



# NEI Ethical Select Income Portfolio

## Interim Management Report of Fund Performance

### As at March 31, 2018

This interim Management Report of Fund Performance contains financial highlights but does not contain either interim or annual financial statements of the investment fund. You can obtain a copy of the interim or annual financial statements at your request, and at no cost, by calling 1-888-809-3333, by writing us at NEI 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).

Security holders 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 Portfolio aims to generate a high level of income while providing some potential for capital growth by investing mostly in a mix of income oriented mutual funds and to a lesser extent, equity mutual funds.

To achieve its objective, the Portfolio will invest in a variety of other mutual funds, which may be managed by different portfolio managers.

The Portfolio follows a socially responsible approach to investing as described in Part A of the prospectus.

### Risk

The risks associated with investing in the Portfolio remain as discussed in the prospectus. This Portfolio is suitable for investors with a low tolerance for risk. It is best suited to those seeking exposure to both fixed-income and equity securities. Any changes in the Portfolio have not affected the overall level of risk of the Portfolio.

### Results of Operations

The NEI Ethical Select Income Portfolio's Series A units returned 2.02% for the six months ended March 31, 2018 compared with a return of 2.25% for the benchmark explained below.

Unlike the benchmark return, the Portfolio's returns are after the deduction of fees and expenses paid by the Portfolio. 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 an 80% weight in the FTSE TMX Canada Universe Bond Index, a 10% weight in the S&P/TSX Total Return Index, a 10% weight in the MSCI World Index.



# NEI Ethical Select Income Portfolio

## Yearly Comparison of Holdings

Comparison Period—September 30, 2017 to March 31, 2018

The following tables summarize material changes, new and exited positions of individual securities within the Portfolio during the period whereby materiality of changes is defined as 1% of the current year NAV.

<b>Material Changes</b>		<b>New Positions</b>	
<b>Name</b>	<b>Change in NAV Ownership (%)</b>	<b>Name</b>	<b>% of Current Year NAV</b>
NEI Ethical Cdn Equity Fund, Series I	-2.15	None	
NEI Ethical Global Equity Fund, Series I	3.85		
NEI Ethical U.S. Equity Fund, Series I	-2.08		

## Exited Positions

None

## Factors That Have Affected Performance

The six month period ending March 31, 2018 saw Canada as the worst performing region across developed equity markets. The S&P/TSX Composite gained 0.27% while the MSCI World (C\$) gained 7.37%, led by Japan (+12.77%) and the US (+9.10%). A big part of the foreign equity outperformance can be attributed to currency action, as the CAD lost 3.09% against USD, lost 7.24% against EUR, lost 9.11% against JPY, and lost 7.78% against GBP. After strong growth in the first half of 2017 the Canadian economy lost momentum through the remainder of the year and into 2018, driven by weakness in exports and a slump in home sales following new lending rules set out by the Office of the Superintendent of Financial Institutions. Despite West Texas Intermediate (WTI) crude rallying back to mid-2015 levels, Western Canada Select (WCS) traded at its largest discount to WTI in over four years due to pipeline capacity constraints. Furthermore, uncertainty from ongoing NAFTA negotiations weighed down on economic sentiment. With the TSX flat over the period, top performing sectors included Health Care (+25.25%), Information Technology (+13.98%), while worse performers included Energy (-8.85%) and Utilities (-3.37%). On the fixed income side, lower growth expectations and economic uncertainty led to flattening of the yield curve, resulting in a 2.12% gain for FTSE TMX Canada Universe Bond.

In the US, growth remained resilient and labour markets consistently indicated new job creations and wage growth. In addition, economic data over the period showed that the three tropical storms that made landfall in August and September had less of an economic impact than anticipated. Positive economic momentum carried into 2018 as Congress finally passed the much anticipated tax bill, driving equity markets to new all-time highs. In February, inflationary fears kicked in and sparked the worst equity correction since 2016. The S&P 500 (local currency) dipped as low as 10% before recovering most of the losses. In mid-March, talks of a US-China trade war sparked another equity sell-off, bringing the S&P 500 back to its November 2017 levels. Jerome Powell in his first FOMC meeting in March as Federal Reserve Chair announced a 25bps rate hike, bringing their target rate to 1.50-1.75%.

