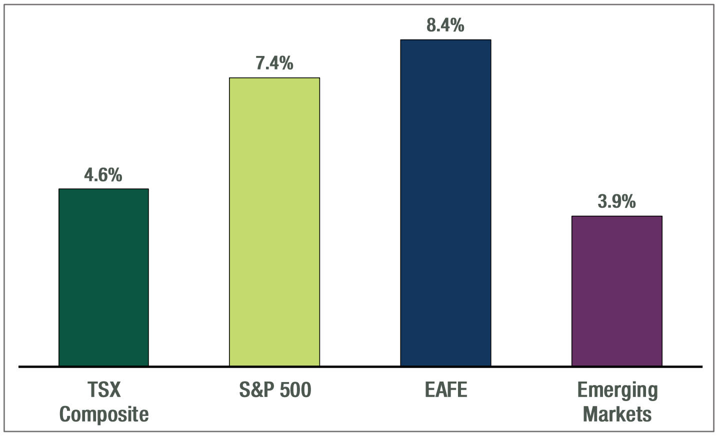
The Nexus Report

First Quarter, 2023

Investment Outlook

A Surprisingly Good Quarter

It may be surprising to many that the last three months provided good returns to most investors. The quarter was tumultuous and, much of the time, it felt dreadful. 2023 started strongly as investors came to believe that the interest rate hikes that roiled markets in 2022 would soon come to an end. However, that optimism was quickly squashed by a parade of hawkish U.S. Federal Reserve speakers. They warned that persistent inflation would likely result in more interest rate hikes than expected. March then brought a U.S. banking crisis, as Signature Bank and Silicon Valley Bank collapsed, and in Europe, where Credit Suisse had to be rescued by UBS.



Total Returns – 3 Months ended March 31, 2023 (C$)

The first quarter was a stressful roller coaster of emotions and certainly did not feel like a period when the TSX Composite would end up rising by 4.6% and the U.S. S&P 500 would gain 7.4%. Stocks in international markets were similarly rewarding.

As is often the case, however, headlines don't provide a complete picture of the underlying reality. Many of the biggest gains in the first quarter accrued to stocks which were the most beaten down in 2022. For example, enthusiasm returned to tech stocks. The Russell 1000 Growth Index outperformed the Value Index by an historically large amount, 14.3% vs. 0.9%. In contrast, one of the best sectors in 2022 – Energy – was one of the worst in the first quarter. Moreover, the gains in the market indexes this year have been concentrated in relatively few stocks. The 20 largest companies in the S&P 500 contributed an aggregate of $2.6 trillion in increased market value during the first quarter. The remaining 480 stocks chipped in only $170 billion.[2] In short, while first quarter S&P 500 returns were impressive, most stocks (and many investors) did not do as well.

While the trend of positive returns continued in early April, plenty of uncertainty remains. Will inflation subside to the levels targeted by central banks? Will economic growth in Canada and the U.S. be sustained?

Impressive Resilience

It wasn't supposed to be this way. The aggressive interest rate hikes imposed by the Bank of Canada and the U.S. Federal Reserve over the last year were meant to stop inflation in its tracks. While central bankers talked bravely about a soft landing, most investors expected significant collateral damage. Economic recession and sharply higher unemployment were widely anticipated. Inflation is not yet subdued, but it is

[1] Unless indicated otherwise, all Nexus returns are compound annual average, time-weighted, total rates measured in Canadian dollars and calculated after deducting such direct and indirect costs as applicable withholding taxes, trading commissions, custody fees and other fund/account expenses, but without deducting Nexus's management fees (which are charged to client accounts and vary by client). Returns for market indices and benchmarks are presented on the same basis, but without any such deductions. Stock-specific returns are price-only returns, and for U.S. listed stocks are in U.S. dollars. Past performance is not indicative of future results. For more information about benchmarks, please refer to https://tinyurl.com/NexusOnBenchmarks.

[2] *Barron's*, April 6, 2023.

moderating, and economic conditions have remained solid. Few guessed how resilient the economy turned out to be.

