

**NEI**

**NEI Funds**

**SEMI-ANNUAL  
FINANCIAL  
STATEMENTS**

March 31, 2023

# NEI Global Value Fund

## STATEMENTS OF FINANCIAL POSITION (UNAUDITED)

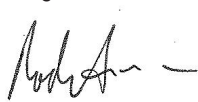
As at

	March 31 2023 \$	September 30 2022 \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash	3,517,354	3,077,246
Investments at fair value through profit or loss (FVTPL)	302,779,133	255,877,922
Subscriptions receivable	28,066	13,754
Interest, dividends and other receivables	819,702	726,271
	<u>307,144,255</u>	<u>259,695,193</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Accrued expenses	16,313	15,379
Redemptions payable	24,232	97,573
	<u>40,545</u>	<u>112,952</u>
<b>Net Assets Attributable to Holders of Redeemable Units</b>	<u>307,103,710</u>	<u>259,582,241</u>
<b>Data per Series (Note b)</b>		
<b>Series A</b>		
Net assets attributable to holders of redeemable units	<u>11,466,237</u>	10,354,542
- per unit	<u>12.06</u>	10.43
<b>Series F</b>		
Net assets attributable to holders of redeemable units	<u>5,107,545</u>	5,278,322
- per unit	<u>12.59</u>	10.85
<b>Series I</b>		
Net assets attributable to holders of redeemable units	<u>263,119,893</u>	220,401,383
- per unit	<u>12.78</u>	11.08
<b>Series O</b>		
Net assets attributable to holders of redeemable units	<u>11,933,680</u>	10,131,798
- per unit	<u>10.36</u>	9.03
<b>Series P</b>		
Net assets attributable to holders of redeemable units	<u>11,400,996</u>	9,834,434
- per unit	<u>12.25</u>	10.58
<b>Series PF</b>		
Net assets attributable to holders of redeemable units	<u>4,075,359</u>	3,581,762
- per unit	<u>12.59</u>	10.88

Approved on behalf of the Board of Directors of  
**Northwest & Ethical Investments Inc.**,  
 acting as general partner of  
**Northwest & Ethical Investments L.P.** as Manager and Trustee



William Packham,  
 President and Chief Executive Officer



Rodney Ancrum,  
 SVP, Chief Financial Officer and Chief Administrative Officer

The accompanying Notes are an integral part of these financial statements.

# NEI Global Value Fund

## STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

Six-month Periods Ended March 31

	2023	2022
	\$	\$
<b>Income</b>		
Interest for distribution purposes	41,599	3,485
Dividends	3,077,375	2,434,392
Foreign exchange gain (loss) on cash	(22,778)	65,908
Net realized gain (loss) on investments	(1,229,474)	7,744,183
Changes in fair value:		
Net unrealized gain (loss) on investments	46,915,106	(13,841,347)
	<u>48,781,828</u>	<u>(3,593,379)</u>
<b>Expenses (Note 5)</b>		
Management fees	235,797	321,303
Independent review committee's fees	2,888	2,781
Administration fees	51,533	73,848
Sales taxes	25,005	35,791
	<u>315,223</u>	<u>433,723</u>
Expenses absorbed by the Manager	-	(15,539)
	<u>315,223</u>	<u>418,184</u>
Withholding taxes	554,396	460,712
Commissions and other portfolio transaction costs	36,648	45,584
	<u>906,267</u>	<u>924,480</u>
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<u>47,875,561</u>	<u>(4,517,859)</u>
<b>Data per Series</b>		
<b>Series A</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	<u>1,734,387</u>	<u>(293,047)</u>
- per unit	<u>1.77</u>	<u>(0.26)</u>
Weighted average units	<u>980,859</u>	<u>1,136,688</u>
<b>Series F</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	<u>877,923</u>	<u>(106,770)</u>
- per unit	<u>1.96</u>	<u>(0.20)</u>
Weighted average units	<u>448,385</u>	<u>523,995</u>
<b>Series I</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	<u>41,186,447</u>	<u>(3,477,996)</u>
- per unit	<u>2.01</u>	<u>(0.18)</u>
Weighted average units	<u>20,522,133</u>	<u>19,642,198</u>
<b>Series O</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	<u>1,835,565</u>	<u>(240,035)</u>
- per unit	<u>1.61</u>	<u>(0.14)</u>
Weighted average units	<u>1,140,242</u>	<u>1,743,436</u>
<b>Series P</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	<u>1,633,819</u>	<u>(287,908)</u>
- per unit	<u>1.78</u>	<u>(0.30)</u>
Weighted average units	<u>918,852</u>	<u>944,585</u>
<b>Series PF</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	<u>607,420</u>	<u>(112,103)</u>
- per unit	<u>1.87</u>	<u>(0.26)</u>
Weighted average units	<u>324,135</u>	<u>437,463</u>

The accompanying Notes are an integral part of these financial statements.

# NEI Global Value Fund

## STATEMENTS OF CHANGES IN FINANCIAL POSITION (UNAUDITED)

Six-month Periods Ended March 31

	Series A		Series F		Series I	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
<b>Net Assets Attributable to Holders of Redeemable Units, Beginning of Period</b>	<b>10,354,542</b>	15,867,274	<b>5,278,322</b>	7,603,505	<b>220,401,383</b>	269,171,198
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>1,734,387</b>	(293,047)	<b>877,923</b>	(106,770)	<b>41,186,447</b>	(3,477,996)
<b>Redeemable Unit Transactions</b>						
Proceeds from sale of redeemable units	837,459	1,499,842	206,214	488,280	13,805,775	16,326,029
Reinvested distributions	99,064	205,282	31,873	73,967	5,934,990	7,760,288
Amounts paid for redeemable units redeemed	(1,458,819)	(3,546,738)	(1,226,770)	(1,174,428)	(12,273,712)	(22,673,738)
	<b>(522,296)</b>	(1,841,614)	<b>(988,683)</b>	(612,181)	<b>7,467,053</b>	1,412,579
<b>Distributions to Holders of Redeemable Units</b>						
Net investment income	-	-	(12,498)	(28,193)	(3,717,620)	(3,925,309)
Net realized gain on sale of investments and derivatives	(100,396)	(210,279)	(47,519)	(99,666)	(2,217,370)	(3,834,979)
	<b>(100,396)</b>	(210,279)	<b>(60,017)</b>	(127,859)	<b>(5,934,990)</b>	(7,760,288)
<b>Net Assets Attributable to Holders of Redeemable Units, End of Period</b>	<b>11,466,237</b>	13,522,334	<b>5,107,545</b>	6,756,695	<b>263,119,893</b>	259,345,493

Six-month Periods Ended March 31

	Series O		Series P		Series PF	
	2023 \$	2022 \$	2023 \$	2022 \$	2023 \$	2022 \$
<b>Net Assets Attributable to Holders of Redeemable Units, Beginning of Period</b>	<b>10,131,798</b>	20,505,348	<b>9,834,434</b>	12,605,968	<b>3,581,762</b>	5,827,064
<b>Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units</b>	<b>1,835,565</b>	(240,035)	<b>1,633,819</b>	(287,908)	<b>607,420</b>	(112,103)
<b>Redeemable Unit Transactions</b>						
Proceeds from sale of redeemable units	6,501	926,627	1,034,318	2,039,606	369,612	711,461
Reinvested distributions	322,653	616,902	93,426	175,271	49,361	95,449
Amounts paid for redeemable units redeemed	(40,184)	(1,595,003)	(1,101,353)	(1,696,728)	(475,875)	(687,799)
	<b>288,970</b>	(51,474)	<b>26,391</b>	518,149	<b>(56,902)</b>	119,111
<b>Distributions to Holders of Redeemable Units</b>						
Net investment income	(223,306)	(350,009)	-	-	(23,034)	(31,089)
Net realized gain on sale of investments and derivatives	(99,347)	(266,893)	(93,648)	(175,669)	(33,887)	(83,970)
	<b>(322,653)</b>	(616,902)	<b>(93,648)</b>	(175,669)	<b>(56,921)</b>	(115,059)
<b>Net Assets Attributable to Holders of Redeemable Units, End of Period</b>	<b>11,933,680</b>	19,596,937	<b>11,400,996</b>	12,660,540	<b>4,075,359</b>	5,719,013

The accompanying Notes are an integral part of these financial statements.

