

## Annual Management Report of Fund Performance

### As at September 30, 2023

This Annual Management Report of Fund Performance contains financial highlights but does not contain either semi-annual or annual financial statements of the investment fund. You can obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-888-809-3333, by writing us at Northwest & Ethical Investments L.P., 151 Yonge Street Suite 1200, Toronto, ON M5C 2W7 or by visiting our website at [www.neiinvestments.com](http://www.neiinvestments.com) or SEDAR at [www.sedarplus.ca](http://www.sedarplus.ca).

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Performance

### Investment Objective and Strategies

The Fund's investment objectives are to provide current income with the potential for capital gains. The Fund will invest primarily its assets in fixed income instruments from both developed and emerging markets.

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

### Risk

The risks associated with investing in the Fund remain as discussed in the Simplified Prospectus. This Fund is suitable for investors investing for the short to medium term, with a low tolerance for risk. Any changes in the Fund have not affected the overall level of risk of the Fund.

### Results of Operations

The NEI Fixed Income Pool's Series I units returned -0.2% for the twelve-month period ended September 30, 2023 compared with a return of -1.4% for the benchmark explained below.

Unlike the benchmark return, the Fund's returns are after the deduction of fees and expenses paid by the Fund. Performance differences between series of units are mainly attributable to management fees charged to each series. Refer to the Past Performance section for the details of returns by series.

The benchmark for this Fund is FTSE Canada Universe Bond Index.

The Fund's net asset value decreased by 45.33% during the period, from \$366,018,074 as at September 30, 2022 to \$200,092,897 as at September 30, 2023. This change in net assets is attributed to net unitholder activity of -\$163,428,197 and -\$2,496,980 to investment operations, including market appreciation (depreciation), income and expenses.

### Factors That Have Affected Performance

Allocation between asset classes was the highest contributing factor for the Fund's outperformance. Although allocation remained stable at 50% of assets during the year, the distribution on the curve was adjusted to modulate exposure on a duration (sensitivity to interest rates) basis. Midway through the first quarter, both allocation and duration of corporate bonds was increased as spreads reached historically wide levels signaling that recession was creeping nearer although other markets were exhibiting different behaviour. This was achieved by progressively divesting from front-end exposures towards five- to 10-year corporate bonds both on new issuance and on secondary markets.

As initial fears waned towards the end of 2022, corporate spreads, and to a certain extent provincial spreads, rallied considerably. This continued into the new year at which point the portfolio sub-advisor started divesting from riskier assets in terms of debt seniority and overall credit rating to crystallize spread compression, namely expensive BBB-rated sectors, such as telecommunications, Industrials, pipelines, and retail. This resulted in an overweight position in Financials, more precisely bail-in bank debt. This overall reduction in risk was timely as events surrounding growing tensions confronting Swiss and U.S. regional banks started to unfold, wreaking havoc initially to financial institution credit spreads but quickly impacting other corporate sectors as well. This resulted in a flattening of credit spreads for which the Fund was well positioned. By mid-March, the situation normalized, and corporate positioning was maintained but diversified away from banks towards sectors that offered better historical relative value, such as higher-rated Real Estate, insurance, and auto finance. These sectors were chosen because their spreads widened as much or even more than banks but are not as sensitive to deposits.

The last quarter of the period was less volatile on the corporate side, although duration and curve movements took centre stage within the fixed income space. Notwithstanding the volatility experienced in corporate spreads, the overweight allocation to the asset class was beneficial. Of note, profit taking in the Energy sector to reduce BBB-rated exposure was well executed and contributed the most to corporate exposure. From initially overweight, the positioning was brought back closer to neutral with the benchmark.

### Portfolio Changes

Provincial exposure was concentrated in the long end of the yield curve and adjusted tactically within a tight range. A systemic underweight allocation in the short-term portion of the curve was maintained throughout the year to fund corporate exposure.

Mid-term exposure was extended in the 15- to 20-year portion of the curve in conjunction to the Fund's duration increase, hence achieving higher forward implied rates although curves were inverted. The increase to duration detracted from performance overall as interest rates rose higher.

Federal exposure was used to obtain a progressively steeper curve bias in the Fund, specifically focusing on two- and 10-year bonds relative to five- and 30-year bonds. Unfortunately, during the last quarter, longer-term rates inverted more relative to the 10-year sector, which also underperformed relative to the five-year segment. Although yield curve contribution to performance was positive overall, it was considerably reduced by the recent reshape of the yield curve.

### ESG Activities

The following environmental, social, and governance (ESG) activities are some of those undertaken during the period related to the Fund's investment objectives and strategies.

