IA Clarington Inhance Monthly Income SRI Fund

Manager Commentary – Q2 2026

Canadian equities advanced in the second quarter, with the S&P/TSX Composite Index rising 7.0% and setting a record high above 35,300 in mid-June before consolidating into quarter-end, though it lagged the S&P 500 Index's (CAD) 17.1% surge, led by stocks related artificial intelligence (AI). Dividend stocks, as measured by the S&P/TSX Composite High Dividend Total Return Index, performed slightly better, returning +7.8% during the period. The macroeconomic backdrop was dominated by the Middle East conflict, which drove oil sharply higher before crude retraced nearly all of its war-related gains by June 30 as a ceasefire took hold. Another macroeconomic factor was the trade uncertainty heading into the July 1 Canada-United States-Mexico Agreement (CUSMA) review, as the U.S. declined to renew the agreement in its current form, though the deal remains in force until 2036 and tariff rates were unchanged. Domestically, a technical recession (economic contractions in the final quarter of 2025 and first quarter of 2026) gave way to improving momentum, with April GDP up 0.5% and 88,000 jobs added in May. The Bank of Canada held its policy rate at 2.25% for a fifth consecutive meeting, looking through energy-driven headline inflation of 2.8% as core eased to 2.1%.

IA Clarington Inhance Monthly Income SRI Fund (Series F6) rose 9.5% during the period, while the blended benchmark returned +5.5% over the same period. The underweight allocation to fixed income had a slightly positive effect on the Fund's overall performance, as equities outperformed fixed income during the period. Within the equity sleeve, the Fund returned +13.8% versus the benchmark's +7.0% during the period. The outperformance within equities was mostly attributable to sector allocation. The Fund's zero weight in energy (+2.3%) and the underweight in materials (+2.5%) were the primary drivers behind the positive allocation effect. Selection effect was also a positive contributor, with selection within the real estate (+0.8%), materials (+0.5%) and information technology (+0.4%) sectors leading the charge. In terms of individual names, Exchange Income Corp (+0.6%), Texas Instruments (+0.4%), Lamar Advertising (+0.4%) and Richards Group (+0.4%) were the largest contributors, while CME Group (-0.7%), North West Co (-0.4%) and Gildan Activewear (-0.3%) were the largest detractors.

In terms of portfolio activities for the equity component, the Fund initiated new positions in Franco-Nevada, Quebecor and Vital Infrastructure, and exited positions in Admiral Group, BSR REIT, Games Workshop and Russel Metals.

- Franco-Nevada (FNV): We prefer to own the mining royalty names over the producers, and we believe FNV is the best-in-class name to own in this space. Adding FNV allows us to increase our gold exposure and diversify our holdings within the sector.

- Quebecor: Quebecor is a quality firm in a fairly weak industry, with best-in-class growth and by far the strongest balance sheet. The company really made off well when Rogers/Shaw was forced to divest Freedom Mobile. Not only can Quebecor offer the lowest prices at about a 35% discount to peers (the "big three" can't compete on price, as all have balance sheet issues), but the company also gets to piggy back off Rogers' network. Despite recent share price performance, we see a further runway for additional share gains, a sustained premium valuation relative to the big-three legacy carriers, and low double-digit returns to investors.

- Vital Infrastructure (VITL): VITL offers an attractive yield and is undergoing a transformation led by a relatively new management team with an impressive background. As the company divests its non-core assets (i.e., assets located outside of the Americas) and becomes a simpler North-America-focused healthcare and medical office building REIT, the stock should rerate higher from the deeply discounted valuation it trades at today.

- Admiral Group: We sold based on current valuation.

- BSR REIT: Sluggish near-term fundamentals in the sunbelt region and our desire to reduce our REIT exposure in the portfolio led us to exit our position. While we are positive on a medium-term recovery in sunbelt multi-family fundamentals, we made the decision to play that thesis out via our other REIT holding (H&R REIT), which gives us similar exposure but at a more attractive valuation.

- Games Workshop: Despite our admiration for the business and the management team, we decided to sell our remaining stake in the business based entirely on current valuations.

- Russel Metals: After a strong run in the shares, we decided to sell based on valuation. The dividend yield has hit a multi-year low, and only grows 2-3% per year, while its price-multiple ratios are at multi-year highs.

On the fixed-income side, the Fund was active with credit extensions, taking advantage of the relatively elevated yield levels to enhance the Fund's overall yield in the process. The Fund purchased new issues from Bank of Nova Scotia and Glacier Credit Card Trust, extending out of shorter-dated senior bank issues. The Fund also completely sold a BCE bond holding, after the company made a tender offer (open bid by a company to buy a significant percentage of securities) for certain bonds at prices higher than current market prices. The Fund recycled the proceeds into a slightly longer maturity Dollarama bond at an attractive spread and all-in yields (expected total annualized return an investor should receive).

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. 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. Maintaining a diversified approach across sectors and geographies is especially important as the Canadian market navigates ongoing global trade dynamics and economic conditions.

ESG Engagement Activity

In terms of shareholder engagement in the second quarter:

- An engagement was held with **DRI Healthcare** on governance. We had a proactive conversation to discuss the vote for an amendment to its Omnibus Equity Incentive Plan ahead of the annual general meeting (AGM). The company provided more information on its rationale and sought our feedback.

- Members of the ESG team met with **Scotiabank and Royal Bank of Canada** to discuss their approaches to climate strategy. These conversations covered the banks' current net-zero approaches, recent changes to interim emissions-reduction targets where relevant, and broader perspectives on climate-related risk management and fossil fuel financing.

- We held an engagement with **Gildan Activewear** to better understand its 2026 scores in the World Benchmarking Alliance's Corporate Human Rights Benchmark (CHRB), beginning with three areas: embedding respect for human rights in culture and management systems, policy commitments, and board accountability. The engagement is part of the broader Investor Alliance for Human Rights and CHRB engagement initiative, of which VCIM is a member. This was the first of four planned meetings over two years to better understand Gildan's overall human rights framework, including its strengths, challenges and areas for continued improvement. VCIM is the lead investor for this engagement.

- 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.

- 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.

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.

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- 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.

Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	5-year	10-year
IA Clarington Inhance Monthly Income SRI Fund - Series F6	9.5%	17.2%	13.1%	7.0%	7.7%
30% FTSE Canada Universe Bond Index, 70% S&P/TSX Composite Index	5.5%	23.4%	17.5%	10.6%	9.5%

Get ahead

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 benchmark is a blend of 30% FTSE Canada Universe Bond Index and 70% S&P/TSX Composite 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 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, 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.

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 more than one year are historical annual compounded total returns while returns for one year or less are cumulative figures and are not annualized.

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