight federals and overweight corporates. The Fund's small, preferred share allocation and slightly long duration positioning also contributed to performance.

The Fund purchased several senior bank issues in the new-issue market during the quarter, extending out of shorter-dated senior bank issues at attractive all-in yields (expected total annualized return an investor

should receive). Additionally, the Fund purchased a couple of new issues from high-quality corporate issuers, issuing for the first time in the Canadian bond market, including Projet REM and Amazon.

The Fund initiated a position in a long maturity U.K. gilt, selling a similar duration Canadian government bond against it, and hedging the currency exposure in the process. U.K. long-maturity yields were trading at their highest absolute level since 1998 and had significantly underperformed Government of Canada long-maturity yields when the position was initiated. We sold some of the Fund's preferred shares, including small trims of perpetual issues from Great-West Lifeco and Power Financial, and the complete sale of an Intact Financial rate-reset preferred share. Fund positioning remains mostly balanced across the yield curve, with a slight underweight allocation to mid-maturities and slight overweight to longer maturities. Exposure to longer-dated bonds remains defensively skewed towards maturities less than 25 years.

The Fund continues to be defensively positioned in corporate credit, prioritizing high-quality short-term corporate bonds and keeping a large underweight in corporate bonds with maturities over 10 years. The Fund ended the period with a total positive impact bond (sustainable bonds) weight of 25.4%.

Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	5-year	Since inception (Dec 2016)
IA Clarington Inhance Bond SRI Fund - Series F	2.1%	3.5%	4.5%	0.5%	1.6%
FTSE Canada Universe Bond Index	2.0%	3.5%	4.4%	0.8%	2.1%

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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 the FTSE Canada Universe Bond Index, which 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 Fund's geographic, sector and credit quality 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.

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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Series F securities are available only to investors participating in fee based advisory programs through their dealer. No sales charges apply when investing in Series F. iA Clarington does not pay ongoing trailing commissions to dealers for Series F and therefore are not embedded in the Management Expense Ratio (MER). Instead, investors pay an explicit dealer advisor fee for investment advice and related services. Any differences in performance between fund series are primarily due to differences in fees and expenses, as described in the fund's prospectus.

Commissions, trailing commissions, management fees, brokerage fees and expenses all may be associated with mutual fund investments, including investments in exchange-traded series of mutual funds. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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