# NEI Global Value Fund

## STATEMENTS OF CASH FLOWS (UNAUDITED)

Six-month Periods Ended March 31

	2023	2022
	\$	\$
<b>Cash Flows from (used in) Operating Activities</b>		
Increase (decrease) in Net Assets Attributable to Holders of Redeemable Units	47,875,561	(4,517,859)
Adjustments for:		
Foreign exchange (gain) loss on cash	22,778	(65,908)
Net realized (gain) loss on investments and derivatives	1,229,474	(7,744,183)
Net unrealized (gain) loss on investments and derivatives	(46,915,106)	13,841,347
Proceeds from sale/maturity of investments	60,354,695	81,694,924
Investments purchased	(61,378,205)	(72,612,454)
Interest, dividends and other receivables	(93,431)	83,292
Accrued expenses	934	(3,231)
<b>Net Cash Flows from (used in) Operating Activities</b>	<b>1,096,700</b>	<b>10,675,928</b>
<b>Cash Flows from (used in) Financing Activities</b>		
Proceeds from sale of redeemable units	16,245,567	22,152,707
Amounts paid for redeemable units redeemed	(16,650,054)	(31,403,190)
Distributions paid to holders of redeemable units, net of reinvested distributions	(37,258)	(78,897)
<b>Net Cash Flows from (used in) Financing Activities</b>	<b>(441,745)</b>	<b>(9,329,380)</b>
Effect of exchange rate changes on foreign cash	(214,847)	(21,742)
Increase (decrease) in cash/bank overdraft	440,108	1,324,806
Cash (bank overdraft), beginning of period	3,077,246	3,380,117
<b>Cash (Bank Overdraft), End of Period</b>	<b>3,517,354</b>	<b>4,704,923</b>
<b>Supplemental Information on Cash Flows from (used in) Operating Activities</b>		
Interest received	36,662	72
Dividends received, net of withholding taxes	2,451,022	2,043,823
Interest paid	4,027	1,437

The accompanying Notes are an integral part of these financial statements.

# NEI Global Value Fund

## SCHEDULE OF INVESTMENT PORTFOLIO AS AT MARCH 31, 2023 (UNAUDITED)

	NUMBER OF SHARES	COST \$	FAIR VALUE \$		NUMBER OF SHARES	COST \$	FAIR VALUE \$
<b>Equities (98.6%)</b>				<b>Switzerland (4.3%)</b>			
<b>U.S. Equities (69.4%)</b>				Roche Holding			
<b>Materials (8.4%)</b>				34,479			
Newmont Goldcorp	211,204	12,062,826	13,992,378	15,228,508			
Packaging Corporation of America	62,919	9,537,821	11,805,413	13,290,174			
		21,600,647	25,797,791	<b>Total Foreign Equities</b>			
<b>Industrials (7.3%)</b>				89,398,869			
CSX	276,628	11,929,691	11,193,450	<b>Total Investments (98.6%)</b>			
Union Pacific	41,270	9,405,616	11,225,559	<b>291,825,032</b>			
		21,335,307	22,419,009	<b>302,779,133</b>			
<b>Consumer Discretionary (14.4%)</b>				<b>Other Net Assets (1.4%)</b>			
eBay	226,363	17,527,593	13,572,566	4,324,577			
Gentex	183,341	5,961,427	6,945,424	<b>Net Assets (100.0%)</b>			
Lowe's Companies	48,781	9,576,623	13,183,526	<b>307,103,710</b>			
Service Corporation International	47,428	3,215,235	4,408,725				
Tractor Supply Company	19,552	3,811,602	6,210,821				
		40,092,480	44,321,062				
<b>Health Care (4.1%)</b>							
Cigna Group	36,815	14,651,542	12,714,016				
<b>Financials (11.1%)</b>							
Aflac	158,506	10,841,724	13,821,530				
American Express	90,547	16,786,520	20,185,636				
		27,628,244	34,007,166				
<b>Information Technology (12.9%)</b>							
HP	291,942	11,238,278	11,580,325				
Intel	162,720	9,265,680	7,184,658				
KLA	17,228	8,033,039	9,294,131				
Micron Technology	102,524	8,351,368	8,360,782				
Teradyne	21,556	2,980,485	3,128,877				
		39,868,850	39,548,773				
<b>Communication Services (11.2%)</b>							
Activision Blizzard	52,649	5,417,167	6,090,167				
Alphabet, Class A	75,997	11,376,491	10,654,103				
Meta Platforms, Class A	61,054	20,455,435	17,488,119				
		37,249,093	34,232,389				
<b>Total U.S. Equities</b>							
		202,426,163	213,040,206				
<b>Foreign Equities (29.2%)</b>							
<b>Germany (2.6%)</b>							
MTU Aero Engines Holdings	16,919	3,905,426	5,718,491				
Porsche Automobil Holding	30,926	4,080,254	2,398,783				
		7,985,680	8,117,274				
<b>Japan (13.0%)</b>							
Daito Trust Construction	24,700	2,912,989	3,316,206				
Shimano	13,700	2,774,878	3,185,051				
Softbank	207,000	11,680,583	10,918,614				
Sony Group	128,400	14,457,825	15,664,005				
Tokyo Electron	41,142	7,615,075	6,717,219				
		39,441,350	39,801,095				
<b>Netherlands (3.9%)</b>							
Koninklijke Ahold Delhaize	256,509	10,314,325	11,839,210				
<b>South Korea (5.4%)</b>							
Samsung Electronics, GDR	10,053	16,429,006	16,691,174				

The accompanying Notes are an integral part of these financial statements.

# NEI Global Value Fund

## NOTES TO THE FINANCIAL STATEMENTS – SPECIFIC INFORMATION (UNAUDITED)

### a) Establishment of the Fund (Note 1)

The NEI Global Value Fund (the "Fund") is an unincorporated mutual fund trust. The establishment date for each series of the Fund is the date set out in Part B of the simplified prospectus as the start date for that series, as listed below:

Series A	Series F	Series I
October 18, 2016	October 17, 2016	October 12, 2016
Series O	Series P	Series PF
June 29, 2018	February 21, 2017	October 28, 2016

NEI LP, as Manager of the Fund, held special meetings of unitholders of NEI Global Value Fund on March 9, 2021 and obtained the requisite unitholder approvals to implement changes to the fundamental investment objectives of the Fund effective at the close of business on April 16, 2021.

### b) Units (Note 4)

#### Issued and Outstanding Units

	Number of Units, Beginning of Period	Units Issued	Reinvested Units	Units Redeemed	Number of Units, End of Period
Series A					
March 31, 2023	993,080	73,350	8,774	124,532	950,672
March 31, 2022	1,192,370	111,621	14,679	263,241	1,055,429
Series F					
March 31, 2023	486,472	17,274	2,712	100,843	405,615
March 31, 2022	553,166	34,644	5,127	83,306	509,631
Series I					
March 31, 2023	19,887,950	1,199,712	499,439	1,001,491	20,585,610
March 31, 2022	19,239,757	1,217,129	532,183	1,707,719	19,281,350
Series O					
March 31, 2023	1,122,326	633	33,509	4,040	1,152,428
March 31, 2022	1,791,310	80,275	51,912	135,441	1,788,056
Series P					
March 31, 2023	929,898	86,756	8,152	94,366	930,440
March 31, 2022	936,950	150,619	12,387	124,138	975,818
Series PF					
March 31, 2023	329,303	30,341	4,203	40,243	323,604
March 31, 2022	423,563	50,665	6,616	49,920	430,924

### c) Distributions

All distributions made by the Fund are automatically reinvested in additional units of the same series that paid the distribution unless notification to the contrary is received in writing at least 5 days in advance to receive a cash payment. All distributions reinvested are made without an acquisition charge.

