

# **Annual Report of the Independent Review Committee**

## **of the NEI Investments Funds**

**Covering the period October 1, 2017 to September 30, 2018**

October 18, 2018

**Independent Review Committee annual report to: Securityholders in the NEI Investments Funds (the “Funds”) set out at the end of this report.**

Dear Investor:

In accordance with **National Instrument 81-107 Independent Review Committee for Investment Funds** (“NI 81-107” or the “Instrument”), the Independent Review Committee (the “IRC”) for all of the Funds managed by NEI Investments<sup>1</sup> (the “Manager”) has functioned in accordance with the applicable securities laws, including the Instrument, which requires that an IRC be composed of at least three individuals, each of whom must be independent of the Funds, the Manager and each entity related to the Manager (as defined in the Instrument).

The IRC is pleased to publish its annual report to securityholders, covering the period from October 1, 2017 to September 30, 2018 (“the Reporting Period”).

### **Mandate of the IRC**

In accordance with the Instrument, the mandate of the IRC is to consider and provide recommendations to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, develop written policies and procedures guiding its management of those conflicts and request input from the IRC on those written policies and procedures.

When a conflict matter arises, the Manager must refer its proposed course of action in respect of any such conflict of interest matter to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC is to provide a recommendation to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, providing the Manager deals with the conflicts in accordance with the SIs.

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<sup>1</sup> Northwest & Ethical Investments L.P., operating through its general partner, Northwest & Ethical Investments Inc., carrying on business as NEI Investments.

The IRC is empowered to represent the best interest of the Funds in any matter where the Manager has referred a conflict of interest matter to the IRC. In those cases, it has sought to ensure that the Manager's proposed course of action represents a fair and reasonable result for each of the relevant Funds.

The IRC has engaged Independent Review Inc. to assist it in its duties in accordance with the provisions of the Instrument and the IRC's Written Charter, to provide certain administrative and record keeping functions, and to act as the IRC's independent secretariat.

### **Composition of the IRC**

The current members of the IRC, and their principal occupations, are as follows:

<b><i>Name and municipality of residence</i></b>	<b><i>Principal Occupation</i></b>	<b><i>Term of Office</i></b>
Chair: Lawrence A. Ward FCPA, FCA Toronto, Ontario	Consultant, retired partner of PricewaterhouseCoopers LLP	Initial Appointment April 4, 2007.  Renewed effective October 1, 2016 until December 31, 2019.
Marie Rounding Toronto, Ontario	Counsel, Gowling WLG (Canada) LLP (retired) and Corporate Director	Initial Appointment effective October 1, 2014  Renewed effective October 1, 2017 until September 30, 2020.
W. William Woods, Toronto, Ontario	Consultant, Independent Director, former CEO of Bermuda Stock Exchange	Initial Appointment effective October 1, 2015  Renewed effective October 1, 2018 until September 30, 2021.

William Woods was re-appointed by the IRC effective October 1, 2018 for an additional 3 year term.

There were no other changes to the IRC composition during the period.

### **Compensation and Indemnification**

#### **Members' Fees**

In aggregate, during the Reporting Period the members of the IRC were paid \$90,000.

#### **Review of Compensation**

At least annually, the IRC reviews its compensation giving consideration to the following:

- i. the best interests of the Funds;
- ii. that compensation paid to the IRC by the Funds should fairly and reasonably reflect the general and specific benefits accruing to that Fund;
- iii. the nature and extent of the workload of each member of the IRC; and
- iv. industry best practices including industry averages and surveys on IRC compensation.

The IRC determined that no changes were required in its compensation.

### **Indemnities Granted**

The Funds and the Manager have provided each IRC Member with a contractual indemnity to the fullest extent permitted by NI 81-107. No indemnities were paid to any IRC Member by the Funds or the Manager during the Reporting Period.

### **Disclosure of IRC Members' Holdings**

As at September 30, 2018 the IRC Members did not beneficially own, directly or indirectly investments in:

- any units in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or to the Funds to the best of their knowledge.

### **Recommendations and Approvals**

On February 8, 2018 the Manager proposed merging the following corporate class funds into their corresponding mutual fund trusts via a Qualifying Exchange.