With regards to ESG, reduction in supranational holdings exhibiting low or no excess to similar issuers on a liquidity adjusted basis were sold, partly offset by an increase in either green, social, or sustainability-linked corporate issues as they came to market. Other adjustments were made to holdings but based on curve positioning or relative value rather than ESG concerns.

NEI's Responsible Investing & ESG Services team (RI team) engaged 17 companies including Bank of Nova Scotia, Canadian National Railway Co., and Pembina Pipeline Corp., on topics such as net-zero commitments, equitable compensation, and Indigenous rights.

## Recent Developments

Contrary to what the portfolio sub-advisor expected, inflation remained sticky and central bank rhetoric remained restrictive, pushing market participants to expect higher interest rates for longer, even though growth has been lackluster. While some argue that forest fires out West and other specific events were responsible for this turn of events, others argue that the impact to growth was far more limited than what is estimated. Although the full impact of this monetary tightening cycle has not yet fully percolated to consumers, the portfolio sub-advisor expects the next quarters to exhibit some slowdown in economic growth through a reduction in household consumption. Mortgage concerns are growing, and although overall data seems adequate, the gap between net borrowing and net investing households keeps growing.

Federal agency spreads were quite volatile following the government's announcement to consider funding directly the Canadian Mortgage and Housing Corporation (CMHC) program to save on the additional interest cost associated with the agency program. Initial reaction was a rapid compression of spreads as investors pushed to increase exposure to the asset class, but the situation has since normalized. More recently, the federal government announced its intention to potentially increase the size of the program to respond to the growing demand for housing. Spreads widened to recent highs, and the portfolio sub-advisor intends to increase exposure to the asset class.

Signs of an impending economic slowdown are adding up from the economic data, even if employment and inflation remain resilient. The Fund has an overweight allocation to five-year bank credit, but less so than at the onset of 2023, favouring diversification and non-deposit-sensitive sectors. Close attention will be paid to implicit forward rates. The Fund's duration will be increased as the portfolio sub-advisor's targets for longer-term interest rates are reached. The steepening bias will also be maintained as we approach the end of the tightening cycle. Credit duration will be modulated to adjust exposure for the time being, mainly by favouring long-term provincial bonds relative to corporate exposure. The next step, reducing current holding levels, requires precise timing as the cost of going shorter credit is quite high from a carry perspective. Some issuers currently pricing this outcome more than others (banks, for instance) will be maintained while others will be reduced from a historical relative value basis.

The term of Marie Rounding ended on September 30, 2023. Ms. Rounding has served with distinction on the Independent Review Committee ("IRC") since 2014. After consulting with the Manager, the IRC determined it would replace Ms. Rounding with Caroline Cathcart. Ms. Cathcart was appointed as a new IRC member effective October 01, 2023, for a one-year term. As Ms. Rounding acted as the IRC chair after her term ended, Ms. McCarthy was appointed IRC Chair, effective October 5, 2023, and replaced Ms. Rounding in this role.

## Related Party Transactions

Northwest & Ethical Investments L.P. ("NEI LP") is the Manager, Trustee, Portfolio Manager and Registrar of the Fund. Northwest & Ethical Investments Inc., the general partner of NEI LP, is a wholly-owned subsidiary of Aviso Wealth Inc. ("Aviso"). Aviso is also the sole limited partner of NEI LP. Aviso is a wholly-owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited. Desjardins Financial Holding Inc. is a wholly-owned subsidiary of the Fédération des caisses Desjardins du Québec ("Fédération").

NEI LP charges the Fund a fixed administration fee in place of certain variable expenses. NEI LP in turn, pays all operating expenses of the Fund, other than specified Fund costs (e.g. the fees and expense of the Independent Review Committee ("IRC"), taxes, and brokerage commissions) which include payments to related parties. These services are in the normal course of operations and are measured at an exchange amount that is consistent with other independent parties. Desjardins Trust Inc. ("Desjardins Trust") is the custodian of the Fund. Desjardins Trust is a wholly-owned subsidiary of the Fédération. The Fund may engage in securities lending and repurchase transactions, and Desjardins Trust may act as the Fund's securities lending and repurchase transactions agent ("Agent"). Any revenue earned on such transactions is split 60%—40% between the Fund and the Agent. Desjardins Securities Inc. ("DSI") is a broker responsible for security transactions on behalf of the Fund. DSI is a wholly-owned subsidiary of the Fédération. Desjardins Global Asset Management Inc. ("DGAM") is the Portfolio sub-advisor of the Fund. DGAM is a wholly-owned subsidiary of the Fédération. DGAM's fees are entirely paid by NEI LP.

Where applicable the amounts paid in commission by the Fund to DSI and amounts received from underlying funds managed by NEI LP during the period are presented.