In local currency, MSCI Europe lost 3.70%, dragged down by Financials (-6.08%), Health Care (-14.69%), and Telecommunication Services (-10.43%). Despite the lackluster equity market, Eurozone leading economic indicators continue to show near-record signs of expansion in manufacturing production as well as service sector activity. Meanwhile, Japan outperformed over the period driven by the Consumer and Industrial sectors. Japanese equities rallied strongly following the re-election of Prime Minister Abe. The continuation of aggressively loose monetary policy has finally generated signs of positive economic activity in the country which also helped boost the Yen.

MSCI Emerging Markets (C\$) gained 12.32% over the period. Most countries saw high single digit to double digit performance as widespread economic growth in the developed economies drove demand for emerging export-driven economies. China (+12.52%), South Korea (+14.81%), Taiwan (+13.26%), South Africa (+21.06%), Brazil (+14.34%), and India (+7.15%) were the largest contributors to index returns. Mexico (-3.97%) was the only major detractor, weighed down by the ongoing NAFTA negotiations.

Over the period, the greatest contributors to overall returns were the NEI Canadian Bond Fund (Series I), at approximately 45% weight, returning 1.89%, the NEI Ethical Global Dividend Fund (Series I), at approximately 9% weight, returning 5.79%, and the NEI Ethical Global Equity Fund (Series I), at approximately 9% weight, returning 7.80%.

## Recent Developments

Although initially what comes to investors' minds may be the overwhelming barrage of negative news, the global economic outlook continues to be marked by synchronised growth across both developed and emerging economies, as noted by the IMF in their April update. While the global growth narrative was sufficient to push earnings and some equity prices higher early in 2018, it may come under pressure going forward. Previously accommodative monetary policies are gradually starting to turn more restrictive as inflationary pressures are likely to continue building up later this year and in 2019. We expect volatility to persist due to increased pressure on equity and fixed income market valuations in this later stage of economic expansion. Nevertheless, we remain generally positive with regard to the global economy and on select equity markets.

Following a stellar year of growth we expect the Canadian economy to slow down to a more "normal" growth pace. Growth in 2018 will likely be driven by business investment and exports rather than consumer spending and residential housing investment, as the latter two will likely be vulnerable to downside risk as the cost of borrowing increases. Meanwhile the export sector, save from a NAFTA collapse, should continue to benefit from a strong US economy along with growing global demand for commodities. The energy sector in particular will likely benefit from a lower discount on Western Canada Select (Canadian oil) although there remains some uncertainty with regards to pipelines. As the labour market further strengthens and as we approach full capacity utilization we would expect the Bank of Canada to continue on their path of tighter monetary policy. Despite the market currently pricing in two further 25bps rate hikes in 2018, we believe the Bank of Canada is likely to remain dovish based on: 1) their belief that spare capacity linked to underemployed workers allow further economic growth without fueling inflation pressure, and 2) their cautious evaluation of the impact of new mortgages rules on residential housing and consumer spending. It is important to note that the Government of Canada yield curve flattened over the first quarter as short-term rates continued to rise as the Bank of Canada raised interest rates, while long-term rates dipped on weakening growth expectations. The spread between the Government of Canada 10-Year bond and 2-Year bond narrowed to just 0.32% at the end of March, in contrast with its historical average of about 1%. As the Bank of Canada continues to raise short term rates, we will need to be cautious about future economic prospects, as an inverted yield curve (where short-term rates exceed long-term rates) has historically preceded economic recessions. The key theme for Canadian investors in the medium-term will likely be balancing positive hard economic data with the uncertainties created by NAFTA negotiations, record high household debt/income levels, and the impact of new mortgage lending rules. In our opinion, most of these economic uncertainties are already priced into Canadian equity valuations, which in our assessment are looking increasingly appealing on an historical basis. In fact, we believe Canadian equities could surprise on the upside. While we are not advocating for a quick rebound in equity prices, we believe that positive news or even relatively benign outcomes for above-mentioned risk factors could provide a significant lift to Canadian equity prices.

