IA Clarington Inhance High Growth SRI Portfolio

Manager commentary – Q2 2025

Interest rates were mostly flat over the period, with the U.S. 10-year yield increasing by 2 basis points (bps), leading to slightly positive returns for U.S. sovereign bonds (+0.8%). Corporate bond spreads tightened during the quarter, which led to positive returns for U.S. investment-grade corporate bonds (+1.8%) and U.S. high-yield bonds (+3.5%). Global equity markets moved sharply higher, led by the Nasdaq Composite (+18.0%), the Nikkei 225 Index (+13.9%) and the MSCI World Index (+9.5%). The S&P/TSX Composite Index also moved higher (+8.5%), while the MSCI EAFE Index and the MSCI Emerging Markets Index underperformed global equities with +4.8% and +7.9% returns, respectively. Within equities, "growth" stocks strongly outperformed "value" stocks by around 12.2% over the quarter (MSCI World indices). MSCI Socially Responsible Investing (SRI) indices slightly outperformed traditional indices, both in Canada and in the U.S. The U.S. dollar tumbled again with the ICE US Dollar Index (DXY) down -7.0% and the Canadian dollar appreciating by 5.7% against its U.S. counterpart.

Despite persistent macroeconomic and trade policy uncertainty, as well as elevated geopolitical noise, the global equity earnings backdrop remains resilient. While we continue to see upside in equities broadly (including in the U.S. and Canada), Asia, Europe and emerging markets are becoming increasingly attractive. Stretched valuations, policy uncertainty and a weakening U.S. dollar are leading us to consider opportunities outside of the U.S. (from an asset allocation perspective).

The macroeconomic and policy backdrops continue to exert upward pressure on interest rates, particularly at the long end of the yield curve. While bonds continue to offer diversification benefits and a potential hedge against equity volatility, we believe the risk-reward profile remains more challenged in the current environment.

In currencies, we have a positive stance on the Japanese yen, which we view as one of the most compelling opportunities in the currency space today. Structural and cyclical factors are aligning in the yen's favour, including the potential repatriation of foreign assets by Japanese investors, and a steepening domestic yield curve. We also see more potential appreciation of the Canadian dollar. Despite tariffs concern, Canada's fundamentals remain stable. Upside surprises in 2026 economic outlook could also support the loonie, especially if the Bank of Canada becomes more hawkish (i.e., adopts a more aggressive stance on monetary policy, specifically raising rates). Finally, we believe the euro will continue to benefit from broader weakness in the U.S. dollar.

The Fund's outperformance can be explained by its structural overweight growth-style bias and overweight position in U.S. equities stemming from the underlying SRI fund exposures managed by

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Vancity Investment Management Ltd. IA Clarington Inhance High Growth SRI Portfolio saw solid returns over the second quarter as IA Clarington Inhance SRI Bond Fund was the only underlying fund not to post positive gains. When compared to their respective benchmarks, all funds recorded an outperformance with the exception of IA Clarington Inhance Global Equity SRI Class.

In the second quarter of 2025, **IA Clarington Inhance Bond SRI Fund** (the Bond Fund) posted a return of -0.3% (gross-of-fees), outperforming the FTSE Canada Universe Bond Index by 31 bps. The Bond Fund's preferred share holdings contributed to relative performance as it significantly outperformed bonds, and its allocation to longer-dated U.S. Treasuries outperformed similar Government of Canada bonds. Given trade-related economic headwinds and tighter credit spreads, the Bond Fund derisked by shifting some corporate exposure into government bonds. As the quarter progressed, we opportunistically added new corporate issues to increase yield carry (coupon interest). The Bond Fund remains mostly balanced on the yield curve, with longer-dated bonds defensively skewed toward maturities under 25 years, and an overweight position short-term corporate issues. It ended the period with a 23.6% positive impact bond weight.

IA Clarington Inhance Global Equity SRI Class (the Global Equity Fund) gained 3.8% gross-of-fees in the second quarter, but trailed the benchmark (MSCI World Index C$) by 188 bps, primarily owing to security selection in the financials, information technology, industrials and consumer discretionary sectors. The largest detractor was an underweight position in NVIDIA Corp., which surged on continued momentum in artificial intelligence (AI). Insurance brokers like Brown & Brown Inc. and Marsh & McLennan Cos. Inc. declined amid sector underperformance and industry-specific headwinds, while Copart Inc. fell on slowing insurance volume growth, and LVMH Moet Hennessy Louis Vuitton SE (LVMH) lagged as luxury demand weakened. Offsetting some of this weakness was strong security selection in the consumer staples and communication services sectors, driven by Dino Polska SA, Nintendo Co. Ltd. and Sea Ltd. Sector allocation had a positive impact on relative performance, with underweight allocations in health care and energy, and an overweight allocation in information technology proving beneficial. The Global Equity Fund exited Xylem Inc. and initiated positions in MercadoLibre Inc. and Lumine Group Inc. in the second quarter.

