IA Clarington Inhance Global Equity SRI Class

Manager Commentary – Q2 2026

Global equity markets advanced sharply in the second quarter as investor sentiment improved despite a still-complex macroeconomic and geopolitical backdrop. Risk appetite was supported by easing tensions in the Middle East, a decline in oil prices from their April peaks, resilient economic data and continued confidence in the multi-year artificial intelligence (AI) investment cycle. Corporate earnings expectations stayed constructive, while upward earnings revisions across several sectors reinforced optimism around the durability of economic growth. Market leadership remained concentrated, with AI-linked technology hardware, semiconductors and momentum-oriented growth stocks driving a disproportionate share of returns. Although central banks maintained a cautious stance amid lingering inflationary pressures, markets largely looked through policy uncertainty as growth and earnings expectations remained intact. Against this backdrop, global equities delivered strong returns during the quarter, with the MSCI World Index (CAD) rising 15.6%.

IA Clarington Inhance Global Equity SRI Class – Series F (the "Fund") gained 9.3% in the second quarter of 2026, but trailed the benchmark by 630 basis points (bps). The Fund's underperformance was primarily attributable to security selection across several sectors, including information technology, financials, consumer discretionary and industrials. The largest detractor was not holding Micron Technology, which skyrocketed more than 247% over the period amid surging demand for memory semiconductors, particularly high-bandwidth memory (HBM) chips, driven by the rapid expansion of AI and data centre infrastructure. Another notable detractor was Halma PLC, which fell from an all-time high after the company delivered a fiscal year 2027 outlook that fell short of market expectations. Finally, the Fund's overweight positions in software names like Constellation Software, Microsoft and ServiceNow detracted from relative performance, failing to keep pace with the high-beta, semiconductor-led rally amid the ongoing debate around AI disruption, valuation and the durability of enterprise software growth.

Within the financials sector, the Fund's positions in Intercontinental Exchange, Nasdaq and S&P Global weighed on results, as investor sentiment toward data and analytics businesses weakened amid a market increasingly dominated by enthusiasm for companies viewed as direct beneficiaries of the AI boom. Performance for Intercontinental Exchange and Nasdaq was also pressured by headline risk surrounding the Commodity Futures Trading Commission (CFTC's) approval of Bitcoin perpetual futures, which raised investor concerns about heightened competitive pressures and the potential for longer-term disruption within the traditional exchange ecosystem. In the consumer discretionary sector, AutoZone was the biggest laggard, as its third-quarter comparable-sales miss sparked concerns that same-store sales growth (a metric measuring year-over-year revenue growth from established locations) could moderate over the coming quarters, despite the company's otherwise-resilient operating fundamentals. In the industrials sector, Copart detracted from performance as concerns persisted around domestic insurance market share trends and softer claims frequency. Elevated insurance premiums have prompted some consumers to reduce coverage levels, contributing to lower claims activity and fewer vehicles entering the salvage channel. While long-term trends remain supportive, short-term challenges in the insurance market created a difficult environment for the stock during the quarter.

On the upside, security selection in the communication services and health care sectors helped partially offset some of the weakness, as Alphabet, Elevance Health, and Edwards Lifesciences all delivered robust gains during the period. Sector allocation also had a positive impact on relative performance, with the Fund's

zero sector allocation to energy being the largest contributor as oil prices moderated, while underweight positions in health care and consumer staples also proved beneficial.

So far this year, the Fund has selectively increased its exposure to the AI value chain. As AI-related stocks continued to dominate market leadership, we looked for opportunities to reduce the portfolio's underweight exposure to this powerful secular theme and manage the portfolio's risk exposure. Consistent with our quality growth discipline, we focused on companies with strong competitive positions and durable earnings power, rather than simply increasing exposure to the market's most-crowded AI beneficiaries. Despite these additions, the Fund remains underweight the most-crowded AI trades, reflecting our continued caution toward areas where valuations appear disconnected from underlying fundamentals.

Specifically, during the second quarter, the Fund eliminated Dino Polska and Lumine Group, and initiated new positions in Advanced Micro Devices, Arista Networks, Broadcom, Lam Research, TSMC and Restaurant Brands International.

Eliminations:

- **Dino Polska (DNP):** Dino Polska continues to benefit from the growing preference for local shopping in Poland, helping the company generate consistent growth through a combination of strong execution and ongoing store expansion. While we continue to view the business as a quality long-term compounder, we exited our position given intensifying competitive pressures and a deflationary backdrop in the domestic grocery market, which are creating meaningful headwinds to near-term performance.

