

IA Clarington Inhance Global Equity SRI Class

Manager commentary – Q2 2024

After a strong first quarter, the equity markets trended downwards in the first half of April, before rebounding. Despite a shaky start, global equities, as measured by the MSCI World Index (CAD), ended the period with a return of 3.78%. Gains were fueled by optimism surrounding potential interest-rate cuts and excitement about artificial intelligence (AI). Seven of the 11 sectors were higher, with information technology and communication services continuing their impressive year-to-date performance as companies that are exposed to AI, such as NVIDIA Corp., Apple Inc., Microsoft Corp., Broadcom Inc. and Alphabet Inc., outperformed the broader market. The energy required for AI tasks is expected to increase substantially over the next several years, with one study stating that it is already accelerating at an annual growth rate of 26-36%, putting even more pressure on already-stressed electrical grids. This has led to increased investor interest in the utilities sector, which has outperformed the broader index over the past few months.

IA Clarington Inhance Global Equity SRI Class/Fund's (the "Fund") lack of exposure to index heavyweight NVIDIA detracted from relative benchmark performance. Although NVIDIA is seeing unprecedented growth given its leadership in AI, we don't own the stock because the semiconductor industry is still considered as high risk owing to its cyclical nature and ties to the capital expenditure cycle and consumer spending. There are also other uncertainties, including the long-term demand for the company's processors and whether it could lap its elevated comps and sustain its triple-digit growth. At Vancity Investment Management Ltd (VCIM), our preference is to invest in businesses with a consistent track record of strong revenue and earnings growth, and stable balance sheets to weather downturns.

Other laggards within the information technology sector included CDW Corp., which detracted alongside the information technology services subsector amid continued headwinds related to technology spending, and salesforce.com inc., which declined after releasing disappointing revenue and guidance. Elsewhere, LVMH Moët Hennessy Louis Vuitton SE. and CarMax Inc. within the consumer discretionary sector, as well as Adyen NV in the financials sector, also weighed on relative performance. Conversely, the impact of sector allocation was overall positive, driven by the Fund's overweight allocation to the information technology sector and zero-weight in materials and energy stocks. Individually, Alphabet Inc., Costco Wholesale Corp., Novo Nordisk A/S., Waste Connections Inc. and Trane Technologies PLC were the top contributors.

During the second quarter, the Fund established new positions in Swedish industrial serial acquirer AddTech AB, French luxury design house Hermès International SA, global leader in insurance broking and risk advisor Marsh & McLennan Cos. Inc., European vertical market software provider Topicus.com Inc., North American waste services company Waste Connections Inc., and Dutch information services company Wolters Kluwer NV. Purchases were funded from the sale of Autodesk Inc., Enphase Energy Inc., Home Depot Inc., Lululemon Athletica Inc., salesforce.com Inc., Sony Group Corp., Starbucks Corp., Waste Management Inc. and West Pharmaceutical Services Inc.

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In terms of shareholder engagement in the second quarter:

- As a part of Climate Action 100+ (CA100+) we continued out engagement with Trane Technologies. The company continues to excel in climate work and prepping for the energy transition.
- A letter was sent to Amazon.com Inc. in support of the GMB Union in Coventry, UK.
- A meeting was held with Lululemon as a part of the Valuing Water Finance Initiative along with multiple other investors. The company took a keen interest in the work as it fits well with other environmental initiatives they have under taken.
- An inaugural Nature Action 100 meeting was held with Costco. The meeting was to introduce them to the initiative and familiarize them with the recently published benchmark.
- 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 financial sectors.

Looking ahead, we remain positive on the equity markets, supported by a lower inflationary picture, current and potential future central bank easing, and a growing economic environment. Although a policy easing cycle has started in many regions, we expect markets will remain sensitive to shifts in the expected timing, frequency and size of future interest rate cuts. Furthermore, we should see a continued ramp in the build out of AI infrastructure and expanded corporate planning around the application of AI in their businesses. We believe companies with strong governance practices are best positioned to manage the ESG-related risks associated with the expansion of AI.

Fund and benchmark performance as at June 30, 2024	1 year	3 year	5 year	10 years
IA Clarington Inhance Global Equity SRI Class – Series A	18.7%	4.2%	11.2%	9.9%
MSCI World Index (CAD) ¹	24.3%	10.5%	12.8%	11.9%

For definitions of technical terms in this piece, please visit iaclarington.com/glossary and speak with your investment advisor.¹Source: 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

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benchmark, the MSCI World Index (CAD), 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.

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