



## Annual Management Report of Fund Performance

### As at September 30, 2023

This Annual Management Report of Fund Performance contains financial highlights but does not contain either semi-annual or annual financial statements of the investment fund. You can obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-888-809-3333, by writing us at Northwest & Ethical Investments L.P., 151 Yonge Street Suite 1200, Toronto, ON M5C 2W7 or by visiting our website at [www.neiinvestments.com](http://www.neiinvestments.com) or SEDAR at [www.sedarplus.ca](http://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

### Investment Objective and Strategies

The investment objective of the Fund is to achieve income and long-term total returns by investing in a diversified portfolio consisting primarily of Canadian fixed income securities and related debt and debt like securities that are associated with measurable environmental and/or social impacts.

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

### Risk

The risks associated with investing in the Fund remain as discussed in the Simplified Prospectus. This Fund is suitable for investors investing for the short to medium term, with a low tolerance for risk. Any changes in the Fund have not affected the overall level of risk of the Fund.

### Results of Operations

The Fund's returns are after the deduction of fees and expenses paid by the Fund. Performance differences between series of units are mainly attributable to management fees charged to each series.

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

The Fund commenced operations on June 29, 2023. The net asset value of the Fund was \$101,752,393 on September 30, 2023. The net assets are comprised of \$105,278,978 in net unitholder activity and -\$3,526,585 in investment operations, including market appreciation (depreciation), income, and expenses.

## Market Overview

Stubbornly high inflation data caused the Bank of Canada (BoC) to raise its overnight target rate by 25 basis points (bps) to 5.00% in July but moved to the sidelines with no change to rates in September. The U.S. Federal Reserve Board (Fed) also hiked interest rates by 25 bps in July, bringing its target range to 5.25–5.50%. Both central banks suggested that they may need to tighten further as the real economy continues to show resiliency. Interest rates were volatile across the curve with an upward bias. Short-term yields rose much less than the longer term as the 10-year and longer maturities responded to central bank rhetoric suggesting that interest rates will stay higher for longer. The two- and 10-year curve stayed inverted by 85 bps. Provincial and corporate credit spreads narrowed slightly during the third quarter, supported by continuing investor demand.

## Factors That Have Affected Performance

The Fund outperformed the benchmark because of security selection, an overweight position in corporate bond securities as spreads narrowed, and a slight short duration (sensitivity to interest rates) positioning versus the benchmark.

## Portfolio Changes

The portfolio sub-advisor reduced the Fund's risk credit profile by selling corporate bonds as credit spreads narrowed and increased holdings of Canadian bonds. The Fund's duration was increased as interest rates rose. The Fund ended September with a slight overweight duration positioning relative to the benchmark.

## ESG Activities

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

NEI's Responsible Investing & ESG Services team (RI team) engaged Canadian National Railway Co. on the topic of net-zero commitments.

## Recent Developments

While a slowdown in economic growth is anticipated in 2024, the portfolio sub-advisor expects that growth will remain positive as domestic demand is supported by a fully employed labour market and high household deposit balances. Unemployment stays close to cyclical low levels as labour market rebalancing progresses and unit labour costs fall. Restrictive monetary policy for a longer period increases the risk of recession. Inflation pressure demonstrates more stability in 2024 but achieving central bank targets may prove difficult without further economic deceleration.

Central banks reach terminal levels on policy rates but may need to maintain them at higher levels to ultimately achieve target inflation goals. The determination of central banks and the overall uncertainty related to slowing economic momentum should continue to result in market volatility. Despite the declining trend, consumer price inflation will likely prove to be more persistent causing central banks to maintain tighter policy conditions for longer. Additionally, cracks in the banking sector related to liquidity may prove to be a larger problem.

