IA Clarington Inhance Canadian Equity SRI Class

Manager commentary – Q2 2024

The S&P/TSX Composite Index declined -0.53% on a total-return basis in a quarter which saw the Bank of Canada (BoC) reduce interest rates by 25 basis points (bps). Other than the materials (+7.4%), consumer staples (+4.1%), energy (+0.9%) and utilities (+0.2%) sectors, it was a challenging period for equities despite strong first-quarter earnings for many quality businesses.

IA Clarington Inhance Canadian Equity SRI Class (the "Fund") was challenged during the quarter owing to the outperformance of commodities, energy, utilities and grocery stores. However, following the BoC's June rate hike decision, the Fund rebounded with stronger performance into quarter-end despite further energy sector gains.

Individually, several high-conviction holdings delivered impressive results and no holdings experienced greater than 20% drawdowns. Cargojet Inc. gained +25% during the quarter after it signed a three-year agreement with a Chinese company to provide scheduled charter flights between Vancouver and China. Given there is minimal capital required to service this agreement, investors expect strong incremental free-cash-flow generation. Dollarama Inc. reported strong first-quarter earnings in June and continues to prove it can pass on inflation while growing its sales. The shares gained +21% during the quarter.

During the quarter, the Fund made several portfolio changes.

- Exited our position in Park Lawn Corp., which was a small position (roughly 40 bps). We struggled to find the conviction to increase the weight as management has a track record of raising equity, diluting shareholders and reinvesting the capital at subpar returns.
- Exited our position in TELUS Corp. as the industry continues to grow less attractive with pricing pressure, regulatory interference, large capital expenditure plans and levered balance sheets. Year-to-date, the telecommunication services sector has fallen nearly -12% inclusive of dividends.
- Initiated a position in Badger Infrastructure Solutions Ltd., the leading provider of non-invasive excavation services in North America. We've owned Badger in the past but sold in 2022 as the shares had delivered roughly a 2% annualized return since the beginning of 2014, and we didn't have conviction that the future would be different. We continued to build our knowledge (including a meeting with the new management team) and decided the right people were in place to turn the business around. We believe there is an opportunity for Badger to significantly grow its U.S. business as hydrovac services are a small portion of the broader excavation market. Since the management change in 2021, Badger has improved its sales strategy, increased margins and reinvested in the business. We are now beginning to see the results, which include growing returns on capital and higher expected free cash flows.
- Initiated a position in BRP Inc., which is a well-known consumer products business with brands such as Ski-Doo, Sea-Doo and Can-Am. We were first introduced to the business when we did a tour of their headquarters in Valcourt, Quebec. We were impressed by their intense focus on

innovation, efficiencies and culture. We did more work over the following year and developed an admiration for a management team that has been in place for 20+ years. As the result of a disciplined capital allocation process, management has delivered an annualized return for shareholders of roughly 15% since going public in 2013. After a period of three years where the shares haven't moved much, we believe we are paying a reasonable price for a business that has grown its revenues by approximately 75% since fiscal year 2021.

- Initiated a position in Osisko Gold Royalties Ltd., which owns a diverse portfolio of gold royalties. Relative to mining extraction businesses, the royalty model often has greater diversity of assets (Osisko has over 185 royalties), lower capital requirements, and similar exposure to the underlying price of the commodity. We believe the royalty model is more suitable for a quality-growth mandate. To fund our position in Osisko, we trimmed our position in Agnico Eagle Mines Ltd.

In terms of shareholder engagement in the second quarter:

- The second quarter saw the continuation of Vancity Investment Management Ltd.'s (VCIM) climate and governance engagements with the Canadian banks:
  - We attended the annual general meetings (AGM) of The Toronto-Dominion Bank (TD), Canadian Imperial Bank of Commerce (CIBC), Bank of Montreal (BMO) and Royal Bank of Canada (RBC) to present our shareholder proposals on disclosing CEO to median worker pay ratio. At TD, 12.6% voted in favour of our proposal, at RBC 11.41% of shares were cast in our favour, at CIBC we received 10.5% and at BMO that figure was 10.86%.
  - On climate, we reached withdrawal agreements with both The Bank of Nova Scotia and RBC. As such, we only presented a shareholder proposal at the TD AGM. We were pleased with the results as almost one-third (28.6%) of shares were cast in favour of this proposal.
- Additionally, VCIM presented shareholder proposals at the Canadian National Railway Co. (CN) and Canadian Pacific Kansas City Ltd. (CPKC) AGMs. The proposals respectively pushed for work with unions to negotiate paid sick leave policies. At CPKC we received 13.37% in favour, and 9.92% at CN. Both proposals passed the threshold to refile.
- We continued our work on the Carbon Disclosure Project (CDP) non-disclosure campaign with a letter to Savaria Corp. The letter pushed them to disclose emissions with CDP.
- A letter was sent to Sleep Country Canada Holdings Inc. on human rights due diligence on its supply chains and how those can be maintained or improved.
- An engagement with Nutrien Ltd., was initiated on biodiversity and nature as a part of the Nature Action 100 (NA100) campaign. We are working with multiple other investors to push the company to improve on biodiversity disclosure and practices.
- VCIM signed a statement on plastic pollution to demonstrate support from the financials sector for an ambitious international legally binding instrument to end plastic pollution, and to set out what a robust agreement would include from the perspective of the financials sector.

IA Clarington Inhance Canadian Equity SRI Class

We continue to remain aware of the ever-changing macroeconomic environment, interest rates, inflation and the spillover impacts of the upcoming U.S. presidential election. While the market moves higher and reaches new highs, we will look to take advantage of market volatility, turning over as many rocks as possible looking for new companies with high barriers to entry that provide mission-critical services and/or products that will help us compound shareholder value over the long term. As always, we will remain true to our process of investing in ESG-focused companies with sustainable and growing competitive advantages.

Fund and benchmark performance as at June 30, 2024	1 year	3 year	5 year	10 year
IA Clarington Inhance Canadian Equity SRI Class – Series A	7.0%	0.4%	5.7%	4.5%
S&P/TSX Composite Index	12.1%	6.0%	9.3%	6.9%

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/TSX Composite Index, which 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 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 are historical annual compounded total returns.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.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.