IA Clarington Inhance Canadian Equity SRI Class

Manager commentary – Q1 2025

The Bank of Canada (BoC) began cutting interest rates in June 2024 as core inflation (inflation measure that excludes volatile items like food and energy prices) was within its target range and economic momentum was slowing. This boosted equities, particularly in interest-rate-sensitive sectors.

Early in the period, safe-haven assets such as gold rose amid geopolitical tensions in the Middle East and war in Ukraine. Energy prices rose owing to geopolitical tensions and oil production cuts. Towards the end of the period, there was increasing concern among market participants in Canada given U.S. President Trump's tariff threats and his rhetoric around Canada becoming the "51st state."

While energy prices declined in the latter half of the period owing to concerns around demand and uncertainty created by the Trump administration's protectionist stance, gold rose towards new all-time highs.

The Fund's U.S. holdings contributed to performance, including Mastercard Inc., Moody's Corp. and Air Products and Chemicals Inc. The Fund's significantly overweight allocation to the information technology sector also contributed as this sector produced the third-highest absolute return. Individual contributors included a lack of exposure to Canadian Natural Resources Ltd. Aritzia Inc. saw its share price nearly double through the end of February as the company's results demonstrated strong momentum in both of its key markets. Element Fleet Management Corp. saw double-digit growth that exceeded expectations.

The Fund's overweight exposure to the industrials and health care sectors detracted from performance, as did its underweight exposure to the materials sector. Security selection also detracted, particularly within the information technology sector. Individual detractors included DRI Healthcare Trust, which announced the resignation of its CEO following an investigation into irregularities related to consulting expenses. Boyd Group Services Inc. faced external challenges, such as declining claims volumes, weather impacts and economic uncertainty.

New positions included Badger Infrastructure Solutions Ltd., the leading provider of non-invasive excavation services in North America that appears poised to significantly grow its U.S. business. Osisko Gold Royalties Ltd. owns a diverse portfolio of gold royalties. Relative to mining extraction, the royalty model often has a greater diversity of assets and lower capital requirements, but similar exposure to the underlying price of the commodity.

Increased positions included United States Steel Corp., Moody's and Waste Connections Inc. to reflect higher conviction levels.

Decreased positions included Bank of Montreal (BMO), Cargojet Inc. and Thermo Fisher Scientific Inc., reflecting lower conviction levels and/or valuation concerns.

Eliminated positions included Park Lawn Corp. as management had a track record of raising equity, diluting shareholders and reinvesting capital at subpar returns. WSP Global Inc. was sold owing to the company's involvement in a project with a rail line that passes through contested territory in the Middle East.

Vancity Investment Management Ltd. (VCIM) continued engagements with Canadian banks on climate and governance issues.

VCIM attended the 2024 annual general meetings (AGMs) of The Toronto-Dominion Bank (TD Bank), Royal Bank of Canada (RBC) and Bank of Montreal (BMO) to present shareholder proposals on disclosing CEO-to-median-worker-pay ratios. At TD Bank, RBC and BMO, the proposals received favourable votes of 12.6%, 11.41% and 10.86%, respectively. Awareness of CEO salaries compared to workers' median salaries enables investors to track trends over time.

In late 2024, VCIM filed new shareholder proposals with RBC, TD Bank and BMO requesting disclosure on how vertical pay metrics are used in setting executive compensation. This proposal expands on the previous request for CEO-to-median-worker-pay ratio disclosure by focusing on the decision-making process rather than specific figures. Following these submissions, VCIM met with bank representatives to discuss the proposal. VCIM was pleased to learn that TD Bank will enhance its executive compensation disclosure by including the CEO pay ratio in its 2025 management proxy circular. However, the proposals for RBC and BMO will proceed to a vote at their respective 2025 AGMs.

In late 2024, VCIM supported a shareholder proposal urging BMO to disclose its climate lobbying and policy influence activities in line with its commitment to the Paris Agreement's 1.5°C goal. At a follow-up meeting, BMO declined to make the requested disclosures, so the proposal will be voted on at BMO's 2025 AGM.