IA Clarington Inhance Global Small Cap SRI Fund (the Global Small Cap Fund) returned +8.3%, gross-of-fees, outperforming its benchmark, the MSCI World Small Cap Index C$, by 246 bps. Most of the outperformance occurred in April, reflecting the Global Small Cap Fund's quality and defensive characteristics. Outperformance was driven by sector allocation, positive security selection and favourable foreign exchange, with key contributions from overweight sector positions in information technology and industrials, and zero-weight positions in energy and utilities. The strongest selection came from the consumer discretionary and consumer staples sectors, while selection in the information technology sector detracted. Top individual contributors to the Global Small Cap Fund's performance included Five Below Inc. (+66%), Federal Signal Corp. (+37%) and Belimo Holdings AG (+57%), with additional support from Diploma PLC, Nova Ltd. and Guidewire Software Inc. The largest detractor was Globant SA (roughly 70 bps), followed by National Storage Affiliates Trust (roughly 60 bps) and Workiva Inc. (roughly 40 bps), all impacted by sector-specific challenges and cautious tones from customers and investors.

IA Clarington Inhance Canadian Equity SRI Class (the Canadian Equity Fund) gained 11.6% on a gross-of-fee basis, outpacing its benchmark, the S&P/TSX Composite Index, by 311 bps in the second quarter. Both security selection and sector allocation served as contributors to relative performance during the period. Security selection was the strongest in the consumer discretionary, health care and consumer staples sectors. All holdings in the consumer discretionary sector posted positive returns, with Aritzia Inc. and BRP Inc. each rallying more than 30%. In the health care sector, the Canadian Equity Fund benefited from a sizable position in DRI Health Care Trust, which rebounded following its termination of its external management agreement and bringing investment decisions in-house, which was well received by investors. Within the consumer staples sector, Jamieson Wellness Inc. stood out as a top performer, with its stock responding positively following the company’s solid first-quarter results and reaffirmation of favourable guidance for the year. From a sector allocation standpoint, significant benefits came from the absence of exposure to energy stocks. Additionally, a substantial overweight position in the information technology sector contributed positively to relative performance. The Canadian Equity Fund exited lower-conviction positions in Cargojet Inc. and Thermo Fisher Scientific Inc., trimmed Aritzia following the stocks recent outperformance, and redeployed capital into Premium Brand Holdings Corp., Stantec Inc. and Gildan Activewear Inc.

IA Clarington Inhance Monthly Income SRI Fund (the Monthly Income Fund) returned 7.3% gross-of-fees, outperforming its blended benchmark (30% FTSE Canada Universe Bond Index, 70% S&P/TSX Composite Index) by 15 1bps, driven by an underweight allocation in fixed income and overweight allocation in equities. Equity performance was boosted by both security selection and sector allocation, with the absence of energy sector exposure amid weaker oil prices being the largest contributor. Strong returns in the industrials sector, led by Exchange Income Corp., Element Fleet Management Corp. and Savaria Corp., and a rebound in DRI Health Care Trust following governance improvements, further improved relative performance. Additional contributors included Killam Apartment REIT, Jamieson Wellness Inc., Admiral Group PLC and Northland Power Inc. On the fixed-income side, a tilt toward high-quality, short-term corporate bonds and shorter duration positioning contributed to relative performance, as did the Monthly Income Fund’s 6.0% average weight in preferred shares, which outperformed bonds amid strong demand and limited new supply.

In terms of shareholder engagement in the second quarter:

IA Clarington Inhance High Growth SRI Portfolio

Environment

- We presented our shareholder proposal on industry-specific carbon risk scoring and transition plans at the annual general meeting (AGM) of **CIBC**. 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 highly favourable support of 23%.
- At the **BMO** AGM, Investors for Paris Compliance presented the proposal we co-filed requesting the bank to disclose lobbying and policy influence activities "in a manner consistent with its support for the aims and objectives of the Paris Agreement." This proposal also received favourable support of 20.83%.
- In May, we participated in our first meeting with **LVMH** as part of the World Benchmark Alliance's collaborative engagement on nature and biodiversity. The discussion covered the company's existing biodiversity initiatives, progress over recent years, and key challenges encountered in implementation.
- As part of our involvement in Climate Action 100+, we met with **Trane Technologies** to review progress on its climate commitments. **Trane** reported strong results on Scope 1 and 2 reductions, and is making steady progress on its "Gigaton Challenge" to reduce Scope 3 emissions. The company expects AI integration to improve product efficiency and lifespan, and plans to release new circularity key performance indicators (KPIs) to be released by the third quarter of 2025 that will reach beyond recycled metals to refurbished parts. **Trane** recently published its first climate transition plan, designed as a living document. Despite high energy costs and reduced incentives, heat pump upgrades remain financially beneficial in Europe. Increased collaboration between **Trane** and large technology firms on water and emissions goals reflects continued corporate momentum on sustainability.