A prime example is the most recent U.S. labour market report. In March, 236,000 new jobs were created, beating the 230,000 forecast. At the same time, February's job gains were revised higher. The U.S. unemployment rate dropped to 3.5%, close to its all-time low, despite an increase in the participation rate (also a positive for the economy). There has been plenty of other encouraging data as well. Consumer confidence ticked higher in March and U.S. GDP is forecast to have grown at 2% year-over-year in the first quarter.[3]

At the same time, there are growing signs of a slowdown in other parts of the U.S. economy. The ISM purchasing managers survey recently dropped to its lowest level since the depths of the pandemic and has been in "recession territory" for a number of months. Perhaps more ominous was the sharp decline in the ISM services survey. The services sector has been the source of most economic growth in recent months, so its recent decline caught investors by surprise. Adding to signs of economic weakness, the JOLTS survey of available jobs has retreated from peak levels, and jobless claims have risen slightly. Looking forward, the U.S. regional banking crisis is certain to lead to tighter credit conditions, which will be a headwind for growth. The OPEC+ oil production cut surely anticipates a reduction in future demand. Most worrisome to some, the U.S. debt ceiling negotiation looms.

Canadian economic conditions have been similarly resilient. The employment report for March showed another strong gain, with 34,700 new jobs created compared to the 7,500 expected. The unemployment rate held steady at the all-time low of 5.0%. Wage growth remained high at 5.2%, but slowed from February and was lower than expected. Canadian GDP growth may be 2.5% in the first quarter of 2023, significantly higher than the Bank of Canada's official estimate of 0.5%. Some of this strength in the labour market and in the economy can be explained by population growth in Canada. The number of people 15 years and older has been growing strongly; its 0.25% increase in March is the fastest growth ever recorded since 1976 when this data collection began.[4]

As in the U.S., there are also clear signs of slowing. The Bank of Canada's Business Outlook Survey and its Survey of Consumer Expectations show that both businesses and consumers are cautious. Half of businesses and 60% of consumers expect a recession this year, and neither expects inflation to moderate as much as the Bank of Canada forecasts. Many investors expect that the string of positive economic surprises that we have enjoyed will come to an end.

Many commentators are concerned about Canada's long-term economic outlook. Productivity growth, foreign direct investment, and capital investment (outside of residential real estate) have all been poor. Canada is expected to rank dead last among the 38 countries in the OECD for economic growth per capita, and is 17th in the OECD for the percent of GDP spent on research and development. If we are to maintain our standard of living and achieve the long-term growth needed to support future generations, our collective productivity and competitiveness must improve. Achieving this will require courageous policy decisions by our nation's leaders.[5]

We are not economic forecasters at Nexus, but we do remain cautiously optimistic for the Canadian and U.S. economies. The possibility of recession is real, but the chance of a soft landing is also real. Inflation has, slowly but steadily, declined. Economic growth has persisted and labour markets have remained strong. Interest rates seem unlikely to go much higher. A happy outcome could still be undermined by factors unforeseen or if current trends become more negative. But, all things considered, we're still in a pretty good place.

Market Outlook

Bonds continue to be a challenged asset class. Interest rates remain too low for them to be an attractive long-term investment. Yet bonds play an important role in many portfolios as they provide stability – ballast in the boat – and dry powder. We continue to focus only on shorter-duration, high-quality bonds to protect capital. We continue to hope that bonds will again be attractive investments for their return potential.

The heavy lifting in portfolios will continue to be done by stocks, and we are cautiously optimistic for the outlook. Many stocks remain attractively priced, having not fully participated in the recent gains. Moreover, many of the contrarian signals that portend a good period ahead are in place. In late March, the American Association of Individual Investors survey showed an extreme bearishness. Earlier in March, the equity put-call ratio also suggested investors were betting on lower stock prices. Oddly enough, such indicators are usually associated with better times ahead, as the more certain investors are about a negative outcome, the more likely the opposite is to happen.

What is most important for long-term investors, however, is not the direction of contrarian signals or whether we accurately anticipate future economic growth. We are focused on what matters most: finding, at an attractive valuation, high-quality companies with strong and enduring competitive positions, that sell more goods and services in the future, and generate a growing profit stream. "Investing is simple, but not easy," as Warren Buffett famously said.

[3] Douglas Porter, "Cracks in the Foundation", BMO Capital Markets, April 6, 2023.

[4] *The Globe & Mail*, March 27, 2023. The future projections cover both the 2020-2030 and the 2030-2060 periods.

[5] Lori Calvasina, RBC Capital Markets, March 28, 2023.

