

## Annual Management Report of Fund Performance

### As at September 30, 2021

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](http://www.neiinvestments.com) or SEDAR at [www.sedar.com](http://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

The Fund's investment objectives are to provide current income with the potential for capital gains. The Fund will invest primarily its assets in fixed income instruments from both developed and emerging markets.

### 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 short to medium term, with a low tolerance for risk. Any changes in the Fund have not affected the overall level of risk of the Fund.

### Results of Operations

The NEI Fixed Income Pool's Series I units returned -2.1% for the twelve months ended September 30, 2021 compared with a return of -3.3% 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 benchmark for this Fund is FTSE Canada Universe Bond Index.

The Fund's net asset value increased by 82.07% during the period, from \$215,683,316 as at September 30, 2020 to \$392,705,221 as at September 30, 2021. This change in net assets is attributed to net unitholder activity of \$183,716,742 and -\$6,694,837 to investment operations, including market appreciation (depreciation), income and expenses.

## Factors That Have Affected Performance

The Fund's performance was primarily due to the overexposure to the corporate sector and security selection.

The portfolio sub-advisor maintained a neutral duration bias during the period although it was adjusted tactically. While the impact was slightly negative, it was limited considering the ferocity of duration moves since the beginning of January 2021.

Curve positioning was overall negative during the last year. The portfolio benefited from the fairly large bias towards a steepening in the 10- to 30-year area of the curve that was put in place at the beginning of the 2nd quarter. However, this added value was offset by a flattening bias in the 2-to-5-year portion of the curve. In addition, during the last part of the period, the 5- to 10-year area flattened while the Fund was still positioned for a steepening.

The Fund's overexposure to corporate credit was maintained throughout the year and was the main driver of outperformance. Credit spreads kept grinding in since President Biden's election last November and the trend persisted to this day with spreads back at pre-COVID levels, and even tighter in certain cases. The allocation to provincial bonds was adjusted throughout the year with a more persistent underweight relative to federal bonds throughout the last part of the period, specifically in the longer-end portion of the curve. The portfolio sub-advisor saw an investment opportunity driven by funding requirements due to provinces' ever-increasing deficits and the incremental amount of time required to balance their budgets. Hence, they closed most of that position relative to mid-term holdings last quarter, before provinces started reporting better than expected results, securing gains.

Security selection was another positive contributor. Within corporates, the added value was mainly due to the overweights in higher beta sectors such as Real Estate and Energy, at the expense of Telecommunications. An increase in subordinate debt investments relative to senior debt was also well rewarded, as lower rated debt profited from the unfolding of the economic recovery. The overweight in financials turned out to have a positive outcome since a curve steepening environment generally favors the sector. On the governmental front, agency positioning was kept shorter than the index, which detracted value but the exposure to real return bonds more than compensated for this. Provincial security selection benefited from favoring off-the-run securities and peripheral provinces that kept gaining momentum relative to core issuers. The preference for Quebec bonds relative to Ontario issues also added value.

## Recent Developments

Investors reacted favorably to the US election. In addition, the onset of the first quarter brought improvements on both the economic and geopolitical fronts. With regards to the pandemic, although variant infections had spiked in certain areas during the last two quarters, signs of economic recovery abounded as countries adjusted to this new reality. Government support coupled with accommodating monetary policy and an almost complete deconfinement in China has given the world's economy a much sought-after boost. Employment figures are still progressing albeit with more volatility during the last few months, especially in the United States. Canada has had a formidable third quarter and has now recouped all COVID-related job losses as government employment support programs wind down. More persistent inflation is now a recurring concern and interest rate hikes are getting baked in even sooner than expected only a few weeks ago. More clarity was recently given by the Bank of Canada (BOC) on its QE unwinding process; once they stop increasing purchases, which is expected by year-end, maturities will be reinvested, and the balance sheet will remain at elevated levels. It is expected that the BOC will keep reinvesting at least until interest rates have started increasing. At current levels, the middle portion of the curve is expected to underperform relative to shorter- and longer-term securities. The portfolio sub-advisor plans to put a short to neutral duration bias in place as terminal rates continue grinding higher. Volatility is expected to remain elevated during the next quarter and should provide opportunities to tactically capture short-term trends. Provincial exposure should be flat on average and readjusted when valuations are stretched in either direction. Holdings will be concentrated further out on the curve where spreads to Canada bonds are more generous than in the short-term portion of the curve.

