

## Semi-annual Management Report of Fund Performance

### As at March 31, 2023

This Semi-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.sedar.com](http://www.sedar.com).

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

### Results of Operations

The NEI Fixed Income Pool's Series I units returned 3.8% for the six-month period ended March 31, 2023 compared with a return of 3.3% 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 41.86% during the period, from \$366,018,074 as at September 30, 2022 to \$212,802,972 as at March 31, 2023. This change in net assets is attributed to net unitholder activity of -\$158,738,194 and \$5,523,092 to investment operations, including market appreciation (depreciation), income and expenses.

### Factors That Have Affected Performance

Midway through the first quarter, both allocation and duration of corporate bonds was increased as spreads reached historically wide levels signaling recession was creeping nearer although other markets were exhibiting different behaviour. This was achieved by progressively divesting from front-end exposures towards 5 to 10-year corporate bonds both on new issuance and on secondary markets. As initial fears eventually waned towards the end of the year, 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 crystallise spread compression, namely expensive BBB rated sectors such as telecommunication, 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 United States 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 massive flattening of credit spreads for which the Fund was well positioned. Since mid-March, the situation normalized and corporate positioning was maintained, but progressively diversified away from banks towards sectors that now offer better historical relative value in which exposure was underweighted, 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. Notwithstanding the volatility experienced in corporate spreads, the over-allocation to the asset class was still beneficial.

Provincial exposure was concentrated in the long-end and adjusted tactically within a tight range. An underweight in the short-term portion of the curve was maintained throughout the semester to fund corporate exposure. The 10-year portion was adjusted tactically to benefit from technical factors such as quarter-ends and index extension events. Duration was also adjusted throughout the period with a slightly short bias. Like provincial exposures, duration was brought back towards neutral when technical factors were in play.

Federal exposure was used to obtain a progressively steeper curve bias in the portfolio, specifically focusing on 2 and 10 year bonds relative to 5 and 30 year bonds.

### ESG Activities

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

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.

NEI's Responsible Investing & ESG Services team (RI team) engaged 12 companies including Bank of Montreal, Cenovus Energy, and Loblaw Cos, on topics such as supply chain risks and net-zero commitments.

### Recent Developments

Although Central banks remain in restrictive monetary policy territory, many of them are hinting at an eventual peak in policy rates while signaling that rates could remain at a higher level for a longer period than what market participants anticipate. The full impact of this tightening cycle has not yet fully percolated to consumers, but we expect the next semester to exhibit some slowdown in economic growth and rising pressure on credit spreads, but their current levels already reflect part of that information, unless a deeper crisis emerges.

Of specific interest, the Canadian federal government's budget on March 28th introduced the possibility of incorporating CMHC funding needs directly in the government's funding program to save on 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. Liquidity will probably become challenging as consultations will take place later in the Fall. This issuer represents 9% of the FTSE Canada Universe index. From a currently short bias, the portfolio sub-advisor intends to cover their position relative to the index as spreads return to a more attractive level. Since there is still uncertainty, current trading levels do not dictate going long for the moment.

As mentioned previously, signs of an impending economic slowdown are adding up from the economic data, although employment and inflation could still surprise markets to the upside. The portfolio sub-advisor remains overweight in 5-year bank credit, but less so than at the onset of 2023, favoring diversification. 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-termed rates are reached. Credit exposure will be modulated, but current levels require more precise timing as the cost of going short is quite high from a carry perspective.

## 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.

	March 2023 (\$)	March 2022 (\$)
Amounts received from underlying funds	309,590	1,632,096

The Fund's sub-advisors may place a portion of their fund 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.



# NEI Fixed Income Pool

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 six-month period ended March 31, 2023 and 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 Distributions <sup>(3)(4)</sup>
I	Mar. 2023	8.72	0.14	0.00	-1.02	1.09	0.21	0.15	0.00	0.01	0.00	0.00	0.16	8.88
	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 semi-annual financial statements for the period ended March 31, 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 Fund 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.