The schedule of distributions, which may consist of net investment income, net realized capital gains and/or return of capital, is as follows:

Series A	Series F	Series I
Annually	Annually	Annually
Series O	Series P	Series PF
Annually	Annually	Annually

In addition, the Fund will, prior to the end of each year, distribute any excess net income and net realized capital gains to its unitholders.

### d) Management Fees and Other Expenses (Note 5)

The annual management fee rates, for 2023 and 2022, are as follows:

	Series A %	Series F %	Series P %
March 31, 2023	1.90	0.90	1.70
March 31, 2022	1.95	0.95	1.75
	Series PF %		
March 31, 2023	0.70		
March 31, 2022	0.75		

The annual administration fee rates, for 2023 and 2022, are as follows:

	Series A %	Series F %	Series O %
March 31, 2023	0.35	0.30	0.05
March 31, 2022	0.40	0.30	0.05
	Series P %	Series PF %	
March 31, 2023	0.30	0.25	
March 31, 2022	0.30	0.25	

Effective June 28, 2022, the management fee rates were reduced from 1.95% to 1.90% for Series A, from 0.95% to 0.90% for Series F, from 1.75% to 1.70% for Series P and from 0.75% to 0.70% for Series PF.

Effective June 28, 2022, the administration fee rates were reduced from 0.40% to 0.35% for Series A.

Series I unitholders negotiate and pay management and administration fees directly to the Manager.

Series O unitholders negotiate and pay management fees directly to the Manager.

### e) Related Party Transactions (Note 6)

Accrued expenses payable to related parties, presented in the Statement of Financial Position, are as follows:

	March 31, 2023	September 30, 2022
	\$	\$
	16,313	15,379

### f) Financial Instruments Disclosures (Note 7)

#### Strategy in Using Financial Instruments

##### Investment Objective

The investment objective of the Fund is to achieve long-term capital growth by investing primarily in equity and equity related securities of companies located globally.

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

#### Financial Instruments Fair Value Measurement

##### Hierarchy of Financial Instruments Measured at Fair Value

The following tables categorize the Fund's financial assets fair value measurement according to a three-level hierarchy. The methodology used for valuing securities is not necessarily an indication of the risk associated with investing in those securities. Fair value measurement is described in the "Significant Accounting Policies" section of Note 2.

# NEI Global Value Fund

## NOTES TO THE FINANCIAL STATEMENTS – SPECIFIC INFORMATION (UNAUDITED) (continued)

### Fair Value Hierarchy (in \$'000)

March 31, 2023	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at FVTPL</b>				
Equities	302,779	-	-	302,779
<b>Total</b>	<b>302,779</b>	<b>-</b>	<b>-</b>	<b>302,779</b>

September 30, 2022	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<b>Financial assets at FVTPL</b>				
Equities	255,878	-	-	255,878
<b>Total</b>	<b>255,878</b>	<b>-</b>	<b>-</b>	<b>255,878</b>

### Transfers between Levels 1 and 2

During the periods ended March 31, 2023 and September 30, 2022, there were no transfers of securities between Levels 1 and 2.

### Financial Instruments Risks

#### Currency Risk (in \$'000)

The Fund's exposure to currency risk is presented in the tables below. Amounts shown represent monetary and non-monetary items (including the notional amount of foreign exchange forward contracts). The tables also illustrate the potential impact on the Net Assets Attributable to Holders of Redeemable Units if the Canadian dollar had strengthened or weakened by 3% in relation to each of the other currencies, with all other variables held constant.

March 31, 2023	Financial Assets	Financial Liabilities	Net Exposure	Impact on Net Assets Attributable to Holders of Redeemable Units
	\$	\$	\$	\$
USD	233,620	-	233,620	7,009
JPY	40,067	-	40,067	1,202
EUR	20,216	-	20,216	606
CHF	13,402	-	13,402	402
DKK	31	-	31	1

September 30, 2022	Financial Assets	Financial Liabilities	Net Exposure	Impact on Net Assets Attributable to Holders of Redeemable Units
	\$	\$	\$	\$
USD	193,421	-	193,421	5,803
JPY	34,415	-	34,415	1,032
EUR	17,935	-	17,935	538
CHF	14,028	-	14,028	421
DKK	31	-	31	1

In practice, actual trading results may differ from these sensitivity analyses and the differences could be significant.

#### Interest Rate Risk

As at March 31, 2023 and September 30, 2022, the majority of the Fund's financial assets and liabilities are non-interest bearing. As a result, the Fund is not significantly exposed to interest rate risk.



# NEI Global Value Fund

## NOTES TO THE FINANCIAL STATEMENTS – SPECIFIC INFORMATION (UNAUDITED) (continued)

### Concentration Risk

The following table summarizes the concentration risk, as a percentage of the Fund's Net Assets Attributable to Holders of Redeemable Units:

March 31, 2023		September 30, 2022	
Market Segment	%	Market Segment	%
U.S. Equities		U.S. Equities	
Consumer Discretionary	14.4	Consumer Discretionary	18.9
Information Technology	12.9	Information Technology	11.6
Communication Services	11.2	Communication Services	11.9
Financials	11.1	Financials	10.1
Materials	8.4	Materials	7.9
Industrials	7.3	Industrials	7.0
Health Care	4.1	Foreign Equities	
Foreign Equities		Japan	13.2
Japan	13.0	South Korea	5.8
South Korea	5.4	Switzerland	5.4
Other Countries*	10.8	Other Countries*	6.8
Other Net Assets	1.4	Other Net Assets	1.4
<b>Total</b>	<b>100.0</b>		<b>100.0</b>

\*This category includes all countries representing less than 5% of the Fund's net assets.

### Price Risk (in \$'000)

The Manager's estimate of the impact on Net Assets Attributable to Holders of Redeemable Units as a result of a reasonably possible change in benchmarks, using a historical beta coefficient (a measure of the sensitivity of a security in comparison to the market) between the Fund's return as compared to the return of the Fund's benchmarks, with all other variables held constant, is included in the following table. A 36-month regression analysis has been utilized to estimate the historical beta coefficient. The regression analysis uses data based on the monthly returns of the Fund.

Benchmarks	Change in Price %	Impact on Net Assets Attributable to Holders of Redeemable Units	
		March 31, 2023 \$	September 30, 2022 \$
MSCI World NR Index (C\$)	3.00	9,766	8,644

When there is more than one benchmark, the effect of each benchmark must be considered individually, as each benchmark might fluctuate independently from the others.

In practice, actual trading results may differ from these sensitivity analyses and the differences could be significant.

### Credit Risk

As at March 31, 2023 and September 30, 2022, the Fund had no significant investments in either fixed-income securities, money market securities and derivative financial instruments. As a result, the Fund is not significantly exposed to credit risk.

### Liquidity Risk

For further information on the maturity of financial liabilities and liquidity risk management of the Fund, please refer to Note 7 "Financial Instruments Disclosures".

## g) Seed Capital

The Manager had the following seed capital investments:

	Seed Capital	Percentage Ownership
	\$	%
March 31, 2023	1,208	-
September 30, 2022	1,023	-

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022

Throughout the Notes to the Financial Statements, “we”, “NEI LP” or “NEI” refers to Northwest & Ethical Investments L.P., the Manager of the Funds.

Throughout the Notes to the Financial Statements, “Unitholders” refers to Holders of redeemable units.

