

# NEI

NEI Funds

# **Audited annual financial statements**

September 30, 2023



# Management's Responsibility for Financial Reporting

The accompanying financial statements of the NEI Funds have been prepared by Northwest & Ethical Investments L.P. (the "Manager"), as Manager of the Funds, and have been approved by the Board of Directors of Northwest & Ethical Investments Inc., acting as general partner of Northwest & Ethical Investments L.P. The Manager is responsible for the information and representations contained in these financial statements.

The Manager has taken the necessary measures to ensure that relevant and reliable financial information is reported. The financial statements have been prepared in accordance with International Financial Reporting Standards and necessarily include certain amounts that are based on estimates and judgments. The significant accounting policies which the Manager believes are appropriate are described in Note 2 to the financial statements.

The Board of Directors is responsible for reviewing and approving the financial statements as well as overseeing the Manager's performance of its financial reporting responsibilities. It meets with the external auditors of the NEI Funds to review the financial statements, the audit process and financial reporting. It also approves these financial statements for publication.

Ernst & Young LLP is the external auditor of the NEI Funds. They have audited the financial statements in accordance with International Financial Reporting Standards for the purpose of expressing to the unitholders their opinion on these financial statements. Their Report is found on the following page.

Signed on behalf of the Board of Directors of  
**Northwest & Ethical Investments Inc.**,  
acting as general partner of  
**Northwest & Ethical Investments L.P.**  
as Manager and Trustee



William Packham  
President and Chief Executive Officer



Rodney Ancrum  
SVP, Chief Financial Officer and Chief Administrative Officer

December 13, 2023

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of:

NEI Money Market Fund	NEI Environmental Leaders Fund
NEI Canadian Bond Fund	NEI Clean Infrastructure Fund
NEI Canadian Impact Bond Fund	NEI International Equity RS Fund
NEI Global Impact Bond Fund	NEI Emerging Markets Fund
NEI Global Total Return Bond Fund	NEI Select Income RS Portfolio
NEI Global High Yield Bond Fund	NEI Select Income & Growth RS Portfolio
NEI Conservative Yield Portfolio	NEI Select Balanced RS Portfolio
NEI Balanced Yield Portfolio	NEI Select Growth & Income RS Portfolio
NEI Global Sustainable Balanced Fund	NEI Select Growth RS Portfolio
NEI Growth & Income Fund	NEI Select Maximum Growth RS Portfolio
NEI Canadian Dividend Fund	NEI Impact Conservative Portfolio
NEI Canadian Equity RS Fund	NEI Impact Balanced Portfolio
NEI Canadian Equity Fund	NEI Impact Growth Portfolio
NEI ESG Canadian Enhanced Index Fund	NEI Income Private Portfolio
NEI U.S. Dividend Fund	NEI Income & Growth Private Portfolio
NEI U.S. Equity RS Fund	NEI Balanced Private Portfolio
NEI Canadian Small Cap Equity RS Fund	NEI Growth Private Portfolio
NEI Canadian Small Cap Equity Fund	NEI Fixed Income Pool
NEI Global Dividend RS Fund	NEI Canadian Equity Pool
NEI Global Value Fund	NEI Global Equity Pool
NEI Global Equity RS Fund	NEI Managed Asset Allocation Pool
NEI Global Growth Fund	

(collectively, the "Funds")

### Opinion

We have audited the financial statements of the Funds, which comprise the statements of financial position as at September 30, 2023 and 2022, and the statements of comprehensive income, statements of changes in financial position and statements of cash flows for the years (periods, as applicable) then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Funds as at September 30, 2023 and 2022, and their financial performance and their cash flows for the years (periods, as applicable) then ended in accordance with International Financial Reporting Standards (IFRSs).

### Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Funds in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other Information

Management is responsible for the other information. The other information comprises the Management Report of Fund Performance of the Funds. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

We obtained the Management Report of Fund Performance of the Funds prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact in this auditor's report. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Financial Statements**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Funds' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Funds or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Funds' financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Funds' internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Funds' ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Funds to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Toronto, Canada  
December 13, 2023

The signature of Ernst & Young LLP is written in a black, cursive script.

Chartered Professional Accountants  
Licensed Public Accountants

# NEI ESG Canadian Enhanced Index Fund

## STATEMENTS OF FINANCIAL POSITION

As at September 30

	2023	2022
	\$	\$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	3,097,013	995,465
Investments at fair value through profit or loss (FVTPL)	313,648,637	285,440,529
Subscriptions receivable	285,602	300,386
Interest, dividends and other receivables	852,298	673,588
	<u>317,883,550</u>	<u>287,409,968</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued expenses	14,208	13,038
Redemptions payable	280,488	366,841
	<u>294,696</u>	<u>379,879</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>317,588,854</u>	<u>287,030,089</u>
<b>Data per Series (Note b)</b>		
<b>Series A</b>		
Net assets attributable to holders of redeemable units	<u>12,989,614</u>	13,878,842
- per unit	<u>24.51</u>	23.20
<b>Series F</b>		
Net assets attributable to holders of redeemable units	<u>4,230,367</u>	4,078,130
- per unit	<u>25.37</u>	23.96
<b>Series I</b>		
Net assets attributable to holders of redeemable units	<u>258,601,555</u>	232,680,920
- per unit	<u>12.65</u>	11.97
<b>Series O</b>		
Net assets attributable to holders of redeemable units	<u>26,322,797</u>	22,336,037
- per unit	<u>16.34</u>	15.45
<b>Series P</b>		
Net assets attributable to holders of redeemable units	<u>8,058,979</u>	7,714,926
- per unit	<u>12.02</u>	11.38
<b>Series PF</b>		
Net assets attributable to holders of redeemable units	<u>7,385,542</u>	6,341,234
- per unit	<u>12.06</u>	11.40

Approved on behalf of the Board of Directors of  
**Northwest & Ethical Investments Inc.**,  
 acting as general partner of  
**Northwest & Ethical Investments L.P.** as Manager and Trustee



William Packham,  
 President and Chief Executive Officer



Rodney Ancrum,  
 SVP, Chief Financial Officer and Chief Administrative Officer

The accompanying Notes are an integral part of these financial statements.

# NEI ESG Canadian Enhanced Index Fund

## STATEMENTS OF COMPREHENSIVE INCOME

Years Ended September 30

	2023	2022
	\$	\$
<b>Income</b>		
Interest for distribution purposes	96,309	17,488
Dividends	10,624,126	9,219,852
Foreign exchange gain (loss) on cash	14,683	13,220
Net realized gain (loss) on investments	2,830,209	7,689,642
Changes in fair value:		
Net unrealized gain (loss) on investments	15,183,353	(33,903,887)
	<u>28,748,680</u>	<u>(16,963,685)</u>
<b>Expenses (Note 5)</b>		
Management fees	347,462	384,185
Independent review committee's fees	6,196	5,870
Administration fees	80,185	85,245
Sales taxes	45,771	50,237
	<u>479,614</u>	<u>525,537</u>
Withholding taxes	1,342	2,436
	<u>480,956</u>	<u>527,973</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>28,267,724</u>	<u>(17,491,658)</u>
<b>Data per Series</b>		
<b>Series A</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	1,130,201	(938,875)
- per unit	1.97	(1.48)
Weighted average units	<u>572,974</u>	<u>635,505</u>
<b>Series F</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	390,556	(311,351)
- per unit	2.31	(2.17)
Weighted average units	<u>169,020</u>	<u>143,373</u>
<b>Series I</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	23,289,982	(13,940,381)
- per unit	1.14	(0.73)
Weighted average units	<u>20,341,822</u>	<u>19,019,128</u>
<b>Series O</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	2,273,878	(1,191,357)
- per unit	1.43	(0.80)
Weighted average units	<u>1,588,486</u>	<u>1,493,360</u>
<b>Series P</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	601,210	(582,560)
- per unit	0.89	(0.80)
Weighted average units	<u>677,656</u>	<u>725,620</u>
<b>Series PF</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	581,897	(527,134)
- per unit	1.02	(0.99)
Weighted average units	<u>568,362</u>	<u>530,900</u>

The accompanying Notes are an integral part of these financial statements.

