

Performance

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

By region, EM Latin America was the best performer (+14.65%) followed by EM EMEA (+5.60%) and EM Asia (+4.11%).

On a country level the top performing countries were Poland (+34.62%), Peru (+20.40%), Egypt (+19.54%), Mexico (+15.67%) and Brazil (+14.93%). While among the worst performing countries were Turkey (-14.34%), China (-6.65%), UAE (-4.87%), Kuwait (-2.74%) and Indonesia (-0.55%).

Positive sentiment was driven by a growing belief that the Federal Reserve had reached the end of its tightening cycle and would soon start cutting interest rates, with the resulting decline in treasury yields and US dollar weakness proving a tailwind for EM equities.

In Asia, China lagged the broader EM index. The latest macro data over the period showed retail growth below expectations, CPI was negative year on year, while import and export figures were sluggish. The property sector also remains troubled, with declines in residential property prices and property investment throughout 2023. Beijing announced support for the sector by raising the country's fiscal deficit ratio to 3.8% (from 3%), allowing it to issue up to 1 trillion yuan (around US\$137 billion) of sovereign debt.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception ¹
NEI Emerging Markets I	6.72	3.64	8.52	8.52	-10.23	4.15	5.26	
NEI Emerging Markets A	6.04	2.33	5.81	5.81	-12.46	1.55	2.52	
NEI Emerging Markets F	6.32	2.85	6.87	6.87	-11.60	2.57	3.60	
<i>Benchmark 1: MSCI EM NR Index (C\$)</i>	5.20	4.34	6.88	6.88	-3.98	2.96	4.90	

¹Source: Morningstar. As of Dec 31, 2023. 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, Consumer Discretionary, Technology and Consumer Staples were the main contributors. Communication Services, Materials and Utilities were the main detractors.

On a country level, China, Korea, and Argentina were the main contributors. India, Poland, and Philippines were the main detractors.

At the stock level, the following contributed to performance: PDD Holdings is a Chinese e-commerce platform. The company extended strong year-to-date gains as Q3 earnings exceeded consensus amidst steady growth in their domestic business. Max Healthcare is an Indian hospital chain operator. Share price rose over the quarter as earnings beat consensus due to an improvement across key parameters.

Detractors from performance included: Baidu is a Chinese technology company. Share price fell amid reports that stricter US export controls will delay its access to the most advanced semiconductor chips – critical to production of Baidu's AI processors. Tencent is a Chinese gaming company. Share price fell over the period on regulation concerns amidst new measures which include rules for governing game operation and limiting in-app monetization.

Outlook

The near-term catalyst for emerging markets will be rate cuts. Many emerging market economies are experiencing low inflationary pressure, such as Mexico, Brazil, Indonesia, India and Poland, which are within their respective central bank's tolerance bands. Some central banks have started easing, but the subadvisor expects the majority take the lead from the Fed and the market is predicting rate cuts next year.

China's lackluster covid recovery, property sector woes and geopolitical tensions have been weighing on the overall market. However, the subadvisor has noted improving policy visibility, especially regarding stimulus, reforms, and regulation. Geopolitical tensions will remain a key risk to monitor. In terms of US-China relations, recent developments with regards to dialogue have been positive. In terms of ChinaTaiwan, they are monitoring developments around the Taiwanese elections this year.

North Asian economies have benefited from China reopening. The semiconductor cycle is showing signs of bottoming, while inventory destocking has peaked in memory devices and a milder downturn has taken place in logic devices, benefiting the economies of South Korea and Taiwan. ASEAN economies are demonstrating resilience and stand to gain from the reconfiguration of Asia's supply chains.

In Emerging Europe, Poland's economy is in a good place with low unemployment, private/public leverage levels are low, FDI is at record highs and the economy is benefitting from positive migration. In Latin America, Brazilian challenges from inflation and political uncertainty are receding. Inflation has been surprising on the downside and the central banks has started easing, with the SELIC rate at 11.75%, there is plenty of room to cut which will provide tailwinds for equities. Meanwhile, Mexico has a strong growth outlook as a beneficiary of near shoring, given its proximity to the US and trade agreements, which should help address the supply chain fragility identified during the pandemic.

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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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