

IA Clarington Inhance Canadian Equity SRI Class

Manager Commentary – Q1 2026

During the period (April 1, 2025 – March 31, 2026), gold prices peaked at around US\$5,417 per ounce, in part owing to the U.S. administration's protectionist policies and political pressures that created questions about the U.S. Federal Reserve's independence.

The early 2026 outbreak of war in the Middle East shocked global energy markets. With the Strait of Hormuz closed, soaring crude oil prices compounded supply chain pressures and reignited inflation concerns.

Canada's renewed focus on domestic infrastructure and defence spending to bolster Canada's economy, sovereignty and Arctic security heightened optimism around anticipated beneficiaries, such as Canadian defence, space and infrastructure suppliers.

The rapid development of artificial intelligence (AI) models fuelled market concerns around the possibility of white-collar jobs becoming obsolete in a world of AI agents. Real estate services, engineering and construction services, and software companies sold off as investors adopted the "shoot first, ask questions later" approach.

The S&P/TSX Composite Index generated impressive returns, driven primarily by surging gold and oil prices, as well as strong earnings (a company's profits or net income).

The Fund's stock selection contributed to performance within the consumer discretionary and health care sectors, as did its underweight exposure to the communication services sector over the period (April 1, 2025 – March 31, 2026). Individual contributors included DRI Healthcare Trust, which simplified its corporate structure (how a company is organized legally and financially), delivered strong results in its existing royalty (a contractual share of revenue paid to the rights owner) portfolio and announced several new deals. Aritzia Inc. posted exceptional same-store sales (sales growth at stores open at least a year, excluding new stores) performance in both Canada and the U.S., and the apparel brand has significant potential for new store growth in the U.S., growth via its newly launched mobile app and an untapped international market opportunity. Badger Infrastructure Solutions Ltd. delivered several quarters of strong hydrovac (a truck-based digging method that uses pressurized water and vacuum suction) and revenue-per-truck growth, alongside margin expansion as end-market demand strengthened and the company delivered on efficiency, technology and pricing initiatives.

The Fund's underweight exposure to the materials sector detracted from performance, as did its stock selection within the information technology sector, particularly its software company holdings. The Fund's overweight exposure to the industrials sector also detracted. Individual detractors included Topicus.com Inc. and Lumine Group Inc., which were affected by widespread concerns around AI disruption, even though both companies reported solid numbers. Shopify Inc.'s share price fluctuated as the market wavered between Shopify being an "AI-winner" and an "AI-loser," and the Fund's slightly underweight position detracted from performance.

New positions included Franco-Nevada Corp., a high-quality royalty company (a company that earns income from royalties rather than operating the underlying assets) that provides additional exposure to gold. Restaurant Brands International Inc. has a strong portfolio of quick-service brands that collectively offer a

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significant runway (long-term growth opportunity) for “asset-lite” (a model that owns fewer physical assets and relies more on partners/franchising) growth. Kits Eyecare Ltd. was purchased for its growth prospects in the online eyewear industry, execution to date, management team and valuation (a measurement of how much an investment is worth). Zedcor Inc. boasts high margins in earnings before interest, taxes, depreciation and amortization (a common measure of operating profitability before financing, taxes, and certain non-cash costs), as well as high top-line (revenue) growth, with substantial runway to install many more surveillance towers across Canada and the U.S.

Increased positions included Premium Brands Holdings Corp. as the company appeared poised to deliver strong U.S. revenue growth, earnings growth and free cash flow generation (cash a company generates after accounting for capital expenditures). Canadian banks such as Toronto-Dominion Bank, Bank of Montreal (BMO) and National Bank of Canada were increased owing to a positive view on their fundamentals (underlying financial health and business performance) and to bring the Fund’s bank weight closer to the benchmark’s.

Decreased positions included Dollarama Inc. owing to its valuation, despite the fund manager’s positive view on the company’s fundamentals. CGI Inc. was trimmed owing to concerns around the potential impact of AI on billable hours for information technology service providers.

Eliminated positions included AutoZone Inc., Cargojet Inc. and Thermo Fisher Scientific Inc., which were sold in favour of better opportunities. Pet Valu Holdings Ltd. was sold owing to a lack of conviction in the face of competition from various players, including in e-commerce. Toromont Industries Ltd. was sold based on valuation and to fund better risk/reward opportunities elsewhere.

In terms of environmental, social and governance (ESG, refers to a company’s environmental, social and corporate governance policies), Vancity Investment Management Ltd. (VCIM) engaged with BMO on climate-related issues, including the bank’s evolving climate strategy and disclosure, with a focus on climate risk management, target setting and transparency. At the bank’s 2025 annual general meeting (AGM, a yearly meeting where shareholders vote on key matters), VCIM co-filed a shareholder proposal requesting enhanced disclosure of BMO’s lobbying and policy influence activities in alignment with the objectives of the Paris Agreement, which received 20.83% shareholder support.

VCIM also led a shareholder proposal at BMO’s 2025 AGM seeking improved disclosure on the use of internal pay metrics used to determine executive compensation. The proposal received 7.33% shareholder support, reflecting continued investor interest in greater transparency and accountability in executive compensation practices. Ongoing monitoring and engagement with BMO on executive pay issues will continue.

At Royal Bank of Canada’s AGM, a shareholder proposal was presented requesting enhanced disclosure on the use of internal pay metrics to develop executive compensation packages. The proposal received shareholder support of 11.53%, reflecting continued investor interest in greater transparency and accountability in executive compensation practices. Engagement on executive pay matters will remain an area of focus.

In March 2026, VCIM led the writing and development of a new investor statement on excessive executive compensation (EEC), in partnership with United Church Funds, as part of a newly launched initiative

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coordinated by the Interfaith Center on Corporate Responsibility (ICCR). VCIM's ESG team is represented on the EEC Leadership Committee, which provides strategic oversight of the initiative and supports the development of coordinated investor strategies on excessive executive pay. VCIM's ESG team proposed the development of an investor statement as a foundational step to launch the campaign, establishing a clear and shared investor framework on the issue. The statement outlines concerns regarding misaligned and excessive executive compensation and sets out investor calls to action across proxy voting (casting shareholder votes without attending the meeting), corporate engagement and stewardship practices (how investors use their rights and influence to protect and enhance long-term value). The investor statement was presented and publicly launched at ICCR's Annual Spring Conference in New York on March 25, 2026, marking the formal commencement of ICCR's coordinated work on EEC.

While concerns around elevated oil prices, the upcoming Canada-U.S.-Mexico trade agreement renegotiation, further tariff threats and a weakening consumer remain top of mind, the fund manager plans to continue making bottom-up decisions (security selection based on a company's fundamental characteristics, rather than top-down macro calls) rather than allowing market predictions to drive stock selection or portfolio construction.

	1-year	3-year	5-year	10-year
IA Clarington Inhance Canadian Equity SRI Class - Series F	8.9%	8.7%	5.4%	7.9%
S&P/TSX Composite Index	34.8%	21.2%	15.2%	12.6%

Get ahead

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 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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