The term of Marie Rounding ended on September 30, 2023. Ms. Rounding has served with distinction on the Independent Review Committee ("IRC") since 2014. After consulting with the Manager, the IRC determined it would replace Ms. Rounding with Caroline Cathcart. Ms. Cathcart was appointed as a new IRC member effective October 01, 2023, for a one-year term. As Ms. Rounding acted as the IRC chair after her term ended, Ms. McCarthy was appointed IRC Chair, effective October 5, 2023, and replaced Ms. Rounding in this role.

## 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.

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 distributed through Credential Asset Management Inc., Credential Qtrade Securities Inc., and members of the Fédération and other nonrelated parties by way of shared ownership. NEI LP pays to these parties distribution and servicing fees based on a percentage of the daily values of the units of each held by the dealer's clients and additionally, in some cases, on the amount of initial purchase.

NEI LP has established the IRC for the Fund in accordance with the requirements of National Instrument 81-107 – Independent Review Committee for Investment Funds in order to review conflicts of interest as they relate to investment fund management. The Fund did not rely on an approval, positive recommendation or standing instruction from the Fund's IRC with respect to any related party transactions.

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as "plan", "anticipate", "intend", "expect", "estimate", or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the Fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five fiscal years or for the periods since inception, as applicable.

### Net Assets per Unit (\$)<sup>(1)</sup>

Series	Period	Net Assets, Beginning of Period	Increase (Decrease) from Operations					Distributions					Net Assets, End of Period	
			Total Revenue	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Increase (Decrease) from Operations <sup>(2)</sup>	From Income (Excluding Dividends)	From Dividends	From Underlying Funds	From Capital Gains	Return of Capital		Total of Distributions <sup>(3)(4)</sup>
A	Sept. 2023	10.00	0.07	-0.03	-0.01	-0.39	-0.36	0.05	0.00	0.00	0.00	0.05	0.10	9.54
F	Sept. 2023	10.00	0.08	-0.01	-0.01	-0.32	-0.26	0.06	0.00	0.00	0.00	0.04	0.10	9.56
I	Sept. 2023	10.00	0.07	0.00	-0.01	-0.40	-0.34	0.06	0.00	0.00	0.00	0.00	0.06	9.60
O	Sept. 2023	10.00	0.07	0.00	-0.01	-0.40	-0.34	0.00	0.00	0.00	0.00	0.00	0.00	9.66
P	Sept. 2023	10.00	0.07	-0.02	-0.01	-0.39	-0.35	0.06	0.00	0.00	0.00	0.04	0.10	9.55
PF	Sept. 2023	10.00	0.08	-0.01	-0.01	-0.32	-0.26	0.06	0.00	0.00	0.00	0.04	0.10	9.56

(1) All per unit figures presented in 2023 are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited annual financial statements for the period ended September 30, 2023.

(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.

(3) Distributions were paid in cash or reinvested in additional units of the Fund.

(4) Distributions (if any) that may have been made that included return of capital in excess of short term earnings were made to minimize disruption and provide stability to investors who have elected to take their distributions in the form of cash, and as disclosed in the Simplified Prospectus. These amounts are reviewed at each calendar year-end and management engages in discussions with the sub-advisor to determine the most applicable strategy on a go forward basis and will take any action(s) as needed for the long term stability of the Fund.

### Ratios and Supplemental Data

Series	Period	Total Net Asset Value (000's of \$)	Number of Units Outstanding (000's)	Management Expense Ratio (%) <sup>(1)</sup>	Management Expense Ratio before Waivers and Absorptions (%)	Trading Expense Ratio (%) <sup>(2)</sup>	Portfolio Turnover Rate (%) <sup>(3)</sup>	Net Asset Value per Unit (\$)
F	Sept. 2023	2	-	0.69	0.69	0.00	4.53	9.56
I	Sept. 2023	101,594	10,581	N/A	N/A	0.00	4.53	9.60
O	Sept. 2023	1	-	0.05	0.05	0.00	4.53	9.66
P	Sept. 2023	1	-	1.15	1.15	0.00	4.53	9.55
PF	Sept. 2023	10	1	0.57	0.57	0.00	4.53	9.56

