NEI Money Market Fund

Q1 2025 Commentary

NEI

Performance

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

As interest rates declined during the quarter, market participants evaluated the impact of President Trump's trade policy and uncertainty over the implementation of tariffs. On the one hand, tariffs could reignite inflationary pressures on both sides of the border, while on the other, they could trigger a global recession and ultimately push interest rates sharply lower. After cutting its key rate twice during the quarter, the Bank of Canada adopted a more neutral stance on further interest rate moves due to the potential for a resurgence in inflation.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception[1]
NEI Money Market Fund Series I	0.85	1.91	0.85	4.54	4.20	2.73	2.09	
NEI Money Market Fund Series A	0.66	1.53	0.66	3.76	3.43	2.09	1.36	
NEI Money Market Fund Series F	0.67	1.54	0.67	3.77	3.44	2.10		1.69
Benchmark 1: FTSE TMX Canada Cdn Trsy Bill 60 Day	0.79	1.83	0.79	4.33	4.00	2.45	1.74	

[1]Source: Morningstar. As of March 31, 2025. Since inception is only provided for Funds with less than 10 years of performance. Since inception benchmark returns for Series F is 2.08.

This is an annualized historical yield based on the seven day period ended on March 31, 2025 [annualized in the case of effective yield by compounding the seven day return] and does not represent an actual one year return.

Portfolio commentary

The overall weighting in government securities was increased slightly during the quarter in light of heightened recession risks. Federal holdings were tactically adjusted in the 6- to 12-month portion of the curve. Longer-dated provincial exposures, added to take advantage of their attractive spreads over Government of Canada Treasury bills, have since rolled down and are now concentrated in the 3- to 9-month portion of the curve.

Exposure to bank credit was maintained by favouring floating rate notes (FRNs) and certain bail-in lines. These FRNs offered an attractive spread while reducing the duration of exposures and extending the holding period for senior bank securities now that bankers' acceptances (BAs) are no longer available. Bail-in debt offered attractive all-in rates, and a steep credit curve led to an attractive rolldown profile. Given the uncertainty regarding longer-dated credit, bail-in maturities were rolled into short-dated commercial paper (CP) or government holdings.

Activity in corporate debt was limited to a few CP issues with maturities in the 1- to 2-month portions of the curve. Limited product availability remained an ongoing theme, but some new issuers in the market helped increase the overall credit exposure. While spreads remained tight, these new CP issues were offered at attractive levels relative to more common CP lines. Faced with growing risks of an economic slowdown in the near future, the sub-advisor remains vigilant about adding longer-term credit exposures.

Exposure to asset-backed commercial paper was maintained throughout the quarter and continued to be rolled primarily in the 6-month portion of the curve. Even though credit spreads have narrowed significantly since the start of the year, these securities remain an attractive replacement for BAs and a worthwhile alternative to bail-in debt.

In the short term, the Fund will continue to focus on the 3- to 6-month portion of the curve. While the risk of a recession has undoubtedly increased, uncertainty surrounding a potential rise in inflationary pressures should limit the duration risk taken. The 6-month portion of the curve currently offers an attractive risk/reward profile. Any rise in government rates above the sub-advisor's rate scenario will result in a gradual increase in the average maturity of holdings. With tight spreads, exposure to non-bank credit will remain concentrated in the 0- to 3-month portion.

Outlook

Given the prevailing uncertainty, interest rates should remain volatile as we head into the second quarter. Curve positioning will remain tactical and adjusted among Canadian government bonds, Canadian Treasury bills and federal agency bonds. Currently, roughly 36 basis points of total policy rate reduction are anticipated for the remainder of 2025.

For more performance related information about a mutual fund managed by NEI Investments, please visit the prices and performance page on neiinvestments.com.