IA Clarington Inhance Canadian Equity SRI Class

Manager commentary – Q2 2025

The S&P/TSX Composite Index delivered strong performance of 8.5% in the second quarter of 2025, outpacing its U.S. counterpart despite ongoing global uncertainty and heightened trade tensions, particularly those arising from U.S. tariff threats. A key driver of this outperformance was the election of Mark Carney as Prime Minister, which bolstered investor confidence in Canada's economic outlook and policy direction. His leadership signaled a decisive shift toward stronger fiscal stimulus and pro-growth policies, measures that are expected to underpin corporate earnings and overall economic activity. Toward the end of the period, the escalation of armed conflict between Israel and Iran briefly reignited fears of a global oil supply shock. This development caused a temporary spike in oil prices and a short-lived dip in the stock market. However, the market quickly stabilized as geopolitical tensions eased and a ceasefire was announced. From a sector perspective, gains were broad-based, with the information technology, consumer discretionary and financials sectors leading the way. In contrast, the energy sector materially underperformed the broader market, as oil prices weakened and demand expectations waned.

IA Clarington Inhance Canadian Equity SRI Class gained 11.6% on a gross-of-fee basis, outpacing its benchmark, the S&P/TSX Composite Index by 311 basis points. Both security selection and sector allocation served as contributors to relative performance during the period. Security selection was the strongest in the consumer discretionary, health care and consumer staples sectors. All holdings in the consumer discretionary sector posted positive returns, with Aritzia Inc. and BRP Inc. rallying more than 30% on the back of better-than-expected earning results. In the health care sector, the Fund benefited from a sizable position in DRI Health Care Trust, which rebounded following its termination of its external management agreement and bringing investment decisions in-house. This move enhanced governance and transparency, and better aligned management incentives with unitholder interests, all of which were well received by investors. Within the consumer staples sector, Jamieson Wellness Inc. stood out as a top performer, with its stock responding positively following the company's solid first-quarter results and reaffirmation of favourable earning guidance for the year. From a sector allocation standpoint, significant benefits came from the absence of exposure to energy sector stocks. Additionally, a substantial overweight position in the information technology sector contributed positively to the Fund's relative performance.

During the quarter, the Fund exited its small, lower-conviction positions in Cargojet Inc. and Thermo Fisher Scientific Inc., and trimmed its position in Aritzia Inc. following the stock's recent outperformance**.** Proceeds were used to increasing existing positions including Premium Brand Holdings Corp., Stantec Inc. and Gildan Activewear Inc.

In terms of shareholder engagement this quarter:

- In collaboration with investor support group, Shareholder Association for Research & Education (SHARE), and NEI, we 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 (HRIA) with a third-party specialist, and is working to align with the UN Guiding Principles. While the results are not yet public, the company has disclosed salient human rights risks and has a formal Human Rights Position Statement. It has strong Tier 1 supplier monitoring and takes a holistic approach to wages, but has not committed to living wages in its supply chain (unlike some of its peers). Transparency is a priority, and **Aritzia** is working toward disclosing additional supplier details (supplier list) and improving social audit practices. The company is piloting a Worker Voice program to strengthen grievance mechanisms, and also emphasizes collaboration with suppliers.
- We presented our shareholder proposal requesting enhanced disclosures on the use of internal pay metrics at the annual general meetings (AGMs) of **RBC** and **BMO**. We received support votes of 11.53% and 7.33%, respectively. It was encouraging to see other shareholders speak at the AGM in support of our proposal. We will continue to assess and engage with these banks on executive compensation matters.
- At the **BMO** AGM, Investors for Paris Compliance presented the proposal we 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 also received favourable support of 20.83%.
- We engaged with **Microsoft** to discuss working conditions for data workers involved in labelling, annotation and content moderation for artificial intelligence (AI), and interactive media platforms like Xbox Live and LinkedIn. We learned that Microsoft now relies primarily on Large Language Models (LLMs) for content moderation, which we view positively given the significant psychological risks human moderators face when exposed to disturbing or explicit content.
- Along with our co-filers, we withdrew our shareholder proposal at **TD Bank**. The ask was for an independent review of TD's board governance policies and director selection criteria with a view to improving accountability and competency regarding key risks and emerging priorities. Namely, we would like to see more climate and net-zero competency among board members. Given the importance of the topic, the withdrawn shareholder proposal was nonetheless addressed at the AGM.

Investor Statements and Initiatives Supported:

- We are 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 that we invest in to ensure they maintain fair access to health care in light of the current U.S. administration's cuts to various programs. The statement calls on companies to:

- Ensure that corporate political activity and public policy engagement, including through trade associations, supports the advancement of global public health priorities and safeguards existing national public health policy and infrastructure. The statement also calls on companies to evaluate the direct and indirect impacts of both new and existing public policies, and their enforcement on the company, its workers and customers specific to health and well being
- Assess the upstream and downstream impacts of the company's commercial business streams on the human right to health
- Adopt policies, systems, and processes to ensure the right to health is upheld and a company's commitment to health equity is maintained, including but not limited to their commitment to achieving Sustainable Development Goal 3 (SDG3), as well as Article 12 of the International Covenant on Economic, Social and Cultural Rights
- Support the appointment and staffing of individuals with the appropriate experience and credentialing to lead key public health positions.

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, supported by steady economic growth, robust corporate earnings and a positive outlook for lower interest rates. 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, such as those experienced in the first half of this year. Maintaining a diversified approach across sectors and geographies is especially important as the Canadian market navigates ongoing global trade dynamics and economic conditions.

Fund and benchmark performance as at June 30, 2025	1 year	3 year	5 year	10 year
IA Clarington Inhance Canadian Equity SRI Class – Series A	18.9%	11.9%	9.2%	6.3%
S&P/TSX Composite Index	26.4%	16.1%	15.0%	9.6%

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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 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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