

IA Clarington Inhance Growth SRI Portfolio

Manager commentary – Q1 2025

As 2024 progressed, the world appeared to be slowly finding the right balance between encouraging growth and controlling inflation. Central banks throughout the world made concerted efforts to manage the cost of living and inflation challenges facing individuals and businesses.

The most recent quarter was dominated by U.S. President Trump's surprisingly aggressive stance on tariffs, particularly towards Canada. By the end of the period, Trump had implemented 25% tariffs on steel, aluminum and cars, with more tariff announcements expected in April.

U.S. growth was expected to be somewhat flat in the first quarter, as consumer and business confidence was increasingly shaken by political uncertainty. The U.S. Federal Reserve held its target interest rate steady at 4.50%.

In Canada, the economic recovery was going well, with interest-rate cuts taking the policy interest rate down to 2.75%. However, uncertainty related to trade policy caused household and business confidence to plummet, slowing the economy.

The European economy continued to stagnate, but optimism returned with peace negotiations in Ukraine and the announcement of substantial fiscal stimulus in Germany. Some signs of a pick-up in growth emerged, but tariffs weighed down activity.

China's economy struggled with a balance sheet recession, as households and companies alike prioritized debt repayment over spending or investing, leading to economic stagnation (refers to a prolonged period of slow or no growth in an economy).

Regarding fixed income, the FTSE Canada Universe Bond Index returned 7.7% for the period (April 1, 2024 – March 31, 2025) and was supported by interest-rate declines, including a 2.0% progression for the last quarter.

The U.S. equity market, as represented by the S&P 500 Index, returned favourable results in 2024 but regressed by 4.3% in the first quarter of 2025 given economic pressures. Over the period, this resulted in a return of 8.3% in U.S.-dollar terms and 15.1% in Canadian-dollar terms.

Canadian equities, as represented by the S&P/TSX Composite Index, fared better toward the end of the period, with a 1.0% return for the last quarter and a 15.8% return for the period.

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On the global front, the MSCI World Index and MSCI EAFE Index respectively returned -1.7% and 6.9% over the last quarter (in Canadian-dollar terms, therefore including foreign currency movements), and 13.8% and 11.5% for the period.

Individual contributors to the Fund's performance included IA Clarington Inhance Bond SRI Fund (Bond Fund), IA Clarington Inhance Global Equity SRI Class/Fund (Global Equity Fund), IA Clarington Inhance Monthly Income SRI Fund (Monthly Income Fund) and IA Clarington Inhance Canadian Equity SRI Fund (Canadian Equity Fund).

The Monthly Income Fund's security selection within the industrials and consumer discretionary sectors contributed to performance, as did its allocation to preferred shares (a type of share ownership in a corporation. Preferred stock dividends are typically paid out before common share dividends) and corporate bonds, given strong yields (the income earned from a security) and modest credit spread tightening (the yield difference between two types of fixed-income or credit instrument, typically expressed in percentage points or basis points. A tight spread means the yield difference is small, while a wide spread means the difference is comparatively large). The Global Equity Fund's overweight exposure to the financials sector and underweight exposure to the materials sector contributed to performance, as did its security selection in the consumer staples and communication services sectors. The Bond Fund's allocation to preferred shares, overweight exposure to corporate bonds and effective management of duration (sensitivity to interest rates) contributed to performance. The Canadian Equity Fund's security selection in the U.S. and significantly overweight allocation to the information technology sector contributed to performance. IA Clarington Inhance Global Small Cap SRI Fund (Small Cap Fund) benefited from its security selection in the information technology sector and its lack of exposure to the energy sector.

Overall, the Small Cap Fund detracted from performance, mainly owing to its security selection in the industrials, consumer discretionary, health care and consumer staples sectors. The Small Cap Fund's underweight exposure to the financials sector and overweight exposure to the information technology sector also detracted. The Monthly Income Fund's allocations to the health care, real estate and materials sectors detracted from performance, as did its shorter-duration fixed-income positioning. The Global Equity 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. The Bond Fund's bias toward higher-quality corporate holdings detracted from performance, as did its credit curve (graphically illustrates the yields and maturities of corporate bonds of similar credit quality) positioning towards short- and mid-term corporate bonds. The Canadian Equity Fund's overweight exposure to the industrials and health care sectors, and its security selection in the information technology sector, also detracted from performance.

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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.

VCIM joined the Fostering Action for Biodiversity through Responsible Investment in Clothing (FABRIC) initiative organized by Finance for Biodiversity Foundation, which works with companies to have them publicly commit to reducing their activities' negative environmental impacts through the lifecycle of their products and align with the Global Biodiversity Framework's targets by 2030. With this initiative, VCIM sent an initial outreach letter to LVMH Moët Hennessy Louis Vuitton SE and Hermès.

