# IA Clarington QV U.S. Equity Class

## Manager Commentary – Q2 2026

In the second quarter of 2026, IA Clarington QV U.S. Equity Class Series F returned 8.6% in Canadian-dollar terms (CAD), versus 17.1% for the S&P 500 Index (CAD). Within the S&P 500, top-performing sectors included information technology (+34.0%), industrials (+16.9%) and consumer discretionary (11.1%), while the weaker-performing sectors included energy (-12.0%), utilities (+1.1%) and consumer staples (+2.0%).

The Fund's relative underperformance in the quarter was primarily driven by its underweight sector position in information technology and overweight position in energy, consumer staples and consumer discretionary. This was somewhat offset by strong security selection within the health care sector. Top individual contributors during the period included Centene Corp., Applied Materials Inc. and UnitedHealth Group Inc. Top detractors included Netflix Inc., ExxonMobil Holdings Corp. and PepsiCo Inc.

As at June 30, 2026, the Fund held 41 positions across nine market sectors, with a cash balance of approximately 3.7%. During the quarter we made net sector weighting increases within information technology, communication services and consumer staples, while the largest trims were completed within the industrials, energy and materials sectors. We initiated on two new franchises, Microsoft Corp. and Hims and Hers Health Inc. (HIMS), with no exits during the period.

Microsoft is a dominant technology franchise that is augmenting its profitable core software business through investment in higher-growth artificial intelligence (AI) infrastructure. Although the elevated capital intensity is not without risk, we believe this investment provides significant upside optionality in a world where metered digital intelligence becomes a mission-critical cost of doing business for Microsoft's customers. Importantly, this optionality neatly dovetails and strengthens its dominant software ecosystem that is anchored by the Office 365 platform (430M+ paid seats, ~75% Fortune 500 penetration) and reinforced by the remaining product suite.

HIMS is a vertically integrated direct-to-consumer digital health platform with leading brand resonance and market share. HIMS possesses valuable capital-light economics underpinned by increasing returns to scale as new subscribers and therapeutics are added to the platform. The category is growing rapidly, driven by the structural megatrends of bespoke wellness along with technology and regulatory breakthroughs enabling personalized medicine at scale. With deep management talent and a market leading brand, subscriber base and production facilities, we believe HIMS is ideally positioned to capitalize on these megatrends.

Additional purchases were completed within the communication services (Netflix), consumer staples (Dollar General Corp., Estée Lauder Cos. Inc.), consumer discretionary (Thor Industries Inc.), health care (Novo Nordisk AS) and industrials (Lennox International Inc.) sectors. These were funded through trims of strong-performing holdings within the industrials (Old Dominion Freight Line Inc., Cummins Inc.), health care (Merck & Co. Inc.), energy (ExxonMobil, Halliburton Co., Chevron Corp.), information technology (Applied Materials Inc.), consumer discretionary (Starbucks Corp.) and materials (Warrior Met Coal Inc.) sectors.

The conflict that closed the Strait of Hormuz in late February, while somewhat de-escalated, oscillates daily between a fragile ceasefire and a return to open conflict, frustrating the path to lasting peace and return to pre-crisis transit volumes. Oil prices have completed their round trip, with Brent crude falling from over US$100 back to the low US$70s, its worst quarterly performance in over five years. Although this has

temporarily relieved investor fears of sustained inflation, these developments have not revived expectations for interest-rate cuts, as core U.S. inflation remains near 3%. This has likely played a key role in the U.S. Federal Reserve's recent pivot to a more hawkish stance and the removal of its previous language hinting at future rate cuts.

Meanwhile, the AI technology rally remains remarkably strong but increasingly narrow, with only a small number of semiconductor franchises pushing the S&P 500 to record highs, leaving little room for disappointment. Resilient employment and earnings data are supportive of the momentum; however, trade tariffs, uncertainty around CUSMA trade negotiations and U.S. midterm elections in the fall of 2026 could produce a wide range of outcomes for investors. Against this backdrop, we continue to favour reasonably valued, durable franchises and discounted cyclicals compared to the singular AI-driven investment theme driving a large portion of today's market returns.

| Fund and benchmark performance as at June 30, 2026 | Q2 2026 | 1-year | 3-year | 5-year | 10-year |
|---|---|---|---|---|---|
| IA Clarington QV U.S. Equity Class - Series F | 8.6% | 24.7% | 17.6% | 14.8% | 10.7% |
| S&P 500 Index (CAD) | 17.1% | 27.2% | 23.4% | 16.5% | 16.5% |

## Get ahead

For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.

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 performance data comparison presented is intended to illustrate the Fund's historical performance 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 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. equity market. The Fund's market capitalization and sector exposure may differ from that of the benchmark. The Fund's currency risk exposure may differ from 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 the sub-advisor of the Fund was changed from Sarbit Advisory Services Inc. to QV Investors Inc., and the Fund's investment strategies changed.

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.

A mutual fund's "yield" refers to income generated by securities held in the fund's portfolio and does not represent the return of or level of income paid out by the fund.

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