

IA Clarington Inhance Conservative SRI Portfolio

Manager Commentary – Q1 2026

2025 was marked by global trade tensions, initiated by the U.S., that led to economic uncertainties. Although trade tensions gradually eased, a lengthy U.S. government shutdown occurred in the fall of that year.

Early in 2026, U.S. armed forces captured the Venezuelan president, effectively installing a more U.S.-friendly regime, and tensions with Europe arose as the U.S. threatened to annex Greenland.

The war in the Middle East and the closure of the Strait of Hormuz by Iranian forces led to a substantial reduction in global oil supply. As a result, the price of Brent crude oil was US\$104 per barrel by the end of March, almost doubling since the beginning of 2026, which was expected to increase overall inflation.

The U.S. Federal Reserve kept its policy interest rate unchanged late in the period as inflation remained above target. However, the labour market showed signs of weakness, with job creation being essentially flat at the start of 2026. Despite this, U.S. growth rebounded strongly after the government shutdown, driven in part by investment in artificial intelligence (AI).

In Canada, the labour market started the year on a weak footing, with job losses erasing the gains recorded at the end of 2025. Inflation remained below 2% as of February. While higher energy prices were expected to create upward pressure, Canada's geographic position and the importance of its energy sector would likely limit the negative impact on the domestic economy. In this context, the Bank of Canada was largely expected to keep interest rates steady in the near term.

Regarding fixed income, the FTSE Canada Universe Bond Index returned 0.8% as interest rates generally rose.

The U.S. equity market represented by the S&P 500 Index produced favourable results, progressing by 17.8% in U.S.-dollar terms and 14.2% in Canadian-dollar terms. The top-performing sectors included information technology, energy and industrials.

Canadian equities rose by 34.8%. The best-performing sectors included materials, energy and financials.

On the global and international fronts, the MSCI World Index and MSCI EAFE Index returned 15.2% and 17.6%, respectively, over the period (in Canadian-dollar terms, including foreign currency movements).

Over the period (April 1, 2025 – March 31, 2026), IA Clarington Inhance Bond SRI Fund outperformed its benchmark while the other underlying funds trailed their respective benchmarks.

Individual contributors to the Fund's absolute performance included IA Clarington Inhance Bond SRI Fund (Bond Fund), IA Clarington Inhance Monthly Income SRI Fund (Monthly Income Fund), IA Clarington Inhance Canadian Equity SRI Class (Canadian Equity Fund) and the IA Clarington Inhance Global Small Cap SRI Fund (Small Cap Fund).

IA Clarington Inhance Global Equity SRI Class/Fund (Global Equity Fund) detracted from the Fund's performance.

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The Canadian Equity Fund benefited from strong stock selection in the consumer discretionary and health care sectors, as well as an underweight exposure to the communication services sector over the period. Aritzia Inc. and Badger Infrastructure Solutions Ltd. were notable contributors, supported by robust demand trends, execution-driven growth and expanding margins (refers to a company's profitability), while DRI Healthcare Trust added value through structural simplification, strong royalty (a contractual share of revenue paid to the rights owner) portfolio performance and continued success in capital deployment.

The Monthly Income Fund's equity and fixed income components both performed positively over the period. Within equities, its security selection in the industrials and health care sectors contributed to performance, as did its allocation to the information technology sector. The fixed income component outperformed its benchmark, benefiting from a short duration (lower interest rate sensitivity) amid rising yields (the income earned from a security), a full allocation to corporate credit amid tightening (narrowing) credit spreads (the difference in yield between debt instruments with similar terms, but different credit ratings) and exposure to preferred shares (a type of share ownership in a corporation where preferred shareholders are paid before common shareholders in the event of bankruptcy).

The Bond Fund's performance over the period was driven primarily by an overweight exposure to corporate bonds as credit spreads tightened, with corporate credit outperforming government bonds. The Bond Fund's allocation to preferred shares benefited from improving risk sentiment and spread compression. Duration and relative value (determining the relative value of a bond involves rating the bond's valuation relative to the sector benchmark and other issuers in the same sector) positioning across sovereign markets supported returns as select U.S. government bond exposure outperformed comparable Canadian government bonds.

The Global Equity Fund's performance over the period detracted overall primarily owing to its security selection within the information technology, financials and industrials sectors. The underlying fund's lack of exposure to the energy sector and overweight exposure to the consumer discretionary sector detracted as these sectors lagged benchmark performance. Individual detractors included Constellation Software Inc., which experienced valuation (a measurement of how much an investment is worth) pressure driven by concerns around AI disruption and a leadership transition. An underweight position in NVIDIA Corp. detracted as the company's stock surged alongside sustained AI infrastructure spending. Brown & Brown Inc. was weaker amid investor concerns around moderating growth.