<b>"Terminating Funds" (Corporate Class)</b>	<b>"Continuing Funds" (Mutual Fund Trust)</b>
NEI Northwest Short-Term Corporate Class	NEI Money Market Fund
NEI Northwest Tactical Yield Corporate Class	NEI Northwest Tactical Yield Fund
NEI Northwest Growth and Income Corporate Class	NEI Northwest Growth and Income Fund
NEI Northwest Canadian Dividend Corporate Class	NEI Northwest Canadian Dividend Fund
NEI Northwest Canadian Equity Corporate Class	NEI Northwest Canadian Equity Fund
NEI Northwest U.S. Dividend Corporate Class	NEI Northwest U.S. Dividend Fund
NEI Northwest Global Equity Corporate Class	NEI Northwest Global Equity Fund
NEI Northwest Specialty Equity Corporate Class	NEI Northwest Specialty Equity Fund
NEI Select Conservative Corporate Class Portfolio	NEI Select Conservative Portfolio

NEI Select Balanced Corporate Class Portfolio	NEI Select Balanced Portfolio
NEI Select Growth Corporate Class Portfolio	NEI Select Growth Portfolio
NEI Select Global Maximum Growth Corporate Class Portfolio	NEI Select Global Maximum Growth Portfolio

When mergers are to be executed by way of a 'Qualifying Exchange' the IRC must approve the mergers.

After review of the Memoranda and the draft Management Information Circular provided by the Manager and after making reasonable inquiry of the Manager prior to and including the discussion during the meeting, the IRC unanimously **RESOLVED** that the Manager's proposed course of action to merge the Terminating Funds into the Continuing Funds, in the manner described, if completed, achieved a fair and reasonable result for each of the Terminating Funds.

There were no other recommendations or approvals requested by the Manager during the Reporting Period.

### **Standing Instructions Approved**

The IRC has approved four SIs, which constitute a written approval or recommendation from the IRC that permit the Manager to proceed with the specific action(s) set out in the SIs on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SIs require the Manager to comply with its related policy and procedures and to report periodically to the IRC.

**Standing Instruction No. 1: *Omnibus*.** This SI deals with a number of conflict of interest matters including:

1. Expenses charged to the Funds
2. Expense allocations
3. Excessive trading policy
4. Trade allocations
5. Net asset value error correction policy
6. Correcting other material securityholder transaction errors
7. Seeking best execution
8. Soft dollar arrangements
9. Favouritism policy
10. Proxy voting policy
11. Sub-advisory services provided by related parties
12. Changing sub-advisors
13. Monitoring sub-advisors
14. Employee personal trading policy
15. Trading policies for sub-advisors
16. Short-term trading and late trading policy
17. Services provided by related parties
18. Trading policies including broker selection and trade allocations

The Manager relied on SI No. 1 during the Reporting Period.

**Standing Instruction No. 2:** *Portfolio Pricing Issues: Fair Valuing Securities.* A small amendment was proposed and accepted at the IRC meeting held on October 18, 2018.

The Manager relied on SI No. 2 during the Reporting Period.

**Standing Instruction No. 3:** *Related Party Issues: A Fund Purchases Securities Underwritten by a Company Related to the Manager or to a Sub-Advisor.*

The Manager did not rely on SI No. 3 during the Reporting Period.

**Standing Instruction No. 4:** *Related Party Issues: Inter-fund Trades*

The Manager did not rely on SI No. 4 during the Reporting Period.

This report is available on the Manager's website at [NEIinvestments.com](http://NEIinvestments.com) or you may request a copy, at no cost to you, by contacting the Manager at (416) 594-6633 or 1-888-809-3333 or by emailing the Manager at [clientservice@NEIinvestments.com](mailto:clientservice@NEIinvestments.com). This document and other information about the NEI Funds are available on [www.sedar.com](http://www.sedar.com).



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Lawrence A. Ward, Chair

**Funds served by the IRC as of September 30, 2018:**

	<b>FUNDS</b>	<b>FONDS</b>
1.	NEI Money Market Fund	Fonds du marché monétaire NEI
2.	NEI Canadian Bond Fund	Fonds d'obligations canadiennes NEI
3.	NEI Global Total Return Bond Fund	Fonds d'obligations mondiales à rendement global NEI
4.	NEI Global High Yield Bond Fund <i>(formerly NEI Northwest Specialty Global High Yield Bond Fund)</i>	Fonds d'obligations mondiales à rendement élevé NEI
5.	NEI Conservative Yield Portfolio	Portefeuille NEI rendement conservateur
6.	NEI Balanced Yield Portfolio	Portefeuille NEI rendement équilibré
7.	NEI Balanced RS Fund	Fonds équilibré ER NEI
8.	NEI Tactical Yield Portfolio	Portefeuille NEI rendement tactique
9.	NEI Growth & Income Fund	Fonds croissance et revenu NEI
10.	NEI Canadian Dividend Fund	Fonds de dividendes canadiens NEI
11.	NEI Canadian Equity RS Fund	Fonds d'actions canadiennes ER NEI
12.	NEI Canadian Equity Fund	Fonds d'actions canadiennes NEI
13.	NEI U.S. Dividend Fund	Fonds de dividendes américains NEI
14.	NEI U.S. Equity RS Fund	Fonds d'actions américaines ER NEI
15.	NEI Canadian Small Cap Equity RS Fund <i>(formerly NEI Ethical Special Equity Fund)</i>	Fonds d'actions canadiennes petite capitalisation ER NEI
16.	NEI Canadian Small Cap Equity Fund	Fonds d'actions canadiennes petite capitalisation NEI
17.	NEI Global Dividend RS Fund	Fonds de dividendes mondial ER NEI
18.	NEI Global Value Fund	Fonds de valeur mondial NEI
19.	NEI Global Equity RS Fund	Fonds d'actions mondiales ER NEI
20.	NEI Global Equity Fund	Fonds d'actions mondiales NEI
21.	NEI International Equity RS Fund	Fonds d'actions internationales ER NEI
22.	NEI Environmental Leaders Fund	Fonds leaders en environnement NEI
23.	NEI Generational Leaders Fund	Fonds leaders générationnels NEI
24.	NEI Emerging Markets Fund	Fonds des marchés émergents NEI
25.	NEI Select Income RS Portfolio	Portefeuille NEI ER Sélect revenu
26.	NEI Select Income & Growth RS Portfolio	Portefeuille NEI ER Sélect revenu et croissance