The US economic expansion is likely to continue, sustained by the US\$1.5 trillion fiscal stimulus along with accommodative monetary policy that is only slowly getting back to neutral. We believe US equities are likely to grind higher this year as corporate earnings see a boost from the fiscal stimulus and help normalize valuations. We also expect gradual building of inflation pressures will keep the US Federal Reserve on a tightening path, with two to three additional rates hikes expected by the market participants for the remainder of 2018. The Fed's shrinking balance sheet combined with higher interest rates could spell more trouble for fixed income investors. The exception perhaps can be found in US high yield bonds as economic conditions remain favourable for this asset class, though valuations are somewhat stretched in our opinion. Given its shorter duration and once credit spreads are adjusted for a lower than historical expected default rate, high yield bonds continue to be an attractive sub-set of fixed income in this rising rate environment. Despite the US rhetoric of protectionism and trade wars, we expect the overall economic impact of tariffs to be relatively minor. To provide some context, the recently announced \$50 billion in tariffs on Chinese imports account for less than 3% of US goods imports and less than 0.1% of US GDP.



# NEI Ethical Select Income Portfolio

We remain bullish on EAFE equities as economic data from the region continue to signal an early expansion cycle, despite leading economic indicators peaking early this year. Euro-area countries as well as Japan continue to see positive GDP growth and stronger labour markets. As a result, most of the major central banks in the region have taken more hawkish tones, though to various degrees. Although political risks have subsided since last quarter, some still remain and we will be watchful to their development. Brexit negotiations have seen some progress (although there is still much to be resolved) and Italy has yet to solidify a coalition government (and potentially faces a re-election).

Emerging market equities saw stellar performance in 2017. Supported by the recent rebound in commodity prices and weaker US dollar, we expect the momentum to continue throughout 2018 as robust developed economies will continue to be a key driver of demand for the export-focused economies. The other and perhaps more important emerging market theme, and one that we continue to reiterate, is the strengthening middle class consumer. This is evident in Information Technology, which in these markets generally provide domestically-focused services, has taken over as the largest sector in the traditionally resource heavy MSCI Emerging Markets Index. While export-demand should provide a nice tailwind, we expect domestic consumption to play an increasingly larger role in driving growth for emerging economies going forward.

## **Financial Notes**

### **HST**

Following the introduction of a single harmonized tax “HST” levy and collection system on July 1st, 2010 Investment Funds had to change the way in which government taxes are charged to the Funds. The new rules require HST to be calculated and charged based on a blended tax rate derived from the residency of the unitholders and the current value of their units. This blended rate is required to be calculated and updated periodically and the table below indicates the current rate being charged until the Fund’s next year end as well as the most recent completed period’s rate for comparison.

### **NEI Ethical Select Income Portfolio**

	For the Period Ending	
	September 30, 2016	September 30, 2017
Series A	8.61%	8.86%
Series B	6.35%	6.21%
Series F	6.18%	7.10%

Effective April 1st, 2013, British Columbia replaced the 12% HST with separate PST and GST. A 5% GST rate is applicable going forward. Prince Edward Island introduced a new HST rate of 14%.

On January 1st, 2013, Quebec increased the combined tax rate charged on the QST portion of taxable services from 14.95% to 14.975%.

### **Accounting Standards**

The Fund's financial statements have been prepared in compliance with International Financial Reporting Standards ("IFRS"), applicable to the preparation of financial statements. The Funds adopted this basis of accounting in 2015, as required by the Canadian Securities Administrators and the Canadian Accounting Standards Board.



