

# IA Clarington Inhance Global Equity SRI Class

## Manager commentary – Q1 2025

Global equities delivered strong performance, fueled by enthusiasm around artificial intelligence (AI), expectations of imminent interest-rate cuts and positive economic and earnings growth forecasts. However, toward the end of the period (April 1, 2024 – March 31, 2025), the U.S. administration's ever-changing tariff policies and the responses from impacted countries pushed market volatility higher.

Geopolitics was a key flashpoint, as the new U.S. administration's stance on Ukraine alienated European allies. Increasing uncertainty in the U.S. led to investors repositioning into markets such as Europe, China and emerging markets, which all outperformed the S&P 500 Index.

The Fund's overweight allocation to the financials sector contributed to performance, as did its underweight allocation to the materials sector. Security selection in the consumer staples and communication services sectors contributed to performance. Individual contributors included Constellation Software Inc., which continued to successfully work toward acquiring vertical market software (VMS) businesses (creation of software that is tailored for a specific industry or niche). Sea Ltd. has seen strong double-digit growth, particularly in its e-commerce business. Brown & Brown Inc.'s organic growth (growth resulting from increased productivity and sales, rather than, e.g., through acquisition of a competitor) continued to outpace larger insurance brokerage peers.

The Fund's security selection in the information technology and health care sectors detracted from performance, as did its lack of exposure to the utilities sector. Individual detractors included the Fund's lack of exposure to NVIDIA Corp., which performed exceptionally well overall given AI-related enthusiasm and demand for its market-leading offering. CDW Corp. faced a challenging year amid a persistently weak information technology spending environment, and election-related uncertainty further delayed customer projects. Novo Nordisk AS saw disappointing trial results for its next-generation weight-loss drug, CagriSema, raising concerns about increasing competitive pressure.

New positions included industrial serial acquirers (a company that grows by consistently purchasing other businesses) AddTech AB and Diploma PLC, French luxury fashion house Hermes International, industrial gas producer and distributor Linde PLC, insurance broker Marsh & McLennan Cos. Inc., credit ratings company Moody's Corp., solid waste management company Waste Connections Inc., professional information and software solutions company Wolters Kluwer NV and Topicus.com Inc., a serial acquirer focused on the European VMS market. The Fund also initiated a small position in NVIDIA Corp.

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Increased positions included high-conviction companies such as Constellation Software and Intercontinental Exchange Inc.

Decreased positions included Apple Inc., CarMax Inc., Schneider Electric SE and Xylem Inc. to reflect conviction or valuation concerns.

Eliminated positions included Adyen NV, AIA Group Ltd., Enphase Energy Inc., Home Depot Inc., Lululemon Athletica Inc., Starbucks Corp., Waste Management and West Pharmaceutical Services Inc., and the proceeds were reallocated to higher-conviction opportunities with more attractive risk/reward profiles.

In terms of environmental, social and governance (ESG) issues, Vancity Investment Management Ltd. (VCIM) collaborated with investor group SHARE to file a proposal with Amazon.com Inc. for consideration at its 2025 annual general meeting (AGM). The proposal urged the board of directors to commission an independent, third-party assessment of Amazon's adherence to its stated commitment to worker's freedom of association and collective bargaining rights as outlined in the company's Global Human Rights Principles. This proposal reflects VCIM's concerns about Amazon's attitude and actions against the unionization efforts of its workforce.

In late 2024, VCIM joined the Fostering Action for Biodiversity through Responsible Investment in Clothing (FABRIC) initiative organized by Finance for Biodiversity Foundation. The investor-led coalition works with companies and aims to have them publicly commit to reducing the negative environmental impacts of their activities through the whole lifecycle of their products and align with the Global Biodiversity Framework's targets by 2030. This will be a multi-year engagement. With this initiative, VCIM sent an initial outreach letter to LVMH Moët Hennessy Louis Vuitton SE & Hermes.

In 2023, VCIM filed a proposal with Costco Wholesale Corp. requesting that the company conduct a biodiversity risk assessment of their supply chains. After discussions, VCIM withdrew the proposal on the condition that Costco would pilot biodiversity mapping on one supply chain and report the findings. In 2024, Costco provided an update on their progress, noting improved understanding of their biodiversity risk exposure, although they have no plans to publicly disclose the findings. VCIM looks forward to further developments from Costco and will continue to follow up.

Nature Action 100 (NA100) is a global investor-led initiative aimed at driving corporate action to reverse nature and biodiversity loss, mitigate financial risks and protect long-term economic interests. In 2024, VCIM held an inaugural NA100 meeting with Costco to introduce them to the initiative and familiarize them with the newly published benchmark. In 2025, VCIM sent a letter to Costco on behalf of NA100, urging the company to continue engaging with participating investors and take meaningful steps to meet the NA100 Investor Expectations.

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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 the management of chemicals like Perfluoroalkyl and Polyfluoroalkyl Substances (“forever chemicals”) that can leach into the soil. The company is showing leadership in chemical management as they are the only one of their peers to have leachate targets. Additionally, the company has comprehensive initiatives to decrease leachates.

As a part of a World Benchmarking Alliance campaign, VCIM held an investor group meeting with Microsoft’s Director of ESG Engagement to discuss their Responsible AI policy. Among the topics raised was their relationship with OpenAI Inc. and the scope of Microsoft’s policy.

As part of ongoing involvement in the World Benchmarking Alliance campaign on Ethical AI, VCIM met with Adobe Inc. in 2024 to discuss their approach to ensuring that AI technology is developed and used responsibly. VCIM was encouraged by the robust policies and structures Adobe shared, which included strong oversight mechanisms.

VCIM became a signatory of the 2024 Global Investor Statement to Governments on the Climate Crisis. This statement, coordinated by the Investor Agenda, 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 carbon emissions economy.

VCIM also became a founding signatory of the World Benchmarking Alliance’s Investor Statement on Nature, a call 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 supporting the comprehensive U.S. immigration reform that investors like VCIM view as critical to creating business certainty, operational continuity, economic expansion and a more cohesive and just society. The statement, which includes a series of recommended actions for congress, companies and investors, was issued in response to recent executive orders that have resulted in increased raids by U.S. Immigration and Customs Enforcement, as well as the deportations and detentions of people and families without documentation.

Although global trade uncertainty has created concerns about economic growth, today’s moderated inflationary environment provides central banks with the policy flexibility to address slowing growth. While this rising uncertainty has created challenges for equity markets, any changes in global trade or other policies that provide greater clarity and certainty can quickly change investor sentiment.

The fund manager continues to focus on companies with strong balance sheets, consistent earnings and durable competitive advantages to provide stability and resilience in uncertain markets.

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Fund and benchmark performance as at March 31, 2025	1 year	3 year	5 year	10 years
IA Clarington Inhance Global Equity SRI Class - Series A	6.6%	7.9%	12.3%	8.3%
MSCI World Index <sup>1</sup> ^(CAD)	13.8%	12.8%	16.4%	10.9%

For definitions of technical terms, visit [iaclarington.com/glossary](http://iaclarington.com/glossary) or speak with your investment advisor.

<sup>1</sup>Source: MSCI Inc. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

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, the MSCI World Index, is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. The MSCI World Index consists of 23 developed market country 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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