### 1. ESTABLISHMENT OF THE FUNDS

NEI LP acts as the Manager of the NEI Funds, collectively called “the Funds”. Its head office is located at 151 Yonge Street, Suite 1200, Toronto, ON, M5C 2W7.

The Funds are all mutual fund trusts or unit trusts subject to the laws of Ontario

The information provided in these financial statements and notes thereto is as at March 31, 2023 and September 30, 2022, and for the 6-month periods ended March 31, 2023 and 2022, except for the Fund established during either period, in which case the information provided relates to the period from inception to March 31, 2023 and 2022, as applicable.

Funds	Inception date
NEI Clean Infrastructure Fund	March 1, 2022

For the Fund established in either year, the “period” represents the period from the establishment date to March 31 of that financial year. The establishment date is described in Note a) of the Notes to the Financial Statements – Specific Information of the Fund.

The main activities of the Funds are disclosed in the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

#### BASIS OF PRESENTATION

##### Statement of Compliance

The policies applied in the preparation of these financial statements are in accordance with International Financial Reporting Standards (“IFRS”). These financial statements have been authorized for issue by the NEI LP Board of Directors on May 16, 2023.

#### SIGNIFICANT ACCOUNTING POLICIES

The significant measurement and presentation policies applied to prepare these financial statements are described below.

##### Financial Instruments

The Funds’ financial instruments include, where applicable, cash and equivalents, investments, derivatives, interest, dividends and other receivables, receivable for investments sold, subscriptions receivable, cash guarantee received for repurchase transactions, payable for investments purchased, distributions payable to unitholders, accrued expenses, liabilities, redemptions payable and commitments related to repurchase transactions. Financial instruments are recognized on the date that the Funds become a party to the contractual provisions of the instrument, namely the trade date of the financial instrument.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Funds have transferred substantially all the risks and rewards of ownership.

##### Classification and Measurement

The Funds classify and measure financial instruments in accordance with IFRS 9, *Financial Instruments*. Under IFRS 9, financial assets are measured at amortized cost or at Fair value through profit or loss (“FVTPL”) depending on the contractual cash flow characteristics and the business model for managing the financial assets.

The portfolios of financial assets are managed, and performance is evaluated on a fair value basis. The Funds are primarily focused on fair value information and use that information to assess the assets’ performance and to make decisions. The contractual cash flows of the Funds’ debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Funds’ business model’s objective. Consequently, all investments are measured at FVTPL.

The Funds’ obligation concerning net assets attributable to holders of redeemable units is recorded at the redemption amount which approximates fair value. The accounting policies used to measure the fair value of investments and derivative financial instruments are identical to those used in measuring the net asset value for transactions with holders of redeemable units, except when the closing price for financial assets and liabilities is not within the bid-ask spread.

As at March 31, 2023 and September 30, 2022, there are no differences between the Funds’ net asset value per unit for transactions and their net assets per unit attributable to holders of redeemable units in accordance with IFRS.

##### Classification of Units Issued by the Funds

The Funds’ outstanding units qualify as “puttable instruments” as required by the IAS 32: *Financial Instruments: Presentation* (“IAS 32”). The Funds’ outstanding units are classified as financial liabilities in these financial statements as they do not meet the definition of puttable instruments to be classified as equity.

##### Impairment of Financial Assets

The impairment model is applicable to financial assets except for financial instruments at FVTPL or designated at fair value through other comprehensive income.

With respect to other financial assets measured at amortized cost, the Funds consider both historical analysis and forward-looking information in determining any expected credit loss. As at the financial statements date, all financial assets measured at amortized cost are due to be settled within the short term. The Funds consider that the risk of default on these financial assets is low, and that the counterparties have a strong capacity to meet their contractual obligation in the near term. Given the limited exposure of the Funds to credit risk from financial assets recorded at amortized cost, no loss allowance has been recognized as no such impairment will have a significant impact on the financial statements.

##### Determination of the Fair Value of Financial Instruments

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the valuation date. The fair value of financial assets and liabilities traded in active markets are based on quoted market prices at the close of trading on the valuation date. The Funds use the closing price for both financial assets and financial liabilities when this price falls within the bid-ask spread. In circumstances when the closing price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value based on the specific facts and circumstances.

The fair value of financial assets and liabilities that are not traded in an active market, including over-the-counter derivative financial instruments, is determined using valuation techniques. The Funds use a variety of methods and make assumptions that are based on market conditions existing at each valuation date.

Valuation techniques include the use of comparable recent arm’s length transactions, the fair value of other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other techniques commonly used by market participants and which use observable inputs. Refer to Note 7 “Financial Instruments Disclosures” for further information about the Funds’ fair value measurements.

##### Cash

Cash (bank overdraft) is measured at cost, which closely approximates fair value.

##### Money Market Securities

Money market securities are recorded at cost including accrued interest, which closely approximates fair value.

##### Equities, Index-Based Investments and Exchange Traded Funds

Equities, index-based investments and exchange traded funds are recorded at the closing price of the stock exchange on which the corresponding security is principally traded. Unlisted warrants are valued with a recognized valuation model such as Black-Scholes.

##### Bonds, Mortgage-Backed Securities and Asset-Backed Securities

Bonds, mortgage-backed securities and asset-backed securities are valued based on closing prices obtained from recognized securities dealers.

##### Investment Funds

The underlying funds’ units are generally valued based on the net asset value per unit provided by the underlying fund’s manager at each valuation day, except for private equity funds which are discussed under section “Valuation of Unlisted Securities and Other Investments”.

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022 (continued)

### **Derivative Financial Instruments**

Certain Funds may use an array of derivative financial instruments such as foreign currency forward contracts, forward contracts, interest rate swaps, credit default swaps, to-be-announced (“TBA”), futures contracts and options for hedging purposes or purposes other than hedging, or both.

#### Foreign Currency Forward Contracts, Forward Contracts, Interest Rate Swaps, Credit Default Swaps and TBA

The fair value of these instruments corresponds to the gains or losses that would result upon contract settlement on the valuation date; this value is recorded in “Unrealized appreciation (depreciation) on derivatives” in the Statements of Financial Position.

#### Futures Contracts

Futures contracts are valued at fair value and are settled daily through brokers. Any amounts receivable (payable) from the settlement of futures contracts are recorded in “Receivable (Payable) on futures contracts” in the Statements of Financial Position.

#### Options

Options listed on a stock exchange are valued according to fair value based on the closing price of the principal stock exchange on which the option is being traded for long positions and the ask price for short positions. Unlisted options are valued with a recognized valuation model such as Black-Scholes.

### **Valuation of Unlisted Securities and Other Investments**

When the above-mentioned valuation principles of the investments are not applicable, fair value is determined according to the Manager’s best estimates, based on established valuation procedures and on prevailing market conditions on each valuation date. These procedures cover, among others, securities no longer traded, securities issued by private corporations and illiquid securities. For further information, refer to Note 3 “Critical Accounting Judgments, Estimates and Assumptions”.

### **Investment Transactions**

Investment transactions are accounted for on the trade date. Cost is determined on an average cost basis except for money market securities, for which the cost is determined using the First-In, First-Out method. The average cost does not include amortization of premiums or discounts on fixed-income securities except for stripped bonds. Transaction costs, such as brokerage commissions, incurred in the purchase and sale of securities by the Funds are recognized in the Statements of Comprehensive Income. The difference between the unrealized appreciation (depreciation) of investments at the beginning and at the end of the period is included in “Net unrealized gain (loss) on investments” in the Statements of Comprehensive Income. On disposal of an investment, the difference between the fair value and the cost of the investment is included in “Net realized gain (loss) on investments” in the Statements of Comprehensive Income.

### **Securities Lending Activities and Repurchase Agreements**

Since June 2020, certain Funds may enter into securities lending and repurchase agreements through the securities lending program of the Funds’ custodian, Desjardins Trust Inc. (“Desjardins Trust”).

