IA Clarington Inhance Canadian Equity SRI Class

Manager commentary – Q3 2025

U.S. trade policies and the resultant investor uncertainty and weaker external demand negatively affected Canadian businesses. The impact on the industrials sector, notably Canadian railroad companies and less-than-truckload carriers, was particularly pronounced.

Gold prices reached all-time highs amid concerns over U.S. political interference in U.S. Federal Reserve policy, uncertainty surrounding the U.S. dollar's long-term reserve-currency status, and rising inflation expectations fueled by tariff-driven cost pressures. Materials was the best-performing sector in the S&P/TSX Composite Index.

Canadian infrastructure and defense stocks were buoyed by the federal government's commitment to a new North Atlantic Treaty Organization (NATO) pledge to increase defense and infrastructure spending to 5% of gross domestic product (the total dollar value of all goods and services a country produces over a specific time period by 2035).

Companies benefiting from artificial intelligence (AI) trends performed strongly, surpassing their pre-DeepSeek peaks (refers to a period before the significant announcement of the DeepSeek AI models). However, software has emerged as a perceived loser of the AI disruption narrative.

Energy stocks declined owing to supply dynamics and demand concerns.

The Fund's overweight exposure to the information technology sector and its lack of exposure to the energy sector contributed to performance over the period (April 1, 2025 – September 30, 2025). The Fund's security selection within the consumer discretionary sector also contributed. Individual contributors included OR Royalties Inc., which benefited from gold's strong performance. Badger Infrastructure Solutions Ltd. outperformed as the company reported strong quarterly results driven by internal margin/pricing initiatives and a supportive demand backdrop for its hydrovac services that was fueled by rising infrastructure spending. Aritzia Inc. reported impressive quarterly results, posting strong same-store sales (a measure of a company's yearly revenue growth in stores that have been open for at least a year) performance in both the U.S. and Canada, and strong new unit growth in the U.S. DRI Healthcare Trust shares rose as the company announced the internalization of its manager, announced the U.S. FDA approval of a drug and reported solid performance of its existing royalty portfolio.

The Fund's sector allocation and security selection both detracted from performance. The Fund's underweight exposure to the materials sector, particularly gold companies, and overweight exposure to the industrials sector detracted from performance. The Fund's security selection within the information technology sector also detracted. Individual detractors included an underweight position in Shopify Inc. as the company performed exceptionally well. Topicus.com Inc. came under pressure alongside other software companies owing to perceived disruption risk from AI. Constellation Software Inc. was also negatively affected by perceived disruption risk from AI, as well as by the sudden announcement of Mark Leonard's resignation for health reasons. Intact Financial Corp. experienced pressure in a weaker pricing environment.

New positions included Kits Eyecare Ltd., a direct-to-consumer glasses and contact lens business with more than one million active users, a compelling value proposition rooted in high quality and low prices, and a track record of profitable growth.

Increased positions included Premium Brands Holdings Corp. owing to confidence in management's ability to successfully onboard new customer programs to leverage its new U.S. capacity.

Decreased positions included Toromont Industries Ltd., as valuations (a measurement of how much an investment is worth) climbed higher primarily on anticipated flowthrough from greater infrastructure spending in Canada. Aritzia was trimmed as valuation moved higher following strong second-quarter results and clarity on the effects of tariffs. Shopify was trimmed as its valuation reached historic highs. Dollarama Inc. was also trimmed for valuation reasons.

Eliminated positions included Cargojet Inc. given the uncertain demand profile for its services and the capital-intensive nature of its business. Thermo Fisher Scientific Inc. was sold to fund higher-conviction ideas elsewhere. Pet Valu Holdings Ltd. was sold as the stock bounced back strongly on improving same-store sales and the winding down of its capital expenditure program.

At the Bank of Montreal (BMO) annual general meeting (AGM) in early 2025, Investors for Paris Compliance presented the proposal that Vancity Investment Management (VCIM) co-filed requesting the bank to disclose lobbying and policy influence activities "in a manner consistent with its support for the aims and objectives of the Paris Agreement." This proposal received favourable support of 20.83%.

VCIM also presented a shareholder proposal requesting enhanced disclosures on the use of internal pay metrics at the AGMs of both Royal Bank of Canada and BMO, receiving support votes of 11.53% and 7.33%, respectively. It was encouraging to see other shareholders speak at the AGM in support of VCIM's proposal. VCIM will continue to assess and engage with these banks on executive compensation matters.

VCIM engaged with Microsoft Corp. to discuss working conditions for data workers involved in labelling, annotation and content moderation for AI and interactive media platforms like Xbox Live and LinkedIn. As a part of the World Benchmarking Alliance's Ethical AI benchmarking, VCIM held a meeting with Microsoft to get a more in-depth understanding of how the company was mitigating risks associated with AI safeguards, transparency and equality, as well as how this is supported by governance structures.

In collaboration with investor support group, SHARE and NEI, VCIM held an engagement with Aritzia for an update on their supply-chain human rights due diligence (HRDD) practices. Aritzia is advancing its HRDD by conducting a human rights impact assessment with a third-party specialist and is working to align its practices with the UN Guiding Principles.

In September 2025, VCIM sent letters to Toromont Industries and Exchange Income Corp. as part of the CDP Non-Disclosure Campaign, encouraging the companies to respond to the CDP corporate questionnaire.

VCIM is a signatory of an investor statement that emphasizes the economic and social importance of a robust public health system in the U.S. This investor statement urges companies in which VCIM invests to ensure that they maintain fair access to health care in light of the current U.S. administration's cuts to various programs.

VCIM participated in the Global Investor Coalition on Workplace Mental Health Benchmark spearheaded by CCLA Investment Management Ltd. Now in its fourth year, the benchmark assesses and ranks 100 UK-listed businesses with a combined global workforce of 4.7 million people. For this initiative, VCIM supported the investor engagement with Microsoft and will sign the next round of investor letters.

VCIM signed a joint statement in which investors warn that the chemical sector is not transitioning fast enough to protect vital ecosystems, and stated that companies are not robustly mapping their dependencies and impacts on nature or taking advantage of the strong market potential for sustainable and safer alternatives to hazardous chemicals.

VCIM signed the Statement—Call for Responsible Corporate Policy and Practices on Human Rights in Conflict-Affected and High-Risk Areas (CAHRA).

With gold continuing to reach new highs and AI stocks rising to extraordinary levels, the fund manager maintains a conservative portfolio consisting of quality holdings trading at reasonable valuations.

The fund manager believes the Canadian equity market could get a boost if the November 4 budget fulfills Ottawa's pro-business promises and if trade talks with Washington progress.

The fund manager continues to find attractive opportunities in areas of the market that are being ignored by investors as they focus on a narrow band of perceived AI winners. Although most major markets are at or near all-time highs, we continue to use bouts of market volatility as an opportunity to find quality businesses at reasonable valuations.

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Fund and benchmark performance as at September 30, 2025	1 year	3 year	5 year	10 year
IA Clarington Inhance Canadian Equity SRI Class – Series A	15.8%	12.8%	8.2%	7.5%
S&P/TSX Composite Index	28.6%	21.3%	16.7%	11.8%

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 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 holds 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, 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 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.

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