

NEI Global Dividend RS Fund

Q4 2024 Commentary



Performance

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

Overall, the market was flat in 24Q4 with only the US market afloat and most other markets declining. In the US, the best performing sectors have been related to two market themes: Tech/AI and US consumer resiliency.

In Europe, the dispersion was noticeable with materials sector under pressure along with rates sensitive sectors such as real estate, utilities. In the Swiss market, materials sector and defensives have massively underperformed leading to a decline of the whole market. In the Eurozone as in the Nordics, cyclicals have been hard hit along with the full range of defensive sectors.

The performance of commodity exporting economies (Norway, Canada, Australia and New Zealand) was very diverse and dispersed. Last but not least, the Japan market was down. Japanese cyclical consumption stocks along with financials did well nevertheless.

Turning to risk premia, the best performer was Momentum stocks followed by an odd combination of High beta, Growth, High Leverage and High Dividend stocks. By the same token, large-caps outperformed significantly mid-caps. Worst performing stocks were among Value stocks notably on component such as long-term reversal.

The fourth quarter was, broadly speaking, challenging for the Fund. It lagged the MSCI World Minimum Volatility leading to a quasi-flat performance against this index over 2024. That being said, the Fund outperformed the MSCI World High Dividend in Q4 leading to an excess return over the year 2024. Compared to the market (MSCI World Index), the underperformance has been large in Q4, which led to an overall negative excess return over the year.

Going into the details of the performance drivers in 24Q4, it appears that main contributors to the lag was the sector allocation, especially the underweight to the tech sector and the overweight in industrials. On top of this, the depreciation of the EURUSD was painful.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception ¹
NEI Global Dividend RS Fund Series I	1.28	11.14	20.87	20.87	7.05	9.26	10.23	N/A
NEI Global Dividend RS Fund Series A	0.67	9.80	18.00	18.00	4.52	6.67	7.57	N/A
NEI Global Dividend RS Fund Series F	0.94	10.40	19.28	19.28	5.65	7.82	8.76	N/A
Benchmark 1: MSCI World NR CAD	6.29	11.62	29.43	29.43	11.04	13.49	12.35	N/A

¹ Source: Morningstar. As of December 31, 2024. Since inception is only provided for Funds with less than 10 years of performance.

Portfolio commentary

During the last quarter, exposure to the UK and Japan has been increased at the expense of the US and Eurozone, especially the French market. This move, in one hand, has led to an increase to the OW and on the UK and a reduction in the overall Japan UW. The rationale behind these moves was the acknowledgement that domestic outlook in both countries had materially improved, especially for the UK in background of worrisome situation in eurozone. Repositioning in the UK was achieved mainly through higher exposure to UK Staples and Utilities sectors along with a reduction in the underweight to the Japan market.

These exposure increases have been balanced by some exposure reductions. In the US, this was put in place by further reducing exposure to both US cyclical consumption and Tech sectors. In France, the rationale of the move was based on an overall reduction.

In terms of risk premia chasing, in the US, exposure to US High Dividend US Value was increased at the expense of some US Quality components such as profitability.

Outlook

Looking forward, the sub-advisor expects further volatility in bond markets that will most likely fuel currency volatility. On top of this, they expect further rise in sovereign spreads in the eurozone. Despite the fact that the current European fiscal issue is manageable, the political uncertainty in France and Germany will most likely weigh on investor sentiment. The sub-advisor believes, therefore, that this risk is not fully priced in.

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