# NEI Global Impact Bond Fund

## Q1 2025 Commentary

NEI

## Performance

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

Trade tensions and monetary policy divergence drove market volatility and an increasingly clouded economic outlook. Most fixed income sectors underperformed government bonds as spreads widened amid an expected deteriorating growth/inflation trade-off. The US dollar (USD) depreciated versus most currencies following the US administration's policies aimed at reducing the trade deficit.

### Returns

| Fund | 3 months | 6 months | YTD | 1 year | 3 years | 5 years | 10 years | Since inception[1] |
|---|---|---|---|---|---|---|---|---|
| NEI Global Impact Bond Fund Series I | 1.05 | -0.02 | 1.05 | 4.31 | 1.47 | N/A | N/A | N/A |
| NEI Global Impact Bond Fund Series A | 0.69 | -0.73 | 0.69 | 2.81 | 0.02 | N/A | N/A | N/A |
| NEI Global Impact Bond Fund Series F | 0.83 | -0.46 | 0.83 | 3.39 | 0.58 | N/A | N/A | N/A |
| *Benchmark 1: Bloomberg Barclays Global Aggregate Index (C$ hedged)* | 0.81 | -0.52 | 0.81 | 3.38 | 0.72 | N/A | N/A | N/A |

[1]Source: Morningstar. As of March 31, 2025. The benchmark since inception return in the table is calculated as of the inception date of Series A. Since inception benchmark returns for Series F and Series I are –0.66 and -0.66, respectively.

## Portfolio commentary

The sub-advisor maintained an underweight to investment grade corporate credit, with a bias to be overweight non-US and underweight US corporates. They were positioned with out of benchmark allocations to emerging markets and high yield credit, which includes global green bonds. Their underweight to US IG corporates contributed favorably to relative performance. EM corporates also benefitted from relative results, while HY corporates had a modestly negative impact.

Within the government related sector, they were underweight traditional sovereign debt and overweight government related issuers such as international development banks and foreign local agencies. Overall, this positioning had a positive impact on relative performance.

The Climate Investment Fund (CIF) is one of the largest multilateral funds that works to scale climate solutions in developing countries. The CIF works in partnership with six implementing entities: African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, Inter-American Development Bank Group, International Finance Corporation, and World Bank. In January 2025, the CIF Capital Markets Mechanism (CCMM) issued its inaugural US$500 million bond, making it the world's first multilateral climate fund to use capital markets to raise climate funding. CCMM supports the Clean Technology Fund (CTF) in scaling up clean technologies in low- and middle-income countries and addressing the climate finance gap in emerging markets by mobilising and directing capital to high-impact programmes. These newly issued bonds will expand financing under CIF's Clean Technology Fund with proceeds going towards clean energy projects in developing countries, by scaling up low-carbon technologies with significant greenhouse gas emissions savings. The bond issuance was six times oversubscribed, with investors attracted to the appeal of buying into high-quality clean energy projects. The sub-advisor is happy to have added this issuance into the portfolio, which was a milestone in new ways of raising climate finance. Next, IIFL Finance is a medium sized multi-line Indian non-banking financial lender (NBFC) lender with about US$7bn in total assets. IIFL provides small ticket loans to about 4.4 million underserved individuals and small businesses through its branches, as well as through its 80%-owned subsidiary IIFL Home Finance, and 99.6%-owned micro finance subsidiary IIFL Samasta Finance. IIFL Home Finance supports women, informal workers, and marginalized groups to increase access to homeownership. IIFL recognizes the pivotal role women play in India's homeownership landscapes. As a result, IIFL seeks to support women in increasing access to home loans. As of May 2024, over 80% of home loan customers comprised of women borrowers or co-borrowers. In terms of the MSME and MFI loan support that IIFL provides, the sub-advisor notes that IIFL ranks 8th out of

74 microfinance institutions registered in India in terms of affordability. This in turn, helps to support the economic growth of India and further employment generation. They view IIFL Finance to have good profitability buffers, through strong earning generation, as well as sustainable levels of AUM growth expectations, making this an attractive addition to the portfolio.

## Outlook

Full implementation of tariffs will result in a dramatically worse near-term growth/inflation trade-off and increases the probability that the US economy will enter recession. The actual magnitude of tariffs will depend on negotiations, but uncertainty should remain high. Inflation is likely to spike in the short term and remain more volatile over the medium term. Tariffs are putting the Fed in a difficult position. The growth shock may put pressure on the Fed to cut rates; however, doing so amid high and rising inflation presents challenges to their credibility. Corporate fundamentals are likely to deteriorate but from a healthy starting point across most sectors. Credit spreads have not yet widened to levels that compensate for risks to diminished growth prospects. Securitized credit offers more attractive risk/reward opportunities than corporates.

The sub-advisor maintains an underweight to IG credit due to better observed opportunities in various out-of-benchmark sectors, including high-quality securitized credit (residential housing benefits from low supply while consumer remains supported by a resilient labor market), BB high yield (more insulated from default risk than CCCs), and select emerging markets (where they see compelling valuations and improving fundamentals). They maintain their overweight to agency MBS (focus on relative value opportunities and enhancing cash flow stability).

The sub-advisor believes there will be upside potential from taking advantage of credit market dislocations as they arise and are closely monitoring several risks to their outlook which could lead to an adjustment in the Fund’s exposures.