# NEI ESG Canadian Enhanced Index Fund

## STATEMENTS OF CHANGES IN FINANCIAL POSITION

Years Ended September 30

	Series A		Series F		Series I	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
<b>Net Assets Attributable to Holders of Redeemable Units, Beginning of Year</b>	<b>13,878,842</b>	17,285,766	<b>4,078,130</b>	3,382,070	<b>232,680,920</b>	235,998,911
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>1,130,201</b>	(938,875)	<b>390,556</b>	(311,351)	<b>23,289,982</b>	(13,940,381)
<b>Redeemable Unit Transactions</b>						
Proceeds from sale of redeemable units	1,011,219	1,520,692	1,880,509	3,169,704	26,721,014	23,087,809
Reinvested distributions	288,580	107,466	108,066	50,198	9,420,023	3,769,666
Amounts paid for redeemable units redeemed	(3,027,803)	(3,987,300)	(2,100,649)	(2,151,936)	(24,090,361)	(12,465,419)
	<b>(1,728,004)</b>	(2,359,142)	<b>(112,074)</b>	1,067,966	<b>12,050,676</b>	14,392,056
<b>Distributions to Holders of Redeemable Units</b>						
Net investment income	(188,949)	(108,907)	(96,689)	(60,555)	(7,646,597)	(3,769,666)
Net realized gain on sale of investments and derivatives	(102,476)	-	(29,556)	-	(1,773,426)	-
	<b>(291,425)</b>	(108,907)	<b>(126,245)</b>	(60,555)	<b>(9,420,023)</b>	(3,769,666)
<b>Net Assets Attributable to Holders of Redeemable Units, End of Year</b>	<b>12,989,614</b>	13,878,842	<b>4,230,367</b>	4,078,130	<b>258,601,555</b>	232,680,920

Years Ended September 30

	Series O		Series P		Series PF	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
<b>Net Assets Attributable to Holders of Redeemable Units, Beginning of Year</b>	<b>22,336,037</b>	25,720,445	<b>7,714,926</b>	9,013,332	<b>6,341,234</b>	5,489,138
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>2,273,878</b>	(1,191,357)	<b>601,210</b>	(582,560)	<b>581,897</b>	(527,134)
<b>Redeemable Unit Transactions</b>						
Proceeds from sale of redeemable units	3,528,147	3,456,594	1,459,504	1,660,259	2,241,643	3,398,508
Reinvested distributions	932,434	690,718	175,848	63,674	191,169	81,412
Amounts paid for redeemable units redeemed	(1,815,265)	(5,649,645)	(1,716,661)	(2,376,105)	(1,748,527)	(2,006,211)
	<b>2,645,316</b>	(1,502,333)	<b>(81,309)</b>	(652,172)	<b>684,285</b>	1,473,709
<b>Distributions to Holders of Redeemable Units</b>						
Net investment income	(752,990)	(690,718)	(121,607)	(63,674)	(172,625)	(94,479)
Net realized gain on sale of investments and derivatives	(179,444)	-	(54,241)	-	(49,249)	-
	<b>(932,434)</b>	(690,718)	<b>(175,848)</b>	(63,674)	<b>(221,874)</b>	(94,479)
<b>Net Assets Attributable to Holders of Redeemable Units, End of Year</b>	<b>26,322,797</b>	22,336,037	<b>8,058,979</b>	7,714,926	<b>7,385,542</b>	6,341,234

The accompanying Notes are an integral part of these financial statements.



# NEI ESG Canadian Enhanced Index Fund

## STATEMENTS OF CASH FLOWS

Years Ended September 30

	2023	2022
	\$	\$
<b>Cash Flows from (used in) Operating Activities</b>		
Increase (decrease) in Net Assets Attributable to Holders of Redeemable Units	28,267,724	(17,491,658)
Adjustments for:		
Foreign exchange (gain) loss on cash	(14,683)	(13,220)
Net realized (gain) loss on investments and derivatives	(2,830,209)	(7,689,642)
Net unrealized (gain) loss on investments and derivatives	(15,183,353)	33,903,887
Proceeds from sale/maturity of investments	37,798,459	57,411,540
Investments purchased	(47,985,620)	(74,848,402)
Interest, dividends and other receivables	(178,710)	(72,602)
Accrued expenses	1,170	(7,927)
<b>Net Cash Flows from (used in) Operating Activities</b>	<u>(125,222)</u>	<u>(8,808,024)</u>
<b>Cash Flows from (used in) Financing Activities</b>		
Proceeds from sale of redeemable units	36,856,820	36,325,332
Amounts paid for redeemable units redeemed	(34,585,619)	(28,573,914)
Distributions paid to holders of redeemable units, net of reinvested distributions	(51,729)	(24,865)
<b>Net Cash Flows from (used in) Financing Activities</b>	<u>2,219,472</u>	<u>7,726,553</u>
Effect of exchange rate changes on foreign cash	7,298	28,083
Increase (decrease) in cash/bank overdraft	2,101,548	(1,053,388)
Cash (bank overdraft), beginning of year	995,465	2,048,853
<b>Cash (Bank Overdraft), End of Year</b>	<u>3,097,013</u>	<u>995,465</u>
<b>Supplemental Information on Cash Flows from (used in) Operating Activities</b>		
Interest received	105,500	18,195
Dividends received, net of withholding taxes	10,434,909	9,145,223
Interest paid	-	43

The accompanying Notes are an integral part of these financial statements.

# NEI ESG Canadian Enhanced Index Fund

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2023

	NUMBER OF SHARES	COST \$	FAIR VALUE \$		NUMBER OF SHARES	COST \$	FAIR VALUE \$
<b>Canadian Equities (98.7%)</b>							
<b>Energy (17.7%)</b>							
Advantage Energy	8,925	27,501	82,759	SilverCrest Metal	21,548	202,511	129,288
Africa Oil	21,753	55,905	59,386	SSR Mining	29,977	616,908	540,785
ARC Resources	74,516	761,011	1,615,507	Stella-Jones	3,270	149,642	213,596
Athabasca Oil Corp	32,526	92,245	141,488	Teck Resources, Class B	61,930	1,915,072	3,620,428
Baytex Energy	76,909	176,007	460,685	Torex Gold Resources	12,524	209,909	176,964
Birchcliff Energy	14,638	122,215	113,298	Transcontinental, Class A	9,851	213,877	112,400
Canadian Natural Resources	121,008	4,437,811	10,629,343	Wesdome Gold Mines	20,762	200,906	147,203
Cenovus Energy	166,392	2,356,610	4,705,566	West Fraser Timber	8,007	706,693	789,570
Crescent Point Energy	60,551	274,148	681,804	Wheaton Precious Metals	66,119	3,158,447	3,644,479
Enbridge	241,062	11,290,554	10,859,843	Winpak	1,725	77,028	66,637
Enerflex	6,899	72,371	53,812			39,682,666	40,581,965
Enerplus	25,156	229,691	601,228	<b>Industrials (14.3%)</b>			
Freehold Royalties	8,426	130,297	123,862	AG Growth International	1,055	57,054	56,168
Gibson Energy	31,716	719,204	616,242	Air Canada	42,674	966,255	827,022
Imperial Oil	19,945	855,398	1,668,599	ATS	11,042	464,265	639,332
International Petroleum	4,844	69,124	62,633	Badger Infrastructure Solution	1,920	71,360	66,605
Keyera	25,646	751,423	817,851	Ballard Power Systems	27,137	588,318	135,685
MEG Energy	34,770	304,982	918,971	Bombardier, Class B	12,014	783,793	568,983
Nuvista Energy	19,103	58,855	248,339	Boyd Group Services	2,895	600,972	699,229
Paramount Resources	4,303	129,067	138,772	Canadian National Railway			
Parex Resources	12,772	259,752	325,558	Company	69,846	8,940,431	10,273,648
Parkland	18,948	626,050	752,804	Canadian Pacific Kansas City	111,010	10,009,125	11,207,570
Pason Systems	9,121	109,937	122,951	Cargojet	1,864	309,596	167,835
Pembina Pipeline	61,759	2,580,748	2,522,238	Exchange Income	4,896	237,327	219,537
Peyto Exploration & Development	9,440	111,178	129,234	Finning International	33,384	1,049,636	1,337,363
PrairieSky Royalty	26,512	368,714	661,740	GFL Environmental	18,571	718,907	800,967
Precision Drilling	1,503	129,525	136,788	Mullen Group	9,576	119,128	128,510
Secure Energy Services	32,737	132,675	244,218	RB Global	20,360	1,557,621	1,731,414
Suncor Energy	160,363	4,857,567	7,490,556	Richelieu Hardware	2,888	111,840	114,885
Tamarack Valley Energy	57,549	263,827	224,441	Russel Metals	3,467	87,653	131,815
TC Energy	112,320	6,073,872	5,246,467	SNC-Lavalin Group	20,893	791,427	946,662
Topaz Energy	10,407	202,340	223,022	Stantec	13,213	709,309	1,164,462
Tourmaline Oil	35,646	1,013,260	2,436,404	TELUS International	7,687	257,422	79,407
Vermilion Energy	19,606	308,799	389,571	TFI International	8,709	1,038,390	1,519,198
Whitecap Resources	67,589	352,777	775,246	Thomson Reuters	19,959	2,216,898	3,316,387
		40,305,340	56,281,226	Toromont Industries	11,192	1,133,083	1,238,059
				Waste Connections	28,842	4,595,891	5,259,916
				WSP Global	14,793	1,895,297	2,835,818
						39,310,998	45,466,477
<b>Materials (12.8%)</b>				<b>Consumer Discretionary (3.9%)</b>			
Agnico Eagle Mines	102,336	6,800,435	6,316,178	Aritzia	12,189	416,217	288,026
Alamos Gold, Class A	57,667	634,326	883,458	BRP	3,895	358,620	400,445
Algoma Steel Group	5,210	58,613	47,984	Canada Goose Holdings	5,861	268,670	116,751
B2Gold	288,259	1,511,747	1,124,210	Canadian Tire Corporation, Class A	7,091	1,172,803	1,035,641
Canfor	3,191	75,828	53,832	Dollarama	37,678	2,160,943	3,525,907
Capstone Copper	57,649	168,419	332,058	Gildan Activewear	19,606	745,411	746,400
CCL Industries, Class B	16,231	1,004,099	925,329	Linamar	2,272	148,646	148,657
Centerra Gold	48,989	484,800	325,287	Magna International, Class A	29,814	2,820,459	2,170,161
Dundee Precious Metals	42,220	334,610	354,648	MTY Food Group	2,728	176,718	158,279
Eldorado Gold	43,854	554,622	531,510	Park Lawn	3,820	110,639	71,358
Endeavour Silver	27,780	161,087	92,230	Pet Valu Holdings	2,063	68,472	50,317
Equinox Gold	41,744	394,399	238,358	Restaurant Brands International	38,115	2,898,097	3,447,502
Ero Copper	11,623	255,051	272,211	Sleep Country Canada Holdings	4,653	129,845	108,275
First Quantum Minerals	81,167	1,867,836	2,604,649	Spin Master	4,888	179,138	166,925
Fortuna Silver Mines	64,566	414,997	238,894			11,654,678	12,434,644
Franco-Nevada	27,846	4,876,259	5,049,315	<b>Consumer Staples (3.1%)</b>			
Hudbay Minerals	48,678	386,571	321,762	Empire Company, Class A	20,742	781,766	766,417
IAMGOLD	101,547	452,223	297,533	George Weston	8,313	969,838	1,252,187
Interfor	11,453	329,365	230,778	Jamieson Wellness	2,318	80,779	56,490
K92 Mining	12,476	82,571	71,987	Loblaw Companies	32,638	2,644,678	3,766,425
Kinross Gold	273,034	2,276,834	1,690,080	Maple Leaf Foods	16,126	409,141	420,889
Lundin Mining	97,992	1,057,028	992,659	Metro	31,669	1,849,843	2,233,931
MAG Silver	13,550	261,442	190,242	North West Company	2,665	90,667	91,143
Methanex	7,697	407,841	471,133	Premium Brands Holdings	5,939	599,676	564,799
New Gold	99,538	144,330	124,422	Saputo Group	27,423	990,004	778,813
NOVAGOLD RESOURCES	33,446	382,367	173,919			8,416,392	9,931,094
Nutrien	59,144	4,156,740	4,960,999				
OceanaGold	103,137	225,365	274,344				
Osisko Mining	47,603	150,204	117,103				
Pan American Silver	81,579	2,015,622	1,603,843				
Sandstorm Gold	36,167	306,042	229,660				