- **Lumine Group (LMN):** Lumine is a vertical market software acquirer focused on the communications and media sector, leveraging a proven Constellation Software playbook and strong capital allocation discipline to drive steady organic growth and long-term value creation. While we continue to view the company as a high-quality business with attractive long-term prospects, we exited our position to reduce concentrated software exposure amid increasing concerns around AI-driven disruption across the sector.

Additions:

- **Advanced Micro Devices (AMD):** AMD is a global semiconductor company that designs and develops high-performance computing, graphics and visualization technologies. The company provides processors, graphics cards, adaptive computing solutions and data centre technologies that power personal computers, gaming consoles, cloud infrastructure and AI applications. Through its Ryzen™, EPYC™, Radeon™ and Instinct™ product families, AMD serves consumers, enterprises and government organizations worldwide, helping drive innovation across computing and data-intensive industries. AMD is emerging as a key beneficiary of the AI infrastructure buildout, supported by leadership positions in both server CPUs and AI accelerators. The most compelling part of the AMD story is the growing importance of CPUs in the era of AI inference (the phase of trained models apply learned patterns to brand new unseen data) and agentic AI (an autonomous system that looks to accomplish a specific goal with limited supervision). Workloads are shifting beyond model training toward inference, which means that orchestration, memory management and system-level optimization become increasingly critical, driving stronger demand for server CPUs. AMD's EPYC

processors appear well positioned to capitalize on this trend, with industry-leading performance-per-watt, strong hyperscaler adoption and continued market share gains against Intel.

- **Arista Networks (ANET):** Arista Networks is a leading provider of the networking infrastructure that helps power the rapid growth of AI. As technology companies continue to invest in increasingly sophisticated AI data centres, demand for high-performance and scalable networking solutions is expected to grow. Coupled with industry-leading margins, strong free-cash-flow generation and a founder-led management team with deep networking expertise, Arista remains, in our view, a high-quality way to participate in the long-term growth of AI infrastructure.

- **Broadcom (AVGO):** Broadcom is a leading technology company that provides the semiconductor and software infrastructure that supports many of today's most important technology trends, including AI, cloud computing and enterprise networking. The company is benefiting from growing demand for AI-related chips and networking solutions, while its software business provides a stable source of recurring revenue and cash flow. This combination of growth and stability has helped support strong free-cash-flow generation, which management can use to invest in the business, increase dividends and repurchase shares. While risks remain, including fluctuations in technology spending and the stock's valuation, we believe Broadcom is well positioned to benefit from the continued expansion of AI infrastructure and remains an attractive long-term holding.

- **Lam Research (LRCX):** is one of the world's leading semiconductor equipment manufacturers, providing the highly specialized etch, deposition and cleaning tools used to produce advanced chips. The company is a critical supplier to major semiconductor manufacturers like TSMC, Samsung, SK Hynix, Micron and Intel, with its technology embedded in the production of leading-edge logic, memory and AI semiconductors. LRCX holds a dominant position in etch equipment and a leading position in deposition, making it a key beneficiary of rising semiconductor manufacturing complexity. The company is particularly leveraged to memory-related spending, including HBM, DRAM and NAND, which are seeing increased demand from AI applications. In addition to selling new equipment, LRCX generates a growing portion of revenue from its Customer Support Business Group, which provides spare parts, upgrades and maintenance services, contributing a more recurring and resilient revenue stream.

- **TSMC (TSM)**: TSMC is the world's leading semiconductor manufacturer and plays a critical role in the global technology ecosystem. The company produces many of the advanced chips that power AI applications, smartphones, cloud computing and other next-generation technologies for some of the world's largest technology companies. As demand for AI and high-performance computing continues to grow, TSMC is well positioned to benefit from its leadership in advanced chip manufacturing. Beyond AI, long-term trends such as 5G, electric vehicles and automation are expected to support continued demand for its products. Given that TSMC is supported by its strong competitive position, scale and profitability, we view it as a high-quality core holding that provides exposure to several powerful long-term technology growth trends.

