

Semi-annual Management Report of Fund Performance

As at March 31, 2024

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 or SEDAR+ at 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

Results of Operations

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.

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

The Fund's net asset value increased by 12.13% during the period, from \$101,752,393 as at September 30, 2023 to \$114,094,766 as at March 31, 2024. This change in net assets is attributed to net unitholder activity of \$4,635,232 and \$7,707,141 to investment operations, including market appreciation (depreciation), income and expenses.

Market Overview

In the final quarter of 2023, interest rates fell significantly as the market started to anticipate several central bank interest rate cuts. However, during the first quarter 2024 some of these rate cuts expectations were taken back and market yields trended higher from January to March. Overall, even with the latest rise in rates, the FTSE Canada Universe Index had a positive return over the last six months. Corporate bonds were the best-performing section in the fixed income market throughout this period. Credit spreads narrowed over the last six months while provincial bond spreads were slightly lower.

Factors That Have Affected Performance

The Fund benefited from positive sector allocation during the period, particularly an overweight positioning in corporate bonds, combined with positive security selection. In addition, a longer duration positioning versus the FTSE Canada Universe Index during the period provided added value due to the overall decline in market interest rates.

Portfolio Changes

The portfolio sub-advisor added new securities during the period, including a new issue from the First Nations Finance Authority, which is categorized in the portfolio sub-advisor's community development theme with a focus area in Indigenous economic opportunities. Additionally, they also added new green bonds from the Government of Canada, the Province of Ontario, Brookfield Renewable Partners ULC, Hydro One Inc., Bruce Power L.P., and Granite REIT. Sustainable bonds from National Bank of Canada and City of Vancouver were also added during the period. These new additions have led to an increase in government bond holdings, as well as improved diversification from a sector perspective, as well as from an impact themes perspective.

Environmental, Social, And Governance (ESG) Activities

Relevant impact metrics will be reported in the Annual Management Report of Fund Performance.

Recent Developments

The market has witnessed resilience in inflation in the U.S., mainly linked to changes in relative prices. This has led to recent increases in interest rates and the market has removed several rate cuts expectations that it had initially projected in the first half of 2024. The supply shock resulting from productivity gains is positive in the U.S., attenuating fundamental inflationary pressures will eventually come to the forefront. In 2024, with expectations of lower inflation, the monetary policy in the U.S. will go down the path of cutting interest rates even if the market does not believe it at this moment. The portfolio sub-advisor therefore believes that interest rates will fall across the curve. Interest rates in Canada will follow the lead from the U.S. in longer maturities even if the inflation situation in Canada remains at a high level relative to the U.S.

The portfolio sub-advisor expects a favourable environment for corporate bonds as they are expecting non-inflationary growth and a higher demand for fixed income securities as they offer an interesting risk and reward proposition. They see a similar environment for provincial securities but expect that spreads will evolve in a relatively stable narrow range. In this context, the portfolio sub-advisor has kept positioning relatively in line with the one held in the last six months, in order to take advantage of declining interest rates through a slightly longer duration versus its benchmark. They will continue to maintain an overweight positioning in corporate bonds on better expected returns from this asset class versus government securities.

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.



NEI Canadian Impact Bond Fund

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.

Effective April 1, 2024, Credential Asset Management Inc. and Credential Qtrade Securities Inc. merged into Aviso Financial Inc. As a result, the Fund is now distributed through Aviso Financial Inc., and members of the Fédération and other nonrelated parties by way of shared ownership. NEI LP pays to these parties distribution and servicing fees based on a percentage of the daily values of the units of each held by the dealer's clients and additionally, in some cases, on the amount of initial purchase.

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 six-month period ended March 31, 2024 and the past five fiscal years or for the periods since inception, as applicable.

