NEI Global Equity RS Fund

Q1 2024 Commentary

Performance

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

Global equity markets continued to rise in Q1 with the US and Japan posting the strongest gains. At the sector level, Information Technology and Communication Services led the way, while Real Estate, Utilities and Materials were the laggards.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception[1]
NEI Global Equity RS Fund Series I	12.38	23.04	12.38	24.15	7.71	10.58	10.62	N/A
NEI Global Equity RS Fund Series A	11.74	21.61	11.74	21.24	5.18	8.02	7.95	N/A
NEI Global Equity RS Fund Series F	12.03	22.25	12.03	22.55	6.30	9.12	9.13	N/A
Benchmark 1: MSCI ACWI NR Index (C$)	11.04	20.25	11.04	23.21	9.62	11.20	11.03	N/A

[1]Source: Morningstar. As of March 31, 2024. Since inception is only provided for Funds with less than 10 years of performance.

On August 1, 2018 the fund benchmark was changed. Prior to this date, the fund benchmark was 30% FTSE Canada Universe Bond Index, 14% S&P/TSX Composite TR Index and 56% MSCI World NR Index (C$).

Portfolio commentary

From a sector viewpoint, the largest contributions to relative returns came from selection in Information Technology, Industrials, Consumer Discretionary and Financials, while Health Care and Energy detracted the most. From a regional perspective, selection in North America, Europe and Emerging Asia was successful, while Japan and Asia Pacific ex Japan were notable detractors.

Within the Fund, UniCredit, ASML and Walt Disney were the largest contributors. There was also a significant contribution from Tesla, which is not a holding. UniCredit reported strong results with better- than-expected net profits and capital distribution, driven by better net interest income and lower costs. The company also raised its 2024 guidance. ASML reported decent Q4 results with the company highlighting very strong order intake, driven by its EUV business. Walt Disney reported strong results with earnings and guidance for FY 2024 significantly better-than-expected.

Zoetis, AIA Group and Norsk Hydro were the largest detractors within the Fund. Meta Platforms, which is not held, was also a significant detractor. Zoetis declined alongside Growth companies as expectations for interest rate cuts moderated. AIA Group reported solid results with the company seeing strong new business in Hong Kong and China, but a lack of clarity on future share buybacks weighed on sentiment. Norsk Hydro reported disappointing results, driven by weakness in the metals market and Energy, while quarterly guidance was slightly lower than expected.

Outlook

The latest inflation data in the US has taken a June rate cut off the table. The Federal Reserve's dot-plot now suggests two rate cuts this year, down from six at the start of 2024, as policymakers aim to achieve their two percent inflation target.

The market reacted negatively to the inflation print as many believe the upside to interest rate cuts has been priced in. However, the sub-advisor views that as true only in the Mega Cap space and feel broadly positive on markets. Buoyed by a strong economy, they expect a wider set of beneficiaries to come to the fore. Corporate earnings remain robust and should broaden in H2, while the prospect of two rate cuts, means that financing should also become cheaper.

Over the longer-term, they remain confident in the prospects for sustainable themes, many of which continue to look attractively valued compared to their history. The Fund has exposure to several that provide a diverse range of opportunities across the style spectrum, which fits the aim of remaining diversified and managing top-down macro and style exposures.