The accompanying Notes are an integral part of these financial statements.

# NEI ESG Canadian Enhanced Index Fund

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT SEPTEMBER 30, 2023 (continued)

	NUMBER OF SHARES	COST \$	FAIR VALUE \$		NUMBER OF SHARES	COST \$	FAIR VALUE \$
<b>Canadian Equities (continued)</b>							
<b>Health Care (0.4%)</b>							
Bausch Health Companies	62,011	1,432,475	694,523	TransAlta	27,708	329,381	327,786
Chartwell Retirement Residences	26,392	292,528	271,310	TransAlta Renewables	11,959	183,243	146,976
Well Health Technologies	24,218	108,981	100,505			12,492,791	10,443,976
		1,833,984	1,066,338				
<b>Financials (30.4%)</b>				<b>Index-Based Investments (0.0%)</b>			
Bank of Montreal	84,703	9,181,870	9,705,270	Chemtrade Logistics Income Fund	6,489	53,938	52,431
Brookfield, Class A	166,077	7,481,337	7,053,290	<b>Real Estate (1.9%)</b>			
Brookfield Asset Management, Class A	39,271	1,751,103	1,777,405	Allied Properties Real Estate Investment Trust	14,964	565,220	268,305
Canadian Imperial Bank of Commerce	108,998	6,362,201	5,714,765	Altus Group	5,059	287,648	237,874
Canadian Western Bank	10,475	304,725	294,766	Boardwalk Real Estate Investment Trust	4,149	152,758	277,195
CI Financial	9,120	166,810	140,995	Canadian Apartment Properties Real Estate Investment Trust	18,751	977,753	845,295
Definity Financial	5,156	174,430	193,350	Choice Properties Real Estate Investment Trust, Units	30,739	420,942	389,771
Element Fleet Management	42,858	558,482	835,302	Colliers International Group	4,491	553,908	580,911
EQB	2,985	196,882	225,069	Crombie Real Estate Investment Trust	11,834	181,502	147,807
Fairfax Financial Holdings	1,340	751,836	1,485,752	CT Real Estate Investment Trust	8,258	134,781	113,052
Great-West Lifeco	30,722	963,552	1,193,857	Dream Industrial Real Estate Investment Trust	29,486	382,082	378,600
iA Financial Group	11,554	727,901	984,401	First Capital Real Estate Investment Trust	25,103	443,621	333,870
IGM Financial	10,049	404,464	346,188	Granite Real Estate Investment Trust	7,110	549,191	512,489
Intact Financial Corporation	19,637	3,132,325	3,888,519	H&R Real Estate Investment Trust, Units	29,217	334,550	269,673
Laurentian Bank of Canada	4,866	181,968	147,294	InterRent Real Estate Investment Trust	15,184	211,604	189,648
Manulife Financial	219,146	5,258,064	5,439,204	Killam Apartment Real Estate Investment Trust	12,974	230,046	226,007
National Bank of Canada	39,925	3,218,136	3,602,433	NorthWest Healthcare Properties Real Estate Investment Trust	23,762	229,296	120,711
Power Corporation of Canada	59,601	1,863,704	2,061,003	RioCan Real Estate Investment Trust	35,573	672,119	642,804
Royal Bank of Canada	164,589	17,819,004	19,536,714	SmartCentres Real Estate Investment Trust	14,559	361,624	331,363
Scotiabank	142,312	10,277,370	8,663,955	Tricon Residential	28,287	379,171	283,997
Sun Life Financial	69,620	4,115,004	4,613,717			7,067,816	6,149,372
TMX Group	29,740	789,413	868,111				
Toronto-Dominion Bank	217,010	16,639,737	17,757,928				
		92,320,318	96,529,288	<b>Total Investments (98.7%)</b>			
						296,823,535	313,648,637
<b>Information Technology (7.2%)</b>				<b>Other Net Assets (1.3%)</b>			
Blackberry	80,671	980,567	518,715				3,940,217
Celestica	11,081	118,748	368,332	<b>Net Assets (100.0%)</b>			
CGI, Class A	24,669	2,488,465	3,302,686				317,588,854
Constellation Software	1,119	2,663,482	3,137,754				
Constellation Software, Warrants, 2040-03-31	1,119	-	-				
Descartes Systems Group	9,527	765,005	949,747				
Enghouse Systems	2,409	134,271	72,222				
Kinaxis	3,137	505,950	480,526				
Lightspeed Commerce	15,120	596,394	288,490				
Open Text	37,519	2,159,421	1,788,531				
Shopify, Class A	162,641	19,323,816	12,058,204				
		29,736,119	22,965,207				
<b>Communication Services (3.7%)</b>							
BCE	102,433	6,189,589	5,311,151				
Cogeco Communications	4,032	416,020	253,492				
Québecor, Class B	20,860	681,295	607,235				
Rogers Communications, Class B	20,887	1,197,480	1,089,257				
TELUS	202,231	5,464,111	4,485,484				
		13,948,495	11,746,619				
<b>Utilities (3.3%)</b>							
Algonquin Power & Utilities	108,491	1,844,967	872,268				
AltaGas	31,378	702,543	817,397				
ATCO, Class I	4,142	170,756	142,485				
Boralex, Class A	11,324	418,794	330,434				
Brookfield Infrastructure Partners, Class A	6,211	375,859	298,252				
Canadian Utilities, Class A	6,922	237,328	198,661				
Capital Power	13,102	488,025	496,828				
Emera	30,487	1,713,039	1,445,694				
Fortis	54,358	2,988,411	2,804,329				
Hydro One	49,880	1,574,866	1,724,850				
Innergex Renewable Energy	8,499	178,796	86,435				
Northland Power	28,308	1,141,810	626,173				
Superior Plus	12,223	144,973	125,408				

The accompanying Notes are an integral part of these financial statements.

