

# NEI Select Maximum Growth RS Portfolio

## Q1 2024 Commentary



### Performance

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

Resilient economic data throughout the first quarter supported the soft landing narrative and pushed equity markets around the world to new record highs. Global equities posted strong returns with the MSCI ACWI Index up 10.5% during the first quarter. In Canada the TSX gained 6.4% and in the U.S., the S&P 500 rose 13.3% in Canadian dollar terms, driven once again by several of the mega-cap names which posted strong earnings growth. However, the best performing market of the quarter was Japan, up 13.9% for the quarter in Canadian dollar terms. While equity investors welcomed strong economic data, it was a more challenging period for fixed income investors. Stickier inflation and resilience in economic activity have shifted market expectations of rate cuts and push yields higher, which led to a return of -1.33% for the Bloomberg Canada Aggregate index and -0.14% for the Bloomberg Global Aggregate index.

### Returns

Fund	3 months	6 months	YTD	1 year	3 years	5 years	10 years	Since inception <sup>1</sup>
NEI Select Maximum Growth RS Portfolio I	8.41	17.84	8.41	17.99	7.05	9.47	N/A	9.83
NEI Select Maximum Growth RS Portfolio A	7.79	16.46	7.79	15.21	4.49	6.81	7.07	N/A
NEI Select Maximum Growth RS Portfolio F	8.07	17.09	8.07	16.47	5.64	7.99	8.22	N/A
<i>Benchmark 1: 80% MSCI World NR Index (C\$), 20% S&amp;P TSX TR Index</i>	10.16	19.26	10.16	21.35	10.39	11.61	10.46	N/A

<sup>1</sup>Source: Morningstar. As of March 31, 2024. Since inception is only provided for Funds with less than 10 years of performance. Since inception benchmark returns for Series I is 11.79

On August 1, 2018 the fund benchmark was changed. Prior to this date, the fund benchmark was 10% FTSE Canada Universe Bond Index, 18% S&P/TSX Composite TR Index and 72% MSCI World NR Index (C\$).

### Portfolio commentary

The NEI Select Maximum RS Portfolio (Series I) returned 8.41%. In comparison, its blended benchmark returned 10.16%.

The Portfolio underperformed over the last 3-month period as manager selection and out-of-benchmark allocations detracted from performance, while asset allocation had a minor impact. On Benchmark Misfit: out-of-benchmark allocations to Canadian Small Cap and US Equities contributed positively to performance while the allocations to International Equities, Emerging Markets and Infrastructure detracted from performance. On Manager Selection: Global Value and Global Equity funds outperformed their benchmarks contributing positively, while Canadian Small Cap, US Equity, International Equity and Clean Infrastructure Funds underperformed.

### Outlook

Central banks are eager to gain confidence that inflation has reached and will remain at the target range for long enough that they can begin cutting rates, as they are also concerned that higher rates for too long could start to cause too much damage to aggregate demand. While the timing of rate cuts may be pushed out until later in the year, we believe the current environment of moderate growth coupled with declining inflation creates a constructive environment for risk assets.

Although the U.S. 'exceptionalism' may continue given the superior level of earnings growth and market dominance in the development of AI capabilities, the rich valuation in U.S. equities has likely sown the seeds for a more muted performance in the future relative to international equities given their much cheaper valuations. It is prudent to consider having

appropriate geographic, in addition to sector and style diversification in a well diversified portfolio.

In Canada, economic growth remains below potential, but better clarity on path of rate cuts may provide relief.

In fixed income, although bond markets have suffered, given the decreased likelihood of imminent rate cuts, we think bonds still offer compelling yields at current levels, and are able to provide a buffer to equity volatility in the case of an economic downturn. Positive real yields make the income side of the equation for bonds more attractive, plus expectations for rate cuts later in 2024 may add capital appreciation potential in the years ahead.

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](http://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](#) page on [neiinvestments.com](http://neiinvestments.com).