	<b>FUNDS</b>	<b>FONDS</b>
27.	NEI Select Income & Growth Portfolio	Portefeuille NEI Sélect revenu et croissance
28.	NEI Select Balanced RS Portfolio	Portefeuille NEI ER Sélect équilibré
29.	NEI Select Balanced Portfolio	Portefeuille NEI Sélect équilibré
30.	NEI Select Growth RS Portfolio	Portefeuille NEI ER Sélect croissance
31.	NEI Select Growth Portfolio	Portefeuille NEI Sélect croissance
32.	NEI Select Maximum Growth Portfolio	Portefeuille NEI Sélect croissance maximale
33.	NEI Jantzi Social Index <sup>®</sup> Fund <i>(formerly Meritas Jantzi Social Index<sup>®</sup> Fund)</i>	Fonds indiciel Jantzi Social <sup>MD</sup> NEI <i>(auparavant, Fonds indiciel Jantzi Social<sup>MD</sup> Meritas)</i>
34.	NEI U.S. Equity Fund <i>(formerly OceanRock U.S. Equity Fund)</i>	Fonds d'actions américaines NEI <i>(auparavant, Fonds d'actions américaines OceanRock)</i>
35.	NEI International Equity Fund <i>(formerly Meritas International Equity Fund)</i>	Fonds d'actions internationales NEI <i>(auparavant, Fonds d'actions internationales Meritas)</i>
36.	NEI Select Income Portfolio <i>(formerly OceanRock Income Portfolio)</i>	Portefeuille NEI Sélect revenu <i>(auparavant, Portefeuille de revenu OceanRock)</i>
37.	NEI Select Growth & Income RS Portfolio <i>(formerly Meritas Growth &amp; Income Portfolio)</i>	Portefeuille NEI ER Sélect croissance et revenu <i>(auparavant Portefeuille de croissance et de revenu Meritas)</i>
38.	NEI Select Growth & Income Portfolio <i>(formerly OceanRock Growth &amp; Income Portfolio)</i>	Portefeuille NEI Sélect croissance et revenu <i>(auparavant, Portefeuille de croissance et de revenu OceanRock)</i>
39.	NEI Select Maximum Growth RS Portfolio <i>(formerly Meritas Maximum Growth Portfolio)</i>	Portefeuille NEI ER Sélect croissance maximale <i>(auparavant, Portefeuille de croissance maximale Meritas)</i>

## Schedule A

### IRC Members who sit on IRCs for other Fund Families as of September 30, 2018

**Lawrence A. Ward serves as a member of the Independent Review Committees for the following funds:**

The Goodwood Capital Fund and the Goodwood Investment funds;  
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management;  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;  
Certain investment funds managed by Sprott Asset Management LP;  
Certain investment funds managed by Ninepoint Partners LP; and  
Investment funds that are reporting issuers managed by Vertex One Asset Management Inc..

**Marie Rounding serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Vertex One Asset Management Inc.

**W. William Woods serves as a member of the Independent Review Committees for the following funds:**

Investment funds that are reporting issuers managed by Educators Financial Group Inc.;  
The Goodwood Capital Fund and the Goodwood Fund Investment Funds;  
Investment funds that are reporting issuers managed by Next Edge Capital Corp.;  
Certain investments funds managed by Ninepoint Partners LP;  
Investment funds that are reporting issuers managed by Onex Credit Partners, LLC;  
Investment funds that are reporting issuers managed by Picton Mahoney Asset Management Inc.;  
Investment funds that are reporting issuers managed by Russell Investments Canada Limited;  
Investment funds that are reporting issuers managed by Spartan Fund Management;  
Certain investment funds managed by Sprott Asset Management LP; and  
Investment funds that are reporting issuers managed by WisdomTree Asset Management Canada, Inc. (*Appointed July 26, 2018*)