In addition to the fees and expenses directly payable by the Fund, certain fees and expenses may be payable by some underlying third party funds. The Fund indirectly bears its proportionate share of such fees and expenses. However, the Fund does not pay any management fees or similar expenses that, in the view of the Manager, a reasonable person would consider duplicate a fee payable by an underlying fund for the same service.

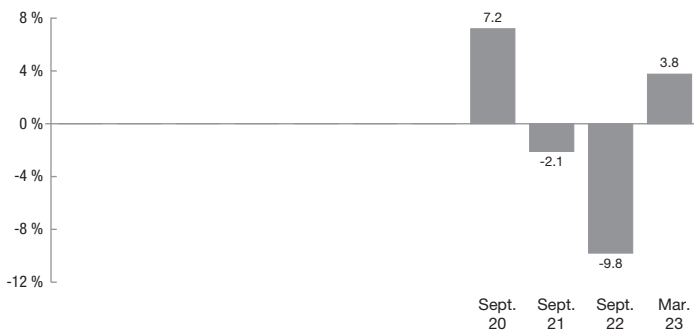
## Past Performance

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 with the exception of 2023, which shows the six-month return for the period ended March 31, 2023. 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**



## Summary of Investment Portfolio as at March 31, 2023

Total Net Asset Value: \$212,802,972

Top Holdings			%
1	NEI Global Total Return Bond Fund, Series I		8.7
2	Government of Canada, 1.500%, 2031-06-01		5.1
3	Government of Canada, 3.000%, 2046-11-01		4.2
4	Province of Ontario, 2.900%, 2046-12-02		3.8
5	Government of Canada, 2.750%, 2033-06-01		3.6
6	Cash and Equivalents		3.3
7	Scotiabank, 2.950%, 2027-03-08		2.6
8	Government of Canada, 1.500%, 2024-05-01		2.3
9	Government of Canada, 4.000%, 2041-06-01		2.1
10	Province of Québec, 3.500%, 2045-12-01		2.0
11	Hydro-Québec, 6.000%, 2040-02-15		2.0
12	Asian Development Bank, 0.750%, 2026-02-10		1.3
13	Laurentian Bank of Canada NHA, 1.390%, 2027-06-01		1.3
14	Royal Bank of Canada, 3.369%, 2025-09-29		1.2
15	Scotia Capital NHA, 0.890%, 2026-09-01		1.2
16	Province of Alberta, 3.100%, 2050-06-01		1.2
17	Government of Canada, 2.750%, 2027-09-01		1.1
18	Bank of Montreal, 4.709%, 2027-12-07		1.0
19	Toronto-Dominion Bank, 2.667%, 2025-09-09		1.0
20	Canadian Imperial Bank of Commerce, 2.750%, 2025-03-07		1.0
21	Toronto-Dominion Bank, 4.680%, 2029-01-08		1.0
22	Province of Ontario, 4.700%, 2037-06-02		0.8
23	Canadian Imperial Bank of Commerce, 5.050%, 2027-10-07		0.7
24	Pembina Pipeline, Series 5, 3.540%, 2025-02-03		0.7
25	Province of British Columbia, 2.950%, 2050-06-18		0.7
	Total		53.9

Net Asset Value Mix <sup>(1)</sup>		%
Fixed Income		93.1
Cash and Equivalents		4.2
Mortgage-Backed Securities		2.7
Total		100.0

Sector Allocation <sup>(1)</sup>		%
Corporate Bonds		48.2
Federal Bonds		19.9
Provincial and Crown Corporations Bonds		19.4
Cash and Equivalents		4.2
Foreign Government Bonds		3.0
Mortgage-Backed Securities		2.7
Supranational Bonds		1.6
U.S. Government Bonds		1.0
Total		100.0

Geographic Distribution <sup>(1)</sup>		%
Canada		87.1
Other Countries		8.7
Cash and Equivalents		4.2
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 Portfolio's net asset value.

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