NEI Money Market Fund

Q4 2024 Commentary

Performance

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

Rates fell aggressively during the quarter, exhibiting much volatility along the way. After falling sharply over most of the period, short-term rates came under pressure towards the end of the quarter. This coincided with the Bank of Canada's (BoC's) December meeting, where the BoC struck a hawkish tone as it signalled a more cautious approach to future rate cuts. At 3.25%, the policy rate currently sits at the upper bound of the BoC's neutral rate range of 2.25% to 3.25%.

Heading into 2025, short-term rates are expected to remain volatile as long as there is uncertainty surrounding the pace or total adjustment to the policy rate.

Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception[1]
NEI Money Market Fund Series I	1.05	2.33	5.01	5.01	3.95	2.66	2.04	N/A
NEI Money Market Fund Series A	0.86	1.94	4.23	4.23	3.20	2.02	1.30	N/A
NEI Money Market Fund Series F	0.86	1.95	4.24	4.24	3.21	2.03	N/A	1.66
Benchmark 1: FTSE TMX Canada Cdn Trsy Bill 60 Day	1.03	2.21	4.80	4.80	3.76	2.41	1.68	N/A

[1]Source: Morningstar. As of December 31, 2024. Since inception is only provided for Funds with less than 10 years of performance. Since inception benchmark returns for Series F is 2.057

This is an annualized historical yield based on the seven day period ended on December 31, 2024 [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 decreased over the quarter, with federal holdings remaining tactical in the 6-to-12-month portion of the curve. As interest rates fell and the BoC signalled a more cautious stance on future interest rate cuts, longer-term positions were concentrated in the 6-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 6-to-9-month segment of the curve.

Exposure to bank credit was maintained by favouring floating rate securities (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 while BAs are no longer available. Bail-in debt offered attractive all-in rates, and a steep credit curve for the longer-dated positions led to an attractive rolldown profile.

Activity in corporate debt was limited to a few commercial paper (CP) issues with maturities in the 1-to-2-month portions of the curve. Limited product availability continued to remain an ongoing theme, but a couple new issuers in the market helped increase the overall credit exposure. While spreads remain tight, these new CP issues were offered at decent levels relative to other 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.

Outlook

Exposure to asset-backed commercial paper (ABCP) 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 alternative to BAs. Faced with growing risks of an economic slowdown in the near future, the sub-advisor remains vigilant about adding longer-term credit exposures.

The recent rise in rates has created some opportunities as market participants rethink the Bank of Canada's rate cut trajectory. Any increase in government rates above the sub-advisor's rate escalation scenario will result in a gradual increase in the average maturity of holdings. Concerning credit, with tight offered rate spreads, credit exposure will also remain concentrated in the less than 3-month sector.