#### Securities Lending

The securities on loan are included in the Schedule of Investment Portfolio and are included in the total value in the Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities are retained by the Funds.

To limit the risk that the counterparty fails to fulfill its obligations, the Funds obtain collateral, representing at least 102% of the contract amount, determined daily based on the fair value of the previous business day’s securities loaned. Securities received as collateral in securities lending are not included in the Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities have not been transferred to the Funds. Any cash collateral received is included in the Statements of Financial Position in “cash collateral received for securities on loan”, as applicable.

For those Funds engaged in securities lending, the amount of securities loaned and the value of collateral received is disclosed in the “Schedule of Investment Portfolio”, where applicable.

Revenue generated through Desjardins Trust’s securities lending is shared by the Fund and Desjardins Trust at the rate presented in the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund. This revenue is included in “Revenue from securities lending activities” in the Statements of Comprehensive Income.

#### Repurchase Agreements

In a repurchase agreement, a Fund sells a security to a third party and agrees to buy the same, or substantially the same, security back from the third party at a predetermined price and date.

To limit the risk that the counterparty fails to fulfill its obligations, the Funds obtain collateral, combination of cash and securities, representing at least 102% of the contract amount, determined daily based on the fair value of the previous business day’s repurchase transactions. Securities received as collateral in repurchase transactions are not included in the Statements of Financial Position, as substantially all the risks and rewards of ownership of these securities have not been transferred to the Funds.

Cash guarantees received for repurchase transactions are recognized as financial assets in the Statements of Financial Position, in “Cash guarantee received for repurchase transactions”. A liability representing the obligation to repurchase the securities is recognized in “Commitments related to repurchase transactions”. Desjardins Trust, as the Funds’ custodian, may use the cash guarantees to buy investments to generate revenue, which is shared by the Fund and Desjardins Trust at the rate presented in the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund. This revenue is included in “Revenue from securities lending activities” in the Statements of Comprehensive Income.

### **Offsetting Financial Assets and Financial Liabilities**

A financial asset and a financial liability offset in the Fund’s Statement of financial position when, and only when, the Fund has a legally enforceable and unconditional right to set off the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. The Fund has a legally enforceable and unconditional right to set off a financial asset and a financial liability when such right is enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

Over-the-counter derivative financial instruments, securities lending and repurchase agreements, receivable for investments sold and payable for investments purchased are subject to master netting or similar agreements that do not meet the criteria for offsetting in the Statements of Financial Position, as they give a right to an offset that is enforceable only in the event of default, insolvency or bankruptcy.

The table presenting financial assets and liabilities that are subject to a master netting agreement or similar agreement is presented in the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund, if applicable.

### **Other Assets and Liabilities**

Margin deposited on derivatives, receivable on futures contracts, subscriptions receivable, receivable for investments sold, cash guarantee received for repurchase transactions as well as interest, dividends and other receivables are measured at amortized cost.

Similarly, accrued expenses, payable on futures contracts, redemptions payable, payable for investments purchased, commitments related to repurchase transactions, interest, dividends and other payables, as well as distributions payable, are measured at amortized cost.

Given the short-term nature of other assets and liabilities, their carrying amount closely approximates their fair value.

### **Income**

Interest for distribution purposes from investments in debt securities presented in the Statements of Comprehensive Income is recognized as it is earned. The Funds do not amortize premiums paid or discounts received on the purchase of debt securities except for stripped bonds. Dividends are recognized as income on the ex-dividend date. Income received from exchange traded funds (ETFs) and income trusts are included in “Dividends”. Notional distributions received from ETFs are considered non-cash transactions and increase the average costs for those ETFs. Amounts from investments that are treated as a return of capital for income tax purposes reduce the average cost of those investments. Foreign interest and dividend income are accounted for on a gross basis and are included in the “Income” section of the Statements of Comprehensive Income.

The net income from Limited Partnership includes income attributed for tax purposes and are presented in “Distributions from underlying funds”. Distributions received from underlying funds are recorded at the date of distribution. They are included in “Distributions from underlying funds” in the Statements of Comprehensive Income.

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022 (continued)

Distributions received in the form of units from underlying funds are presented as “Non-cash distribution from investments” in the Statements of Cash Flows.

Upon settlement of derivative financial instruments contract, the gains and losses from derivative financial instruments held for hedging purposes are included in “Net realized gain (loss) on derivatives” in the Statements of Comprehensive Income. Gains and losses from derivative financial instruments held for purposes other than hedging are included in “Net income (loss) from derivatives” in the Statements of Comprehensive Income.

### Foreign Currency Translation

The Funds’ financial statements, subscriptions and redemptions are denominated in Canadian dollars, which is the Funds’ functional and presentation currency. Foreign currency assets and liabilities denominated in a foreign currency are translated into the functional currency at the exchange rate on each valuation date. Purchases and sales of securities, as well as income and expenses denominated in foreign currencies are translated into the functional currency at the exchange rates prevailing on the transaction dates.

Foreign exchange gains and losses relating to cash are presented as “Foreign exchange gain (loss) on cash” and those relating to other financial assets and liabilities are presented within “Net realized gain (loss) on investments” and “Net unrealized gain (loss) on investments” in the Statements of Comprehensive Income.

Amount in currencies are presented using the following abbreviations:

Abbreviation	Currency	Abbreviation	Currency
AUD	Australian Dollar	JPY	Japanese Yen
BRL	Brazilian Real	KRW	South Korean Won
CAD	Canadian Dollar	MXN	Mexican Peso
CHF	Swiss Franc	NOK	Norwegian Krone
CNY	Chinese Yuan Renminbi	NZD	New Zealand Dollar
CZK	Czech Republic Koruna	PLN	Polish Zloty
DKK	Danish Krone	SEK	Swedish Krona
EUR	Euro	SGD	Singapore Dollar
GBP	Pound Sterling	THB	Thai Baht
HKD	Hong Kong Dollar	TRY	Turkish Lira
HUF	Hungarian Forint	TWD	Taiwan Dollar
IDR	Indonesian Rupiah	USD	United States Dollar
ILS	Israeli Shekel	ZAR	South African Rand
INR	Indian Rupee		

### Increase (Decrease) in Net Assets Attributable to Holders of Redeemable Units per Unit

The increase (decrease) in net assets attributable to holders of redeemable units per unit, presented in the Statements of Comprehensive Income, is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units by the average number of units outstanding during the period.

### Income Taxes

Under the *Income Tax Act* (Canada), each Fund, except the Funds below, is defined as a mutual fund trust.

The following Funds are considered unincorporated unit trusts:

- NEI Fixed Income Pool
- NEI Canadian Equity Pool
- NEI Global Equity Pool
- NEI Managed Asset Allocation Pool

Each Fund’s taxation year-end is December 15 except for the NEI Money Market Fund and the unincorporated unit trusts, which have a taxation year-end of December 31.

The Funds are taxable on net income and net capital gains not distributed to unitholders. All the Funds’ investment income and sufficient net capital gains realized in any year are required to be distributed to unitholders to ensure that the Funds will not be subject to income taxes. As a result, the Funds do not record income taxes. Since the Funds do not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset. In some special cases the Pools, which are unincorporated unit trusts, may become liable for alternative minimum tax, and may be subject to a special tax under Part XII.2 of the Tax Act. The Manager expects that the Pools will not be subject to tax under Part XII.2, although no assurance can be given that this will not occur.

Capital losses can be carried forward indefinitely to reduce future capital gains. Non-capital losses incurred in a financial year may be carried forward 20 years to reduce future investment income and capital gains.

Distributions are classified as a return of capital, net investment income or capital gain. The Manager reserves the right to make additional distributions in any year, if determined to be appropriate.

The Funds currently incur withholding taxes imposed by certain countries on foreign investment income and capital gains. Such income and gains are recorded on a gross basis, and the related withholding taxes are shown as a separate expense in the Statements of Comprehensive Income.