The Small Cap Fund detracted from performance primarily owing to security selection in the information technology sector as software and information technology services holdings came under pressure amid heightened concerns around AI disruption. Stock selection within the industrials sector detracted as the underlying fund had limited exposure to companies linked to AI infrastructure, as well as weaker stock selection in the health care and financials sectors. The underlying fund's lack of exposure to the energy and utilities sectors and its underweight exposure to the materials sector detracted meaningfully. Individual detractors included Globant SA, Carl Zeiss Meditec AG and Topicus.com Inc.

In terms of environmental, social and governance (ESG) factors (refers to a company's environmental, social and corporate governance policies), Vancity Investment Management Ltd. (VCIM) acted as lead filer on a shareholder proposal submitted to Alphabet Inc. requesting a report on risks associated with inaccuracies in generative AI systems and the company's strategies to mitigate false or misleading outputs. The proposal seeks enhanced transparency into governance, oversight and risk management practices to address potential legal, regulatory and reputational impacts.

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VCIM co-filed a shareholder proposal with Amazon.com Inc. requesting enhanced transparency on the effectiveness of its human rights and labour practices, citing concerns related to the adherence to internationally recognized standards. VCIM participated in two related investor engagements focused on workforce governance, worker safety, unionization and broader human capital management. Amazon.com acknowledged challenges associated with disclosure consistency and expressed openness to continued dialogue.

VCIM was involved with shareholder proposals presented at the annual general meetings (AGMs) of Royal Bank of Canada, Bank of Montreal (BMO) and Canadian Imperial Bank of Commerce (CIBC) that requested enhanced disclosure on the use of internal pay metrics used to develop executive compensation packages. The proposals received shareholder support of 11.53%, 7.33% and 9.89%, respectively, reflecting continued investor interest in greater transparency and accountability in executive compensation practices. Engagement on executive pay matters will remain an area of focus.

VCIM engaged with BMO on climate-related issues, including the bank's evolving climate strategy and disclosure, with a focus on climate risk management, target setting and transparency. At BMO's 2025 AGM, VCIM co-filed a shareholder proposal requesting enhanced disclosure of BMO's lobbying and policy influence activities in alignment with the objectives of the Paris Agreement, which received 20.83% shareholder support.

A shareholder proposal was presented at CIBC's AGM requesting disclosure of industry-specific carbon risk scoring metrics and client transition plans to demonstrate alignment with the bank's 2030 interim targets to reduce financed emissions. The proposal received strong shareholder support, with 23% of votes in favour.

In March 2026, VCIM led the writing and development of a new investor statement on excessive executive compensation, in partnership with United Church Funds, as part of a newly launched initiative coordinated by the Interfaith Center on Corporate Responsibility (ICCR). The statement outlines concerns regarding misaligned and excessive executive compensation and sets out investor calls to action across proxy voting (casting shareholder votes without attending the meeting), corporate engagement and stewardship practices. The investor statement was presented and publicly launched at ICCR's Annual Spring Conference in New York on March 25, 2026.

The global economy has shown resilience, with gross domestic product (the total dollar value of all goods and services a country produces over a specific time period) growth projected to reach 3.1- 3.3% in 2026. However, the war in the Middle East has increased uncertainties for both economic and market outlooks as higher oil prices could lead to higher inflation and interest rates.

Although the U.S. government expected a quick victory, ending the conflict has proved difficult as Iran maintains key leverage through its control of the Strait of Hormuz.

The fund manager is monitoring the evolution of this conflict, the upcoming Canada-U.S.-Mexico trade renegotiation, further tariff threats and a weakening consumer. The Fund manager intends to continue making bottom-up decisions (security selection based on a company's fundamental characteristics, rather than top-down macro calls) rather than allowing market predictions to drive stock selection or portfolio construction.

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	1-year	3-year	Since inception (Jan 2022)
IA Clarington Inhance Conservative SRI Portfolio - Series F	2.0%	4.6%	1.8%
10% S&P/TSX Composite Index, 15% MSCI World Index (CAD)¹, 75% FTSE Canada Universe Bond Index	6.0%	7.3%	4.1%

Get ahead

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

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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 75% FTSE Canada Universe Bond Index, 10% S&P/TSX Composite Index and 15% 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.

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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