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs, as well as withholding taxes) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(2) The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(3) The portfolio turnover rate indicates how actively the Fund's sub-advisor manages its investment holdings. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

## Management Fees

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

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

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

	Management Fee (%)	Investment Advisory and Other Fees (%)	Trailer Fee (%)
Series A	0.95	100.00	0.00
Series F	0.45	100.00	N/A
Series P	0.85	100.00	0.00
Series PF	0.35	100.00	N/A

## Past Performance

The performance information provided will not necessarily indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional units of the relevant series of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

### Year-by-Year Returns

The following charts show the annual performance for each series of units of the Fund for each period shown and illustrate how the Fund's performance has varied from period to period. The charts indicate how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

#### Series A

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

#### Series I

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

#### Series P

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

#### Series F

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

#### Series O

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

#### Series PF

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

## Annualized Compound Returns

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

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

The FTSE Canada Universe Bond Index is designed to be a broad measure of the Canadian investment grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value. There are four main credit or borrower categories: bonds issued by the Government of Canada (including Crown Corporations), provincial bonds (including provincially guaranteed securities), municipal bonds, and corporate bonds.

While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. Please see the "Results of Operations" section of this report for a discussion of recent performance results.

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## Summary of Investment Portfolio as at September 30, 2023

Total Net Asset Value: \$101,752,393

Top Holdings		%
1	Province of Ontario, 1.550%, 2029-11-01	7.6
2	Government of Canada, 2.250%, 2029-12-01	6.5
3	Province of Québec, 3.650%, 2032-05-20	4.6
4	Hydro-Québec, 6.000%, 2031-08-15	3.0
5	PSP Capital, 4.400%, 2030-12-02	2.9
6	Government of Canada, 3.500%, 2028-03-01	2.7
7	Cash and Equivalents	2.6
8	Ontario Power Generation, 4.248%, 2049-01-18	2.6
9	55 School Board Trust, 5.900%, 2033-06-02	2.5
10	Algonquin Power & Utilities, 4.600%, 2029-01-29	2.5
11	National Bank of Canada, 1.534%, 2026-06-15	2.3
12	Central 1 Credit Union, 2.391%, floating rate from 2026-06-30, 2031-06-30	2.1
13	Canada Pension Plan Investment Board, 3.000%, 2028-06-15	2.0
14	Choice Properties Real Estate Investment Trust, Series Q, 2.456%, 2026-11-30	1.9
15	Ottawa Hospital, 4.638%, 2063-06-14	1.8
16	Brookfield Renewable Partners, Series 14, 3.330%, 2050-08-13	1.8
17	Fédération des caisses Desjardins du Québec, 2.856%, floating rate from 2025-05-26, 2030-05-26	1.7
18	Dream Industrial Real Estate Investment Trust, Series E, 3.968%, 2026-04-13	1.7
19	Government of Canada, 1.750%, 2053-12-01	1.7
20	Asian Development Bank, 1.500%, 2028-05-04	1.6
21	FortisBC Energy, 2.540%, 2050-07-13	1.5
22	Brookfield Renewable Partners, Series 11, 4.250%, 2029-01-15	1.5
23	TCHC Issuer Trust, Series A, 4.877%, 2037-05-11	1.5
24	Coast Capital Savings Federal Credit Union, 5.250%, floating rate from 2025-10-29, 2030-10-29	1.4
25	RioCan Real Estate Investment Trust, Series AC, 2.361%, 2027-03-10	1.4
	Total	63.4

Net Asset Value Mix		%
	Fixed Income	97.4
	Cash and Equivalents	2.6
	Total	100.0

Sector Allocation		%
	Corporate Bonds	39.3
	Provincial and Crown Corporations Bonds	24.5
	Federal Bonds	17.0
	Municipal Bonds	10.1
	Supranational Bonds	6.5
	Cash and Equivalents	2.6
	Total	100.0

Geographic Distribution		%
	Canada	90.9
	Supra National	6.5
	Cash and Equivalents	2.6
	Total	100.0

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