Refer to the section “Notes to the Financial Statements – Specific Information” pertaining to each Fund for more information on income taxes.

### Investments in Other Investment Entities

The Funds meet the definition in IFRS 10, *Consolidated Financial Statements*, of investment entities and account for their investments in underlying funds at FVTPL.

In accordance with IFRS 12, *Disclosure of Interests in Other Entities*, specific information on the Funds’ investments in other entities, such as subsidiaries, associates and structured entities has been disclosed, as applicable, in “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

### Subsidiaries

An entity is considered as a subsidiary when it is controlled by another entity. The Fund controls an entity when it has the right to variable returns from its involvement with the entity and through its power over the entity.

### Associates

Associates are investments in entities over which the Fund exercises significant influence without, however, exercising control.

### Structured Entities

Structured entities are conceived in a way that the right to vote and other similar rights are not determining factors in exercising control. The Manager has determined that its investments in underlying funds (including limited partnerships), index-based investments and exchange traded funds, income trusts, mortgage-backed securities and asset-backed securities are structured entities, unless the specified relationship is different. Total values of those investments in the table “Fair Value Hierarchy” also represent the fair value of investments in structured entities.

## 3. CRITICAL ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. Actual results may differ from these estimates. The following paragraphs discuss the most significant accounting judgments and estimates that the Funds have made when preparing the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022 (continued)

### **Fair Value Measurement of Derivative Financial Instruments and Securities not Quoted in an Active Market**

The Funds may hold financial instruments that are not quoted in active markets, including derivative financial instruments. Fair value is determined based on models that make maximum use of observable inputs and rely as little as possible on unobservable inputs. The Funds consider the data observable if the market data is readily available, distributed or updated on a regular basis, reliable and verifiable, not proprietary and provided by independent sources that are actively involved in the relevant market. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager.

When no quoted prices are available, the fair value is estimated using present value or other valuation methods, which are influenced by the assumptions used concerning the amount and timing of estimated future cash flows and discount rates, which reflect varying degrees of risk, including liquidity risk, credit risk, risks related to interest rates, exchange rates, and price and rate volatility.

The calculation of the fair values may differ given the role that judgment plays in applying the valuation techniques and the acceptable estimation. Fair value reflects market conditions at a given date and, for this reason, it may not be representative of future fair values. Refer to Note 7 “Financial Instruments Disclosures” for further information on fair value measurement of financial instruments.

## **4. NET ASSETS ATTRIBUTABLE TO HOLDERS OF REDEEMABLE UNITS**

### **Structure of Redeemable Units**

Each Fund is authorized to issue an unlimited number of series of units and an unlimited number of redeemable units (the units) of each series. Each series unit entitles the holder thereof to participate equally in the distributions of the Fund made to that series. Fractions of units may be issued.

The units of a Fund are of the same series and confer the same rights and privileges except that, in respect of a Fund with more than one series of units, each series of units may have different management fees, dealer compensation structure or distribution structure. As a result, each unit entitles its holder to one vote and to participate equally in distributions made in respect to the series of units by the subject Fund and, upon liquidation, in the net assets attributable of the series of units remaining after satisfaction of outstanding liabilities. A fraction of a unit will entitle the unitholder to proportionate participation but will not entitle them to vote.

The Funds only issue fully paid units and fractions of units. Unitholders may redeem their units in the manner described in the Declaration of Trust.

The Manager manages the capital of the Funds in accordance with their investment objectives (Refer to Note 7). Also, in accordance with securities regulations, the Funds seek to invest subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemptions with such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

### **Authorized Units**

The authorized units of the Fund are comprised of the following series of units:

An unlimited number of Series A units, principally targeted at individual investors purchasing units on a front-end sales charge option basis.

An unlimited number of Series F units, intended for investors participating in programs that do not require them to pay sales charges or service fees to investment professionals or dealers.

An unlimited number of Series I units, offered to institutional or other high net worth investors who negotiate and pay management fees directly to the Manager. The Series I management fee will in no circumstances be higher than the management fee payable on Series A units of the Fund.

An unlimited number of Series O units, intended for investors who make large investments in a Fund. Those investors must enter an agreement which identifies the management fee negotiated and pay management fees directly to the Manager. The Series O management fee will in no circumstances be higher than the management fee payable on Series A units of the Fund.

An unlimited number of Series P units, intended for investors who make large investments in a single Fund. Series P units may only be purchased on a front-end sales charge option basis.

An unlimited number of Series PF units, intended for investors who make large investments in a single Fund and investors participating in programs that do not require them to pay sales charges or service fees to investment professionals or dealers.

An unlimited number of Series W units, intended for investors who make an initial investment of at least \$100,000 in an NEI Private Portfolio. Series W units may only be purchased on a front-end sales charge option basis. The initial investment criteria may vary from time to time.

An unlimited number of Series WF units, intended for investors who make an initial investment of at least \$100,000 in an NEI Private Portfolio and investors participating in programs that do not require them to pay sales charges or service fees to investment professionals or dealers. The initial investment criteria may vary from time to time.

NEI LP has decided to discontinue its deferred sales charge (“DSC”), low load, low load 2 and low load 3 (together “LL”) sales charge purchase options for those NEI funds that offered DSC or LL. On August 10, 2020, DSC and LL sales charge purchase options across the Funds’ lineup have been closed to new investors. For investors with existing DSC and/or LL units as of that date, subsequent investments subject to DSC and/or LL sales charges were available until October 2020. On October 5, 2020, DSC and LL sales charge purchase options were closed to new investments. Investors with existing DSC and/or LL units will remain invested based on the redemption fee schedule applicable to those units.

### **Valuation of Units**

On each business day and for each series of units of each Fund, the Manager calculates the net asset value per unit by dividing the net assets attributable to holders of redeemable units by the number of units outstanding.

The net asset value of each series in a Fund corresponds to the proportion of the assets of the Fund attributable to the series, net of the proportion of the Fund’s total liabilities attributable to the series and the liabilities of the series. Expenses directly related to a series are applied against this series. Other income and expenses, as well as realized and unrealized capital gains and losses are applied against each series in proportion to their respective net asset value.

### **Management of Risks Associated with Units**

Units issued and outstanding are considered as the Funds’ capital. The Funds are not subject to specific capital requirements concerning subscription and redemption of units, other than certain minimum subscription requirements. Unitholders are entitled to require payment of the net asset value per unit for all or any of the units they hold by giving written redemption request to the Manager within the prescribed time period. Units are redeemable for cash equal to a pro rata share of the Funds’ net asset value.

### **Redemptions**

Unitholders may at any time elect to redeem all or part of their units on the valuation date at the current closing net asset value per unit. Payment for any unit redeemed will be made by the applicable Fund.

## **5. MANAGEMENT FEES AND OTHER EXPENSES**

### **Management Fees**

As the Manager, Trustee, Portfolio Manager and Registrar, NEI LP receives from each Fund, management fees, before taxes, calculated on the net asset value of each unit series on each valuation date. Management fees are calculated daily with the net asset value of the Funds according to the annual rates presented in “Notes to the Financial Statements – Specific Information” pertaining to each Fund. NEI LP is responsible for the payment of investment fees to Portfolio sub-advisors retained by the Funds.

The management fee varies between Funds and series. Series I and Series O units of the Funds are not subject to management fees, as the unitholders of these series negotiate and pay those fees directly to the Manager.

Certain Funds may invest in other mutual funds (“underlying funds”), including other NEI Funds in order to achieve their investment objectives. There are fees payable by the underlying funds in addition to the fees payable by the investing Fund. No management fees are payable by the Fund that, to a reasonable person, would duplicate a fee payable by the underlying fund for the same service.