# NEI Ethical Select Income Portfolio

## Related Party Transactions

Northwest and Ethical Investments L.P. “NEILP” is the Manager, the Trustee, the Portfolio Manager and the Registrar of the Portfolio. NEILP is 50% indirectly owned by the Federation des Caisses Desjardins du Quebec (Federation) and 50% owned by five Provincial Credit Union Centrals.

NEILP charges the Portfolios a fixed administration fee in place of certain variable expenses. NEILP in turn, pays all operating expenses of the Portfolio, 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 of which the Federation is a significant owner. These services are in the normal course of operations and are measured at an exchange amount that is consistent with other independent parties.

At the end of the period, the accrued expenses payable to related third parties are listed below. Where applicable the amounts received from underlying funds during the period are also presented.

	September 2017	March 2018
Accrued Expenses Payable to Related Parties	159,003	170,830
<u>Received from Related Parties</u>		
Interest	N/A	N/A
Dividends	N/A	N/A
Capital Gains	N/A	N/A
Underlying Funds	4,333,055	3,412,678

The Portfolio’s sub advisors may place a portion of their portfolio transactions with brokerage firms which are affiliates of NEILP; provided that the affiliates trade execution abilities and costs are comparable to those of non-affiliated qualified brokerage firms.

The Portfolio is distributed through Credential Asset Management Inc., Credential Securities Inc., Desjardins Securities Inc., Desjardins Financial Services Firm Inc., Desjardins Financial Securities Investments Inc., and Gestions SFL Inc., and other nonrelated parties by way of shared ownership. NEILP pays to these parties distribution and servicing fees based on a percentage of the daily values of the units of each held by the dealer’s clients and additionally, in some cases, on the amount of initial purchase.

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 Portfolio and are intended to help you understand the Portfolio's financial performance for each of the past five years, 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)	Commissions and Other Portfolio Transaction Costs <sup>(2)</sup>	Total Increase (Decrease) from Operations <sup>(3)</sup>	From Income (Excluding Dividends)	From Dividends	From Underlying Funds (6)	From Capital Gains	Return of Capital		Total Distributions <sup>(4,5)</sup>
