NEI Managed Asset Allocation Pool

Annual Management Report of Fund Performance

As at September 30, 2022

This Annual Management Report of Fund Performance contains financial highlights but does not contain either semi-annual or annual financial statements of the investment fund. You can obtain a copy of the semi-annual or annual financial statements at your request, and at no cost, by calling 1-888-809-3333, by writing us at Northwest & Ethical Investments L.P., 151 Yonge Street Suite 1200, Toronto, ON M5C 2W7 or by visiting our website at www.neiinvestments.com or SEDAR at www.sedar.com.

Unitholders may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

Management Discussion of Performance

Investment Objective and Strategies

This Fund’s investment objectives are to provide long-term capital growth and some income by investing in a combination of securities, which may include ETFs. The Fund’s asset mix may be changed over time to reflect the portfolio manager’s outlook for each asset class.

Risk

The risks associated with investing in the Fund remain as discussed in the Simplified Prospectus. This Fund is suitable for investors investing for the medium term, with a low to medium tolerance for risk. Any changes in the Fund have not affected the overall level of risk of the Fund.

Results of Operations

The NEI Managed Asset Allocation Pool’s Series I units returned -12.5% for the twelve months ended September 30, 2022 compared with a return of -12.6% for the benchmark explained below.

Unlike the benchmark return, the Fund's returns are after the deduction of fees and expenses paid by the Fund. Performance differences between series of units are mainly attributable to management fees charged to each series. Refer to the Past Performance section for the details of returns by series.

The blended benchmark is composed of 25% FTSE Canada Universe Bond Index, 25% Bloomberg Barclays Global Aggregate Index (C$ hedged) and 50% MSCI ACWI NR Index (C$).

The Fund's net asset value decreased by 3.98% during the period, from $190,557,987 as at September 30, 2021 to $182,969,798 as at September 30, 2022. This change in net assets is attributed to net unitholder activity of $18,457,078 and -$26,045,267 to investment operations, including market appreciation (depreciation), income and expenses.

Factors That Have Affected Performance

It was a tumultuous year for markets as the persistent rise and broadening of inflation, sparked by pandemic-driven supply chain disruptions and compounded by the war in Ukraine, led to aggressive tightening of monetary policies and increased concerns that many global economies could fall into a recession. These headwinds resulted in market declines since the beginning of 2022, with the equities markets in many regions entering bear market territory. The fixed income market was not unscathed as global bonds, as measured by the Bloomberg Global Aggregate Index declined by 12.30% on a twelve-month basis. Growing recession risks arising from tighter monetary policy and general risk off sentiments, saw U.S high yields bonds declining by 14.67%. In fixed income markets, the short end of the sovereign bond curve, which is more sensitive to policy rates, rose across most regions along with prospects of more rate hikes to come. The U.S two-year Treasury yield rose to a 15-year high, by more than the rise in 10-year yield, resulting in a deeper yield curve inversion between the 2-year and 10-year yields. The yield curve inversion, typically a harbinger of recessions, may deepen further as central banks continue to raise rates.

During the year investors were left with little place to hide as cross-asset holders of equities, treasuries, investment grade credit and high yield bonds experienced the worst month in August 2022. However, the USD provided a safe haven during the year (+8.46%), while commodities showed strength on the back of strong global demand.

Persistently high inflation pressured major central banks globally to take a more aggressive path in tightening their monetary policies. Major central banks in Canada, US, U.K, Europe and Australia raised policy rates during the year and also wrapped up their accommodative quantitative easing (QE) policy programs. The Bank of Canada (BoC) was among the most hawkish central banks during this tightening cycle, with an outsized rate hike of 100 basis points (bps) in July. The traditional overnight policy rate increase of 25bps was less of a feature this cycle, as many central banks opted for 50bps to 75bps, which became the new normal. Central banks largely agreed that inflation was not “transitory” in nature as initially thought, but instead appeared to be more persistent, as inflation broadened beyond the components that were most impacted by re-opening. Policy makers walked a tight rope trying to balance taming inflation, against the prospects of slowing economic growth. However, with inflation seemingly harder to wrangle than expected, major central banks later conceded that they were willing to risk economic growth, in order to prevent inflation expectations from becoming entrenched.

