

Performance

The Fund (Series I) underperformed its benchmark over the quarter.

Recession fears dominate the news cycle, and, unusually, key recession indicators have been flashing for nearly a year without Canada, the US or the eurozone actually going into a recession. The post-Covid rebound has receded, though major economies have maintained positive year over year growth. As the sub-advisor has said many times, they do not make predictions about the economy, but they do try to understand where we are in the cycle. Higher interest rates exacerbated by the recent banking turmoil will likely cause the economy to soften, but will it fall into a recession. The sub-advisor cannot answer. Regardless it appears that if a recession were to come it will be short lived and shallow. The economy in late 2023 should be on the mend. Meantime the turmoil is creating unusual opportunities.

Returns (%)

FUND	3 MO	6 MO	YTD	1 YEAR	3 YEAR	5 YEAR	10 YEAR	Since Inception
NEI Canadian Equity Fund I	4.08	11.59	4.08	-7.24	17.45	5.68	9.15	N/A
NEI Canadian Equity Fund A	3.43	10.16	3.43	-9.60	14.46	2.98	6.32	N/A
NEI Canadian Equity Fund F	3.77	10.90	3.77	-8.40	16.00	4.37	7.69	N/A
Benchmark 1: 80% S&P/TSX Composite TR Index, 20% S&P 500 Index (C\$)	5.13	11.42	5.13	-4.13	17.79	9.56	9.43	N/A

*Source: Morningstar. As of March 31, 2023 + Since inception is only provided for Funds with less than 10 years of performance.

Fund commentary

The largest contributor to performance during Q4 was the Fund's investment in GFL Environmental. The waste management services company announced positive developments during the period, specifically the company plans to divest non-core assets at attractive prices (for the seller) while accelerating its debt reduction plan. The company remains on track to grow free cash flow thanks to internal projects which are reflected in the stock price. Other positive contributors included Colliers International, Meta Platforms, Blackstone and FirstService.

The largest detractor of performance during the reporting period was the Fund's holding in Cigna Group. While the health insurer and pharmacy benefit manager (PBM) continues to execute well, fears of legislation caused a selloff in the shares. The potential reform involves Cigna's PBM operation and may impact the division's pricing and margin. At worst the impact risk is less than 10% of cash flow, however, over time the majority of this impact will be mitigated. Other detractors during the reporting period included TD Bank, ADT and CI Financial.

Shares of CI Financial were acquired during the quarter at a very attractive price which the sub-advisor believes will be narrowed in the coming years. The asset manager is planning to list their US Wealth division while retaining a majority position. This split has several intangible positives such as aligning incentives, while the sale will also help shareholders unravel the current complexity and highlight the value embedded in the remaining Canadian segment. With a defined capital allocation strategy following the split, CI will reduce debt while also increasing dividends and share buybacks. The Fund acquired additional shares of Allied Properties during the quarter.

While no Fund holding was divested during the quarter, shares of Northwest Healthcare Properties were reduced. Proceeds were recycled into more attractively valued companies with clear strategies to drive shareholder returns.

Outlook

While the sub-advisor cannot predict the future, and therefore, does not make forecasts of the economy or the equity markets when making investment decisions, they remain very confident that the companies held within the Fund will produce satisfactory returns. The Fund holds businesses run by intelligent management teams that are building long-term sustainable value and the gap between the business value held by Fund and their current stock prices is extremely wide. This large gap, combined with the continued growth in the underlying business value, should help boost the Fund's future returns.

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Series F units are only available to investors who participate in eligible fee-based programs with their registered dealers that have entered into a Series F Distribution agreement with NEI Investments.

Series I have high minimum investment requirements and are typically aimed at institutional investors (such as pension plans) or investors making large investments in the fund. Funds in these series generally have lower management fees than the retail series of the same fund.

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