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022 (continued)

### Other Expenses

The Manager pays all of the operating expenses of the Funds, except for:

- costs and expenses associated with taxes (including, but not limited to, GST/HST), borrowing, and the costs associated with the independent review committee (“IRC”). IRC expenses include annual dues, meeting fees and other related expenses such as travel relating to the operation of the IRC.
- costs associated with portfolio transactions, including brokerage commissions and research and execution costs.

The operating expenses include, but are not limited to, audit fees, fund accounting costs, transfer agency and recordkeeping costs, custodian costs, administration costs and trustee services relating to registered tax plans, costs of printing and disseminating prospectuses, annual information forms, fund facts and continuous disclosure materials, legal fees, bank charges, investor communication costs and regulatory filing fees.

In return for assuming the obligation to pay the Funds’ operating expenses, each Fund pays to the Manager a fixed annual administration fee (“administration fee”), which is subject to applicable taxes, including HST. The administration fee varies between Funds and series. Administration fees correspond to a specified percentage of the net asset value of the series, calculated and accrued daily. No administration fee is charged to Series I units of the Funds because of the fee structures associated with this series.

The annual management fee rate and the annual administration fee rate shown in the “Notes to the Financial Statements – Specific Information” pertaining to each Fund may be lower than the rates presented in the prospectus, as the Manager can absorb a portion of those expenses.

For more information regarding the management fees and other expenses each Fund incurs, please refer to the “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

## 6. RELATED PARTY TRANSACTIONS

NEI LP is the Manager, Trustee, Portfolio Manager and Registrar of the Funds. Northwest & Ethical Investments Inc., the general partner of NEI LP, is a wholly-owned subsidiary of Aviso Wealth Inc. (“Aviso”). Aviso is the sole limited partner of the Manager. 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 is the Manager of the Funds pursuant to the Management Agreement and ensures the daily administration of the Funds. NEI LP provides or ensures the Funds are provided with all services (accounting, custody, portfolio management, record maintenance, transfer agent) required. The Funds pay management and administration fees to NEI LP. Trustee fees and portfolio management fees are entirely at NEI LP’s expense.

Desjardins Trust is the custodian of the Funds. Desjardins Trust is a wholly-owned subsidiary of the Fédération. The Funds may engage in securities lending transactions, and Desjardins Trust may act as the Funds’ securities lending agent (“Agent”). Any revenue earned on such securities lending is split between the Funds and the Agent.

### Underlying Funds

In accordance with their investment objectives, certain Funds invest in Series I units of other NEI Funds. All the underlying funds identified as “Related” in the table “Fair Value Hierarchy” are considered related parties. All transactions in those investments are executed based on the fair value of those investments as described in the significant accounting policies. No commissions or other fees were paid by the Fund in relation to these transactions.

For more information regarding the related parties for each Fund, please refer to the “Notes to the Financial Statements – Specific Information” pertaining to each Fund.

## 7. FINANCIAL INSTRUMENTS DISCLOSURES

### Hierarchy of Financial Instruments Measured at Fair Value

The fair value measurement of financial instruments is determined using the following three levels of the fair value hierarchy:

- Level 1—Measurement based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

- Level 2—Valuation techniques based primarily on observable market data.
- Level 3—Valuation techniques not based primarily on observable market data.

If inputs of different levels are used to measure the fair value of an asset or liability, the classification within the hierarchy is based on the lowest level input that is significant to the measurement of fair value.

### Measurement Monitoring

The Manager is responsible for establishing the fair value measurements included in the Funds’ financial statements, including Level 3 measurements. The Manager obtains prices from a pricing agency and monitors and analyzes these prices daily. A Measurement Monitoring Committee ensures that appropriate operating procedures and a proper monitoring structure are in place and followed. This Committee meets on a quarterly basis to review fair value situations. Reports are produced monthly and given quarterly to the Committee members. It also examines specific processes carried out by the Investment Fund Portfolio Department. Moreover, the Measurement Monitoring Committee establishes Measurement Policy orientation. On a quarterly basis, this Committee examines and approves the Level 3 measurements after obtaining confirmation of the measurements from each portfolio manager, as needed. The Committee signs off on any adjustments made to prices or estimates provided by the pricing agency.

### Establishment of Levels

A change in the fair value measurement method could result in a transfer between levels. The Funds’ policy is to record the implications of the transfers between levels on the date of the event or change in circumstances behind the transfer.

The following types of investments may be classified as Level 3 if their prices are no longer based on observable inputs.

#### a) Money Market Securities

Money market securities primarily include public sector and corporate securities. The inputs that are significant to valuation are generally observable. Public sector money market securities guaranteed by the federal or provincial government have been classified as Level 1. Other money market securities have been classified as Level 2.

#### b) Equities

Equities are classified as Level 1 when the security is actively traded and a reliable price is observable. Certain equities do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data and the fair value is classified as Level 2. If the determination of fair value uses significant unobservable data, then the fair value is classified as Level 3. Unlisted warrants are generally classified as Level 2.

#### c) Index-Based Investments and Exchange Traded Funds

Index-based investments and exchange traded funds are classified as Level 1 when the security is actively traded and a reliable price is observable.

#### d) Bonds

Public sector bonds guaranteed by the federal or provincial government are classified as Level 1. Corporate bonds, which are valued using models with inputs including interest rate curves, credit spreads and volatilities are usually classified as Level 2.

#### e) Mortgage-Backed Securities and Asset-Backed Securities

Mortgage-backed securities and asset-backed securities consist primarily of corporate securities, which are valued using models with inputs including interest rate curves, credit spreads and volatilities. Since the inputs that are significant to valuation are generally observable, mortgage-backed securities and asset-backed securities are usually classified as Level 2.

#### f) Investment Funds

Public investment funds are classified as Level 1 when their prospectus is unrestricted and their price is reliable and observable. Since some investment funds are not public, their price is determined using observable market data and their fair value is classified as Level 2. If the measurement of fair value requires the use of significant unobservable inputs, then it is classified as Level 3.

#### g) Options

Options are classified as Level 1 when the option is actively traded and a reliable price is observable. Unlisted options are generally classified as Level 2.

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022 (continued)

### h) Derivative Financial Instruments

Derivative financial instruments consist of foreign currency forward contracts, forward contracts, interest rate swaps, credit default swaps and TBA, for which counterparty credit spreads are observable and reliable or for which the credit-related inputs are determined to be significant to fair value, are classified as Level 2 except for the TBA which are classified as Level 1 when the underlying mortgage-backed securities are classified as Level 1.

Detailed information concerning the fair value hierarchy of each Fund is available in their respective "Notes to the Financial Statements – Specific Information". For securities classified as Level 3, the valuation techniques and assumptions are also presented in their respective notes.

#### **Management of Risks Arising from Financial Instruments**

Throughout their activities, the Funds are exposed to a variety of risks associated with financial instruments such as market risk (including currency risk, interest rate risk and price risk), concentration risk, credit risk and liquidity risk. The overall risk management strategy of the Funds focuses on the unpredictability of financial markets and optimizes the Funds' financial performance. Most investments involve a risk of loss.

The Manager is responsible for the Funds' risk management and for selecting and monitoring portfolio sub-advisors.

The Manager compares the performance of the Funds with benchmark indexes on a monthly basis. This analysis is reviewed quarterly by the Investment Committee. The Manager also ensures that the Funds' investment policies are followed and writes a compliance report, which is also reviewed on a quarterly basis by the Investment Committee.

The Manager organizes annual meetings with the sub-advisors in order to keep abreast of any changes in their investment practices.

#### **Market Risk**

Market risk is the risk that the fair value or future cash flows associated with a financial instrument will fluctuate because of a change in the relevant risk variables, such as interest rates, exchange rates, equity prices, political changes, and catastrophic events, such as pandemics or disasters. The Funds' market risk is managed through diversification of the investment portfolios' exposure ratios.

