# NEI ESG Canadian Enhanced Index Fund

## Q4 2023 Commentary

## Performance

The Fund (Series I) underperformed its benchmark over the quarter.

In Q4/2023, fixed income and equities delivered positive returns. Key themes impacting both asset classes were strong economic growth, a continuing downward trend in inflation, and expectations of eventual interest rate cuts materializing in 2024. Fixed income markets delivered positive returns, on the back of slowing inflation and expectations of a more dovish Fed in 2024. November registered the best month for bonds since 1985. Spreads on investment grade and high yield bonds dropped materially over the quarter. Equities also delivered broadly positive returns, rising rapidly higher from lows set in end October. Strong economic activity, a slowing but nonetheless robust labour market, and greater expectations of rate cuts in 2024 were tailwinds. Within equities: Canada, US and Europe performed well, while Japan and Emerging Markets lagged. From a factor standpoint, Value outperformed in the US while Growth outperformed in International equities. From a sector/industry standpoint, rate sensitives such as Real Estate and Industrials outperformed as did Information Technology. Energy and defensive market areas such as Healthcare and Consumer Staples lagged given the strong risk-on sentiment, and the US Dollar Index dropped from its early October highs.

### Returns

| Fund | 3 months | 6 months | YTD | 1 year | 3 years | 5 years | 10 years | Since inception[1] |
|---|---|---|---|---|---|---|---|---|
| NEI ESG Canadian Enhanced Index I | 7.85 | 5.13 | 11.07 | 11.07 | 9.68 | 9.62 | | 8.15 |
| NEI ESG Canadian Enhanced Index A | 7.36 | 4.17 | 9.07 | 9.07 | 7.70 | 7.55 | 5.31 | |
| NEI ESG Canadian Enhanced Index F | 7.68 | 4.81 | 10.40 | 10.40 | 9.00 | 8.89 | 6.53 | |
| Benchmark 1: Solactive Canada Broad Market Index (Linked)br | 7.91 | 5.73 | 11.62 | 11.62 | 9.83 | 11.71 | 8.30 | |

[1]Source: Morningstar. As of Dec 31, 2023. Since inception is only provided for Funds with less than 10 years of performance. Since inception benchmark returns for Series I is 9.93%.

On May 1, 2020, the Fund's investment objectives and strategies were changed to provide that the holdings of the Fund would be based on a proprietary index which focusses on Canadian companies with an enhanced environmental, social and governance profile.

The performance of this Fund for the period prior to this date may have been different had the current investment objectives and strategies been in place during that period.

On April 30, 2020 the fund benchmark was changed. Prior to this date, the fund benchmark was 100% S&P/TSX 60 TR Index.

## Portfolio commentary

Stock selection was a negative for the Fund over the period, particularly within the Materials, and Consumer Staples sectors. On the other hand, selection within the Information Technology sector contributed to performance. Specific names that contributed to performance include the Fund's overweight to Agnico Eagle, Kinross Gold and Shopify. On the other hand, the exclusion of Barrick Gold, and Alimentation Couche-Tard detracted from performance.

## Outlook

Looking past peak rates, 2024 will likely usher in the beginning of a new monetary policy regime that should be generally supportive of both equities and fixed income. However, slowing global growth, the possibility of a recession and heightened geopolitical risks warrant a cautious approach. parts of the Canadian market can continue to thrive in this era of higher inflation and interest rates. This includes oil and gas producers and select technology stocks. Businesses with durable free cash flow, balance sheet strength, and proven management are companies that can potentially perform better in such an environment.

This material is for informational and educational purposes and it is not intended to provide specific advice including, without limitation, investment, financial, tax or similar matters. The views expressed herein are subject to change without notice as markets change over time. For complete information about a mutual fund managed by NEI Investments, please refer to the fund's simplified prospectus and/or Fund Facts which can be downloaded at www.neiinvestments.com.

Series F units are only available to investors who participate in eligible fee-based programs with their registered dealers that have entered into a Series F Distribution agreement with NEI Investments.

Series I have high minimum investment requirements and are typically aimed at institutional investors (such as pension plans) or investors making large investments in the fund. Funds in these series generally have lower management fees than the retail series of the same fund.

Information herein is believed to be reliable but NEI does not warrant its completeness or accuracy. Views expressed regarding a particular security, industry or market sector should not be considered an indication of trading intent of any funds managed by NEI Investments. Forward-looking statements are not guaranteed of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Do not place undue reliance on forward-looking information.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in units value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

NEI Investments is a registered trademark of Northwest & Ethical Investments L.P. (“NEI LP”). Northwest & Ethical Investments Inc. is the general partner of NEI LP and a wholly-owned subsidiary of Aviso Wealth Inc. (“Aviso”). Aviso is the sole limited partner of the NEI LP. Aviso is a wholly-owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited.

For more performance related information about a mutual fund managed by NEI Investments, please visit the prices and performance page on neiinvestments.com.