A	Mar. 2018	10.25	0.29	-0.09	0.05	-0.08	N/A	0.17	0.00	0.00	0.05	0.10	0.00	0.15	10.27
	Sept. 2017	10.49	0.40	-0.19	0.07	-0.19	N/A	0.09	0.00	0.00	0.09	0.24	0.00	0.33	10.25
	Sept. 2016	10.22	0.21	-0.19	0.01	0.55	N/A	0.58	0.00	0.00	0.01	0.17	0.12	0.30	10.49
	Sept. 2015	10.21	0.30	-0.19	0.37	-0.23	N/A	0.25	0.05	0.05	N/A	0.13	0.09	0.32	10.22
	Sept. 2014	9.91	0.28	-0.19	0.07	0.39	0.00	0.55	0.04	0.05	N/A	0.00	0.21	0.30	10.21
	Sept. 2013	10.23	0.36	-0.19	-0.09	-0.17	0.00	-0.09	0.14	0.04	N/A	0.07	0.12	0.37	9.91
B	Mar. 2018	4.92	0.14	-0.04	0.02	-0.04	N/A	0.08	0.00	0.00	0.04	0.05	0.00	0.09	4.92
	Sept. 2017	5.06	0.20	-0.09	0.03	-0.09	N/A	0.05	0.00	0.00	0.07	0.11	0.00	0.18	4.92
	Sept. 2016	4.96	0.10	-0.09	0.01	0.26	N/A	0.28	0.00	0.00	0.01	0.08	0.09	0.18	5.06
	Sept. 2015	4.97	0.14	-0.09	0.18	-0.12	N/A	0.11	0.03	0.02	N/A	0.06	0.07	0.18	4.96
	Sept. 2014	4.86	0.13	-0.09	0.04	0.20	0.00	0.28	0.02	0.02	N/A	0.00	0.14	0.18	4.97
	Sept. 2013	5.02	0.17	-0.09	-0.02	-0.07	0.00	-0.01	0.06	0.02	N/A	0.04	0.07	0.19	4.86
F	Mar. 2018	10.09	0.28	-0.05	0.04	-0.06	N/A	0.21	0.00	0.00	0.05	0.10	0.00	0.15	10.16
	Sept. 2017	10.34	0.40	-0.10	0.07	-0.18	N/A	0.19	0.00	0.00	0.21	0.21	0.00	0.42	10.09
	Sept. 2016	10.01	0.22	-0.10	0.01	0.53	N/A	0.66	0.00	0.00	0.10	0.14	0.07	0.31	10.34
	Sept. 2015	9.96	0.25	-0.10	0.33	-0.58	N/A	-0.10	0.12	0.05	N/A	0.03	0.17	0.37	10.01
	Sept. 2014	10.00	0.07	-0.02	0.00	-0.06	0.00	-0.01	0.03	0.01	N/A	0.00	0.01	0.05	9.96
	Sept. 2013	10.00	0.07	-0.02	0.00	-0.06	0.00	-0.01	0.03	0.01	N/A	0.00	0.01	0.05	9.96
I	Mar. 2018	10.98	0.30	0.00	0.05	-0.06	N/A	0.29	0.00	0.00	0.26	0.11	0.00	0.37	10.89
	Sept. 2017	11.23	0.45	0.00	0.07	-0.21	N/A	0.31	0.01	0.00	0.27	0.26	0.00	0.54	10.98
	Sept. 2016	10.77	0.22	0.00	0.02	0.56	N/A	0.80	0.00	0.00	0.15	0.20	0.00	0.35	11.23
	Sept. 2015	10.74	0.32	0.00	0.37	-0.37	N/A	0.32	0.30	0.06	N/A	0.16	0.00	0.52	10.77
	Sept. 2014	10.08	0.26	0.00	0.10	0.50	0.00	0.86	0.11	0.02	N/A	0.00	0.00	0.13	10.74
	Sept. 2013	10.00	0.34	0.00	-0.27	-0.09	0.00	-0.02	0.02	0.00	N/A	0.12	0.00	0.14	10.08