Asset Class Review

Fixed Income

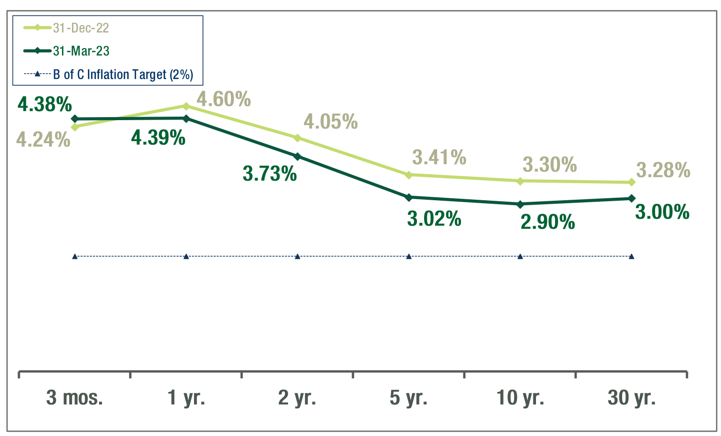
After an abysmal year in 2022, the first quarter of 2023 produced modest positive returns for Canadian bond investors. The FTSE Canada Universe Bond Index generated a return of 2.9%, benefitting from a fairly uniform decline in rates across the whole yield curve (see chart). Two-year Canada yields declined 0.32% and 10-year Canadas fell 0.40%. However, this decline in yields over the quarter was in no way a steady one. Instead, investor expectations regarding the health of the economy, inflation, future central bank monetary policy intervention, and even the stability of the entire U.S. banking system all whipsawed and buffeted bond prices.

The quarter began with evidence that inflation pressures in North America were receding and economic activity was decelerating. Headline inflation numbers in both the U.S and Canada were lower than expected and continued to fall during the quarter. Much of the decline was the result of a softening in energy prices. But there were also signs that the supply chain issues that had aggravated inflation during the pandemic were receding. Truck, rail and ocean freight rates have fallen substantially and China's abrupt removal of its strict COVID lockdown didn't lead to a surge of cases that many had predicted. Business sentiment surveys indicate reduced delivery times and lower price pressures.

Unfortunately, while headline inflation was falling noticeably, underlying core inflation was not slowing as quickly, mostly due to ongoing price increases in the service sector. Particularly in the U.S., prices for services continue to be buoyed by tight labour market conditions and the labour market is showing few signs of weakness.[6] At the end of the quarter, unemployment in Canada and the U.S. is at historically low levels and almost every other statistical measure of the strength of the labour market reflects that it is extraordinarily healthy.[7]

In January, the Bank of Canada moved the target for the overnight rate from 4.25% to 4.50%. Then in March, on the back of a decline in headline inflation as well as a fifth successive quarterly weakening of the Bank of Canada's Business Outlook Survey, the Bank of Canada paused interest rate increases, but "maintained a tightening bias". The situation in the U.S. is a little different. The U.S. Federal Reserve raised the fed funds rate twice in the quarter and has continued to use speaking opportunities to prepare the bond market to expect more interest rate hikes ahead. Despite this, for now, with short rates close to 5% and 2-year U.S. Treasury yields at 4%, the bond market is priced for interest rate cuts, not hikes. Bond investors are convinced that before too long, there's a strong possibility of economic recession, along with a corresponding durable slackening of inflation back to the Fed's generally accepted target of 2.0%.

We are sceptical that central bankers are on the verge of winning the battle against inflation, and continue to see risk in owning bonds that yield less than the current rate of inflation. In Canada, average hourly wages are growing at 5.2%, and many public sector unions are bargaining for much more. Headline inflation has benefitted from a sharp decline in energy prices, but OPEC+ has just announced production cuts to shore up prices. The days of falling energy prices may be behind and inflation could well linger near current levels.



Government of Canada Yield Curve

For now, our strategy is the same as it has been. We will stay invested in bonds of shorter maturity, which is the maturity range where yields are higher. We continue to emphasize quality and liquidity. If and when the absolute level of longer-term rates rises, we will consider redeploying funds into longer-maturity bonds. Last quarter our bond portfolio returned 2.3%, while the Bond Index returned 2.9%. In the last 12 months our bond holdings rose 0.8%, while the Bond Index declined 2.0%.

[6] Many will have read about numerous large layoffs at technology and internet companies, such as Alphabet, Meta and Amazon. For now, these workers are quickly finding new jobs, but this is an issue to watch.

[7] Canadian unemployment is 5.0%, only 0.1% from its record low. Unemployment in the U.S is 3.5%, also only 0.1% above its lowest level in more than 50 years.

