

Performance

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

By region, EM EMEA was the best performer, followed by EM Asia, and EM Latin America.

On a country level the top performing countries were United Arab Emirates, Taiwan, Kuwait, Czech Republic and Qatar. While among the worst performing countries were Brazil, Korea, Indonesia, Philippines and South Africa.

The MSCI EM index returned -2.07% in CAD terms over the quarter. Investors scaled down their expectations of monetary easing by the Federal Reserve due to some stronger-than-expected US inflation and economic data. The resulting strength in the dollar and rising Treasury yields proved headwinds for EMs. Sentiment was also dampened by Donald Trump's victory in the US presidential election and resulting concerns that his new administration might impose tariffs on EMs, particularly China and Mexico. Towards the end of the period, investors were encouraged by the Chinese government's pledges of additional stimulus measures in 2025.

Chinese equities fell over the period as the government announced economic measures that fell short of expectations, continuing a trend of modest policy changes. China's Central Economic Work Conference, an annual meeting which sets the national agenda for the economy, concluded with a readout that reiterated the shift in the monetary and fiscal policy stance to "moderately accommodative" (versus "prudent") and its fiscal policy to "more proactive" (versus "proactive"). The government also communicated greater emphasis on driving up domestic demand and consumption in 2025. Meanwhile, the People's Bank of China signaled there is room for further easing in 2025, while manufacturing growth exceeded market estimates, helped by a slew of stimulus measures announced in late September. Less positively, the US increased restrictions on China's access to semiconductor manufacturing tools and AI memory chips.

Elsewhere in Asia, Taiwanese equities enjoyed gains and were among the best performers over the quarter. Given its significant weighting in chipmakers and technology companies, the market benefited from optimism around AI. Korea was one of the worst performers in the broader index. Markets were roiled as President Yoon Suk Yeol unexpectedly declared martial law. South Korean stocks and the won corrected sharply but stabilised somewhat after the National Assembly swiftly voted against the move. The Bank of Korea cut its base rate by 25 basis points (bps) for the second successive month in November, citing structural weakness in exports and further inflation easing. Indian equities declined and lagged the EM index. Having led the index over much of 2024, sentiment hurt by weak corporate earnings and withdrawals from foreign institutional investors amid concerns about the market's elevated valuations. The Reserve Bank of India left interest rates unchanged amid an increase in inflation forecasts, driven by higher food prices.

In Latin America, Brazilian equities declined and lagged the index by some distance. The central bank hiked the Selic rate by 100 basis points (bps) to 12.25% and indicated that further tightening is likely as inflation lingered above the central bank's target levels. Meanwhile, long-awaited measures to curb public spending were overshadowed by President Luiz Inacio Lula da Silva's plans to increase income-tax relief measures for low earners, raising concerns about fiscal deficit and sparking a sell-off in the Brazilian real, which hit a year low in November. Mexican stocks also declined, amid ongoing concerns about the impact of US tariffs on exports. The Mexican central bank lowered interest rates by 25 bps and signalled further rate cuts may be appropriate, as core inflation eased. In EMEA, South African equities also declined and lagged the index, hurt by a depreciation in the rand and weakness in the sizeable mining sector. However, retail sales surged, and a leading business cycle indicator rose for the second consecutive month.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception ¹
NEI Emerging Markets Fund Series I	2.21	4.95	18.55	18.55	-2.63	3.05	6.51	N/A
NEI Emerging Markets Fund Series A	1.56	3.61	15.59	15.59	-5.06	0.49	3.79	N/A

NEI Emerging Markets Fund Series F	1.82	4.15	16.78	16.78	-4.10	1.49	4.87	N/A
Benchmark 1: MSCI EM NR Index (C\$)	-2.07	5.12	17.25	17.25	2.42	3.83	5.90	N/A

*Source: Morningstar. As of December 31, 2024. Since inception is only provided for Funds with less than 10 years of performance.

Note: On July 13, 2020, the Fund was transitioned to an ESG mandate. As part of this transition, the sub-advisor optimized the Fund along Responsible Investing dimensions by applying a framework that entails both exclusionary screens and a proprietary scoring system that assesses securities on specified ESG metrics. The performance of this Fund for the period prior to this date may have been different had the current transition been in place during that period.

Portfolio commentary

At the sector level, Information Technology, Consumer Discretionary and Materials were the main contributors. Financials, Communication Services and Real Estate were the main detractors.

On a country level, India, Taiwan, and China were the main contributors. Hong Kong, Saudia Arabia and United Arab Emirate were the main detractors.

