

# IA Clarington Inhance Growth SRI Portfolio

## Manager commentary – Q3 2025

The end of the period (April 1, 2025 – September 30, 2025) was marked by easing trade tensions and global economic resilience, but there were concerns about U.S. inflation and a loss of independence and credibility at the U.S. Federal Reserve (the Fed).

The ratification of trade agreements between the U.S. and key partners reduced uncertainty and made the business environment more predictable. That said, tariffs accounted for 10% of total imports as of August, and this proportion was expected to rise.

The U.S. economy grew and consumption rebounded, driven by wealthier households. Non-residential investment remained robust, particularly in artificial intelligence. Job creation slowed significantly but remained positive. Layoffs were limited, but hiring was also subdued.

Inflation hovered around 3% year-over-year, and tariffs began to affect consumer prices. The Fed lowered its benchmark interest rate by 25 basis points (bps), with further cuts expected by year-end.

The Canadian economy contracted in the second quarter but showed mediocre growth in the third. Consumer spending remained resilient, but exports and investments were down, and the labour market weakened. Headline inflation (total inflation including volatile components such as energy and food) was slightly below the 2% target, but core inflation (excluding volatile components such as energy and food) stagnated between 2% and 3%. The Bank of Canada cut its benchmark interest rate by 25 bps in September.

The Carney government unveiled its initial list of nation-building projects, which included projects already well advanced in their approval process. The main themes were export diversification, energy dominance and critical minerals.

The European economy grew modestly in the third quarter, with inflation remaining around 2%. The European Central Bank held interest rates steady, and markets did not expect further cuts.

The U.S. equity market represented by the S&P 500 Index returned strong results, although the weaker U.S. dollar versus the Canadian dollar detracted from returns. The top-performing sectors included information technology, communication services and consumer discretionary.

On the international front, the MSCI World Index and MSCI EAFE Index returned 15.6% and 13.2%, respectively (in Canadian-dollar terms, therefore including foreign currency movements).

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Canadian equities represented by the S&P/TSX Composite Index also performed well. The top-performing sectors included materials, information technology and financials. Regarding fixed income, the FTSE Canada Universe Bond Index returned 0.9%. Canadian corporate credits fared better, with a 2.3% progression over 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), IA Clarington Inhance Canadian Equity SRI Class (Canadian Equity Fund) and IA Clarington Inhance Global Small Cap SRI Fund (Small Cap Fund).

The Bond Fund outperformed its benchmark, while the other underlying funds trailed their respective benchmarks.

The Monthly Income Fund's performance in fixed income was supported by its underweight duration positioning (interest-rate sensitivity), full allocation to corporate bonds and no exposure to federal bonds. Corporate bonds benefited from higher yield carry (income) and somewhat tighter credit spreads (the difference in yield between debt instruments with similar terms, but different credit ratings). Its allocation to preferred shares (a type of security with both stock and bond-like features, giving shareholders a hybrid investment with fixed dividends and priority over common shareholders for payments) contributed amid strong risk-taking sentiment. On the equity side, its lack of exposure to energy companies contributed to performance, as did security selection within the health care and industrials sectors. However, while the fixed-income component outperformed its benchmark, it lagged equities over the period.

The Global Equity Fund's overweight exposure to the information technology sector, underweight exposure to the health care and consumer staples sectors, and lack of exposure to the energy sector all contributed to performance. Security selection in the communication services sector helped offset broader weakness. However, security selection was the primary detractor overall, particularly in the information technology, financials and industrials sectors. The underlying fund's underweight exposure to the communication services sector and overweight exposure to the financials sector also detracted somewhat.

The Bond Fund's overweight exposure to corporate bonds and underweight exposure to federal bonds were the largest contributors to performance. Its exposure to preferred shares benefited from credit spread compression (tighter credit spreads) and strong performances from risk assets (securities that have more price volatility on average). In contrast, its bias towards short- and mid-term corporate bonds, and underweight exposure to long-term corporate bonds, slightly detracted from performance.

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The Canadian Equity Fund's overweight exposure to the information technology sector and zero exposure to the energy sector contributed to performance. Security selection within the consumer discretionary sector was also favourable. However, its underweight exposure to the materials sector (particularly gold) and overweight exposure to the industrials sectors detracted, as did security selection within the information technology sector.

The Small Cap Fund's overweight exposure to the information technology and industrials sectors contributed to performance, as did its lack of exposure to the energy sector. Stock selection in the consumer discretionary and consumer staples sectors also contributed. However, the underlying fund's underweight exposure to the materials sector and overweight exposure to the consumer staples sector detracted from performance, as did stock selection in the information technology, industrials and real estate sectors.

In April 2025, Vancity Investment Management (VCIM) signed an investor letter expressing concerns regarding Amazon.com Inc.'s Quebec warehouse closures and its commitment to freedom of association and collective bargaining. Along with other investors, VCIM has invited the company to respond to the concerns raised.