Net Assets per Unit (\$) ⁽¹⁾

| 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 ⁽²⁾ | From Income (Excluding Dividends) | From Dividends | From Underlying Funds | From Capital Gains | Return of Capital | Total Distributions ⁽³⁾⁽⁴⁾ | |
| A | Mar. 2024 | 9.54 | 0.19 | -0.06 | 0.03 | 0.28 | 0.44 | 0.11 | 0.00 | 0.00 | 0.00 | 0.09 | 0.20 | 9.99 |
| | Sept. 2023 | 10.00 | 0.07 | -0.03 | -0.01 | -0.39 | -0.36 | 0.05 | 0.00 | 0.00 | 0.00 | 0.05 | 0.10 | 9.54 |
| F | Mar. 2024 | 9.56 | 0.19 | -0.03 | 0.03 | 0.22 | 0.41 | 0.15 | 0.00 | 0.00 | 0.00 | 0.05 | 0.20 | 10.03 |
| | Sept. 2023 | 10.00 | 0.08 | -0.01 | -0.01 | -0.32 | -0.26 | 0.06 | 0.00 | 0.00 | 0.00 | 0.04 | 0.10 | 9.56 |
| I | Mar. 2024 | 9.60 | 0.19 | 0.00 | 0.03 | 0.50 | 0.72 | 0.19 | 0.00 | 0.00 | 0.00 | 0.00 | 0.19 | 10.14 |
| | Sept. 2023 | 10.00 | 0.07 | 0.00 | -0.01 | -0.40 | -0.34 | 0.06 | 0.00 | 0.00 | 0.00 | 0.00 | 0.06 | 9.60 |
| O | Mar. 2024 | 9.66 | 0.18 | 0.00 | 0.03 | 0.50 | 0.71 | 0.25 | 0.00 | 0.00 | 0.00 | 0.00 | 0.25 | 10.14 |
| | Sept. 2023 | 10.00 | 0.07 | 0.00 | -0.01 | -0.40 | -0.34 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 9.66 |
| P | Mar. 2024 | 9.55 | 0.19 | -0.06 | 0.03 | 0.04 | 0.20 | 0.12 | 0.00 | 0.00 | 0.00 | 0.08 | 0.20 | 10.01 |
| | Sept. 2023 | 10.00 | 0.07 | -0.02 | -0.01 | -0.39 | -0.35 | 0.06 | 0.00 | 0.00 | 0.00 | 0.04 | 0.10 | 9.55 |
| PF | Mar. 2024 | 9.56 | 0.19 | -0.03 | 0.03 | 0.00 | 0.19 | 0.14 | 0.00 | 0.00 | 0.00 | 0.06 | 0.20 | 10.04 |
| | Sept. 2023 | 10.00 | 0.08 | -0.01 | -0.01 | -0.32 | -0.26 | 0.06 | 0.00 | 0.00 | 0.00 | 0.04 | 0.10 | 9.56 |

(1) All per unit figures presented in 2024 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, 2024.

(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 (%) ⁽¹⁾ | Management Expense Ratio before Waivers and Absorptions (%) | Trading Expense Ratio (%) ⁽²⁾ | Portfolio Turnover Rate (%) ⁽³⁾ | Net Asset Value per Unit (\$) |
|--------|------------|-------------------------------------|-------------------------------------|---|---|--|--|-------------------------------|
| A | Mar. 2024 | 1,074 | 108 | 1.25 | 1.25 | 0.00 | 33.06 | 9.99 |
| | Sept. 2023 | 145 | 15 | 1.26 | 1.26 | 0.00 | 4.53 | 9.54 |
| F | Mar. 2024 | 418 | 42 | 0.68 | 0.68 | 0.00 | 33.06 | 10.03 |
| | Sept. 2023 | 2 | - | 0.69 | 0.69 | 0.00 | 4.53 | 9.56 |
| I | Mar. 2024 | 110,484 | 10,899 | N/A | N/A | 0.00 | 33.06 | 10.14 |
| | Sept. 2023 | 101,594 | 10,581 | N/A | N/A | 0.00 | 4.53 | 9.60 |
| O | Mar. 2024 | 1 | - | 0.05 | 0.05 | 0.00 | 33.06 | 10.14 |
| | Sept. 2023 | 1 | - | 0.05 | 0.05 | 0.00 | 4.53 | 9.66 |
| P | Mar. 2024 | 814 | 81 | 1.14 | 1.14 | 0.00 | 33.06 | 10.01 |
| | Sept. 2023 | 1 | - | 1.15 | 1.15 | 0.00 | 4.53 | 9.55 |
| PF | Mar. 2024 | 1,304 | 130 | 0.55 | 0.55 | 0.00 | 33.06 | 10.04 |
| | Sept. 2023 | 10 | 1 | 0.57 | 0.57 | 0.00 | 4.53 | 9.56 |

(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 Manager receives from the Fund management fees, before HST, calculated daily on the net asset value of the Fund at an annual rate shown below. The Fund does not pay management fees for Series I and O units. Series I and O unitholders pay a negotiated fee directly to NEI Investments.

The management fee covers the cost of investment advisory fees, sales, marketing, and distribution expenses of the Fund. In addition, the Manager may pay a trailer fee to dealers out of this management fee. The trailer fee is a percentage of the average daily value of the units of the Fund held by the dealer's clients. No trailer fees are paid in respect of any Series F and PF units of the Fund.

