IA Clarington Inhance Monthly Income SRI Fund

Manager commentary – Q3 2025

Gold prices reached all-time highs amid concerns over U.S. political interference in U.S. Federal Reserve policy, uncertainty surrounding the U.S. dollar's long-term reserve-currency status, and rising inflation expectations fueled by tariff-driven cost pressures. Materials was the best-performing sector in the S&P/TSX Composite Index.

Canadian infrastructure and defense stocks were buoyed by the federal government's commitment to a new North Atlantic Treaty Organization (NATO) pledge to increase defense and infrastructure spending to 5% of gross domestic product (the total dollar value of all goods and services a country produces over a specific time period) by 2035.

High interest rates on the long end of the yield curve (graphically illustrates the yields and maturities of bonds of similar credit quality) and deteriorating fundamentals contributed to subpar performance in the real estate sector. Energy stocks declined owing to supply dynamics and demand concerns.

The Bank of Canada (BoC) maintained its policy interest rate at 2.75% for several months before cutting interest rates another 25 basis points (bps), to 2.50%, in September, citing less upside risk to inflation and a weaker Canadian economy.

Government of Canada bond yields (income earned from a security) were 2 to 41 bps higher across the curve, with long-tenor (maturity) yields rising the sharpest. The benchmark Government of Canada 10-year bond yield ended the period (April 1, 2025 – September 30, 2025) at 3.18%, about 22 bps higher than where it started, while 30-year yields ended the period at 3.63%, up nearly 41 bps from the start of the period.

Despite the broad rise in underlying bond yields, all sectors of the investment-grade Canadian fixed-income market generated positive total returns (returns including interest income and capital appreciation) over the period. Corporate bonds were the strongest-performing sector, outperforming amid higher yield carry (income) and modestly tighter credit spreads (the difference in yield between debt instruments with similar terms, but different credit ratings). Federal bonds were the weakest-performing sector but still generated a positive return.

Excluding cash, the Fund's equity and fixed-income component both generated positive returns during the period.

In equities, the Fund's lack of exposure to the energy sector contributed to performance, as did its security selection within the health care and industrials sectors. Individual contributors included DRI

Healthcare Trust, which performed well as it announced the internalization of its manager, announced the U.S. FDA approval of a drug, and reported solid performance in its existing royalty portfolio. Exchange Income Corp.’s stock rose on strong execution across its aviation services & aerospace and manufacturing segments, new contract announcements and the successful close of its Canadian North acquisition.

The Fund’s fixed-income component outperformed its benchmark. Given the broad increase in bond yields during the period, the component's interest-rate sensitivity versus the benchmark contributed to performance. The Fund was fully allocated to corporate bonds and did not own any federal bonds, which also contributed to performance. Corporate bonds were the strongest-performing fixed-income sector, while federal bonds were the weakest. An 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) also contributed owing to the strong risk-taking sentiment in markets.

The Fund’s equity component underperformed the S&P/TSX Composite Index. The Fund’s underweight exposure to the materials sector detracted from performance, as did its overweight exposures to the real estate and consumer staples sectors. The Fund’s security selection in information technology, real estate and materials companies also detracted. Individual detractors included Games Workshop Ltd., which underperformed the consumer discretionary sector. Enghouse Systems Ltd. was the weakest performer as shares were down on weak quarterly financial results, while the information technology sector was up 30%.

While the Fund’s fixed-income component outperformed its benchmark, it underperformed equities, which detracted from performance.

New positions included Royal Bank of Canada (6.698%) perpetual preferred shares (a preferred share that pays a fixed dividend). Pigeon Corp. is a $4.9 billion, 60-year-old Japanese brand, specializing in breastfeeding and child-rearing products. Pigeon’s strong brand and category development capabilities have enabled it to perform well in Japan and China, and it has significant room to grow in other markets. Restaurant Brands International Inc. has a solid portfolio of quick-service concepts with strong market positions and ample growth runway, and shares were trading at an attractive valuation (a measurement of how much an investment is worth). Terna Rete Elettrica Nazionale SpA owns and operates Italy's high-voltage electricity grids, earning long-term and predictable inflation-linked and regulated returns.

