

IA Clarington Thematic Innovation Class

Manager Commentary – Q1 2026

The past 12 months were eventful on the economic and geopolitical fronts. 2025 was marked by global trade tensions that led to economic uncertainties. As trade tensions gradually eased, the first quarter of 2026 was marked by geopolitical events, most notably the conflict in Iran and the resulting energy shock. The blockade of the Strait of Hormuz led to a substantial reduction in global oil supply, pushing the price of Brent crude to US\$104 per barrel by the end of March, an increase of more than 90% since the beginning of 2026. The magnitude of the inflationary effect will ultimately depend on the duration of the blockade.

As a result of rising inflation expectations, interest rates increased globally. The U.S. Federal Reserve kept its policy rate unchanged during the first quarter of 2026, balancing above-target inflation against a softening labour market where job creation was essentially flat at the start of 2026. After slowing in the fourth quarter of 2025, U.S. growth rebounded strongly in the first quarter of 2026, with investment spending in artificial intelligence (AI) serving as one of the main drivers. North American markets are less exposed to goods transiting through the Strait of Hormuz, and the U.S. is a net exporter of oil, suggesting that the effects on U.S. growth should be limited.

Despite a more difficult month of March 2026, the U.S. equity market, as represented by the S&P 500 Index, posted favourable results over the last year, advancing 17.8% in U.S.-dollar terms. The weaker U.S. dollar versus the Canadian dollar, however, reduced returns to a 14.2% gain in Canadian-dollar terms. Top-performing sectors for the period included information technology, energy and industrials.

Series F shares of the Fund outperformed its index during the 12-month period ending March 31, 2026. Within sector allocation, an overweight allocation to information technology and an underweight allocation to financials contributed. Security selection added the most in the information technology and health care sectors.

Sandisk Corp. was a top contributor to performance, given the structural shortage in flash memory caused by increased AI data centre demand. An off-benchmark exposure to Lumentum Holdings Inc. also contributed, as the company saw strong demand driven by AI data centre capital expenditures.

A slight overweight allocation to health care was the main detractor within sector allocation. Selection in the consumer discretionary and financials sectors also proved challenging. Underweight allocations to Tesla Inc. and Micron Technology Inc. detracted, as both companies outperformed during the period. Apollo Global Management Inc. detracted from performance, driven by concerns over the private credit market.

The fund manager added new positions in Sandisk Corp. and Lumentum Holdings Inc., as both companies may benefit from surging AI data centre capital expenditures. The fund manager increased the Fund's positions in NVIDIA Corp., Alphabet Inc. and Apple Inc. as valuations became increasingly appealing.

The fund manager eliminated a holding in Walmart Inc., as valuation multiples increasingly reflected that of a technology company rather than a consumer retail business. Cisco Systems Inc. was also eliminated, as memory-chip shortages are squeezing margins and profit growth is flattening as a result of increased competition.

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The fund manager reduced the Fund's position in Microsoft Corp. as a result of Azure growth deceleration and higher-than-expected AI capital expenditures. The Fund's position in Mastercard Inc. was also reduced on valuation concerns and increased regulatory risk.

| Fund and Benchmark Performance: as at March 31, 2026 | 1-year | 3-year | 5-year | 10-year |
|---|---------------|---------------|---------------|----------------|
| IA Clarington Thematic Innovation Class – Series F | 15.0% | 19.8% | 11.0% | 10.0% |
| S&P 500 Index (CAD) | 14.2% | 19.5% | 14.4% | 15.0% |

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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 Fund's benchmark is the S&P 500 Index (CAD). The S&P 500 Index (CAD) includes 500 leading companies in leading industries of the U.S. economy and is widely regarded as the best single gauge of the U.S. equities market. 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. Effective May 30, 2019, Taylor Asset Management Inc. was removed as sub-advisor and Industrial Alliance Investment Management Inc. remained as portfolio manager, and the Fund's investment strategies changed. Effective April 1, 2023, the portfolio manager changed to iA Global Asset Management Inc.

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.

Series F securities are available only to investors participating in fee based advisory programs through their dealer. No sales charges apply when investing in Series F. iA Clarington does not pay ongoing trailing commissions to dealers for Series F and therefore are not embedded in the Management Expense Ratio (MER). Instead, investors pay an explicit dealer advisor fee for investment advice and related services. Any differences in performance between fund series are primarily due to differences in fees and expenses, as described in the fund's prospectus.

The information provided should not be acted upon without obtaining legal, tax, and investment advice from a licensed professional. Statements by the portfolio manager or sub-advisor represent their professional opinion and do not necessarily reflect the views of iA Clarington. Specific securities discussed are for illustrative purposes only and should not be considered a recommendation to buy or sell. Mutual funds may purchase and sell securities at any time and securities held by a fund may increase or decrease in value. Past investment performance may not be repeated. Unless otherwise stated, the source for information provided is the portfolio manager. Statements that pertain to the future represent the portfolio manager's current view regarding future events. Actual future events may differ. Future-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ. Opinions may change as market conditions or other factors evolve.

Commissions, trailing commissions, management fees, brokerage fees and expenses all may be associated with mutual fund investments, including investments in exchange-traded series of mutual funds. The information presented herein may not encompass all risks associated with mutual funds. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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