Also in April, VCIM presented a shareholder proposal on industry-specific carbon risk scoring and transition plans at the Canadian Imperial Bank of Commerce (CIBC) annual general meeting (AGM). The proposal asked CIBC to disclose scoring metrics for clients classified in carbon risk scoring categories and for client transition plans to ensure alignment with the bank's 2030 interim targets to reduce financed emissions. The proposal received favourable support of 23%.

At the Bank of Montreal (BMO) AGM in early 2025, Investors for Paris Compliance presented the proposal VCIM co-filed requesting that the bank 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%.

VCIM presented a shareholder proposal requesting enhanced disclosures on the use of internal pay metrics at the AGMs of CIBC, Royal Bank and BMO. VCIM received support votes of 9.89%, 11.53% and 7.33%, respectively. It was encouraging to see other shareholders speak at the AGM in support of this proposal. VCIM will continue to assess and engage with these banks on executive compensation matters.

In May 2025, VCIM participated in its first meeting with LVMH Moët Hennessy Louis Vuitton SE as part of the World Benchmark Alliance's collaborative engagement on nature and biodiversity. The discussion covered the company's existing biodiversity initiatives, progress over recent years and key challenges in implementation.

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In July 2025, VCIM met with Amazon to discuss the Valuing Water Finance Initiative. In the meeting, VCIM discussed Amazon Web Service's data centre expansion and how this fits into the company's goal to be water positive by 2030 and its commitments to water replenishment projects, water use efficiency, water positive goal transparency, operational water risk assessments, supply-chain water risk assessments and a company-wide metrics and enterprise strategy.

As part of its involvement in Climate Action 100+, VCIM met with Trane Technologies PLC to review progress on the company's climate commitments.

VCIM engaged with Microsoft Corp. to discuss working conditions for data workers involved in labelling, annotation and content moderation for AI and interactive media platforms like Xbox Live and LinkedIn. As a part of the World Benchmarking Alliance's Ethical AI benchmarking, VCIM held a meeting with Microsoft to get a more in-depth understanding of how the company is mitigating risks associated with AI safeguards, transparency and equality, and how this is supported by governance structures.

Similarly, VCIM has taken the lead in engaging with TELUS International (CDA) Inc., requesting that the company provide information related to working conditions, wages and benefits for data workers and content moderators. Content moderators who review content for social media platforms often face exposure to graphic material, low pay, strict surveillance, unsustainable quotas, limited mental health support and weak labour protections.

VCIM met with the North West Co. Inc. to understand their approach to Indigenous reconciliation. VCIM came away with a strong sense that the company is meaningfully committed to reconciliation, integrating Indigenous perspectives into decision-making, talent development and procurement.

In collaboration with investor support group, SHARE and NEI, VCIM 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 with a third-party specialist, and is working to align its practices with the UN Guiding Principles.

In September 2025, VCIM sent letters to Toromont Industries, Exchange Income Corp. and Savaria Corp. as part of the CDP Non-Disclosure Campaign, encouraging the companies to respond to the CDP corporate questionnaire.

As part of the World Benchmarking Alliance's Collective Impact Coalition on Nature, VCIM met with Hermes International SA in September 2025 to explore the company's approach to measuring and disclosing nature-related impacts, dependencies and risks.

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VCIM is a 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 in which VCIM invests to ensure that they maintain fair access to health care in light of the current U.S. administration's cuts to various programs.

VCIM participated in the Global Investor Coalition on Workplace Mental Health Benchmark spearheaded by CCLA Investment Management Ltd. For this initiative, VCIM supported the investor engagement with Microsoft and will sign the next round of investor letters.

VCIM signed a joint statement in which investors warn that the chemical sector is not transitioning fast enough to protect vital ecosystems and stated that companies are not robustly mapping their dependencies and impacts on nature or taking advantage of the strong market potential for sustainable and safer alternatives to hazardous chemicals.

VCIM signed the Statement—Call for Responsible Corporate Policy and Practices on Human Rights in Conflict-Affected and High-Risk Areas (CAHRA).

Economic conditions improved slightly as tariff-related tensions eased. Consumers remain resilient given positive wealth effects, although the labour market is weaker.

Equities markets delivered strong results, making some areas of the market more expensive than others.

Several central banks have lowered interest rates given growth concerns, but are also closely watching how tariffs affect inflation.

At period end, the Fund maintained a slightly overweight position in equities and a slightly underweight position in global fixed income.

Fund and benchmark performance as at September 30, 2025	1 year	3 year	5 year	10 years
IA Clarington Inhance Growth SRI Portfolio – Series A	7.4%	9.5%	4.9%	5.7%
35% FTSE Canada Universe Bond Index, 30% MSCI World Index (CAD) <sup>1</sup> , 35% S&P/TSX Composite Index	16.9%	16.2%	10.3%	8.8%

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

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<sup>1</sup>Source: 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 used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI. 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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