Globally, the economic outlook deteriorated sharply. The OECD forecasts weaker economic growth for the remainder of the year and further weakness in 2023. The slowing growth is due to the many factors that have plagued markets throughout the year including rising energy and food prices, persistent inflation and tightening monetary policy. Economic weakness was evident as the S&P Global Manufacturing Purchasing Managers' Index (PMI) came in at 49.8 in September. A reading below 50 is indicative of economic contraction and weakness.

In the U.S, the following the Federal Open Market Committee (FOMC) meeting in September, there was notable upward revision in the Fed Dot plot. The “dot plot”, is a chart that records each Fed official’s projection for the central bank’s key policy rates. The Fed’s projected median policy rate moved from 3.8% in 2023 to 4.6%, which is beyond a neutral rate. The inflation projection by the Fed was revised upwards for 2022, while the economic growth projections for 2022, 2023, and 2024 were revised downwards. The Fed sees core PCE inflation moderating to 3.1% in 2023 and to 2.3% by the following year. The path to taming inflation is expected to be accompanied by higher rates, with rates remaining above neutral for some time.

During the latter part of the year, headline inflation in the U.S and Canada began to show signs of nearing an inflection point as commodity prices rolled over, supply chain issues eased, and food prices began to moderate. However, core inflation remained one to watch as “stickier” components such as shelter, and wage inflation showed resilience. The jobs market remained tight in many regions, which placed upward pressures on wage growth. The unemployment rate in U.S stood at historical lows of 3.5%, 5.2% in Canada and 6.6% in the Euro area.

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In the last three months to September, headline inflation in Canada declined from 8.1% to 6.9%, primarily due to a fall in gasoline prices. However, price pressures remain broad based, with two-thirds of CPI components increasing more than 5% over the past year. In the U.S, year on year, headline inflation came in at 8.2%, down from 8.3% the prior month but still one tick above consensus forecast. The 12-month core measure rose from 6.3% to a 40-year high of 6.6%. For the 12-month period the U.S equities returned -10.63%, while Canadian equities declined -5.71%. Elevated commodity prices buoyed the performance of Canadian stocks.

In the Eurozone, consumer confidence and business climate indicators led the plummet in sentiment as the region experienced the negative consequences of being a net importer of energy products in a high inflation and high energy prices environment. The latest Manufacturing PMI reading in the Eurozone dipped below 50, into contractionary territory. The erosion of real disposable household incomes, low consumer confidence and high prices for some energy products, especially natural gas negatively affected both private consumption and business investment and investor sentiments. The MSCI Europe (C$) returned -18.44% over the period.

Many emerging markets continued to suffer from record levels of high inflation and significantly higher interest rates. Emerging markets faced several headwinds including China's zero Covid policy, weather-related disruptions, weaker demand for manufactured goods and lingering weakness in the housing market. Despite China's stimulative policies by the country's central bank, economic growth continued to drag. The strength of the USD was also a headwind to emerging markets. The MSCI Emerging Markets (C$) returned -22.03%.

The portfolio started the period slightly defensive, with a 4% allocation to cash, an underweight to fixed income and a neutral exposure to equities. Allocations to equities progressively increased throughout the latter parts of the year to December 2021, as we took advantage of the stronger market sentiments arising from a shift in focus away from rising Omicron cases globally. Allocations to growth focused equities were eliminated in favour of US Financials, which positioned the portfolio to take advantage of a shift to value and rising rates. The position in financials was later eliminated in favor of broad US equity. The portfolio ended CY 2021 with a 60% allocation to equities and 40% fixed income exposure.

