NEI Global High Yield Bond Fund

Q1 2025 Commentary

Performance

The Fund (Series I) performed in line with the benchmark for the quarter.

The high yield market posted a modest gain in the first quarter of 2025, with strong performance in January and February offset by March's sharp decline—the worst monthly loss since October 2023. Early-quarter optimism around pro-growth policies under the new Trump administration supported risk assets, but volatility rose significantly in mid-February amid escalating tariff concerns, which have intensified into April. Economic data offered mixed signals, with sticky inflation and slowing growth, creating a complex environment for the Federal Reserve. Treasury yields spiked to a 15-month high before declining over 30 basis points by quarter-end as investors rotated into safer assets. Within high yield, BB-rated credits outperformed as investors favored higher quality, while CCCs lagged amid growing risk aversion. Sector performance was mixed, with gains in wireless, pharmaceuticals, and REITs, while transportation services and refining underperformed. New issuance reached $68.3 billion, driven largely by refinancing, while sentiment remained firm, supported by $7.6 billion in fund inflows and a declining default rate, which Moody's projects will fall to 2.5% by year-end.

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	0.66	0.54	0.66	6.06	4.58	6.84	4.81	N/A
NEI Global High Yield Bond Fund Series A	0.16	-0.46	0.16	3.95	2.51	4.72	2.67	N/A
NEI Global High Yield Bond Fund Series F	0.41	0.03	0.41	4.99	3.54	5.77	3.69	N/A
Benchmark 1: Barclays Capital 2% Issuer Capped CAD Hedged (linked)	0.65	0.47	0.65	6.47	4.03	6.57	4.26	N/A

[1]Source: Morningstar. As of March 31, 2025. 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 detracted from performance. Overweights in LABL Inc, Vibrantz Technologies Inc, LCPR Senior Secured Financing, and Park River Holdings Inc detracted from returns, as did capital structure positioning in Olympus Water US Holding Corp. These were partially offset by strong contributions from overweight positions in Eagle Intermediate Global Holding, Aruba Investments Holdings, and Consolidated Energy Finance SA, along with an underweight to New Fortress Energy Inc and favorable capital structure positioning in Bausch Health Companies. Sector allocation also weighed on relative performance, as overweights to the Transportation and Basic Industry sectors more than offset positive contributions from an overweight in Banking and an underweight in Technology. From a quality standpoint, the Fund's overweight to CCC and B-rated credits and underweight to BBs detracted from performance, as higher quality outperformed during the quarter.

Throughout the quarter, the Fund was modestly adjusted in response to shifting market conditions. By quarter-end, the Fund outyielded the index, reversing its year-end under-yielding position, reflecting the reduced exposure to lower quality over the quarter, such as BBB and BB-rated credits. Duration was modestly shortened and ended the quarter below that of the benchmark, having started the year longer. The sub-advisor increased the Fund's cash allocation during the quarter to enhance flexibility and amid heightened volatility The allocation to senior secured securities was modestly reduced, moving from an overweight to an underweight relative to the index. Geographically, exposure to North America was slightly trimmed. From a sector perspective, the sub-advisor lowered exposure to Energy, shifting from an overweight to an underweight, while modestly increasing exposure to the Communications sector, which remained underweight versus the benchmark.

Outlook

Entering the second quarter of 2025, the sub-advisor intends to maintain a defensive and selective positioning as volatility persists, driven by the Liberation Day tariffs and ongoing macroeconomic uncertainty. With trading activity constrained by widening bid/ask spreads and rising execution costs, the Fund has been gradually rotated toward higher-quality issuers and more resilient sectors like consumer non-cyclicals, while reducing exposure to more volatile, commodity-driven areas such as energy. The market's heightened sensitivity to tariff-related developments has created intraday swings that complicate positioning decisions. In this environment, the sub-advisor is emphasizing flexibility and preserving dry powder to take advantage of future dislocations, particularly as fiscal and monetary policy direction becomes clearer. Although valuations—especially with yields in the 8–9% range—are increasingly compelling, the sub-advisor believes selectivity and patience remain critical given the broad range of potential economic outcomes.