The portfolio sub-advisor maintains the corporate credit overweight bias, even though valuations are not historically attractive. The portfolio sub-advisor is also focusing on carry for additional return rather than on spread compression. Although some downward pressures to economic growth forecasts are present, the recovery backdrop should remain supportive of credit as consumers are expected to redeploy some of their savings. Materials and oil are now reaching record levels, a reflection of inflationary concerns and supply disruptions, which have now become the most important risk to growth. For now, companies have been able to pass along the costs to their customers with a limited impact to their balance sheet. Central bankers are recognizing that the recent uptick investors' nervousness around the inflation backdrop.

The portfolio sub-advisor is more constructive with regards to lower rated bonds. The initial credit downgrade wave seems behind us and might tilt in the other direction for certain sectors as the economy normalizes. ESG scores remain a factor in selecting specific issuers. Green and sustainable bond issuance will be analyzed with care and integrated in the portfolio when conditions are met. Preferred sectors include banks (bail-in debt), retail (grocers, pharmacies), utilities (long-end, versus provincial bonds), pipelines (except in the long-end) and REITs. Positioning remains neutral on Oil and Gas through Cenovus and North West Redwater, and underweight ABS and insurers. Given the preference to concentrate credit exposure in the shorter portions of the curve, it is expected that increasing the Fund's beta in the long end of the curve will yield better results relative to simply increasing exposure as carry is less of a concern at this time.

## Independent Review Committee

The term of William Woods ended on September 30, 2021. Mr. Woods had served with distinction on the Independent Review Committee ("IRC") since October 2015. After consulting with the Manager and obtaining the Manager's consent, the IRC re-appointed Mr. Woods for a further period of three years.

## 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, 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 wholly-owned subsidiary of the Fédération. Desjardins Global Asset Management Inc. ("DGAM") is the Portfolio sub-advisor of the Fund. DGAM is a wholly-owned subsidiary of the Fédération. DGAM's fees are entirely paid by NEI LP.

Where applicable the amounts paid in commission by the Fund to DSI and amounts received from underlying funds managed by NEI LP during the period are presented.

	September 2021 (\$)	September 2020 (\$)
Amounts received from underlying funds	688,755	-



## NEI Fixed Income Pool

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.

This document contains forward-looking statements. Such statements are generally identifiable by the terminology used, such as “plan”, “anticipate”, “intend”, “expect”, “estimate”, or other similar wording. These forward-looking statements are subject to known and unknown risks and uncertainties and other factors which may cause actual results, levels of activity and achievements to differ materially from those expressed or implied by such statements. Such factors include, but are not limited to: general economic, market and business conditions; fluctuations in securities prices, fluctuation in interest rates and foreign currency exchange rates; and actions by governmental authorities. Future events and their effects on the Fund may not be those anticipated by us. Actual results may differ materially from the results anticipated in these forward-looking statements. We do not undertake, and specifically disclaim, any obligation to update or revise any forward-looking information, whether as a result of new information, future developments or otherwise.

## 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 (\$)<sup>(1)</sup>

Series	Period	Net Assets, Beginning of Period	Increase (Decrease) from Operations					Distributions					Net Assets, End of Period	
			Total Revenue	Total Expenses	Realized Gains (Losses)	Unrealized Gains (Losses)	Total Increase (Decrease) from Operations <sup>(2)</sup>	From Income (Excluding Dividends)	From Dividends	From Underlying Funds	From Capital Gains	Return of Capital		Total Distributions <sup>(3)(4)</sup>
I	Sept. 2021	10.57	0.23	0.00	-0.06	-0.39	-0.22	0.20	0.00	0.02	0.09	0.00	0.31	10.03
	Sept. 2020	10.06	0.25	0.00	0.16	0.37	0.78	0.18	0.03	0.00	0.00	0.00	0.21	10.57
	Sept. 2019	10.00	0.09	-0.01	0.00	-0.11	-0.03	0.01	0.03	0.00	0.00	0.00	0.04	10.06

(1) All per unit figures presented in 2021 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, 2021.

(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 (%) <sup>(1)</sup>	Management Expense Ratio before Waivers and Absorptions (%)	Trading Expense Ratio (%) <sup>(2)</sup>	Portfolio Turnover Rate (%) <sup>(3)</sup>	Net Asset Value per Unit (\$)
	Sept. 2020	215,683.32	20,410.47	N/A	N/A	0.05	336.55	10.57
	Sept. 2019	31,217.96	3,104.08	N/A	N/A	0.10	3.10	10.06

(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 units. 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.

