# NEI Global Dividend RS Fund

## Q1 2025 Commentary

NEI

## Performance

The Fund (Series I) outperformed the benchmark for the quarter.

Overall, the global equity market declined over 2025 Q1, dragged down by the US market. The Japanese market performance balance ended close to zero. Commodity exporters markets were rather down. Eventually, the performance engine in Q1 was the European markets thanks to robust single currency markets performances.

Investigating into equity risk premia, it appears that investors massively sold stocks sensitive to volatility: both high beta, high residual volatility stocks. This is broadly consistent with uncertainty spreading around about the Trump administration political agenda. At the sector level and across regions, Tech and cyclical consumption took a blow. The best performing sector across the board was Energy.

Among High leveraged stocks, the banking industry was supported by bear steepening of yield curves in the US and Europe. The move was even more striking in Europe where steepening of the curve was also fuelled by expectation of a revival of cyclical sector (Industrials, Tech).

**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 | 7.82 | 9.20 | 7.82 | 20.33 | 11.79 | 12.90 | 9.74 | N/A |
| NEI Global Dividend RS Fund Series A | 7.18 | 7.90 | 7.18 | 17.46 | 9.15 | 10.23 | 7.10 | N/A |
| NEI Global Dividend RS Fund Series F | 7.47 | 8.48 | 7.47 | 18.75 | 10.34 | 11.41 | 8.27 | N/A |
| Benchmark 1: MSCI World NR CAD | -1.72 | 4.46 | -1.72 | 13.84 | 12.79 | 16.39 | 10.91 | N/A |

[1]Source: Morningstar. As of March 31, 2025. Since inception is only provided for Funds with less than 10 years of performance.

## Portfolio commentary

In the first quarter of the year, the Fund outperformed both the MSCI World High Dividend and MSCI World. However, the fund lagged the MSCI Minimum Volatility.

The outperformance versus the MSCI World High Dividend could be essentially explained by both (a) the risk management of common risk factors, in particular factor and sector allocations and, (b) the selection bias.

Country allocation though, detracted from performance. Worth spotting, driver of gains along style/ factor allocation were made on the grounds of hedging bias against the risk of a broad repricing, in particular the need of much higher volatility expectations (UW High beta, High residual vol stocks).

The last rebalancing of the portfolio occurred in December. The next one is expected to occur in Q2 once the dust settles a bit. Overall, current positioning of the Fund against market (MSCI World) is overweight Japan, Switzerland and underweight US along the currency/ equity axis. On top of this, the Fund remains underweight on cyclicals via the Consumer Discretionary and Tech sectors. These active short bets are balanced by overweights on Defensives: Health Care, non-cyclical consumption and Telecom Services.

Finally, when it comes to exposure to the equity risk premia, the Fund is solidly grounded to its fundamental bias of being underweight high beta stocks / overweight High Dividend stocks. Beyond the latter, some diversification trades have been set up.

## Outlook

The short-term outlook has deteriorated markedly in the wake of “Liberation Day”. Tariffs are taxes on imports for both US companies and consumers. The sub-advisor, therefore, anticipates a slowdown in the US economy, the repercussions of which are likely to be felt worldwide.

Above all, financial markets will have to assess impact of these measures on inflation expectations, corporate margins and by the same token unemployment. The sub-advisor expects a long-lasting erosion of corporate margins across the board requiring further risk repricing and a widening of the equity risk premium as a compensation. On the inflation front, the sub-advisor sees an asymmetry with a risk of a destabilization of to the upside of inflation expectations in the US, and to the downside for trading partners. The Fed will lose its room for manoeuvre in this context, leaving more financial conditions exposed to a material deterioration in overall conditions for USD denominated asset markets.