

# NEI Global Impact Bond Fund

## Q1 2024 Commentary



### Performance

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

Global fixed income markets generated negative total returns during the first quarter, as measured by the Bloomberg Global Aggregate Index. Stronger-than-expected economic data, including persistent inflation pressures, pushed out the expected timing of central bank rate cuts. Resilient consumer spending and strong corporate earnings helped propel further spread tightening across most fixed income sectors. Most currencies depreciated versus the US dollar (USD).

### Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception <sup>1</sup>
NEI Global Impact Bond Fund Series I	0.77	7.06	0.77	5.64	-1.21	N/A	N/A	-0.69
NEI Global Impact Bond Fund Series A	0.43	6.31	0.43	4.15	-2.61	N/A	N/A	-2.08
NEI Global Impact Bond Fund Series F	0.56	6.62	0.56	4.75	-2.06	N/A	N/A	-1.53
<i>Benchmark 1: Bloomberg Barclays Global Aggregate Index (C\$ hedged)</i>	-0.14	5.52	-0.14	3.33	-1.70	N/A	N/A	-1.72

<sup>1</sup>Source: Morningstar. As of March 31, 2024. The benchmark since inception return in the table is calculated as of the inception date of Series A. Since inception benchmark returns for Series F and Series I are -1.72 and -1.72, respectively.

### Portfolio commentary

Exposure to developed market credit and municipal bonds had the biggest positive impacts on relative performance.

The Fund continues to be positioned with an underweight to investment grade corporate credit, with a bias to be overweight non-US and underweight US corporates. It maintained out of benchmark allocations to emerging markets and high yield credit, each of which benefited relative performance. This allocation includes the global green bond allocation.

Within the government related sector, the Fund continued to be positioned with an underweight to traditional sovereign debt and overweight to government related issuers such as international development banks and foreign local agencies. Overall, this positioning had a favorable impact on relative performance.

In the first quarter of 2024, the Fund capitalized on attractive valuations and furthered the sub-advisor's impact themes across multiple sectors by investing in new issuances. The sub-advisor added a corporate bond issued by Eolo SpA to support the Digital Divide theme. Eolo SpA, a leading provider of wireless communication, internet, and broadband services in Italy, plays a critical role bridging the digital divide in the country. The company's services contribute to social inclusion, reducing structural inequality, and provide opportunities for economic empowerment by expanding and continuing access to telecommunications services in underserved rural areas. The sub-advisor also invested in an asset-backed security from Mosaic Solar Loans to further the Resource Efficiency theme. Mosaic Solar Loans, a leading US solar loan originator for the residential solar market, addresses the significant upfront costs that some homeowners face for accessing renewable energy by increasing access to financing options for homeowners. This enables energy-efficient home improvements, which can reduce GHG emissions and slow climate change. This business model could also be supported by policy tailwinds over time, given increasing public support for scaling renewable power generation, building "distributed energy" infrastructure, and improving accessibility to financing for previously underserved homeowners and businesses. Finally, the sub-advisor added a corporate green bond issued by Equinix Inc. to further the Resource Efficiency theme. Equinix Inc, the world's largest publicly traded carrier-neutral data center provider, plays a pivotal role in managing a significant amount of global internet traffic. The proceeds from the issuer's green bonds are allocated specifically for the construction and operation of data centers with a power usage effectiveness (PUE) of 1.45 or below,

which is significantly more efficient than the industry average, thereby yielding positive environmental outcomes and setting the standard for others within this sector.

## Outlook

The sub-advisor believes that resilient consumer spending should support a soft-landing scenario for the US economy. Inflation has proven persistent but should further decelerate, with signs of a more balanced labor market easing upward pressure on wages. The Fed is biased toward policy accommodation and will likely guard more against downside growth and labor market concerns compared to upside inflation risks. Corporate fundamentals appear to have stabilized, although margins are likely to come under pressure as pricing power subsides. Spreads appear tight, but elevated yields should continue to bolster demand for fixed income.

The sub-advisor maintains an underweight to IG credit due to better observed opportunities in various out-of-benchmark sectors, including high-quality securitized credit (residential housing benefits from low supply), BB high yield (more insulated from default risk than CCCs), and select emerging markets (where they see compelling valuations and improving fundamentals). The sub-advisor is overweight agency MBS (focus on relative value opportunities and enhancing cash flow stability).

The sub-advisor continues to be excited about today's historically high yields and believe there will be upside potential from taking advantage of credit market dislocations as they arise.

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](http://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](http://neiinvestments.com).