(1) All per unit figures presented in 2018, are referenced to net assets determined in accordance with IFRS and are derived from the Portfolio's unaudited interim financial statements for the period ended March 31, 2018. The beginning of period net assets per unit of 2015 and net assets per unit for prior periods were derived from the Portfolio's audited annual financial statements that were prepared in accordance with Canadian GAAP as defined in Part V of the CPA Handbook for prior periods.

(2) From March 31, 2015, Commissions and other portfolio transaction costs are included in Expenses.

(3) 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.

(4) Distributions were paid in cash or reinvested in additional units of the Portfolio.

(5) 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 Portfolio.

(6) From September 30, 2016, distributions from underlying funds are presented separately. Previously, those amounts were split between the different type of revenues. Income and Realized gains (losses) have been revised accordingly, if applicable.



## 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 (\$)
A	Mar. 2018	40,833.04	3,975.63	1.80	1.85	0.01	7.94	10.27
	Sept. 2017	39,754.15	3,880.10	1.80	1.85	0.02	59.23	10.25
	Sept. 2016	37,452.07	3,571.87	1.80	1.85	0.01	110.15	10.49
	Sept. 2015	29,335.31	2,871.39	1.80	1.85	0.03	92.53	10.22
	Sept. 2014	21,207.20	2,077.58	1.84	1.84	0.03	22.92	10.21
	Sept. 2013	13,460.98	1,358.13	1.85	1.85	0.03	22.87	9.91
B	Mar. 2018	73,192.34	14,883.38	1.76	1.81	0.01	7.94	4.92
	Sept. 2017	67,479.47	13,708.40	1.76	1.81	0.02	59.23	4.92
	Sept. 2016	52,882.35	10,459.46	1.75	1.80	0.01	110.15	5.06
	Sept. 2015	37,340.16	7,530.27	1.75	1.80	0.03	92.53	4.96
	Sept. 2014	26,133.04	5,259.38	1.80	1.80	0.03	22.92	4.97
	Sept. 2013	22,027.14	4,536.51	1.82	1.82	0.03	22.87	4.86
F	Mar. 2018	9,508.46	935.95	0.96	1.02	0.01	7.94	10.16
	Sept. 2017	8,907.99	882.47	0.96	1.01	0.02	59.23	10.09
	Sept. 2016	5,081.12	491.59	0.96	1.01	0.01	110.15	10.34
	Sept. 2015	2,359.43	235.74	0.95	1.00	0.03	92.53	10.01
	Sept. 2014	173.94	17.47	1.00	1.00	0.03	22.92	9.96
I	Mar. 2018	3,520.05	323.27	N/A	N/A	0.01	7.94	10.89
	Sept. 2017	3,541.16	322.61	N/A	N/A	0.02	59.23	10.98
	Sept. 2016	2,142.64	190.82	N/A	N/A	0.03	110.15	11.23
	Sept. 2015	1,604.10	148.89	N/A	N/A	0.03	92.53	10.77
	Sept. 2014	815.29	75.89	N/A	N/A	0.03	22.92	10.74
	Sept. 2013	1,399.27	138.88	N/A	N/A	0.03	22.87	10.08

(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 portfolio 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 Portfolio's subadvisor manages its investment holdings. A portfolio turnover rate of 100% is equivalent to the Portfolio buying and selling all of the securities in its portfolio once in the course of the period. The higher a fund's portfolio turnover rate in a period, the greater the trading costs payable by the Portfolio 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 Portfolio. The Manager receives from the Portfolio management fees, before HST, calculated daily on the net asset value of the Portfolio at an annual rate shown below.

The management fee covers the cost of investment advisory fees, sales, marketing, and distribution expenses of the Portfolio. In addition, the Manager may pay a trailer fee to dealers out of this management fee. The trailer fee is a percentage of the average daily value of the units of the Portfolio held by the dealer’s clients.

The following table shows the major services paid for out of management fees as a percentage of the management fee for all series of the Portfolio:

	Management Fee	Investment Advisory and Other Fees	Trailer Fee
Series A	1.40%	75.9%	24.1%
Series B	1.40%	67.9%	32.1%
Series F	0.65%	100.0%	N/A <sup>(1)</sup>

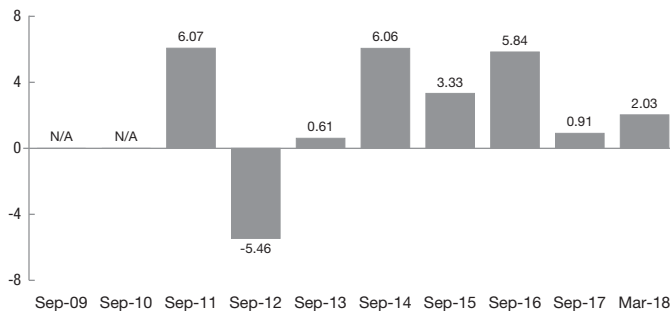
## Past Performance

The following charts and tables show the past performance for each series of units of the Fund and 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.

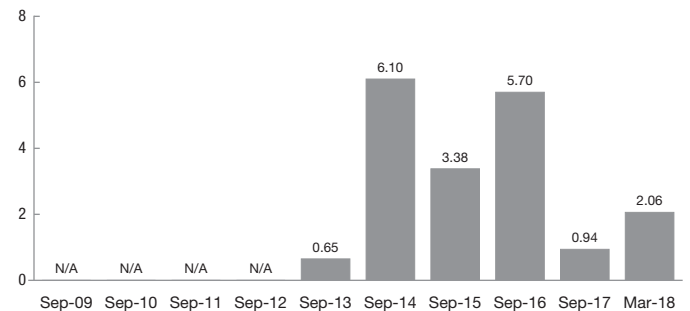
### Year-by-Year Returns

The following charts show the annual performance for each series of units of the Portfolio for each period shown and illustrate how the Portfolio’s performance has varied from period to period. The charts indicate 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 A**