At the turn of 2022 markets struck a bearish tone as the impact of the persistent rise and broadening of inflation, sparked by pandemic-driven supply chain disruptions and compounded by the war in Ukraine, led to aggressive tightening of monetary policies and increased concerns that many global economies could fall into a recession. As a result, we took on a defensive posture, by de-risking the portfolio, reducing the overweight to equities and increasing the cash position. The portfolio held as much as 10% in cash, 50% in equities and 40% in fixed income in early May. Later in May we put cash to work by reallocating to fixed income. This move brought the asset mix back to neutral against its 50/50 benchmark. The decision to move into fixed income was prompted by the US 10-year Treasury yield approaching 2.9%, nearing the Fed's long-term policy rate. We perceived this as a positive for fixed income, with the expectation that yields could subsequently experience some decline. Additionally, we saw signals which indicated, at the time, that the market was moving away from an "interest rate scare" towards a "growth scare", which presented opportunities for fixed income.

In June, US CPI surprised on the upside, which led the Fed to act forcefully by increasing policy rate by 75basis points. Given the shift in the market following the surprise US CPI print and subsequent hawkish Fed action, the team de-risked the portfolio by selling 5% equities (3.5% SPY, 1.5% EAFE). The portfolio closed June with a 45% allocation to equity and 50% in fixed income. Being defensive in June helped the portfolio as equities bottomed and bond yields rose.

For the remainder of the year, the portfolio shifted between holding various degrees of cash and being benchmark neutral given the level of market uncertainty, much of which is hinged on the path of inflation and central bank action. We were cautious about implementing significant portfolio tilts as it could have proven costly while the market continued to search for direction. At the end of September 2022, the portfolio has a slight overweight to equites (52.6%), 46% in fixed income and the remainder in cash.

Recent Developments

Against the backdrop of high inflation and rising rates, economic momentum has been weakening. Purchasing Managers' Index (PMI) business surveys in the US have moderated and in Europe moved into contractionary territory. Consumer sentiment is also weak, as rising interest rates and high inflation erodes real wages. However, there are also indications that some supply constraints may be easing and input prices falling, which could help alleviate inflationary pressures. While corporate earnings overall have been broadly supportive, the outlook for demand remains uncertain. Companies must continue to navigate an environment of higher input prices, supply complexities and potentially slower growth.

While the growth outlook remains uncertain, many stocks have priced in the possibility of a recession, which has resulted in valuations looking more attractive. However, there is the risks that valuations could become more compressed if the economic situation becomes worse than expected. Government bonds have also priced in a significant amount of further tightening. After a difficult year, both stocks and bonds valuations now look more attractive, though valuations are not at recessionary levels.

Related Party Transactions

Northwest & Ethical Investments L.P. ("NEI LP") is the Manager, Trustee, Portfolio Manager and Registrar of the Fund. Northwest & Ethical Investments Inc., the general partner of NEI LP, is a wholly-owned subsidiary of Aviso Wealth Inc. ("Aviso"). Aviso is also the sole limited partner of 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. Desjardins Financial Holding Inc. is a wholly-owned subsidiary of the Fédération des caisses Desjardins du Québec ("Fédération").

NEI LP charges the Fund a fixed administration fee in place of certain variable expenses. NEI LP in turn, pays all operating expenses of the Fund, other than specified fund costs (e.g. the fees and expense of the Independent Review Committee ("IRC"), taxes, and brokerage commissions) which include payments to related parties. These services are in the normal course of operations and are measured at an exchange amount that is consistent with other independent parties. Desjardins Trust Inc. ("Desjardins Trust") is the custodian of the Fund. Desjardins Trust is a wholly-owned subsidiary of the Fédération. The Fund may engage in securities lending and repurchase transactions, and Desjardins Trust may act as the Fund's securities lending and repurchase transactions agent ("Agent"). Any revenue earned on such transactions is split 60%—40% between the Fund and the Agent. Desjardins Securities Inc. ("DSI") is a broker responsible for security transactions on behalf of the Fund. DSI is a wholly-owned subsidiary of the Fédération.

The Fund's sub-advisors may place a portion of their fund transactions with brokerage firms which are affiliates of NEI LP, provided that the affiliate's trade execution abilities and costs are comparable to those of non-affiliated qualified brokerage firms.

The Fund is currently only distributed by NEI on an exempt-market basis.