	September 2023 (\$)	September 2022 (\$)
Amounts received from underlying funds	309,590	5,253,880

The Fund's sub-advisors may place a portion of the Fund's portfolio transactions with brokerage firms which are affiliates of NEI LP, provided that the affiliate's trade execution abilities and costs are comparable to those of non-affiliated qualified brokerage firms.

The Fund is currently only distributed by NEI on an exempt-market basis.

NEI LP has established the IRC for the Fund in accordance with the requirements of National Instrument 81-107 – Independent Review Committee for Investment Funds in order to review conflicts of interest as they relate to investment fund management. The Fund did not rely on an approval, positive recommendation or standing instruction from the Fund's IRC with respect to any related party transactions.

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “intend”, “expect”, “estimate”, or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the Fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five fiscal years or for the periods since inception, as applicable.

### Net Assets per Unit (\$)<sup>(1)</sup>

Series	Period	Net Assets, Beginning of Period	Increase (Decrease) from Operations					Distributions					Net Assets, End of Period	
			Total Revenue	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Increase (Decrease) from Operations <sup>(2)</sup>	From Income (Excluding Dividends)	From Dividends	From Underlying Funds	From Capital Gains	Return of Capital		Total of Distributions <sup>(3)(4)</sup>
I	Sept. 2023	8.72	0.29	0.00	-1.34	0.95	-0.10	0.30	0.00	0.01	0.00	0.00	0.31	8.40
	Sept. 2022	10.03	0.34	0.00	-0.33	-1.00	-0.99	0.22	0.00	0.12	0.00	0.00	0.34	8.72
	Sept. 2021	10.57	0.23	0.00	-0.06	-0.39	-0.22	0.20	0.00	0.02	0.09	0.00	0.31	10.03
	Sept. 2020	10.06	0.25	0.00	0.16	0.37	0.78	0.18	0.03	0.00	0.00	0.00	0.21	10.57
	Sept. 2019	10.00	0.09	-0.01	0.00	-0.11	-0.03	0.01	0.03	0.00	0.00	0.00	0.04	10.06

(1) All per unit figures presented in 2023 are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited annual financial statements for the period ended September 30, 2023.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or reinvested in additional units of the Fund.

(4) Distributions (if any) that may have been made that included return of capital in excess of short term earnings were made to minimize disruption and provide stability to investors who have elected to take their distributions in the form of cash, and as disclosed in the Simplified Prospectus. These amounts are reviewed at each calendar year-end and management engages in discussions with the sub-advisor to determine the most applicable strategy on a go forward basis and will take any action(s) as needed for the long term stability of the Fund.

### Ratios and Supplemental Data

Series	Period	Total Net Asset Value (000's of \$)	Number of Units Outstanding (000's)	Management Expense Ratio (%) <sup>(1)</sup>	Management Expense Ratio before Waivers and Absorptions (%)	Trading Expense Ratio (%) <sup>(2)</sup>	Portfolio Turnover Rate (%) <sup>(3)</sup>	Net Asset Value per Unit (\$)
	Sept. 2022	366,018	41,959	N/A	N/A	0.00	216.45	8.72
	Sept. 2021	392,705	39,150	N/A	N/A	0.00	267.23	10.03
	Sept. 2020	215,683	20,410	N/A	N/A	0.05	336.55	10.57
	Sept. 2019	31,218	3,104	N/A	N/A	0.10	3.10	10.06

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs, as well as withholding taxes) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(3) The portfolio turnover rate indicates how actively the Fund's sub-advisor manages its investment holdings. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

## Management Fees

The Manager is responsible for the management, supervision and administration of the Fund. The Fund does not pay management fees for Series I units. Series I unitholders pay a negotiated fee directly to NEI Investments.

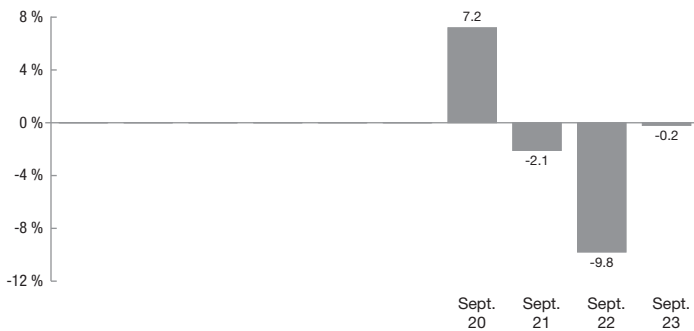
## Past Performance

The performance information provided will not necessarily indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional units of the relevant series of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

## Year-by-Year Returns

The following chart shows the annual performance for each series of units of the Fund for each period shown and illustrate how the Fund's performance has varied from period to period. The chart indicates how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

### Series I



## Annualized Compound Returns

The following table shows the annual compound returns for all series of the Fund. All returns are in Canadian dollars, on a total return basis, net of fees. For comparison, the returns for the benchmark are included. A discussion regarding the relative performance of the Fund is found in the Results of Operations section of this report and a description of indexes can be found in the Annualized Compound Returns section of this report.

