IA Clarington Inhance Global Equity SRI Class

Manager commentary – Q4 2024

The U.S. presidential election dominated news headlines over the period, leading to equities taking a pause in October as uncertainties mounted ahead of the election. However, it quickly rebounded in November following the outcome of the election, as investors cheered the potential boost in corporate earnings from Republican policies such as tax cuts and deregulations. The rally was temporary, as stocks retreated once again in December amid concerns around the potential impacts the changing U.S. trade policy may have on global economic and inflation growth rates. Nevertheless, 2024 was a remarkable year for the stock markets. U.S. stocks outperformed the rest of the world, fueled by robust earnings, healthy economic growth, ongoing momentum from the artificial intelligence (AI) trade, and central bank monetary policy easing.

IA Clarington Inhance Global Equity SRI Class/Fund (the "Fund") gained 4.60% on a gross-of-fee basis in the fourth quarter of 2024, but trailed the MSCI World Index (CAD), which advanced 6.29%. Security selection was the primary driver of underperformance, led by the information technology (IT), financials and health care sectors. Within IT, the Fund's position in CDW Corp. was the biggest detractor. Not holding Broadcom Inc., as well as our underweight position in NVIDIA Corp., also negatively impacted relative returns. In the financials sector, many of the Fund's holdings, such as S&P Global Inc., Brown & Brown Inc., and Marsh & McLennan Cos. Inc. underperformed, while another detractor was not holding bank stocks that strongly performed given prospects of banking deregulation in 2025 following Trump's re-election. Lastly, weak security selection in the health care sector was attributable to Elevance Health Inc., Danaher Corp., and Novo Nordisk AS. In contrast, the Fund benefited from strong selection in the communication services sector, specifically Nintendo Co. Ltd. and Alphabet Inc. that posted double-digit returns over the period. Dino Polska SA and Costco Wholesale Corp. in the consumer staples sector, in addition to Copart Inc. and Wolters Kluwer NV in the industrials sector, also contributed positively. Sector allocation, meanwhile, helped partially offset disappointments at the stock level. The main contributions came from the Fund's underweight allocation to health care and materials, overweight allocation to financials, and zero weight in utilities.

During the fourth quarter, the Fund initiated a small position in NVIDIA Corp. and Moody's Corp., and increased the position size in Linde Plc. These purchases were funded by eliminating Hong Kong-based life insurer AIA Group Ltd., and trimming Apple Inc. and CarMax Inc.

- **NVIDIA** is uniquely positioned to capitalize from several transformative technology trends, particularly AI and accelerated computing, which are driving sales of high-performance graphic processing chips (GPUs) to data centres that deploy computing infrastructure for cutting edge AI uses. The company has created a robust ecosystem that includes not only GPUs, but also software platforms like Compute Unified Device Architecture (CUDA), which is deeply integrated in chip programming, thus creating high switching costs for customers. While the company exhibits strong revenue growth, its premium valuation multiple warrants a measured approach, particularly as the semi-conductor has historically exhibited significant cyclicality. By holding a small position, the Fund can gain exposure to NVIDIA's long-term growth drivers, while managing risks associated with valuation and the fast-evolving technology landscape.

- **Moody's** provides credit ratings, research, tools, and analysis to the global capital markets. Its two operating segments – Moody's Investors Service and Moody's Analytics – capitalize on secular trends such as increasing regulatory requirements, global debt issuance, and the rising need for sophisticated financial data and analytics. The company's consistent revenue growth, strong free cash flow generation, and disciplined capital allocation, including strategic acquisitions, further enhance its investment appeal. Despite potential cyclical headwinds from fluctuating bond issuance volumes, Moody's diverse and mission critical offerings, sticky customer base, and long-term structural tailwinds position it well for sustainable growth and resilience in various market conditions.
- While **AIA'**s operating results have been robust with impressive new business value growth, we have grown frustrated at the disconnect between its fundamentals and share price performance. We fail to see a catalyst for this gap to close and, as such, have fully eliminated our position.

In terms of shareholder engagement in the fourth quarter:

- Costco met with us to provide an update on their efforts to pilot a biodiversity mapping on one of their supply chains. We hope to see more from Costco in the coming years and will continue the conversation.
- As a part of a World Benchmarking Alliance campaign, we had an investor group meeting with Adobe to discuss their Responsible AI policy. Adobe was open to share their AI oversight approach, which appeared quite robust.

Looking ahead, we expect planned U.S. protectionist policies (such as tariffs), de-regulation and lower corporate tax rates to increase the economic growth prospects of the U.S. relative to the rest of the world, but do see potential for added inflationary pressure and a slower U.S. Federal Reserve easing cycle. We expect central bank easing cycles to remain in place but see potential for long-term interest rates to move higher as demand for capital rises from global fiscal deficits.

While rising uncertainty around the direction of long-term rates, inflation and proposed changes to U.S. trade policy could pose a headwind to markets, current central bank easing, positive economic and earnings growth forecasts, as well as the proposed pro-growth initiatives by the U.S., provide a supportive investment climate for equity investing. As always, we will remain true to our process of investing in companies that are operating in a sustainable socially responsible way with strong balance sheets and resilient business models and turning over as many rocks as possible.

IA Clarington Inhance Global Equity SRI Class

Fund and benchmark performance as at December 31, 2024	1 year	3 year	5 year	10 years
IA Clarington Inhance Global Equity SRI Class - Series A	18.1%	4.0%	10.7%	9.9%
MSCI World Index^ (CAD)	29.4%	11.0%	13.5%	12.3%

For definitions of technical terms, visit iaclarington.com/glossary or speak with your investment advisor.

^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 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 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.

IA Clarington Inhance Global Equity SRI Class