IA Clarington Inhance Canadian Equity SRI Class

Manager Commentary – Q2 2026

Canadian equities advanced in the second quarter, with the S&P/TSX Composite Index rising 7.0% and setting a record high above 35,300 in mid-June before consolidating into quarter-end, though it lagged the S&P 500 Index's 17.1% gain (in Canadian dollars), led by stocks related to artificial intelligence (AI). The macroeconomic backdrop was dominated by the Middle East conflict, which drove oil sharply higher before crude retraced nearly all of its war-related gains by June 30 as a ceasefire took hold. Another macroeconomic factor was the trade uncertainty heading into the July 1 Canada-United States-Mexico Agreement (CUSMA) review, as the U.S. declined to renew the agreement in its current form, though the deal remains in force until 2036 and tariff rates were unchanged. Domestically, a technical recession (economic contractions in the final quarter of 2025 and first quarter of 2026) gave way to improving momentum, with April GDP up 0.5% and 88,000 jobs added in May. The Bank of Canada held its policy rate at 2.25% for a fifth consecutive meeting, looking through energy-driven headline inflation of 2.8% as core eased to 2.1%.

IA Clarington Inhance Canadian Equity SRI Class (Series F) surged 9.9% outperforming the S&P/TSX Composite Index, which rose 7.0%. Outperformance was primarily attributable to sector allocation (+6.0%), while security selection detracted from relative performance (-2.8%). Positive sector allocation was driven by an underweight position in materials (+2.4%) and zero-weight position in energy (+2.3%). The Fund's top-contributing securities were Badger Infrastructure (+0.6%), Aritzia (+0.4%), Shopify (+0.3%) and Jamieson Wellness (+0.2%). Securities that detracted most from the Fund's performance were Boyd Group (-0.7%), TMX Group (-0.5%), Stantec (-0.5%), Moody's (-0.4%) and Mastercard (-0.4%).

During the quarter, the Fund added several new names into the portfolio: 5N Plus, CIBC, Dream Industrial REIT, Loblaw, Manulife, North West Co, Primaris REIT, Quebecor and RB Global.

- 5N Plus: We initiated a small position (roughly 6 basis points of index weight) that gives us both AI and materials exposure. The stock was down double-digits owing to market rotation in the two days preceding our initiation.
- CIBC: Added another bank to diversify our bank holdings within the Fund.
- Dream Industrial REIT: The Canadian Industrial REIT sector appeared to be approaching an inflection point in fundamentals, with availability ticking down given a steep drop in new supply. Dream Industrial is a name we hold in our Monthly Income strategy, and we view it favourably considering the strong Same-property Net Operating Income growth (tracks the change in revenue minus operating expenses for a pool of properties for at least 12 months) and discounted valuation. The addition of Dream Industrial also allowed us to close our REIT underweight relative to the benchmark.
- Loblaw: While valuation is optically expensive, Loblaw is a quality grocer with a favoured mix (i.e., greater exposure to pharmacy and discount banners). The prospect of a higher-for-longer inflationary environment – which would benefit grocers – and Loblaw's fairly material index weight were contributing reasons behind adding the name to the Fund.

- Manulife: We added Manulife as this is a quality business in addition to being a material weight in the index.

- North West Co: We like the company's monopolistic position as the sole grocer in many of the northern communities in which it operates, the multi-year tailwinds from increased investment in Northern infrastructure, the government subsidies and settlement payments being awarded to First Nations/Northern residents, and the attractive current valuation.

- Primaris REIT: It's an enclosed shopping mall REIT trading at a discounted valuation with several catalysts ahead – most notably, the releasing of the vacated HBC space – that should drive both cap-rate compression (where capitalization rates fall leading to higher property valuations) and NOI (Net Operating Income) growth (the percentage increase in real estate property's revenue minus its operating expenses over time).

- Quebecor: Quebecor is a quality firm in a fairly weak industry, with best-in-class growth and by far the strongest balance sheet. The company really made off well when Rogers/Shaw was forced to divest Freedom Mobile. Not only can Quebecor offer the lowest prices at about a 35% discount to peers (the "big three" can't compete on price, as all have balance sheet issues), but the company also gets to piggy back off Rogers' network. Despite recent share price performance, we see a further runway for additional share gains, a sustained premium valuation relative to the big-three legacy carriers, and low double-digit returns to investors.

- RB Global: We've followed the company for a while as we were initially skeptical of the ability of its subsidiary, IAA, to take back share from rival Copart. IAA has thus far proven us wrong by winning back share through improved service quality. We believe this trend is durable and that the probability of Copart and IAA's market share distribution becoming 50/50 (from roughly 70/30 Copart/IAA today) over the next several years is fairly high. RB's Commercial, Construction & Transportation business has also seen an inflection in demand recently; the favourable outlook for heavy equipment demand as well as the significant difference between used and new pricing – which implies future average selling price growth for Ritchie Bros – give us confidence in the earnings trajectory for this segment as well.

We remain optimistic about the long-term outlook for equities. While uncertainties persist around global trade policy and heightened geopolitical tensions, the Canadian economy continues to show resilience. Although political uncertainties and tariff threats from the U.S. may contribute to increased market volatility, the underlying fundamentals for Canadian stocks remain solid.

History has shown that markets are resilient, with each downturn eventually followed by recovery. This pattern underscores why many investors choose to remain invested through periods of volatility. Maintaining a diversified approach across sectors and geographies is especially important as the Canadian market navigates ongoing global trade dynamics and economic conditions.

ESG Engagement Activity

In terms of shareholder engagement in the second quarter:

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- 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 **Royal Bank of Canada** to discuss its approach 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.

- 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.

- 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.

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.

- VCIM supported an investor letter to **Palantir,** which was open to concerned investors 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.

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Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	5-year	10-year
IA Clarington Inhance Canadian Equity SRI Class - Series F	9.9%	7.5%	12.0%	6.4%	8.7%
S&P/TSX Composite Index	7.0%	32.9%	23.5%	14.9%	12.8%

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.

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