At the stock level, the following companies contributed to performance: Trip.com is a leading Chinese online travel company. The share price rose amid reports of higher travel and accommodation bookings during China's Golden Week. Accton Technology is a Taiwanese electronics company. Share price rallied over the period on record high monthly sales. eMemory Technology is a Taiwanese semiconductor supplier. Share price rose over the period due to optimism around AI. Alibaba Group (not held) is a Chinese e-commerce company. Not holding the stock was beneficial as it sold off given macro concerns over the weaker than expected policy measures and geopolitical concerns. 360 One Wam is an Indian wealth management service provider. Company share price continues to grind higher against the backdrop of strong flows due to new client acquisition.

Detractors from performance included companies: Cholamandalam Investment and Finance is an Indian financial company. Share price was impacted by the widespread sell-off in the Indian financials sector, which bore the brunt of foreign investment outflows from the stock market during October. ASPEED Technology is a Taiwanese fabless chip business. The shares were pressured by a broker downgrade citing a possible slowdown in processor demand in 2025. AIA is a Hong Kong insurance company. Share price rallied post stimulus, and then corrected most of the gains in Q4 given macro concerns over the weaker than expected policy measures and geopolitical concerns. MercadoLibre is an Argentina-based e-commerce giant. The shares underperformed amid concerns over weakness in the Brazilian real and the deteriorating economic backdrop in Brazil – a key market for MercadoLibre. Nu Holdings is a Brazilian challenger bank. The company reported and demonstrated modest revenue generation and lower cost of risk, as to be expected as they transition their loan book into less risky but lower return segments. The sub-advisor remains constructive over their growth runway.

Outlook

The market has been experiencing volatility following Trump's victory in the US presidential election, with concerns over potential tariffs on EMs, a slower pace of US interest-rate cuts, a stronger US dollar and geopolitical stability.

While we can debate the pace of the Fed beginning its easing cycle, the current uncertainty may result in many EM central banks pausing their own monetary easing. However, it is worth re-iterating that many EM economies are experiencing lower inflationary pressure, which, given relatively high policy rates, provides these central banks with the capacity to cut rates if inflation remains on its downward trajectory.

In China, many of the challenges facing the economy are well known, particularly deflationary concerns and the troubled property sector. The impact of the latter has been compounded by weak consumption, with consumers cutting down spending, while geopolitical tensions have also previously weighed on the market. However, recent announcements of fiscal support just days after the central bank announced the biggest monetary stimulus since the pandemic have drastically improved sentiment. The devil will be in the detail if we are to witness a boost to activity and the creation of demand. A focus on deleveraging property and credit risk in the economy would be positive. The sub-advisor will be monitoring the size of fiscal stimulus and its impact on consumption, savings rates and house prices, among other variables.

North Asian economies such as Taiwan and Korea are benefiting from the semiconductor recovery thanks to increasing demand from AI, smartphones and automotive technology, as well as governments' focus on strengthening supply chains. In addition, Korea's 'value up' programme, which focuses on improving corporate value, could provide further tailwinds.

India is continuing its reform agenda under the new coalition government. The administration is focused on infrastructure investment and expanding the country's manufacturing sector, which is encouraging private capex and foreign direct investment (FDI). The government has also kick-started a new property and credit cycle which, over the longer term, should be underpinned by favourable demographics. And, as mentioned earlier, it has allocated funding to address the country's skills gap, a concern identified in the last election.

ASEAN economies are demonstrating resilience and stand to gain from the reconfiguration of Asia's supply chains. Indonesia is benefiting from economic momentum thanks to strong consumer demand and commodity prices. Policy reforms in areas like supply-chain downstreaming have stimulated FDI and resulted in a current-account surplus. Malaysia is capitalising on the global diversification of supply chains, thanks to its sophisticated manufacturing base, developed infrastructure and growth-oriented reforms. The country's geographical location and neutral geopolitical stance are further advantages. As such, FDI has been on an upward trajectory in recent years.

In emerging Europe, Poland's economy is in a good place, with low unemployment and private/public leverage levels, and FDI at record highs. The economy is also benefiting from positive net migration.

In Latin America, Brazil is focused on the macro challenges of inflation and fiscal prudence. With one of the highest real interest rates in the world, economic growth in the country has been stifled. However, this should give the central bank room to ease policy once inflation is under control. Meanwhile, Mexico is facing uncertainty amid concerns about higher tariffs on exports to the US. It will be important to see how the new Mexican government will navigate this challenge with the country's largest trading partner. Aside from this, the new government has been stressing fiscal prudence as well as discussing collaboration between the public and private sectors.

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