

NEI Global High Yield Bond Fund

Q4 2024 Commentary



Performance

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

The quarter was notably influenced by the U.S. presidential election in early November as expectations for pro-growth policies under the incoming Trump administration broadly boosted risk assets. However, despite two 25 basis point (bps) rate cuts from the Federal Reserve (Fed) during the quarter, high yield performance was limited due to a surge in Treasury yields. The sharp rise was fueled by stronger-than-expected economic data and cautious inflationary outlooks for the year ahead, which prompted the Fed to adopt a more hawkish stance, with a median forecast of only 50 bps of monetary policy reduction for 2025. High yield spreads ended the quarter modestly tighter after reaching their lowest level in over three years, while yields moved higher in tandem with Treasuries.

Lower-quality credit delivered its third positive quarterly return of the year, driving CCCs to strong consecutive annual gains. BBs recorded a slight loss in the fourth quarter, while Bs posted a modest gain. Industry performance was mixed with limited variability in returns. The communications and transportation sectors were two notable outperformers, while the REITs and utility sectors were the largest laggards.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception ¹
NEI Global High Yield Bond Fund Series I	-0.12	4.04	6.96	6.96	2.94	4.12	5.03	N/A
NEI Global High Yield Bond Fund Series A	-0.62	2.99	4.85	4.85	0.91	2.06	2.89	N/A
NEI Global High Yield Bond Fund Series F	-0.37	3.52	5.89	5.89	1.91	3.07	3.92	N/A
<i>Benchmark 1: Barclays Capital 2% Issuer Capped CAD Hedged (linked)</i>	-0.18	4.83	7.20	7.20	2.11	3.41	4.47	N/A

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

On April 15, 2021, the Fund changed its fundamental investment objectives to enhance the ESG characteristics of the fund in accordance with NEI's responsible approach to investing as set out in "Responsible Investing" section in Part A of the Simplified Prospectus. The performance of this Fund for the period prior to this date may have been different had the current investment objectives and strategies been in place during that period.

Portfolio commentary

Security selection positively impacted returns due to the outperformance from overweight positions in Brightline East LLC, Lions Gate Capital Holdings, and Aruba Investments Holdings, an underweight position in Community Health Systems Inc, and their positioning within the capital structures of Lions Gate Capital Holdings, DISH Network Corp, and Community Health Systems Inc. This was somewhat offset by the underperformance from overweight positions in Gray Television Inc and Clearway Energy Operating LLC, underweight positions in iHeartCommunications Inc, MPH Acquisitions Holdings LLC, and CommScope LLC, and their positioning within the capital structures of Gray Television Inc and Clearway Energy Operating LLC. Sector allocation had no material impact on performance over the period. When broken down by quality, the top contributors to performance included BB-rated and B-rated securities. This was somewhat offset by the bottom contributors consisting of CCC-rated and CC-rated securities.

Outlook

Looking ahead to 2025, the sub-advisor will be closely monitoring economic data that may influence the Fed, as well as the impact of the new presidential administration on fiscal policy. Firm economic growth and anticipated less-restrictive regulations will set a supportive environment for credit markets over the next year. Furthermore, high yield issuers continue to display solid fundamentals. Results for the third quarter earnings season showed 2.4 times as many high yield

companies beat earnings expectations as missed, per JPMorgan. Additionally, balance sheet metrics, although slightly eroding, remain stable. Current leverage of 4.1 times is comfortably below its historical average of 4.3 times and interest coverage of 4.7 times is still above its long-term average of 4.5 times. Current default rates are also below their historical average, and the sub-advisor expects them to decline to 2.75% by year-end due to ample capital and liquidity reserves. The sub-advisor anticipates spreads to gradually move to a modestly wider level over the next year due to their current tightness and the Fed's cautious 2025 outlook that may indicate limited rate cuts. However, they still believe demand for high yield will remain strong given the roughly \$300 billion in expected yearly issuance as companies aim to refinance more expensive debt and possibly fund revived merger and acquisition activity. Also, only 6.7% of all outstanding maturities are due within the next two years, further supporting technicals. With yields that remain relatively attractive compared to other fixed income classes, the sub-advisor believes that high yield will generate compelling returns due a favorable outlook in 2025, despite marginal spread widening. In terms of sector positioning, the sub-advisor is overweight the basic industry, consumer non-cyclical, and banking sectors, while maintaining underweight positions in the consumer cyclical and insurance sectors. They are also currently underweight the communications sector but have been selectively increasing exposure to wireline issuers.

This material is for informational and educational purposes and it is not intended to provide specific advice including, without limitation, investment, financial, tax or similar matters. The views expressed herein are subject to change without notice as markets change over time. For complete information about a mutual fund managed by NEI Investments, please refer to the fund's simplified prospectus and/or Fund Facts which can be downloaded at www.neiinvestments.com.

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.

Information herein is believed to be reliable but NEI does not warrant its completeness or accuracy. Views expressed regarding a particular security, industry or market sector should not be considered an indication of trading intent of any funds managed by NEI Investments. Forward-looking statements are not guaranteed of future performance and risks and uncertainties often cause actual results to differ materially from forward-looking information or expectations. Do not place undue reliance on forward-looking information.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. The indicated rates of return are the historical annual compounded total returns including changes in units value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns. Mutual funds are not guaranteed, their values change frequently, and past performance may not be repeated.

NEI Investments is a registered trademark of Northwest & Ethical Investments L.P. ("NEI LP"). Northwest & Ethical Investments Inc. is the general partner of NEI LP and a wholly-owned subsidiary of Aviso Wealth Inc. ("Aviso"). Aviso is the sole limited partner of the NEI LP. Aviso is a wholly-owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by the five Provincial Credit Union Centrals and The CUMIS Group Limited.

For more performance related information about a mutual fund managed by NEI Investments, please visit [the prices and performance](http://thepricesandperformance) page on neiinvestments.com.