Social

- We had a meeting with the Sustainability Manager and Investor Relations at **Deere & Co** to discuss developments on Right to Repair. Deere stated that their focus is to reduce customer down time and talked about the actions they're taking to support this. In the meeting, we also talked about changes to Deere's policy on diversity, equity and inclusion (DEI). Deere stated the change was driven by a targeted social media attack campaign that took statements from their policy out of context. Aside from avoiding potentially political wording, Deere's business practices and policies around hiring has not changed.
- We signed an investor letter expressing concerns regarding **Amazon's** Quebec warehouse closures and its commitment to freedom of association and collective bargaining. Along with other investors, we've invited the company to respond to the concerns raised.

- We engaged with **Microsoft** to discuss working conditions for data workers involved in labelling, annotation and content moderation for AI, and interactive media platforms like Xbox Live and LinkedIn. We learned that Microsoft now relies primarily on Large Language Models (LLMs) for content moderation, which we view positively given the significant psychological risks human moderators face when exposed to disturbing or explicit content.
- As part of a collaborative engagement, we contacted **Accenture** to seek clarification on the working conditions of data workers in its value chain.
- We met with the **North West Company** to understand their approach to Indigenous Reconciliation. We came away with a strong sense that the company is meaningfully committed to reconciliation, integrating Indigenous perspectives into decision-making, talent development and procurement.
- 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. Since **TELUS Digital** acts as an outsourcing firm for companies like Meta and ByteDance, we engaged **TELUS** to better understand their involvement in content moderation and the working conditions of **TELUS'** moderators. **TELUS** reported that only 5% of reviewed content is violent or harmful; directly employed moderators are allowed unlimited mental health breaks and have free access to licensed psychologists during employment, and for up to 12 months afterward. These practices helped address several key concerns. We continue to monitor reports of anti-union tactics at a **TELUS Digital** call centre abroad, and may re-engage if issues remain.
- In collaboration with investor support group, Shareholder Association for Research & Education (SHARE), and NEI, we held an engagement with **Aritzia** for an update on their supply-chain human rights due diligence (HRDD) practices. **Aritzia** is advancing its HRDD by conducting a human rights impact assessment (HRIA) with a third-party specialist, and is working to align with the UN Guiding Principles. While the results are not yet public, the company has disclosed salient human rights risks and has a formal Human Rights Position Statement. It has strong Tier 1 supplier monitoring and takes a holistic approach to wages, but has not committed to living wages in its supply chain (unlike some of its peers). Transparency is a priority, and **Aritzia** is working toward disclosing additional supplier details (supplier list) and improving social audit practices. The company is piloting a Worker Voice program to strengthen grievance mechanisms, and also emphasizes collaboration with suppliers.

Governance

- We presented our shareholder proposal requesting enhanced disclosures on the use of internal pay metrics at the AGMs of **CIBC**, **RBC** and **BMO**. We received 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 our proposal. We will continue to assess and engage with these banks on executive compensation matters.

Other

- We are 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 that we invest in to ensure they maintain fair access to health care in light of the current U.S. administration's cuts to various programs. The statement calls on companies to:
  - Ensure that corporate political activity and public policy engagement, including through trade associations, supports the advancement of global public health priorities and safeguards existing national public health policy and infrastructure. The statement also calls on companies to evaluate the direct and indirect impacts of both new and existing public policies and their enforcement on the company, its workers and customers specific to health and wellbeing
  - Assess the upstream and downstream impacts of the company's commercial business streams on the human right to health
  - Adopt policies, systems and processes to ensure the right to health is upheld and a company's commitment to health equity is maintained, including but not limited to their commitment to achieving Sustainable Development Goal 3 (SDG 3), as well as Article 12 of the International Covenant on Economic, Social and Cultural Rights
  - Support the appointment and staffing of individuals with the appropriate experience and credentialing to lead key public health positions

We remain optimistic about the long-term outlook for equities. Although uncertainties persist around global trade policy and heightened geopolitical tensions, the economic growth prospects for many countries continue to be encouraging. Inflation forecasts suggest a return to a more moderate, long-term environment, while central banks maintain an easing stance. Additionally, fiscal stimulus from governments in Europe, Canada and the U.S. is supporting further economic expansion.

While we anticipate continued market volatility, history has shown that markets are remarkably resilient – each downturn has ultimately been followed by a recovery. This enduring pattern is a key reason why many investors choose to stay invested through periods of turbulence, such as those witnessed in the first half of this year.

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Fund and benchmark performance as at June 30, 2025	1 year	3 year	Since inception (Jan 2022)
IA Clarington Inhance High Growth SRI Portfolio – Series A	10.6%	10.8%	5.0%
55% MSCI World Index (CAD)[1], 25% S&P/TSX Composite Index, 20% FTSE Canada Universe Bond Index	16.5%	16.1%	9.9%

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

[1]Source: MSCI. MSCI makes no express or implied warranties or representations and shall have no liability whatsoever with respect to any MSCI data contained herein. The MSCI data may not be further redistributed or used as a basis for other indices or any securities or financial products. This report is not approved, reviewed, or produced by MSCI.

The Fund's strategy is to invest in other investment funds. 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 20% FTSE Canada Universe Bond Index, 25% S&P/TSX Composite Index and 55% 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 time periods of more than one year are historical annual compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized.

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