Increased positions included Addtech AB, a Nordic serial acquirer (a company that uses a continuous strategy of buying other businesses to drive its own growth) with ample runway for inorganic (growth through mergers and acquisitions) and organic growth (growth resulting from increased productivity and sales, rather than, e.g., through acquisition of a competitor). Bureau Veritas SA is a solid business in the product testing & compliance industry with a strong market position and an attractive yield. Premium Brands Holdings Corp. should be able to successfully onboard new customer programs to leverage its new U.S. capacity. Richards Packaging Inc. appears poised to return to organic growth and integrate the recently acquired Dermapenworld Group of Companies. Lamar Advertising Co. is a market leader in the consolidated North American billboard industry and a family-controlled business that has served minority investors well.

Decreased positions included Great-West Lifeco perpetual share GWO.pr.G, as this issue in particular was looking expensive versus comparable issues. Choice Properties REIT and Granite REIT were trimmed to reduce the Fund’s overall exposure to real estate investment trusts (a security -- often traded on an exchange like a stock -- that provides exposure to real estate assets). DRI Healthcare was trimmed as the stock rerated (change of price or valuation of a security) higher given solid performance and management’s commentary regarding its deal pipeline.

Eliminated positions included Air Products and Chemicals Inc. as there were opportunities with better risk-reward profiles elsewhere. Canadian Tire Corp. Ltd. rerated higher and the fund manager did not have high conviction in management’s mid-term strategy. Kone OYJ, Nutrien Ltd. and Winmark Corp. were sold for valuation reasons. Labrador Iron Ore Royalty Corp. and Open Text Corp. failed to meet the fund manager’s expectations.

In April 2025, Vancity Investment Management (VCIM) presented its 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 very 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 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, receiving 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.

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As part of a collaborative engagement focused on the rights of digital workers, VCIM has taken the lead in engaging with TELUS International (CDA) Inc. and has requested that the company provide information related to working conditions, wages and benefits for data workers and content moderators. Content moderators who review content for platforms like TikTok and Facebook often face exposure to graphic material, low pay, strict surveillance, unsustainable quotas, limited mental health support and weak labour protections.

VCIM met with North West Co. Inc. to understand their approach to Indigenous reconciliation, and 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 September 2025, VCIM sent letters to Exchange Income and Savaria Corp. as part of the CDP Non-Disclosure Campaign, encouraging the companies to respond to the CDP corporate questionnaire.

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 Corp. 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).

Canada’s economic outlook remains tenuous as tariffs and an increasingly challenging trade relationship with the U.S. continue to negatively affect exports and overall confidence. With the BoC's policy rate above the lower end of its neutral range estimate (2.25–3.25%), the BoC has plenty of scope to cut its policy rate further.

The fund manager continues to find attractive opportunities in areas of the market that are being ignored as investors focus on a narrow band of perceived winners in artificial intelligence. Although most major markets are at or near all-time highs, the fund manager will continue to use bouts of market volatility to find quality dividend-paying businesses at reasonable valuations.

The Fund's fixed-income component remains skewed towards short-term corporate bonds for stability and preferred shares that offer significant yield enhancement. The Fund remains biased towards perpetual and higher rate-reset (a preferred share whose dividend rate resets at regular intervals, typically every five years) institutional preferred shares, which are not as sensitive to changes in interest rates, but still provide significant yield pick-up over bonds.

Fund and benchmark performance as at September 30, 2025	1 year	3 year	5 year	10 years
IA Clarington Inhance Monthly Income SRI Fund – Series T6	8.4%	9.8%	8.5%	6.0%
30% FTSE Canada Universe Bond Index, 70% S&P/TSX Composite Index	20.4%	16.2%	11.5%	9.0%

For definitions of technical terms, visit iaclarington.com/glossary or 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.

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