IA Clarington Inhance Global Small Cap SRI Fund

Manager Commentary – Q2 2026

The second quarter of 2026 began with a shift in market focus as investors looked past the Iran-U.S.-Israel conflict. While tensions have eased, a durable peace process remains uncertain. Nevertheless, markets largely looked through the inflationary implications of the conflict and refocused on corporate earnings, economic resilience, and the continued artificial intelligence (AI) infrastructure spending cycle. Equity leadership remained decisively risk-on through April and May before broadening modestly in June. Market breadth weakened meaningfully as the rally became increasingly concentrated and momentum driven. With valuations temporarily seeming to matter less, performance was led by the highest-growth and highest-beta stocks, creating a backdrop typically hostile to fundamental active management. Central banks remained cautious given persistent inflation pressures, but resilient economic data and upward earnings revisions helped propel equity markets higher. The MSCI World Small Cap Index (CAD) gained 17.0% during the quarter, outperforming the MSCI World Index's (CAD) 15.6% return, with much of the strength driven by U.S. small caps, as the Russell 2000 Index returned 23.5% in Canadian-dollar terms. Despite the strong headline returns, underlying market leadership remained unusually narrow for most of the quarter, with investors continuing to reward momentum-oriented and AI-linked beneficiaries, while many quality-focused and more defensive businesses lagged.

During the quarter, IA Clarington Inhance Global Small Cap SRI Fund Series F posted a net-of-fee return of +10.5%, underperforming the MSCI World Small Cap Index (CAD), which gained 17.0%. The Fund's relative underperformance was attributable mainly to security selection, while sector allocation was a positive offset (~5.4%). While the Fund benefitted from being overweight in the information technology sector, selection was weakest in that sector (~9.6%), which drove most of the underperformance given less relative exposure to semiconductor names and higher exposure to software names, which remained under pressure in the second quarter. Selection was also weaker in the consumer discretionary and industrials sectors, but to a much lesser degree (~0.8% each). Our zero-weight in the energy sector benefited the Fund by roughly 1.3% as weaker oil prices impacted energy stocks.

On an individual basis, we had a few key detractors that stood out. The largest relative detractor was not owning Sandisk within the information technology sector. The sharp rally in memory chip stocks created an unusual and difficult benchmark anomaly, with Sandisk, which now has a market cap higher than US$230 billion, remaining in the MSCI World Small Cap Index. At an average quarterly index weight of roughly 190 basis points (bps), nearly 10x the next-largest constituent, Sandisk's 60% gain detracted roughly 290 bps from relative performance. Software holdings also remained under pressure despite intermittent periods of relative strength, with Guidewire Software and Workiva among the key detractors as investors continued to debate the "AI disruption" narrative. Outside of information technology, Boyd Group was again a key detractor within the industrials sector, as its fundamental inflection has progressed more slowly than investors expected. In the consumer discretionary sector, performance was weighed down by pullbacks in prior strong performers, including Japanese discount retailer Pan Pacific International, owner of the "DonKi" stores, and U.S. child and teen-focused retailer Five Below. On the positive side, the Fund's four largest contributors shared a common theme of AI-related exposure but in varying manners. AAON, an HVAC company, was the top contributor at nearly 100 bps, with the stock rising more than 50% during the quarter on strong data-centre-driven results. U.K. value-added resellers Softcat and Computacenter contributed about 90 bps and 60 bps, respectively, as market perception shifted toward viewing them as AI beneficiaries given surging

hardware sales. Dutch industrial Aalberts was also a strong performer, supported by investor expectations for stronger upcoming orders in its semi-cap business. Other notable contributors included Stevanato Group, a supplier of pharmaceutical drug vials and syringes, and Belimo, a European HVAC components company benefiting from strong demand for specialty control valves used in data-centre liquid cooling.

Over the quarter, we initiated new positions in **Graco Inc (GGG US), Ryan Specialty (RYAN US) and Wise Group PLC (WSE US)**. We exited several underperforming positions to clear up portfolio weight. We sold out of **Bytes Technology (BYIT LN), Dino Polska (DNP PW), Grocery Outlet (GO US) and Tecan Group (TECN SW)**. We also exited **National Storage Affiliates REIT (NSA US)** upon its takeout announcement by a larger industry peer.