- **Restaurant Brands International (QSR):** Restaurant Brands International Inc. is a Canadian multinational fast-food holding company. It was formed in 2014 by the US$12.5 billion merger between American fast food restaurant chain Burger King and Canadian coffee shop and fast-food

restaurant chain Tim Hortons. Restaurant Brands International is now one of the largest global quick-service restaurant franchisors operating four brands (Burger King, Tim Hortons, Popeyes, and Firehouse Subs) and generating more than US$44 billion in annual system sales. The four brands have more than 32,000 units in over 100 countries and U.S. territories. We remain confident in management's ability to grow the business, generate strong free cash flow and deliver value to shareholders. The company is transitioning from a period of significant investment toward a more asset-light business model, which should support improved shareholder returns over time. Continued menu innovation and product launches at both Burger King and Tim Hortons have helped drive growth without requiring significant capital investment, giving us confidence in the company's ability to continue expanding even if growth at Popeyes moderates in the near term.

Equity market performance continues to be heavily influenced by AI-related investment themes, although volatility among perceived AI beneficiaries has increased as valuations and expectations in certain areas appear increasingly demanding. Recent market rotations highlight how quickly investor sentiment can shift when fundamentals struggle to keep pace with elevated expectations. While AI and data centre spending remain important drivers of U.S. economic growth and capital investment, we believe diversification and active management are increasingly critical in an environment where market leadership remains narrowly concentrated.

At the same time, we see the opportunity set broadening beyond the information technology sector. Easing geopolitical tensions and lower energy prices provide a more supportive backdrop for consumers, businesses and several economically sensitive industries. We also continue to find attractive opportunities across a number of durable long-term themes, including the structural growth in electricity demand driven by data center expansion, electrification and industrial re-shoring. As power infrastructure increasingly emerges as a critical constraint on economic growth and AI deployment, substantial investment will be required across the electricity value chain. This creates opportunities in areas such as utilities, grid modernization, transmission and distribution equipment, electrical components and data centre infrastructure, where long-term demand drivers remain firmly in place.

ESG Engagement Activity

In terms of shareholder engagement in the second quarter:

- VCIM and other investors sent follow-up correspondence to **Amazon** after a March investor meeting with the company’s ESG team on freedom of association and human capital management. The correspondence encouraged stronger workforce disclosure, particularly on workforce stability and spending, and disclosing metrics that align with recommendations by the Human Capital Management Coalition, such as workforce headcount by employment type and voluntary and involuntary turnover rates. The letter also encouraged consolidated disclosure in Amazon’s sustainability reporting, noting peer examples from Walmart, Home Depot, Lowe’s, Costco and Target. Investors indicated that enhanced disclosure would support more informed dialogue on human capital risk exposure amid ongoing workforce transformation and proposed reconnecting with Amazon in the fall to continue the discussion.

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- We signed an investor letter to **Amazon** expressing concern over the company's current pregnancy accommodations process and the potential risks it poses to both the company and long-term investors. The letter requested the Board review and strengthen the company's pregnancy accommodations framework and consider adopting policy recommendations proposed by Warehouse Life, a workers' rights organization, with regard to protections for pregnant and postpartum employees.

- We signed a collaborative investor letter sent to **Alphabet**, urging the use of RDR (Ranking Digital Rights) Index evaluations and continued advancement in human rights due diligence, content moderation rules, and remedy and redress policies according to the RDR benchmark assessment.

- We met with **LVMH Moet Hennessy Louis Vuitton SE** to continue our discussions on chemical management. We discussed a centralized versus segment-level model anchored in regulatory compliance and the value of reporting at the group level. The company stated its openness to incremental progress on this topic. We will continue pushing for stronger group-level principles beyond regulation, securing concrete ChemFORWARD participation, and improving transparency on fragrance allergens and hazardous chemicals, areas where LVMH has committed to provide further detail.

- **Alphabet,** parent company of Google, held its annual general meeting (AGM) in June and VCIM presented our shareholder proposal requesting that the company conduct a third-party assessment on strategies it can take to mitigate the amount of false information generated by its various AI models. The proposal **received 9.3%** support of total votes, which translates to **28.9% of independent votes** excluding insider shares. Prior to the AGM, our proposal was also highlighted by the Globe and Mail. We believe this proposal successfully helped raise shareholder awareness of AI misinformation risks and the need for stronger safeguards to reduce the generation of false information by the company's AI models.

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.

- 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.

Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	5-year	10-year
IA Clarington Inhance Global Equity SRI Class - Series F	9.3%	-8.6%	6.2%	3.3%	10.1%
MSCI World Index[1] (CAD)	15.6%	26.2%	22.0%	14.5%	14.1%

Get ahead

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