# NEI ESG Canadian Enhanced Index Fund

## NOTES TO THE FINANCIAL STATEMENTS – SPECIFIC INFORMATION

### a) Establishment of the Fund (Note 1)

The NEI ESG Canadian Enhanced Index Fund (the "Fund") is an unincorporated mutual fund trust. The establishment date for each series of the Fund is the date set out in the simplified prospectus as the start date for that series, as listed below:

Series A	Series F	Series I
March 30, 2001	February 28, 2008	December 3, 2018
Series O	Series P	Series PF
April 15, 2014	December 3, 2018	December 3, 2018

### b) Units (Note 4)

#### Issued and Outstanding Units

	Number of Units, Beginning of Year	Units Issued	Reinvested Units	Units Redeemed	Number of Units, End of Year
Series A					
September 30, 2023	598,303	40,184	12,087	120,656	529,918
September 30, 2022	686,867	58,392	4,163	151,119	598,303
Series F					
September 30, 2023	170,179	73,424	4,415	81,274	166,744
September 30, 2022	130,045	118,586	1,899	80,351	170,179
Series I					
September 30, 2023	19,438,505	2,100,317	775,349	1,876,014	20,438,157
September 30, 2022	18,340,166	1,735,027	287,079	923,767	19,438,505
Series O					
September 30, 2023	1,445,389	214,878	59,402	108,914	1,610,755
September 30, 2022	1,528,223	199,101	40,732	322,667	1,445,389
Series P					
September 30, 2023	677,659	117,201	15,043	139,270	670,633
September 30, 2022	730,726	127,966	5,033	186,066	677,659
Series PF					
September 30, 2023	556,463	182,585	16,449	142,902	612,595
September 30, 2022	446,025	265,457	6,489	161,508	556,463

### c) Distributions

All distributions made by the Fund are automatically reinvested in additional units of the same series that paid the distribution unless notification to the contrary is received in writing at least 5 days in advance to receive a cash payment. All distributions reinvested are made without an acquisition charge.

The schedule of distributions, which may consist of net investment income, net realized capital gains and/or return of capital, is as follows:

Series A	Series F	Series I
Annually	Annually	Annually
Series O	Series P	Series PF
Annually	Annually	Annually

In addition, the Fund will, prior to the end of each year, distribute any excess net income and net realized capital gains to its unitholders.

### d) Management Fees and Other Expenses (Note 5)

The annual management fee rates, for 2023 and 2022, are as follows:

	Series A %	Series F %	Series P %
September 30, 2023	1.40	0.40	1.30
September 30, 2022	1.40	0.40	1.30
	Series PF %		
September 30, 2023	0.30		
September 30, 2022	0.30		

The annual administration fee rates, for 2023 and 2022, are as follows:

	Series A %	Series F %	Series O %
September 30, 2023	0.25	0.15	0.04
September 30, 2022	0.25	0.15	0.04
	Series P %	Series PF %	
September 30, 2023	0.20	0.15	
September 30, 2022	0.20	0.15	

Series I unitholders negotiate and pay management and administration fees directly to the Manager.

Series O unitholders negotiate and pay management fees directly to the Manager.

### e) Related Party Transactions (Note 6)

Accrued expenses payable to related parties, presented in the Statement of Financial Position, are as follows:

	September 30, 2023	September 30, 2022
	\$	\$
	14,208	13,038

### f) Financial Instruments Disclosures (Note 7)

#### Strategy in Using Financial Instruments

##### Investment Objective

The investment objective of the Fund is to achieve long-term capital growth through tracking the performance of a Canadian equity index which is focused on companies with an enhanced environmental, social and governance profile.

The Fund follows a responsible approach to investing, as described in the Simplified Prospectus of the Fund.

#### Financial Instruments Fair Value Measurement

##### Hierarchy of Financial Instruments Measured at Fair Value

The following tables categorize the Fund's financial assets fair value measurement according to a three-level hierarchy. The methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. Fair value measurement is described in the "Significant Accounting Policies" section of Note 2.

# NEI ESG Canadian Enhanced Index Fund

## NOTES TO THE FINANCIAL STATEMENTS – SPECIFIC INFORMATION (continued)

### Fair Value Hierarchy (in \$'000)

September 30, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at FVTPL</b>				
Equities	313,597	-	-	313,597
Non Related Index-Based Investments	52	-	-	52
<b>Total</b>	<b>313,649</b>	<b>-</b>	<b>-</b>	<b>313,649</b>

September 30, 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at FVTPL</b>				
Equities	285,403	-	-	285,403
Non Related Index-Based Investments	38	-	-	38
<b>Total</b>	<b>285,441</b>	<b>-</b>	<b>-</b>	<b>285,441</b>

### Transfers between Levels 1 and 2

During the years ended September 30, 2023 and 2022, there were no transfers of securities between Levels 1 and 2.

### Financial Instruments Risks

#### Currency Risk

As at September 30, 2023 and 2022, the majority of the Fund's financial assets and liabilities are denominated in Canadian dollars. As a result, the Fund is not significantly exposed to currency risk.

#### Interest Rate Risk

As at September 30, 2023 and 2022, the majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not significantly exposed to interest rate risk.

#### Concentration Risk

The following table summarizes the concentration risk, as a percentage of the Fund's Net Assets Attributable to Holders of Redeemable Units:

September 30, 2023		September 30, 2022	
Market Segment	%	Market Segment	%
Canadian Equities		Canadian Equities	
Financials	30.4	Financials	32.0
Energy	17.7	Energy	15.3
Industrials	14.3	Industrials	14.8
Materials	12.8	Materials	13.5
Information Technology	7.2	Information Technology	4.9
Consumer Discretionary	3.9	Communication Services	4.7
Communication Services	3.7	Consumer Discretionary	4.5
Utilities	3.3	Utilities	4.1
Consumer Staples	3.1	Consumer Staples	3.3
Real Estate	1.9	Real Estate	1.9
Health Care	0.4	Health Care	0.4
Other Net Assets	1.3	Other Net Assets	0.6
<b>Total</b>	<b>100.0</b>	<b>Total</b>	<b>100.0</b>

# NEI ESG Canadian Enhanced Index Fund

## NOTES TO THE FINANCIAL STATEMENTS – SPECIFIC INFORMATION (continued)

### Price Risk (in \$'000)

The Manager's estimate of the impact on Net Assets Attributable to Holders of Redeemable Units as a result of a reasonably possible change in benchmarks, using a historical beta coefficient (a measure of the sensitivity of a security in comparison to the market) between the Fund's return as compared to the return of the Fund's benchmarks, with all other variables held constant, is included in the following table. A 36-month regression analysis has been utilized to estimate the historical beta coefficient. The regression analysis uses data based on the monthly returns of the Fund.

Benchmarks	Change in Price %	Impact on Net Assets Attributable to Holders of Redeemable Units September 30, 2023 \$
Solactive Canada Broad Market Index	3.00	9,491

The Manager's best estimate of the impact on Net Assets Attributable to Holders of Redeemable Units as a result of a reasonably possible change in benchmarks, with all other variables held constant, is as follows:

Benchmarks	Change in Price %	Impact on Net Assets Attributable to Holders of Redeemable Units September 30, 2022 \$
Solactive Canada Broad Market Index	3.00	8,611

When there is more than one benchmark, the effect of each benchmark must be considered individually, as each benchmark might fluctuate independently from the others.

In practice, actual trading results may differ from these sensitivity analyses and the differences could be significant.

### Credit Risk

As at September 30, 2023 and 2022, the Fund had no significant investments in either fixed-income securities, money market securities and derivative financial instruments. As a result, the Fund is not significantly exposed to credit risk.

### Liquidity Risk

For further information on the maturity of financial liabilities and liquidity risk management of the Fund, please refer to Note 7 "Financial Instruments Disclosures".

## g) Seed Capital

The Manager had the following seed capital investments:

	Seed Capital \$	Percentage Ownership %
September 30, 2023	1,380	-
September 30, 2022	1,256	-

# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022

Throughout the Notes to the Financial Statements, “we”, “NEI LP” or “NEI” refers to Northwest & Ethical Investments L.P., the Manager of the Funds.

Throughout the Notes to the Financial Statements, “Unitholders” refers to Holders of redeemable units.

### 1. ESTABLISHMENT OF THE FUNDS

NEI LP acts as the Manager of the NEI Funds, collectively called “the Funds”. Its head office is located at 151 Yonge Street, Suite 1200, Toronto, ON, M5C 2W7.

The Funds are all mutual fund trusts or unit trusts subject to the laws of Ontario.

The information provided in these financial statements and notes thereto is as at September 30, 2023 and 2022, and for the 12-month periods ended on those dates except for the Fund established during either period, in which case the information provided relates to the period from inception to September 30, 2023 and 2022, as applicable.

Funds	Inception date
NEI Clean Infrastructure Fund	March 1, 2022
NEI Canadian Impact Bond Fund	June 29, 2023
NEI Impact Conservative Portfolio	June 29, 2023
NEI Impact Balanced Portfolio	June 29, 2023
NEI Impact Growth Portfolio	June 29, 2023

For the Fund established in either year, the “period” represents the period from the beginning of operations to September 30 of that financial year. The establishment date is described in Note a) of the Notes to the Financial Statements – Specific Information of the Fund.