As a result of the COVID-19 global pandemic, global equity and capital markets have experienced significant disruptions and volatility globally due to emergency measures taken in response to the spread of COVID-19, which have resulted in economic uncertainty. Governments have reacted with monetary and fiscal interventions designed to stabilize economic conditions. While the situation has stabilized, uncertainty remains in the global market regarding the long-term impact of the COVID-19 pandemic on financial markets and performance of the Funds, and there continues to be a potential for unexpected changes in the development and progression of COVID-19. The Manager continues to closely monitor the impact of COVID-19 on the Funds' risk exposures from the portfolio holdings.

Since February 2022, the conflict between Ukraine and the Russian Federation has resulted in significant volatility and uncertainty in financial markets. NATO, the EU and G7 member countries, including Canada, have imposed severe and coordinated sanctions against Russia. Price volatility, trading restrictions on Russian market trading and general default risk related to Russian securities have increased substantially. It is uncertain how long the conflict, economic sanctions and market instability will continue. The Funds' Manager is actively monitoring the situation and the impact it may have on the Funds.

#### Currency Risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Currency risk is composed of monetary items (usually including cash, receivable amounts in foreign currencies, investments in fixed-income and money market securities) and non-monetary items (usually including investments in equities and investment funds). The non-monetary assets are classified according to the currency in which the security was purchased.

The Funds are exposed to currency risk by holding assets and liabilities denominated in currencies other than the Canadian dollar, the Funds' functional currency, as the value of the securities denominated in other currencies will fluctuate according to the prevailing exchange rates.

The Funds' exposure to currency risk is shown based on the carrying value of financial assets and financial liabilities (including derivative financial instruments and the notional amount of foreign currency forward contracts and foreign currency futures, if any).

When the Canadian dollar decreases in relation to foreign currencies, the value of foreign investments increases. Conversely, when the value of the Canadian dollar increases, the value of foreign investments decreases.

Currency risk is disclosed when the Funds' foreign currencies exposure is above 5% of Net Assets.

#### Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Interest rate risk occurs when an investment fund invests in interest-bearing financial instruments. Generally, the value of these securities increases if interest rates decrease and decreases if interest rates increase. The interest rate risk is managed by calculating and monitoring the average portfolio duration on these securities. The Funds also hold a limited amount of cash subject to variable interest rates, which exposes them to cash flow interest rate risk.

#### Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market price, other than those arising from currency risk or interest rate risk.

The portfolio manager plans to manage this risk by carefully selecting securities and other financial instruments, in accordance with defined limits. The maximum risk resulting from financial instruments is determined by the fair value or contract value of the financial instruments. The Funds' financial instruments are exposed to price risk arising from uncertainties about the future prices of instruments.

#### **Concentration Risk**

Concentration risk arises because of the concentration of exposure within the same category, whether it is geographical location or industry sector. For Funds with an international investment strategy, the concentration by geographic location is presented according to, among other things, the country of incorporation or region. For Funds with a domestic investment strategy, the concentration by industry sector is presented according to their investments in the different sectors. The concentration risk is managed through portfolio diversification within the framework of the Funds' objective and strategy.

#### **Credit Risk**

Credit risk is the risk that the financial instrument counterparty will be unable to pay the full amount at maturity. The Funds' credit risk is managed through an independent credit analysis from the Manager/sub-advisor, in addition to credit rating agencies' analysis.

#### Financial Instrument Transactions

The Funds are exposed to credit risk. The Funds' and the counterparty's respective credit risk are considered when determining the fair value of financial assets and liabilities, including derivative financial instruments. Transactions are settled or paid on delivery using approved brokers. The risk of default is considered limited as delivery of the securities sold is made once the broker has received payment.

Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligations.

However, there are risks involved in dealing with custodians or prime brokers who settle trades and, in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with enforcing the Funds' rights to their assets in the case of an insolvency of any such party.

The credit rating for fixed-income securities and money market securities is rated by credit rating agencies, which generally includes the *Dominion Bond Rating Service ("DBRS")*, *Standard & Poor's* and *Moody's*. In cases where the credit rating agencies do not agree on a credit rating for fixed-income securities and money market securities, they will be classified following these rules:

- If two credit ratings are available, but the ratings are different, the lowest rating is used;
- If three credit ratings are available, the most common credit rating is used;
- If all three credit rating agencies have different ratings, the middle credit rating is used.

The credit rating is then converted to *DBRS* format. Generally, the greater the credit rating of a security, the lower the probability of it defaulting on its obligations.

# NOTES TO THE FINANCIAL STATEMENTS

## March 31, 2023 and 2022 (continued)

Derivative financial instruments are financial contracts whose value depends on underlying assets and other external factors, such as interest rates and foreign exchange rates. The vast majority of derivative financial instruments are negotiated by mutual agreement between the Funds and their counterparties, and include, among others, foreign currency forward contracts. Other transactions are carried out as part of trades and mainly consist of futures contracts.

### Securities Lending and Repurchase Transactions

Securities lending and repurchase transactions expose the Funds to credit risk. These transactions are governed by the Investment Industry Regulatory Organization of Canada participation agreements. The Funds also use netting agreements with counterparties to mitigate credit risk and require a percentage of collateralization (a pledge) on these transactions. The Funds only accept pledges from counterparties that comply with the eligibility criteria defined in their policies. These criteria promote quick realization, if necessary, of collateral in case of default. The collateral received and given by the Funds are mainly cash and government securities. Further information on assets pledged and received as collateral is presented in the "Notes to the Financial Statements – Specific Information" pertaining to each Fund.

### **Liquidity Risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities.

The Funds are exposed to daily cash redemptions of units. Most of their assets are therefore invested in liquid investments (i.e. investments that are traded in an active market and that can be readily disposed of).

Some Funds may invest in derivative financial instruments, debt securities and unlisted equity investments which are not traded in an active market. As a result, some Funds may not be able to quickly liquidate their investments at amounts approximating their fair values or be able to respond to specific effects such as deterioration in the creditworthiness of any particular issuer. In addition, the Funds can borrow up to 5% of their net asset value for the purposes of funding redemptions.

Each Fund may be exposed to indirect liquidity risk in the event that the underlying fund(s) suspends redemptions resulting in the Funds being unable to redeem their investments.

The majority of the remaining liabilities are due within the next three months. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

In March 2021, the ICE Benchmark Administration (the administrator of LIBOR) in conjunction with the UK's Financial Conduct Authority (FCA) officially announced the cessation of LIBOR benchmarks across various tenors and currencies by December 31, 2021. All remaining LIBOR rate settings (overnight, 1-, 3-, 6-, and 12-month) will cease to be published after June 30, 2023. All instruments whose rates are tied to LIBOR will continue to have their rates published until June 30, 2023. This lessens the immediate impact risk and allows time for NEI Funds to move away from these instruments over the next year. The Manager does not expect any significant impact on the Funds (Liquidity or Valuation) from the upcoming transition to NEI's positions as NEI's portfolio references LIBOR settings will continue to be published until 2023.

### **Additional Information**

For further information on the risks associated with financial instruments to which each Fund is exposed, refer to the section "Notes to the Financial Statements – Specific Information" pertaining to each Fund.

## **8. OTHER INFORMATION**

Unitholders of the Funds can obtain, without charge, the Simplified Prospectus, the Annual Information Form, the Fund Facts sheets as well as the Financial Statements by contacting:

Northwest & Ethical Investments L.P.

151 Yonge Street

Suite 1200

Toronto, ON

M5C 2W7

[www.NEIinvestments.com](http://www.NEIinvestments.com)

Tel.: 1-888-809-3333

These documents may also be obtained at the following Internet address: [www.sedar.com](http://www.sedar.com)



Northwest & Ethical Investments L.P.

[1-888-809-3333](tel:1-888-809-3333)

[NEIinvestments.com](http://NEIinvestments.com)

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