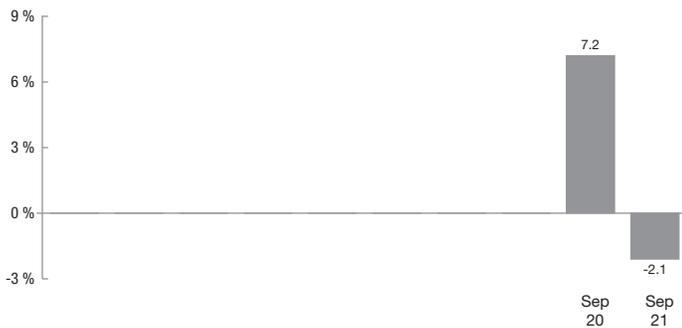
## Past Performance

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**



## 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 benchmark for this Fund is FTSE Canada Universe Bond Index.

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.

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 <sup>(*)</sup> (%)
FTSE Canada Universe Bond Index	-3.3	N/A	N/A	N/A	**
NEI Fixed Income Pool, Series I	-2.1	N/A	N/A	N/A	2.6

<sup>(\*)</sup>Since inception returns are not provided for series that have been in existence for more than 10 years.

<sup>(\*\*)</sup>The return of the benchmark since inception for each applicable series is as follows: Series I: 2.1%.

FTSE Global Debt Capital Markets Inc ("FDCM"), FTSE International Limited ("FTSE"), the London Stock Exchange Group companies (the "Exchange"). FDCM and together with FTSE and the Exchange, the "Licensor Parties"). The Licensor Parties make no warranty or representation whatsoever, expressly or impliedly, either as to the results to be obtained from the use of the FTSE Canadian Universe Bond ("the Index") and/or the figure at which the said Index stands at any particular time on any particular day or otherwise. The Index is compiled and calculated by FDCM and all copyright in the Index values and constituent lists vests in FDCM. The Licensor Parties shall not be liable (whether in negligence or otherwise) to any person for any error in the Index and the Licensor Parties shall not be under any obligation to advise any person of any error therein.

"FTSE®" is a trade mark of the FTSE International Limited in Canada and Taiwan, and the London Stock Exchange Group of companies in the rest of the world and is used by FDCM under license.

## Summary of Investment Portfolio as at September 30, 2021

Total Net Asset Value: \$392,705,221

Top Holdings			%	Net Asset Value Mix <sup>(1)</sup>		%
1	Government of Canada, 0.250%, 2023-08-01	16.7	Fixed Income	98.6		
2	NEI Global Total Return Bond Fund, Series I	9.1	Cash and Equivalents	1.3		
3	Government of Canada, 0.500%, 2023-11-01	4.5	Other	0.1		
4	Government of Canada, 1.750%, 2053-12-01	4.3	Total	100.0		
5	Hydro-Québec, Series JN, 5.000%, 2050-02-15	2.8	<b>Sector Allocation <sup>(1)</sup></b>			
6	Province of Ontario, 1.850%, 2027-02-01	2.6	Corporate Bonds	39.2		
7	Province of Québec, 3.500%, 2045-12-01	2.3	Federal Bonds	28.4		
8	Province of Alberta, 2.900%, 2028-12-01	1.7	Provincial and Crown Corporations Bonds	25.1		
9	Canada Housing Trust, Series 93, 0.950%, 2025-06-15	1.4	Foreign Government Bonds	3.0		
10	Province of Alberta, 3.100%, 2050-06-01	1.3	Supranational Bonds	1.4		
11	Asian Development Bank, 0.750%, 2026-02-10	1.2	Cash and Equivalents	1.3		
12	Province of Ontario, 2.900%, 2046-12-02	1.2	US Government Bonds	1.3		
13	Province of Québec, 6.250%, 2032-06-01	1.1	Other	0.1		
14	Hydro-Québec, 2.100%, 2060-02-15	1.0	Municipal Bonds	0.1		
15	Province of Ontario, 1.550%, 2029-11-01	0.9	Asset-Backed Securities	0.1		
16	Government of Canada, 0.250%, 2026-03-01	0.9	Total	100.0		
17	Hydro One, 4.590%, 2043-10-09	0.9	<b>Geographic Distribution <sup>(1)</sup></b>			
18	Province of British Columbia, 1.550%, 2031-06-18	0.9	Canada	89.0		
19	Scotiabank, 2.490%, 2024-09-23	0.8	Other	9.7		
20	Pembina Pipeline, Series 5, 3.540%, 2025-02-03	0.7	Cash and Equivalents	1.3		
21	Province of Ontario, 4.600%, 2039-06-02	0.7	Total	100.0		
22	Province of Ontario, 2.650%, 2050-12-02	0.6				
23	Province of Manitoba, 2.850%, 2046-09-05	0.6				
24	Royal Bank of Canada, 1.589%, 2026-05-04	0.6				
25	Pembina Pipeline, Series 12, 3.620%, 2029-04-03	0.6				
Total			59.4			

(1) Table represents an aggregated "look-through" of the top positions and category summaries that are held in the top and underlying fund(s).

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

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