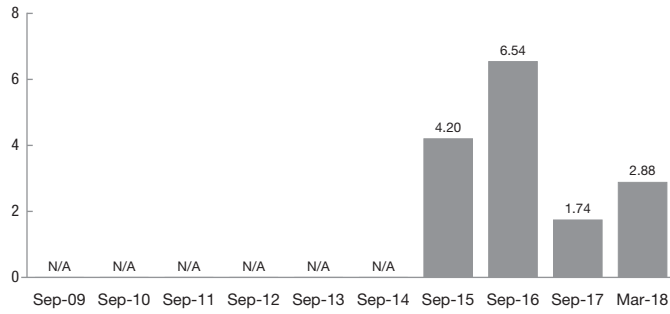


**Series B**

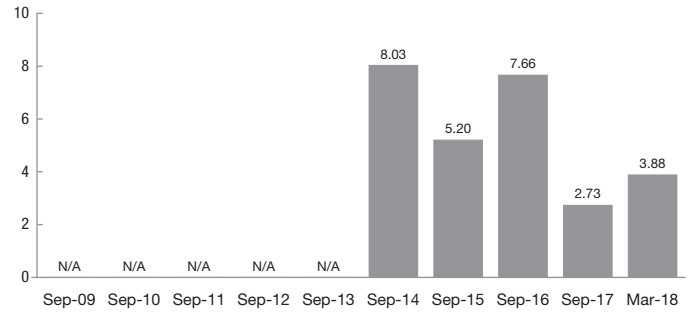


# NEI Ethical Select Income Portfolio

Series F



Series I



## Annualized Compound Returns

The following table shows the annual compound returns for all series of the Portfolio. All returns are in Canadian dollars, on a total return basis, net of all fees. For comparison, the returns for the benchmark are included.

The blended benchmark is composed of an 80% weight in the FTSE TMX Canada Universe Bond Index, a 10% weight in the S&P/TSX Total Return Index, a 10% weight in the MSCI World Index.

The FTSE TMX 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.

The S&P/TSX Composite Total Return Index is a capitalization weighted index that measures market activity of stocks traded on the Toronto Stock Exchange. The Index includes reinvestment of dividends and capital gains.

The MSCI World Index is a free float-adjusted market capitalization index that is designed to measure developed market equity performance.

While the Portfolio uses this benchmark for long-term performance comparisons, it is not managed relative to the composition of the Index. As a result, the Portfolio 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
80% FTSE TMX Can Universe Bond, 10% S&P TSX, 10% MSCI World (MRFP only)	2.25	2.28	4.51		4.84
NEI Ethical Select Income Port Ser A	2.02	1.57	3.15		3.70
NEI Ethical Select Income Port Ser B	2.05	1.61	3.19		3.42
NEI Ethical Select Income Port Ser F	2.87	2.43			3.97
NEI Ethical Select Income Port Ser I	3.86	3.43	5.05		5.23

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# NEI Ethical Select Income Portfolio

## Summary of Investment Portfolio as at March 31, 2018

Total Net Asset Value: \$127,053,887

Top 25 Positions (Long Positions)		%
1	NEI Canadian Bond Fund, Series I	44.6
2	NEI Global Total Return Bond Fd, Series I	24.7
3	NEI Ethical Global Equity Fund, Series I	9.8
4	NEI Ethical Global Dividend Fd, Series I	8.7
5	NEI Ethical Cdn Equity Fund, Series I	5.8
6	NEI Ethical U.S. Equity Fund, Series I	2.9
7	NEI Ethical Internat. Equity Fd., Ser. I	1.9
8	Cash and Equivalents	1.5
	Total	100.0

"Others" geographic category includes all countries 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.