VCIM continued collaboration with Investors for Paris Compliance and asset manager Green Century Capital Management, co-filing a shareholder proposal with TD Bank calling for an independent review of TD Bank's board governance policies and director selection criteria, with a specific focus on climate expertise. VCIM believes this proposal is an important step in pushing the bank to disclose more concrete details about its climate transition activities.

On climate-related proposals, VCIM reached withdrawal agreements in 2024 with both Scotiabank and RBC. As a result, VCIM only presented a shareholder proposal at the 2024 TD Bank AGM. Nearly one-third of shares were cast in favour of the proposal, which aimed to ensure that the banks upheld their climate commitments.

VCIM's shareholder proposals on paid sick leave were presented at the Canadian National Railway Co. (CN Rail) and Canadian Pacific Kansas City Limited (CPKC) 2024 AGMs. The proposals respectively pushed for work with unions to negotiate paid sick leave policies. There were 13.37% votes in favour at CPKC, and 9.92% at CN Rail. Both proposals passed the threshold to refile.

VCIM successfully proposed that Dollarama Inc. be included in the Interfaith Center on Corporate Responsibility's engagements focused on ensuring a living wage. VCIM had an initial meeting with Dollarama to better understand the company's wage practices and discussed the business case for becoming a living wage employer. VCIM encouraged Dollarama to consider conducting a living wage assessment to determine the gap between current and living wages. The company was receptive to the idea, and VCIM provided additional resources and will follow up with the company in 2025. VCIM is currently partnering with Living Wage for Families BC to conduct living wage engagements.

Company's like Boralex Inc. that source products from renewable energy supply chains face unique human rights risks that require careful oversight. VCIM has engaged with Boralex for several years to monitor their supply-chain due diligence. VCIM met to discuss updates, particularly on human rights governance, and recommended measures such as performing onsite supplier audits, publishing a supplier list and developing a standalone human rights policy.

VCIM is a founding participant of Climate Engagement Canada, an investor-led engagement initiative to promote a just transition towards net-zero carbon emissions. As part of this initiative, VCIM engaged with Waste Connections. On the most recent call, the California wildfires were discussed, as well as management of chemicals like Perfluoroalkyl and Polyfluoroalkyl Substances ("forever chemicals") that can leach into the soil. The company has shown leadership in chemical management as it is the only one of its peers to have leachate targets and also has comprehensive initiatives to decrease leachates.

VCIM became a signatory of the 2024 Global Investor Statement to Governments on the Climate Crisis. This statement urges governments worldwide to enact the critical policies needed to free up private financial flows for the just transition to a climate-resilient, nature-positive net-zero economy.

VCIM also became a founding signatory of the World Benchmarking Alliance's Investor Statement on Nature. The statement is a call to action for companies to urgently assess and disclose their impacts and dependencies on nature.

VCIM was one of nearly 100 institutional investors that supported a statement issued in support of comprehensive U.S. immigration reform that investors like VCI view as critical to creating business certainty, operational continuity, economic expansion and a more cohesive and just society. The statement includes a series of recommended actions for congress, companies and investors to help achieve this goal. The statement was issued in response to recent executive orders that are already resulting in increased raids by U.S. Immigration and Customs Enforcement, and the deportations and detentions of people and families without documentation.

The uncertainty stemming from shifting and unpredictable global trade policies remains a challenge for equity markets. However, any developments that bring greater clarity and stability to global trade or other policies could quickly improve investor sentiment.

The fund manager remains focused on companies with strong balance sheets, consistent earnings growth and durable competitive advantages. These qualities help provide stability and resilience in navigating uncertain market conditions.

Fund and benchmark performance as at March 31, 2025	1 year	3 year	5 year	10 year
IA Clarington Inhance Canadian Equity SRI Class - Series A	5.2%	3.2%	10.8%	5.1%
S&P/TSX Composite Index	15.8%	7.8%	16.8%	8.5%

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 are historical annual compounded total returns.

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