The benchmark for this Fund is FTSE Canada Universe Bond Index.

The FTSE Canada Universe Bond Index is designed to be a broad measure of the Canadian investment grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value. There are four main credit or borrower categories: bonds issued by the Government of Canada (including Crown Corporations), provincial bonds (including provincially guaranteed securities), municipal bonds, and corporate bonds.

While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. Please see the "Results of Operations" section of this report for a discussion of recent performance results.

Group/Investment	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Since Inception <sup>(*)</sup> (%)
FTSE Canada Universe Bond Index	-1.4	-5.1	N/A	N/A	**
NEI Fixed Income Pool, Series I	-0.2	-4.1	N/A	N/A	-1.1

\*Since inception returns are not provided for series that have been in existence for more than 10 years.

\*\*The return of the benchmark since inception for each applicable series is as follows: Series I: -1.8%.

FTSE Global Debt Capital Markets Inc ("FDCM"), FTSE International Limited ("FTSE"), the London Stock Exchange Group companies (the "Exchange"). FDCM and together with FTSE and the Exchange, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Canadian Universe Bond ("the Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FDCM and all copyright in the Index values and constituent lists vests in FDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

"FTSE®" is a trade mark of the FTSE International Limited in Canada and Taiwan, and the London Stock Exchange Group of companies in the rest of the world and is used by FDCM under license.

## Summary of Investment Portfolio as at September 30, 2023

Total Net Asset Value: \$200,092,897

Top Holdings		%	Net Asset Value Mix <sup>(1)</sup>		%
1	NEI Global Total Return Bond Fund, Series I	9.2	Fixed Income	95.1	
2	Canada Housing Trust, Series 107, 3.550%, 2032-09-15	6.5	Mortgage-Backed Securities	2.7	
3	Government of Canada, 2.000%, 2032-06-01	4.7	Cash and Equivalents	2.1	
4	Province of Ontario, 2.900%, 2046-12-02	4.6	Asset-Backed Securities	0.1	
5	Canada Housing Trust, Series 95, 1.100%, 2031-03-15	2.9	Total	100.0	
6	Scotiabank, 2.950%, 2027-03-08	2.7			
7	Government of Canada, 5.000%, 2037-06-01	2.6			
8	Hydro-Québec, 6.000%, 2040-02-15	1.9			
9	Province of Québec, 3.500%, 2045-12-01	1.9			
10	Province of Ontario, 3.500%, 2043-06-02	1.5			
11	Province of Ontario, 4.600%, 2039-06-02	1.5			
12	Toronto-Dominion Bank, 4.680%, 2029-01-08	1.5			
13	Asian Development Bank, 0.750%, 2026-02-10	1.4			
14	Cash and Equivalents	1.3			
15	Laurentian Bank of Canada NHA, 1.390%, 2027-06-01	1.3			
16	Royal Bank of Canada, 3.369%, 2025-09-29	1.3			
17	Scotia Capital NHA, 0.890%, 2026-09-01	1.2			
18	Province of Ontario, 4.700%, 2037-06-02	1.1			
19	Bank of Montreal, 4.709%, 2027-12-07	1.1			
20	Toronto-Dominion Bank, 2.667%, 2025-09-09	1.0			
21	Canada Housing Trust, Series 112, 3.650%, 2033-06-15	0.9			
22	National Bank of Canada, 5.219%, 2028-06-14	0.9			
23	Brookfield Renewable Partners, Series 16, 5.292%, 2033-10-28	0.9			
24	Royal Bank of Canada, 4.612%, 2027-07-26	0.8			
25	Canada Housing Trust, Series 113, 3.100%, 2028-06-15	0.8			
	Total	55.5			

Sector Allocation <sup>(1)</sup>		%
Corporate Bonds	48.4	
Federal Bonds	20.6	
Provincial and Crown Corporations Bonds	20.0	
Foreign Government Bonds	3.6	
Mortgage-Backed Securities	2.7	
Cash and Equivalents	2.1	
Supranational Bonds	1.7	
U.S. Government Bonds	0.8	
Asset-Backed Securities	0.1	
Total	100.0	

Geographic Distribution <sup>(1)</sup>		%
Canada	88.6	
Other Countries	9.3	
Cash and Equivalents	2.1	
Total	100.0	

(1) Table represents an aggregated "look-through" of the top positions and category summaries that are held in the top and underlying fund(s).

"Other Countries" geographic category includes all countries individually representing less than 5% of the Fund's net asset value.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. Updates are available quarterly.