NEI Fixed Income Pool

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 NEI Fixed Income Pool's Series I units returned 7.9% for the six-month period ended March 31, 2024 compared with a return of 6.9% 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 23.17% during the period, from $200,092,897 as at September 30, 2023 to $153,735,684 as at March 31, 2024. This change in net assets is attributed to net unitholder activity of -$60,929,412 and $14,572,199 to investment operations, including market appreciation (depreciation), income and expenses.

Market Overview

In the fourth quarter of 2023, market tone clearly changed, considering economic figures that essentially showed measured inflation returning to the 2% target and central banks explicitly or implicitly indicating that administered rates could be reduced before the 2% target is reached if the conditions for convergence toward this level have been met.

The return on 10-year Canadian bond yields decreased significantly during the quarter, from 4.02% to 3.11% (almost a mirror image of the previous quarter's performance). Interestingly, the 3.11% level reached at the end of 2023 is exactly the average of 10-year Canadian bond yields over the past 23 years (or since the beginning of the millennium, depending on viewpoint). There was a similar decrease on the U.S. side (although it was greater in Canada) related to the significant change in tone of several central banks and mainly in the second half of the quarter. Meanwhile, U.S. 10-year rates fell by 69 basis points (bps) to 3.88%.

For the first quarter of 2024, market tone stabilized in light of economic figures that continued to show a return to the 2% target for measured inflation rates and a real economy that is not accelerating, mainly in Canada. Interestingly, the economic divergences seen in the last quarter could be leading to central bank movements that may be out of step with each other in the coming months.

The return on 10-year Canadian bond yields increased significantly during the quarter, from 3.11% to 3.47% (reversing nearly a third of the exceptional performance in the last quarter of 2023). An almost identical increase occurred in the U.S., which is all the more puzzling when economic performance south of the border is much stronger than in Canada. Thus, U.S. 10-year rates rose by 32 bps to reach 4.20%. The 2- to 10-year yield curve continued its slight reversal over the quarter. The total return of the FTSE Canada Universe Bond Index for the first quarter of 2024 was -1.22%. The Index's term yield closed at 4.21%.

Factors That Have Affected Performance

All attribution factors contributed positively to excess return over the period.

Overallocation to corporate credit relative to provincial, municipal, and federal exposure had the most significant positive effect on the Fund’s performance. Additionally, government agency and National Housing Act exposure relative to Government of Canada bonds helped achieve higher returns. Overweighting Energy, Financials, and Real Estate sectors relative to infrastructure (except in the long end) were also a boon to performance. Being underweight the Communication Services sector also contributed to outperformance.

The Fund had a core long duration bias to benchmark (0.25 year) throughout the period that was positive for the first quarter as interest rates fell. Duration was adjusted close to the lowest allowable band at the end of 2023 as rates performed well, which in turn, minimized the impact of rising rates that the portfolio sub-advisor observed since the beginning of 2024. They were able to extend duration towards the highest allowable band as rates peaked and capture the gains when rates fell back. This dynamic adjustment to duration allowed the Fund to generate additional returns although rates were generally rising.

Curve positioning was also positive. The portfolio sub-advisor maintained the underweight in the 5–7-year and 30-year portions of the curve relative to the 2–3-year and 10–15-year portions, which benefited from the overall steepening of the curve, mostly in the long-end portion of the curve. To increase the impact of this steepening positioning, long-term off-the-run corporate bonds continued to be rolled into on-the-run issues, at similar yields.

The only negative element was one of missed opportunity. The portfolio sub-advisor reduced exposure to credit in anticipation of widening spreads, hence reducing potential added value from what it could have been. Careful allocation to corporate sectors more than made up for it though.

Portfolio Changes

As policymakers signaled peak rates in Canada during the fourth quarter of 2023, the portfolio sub-advisor increased the impact of the steepening positioning, long-term off-the-run corporate bonds continued to be rolled into on-the-run issues, at similar yields.

Also, as spreads continued to grind, more long-end exposure was sold either outright or against shorter-term positions. The opposite was done in provincial bonds with the difference representing a box trade between both asset classes. Following these transactions, the Fund shows a lower risk level, but with similar yield. Also, since provincials are benchmarked on underlying Canada bonds whereas corporate bonds are all benchmarked against long Canada bonds, the Fund benefits from an implicit steepening position, without a short-duration bias.

From an initially underweight positioning, provincial exposure was added as important budget deficits were unveiled, offering better entry points in the asset class. The short- and medium-term portions were kept largely underweight, with more emphasis on the long-end relative to the medium-term portion of the curve was given. The objective was twofold; increased exposure to provincial credit in the cheapest area of the curve while increasing duration at the same time. Canada Housing Trust exposure was maintained at similar levels, emphasizing the 10-year portion relative to the shorter part of the curve. Although the additional spread they offer converges more towards historical averages, they can still outperform provincial issuers as their available-to-market supply is relatively smaller. Although the program size was increased substantially, free float is limited as part of the issuance is owned by the Government of Canada. At current levels, holdings will be at least maintained flat to the index but could be reallocated to more interesting areas of the curve for the product.