The main activities of the Funds are disclosed in the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

##### Statement of Compliance

The policies applied in the preparation of these financial statements are in accordance with International Financial Reporting Standards (“IFRS”). These financial statements have been authorized for issue by the NEI LP Board of Directors on December 12, 2023.

#### SIGNIFICANT ACCOUNTING POLICIES

The significant measurement and presentation policies applied to prepare these financial statements are described below.

##### Financial Instruments

The Funds’ financial instruments include, where applicable, cash and equivalents, investments, derivatives, interest, dividends and other receivables, receivable for investments sold, subscriptions receivable, cash guarantee received for repurchase transactions, payable for investments purchased, distributions payable to unitholders, accrued expenses, liabilities, redemptions payable and commitments related to repurchase transactions. Financial instruments are recognized on the date that the Funds become a party to the contractual provisions of the instrument, namely the trade date of the financial instrument.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all the risks and rewards of ownership.

##### Classification and Measurement

The Funds classify and measure financial instruments in accordance with IFRS 9, *Financial Instruments*. Under IFRS 9, financial assets are measured at amortized cost or at Fair value through profit or loss (“FVTPL”) depending on the contractual cash flow characteristics and the business model for managing the financial assets.

The portfolios of financial assets are managed, and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets’ performance and to make decisions. The contractual cash flows of the Funds’ debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model’s objective. Consequently, all investments are measured at FVTPL.

The Funds’ obligation concerning net assets attributable to holders of redeemable units is recorded at the redemption amount which approximates fair value. The accounting policies used to measure the fair value of investments and derivative financial instruments are identical to those used in measuring the net asset value for transactions with holders of redeemable units, except when the closing price for financial assets and liabilities is not within the bid-ask spread.

As at September 30, 2023 and 2022, there are no differences between the Funds’ net asset value per unit for transactions and their net assets per unit attributable to holders of redeemable units in accordance with IFRS.

##### Classification of Units Issued by the Funds

The Funds’ outstanding units qualify as “puttable instruments” as required by the IAS 32: *Financial Instruments: Presentation* (“IAS 32”). The Funds’ outstanding units are classified as financial liabilities in these financial statements as they do not meet the definition of puttable instruments to be classified as equity.

##### Impairment of Financial Assets

The impairment model is applicable to financial assets except for financial instruments at FVTPL or designated at fair value through other comprehensive income.

With respect to other financial assets measured at amortized cost, the Funds consider both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statements date, all financial assets measured at amortized cost are due to be settled within the short term. The Funds consider that the risk of default on these financial assets is low, and that the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Funds to credit risk from financial assets recorded at amortized cost, no loss allowance has been recognized as no such impairment will have a significant impact on the financial statements.

##### Determination of the Fair Value of Financial Instruments

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the valuation date. The Funds use the closing price for both financial assets and financial liabilities when this price falls within the bid-ask spread. In circumstances when the closing price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivative financial instruments, is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each valuation date.

Valuation techniques include the use of comparable recent arm’s length transactions, the fair value of other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other techniques commonly used by market participants and which use observable inputs. Refer to Note 7 “Financial Instruments Disclosures” for further information about the Funds’ fair value measurements.

##### Cash

Cash (bank overdraft) is measured at cost, which closely approximates fair value.

##### Money Market Securities

Money market securities are recorded at cost including accrued interest, which closely approximates fair value.

##### Equities, Index-Based Investments and Exchange Traded Funds

Equities, index-based investments and exchange traded funds (ETFs) are recorded at the closing price of the stock exchange on which the corresponding security is principally traded. ETFs that are thinly traded are valued at the average of the closing bid and ask prices. Unlisted warrants are valued with a recognized valuation model such as Black-Scholes.

# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022 (continued)

### ***Bonds, Mortgage-Backed Securities and Asset-Backed Securities***

Bonds, mortgage-backed securities and asset-backed securities are valued based on closing prices obtained from recognized securities dealers.

### ***Investment Funds***

The underlying funds' units are generally valued based on the net asset value per unit provided by the underlying fund's manager at each valuation day, except for private equity funds which are discussed under section "Valuation of Unlisted Securities and Other Investments".

### ***Derivative Financial Instruments***

Certain Funds may use an array of derivative financial instruments such as foreign currency forward contracts, forward contracts, interest rate swaps, credit default swaps, to-be-announced ("TBA"), futures contracts and options for hedging purposes or purposes other than hedging, or both.

### **Foreign Currency Forward Contracts, Forward Contracts, Interest Rate Swaps, Credit Default Swaps and TBA**

The fair value of these instruments corresponds to the gains or losses that would result upon contract settlement on the valuation date; this value is recorded in "Unrealized appreciation (depreciation) on derivatives" in the Statements of Financial Position.

### **Futures Contracts**

Futures contracts are valued at fair value and are settled daily through brokers. Any amounts receivable (payable) from the settlement of futures contracts are recorded in "Receivable (Payable) on futures contracts" in the Statements of Financial Position.

### **Options**

Options listed on a stock exchange are valued according to fair value based on the closing price of the principal stock exchange on which the option is being traded for long positions and the ask price for short positions. Unlisted options are valued with a recognized valuation model such as Black-Scholes.

### ***Valuation of Unlisted Securities and Other Investments***

When the above-mentioned valuation principles of the investments are not applicable, fair value is determined according to the Manager's best estimates, based on established valuation procedures and on prevailing market conditions on each valuation date. These procedures cover, among others, securities no longer traded, securities issued by private corporations and illiquid securities. For further information, refer to Note 3 "Critical Accounting Judgments, Estimates and Assumptions".

### ***Investment Transactions***

Investment transactions are accounted for on the trade date. Cost is determined on an average cost basis except for money market securities, for which the cost is determined using the First-In, First-Out method. The average cost does not include amortization of premiums or discounts on fixed-income securities except for stripped bonds. Portfolio transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Funds are recognized in the Statements of Comprehensive Income. The difference between the unrealized appreciation (depreciation) of investments at the beginning and at the end of the year is included in "Net unrealized gain (loss) on investments" in the Statements of Comprehensive Income. On disposal of an investment, the difference between the fair value and the cost of the investment is included in "Net realized gain (loss) on investments" in the Statements of Comprehensive Income.

### ***Securities Lending Activities and Repurchase Agreements***

Since June 2020, certain Funds may enter into securities lending and repurchase agreements through the securities lending program of the Funds' custodian, Desjardins Trust Inc. ("Desjardins Trust").

### **Securities Lending**

The securities on loan are included in the Schedule of Investment Portfolio and are included in the total value in the Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities are retained by the Funds.

To limit the risk that the counterparty fails to fulfill its obligations, the Funds obtain collateral, representing at least 102% of the contract amount, determined daily based on the fair value of the previous business day's securities loaned. Securities received as collateral in securities lending are not included in the Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities have not been transferred to the Funds. Any cash collateral received is included in the Statements of Financial Position in "cash collateral received for securities on loan", as applicable.

For those Funds engaged in securities lending, the amount of securities loaned and the value of collateral received is disclosed in the "Schedule of Investment Portfolio", where applicable.

Revenue generated through Desjardins Trust's securities lending is shared by the Fund and Desjardins Trust at the rate presented in the section "Notes to the Financial Statements – Specific Information" pertaining to each Fund. This revenue is included in "Revenue from securities lending activities" in the Statements of Comprehensive Income.

### **Repurchase Agreements**

In a repurchase agreement, a Fund sells a security to a third party and agrees to buy the same, or substantially the same, security back from the third party at a predetermined price and date.

To limit the risk that the counterparty fails to fulfill its obligations, the Funds obtain collateral, combination of cash and securities, representing at least 102% of the contract amount, determined daily based on the fair value of the previous business day's repurchase transactions. Securities received as collateral in repurchase transactions are not included in the Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities have not been transferred to the Funds.

Cash guarantees received for repurchase transactions are recognized as financial assets in the Statements of Financial Position, in "Cash guarantee received for repurchase transactions". A liability representing the obligation to repurchase the securities is recognized in "Commitments related to repurchase transactions". Desjardins Trust, as the Funds' custodian, may use the cash guarantees to buy investments to generate revenue, which is shared by the Fund and Desjardins Trust at the rate presented in the section "Notes to the Financial Statements – Specific Information" pertaining to each Fund. This revenue is included in "Revenue from securities lending activities" in the Statements of Comprehensive Income.

### ***Offsetting Financial Assets and Financial Liabilities***

A financial asset and a financial liability offset in the Fund's Statement of financial position when, and only when, the Fund has a legally enforceable and unconditional right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Fund has a legally enforceable and unconditional right to set off a financial asset and a financial liability when such right is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Over-the-counter derivative financial instruments, securities lending and repurchase agreements, receivable for investments sold and payable for investments purchased are subject to master netting or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, as they give a right to an offset that is enforceable only in the event of default, insolvency or bankruptcy.