In 2023, VCIM filed a proposal with Costco Wholesale Corp. requesting that the company conduct a biodiversity risk assessment of their supply chains. Costco agreed to pilot biodiversity mapping on one supply chain and report the findings. In 2024, Costco's update noted improved understanding of their biodiversity risk exposure, although they had no plans to publicly disclose the findings. VCIM 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 inaugural NA100 meetings with Costco and Nutrien Ltd. to introduce them to the initiative and familiarize them with the newly published benchmark. In 2025, VCIM sent a letter to the companies on behalf of NA100, urging them to continue engaging with participating investors and take meaningful steps to meet the NA100 Investor Expectations.

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 has engaged with Waste Connections, and recently discussed the California wildfires, as well as chemicals like Perfluoroalkyl and Polyfluoroalkyl Substances ("forever chemicals") that can leach into the soil. The company has comprehensive initiatives to decrease leachates and is the only one of its peers to have leachate targets.

As a part of a World Benchmarking Alliance campaign, VCIM had 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.

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As part of VCIM's 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.

Regarding ethical AI, VCIM also met with Broadcom Inc., but the company's response did not meet the investor group's expectations. VCIM expects to have further conversations with the company.

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 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 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 undocumented persons and families.

VCIM attended the 2024 Annual General Meetings (AGMs) of The Toronto-Dominion Bank (TD Bank), Canadian Imperial Bank of Commerce (CIBC), 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, CIBC and BMO, the proposals received favourable votes at 12.6%, 11.41%, 10.5% and 10.86%, respectively.

VCIM filed new shareholder proposals with RBC, CIBC, BMO and TD Bank requesting disclosure on how vertical pay metrics are used in setting executive compensation and focusing on the decision-making process rather than specific figures. Following these submissions, VCIM met with bank representatives. 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, BMO and CIBC will proceed to votes at their respective 2025 AGMs.

On climate-related proposals, VCIM reached withdrawal agreements in 2024 with Scotiabank and RBC, so VCIM only presented a shareholder proposal at the 2024 TD Bank AGM. Nearly one-third of shares

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were cast in favour of the proposal, which aimed to ensure that the banks upheld their climate commitments.

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.

In collaboration with Investors for Paris Compliance and asset manager Green Century Capital Management, VCIM co-filed a shareholder proposal with TD Bank calling for an independent review of TD Bank's board governance policies and director selection criteria, focusing 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.

Russel Metals Inc. reached out to the ESG team to discuss their most recent "say on pay" vote and how to improve executive compensation practices and investor support.

VCIM held a meeting with Diversified Royalty Corp. to discuss VCIM's proxy votes. The executive team sought VCIM's feedback and advice on the election of several directors who could be considered non-independent.

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 pushed for work with unions to negotiate paid sick leave policies. VCIM received 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, so 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.

Similarly, VCIM engaged with value retailer Five Below in 2024 to present the business case for becoming a living wage employer. The company agreed to review the materials VCIM had provided and to meet with VCIM again.

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Companies that source products from renewable energy supply chains face unique human rights risks. VCIM has engaged with Boralex Inc. 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 has been supporting an engagement with Darling Ingredients Inc. that was coordinated by a global network of investors addressing risks and opportunities in the global food system to focus on the impacts of animal waste on water quality and biodiversity. An engagement letter was sent to the company in November, and the company responded in February outlining the initiatives it was taking to mitigate the risks set out in the investor letter. The participating investors were reviewing the response and deciding next steps.

Economic conditions have become more challenging owing to the aggressive tariff conflict initiated by the U.S. government. Investors are re-evaluating the U.S. economy amid disappointing data and policy uncertainty, which has created volatile market conditions and negative equity market returns in recent months. Consumer and business confidence is lower, and inflation is rising.

European and Chinese assets are gaining traction as U.S. indexes enter correction territory, leading global equities to outperform U.S. equities.

The fund manager will be watching central banks responses to economic developments, as trying to fight inflation while encouraging growth can be challenging. Typically, interest-rate interventions affect inflation in one direction while having the opposite effect on growth.

Fund and benchmark performance as at March 31, 2025	1 year	3 year	5 year	10 years
IA Clarington Inhance Growth SRI Portfolio – Series A	5.9%	3.0%	7.5%	4.4%
35% FTSE Canada Universe Bond Index, 30% MSCI World Index (CAD) ¹ , 35% S&P/TSX Composite Index	12.4%	7.5%	11.0%	7.0%

For definitions of technical terms, visit iaclarington.com/glossary or speak with your investment advisor.

¹Source: MSCI. 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

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The Fund's strategy is to invest in other investment funds. 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 benchmark is a blend of 35% FTSE Canada Universe Bond Index, 35% S&P/TSX Composite Index and 30% MSCI World Index. The blended benchmark presented is intended to provide a more realistic representation of the general asset classes in which the Fund invests. The FTSE Canada Universe Bond Index is comprised of Canadian investment grade bonds and has significantly different portfolio duration characteristics. The FTSE Canada Universe Bond Index consists of a broadly diversified selection of investment-grade Government of Canada, provincial, corporate and municipal bonds issued domestically in Canada. The S&P/TSX Composite Index 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 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 has exposure to 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, sector exposure and credit quality 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. Overall, the Fund's bond and equity exposure can differ, because the Fund does not use a fixed ratio similar to the benchmark. 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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