- **Bytes Technology (Exited)** – While the broader IT reseller space remains attractive, Bytes has had challenges in execution and with effectively communicating guidance/strategy to investors and analysts. Persistent missteps and ongoing sales team restructuring continue to be a headwind. Despite an attractive valuation, we can retain exposure to IT resellers with better operators like Softcat PLC and Computacenter.

- **Dino Polska (Exited)** – Dino Polska continues to benefit from the growing preference for local shopping in Poland, helping the company generate consistent growth through a combination of strong execution and ongoing store expansion. While we continue to view the business as a quality long-term compounder, we exited our position given intensifying competitive pressures and a deflationary backdrop in the domestic grocery market, which are creating meaningful headwinds to near-term performance.

- **Grocery Outlet (Exited)** – Grocery Outlet is a discount grocery retailer that has built its business around delivering value to consumers through a unique sourcing model and independently operated stores. We were attracted to the company because of its long runway for store expansion and its track record of steady sales growth. More recently, however, operational challenges and weaker customer demand have led to disappointing sales trends. Although we originally believed these headwinds would be short-lived, their persistence has prompted us to reassess the company's growth outlook and competitive position.

- **Tecan Group (Exited)** - Tecan provides specialized laboratory equipment, consumables and components used across the life sciences, diagnostic and medical technology industries. Our investment thesis was based on the company's exposure to attractive long-term growth trends, supported by a large installed customer base and recurring revenue from consumable products. However, both Tecan and the broader life sciences tools industry have faced challenges since the pandemic, as demand has normalized following a period of elevated COVID-related spending. Slower activity from biopharmaceutical customers, combined with operational and cost-related pressures, weighed on growth. While we initially viewed these headwinds as temporary, the recovery has been more gradual and less certain than anticipated. Given these factors, we had been reducing the position and fully exited the investment in May following a recovery in the share price.

- **National Storage Affiliates (Exited)** – We sold after the April announcement of a takeover from industry giant Public Storage at roughly US$40 per share. National Storage Affiliates (NSA) was an acquisition target, although that was not core to thesis as they also were a consolidator of smaller,

regional storage real estate operations. We think it was a good outcome, as NSA was the smallest of public peers and was struggling to scale nationally from its more regional roots. Despite ongoing tougher industry conditions, the takeout validated our view of the attractiveness of storage real estate operations.

- **Graco Inc (New Position)** – We took advantage of recent weakness in industrials to initiate a starting position in Graco. We view Graco as a high-quality industrial, with best-in-class margins and return on invested capital, strong brands, pricing power and disciplined cost control. The business appears well positioned to participate in an eventual cyclical recovery (largely to housing-linked product such as paint sprayers), but importantly also offers downside protection through a resilient end-market mix and a very defensive balance sheet.

- **Ryan Specialty (New Position)** – Ryan Specialty is a leading specialty insurance broker serving areas of the market that require deep expertise and strong industry relationships. We are attracted to the company's ability to consistently gain market share in attractive segments of commercial insurance, supported by favourable industry trends and a disciplined growth strategy. While the market appears concerned that growth could slow, we believe those concerns are overstated. The company continues to generate solid organic growth, has opportunities to enhance profitability over time, and can further strengthen its business through selective acquisitions. In our view, the current share price does not fully reflect the quality of the business or its long-term growth potential.

- **Wise PLC (New Position)** - Wise is a global payments platform that helps individuals and businesses send money internationally faster, more transparently and at a lower cost than many traditional financial institutions. The company has built a strong competitive position through its proprietary technology, extensive global network and customer-focused approach, which together support a growing user base of approximately 19 million customers. Wise continues to benefit from increasing demand for cross-border payments and now processes nearly £200 billion in annual transaction volume. Its asset-light business model generates attractive profitability and strong cash flow while requiring relatively little capital to support growth. As the company scales, it uses these efficiencies to lower costs for customers, helping strengthen its competitive advantage and deepen customer loyalty. We also see significant long-term potential as Wise expands partnerships with financial institutions through its Wise Platform offering, further embedding its technology into the global payments ecosystem and creating additional avenues for growth.