The table presenting financial assets and liabilities that are subject to a master netting agreement or similar agreement is presented in the section "Notes to the Financial Statements – Specific Information" pertaining to each Fund, if applicable.

### ***Other Assets and Liabilities***

Margin deposited on derivatives, receivable on futures contracts, subscriptions receivable, receivable for investments sold, cash guarantee received for repurchase transactions as well as interest, dividends and other receivables are measured at amortized cost.

Similarly, accrued expenses, payable on futures contracts, redemptions payable, payable for investments purchased, commitments related to repurchase transactions, interest, dividends and other payables, as well as distributions payable, are measured at amortized cost.

Given the short-term nature of other assets and liabilities, their carrying amount closely approximates their fair value.

### ***Income***

Interest for distribution purposes from investments in debt securities presented in the Statements of Comprehensive Income is recognized as it is earned. The Funds do not amortize premiums paid or discounts received on the purchase of debt securities except for stripped bonds. Dividends are recognized as income on the ex-dividend date. Income received from ETFs and income trusts are included in "Dividends". Notional distributions received from ETFs are considered non-cash transactions and increase the average costs for those ETFs. Amounts from investments that are treated as a return of capital for income tax purposes reduce the average cost of those investments. Foreign interest and dividend income are accounted for on a gross basis and are included in the "Income" section of the Statements of Comprehensive Income.



# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022 (continued)

The net income from Limited Partnership includes income attributed for tax purposes and are presented in “Distributions from underlying funds”. Distributions received from underlying funds are recorded at the date of distribution. They are included in “Distributions from underlying funds” in the Statements of Comprehensive Income.

Distributions received in the form of units from underlying funds are presented as “Non-cash distribution from investments” in the Statements of Cash Flows.

Upon settlement of derivative financial instruments contract, the gains and losses from derivative financial instruments held for hedging purposes are included in “Net realized gain (loss) on derivatives” in the Statements of Comprehensive Income. Gains and losses from derivative financial instruments held for purposes other than hedging are included in “Net income (loss) from derivatives” in the Statements of Comprehensive Income.

### Foreign Currency Translation

The Funds’ financial statements, subscriptions and redemptions are denominated in Canadian dollars, which is the Funds’ functional and presentation currency. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate on each valuation date. Purchases and sales of securities, as well as income and expenses denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates.

Foreign exchange gains and losses relating to cash are presented as “Foreign exchange gain (loss) on cash” and those relating to other financial assets and liabilities are presented within “Net realized gain (loss) on investments” and “Net unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

Amount in currencies are presented using the following abbreviations:

Abbreviation	Currency	Abbreviation	Currency
AUD	Australian Dollar	JPY	Japanese Yen
BRL	Brazilian Real	KRW	South Korean Won
CAD	Canadian Dollar	MXN	Mexican Peso
CHF	Swiss Franc	NOK	Norwegian Krone
CLP	Chilean Peso	NZD	New Zealand Dollar
CNY	Chinese Yuan Renminbi	PHP	Philippine Peso
CZK	Czech Republic Koruna	PLN	Polish Zloty
DKK	Danish Krone	SAR	Saudi Riyal
EUR	Euro	SEK	Swedish Krona
GBP	Pound Sterling	SGD	Singapore Dollar
HKD	Hong Kong Dollar	THB	Thai Baht
HUF	Hungarian Forint	TRY	Turkish Lira
IDR	Indonesian Rupiah	TWD	Taiwan Dollar
ILS	Israeli Shekel	USD	United States Dollar
INR	Indian Rupee	ZAR	South African Rand

### Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit, presented in the Statements of Comprehensive Income, is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the average number of units outstanding during the year.

### Income Taxes

Under the *Income Tax Act* (Canada), each Fund, except the Funds below, qualifies, or intends to qualify, as a mutual fund trust.

The following Funds are considered unincorporated unit trusts:

- NEI Fixed Income Pool
- NEI Canadian Equity Pool
- NEI Global Equity Pool
- NEI Managed Asset Allocation Pool

Each Fund’s taxation year-end is December 15 except for the NEI Money Market Fund and the unincorporated unit trusts, which have a taxation year-end of December 31.

The Funds are taxable on net income and net capital gains not distributed to unitholders. All the Funds’ investment income and sufficient net capital gains realized in any year are required to be distributed to unitholders to ensure that the Funds will not be subject to income taxes. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In some special cases the Pools, which are unincorporated unit trusts, may become liable for alternative minimum tax, and may be subject to a special tax under Part XII.2 of the Tax Act. The Manager expects that the Pools will not be subject to tax under Part XII.2, although no assurance can be given that this will not occur.

Capital losses can be carried forward indefinitely to reduce future capital gains. Non-capital losses incurred in a financial year may be carried forward 20 years to reduce future investment income and capital gains.

Distributions are classified as a return of capital, net investment income or capital gain. The Manager reserves the right to make additional distributions in any year, if determined to be appropriate.

The Funds currently incur withholding taxes imposed by certain countries on foreign investment income and capital gains. Such income and gains are recorded on a gross basis, and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

Refer to the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund for more information on income taxes.

### Investments in Other Investment Entities

The Funds meet the definition in IFRS 10, *Consolidated Financial Statements*, of investment entities and account for their investments in underlying funds at FVTPL.

In accordance with IFRS 12, *Disclosure of Interests in Other Entities*, specific information on the Funds’ investments in other entities, such as subsidiaries, associates and structured entities has been disclosed, as applicable, in “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

### Subsidiaries

An entity is considered as a subsidiary when it is controlled by another entity. The Fund controls an entity when it has the right to variable returns from its involvement with the entity and through its power over the entity.

### Associates

Associates are investments in entities over which the Fund exercises significant influence without, however, exercising control.

### Structured Entities

Structured entities are conceived in a way that the right to vote and other similar rights are not determining factors in exercising control. The Manager has determined that its investments in underlying funds (including limited partnerships), index-based investments and exchange traded funds, income trusts, mortgage-backed securities and asset-backed securities are structured entities, unless the specified relationship is different. Total values of those investments in the table “Fair Value Hierarchy” also represent the fair value of investments in structured entities.

## 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the Manager to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Actual results may differ from these estimates. The following paragraphs discuss the most significant accounting judgments and estimates that the Funds have made when preparing the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022 (continued)

### Fair Value Measurement of Derivative Financial Instruments and Securities not Quoted in an Active Market

The Funds may hold financial instruments that are not quoted in active markets, including derivative financial instruments. Fair value is determined based on models that make maximum use of observable inputs and rely as little as possible on unobservable inputs. The Funds consider the data observable if the market data is readily available, distributed or updated on a regular basis, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager.

When no quoted prices are available, the fair value is estimated using present value or other valuation methods, which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, risks related to interest rates, exchange rates, and price and rate volatility.

The calculation of the fair values may differ given the role that judgment plays in applying the valuation techniques and the acceptable estimation. Fair value reflects market conditions at a given date and, for this reason, it may not be representative of future fair values. Refer to Note 7 “Financial Instruments Disclosures” for further information on fair value measurement of financial instruments.

## 4. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS

### Structure of Redeemable Units

Each Fund is authorized to issue an unlimited number of series of units and an unlimited number of redeemable units (the units) of each series. Each series unit entitles the holder thereof to participate equally in the distributions of the Fund made to that series. Fractions of units may be issued.

The units of a Fund are of the same series and confer the same rights and privileges except that, in respect of a Fund with more than one series of units, each series of units may have different management fees, dealer compensation structure or distribution structure. As a result, each unit entitles its holder to one vote and to participate equally in distributions made in respect to the series of units by the subject Fund and, upon liquidation, in the net assets attributable of the series of units remaining after satisfaction of outstanding liabilities. A fraction of a unit will entitle the unitholder to proportionate participation but will not entitle them to vote.

The Funds only issue fully paid units and fractions of units. Unitholders may redeem their units in the manner described in the Declaration of Trust.

The Manager manages the capital of the Funds in accordance with their investment objectives (Refer to Note 7). Also, in accordance with securities regulations, the Funds seek to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### Authorized Units

The authorized units of the Fund are comprised of the following series of units:

An unlimited number of Series A units, principally targeted at individual investors purchasing units on a front-end sales charge option basis.

An unlimited number of Series C units, intended for investors who have granted their dealer discretionary investment authority to invest through the use of proprietary model portfolios.

An unlimited number of Series F units, intended for investors participating in programs that do not require them to pay sales charges or service fees to investment professionals or dealers.

An unlimited number of Series I units, offered to institutional or other high net worth investors who negotiate and pay management fees directly to the Manager. The Series I management fee will in no circumstances be higher than the management fee payable on Series A units of the Fund.

An unlimited number of Series O units, intended for investors who make large investments in a Fund. Those investors must enter an agreement which identifies the management fee negotiated and pay management fees directly to the Manager. The Series O management fee will in no circumstances be higher than the management fee payable on Series A units of the Fund.

