

### Performance

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

The first quarter saw equity markets march to all time highs on expectations that some of the world's major central banks will reverse course and start reducing interest rates later in the year. While inflation readings have peaked and are declining, the labour market remains resilient with the number of jobs being created. However, wage growth appears to be slowing and unemployment is ticking higher, making the path back to target policy inflation levels uneven. Both the Bank of Canada and the Federal Reserve elected to maintain their level of interest rates with a bias to easing when appropriate. They are taking a cautious approach to their monetary policies and will let incoming data dictate the path of future interest rate moves. Another catalyst to the markets has been the rise of artificial intelligence and the impact it has had on a few large technology companies with their shares continuously advancing to record highs. Overseas, the situation in China is worth monitoring with a potential slowdown as evidenced by the government's lowered target for economic growth this year. In addition, the market is having to contend with numerous other concerns including geopolitical instability in the Middle East and the upcoming U.S. elections towards the end of the year which could impact sentiment.

### Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception <sup>1</sup>
NEI Canadian Dividend Fund Series I	4.12	12.00	4.12	9.37	8.92	8.39	7.83	N/A
NEI Canadian Dividend Fund Series F	3.85	11.42	3.85	8.23	7.79	7.26	6.58	N/A
NEI Canadian Dividend Fund Series A	3.56	10.79	3.56	6.98	6.53	6.01	5.33	N/A
<i>Benchmark 1: 80% S&amp;P/TSX Composite TR Index, 20% MSCI World NR Index (C\$)</i>	7.64	16.50	7.64	16.16	9.59	10.49	8.20	N/A

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

On December 14th, 2016, the fund benchmark was changed. Prior to this date the fund benchmark was S&P/TSX Composite TR Index.

### Portfolio commentary

The exposure to Communication Services detracted from the returns despite U.S. telecom Verizon posting a strong return as concerns about competition and growth weighed on sentiment. BCE was particularly weak despite its status as one of Canada's leading "blue chip" companies. While the company produced decent results in the quarter, they increased their dividend by only 3%, which was lower than anticipated. Concerns about dividend growth and financial leverage in the intermediate term as the company completes its capital spending program dominated investor sentiment and outweighed the long term benefits of these investments. However, with recent moves to temper capital expenditures to their fibre investment network, recently announced layoffs and a focus on higher growth segments, the company is poised to show improvements in the areas of concern going forward. The sector is well positioned overall given the long term trends of essential cellphone and internet services provided to a growing population. Additionally, these companies will benefit as consumers migrate to premium 5G devices and switch to larger and more expensive data plans.

Within the Consumer sectors, holdings Empire and Magna impacted the performance. Empire results came in below estimates as their sales lagged peers during the period. As consumers continue to face inflation pressures and shift towards discount banners, concerns about Empire's lower discount store penetration continue to worry investors. Magna delivered in-line results during the quarter but their guidance for the year disappointed with lower sales and operating margins. The company is being impacted by concerns over slowing electric vehicle growth. The shares in both holdings are trading at attractive valuations and provide a compelling return over the time horizon.

Foreign technology holdings Microsoft, Oracle, and SAP posted strong returns. These companies generally delivered stronger than consensus results that were aided by tailwinds including the increased adoption of artificial intelligence and cloud computing.

The lower exposure to both Energy and Industrials detracted from the returns. In the Energy sector, holdings Arc Resources and Suncor had strong performances. Arc benefited from higher production and stronger free cash flows driven by lower operating costs. Suncor results came in ahead of expectations due to lower operating costs and strong refining results. Industrials CN Rail and WSP Global added to the returns as both companies posted better than expected results during the period.

Real Estate holdings Allied and H&R REIT declined during the quarter as they continue to be impacted by weaker market sentiment given the higher interest rate environment and tepid demand for the office sub sector despite the attractive attributes of the companies. Both holdings are trading at very attractive valuations and provide compelling dividend yields.

Strong stock selection in insurance companies Intact Financial and Manulife added to the returns. Intact remains one of the best operators with its leading underwriting results for both commercial and personal auto, home and specialty insurance. Manulife shares advanced on stronger insurance and wealth and asset management results. The company also increased their dividend by 10%.

During the quarter, the sub-advisor opportunistically added a new position in Brookfield Renewable Partners given its attractive valuation and long runway of growth. The position in WSP Global was eliminated as the shares had outperformed.

## Outlook

The Fund remains conservatively positioned with quality companies trading at attractive prices. The sub-advisor remains focused on adhering to their strict discipline and investment process by opportunistically reducing holdings that approach target prices, while selectively adding to a limited number of attractively priced high quality companies with stable business characteristics. They expect to continue taking advantage of these market conditions to position the Fund to meet multiple criteria of quality, stability, sustainable dividends and attractive valuations. While market volatility is expected to persist in this higher interest rate environment, the Fund offers an attractive potential for gains over the investment time horizon especially as Central Banks start reducing rates later in the year. In addition, the Fund provides a compelling and sustainable dividend yield.

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Series F units are only available to investors who participate in eligible fee-based programs with their registered dealers that have entered into a Series F Distribution agreement with NEI Investments.

Series I have high minimum investment requirements and are typically aimed at institutional investors (such as pension plans) or investors making large investments in the fund. Funds in these series generally have lower management fees than the retail series of the same fund.

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