NEI LP has established the IRC for the Fund in accordance with the requirements of National Instrument 81-107 – Independent Review Committee for Investment Funds in order to review conflicts of interest as they relate to investment fund management. The Fund did not rely on an approval, positive recommendation or standing instruction from the Fund's IRC with respect to any related party transactions.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the past five fiscal years or for the periods since inception, as applicable.

Net Assets per Unit ($)(1)

			Increase (Decrease) from Operations					Distributions						
Series	Period	Net Assets, Beginning of Period	Total Revenue	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Increase (Decrease) from Operations(2)	From Income (Excluding Dividends)	From Dividends	From Underlying Funds	From Capital Gains	Return of Capital	Total Distributions (3)(4)	Net Assets, End of Period
I	Sept. 2022	11.48	0.26	-0.03	-0.43	-1.21	-1.41	0.00	0.23	0.00	0.44	0.00	0.67	9.47
	Sept. 2021	10.52	0.24	-0.02	0.58	0.28	1.08	0.00	0.19	0.00	0.02	0.00	0.21	11.48
	Sept. 2020	10.03	0.20	-0.03	-0.24	0.69	0.62	0.00	0.17	0.00	0.00	0.00	0.17	10.52
	Sept. 2019	10.00	0.07	-0.01	-0.04	0.03	0.05	0.00	0.03	0.00	0.00	0.00	0.03	10.03

(1) All per unit figures presented in 2022 are referenced to net assets determined in accordance with IFRS and are derived from the Fund's audited annual financial statements for the period ended September 30, 2022.
(2) Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase/decrease from operations is based on the weighted average number of units outstanding over the financial period.
(3) Distributions were paid in cash or reinvested in additional units of the Fund.
(4) Distributions (if any) that may have been made that included return of capital in excess of short term earnings were made to minimize disruption and provide stability to investors who have elected to take their distributions in the form of cash, and as disclosed in the Simplified Prospectus. These amounts are reviewed at each calendar year-end and management engages in discussions with the sub-advisor to determine the most applicable strategy on a go forward basis and will take any action(s) as needed for the long term stability of the Fund.

Ratios and Supplemental Data

Series	Period	Total Net Asset Value (000's of $)	Number of Units Outstanding (000's)	Management Expense Ratio (%)(1)	Management Expense Ratio before Waivers and Absorptions (%)	Trading Expense Ratio (%)(2)	Portfolio Turnover Rate (%)(3)	Net Asset Value per Unit ($)
I	Sept. 2022	182,969.80	19,324.89	N/A	N/A	0.03	108.20	9.47
	Sept. 2021	190,557.99	16,604.92	N/A	N/A	0.02	87.81	11.48
	Sept. 2020	104,970.66	9,981.68	N/A	N/A	0.03	84.29	10.52
	Sept. 2019	14,127.99	1,408.33	N/A	N/A	0.07	28.47	10.03

(1) Management expense ratio is based on total expenses (excluding commissions and other portfolio transaction costs, as well as withholding taxes) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period.

(2) The trading expense ratio represents total commissions and other Fund transaction costs expressed as an annualized percentage of daily average net asset value during the period.

(3) The portfolio turnover rate indicates how actively the Fund's sub-advisor manages its investment holdings. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the period. The higher the portfolio turnover rate in a period, the greater the trading costs payable by the Fund in the period, and the greater the chance of an investor receiving taxable capital gains in the period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

Management Fees

The Manager is responsible for the management, supervision and administration of the Fund. The Fund does not pay management fees for Series I. Series I unitholders pay a negotiated fee directly to NEI Investments.

In addition to the fees and expenses directly payable by the Fund, certain fees and expenses may be payable by some underlying third party funds. The Fund indirectly bears its proportionate share of such fees and expenses. However, the Fund does not pay any management fees or similar expenses that, in the view of the Manager, a reasonable person would consider duplicate a fee payable by an underlying fund for the same service.

Past Performance

The performance information provided will not necessarily indicate how the Fund will perform in the future. The information shown assumes that distributions made by the Fund in the periods shown were reinvested in additional units of the relevant series of the Fund. In addition, the information does not take into account sales, redemption, distribution or other optional charges that would have reduced returns or performance.