An unlimited number of Series P units, intended for investors who make large investments in a single Fund. Series P units may only be purchased on a front-end sales charge option basis.

An unlimited number of Series PF units, intended for investors who make large investments in a single Fund and investors participating in programs that do not require them to pay sales charges or service fees to investment professionals or dealers.

An unlimited number of Series W units, intended for investors who make an initial investment of at least \$100,000 in an NEI Private Portfolio. Series W units may only be purchased on a front-end sales charge option basis. The initial investment criteria may vary from time to time.

An unlimited number of Series WF units, intended for investors who make an initial investment of at least \$100,000 in an NEI Private Portfolio and investors participating in programs that do not require them to pay sales charges or service fees to investment professionals or dealers. The initial investment criteria may vary from time to time.

NEI LP has decided to discontinue its deferred sales charge (“DSC”), low load, low load 2 and low load 3 (together “LL”) sales charge purchase options for those NEI funds that offered DSC or LL. On August 10, 2020, DSC and LL sales charge purchase options across the Funds’ lineup have been closed to new investors. For investors with existing DSC and/or LL units as of that date, subsequent investments subject to DSC and/or LL sales charges were available until October 2020. On October 5, 2020, DSC and LL sales charge purchase options were closed to new investments. Investors with existing DSC and/or LL units will remain invested based on the redemption fee schedule applicable to those units.

### Valuation of Units

On each business day and for each series of units of each Fund, the Manager calculates the net asset value per unit by dividing the net assets attributable to holders of redeemable units by the number of units outstanding.

The net asset value of each series in a Fund corresponds to the proportion of the assets of the Fund attributable to the series, net of the proportion of the Fund’s total liabilities attributable to the series and the liabilities of the series. Expenses directly related to a series are applied against this series. Other income and expenses, as well as realized and unrealized capital gains and losses are applied against each series in proportion to their respective net asset value.

### Management of Risks Associated with Units

Units issued and outstanding are considered as the Funds’ capital. The Funds are not subject to specific capital requirements concerning subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit for all or any of the units they hold by giving written redemption request to the Manager within the prescribed time period. Units are redeemable for cash equal to a pro rata share of the Funds’ net asset value.

### Redemptions

Unitholders may at any time elect to redeem all or part of their units on the valuation date at the current closing net asset value per unit. Payment for any unit redeemed will be made by the applicable Fund.

## 5. MANAGEMENT FEES AND OTHER EXPENSES

### Management Fees

As the Manager, Trustee, Portfolio Manager and Registrar, NEI LP receives from each Fund, management fees, before taxes, calculated on the net asset value of each unit series on each valuation date. Management fees are calculated daily with the net asset value of the Funds according to the annual rates presented in “Notes to the Financial Statements – Specific Information” pertaining to each Fund. NEI LP is responsible for the payment of investment fees to Portfolio sub-advisors retained by the Funds.

The management fee varies between Funds and series. Series I and Series O units of the Funds are not subject to management fees, as the unitholders of these series negotiate and pay those fees directly to the Manager.

Certain Funds may invest in other mutual funds (“underlying funds”), including other NEI Funds in order to achieve their investment objectives. There are fees payable by the underlying funds in addition to the fees payable by the investing Fund. No management fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the underlying fund for the same service.

# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022 (continued)

### Other Expenses

The Manager pays all of the operating expenses of the Funds, except for:

- costs and expenses associated with taxes (including, but not limited to, GST/HST), borrowing, and the costs associated with the independent review committee (“IRC”). IRC expenses include annual dues, meeting fees and other related expenses such as travel relating to the operation of the IRC.
- costs associated with portfolio transactions, including brokerage commissions and research and execution costs.

The operating expenses include, but are not limited to, audit fees, fund accounting costs, transfer agency and recordkeeping costs, custodian costs, administration costs and trustee services relating to registered tax plans, costs of printing and disseminating prospectuses, annual information forms, fund facts and continuous disclosure materials, legal fees, bank charges, investor communication costs and regulatory filing fees.

In return for assuming the obligation to pay the Funds’ operating expenses, each Fund pays to the Manager a fixed annual administration fee (“administration fee”), which is subject to applicable taxes, including HST. The administration fee varies between Funds and series. Administration fees correspond to a specified percentage of the net asset value of the series, calculated and accrued daily. No administration fee is charged to Series I units of the Funds because of the fee structures associated with this series.

The annual management fee rate and the annual administration fee rate shown in the “Notes to the Financial Statements – Specific Information” pertaining to each Fund may be lower than the rates presented in the prospectus, as the Manager can absorb a portion of those expenses.

For more information regarding the management fees and other expenses each Fund incurs, please refer to the “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

## 6. RELATED PARTY TRANSACTIONS

NEI LP is the Manager, Trustee, Portfolio Manager and Registrar of the Funds. Northwest & Ethical Investments Inc., the general partner of NEI LP, is a wholly-owned subsidiary of Aviso Wealth Inc. (“Aviso”). Aviso is the sole limited partner of the Manager. 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. Desjardins Financial Holding Inc. is a wholly-owned subsidiary of the Fédération des caisses Desjardins du Québec (“Fédération”).

NEI LP is the Manager of the Funds pursuant to the Management Agreement and ensures the daily administration of the Funds. NEI LP provides or ensures the Funds are provided with all services (accounting, custody, portfolio management, record maintenance, transfer agent) required. The Funds pay management and administration fees to NEI LP. Trustee fees and portfolio management fees are entirely at NEI LP’s expense.

Desjardins Trust is the custodian of the Funds. Desjardins Trust is a wholly-owned subsidiary of the Fédération. The Funds may engage in securities lending transactions, and Desjardins Trust may act as the Funds’ securities lending agent (“Agent”). Any revenue earned on such securities lending is split between the Funds and the Agent.

### Underlying Funds

In accordance with their investment objectives, certain Funds invest in Series I units of other NEI Funds. All the underlying funds identified as “Related” in the table “Fair Value Hierarchy” are considered related parties. All transactions in those investments are executed based on the fair value of those investments as described in the significant accounting policies. No commissions or other fees were paid by the Fund in relation to these transactions.

For more information regarding the related parties for each Fund, please refer to the “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

## 7. FINANCIAL INSTRUMENTS DISCLOSURES

### Hierarchy of Financial Instruments Measured at Fair Value

The fair value measurement of financial instruments is determined using the following three levels of the fair value hierarchy:

- Level 1—Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2—Valuation techniques based primarily on observable market data.
- Level 3—Valuation techniques not based primarily on observable market data.

If inputs of different levels are used to measure the fair value of an asset or liability, the classification within the hierarchy is based on the lowest level input that is significant to the measurement of fair value.

### Measurement Monitoring

The Manager is responsible for establishing the fair value measurements included in the Funds’ financial statements, including Level 3 measurements. The Manager obtains prices from a pricing agency and monitors and analyzes these prices daily. A Measurement Monitoring Committee ensures that appropriate operating procedures and a proper monitoring structure are in place and followed. This Committee meets on a quarterly basis to review fair value situations. Reports are produced monthly and given quarterly to the Committee members. It also examines specific processes carried out by the Investment Fund Portfolio Department. Moreover, the Measurement Monitoring Committee establishes Measurement Policy orientation. On a quarterly basis, this Committee examines and approves the Level 3 measurements after obtaining confirmation of the measurements from each portfolio manager, as needed. The Committee signs off on any adjustments made to prices or estimates provided by the pricing agency.

### Establishment of Levels

A change in the fair value measurement method could result in a transfer between levels. The Funds’ policy is to record the implications of the transfers between levels on the date of the event or change in circumstances behind the transfer.

The following types of investments may be classified as Level 3 if their prices are no longer based on observable inputs.

#### a) Money Market Securities

Money market securities primarily include public sector and corporate securities. The inputs that are significant to valuation are generally observable. Public sector money market securities guaranteed by the federal or provincial government have been classified as Level 1. Other money market securities have been classified as Level 2.

#### b) Equities

Equities are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data and the fair value is classified as Level 2. If the determination of fair value uses significant unobservable data, then the fair value is classified as Level 3. Unlisted warrants are generally classified as Level 2.

#### c) Index-Based Investments and Exchange Traded Funds

Index-based investments and ETFs are classified as Level 1 when the security is actively traded and a reliable price is observable. ETFs are classified as Level 2 when the security is thinly traded and based primarily on observable market data.

#### d) Bonds

Public sector bonds guaranteed by the federal or provincial government are classified as Level 1. Corporate bonds, which are valued using models with inputs including interest rate curves, credit spreads and volatilities are usually classified as Level 2.

#### e) Mortgage-Backed Securities and Asset-Backed Securities

Mortgage-backed securities and asset-backed securities consist primarily of corporate securities, which are valued using models with inputs including interest rate curves, credit spreads and volatilities. Since the inputs that are significant to valuation are generally observable, mortgage-backed securities and asset-backed securities are usually classified as Level 2.