Total Net Asset Value Mix		%
	Investment Funds	98.5
	Cash and Equivalents	1.5
	Total	100.0

Sector Allocation		%
	Investment Funds	98.5
	Cash and Equivalents	1.5
	Total	100.0

Geographic Distribution		%
	Canada	98.5
	Cash and Equivalents	1.5
	Total	100.0

## Fund-of-Fund Underlying Holdings

This fund is a “fund of fund” structure which holds a position in one or more underlying Mutual Funds.

Actual consolidated security holdings are only identifiable by including the holdings of the underlying Mutual Fund(s).

The following tables represent an aggregated “look-through” of the top positions and category summaries that are held in the top and underlying fund(s).

Top 25 Positions (Long Positions)			Drill Down Total Net Asset Value Mix		
		%			%
1	NEI Global Total Return Bond Fd, Series I	4.2	Bond-Corporate		17.3
2	Province of Ontario, 5.850%, 2033-03-08	3.5	Bond-Foreign		18.5
3	Cash and Equivalents	3.3	Bond-Prov Gov't and Crown Corporations		13.7
4	Canada Housing Trust, 1.900%, 2026-09-15	2.3	Equities-U.S.		12.1
5	Kingdom of Spain, 2.750%, 2024-10-31	2.3	Equities-Foreign		10.6
6	Province of Ontario, 2.600%, 2025-06-02	1.9	Equities-Canadian		5.7
7	Province of Saskatchewan, 5.80%, 2033-09-5	1.6	Bond-Government of Canada		7.8
8	Government of Canada, 4.000%, 2041-06-01	1.3	Cash and Equivalents		5.9
9	Kingdom of Spain 1.4% 2020-1-31	1.0	Bond-US		3.7
10	Prov of B.C., 5.700%, 2029-06-18	1.0	Investment Funds		4.2
11	Scotiabank, 2.090%, 2020-09-09	1.0	Mortgage-Backed Securities		0.5
12	Province of B.C., 6.35%, 2031-06-18	0.9	Derivative Financial Instruments		-0.1
13	U.S. Treasury Bonds, I/L, 0.875%, 2047-02-15	0.9	Total		100.0
14	US Treasury Bonds, 2.000%, 2025-08-15	0.8			
15	Royal Bank of Canada, 1.92%, 2020-07-17	0.8			
16	Kingdom of Spain, 1.450%, 2027-10-31	0.8			
17	Bank of Montreal, 3.400%, 2021-04-23	0.7			
18	Republic of Italy, 1.850%, 2024-05-15	0.7			
19	Government of Canada, 1.000%, 2027-06-01	0.7			
20	US Treasury Bonds, I/L, 1.000%, 2048-02-15	0.7			
21	Prov of Saskatchewan, 5.75%, 2029-03-05	0.6			
22	Prov of Saskatchewan, 6.40%, 2031-09-05	0.6			
23	Canada Housing Trust, 1.250%, 2020-12-15	0.6			
24	Scotiabank, 1.900%, 2021-12-02	0.6			
25	Fed Republic of Brazil, 5.0%, 2045-01-27	0.6			
	Total	33.4			

Drill Down Sector Allocation		
		%
	Bond-Corporate	17.3
	Bond-Foreign	18.5
	Bond-Prov Gov't and Crown Corporations	13.7
	Bond-Government of Canada	7.8
	Cash and Equivalents	5.9
	Bond-US	3.7
	Information Technology	4.2
	Consumer Discretionary	3.3
	Investment Funds	4.2
	Financials	5.2
	Industrials	3.2
	Consumer Staples	2.8
	Health Care	3.2
	Telecommunication Services	0.8
	Energy	1.9
	Materials	1.7
	Mortgage-Backed Securities	0.9
	Utilities	1.7
	Derivative Financial Instruments	-0.1
	Total	100.0



# NEI Ethical Select Income Portfolio

<b>Drill Down Geographic Distribution</b>	<b>%</b>
Canada	51.7
Other	29.3
United States	17.4
Cash and Equivalents	1.5
Total	100.0

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