

NEI International Equity RS Fund

Q1 2024 Commentary



Performance

The Fund (Series I) underperformed the benchmark for the quarter.

The Information Technology sector continued the strong performance seen through the end of 2023. It led the way in the first quarter of 2024. Consumer Discretionary and Financials rounded out the top three. The worst performing sectors were Utilities and Consumer Staples. The Energy sector lagged the overall benchmark for the period.

While some European equity indexes, such as the French CAC 40, reached new all-time highs, European equities overall continued to lag the US and Japan. The Japanese market returned another solid quarter of performance. During the quarter, the Nikkei 225 surpassed the previous record high reached in 1989.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception ¹
NEI International Equity RS Fund I	6.21	15.21	6.21	11.73	5.10	6.47	7.20	N/A
NEI International Equity RS Fund A	5.62	13.90	5.62	9.17	2.68	4.02	4.63	N/A
NEI International Equity RS Fund F	5.90	14.53	5.90	10.39	3.84	5.14	5.75	N/A
Benchmark 1: MSCI EAFE NR CAD	8.56	16.92	8.56	15.31	7.40	7.60	6.95	N/A

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

Portfolio commentary

From a sector allocation perspective, the lack of exposure to the Utilities and Energy sectors positively contributed to the Fund's relative return; however, this was offset by weak security selection. Holdings in the Health Care sector detracted the most to overall performance. Specifically, Grifols (Spain, biotech) was the worst performing stock in the first quarter of 2024. Financials detracted from performance both from an allocation and from a security selection perspective.

In terms of transactions in Q1 2024, the sub-advisor crystallized gains by trimming the existing positions in SAP (Application Software). The Fund continued building its recently initiated position in Resmed (Health Care Equipment). In addition, it also added to positions in Capgemini (IT services), Fresenius (Health Care Services), Nestlé (Packaged Food) and Worldline (Transaction & Payment Processing Services). These additions were based on valuation opportunities for these names.

Two names were liquidated over the period: Grifols (Biotech) and Reckitt Benckiser (Household Products). A short seller released two reports during the quarter targeting Grifols with accusations about its accounting practices. Grifols' earnings had been on a recovery path post-pandemic. However, following the attacks by the short seller, the stock price performance is no longer driven by fundamentals, hence the sub-advisor chose to liquidate the position. Reckitt's growth profile has decelerated, and the sub-advisor does not believe it can get back to its past level, they see better opportunity elsewhere in the Fund. They also sold Pluxee, a spin-off of Sodexo.

Outlook

Given the investment criteria and portfolio characteristics, most of the companies in the Fund are well-equipped to respond to short-term volatility. In most cases, these events do not alter the underlying long-term fundamentals of the investment themes. The sub-advisor is committed to continually upgrade the risk/return profile of the Fund and act on market disconnections as opportunities arise.

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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.

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