#### f) Investment Funds

Public investment funds are classified as Level 1 when their prospectus is unrestricted and their price is reliable and observable. Since some investment funds are not public, their price is determined using observable market data and their fair value is classified as Level 2. If the measurement of fair value requires the use of significant unobservable inputs, then it is classified as Level 3.

# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022 (continued)

### g) Derivative Financial Instruments

Derivative financial instruments, which consist of foreign currency forward contracts, forward contracts, interest rate swaps, and credit default swaps, for which counterparty credit spreads are observable and reliable or for which the credit-related inputs are determined to be significant to fair value, are classified as Level 2. Options are classified as Level 1 when the option is actively traded and a reliable price is observable. Unlisted options are generally classified as Level 2.

Detailed information concerning the fair value hierarchy of each Fund is available in their respective "Notes to the Financial Statements – Specific Information". For securities classified as Level 3, the valuation techniques and assumptions are also presented in their respective notes.

### **Management of Risks Arising from Financial Instruments**

Throughout their activities, the Funds are exposed to a variety of risks associated with financial instruments such as market risk (including currency risk, interest rate risk and price risk), concentration risk, credit risk and liquidity risk. The overall risk management strategy of the Funds focuses on the unpredictability of financial markets and optimizes the Funds' financial performance. Most investments involve a risk of loss.

The Manager is responsible for the Funds' risk management and for selecting and monitoring portfolio sub-advisors.

The Manager compares the performance of the Funds with benchmark indexes on a monthly basis. This analysis is reviewed quarterly by the Investment Committee. The Manager also ensures that the Funds' investment policies are followed and writes a compliance report, which is also reviewed on a quarterly basis by the Investment Committee.

The Manager organizes annual meetings with the sub-advisors in order to keep abreast of any changes in their investment practices.

### **Market Risk**

Market risk is the risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of a change in the relevant risk variables, such as interest rates, exchange rates, equity prices, political changes, and catastrophic events, such as pandemics or disasters. The Funds' market risk is managed through diversification of the investment portfolios' exposure ratios.

Since February 2022, the conflict between Ukraine and the Russian Federation has resulted in significant volatility and uncertainty in financial markets. NATO, the EU and G7 member countries, including Canada, have imposed severe and coordinated sanctions against Russia. Price volatility, trading restrictions on Russian market trading and general default risk related to Russian securities have increased substantially. It is uncertain how long the conflict, economic sanctions and market instability will continue. The Funds' Manager is actively monitoring the situation and the impact it may have on the Funds.

### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is composed of monetary items (usually including cash, receivable amounts in foreign currencies, investments in fixed-income and money market securities) and non-monetary items (usually including investments in equities and investment funds). The non-monetary assets are classified according to the currency in which the security was purchased.

The Funds are exposed to currency risk by holding assets and liabilities denominated in currencies other than the Canadian dollar, the Funds' functional currency, as the value of the securities denominated in other currencies will fluctuate according to the prevailing exchange rates.

The Funds' exposure to currency risk is shown based on the carrying value of financial assets and financial liabilities (including derivative financial instruments and the notional amount of foreign currency forward contracts and foreign currency futures, if any).

When the Canadian dollar decreases in relation to foreign currencies, the value of foreign investments increases. Conversely, when the value of the Canadian dollar increases, the value of foreign investments decreases.

Currency risk is disclosed when the Funds' foreign currencies exposure is above 5% of Net Assets.

### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk occurs when an investment fund invests in interest-bearing financial instruments. Generally, the value of these securities increases if interest rates decrease and decreases if interest rates increase. The interest rate risk is managed by calculating and monitoring the average portfolio duration on these securities. The Funds also hold a limited amount of cash subject to variable interest rates, which exposes them to cash flow interest rate price risk.

### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency risk or interest rate risk.

The portfolio manager plans to manage this risk by carefully selecting securities and other financial instruments, in accordance with defined limits. The maximum risk resulting from financial instruments is determined by the fair value or contract value of the financial instruments. The Funds' financial instruments are exposed to price risk arising from uncertainties about the future prices of instruments.

### **Concentration Risk**

Concentration risk arises because of the concentration of exposure within the same category, whether it is geographical location or industry sector. For Funds with an international investment strategy, the concentration by geographic location is presented according to, among other things, the country of incorporation or region. For Funds with a domestic investment strategy, the concentration by industry sector is presented according to their investments in the different sectors. The concentration risk is managed through portfolio diversification within the framework of the Funds' objective and strategy.

### **Credit Risk**

Credit risk is the risk that the financial instrument counterparty will be unable to pay the full amount at maturity. The Funds' credit risk is managed through an independent credit analysis from the Manager/sub-advisor, in addition to credit rating agencies' analysis.

### Financial Instrument Transactions

The Funds are exposed to credit risk. The Funds' and the counterparty's respective credit risk are considered when determining the fair value of financial assets and liabilities, including derivative financial instruments. Transactions are settled or paid on delivery using approved brokers. The risk of default is considered limited as delivery of the securities sold is made once the broker has received payment.

Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

However, there are risks involved in dealing with custodians or prime brokers who settle trades and, in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Funds' rights to their assets in the case of an insolvency of any such party.

The credit rating for fixed-income securities and money market securities is rated by credit rating agencies, which generally includes the *Dominion Bond Rating Service* ("DBRS"), *Standard & Poor's* and *Moody's*. In cases where the credit rating agencies do not agree on a credit rating for fixed-income securities and money market securities, they will be classified following these rules:

- If two credit ratings are available, but the ratings are different, the lowest rating is used;
- If three credit ratings are available, the most common credit rating is used;
- If all three credit rating agencies have different ratings, the middle credit rating is used.

The credit rating is then converted to *DBRS* format. Generally, the greater the credit rating of a security, the lower the probability of it defaulting on its obligations.

Derivative financial instruments are financial contracts whose value depends on underlying assets and other external factors, such as interest rates and foreign exchange rates. The vast majority of derivative financial instruments are negotiated by mutual agreement between the Funds and their counterparties, and include, among others, foreign currency forward contracts. Other transactions are carried out as part of trades and mainly consist of futures contracts.

# NOTES TO THE FINANCIAL STATEMENTS

## September 30, 2023 and 2022 (continued)

### Securities Lending and Repurchase Transactions

Securities lending and repurchase transactions expose the Funds to credit risk. These transactions are governed by the Investment Industry Regulatory Organization of Canada participation agreements. The Funds also use netting agreements with counterparties to mitigate credit risk and require a percentage of collateralization (a pledge) on these transactions. The Funds only accept pledges from counterparties that comply with the eligibility criteria defined in their policies. These criteria promote quick realization, if necessary, of collateral in case of default. The collateral received and given by the Funds are mainly cash and government securities. Further information on assets pledged and received as collateral is presented in the “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

### **Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Funds are exposed to daily cash redemptions of units. Most of their assets are therefore invested in liquid investments (i.e. investments that are traded in an active market and that can be readily disposed of).

Some Funds may invest in derivative financial instruments, debt securities and unlisted equity investments which are not traded in an active market. As a result, some Funds may not be able to quickly liquidate their investments at amounts approximating their fair values or be able to respond to specific effects such as deterioration in the creditworthiness of any particular issuer. In addition, the Funds can borrow up to 5% of their net asset value for the purposes of funding redemptions.

Each Fund may be exposed to indirect liquidity risk in the event that the underlying fund(s) suspends redemptions resulting in the Funds being unable to redeem their investments.

The majority of the remaining liabilities are due within the next three months. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In March 2021, the ICE Benchmark Administration (the administrator of LIBOR) in conjunction with the UK’s Financial Conduct Authority (FCA) officially announced the cessation of LIBOR benchmarks across various tenors and currencies by December 31, 2021. All remaining LIBOR rate settings (overnight, 1-, 3-, 6-, and 12-month) will cease to be published after June 30, 2023. All instruments whose rates are tied to LIBOR will continue to have their rates published until June 30, 2023. This lessens the immediate impact risk and allows time for NEI Funds to move away from these instruments over the next year. The Manager does not expect any significant impact on the Funds (Liquidity or Valuation) from the upcoming transition to NEI’s positions as NEI’s portfolio references LIBOR settings will continue to be published until 2023.

### **Additional Information**

For further information on the risks associated with financial instruments to which each Fund is exposed, refer to the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

## **8. OTHER INFORMATION**

Unitholders of the Funds can obtain, without charge, the Simplified Prospectus, the Fund Facts sheets as well as the Financial Statements by contacting:

Northwest & Ethical Investments L.P.

151 Yonge Street

Suite 1200

Toronto, ON

M5C 2W7

[www.NEInvestments.com](http://www.NEInvestments.com)

Tel.: 1-888-809-3333

These documents may also be obtained at the following Internet address: [www.sedarplus.ca](http://www.sedarplus.ca)