Year-by-Year Returns

The following chart shows the annual performance for each series of units of the Fund for each period shown and illustrate how the Fund's performance has varied from period to period. The chart indicates how much an investment made on the first day of each financial period would have grown or decreased by the last day of each financial period.

Series I

NEI

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Annualized Compound Returns

The following table shows the annual compound returns for all series of the Fund. All returns are in Canadian dollars, on a total return basis, net of fees. For comparison, the returns for the benchmark are included. A discussion regarding the relative performance of the Fund is found in the Results of Operations section of this report and a description of indexes can be found in the Annualized Compound Returns section of this report.

The blended benchmark is composed of 25% FTSE Canada Universe Bond Index, 25% Bloomberg Barclays Global Aggregate Index (C$ hedged) and 50% MSCI ACWI NR Index (C$).

The FTSE Canada Universe Bond Index is designed to be a broad measure of the Canadian investment grade fixed income market. Returns are calculated daily, and are weighted by market capitalization, so that the return on a bond influences the return on the index in proportion to the bond's market value. There are four main credit or borrower categories: bonds issued by the Government of Canada (including Crown Corporations), provincial bonds (including provincially guaranteed securities), municipal bonds, and corporate bonds.

The Bloomberg Barclays Global Aggregate Index is a measure of global investment grade debt from local currency markets. This multi-currency benchmark includes treasury, government-related, corporate, and securitized fixed-rate bonds from both developed and emerging markets issuers. This is a Canadian dollar hedged index.

The MSCI ACWI Index is designed to represent performance of the full opportunity set of large- and mid-cap stocks across developed and emerging markets. It is a free float-adjusted market capitalization weighted Index.

While the Fund uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Fund may experience periods when its performance is not aligned with the Index, either positively or negatively. Please see the "Results of Operations" section of this report for a discussion of recent performance results.

Group/Investment	1 Yr (%)	3 Yrs (%)	5 Yrs (%)	10 Yrs (%)	Since Inception(*) (%)
25% FTSE Canada Universe Bond Index, 25% Bloomberg Barclays Global Aggregate Index (C$ hedged), 50% MSCI ACWI NR Index (C$)	-12.6	1.2	N/A	N/A	**
NEI Managed Asset Allocation Pool, Series I	-12.5	1.3	N/A	N/A	1.4

*Since inception returns are not provided for series that have been in existence for more than 10 years.
**The return of the benchmark since inception for each applicable series is as follows: Series I: 1.4%.

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Summary of Investment Portfolio as at September 30, 2022

Total Net Asset Value: $182,969,798

	Top Holdings	%
1	BMO Aggregate Bond Index ETF	23.0
2	SPDR S&P 500 ETF Trust	16.7
3	Vanguard Total International Bond ETF	14.8
4	Invesco S&P 500 ESG Index ETF	14.8
5	iShares Core MSCI EAFE ETF	13.0
6	Vanguard Total Bond Market ETF	5.6
7	iShares Core MSCI Emerging Markets ETF	2.4
8	SPDR Portfolio Intermediate Corporate Bond ETF	2.2
9	iShares iBoxx $ Investment Grade Corporate Bond ETF	2.1
10	WisdomTree U.S. Quality Dividend Growth Fund ETF	2.0
11	Cash and Equivalents	1.1
12	iShares MSCI USA Quality Factor ETF	1.0
13	iShares Core S&P/TSX Capped Composite Index ETF	0.8
14	Invesco S&P/TSX Composite ESG Index ETF	0.6
	Total	100.1

Net Asset Value Mix	%
Unit Trust	99.0
Cash and Equivalents	1.1
Other	-0.1
Total	100.0

Sector Allocation	%
Index-Based Investments	99.0
Cash and Equivalents	1.1
Other	-0.1
Total	100.0

Geographic Distribution	%
United States	59.8
Canada	39.2
Cash and Equivalents	1.1
Other Countries	-0.1
Total	100.0

"Unit Trust" includes REITs, ETFs, and other similarly structured investment vehicles.

"Other Countries" geographic category includes all countries individually representing less than 5% of the Portfolio's net asset value.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment fund. Updates are available quarterly.