The NEI Investments Portfolio Manager Selection and Monitoring Process:

Committed to Exceptional Portfolio Management
MUTUAL FUNDS DONE DIFFERENTLY.

NEI Investments takes pride in being one of the only Canadian investment firms to exclusively use third-party managers to operate its lineup of mutual funds. We firmly believe that our approach provides us with a unique flexibility to search the world over for the very best investment management talent and to more quickly respond when change is needed.

Over the years, our model has allowed us to assemble one of the strongest portfolio management teams in Canada and an extensive lineup of award winning funds. NEI Investments has partnered with both global leaders and boutique firms to make available to Canadians sophisticated investment strategies that are typically reserved to pension funds and high net worth clients. Though our managers may vary in specialty, structure and approach, all are selected for their ability to think independently, differentiate themselves from peer groups and indices, and outperform over the long term.
GUIDING PRINCIPLES

At the foundation of our portfolio manager selection and monitoring process lies an overarching commitment to five guiding principles. These principles direct the way we select and manage our portfolio managers, and have been key to our success in delivering value to investors.

1. **Better returns, less risk**
   A dedication to superior risk-managed returns is the primary focus of what we do. Each part of our approach to portfolio management is connected to our commitment to delivering the results and peace of mind that investors need.

2. **Truly active management**
   It’s our view that exceptional active management approaches deliver superior returns over the long term. We work exclusively with a network of portfolio managers known for their track records of uncovering value and avoiding market hazards. By doing this, we’ve been able to help investors reach their financial goals faster and more consistently.

3. **Leading portfolio managers**
   A dedication to performance requires world leading portfolio management. That’s why we take an independent manager approach and hire external portfolio managers for all our funds. It allows us to cast a wider net and truly tailor specific fund needs to portfolio manager experts in these areas.

4. **Rigorous oversight**
   Once the right manager is in place, it’s important to ensure that the caliber of management and performance is maintained over time. At NEI, we do so through a rigorous monitoring process that involves ongoing review of performance, operations and market conditions.

5. **ESG factors**
   Whether we are hiring managers for conventional or socially responsible mandates, we look for managers who consider environmental, social and corporate governance (ESG) factors in their approach to risk management.
THE NEI INVESTMENTS PORTFOLIO MANAGEMENT PROCESS

NEI Investments’ overall approach is composed of three parts: strategic oversight, a selection process, and a monitoring process. Though distinct, each part of the process is integrated and contributes to the overall value delivered by the NEI Investments Portfolio Management Team. The following pages provide an overview of each part.

Process Overview

1. Initial Research and Screen
2. Quantitative and Qualitative Analysis
3. Request for Proposals
4. On-Site Review
5. Final Selection

A. Ongoing Global Market Assessment
B. Monthly Manager Analysis
C. Quarterly Performance Review
D. Quarterly Compliance Audit
E. Annual Assessment and Site Visit
Strategic Oversight

An integral part of the portfolio management process resides in the oversight and discipline brought by NEI Investments Portfolio Management. The internal team is, in essence, the manager of the managers, responsible for both selecting new managers and monitoring current managers. At the strategic level, its activities involve assessing market conditions and investor needs, and when necessary determining whether the development of new funds or changes to existing ones are needed. For our fund-of-fund NEI Select Portfolios, the team takes on the additional tasks of portfolio construction and asset allocation.

Selection Process

Once the need for a new portfolio manager is identified, the team begins its search from a universe of over 3,000 managers worldwide. The selection of portfolio managers is a detailed, multi-phased process designed to tailor the expertise of an investment firm to the needs of investors.

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Total Universe = 3,000+ Managers (10,000+ Investment Strategies)
INITIAL RESEARCH AND SCREEN
The team uses an initial screen to narrow in on managers that fit the fund’s mandate and investment parameters followed by a quantitative ranking process based on different metrics across multiple time periods. Some of the metrics include: information ratio, tracking error, manager added value, Sortino ratio and downside capture. This allows the team to focus on a group of 50-300 managers for an initial assessment. Preliminary analysis of historical performance is conducted, with a specific focus downside protection.

QUANTITATIVE AND QUALITATIVE ANALYSIS
Once the initial assessment is complete, a more in-depth analysis takes place. Depending on the investment mandate, the list of prospective managers is pared down to 20-100 managers, who are then carefully examined following a 5Ps framework: Philosophy, Process, People, Performance and Policy/Procedures. They also conduct a comprehensive holdings- and returns-based style analysis, a peer comparison, and an overall manager performance evaluation.

REQUEST FOR PROPOSALS
A comprehensive due diligence is next conducted on 5-10 managers, based on the best managers identified in the qualitative and quantitative analysis. Each of these managers completes a detailed Request for Proposal (RFP), which consists of a 45-75 page questionnaire that covers a thorough review of business, operations, risk monitoring, compliance and legal related factors. Once completed, the RFPs are reviewed and a written assessment is made. The goal of the analysis is to assess the likelihood that each investment manager can repeat past performance.

ON-SITE REVIEW
Of the managers assessed in the RFP phase, 4-8 are selected as final candidates and are further examined through face-to-face on-site visits. The visits are meant to explore and verify information previously provided throughout the selection process, as well as allow the team to gauge personalities and team dynamics within the firm. The visits include a review of research processes, interviews with portfolio managers and staff, and an examination of compliance, operations and trading procedures.

FINAL SELECTION
Once all research, visits, and comparative rankings are complete, the team presents a comprehensive report and recommendation for final approval – first to the NEI Selection Committee and secondly to NEI’s Board of Directors.
Evaluation doesn’t end with the selection of portfolio managers. Just as finding the right managers is critical to long term performance, so too is ongoing monitoring and management. The NEI Investments Portfolio Management Team has established a process designed to keep track of ongoing operations and performance of funds to ensure long term success.

12-MONTH MONITORING CYCLE

A Ongoing Global Market Assessment
B Monthly Manager Analysis
C Quarterly Performance Review
D Quarterly Compliance Audit
E Annual Assessment and Site Visit

ONGOING GLOBAL MARKET ASSESSMENT
On an ongoing basis, the team actively monitors economic indicators, market conditions and trends, and government and central bank policies. These help the team proactively identify issues that might impact the funds and keeps them informed of market trends and the evolving needs of investors.

MONTHLY MANAGER ANALYSIS
At the end of each month, the team compiles and reviews a series of metrics for all portfolio managers. The monthly review is meant to be a general gauge of overall direction and includes a compliance test to confirm adherence to investment guidelines. Just as importantly, the monthly analysis (in aggregate with previous data) helps identify and pre-emptively address any style drift or other potential concerns. Some of the items reviewed include:

- Performance relative to benchmark and peers
- Risk indicators and exposures
- Performance contribution
- Volatility measures
- Asset allocations
In addition to the quarterly performance review, the NEI Compliance Team conducts independent audits in order to:

- Evaluate appropriateness and reasonableness of fund investments as well as compliance thresholds
- Review portfolio manager trading activity for adherence to and consistency with investment guidelines and objectives
- Ensure that each manager continues to have adequate policies and procedures in place, including quarterly written verifications (compliance certificates)

In ever changing markets, we believe long term investment success is best achieved with exceptional portfolio management. Equally so, it is our belief that in order to achieve enduring portfolio management excellence, a comprehensive approach to manager selection and monitoring is needed. At NEI Investments, we are committed to maintaining a rigorous process that allows us to deliver innovative and adaptive solutions, helping investors achieve their goals through all types of markets.