The backdrop for global small caps improved meaningfully over the first half of 2026. Economic activity has remained resilient, corporate earnings expectations have generally moved higher, and investor confidence has strengthened despite ongoing geopolitical uncertainty. Importantly, after several years of persistent underperformance relative to large caps, small-cap equities have begun to participate more meaningfully in the market advance. Earnings growth expectations for small caps remain favourable relative to large caps, while valuations continue to trade at attractive discounts in many regions, creating a supportive backdrop should market leadership continue to broaden.

At the same time, markets remain heavily influenced by the AI investment cycle. While AI-related infrastructure spending continues to support economic activity and corporate investment, much of the associated market performance has remained concentrated among a relatively narrow group of beneficiaries.

We continue to observe significant dispersion both within technology and across industries more broadly, as investors differentiate between companies expected to benefit from AI and those perceived to face disruption risks. In our view, the market remains overly focused on short-term AI narratives and insufficiently focused on business quality, competitive positioning and long-term free-cash-flow generation.

Against this backdrop, we remain firmly anchored to our quality-focused investment philosophy. The portfolio is concentrated in businesses with durable competitive advantages, strong balance sheets, high returns on capital and management teams with proven capital allocation records. While recent market leadership has often favoured higher-beta and more speculative segments of the market, we view these periods as cyclical rather than structural. History suggests that over longer periods, earnings growth, returns on capital and generation of free cash flow ultimately drive shareholder returns. As market participation broadens and investors increasingly focus on earnings durability rather than narrative-driven momentum, we believe high-quality global small caps remain well positioned to outperform and compound value over the long term.

ESG Engagement Activity

In terms of shareholder engagement in the second quarter:

- VCIM joined other investors in signing the 2026 Platform Living Wage Financials (PLWF) investor letter, which encourages companies to strengthen their approach to living wages and living incomes by making public commitments, establishing time-bound implementation plans, and supporting the conditions necessary for sustainable wage growth throughout their value chains. We plan to use the letter as a basis for engagement with Yum! Brands, Restaurant Brands International, and McDonald's, and to re-engage **Five Below** on living wage practices following prior discussions in 2024.

Other:

- **Excessive Executive Compensation Webinar**

On May 28, VCIM participated as a presenter in a global investor webinar hosted by the Interfaith Center for Corporate Responsibility (ICCR), formally launching an investor statement on excessive executive compensation and the corresponding investor guidelines. The session explained the rationale for the initiative, outlined how excessive executive pay and widening pay gaps can pose risks to long-term value creation, and introduced the guidelines as a practical stewardship framework for investors. Together, the statement and guidelines are intended to help investors better address excessive executive pay through engagement, voting and policy alignment.

- VCIM supported an investor letter to **Palantir**, which was open to concerned investors regardless of whether or not they held the company**.** The letter raised concerns over the potential use of Palantir's technology in human rights violations and called on the company to commission and disclose an independent Human Rights Impact Assessment, alongside strengthened due diligence and transparency on product use.

IA Clarington Inhance Global Small Cap SRI Fund

Fund and benchmark performance, as at June 30, 2026	Q2 2026	1-year	3-year	Since inception (Feb 2023)
IA Clarington Inhance Global Small Cap SRI Fund - Series F	10.5%	2.8%	4.2%	2.5%
MSCI World Small Cap Index (CAD)[1]	17.0%	35.3%	20.4%	16.5%

Get ahead

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

[1]Source: MSCI Inc. 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 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, The MSCI World Small Cap Index captures small cap representation across 23 Developed Markets (DM) countries. With 4,139 constituents, the index covers approximately 14% of the free float-adjusted market capitalization in each country. 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 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.

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.

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.

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.

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.

iA Clarington™ Investments

IA Clarington Inhance Global Small Cap SRI Fund

The iA Clarington Funds are managed by IA Clarington Investments Inc. iA Clarington and the iA Clarington logo, iA Wealth and the iA Wealth logo, and iA Global Asset Management and the iA Global Asset Management logo, are trademarks of Industrial Alliance Insurance and Financial Services Inc. and are used under license. iA Global Asset Management Inc. (iAGAM) is a subsidiary of Industrial Alliance Investment Management Inc. (iAIM).

iA Clarington™ Investments