IA Clarington Inhance Canadian Equity SRI Class

Manager commentary – Q4 2024

The S&P/TSX Composite Index increased +3.76% on a total-return basis, driven by information technology (+22.2%), financials (+6.6%) and energy (+6.6%), while the remaining sectors underperformed the broader index. Higher valuations were supported by the Bank of Canada's decision to cut rates by 50 basis points (bps) in October and December, reducing the policy rate from 4.25% to 3.25% during the quarter.

IA Clarington Inhance Canadian Equity SRI Class (the "Fund") returned +1.60% on a gross-of-fee basis but underperformed the benchmark during the period. Although the Fund held an overweight sector allocation to information technology, we didn't own Celestica Inc. (+91.9%) and Blackberry Ltd. (+53.4%), and the Fund was marginally underweight Shopify Inc. (+41.2%). The energy and financials sectors were also a drag on performance. Other drivers of underperformance were poor security selection within the industrials sector and a decline in the share price of DRI Healthcare Trust, which remains a top-five active weight (the difference between the weight of a security held in the fund relative to its benchmark).

On an absolute basis, the Fund had several stand-out performers, including Shopify (+41.2%), Lumine Group Inc. (+30.2%), Exchange Income Corp. (+15.8%), Bank of Montreal (+15.7%), Mastercard Inc. (+13.7%) and ATS Corp. (+11.7%). We continue to see quality businesses delivering strong earnings and believe share price performance will follow in the years ahead.

During the quarter, the Fund made several portfolio changes.

- The Fund removed **Nike Inc.,** which was a small position (less than 50 bps) as we look to increase the quality of the Fund's U.S. exposure.
- The Fund sold its position in **Air Products & Chemicals Inc.** and initiated a position in **Microsoft Corp.**, which is one of the highest-quality businesses globally. We believe this increases the quality the Fund's U.S. exposure. Air Products & Chemicals was a small position at the time of sale.
- The Fund sold down its position in **Savaria Corp.** after a significant re-rating in the shares. Savaria management raised equity at $14.50 in September 2023, which we viewed as a poor valuation to dilute shareholders. We were happy to sell our shares at $21-23 per share in November 2024.
- A small position was initiated in **Stantec Inc.**, which is a competitor to WSP Global Inc. (sold previously for ESG-related reasons). The two businesses share similar characteristics and are supported by attractive industry tailwinds. Stantec is a high-quality business with double-digit returns, expanding margins, and strong organic growth coupled with merger & acquisition opportunities.
- The Fund also added **Sun Life Financial Inc.** and partially closed the life insurance underweight position. Sun Life is a good business that outlined strong growth and Return on Equity (a

financial performance metric that measures a company's ability to generate profit from its shareholders' equity) targets at its recent investor day. Although we prefer Property & Casualty insurance (Intact Financial Corp.) long-term, we are seeking to limit our relative performance volatility by adding the highest-quality life insurance business. We intend to build up this position over time when the market provides attractive opportunities.

In terms of shareholder engagement in the fourth quarter:

- We filed shareholder proposals with RBC, TD Bank and BMO requesting the disclosure of how vertical pay metrics are used in setting executive compensation. This proposal broadens our previous request for the disclosure of the CEO to median pay ratio to focus on the process rather than specific figures. Following our submission, we have also had initial meetings with RBC and BMO to share thoughts. Meeting with TD Bank is scheduled for the next quarter.
- Working with the Investor group Investors for Paris Compliance and Green Century Capital Management, we co-filed a proposal with TD Bank calling for an independent review of TD's board governance policies and director selection criteria, specifically with regards to expertise on climate matters.
- We had an initial meeting with Dollarama to better understand the wage practices of the company. We encouraged the company to consider being a living wage employer. The company was receptive to doing more research and requested further information to be shared, which we provided.

We continue to remain aware of the ever-changing macroeconomic environment, interest rates, inflation, and the spillover impacts of the Canadian and U.S. political situation. 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 can help us to 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 December 31, 2024	1 year	3 year	5 year	10 year
IA Clarington Inhance Canadian Equity SRI Class - Series A	12.4%	1.6%	6.4%	5.4%
S&P/TSX Composite Index	21.7%	8.6%	11.1%	8.6%

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 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.