The following table shows the major services paid for out of management fees as a percentage of the management fee for all applicable series of the Fund:

| | Management Fee (%) | Investment Advisory and Other Fees (%) | Trailer Fee (%) |
|-----------|--------------------|--|-----------------|
| Series A | 0.95 | 65.56 | 34.44 |
| Series F | 0.45 | 100.00 | N/A |
| Series P | 0.85 | 41.34 | 58.66 |
| Series PF | 0.35 | 100.00 | N/A |

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 charts show 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 2024, which shows the six-month return for the period ended March 31, 2024. The charts indicate 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 A

Historic performance reporting is not permitted until the series has at least 12 months of performance.

Series I

Historic performance reporting is not permitted until the series has at least 12 months of performance.

Series P

Historic performance reporting is not permitted until the series has at least 12 months of performance.

Series F

Historic performance reporting is not permitted until the series has at least 12 months of performance.

Series O

Historic performance reporting is not permitted until the series has at least 12 months of performance.

Series PF

Historic performance reporting is not permitted until the series has at least 12 months of performance.

Summary of Investment Portfolio as at March 31, 2024

Total Net Asset Value: \$114,094,766

| Top Holdings | | % | Net Asset Value Mix | | % |
|--|------|---|---------------------|--|---|
| Province of Ontario, 1.550%, 2029-11-01 | 7.0 | Fixed Income | 98.7 | | |
| Province of Québec, 3.650%, 2032-05-20 | 6.2 | Cash and Equivalents | 1.3 | | |
| Government of Canada, 2.250%, 2029-12-01 | 5.4 | Total | 100.0 | | |
| Province of Ontario, 4.050%, 2032-02-02 | 4.8 | Sector Allocation | | | |
| PSP Capital, Series G-13, 4.400%, 2030-12-02 | 2.7 | Corporate Bonds | 38.9 | | |
| Province of Ontario, 4.100%, 2033-03-04 | 2.7 | Provincial and Crown Corporations Bonds | 28.5 | | |
| 55 School Board Trust, 5.900%, 2033-06-02 | 2.4 | Federal Bonds | 16.5 | | |
| Algonquin Power & Utilities, 4.600%, 2029-01-29 | 2.3 | Municipal Bonds | 10.4 | | |
| National Bank of Canada, 4.968%, 2026-12-07 | 2.3 | Supranational Bonds | 4.4 | | |
| Fédération des caisses Desjardins du Québec, 5.467%, 2028-11-17 | 2.2 | Cash and Equivalents | 1.3 | | |
| Government of Canada, 3.250%, 2028-09-01 | 2.1 | Total | 100.0 | | |
| Canada Pension Plan Investment Board, 3.000%, 2028-06-15 | 2.1 | Geographic Distribution | | | |
| Central 1 Credit Union, 2.391%, floating rate from 2026-06-30, 2031-06-30 | 2.0 | Canada | 94.3 | | |
| First Nations Finance Authority, 4.100%, 2034-06-01 | 2.0 | Other Countries | 4.4 | | |
| Ottawa Hospital, 4.638%, 2063-06-14 | 1.7 | Cash and Equivalents | 1.3 | | |
| Choice Properties Real Estate Investment Trust, Series Q, 2.456%, 2026-11-30 | 1.7 | Total | 100.0 | | |
| Hydro One, 4.850%, 2054-11-30 | 1.7 | "Other Countries" geographic category includes all countries individually representing less than 5% of the Fund's net asset value. | | | |
| Government of Canada, 3.500%, 2034-03-01 | 1.6 | The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. Updates are available quarterly. | | | |
| Dream Industrial Real Estate Investment Trust, Series E, 3.968%, 2026-04-13 | 1.6 | | | | |
| FortisBC Energy, 2.540%, 2050-07-13 | 1.5 | | | | |
| Government of Canada, 1.750%, 2053-12-01 | 1.5 | | | | |
| Asian Development Bank, 1.500%, 2028-05-04 | 1.5 | | | | |
| Brookfield Renewable Partners, Series 11, 4.250%, 2029-01-15 | 1.4 | | | | |
| TCHC Issuer Trust, Series A, 4.877%, 2037-05-11 | 1.4 | | | | |
| Brookfield Renewable Partners, Series 14, 3.330%, 2050-08-13 | 1.4 | | | | |
| Total | 63.2 | | | | |