Holdings of green, sustainable, and social bonds were close to 5% at quarter-end. Shorter-term corporate ESG exposure was redeployed further out on the curve in the same issuers. This was driven by corporate credit positioning first and foremost. Government of Canada 2034 green bonds were added to replace 10-year exposure. Careful trading allowed for their inclusion flat to the Canada curve.

Recent Developments

Stronger-than-expected data in the last quarter has been challenging with inflation ticking up south of the border, but Canadians remain at record indebtedness levels and higher interest rates are bound to bite at their consumption capabilities. Large amounts of mortgage debt will need to be refinanced in the next couple of years, and delays in rates decreases are bound to negatively impact economic growth. Population growth should slow as immigration targets are reviewed lower, which is expected to reduce strains on housing costs, or at least cap them. The risk is that government programs to increase housing construction wind up creating more workforce scarcity and maintains inflation at higher-than-target level.

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 2024 ($)	March 2023 ($)
Amounts received from underlying funds	918,528	309,590

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.

NEI Fixed Income Pool

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)

			Increase (Decrease) from Operations					Distributions						
Series	Period	Net Assets, Beginning 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)	Net Assets, End of Period
I	Mar. 2024	8.40	0.20	0.00	-0.42	0.91	0.69	0.16	0.00	0.05	0.00	0.00	0.21	8.86
	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 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 $)	Number of Units Outstanding (000's)	Management Expense Ratio (%) (1)	Management Expense Ratio before Waivers and Absorptions (%)	Trading Expense Ratio (%) (2)	Portfolio Turnover Rate (%) (3)	Net Asset Value per Unit ($)
I	Mar. 2024	153,736	17,347	N/A	N/A	0.00	147.65	8.86
	Sept. 2023	200,093	23,807	N/A	N/A	0.00	209.44	8.40
	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.

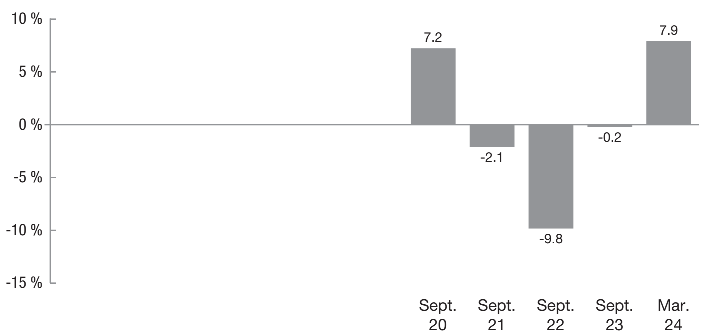
Past Performance

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 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 I



NEI Fixed Income Pool

Summary of Investment Portfolio as at March 31, 2024

Total Net Asset Value: $153,735,684

Top Holdings	%
Government of Canada, 1.500%, 2031-06-01	11.6
Province of Ontario, 2.900%, 2046-12-02	5.8
Canada Housing Trust, Series 112, 3.650%, 2033-06-15	5.1
Scotiabank, 2.950%, 2027-03-08	4.1
Government of Canada, 3.500%, 2034-03-01	3.2
Scotia Capital NHA, 3.800%, 2028-12-01	3.2
Province of Ontario, 4.650%, 2041-06-02	3.2
Province of Ontario, 3.500%, 2043-06-02	3.0
Hydro-Québec, 6.000%, 2040-02-15	2.7
Province of Alberta, 3.450%, 2043-12-01	2.1
Laurentian Bank of Canada NHA, 4.040%, 2029-02-01	1.7
Laurentian Bank of Canada NHA, 1.390%, 2027-06-01	1.7
Canada Housing Trust, Series 118, 4.250%, 2034-03-15	1.6
Toronto-Dominion Bank, 4.680%, 2029-01-08	1.6
Scotia Capital NHA, 0.890%, 2026-09-01	1.5
Bank of Montreal, 4.709%, 2027-12-07	1.5
National Bank of Canada, 5.219%, 2028-06-14	1.4
Government of Canada, 1.500%, 2031-12-01	1.3
Brookfield Renewable Partners, Series 16, 5.292%, 2033-10-28	1.2
Royal Bank of Canada, 4.612%, 2027-07-26	1.0
Canadian Imperial Bank of Commerce, 5.050%, 2027-10-07	1.0
Enbridge Pipelines, 5.820%, 2053-08-17	0.9
Province of Saskatchewan, 2.750%, 2046-12-02	0.9
Cash and Equivalents	0.9
Province of Ontario, 3.450%, 2045-06-02	0.9
Total	63.1

Net Asset Value Mix	%
Fixed Income	90.6
Mortgage-Backed Securities	8.4
Cash and Equivalents	0.9
Asset-Backed Securities	0.1
Total	100.0

Sector Allocation	%
Corporate Bonds	43.1
Federal Bonds	24.7
Provincial and Crown Corporations Bonds	22.7
Mortgage-Backed Securities	8.4
Cash and Equivalents	0.9
Asset-Backed Securities	0.1
Supranational Bonds	0.1
Total	100.0

Geographic Distribution	%
Canada	99.0
Cash and Equivalents	0.9
Other Countries	0.1
Total	100.0

"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.