Equities

After a volatile and uncertain quarter, first quarter equity returns were better than many expected. Despite all the Silicon Valley Bank-induced angst, North American equities ground out a gain in the first quarter. The Equity Fund returned 3.6% in the quarter, trailing the benchmark's 5.7% return. For the last 12 months the Equity Fund declined 0.6%, better than its benchmark, which declined 2.4%.[8]

The S&P 500 was up an "apparently" strong 7.4% in the first quarter, and declined 0.1% for the 12 months (in Canadian dollars). The 12-month return was assisted considerably by the weaker Canadian dollar, as its return in U.S. dollar terms was a weak negative 7.7%. We say an "apparently" strong, as the S&P 500 did not at all reflect the return of the vast majority of its constituents. Unusually, almost all of the return of the S&P 500 in the quarter came from just 8 "megacap" stocks (principally technology and internet stocks). The other 492 stocks collectively went nowhere.[9] To illustrate this, the Russell 1000 Value Index gained just 0.8% in U.S. dollars (the Russell 1000 Value Index includes the approximately 850 largest capitalization value stocks in the U.S.). This return divergence was due to a big comeback for Growth stocks, with the Russell 1000 Growth Index returning 14.3% in U.S. dollars. We note that, whereas a growth investment style has outperformed value since the end of the global financial crisis, over longer periods value has outperformed growth. Nexus's U.S. equity holdings rose 5.4% in the first quarter and 1.0% over the last 12 months. This return trailed the S&P 500's 7.4% first quarter gain, but bested its 0.1% 12-month loss.

Nexus's Canadian stocks returned 1.4% in the first quarter and fell 4.4% for the last 12 months. This trailed the TSX in the quarter (up 4.6%), but was better than the TSX's 5.2% decline for the 12 months. In the quarter, the TSX's return was dominated by technology (mainly Shopify, which rose 37% in the first three months of 2023 after a 73% decline in 2022).

North American Equities

Focusing on North American equities overall, there were puts and takes in the quarter. The strongest contributing sector to our portfolio returns in the quarter was Communication Services. Both Meta (+76%) and Alphabet (+17%), announced significant cost reduction plans, but the outsized returns in the first quarter were driven more from these stocks simply recovering from extreme investor pessimism than the prospective change in business fundamentals. Our Industrial and Financial sector positioning also helped. In Industrials, CAE, Toromont and UPS had low- to mid-teens returns, driven by broad transportation recovery and industrial investment themes. In Financials, most of our bank holdings (BNS, Royal Bank, Citigroup and JPMorgan) did better than their sector peers, as investors realized that the U.S. regional banking issues were not systemic. Whilst TD Bank is undoubtedly a strong, well-managed bank, the stock declined amidst uncertainty about its pending acquisition of First Horizon, a U.S. regional bank.

Although our Information Technology holdings, Microsoft, Western Digital and Cisco, did well (up 10% to 20%), we are underweight this sector and our holdings couldn't keep pace with the aforementioned blistering recovery in growth-oriented equities in the quarter. With growth stocks outperforming, the flip side was that more defensive and value-oriented stocks underperformed. Defensive sectors, such as Healthcare and Consumer Staples lagged, as did our holdings. In Healthcare, Pfizer and CVS traded down as investors contemplate a post-COVID world. We think both will enjoy solid growth ahead and are attractively valued. Both announced sizeable acquisitions. Seagen, an antibody drug company, will add to Pfizer's cancer drug portfolio and Oak Street Health will expand CVS's value-based care initiative. After a strong 2022, our energy holdings declined. Oil and gas prices remain well below their previous high levels and Cenovus, ARC Resources, and EOG Resources were particularly weak. However, our energy transportation holdings, Enbridge and TC Energy were in line with the sector's return. We remain enthusiastic about the longer-term outlook for energy in North America. There were no substantive trades in the quarter.

International Equity Investments

We remain invested in two externally-managed pooled funds, which add international exposure to our Funds.[10] After a difficult 2022, these international holdings had a strong quarter, even as economic conditions remain challenged. EQIT (international developed market equities) returned 8.6% in the quarter and EMEC (emerging market equities) returned 6.2%, with both doing better than our blended North American benchmark. Additionally, the 12-month return for the two funds together was 5.1%, and well ahead of the blended North American benchmark's 2.4% loss.

In Europe, a warm winter, along with a better than expected supply of energy from wind and imported LNG substantially reduced energy supply concerns. In developing markets, the post-COVID recovery in China continues and global supply chain disruptions have receded. Nonetheless, international equities have underperformed the U.S. over longer periods which, along with the strong U.S. dollar, has positive implications for prospective international returns. For more information on EQIT and EMEC, please see the Nexus International Equity Fund section of this report.

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[8] The overall and geographic-level return data in the Equities section are total returns for the Equity Fund. Equity returns within the Balanced Fund were similar. The currency effect in the first quarter was negligible, so Canadian dollar returns were similar to U.S. dollar returns. For specific performance, please refer to the Fund reports that follow or your client-specific report.

[9] *Almost Daily Grant's*, April 3, 2022.

[10] Both pooled funds are managed by teams from J.P. Morgan Asset Management in the U.K. and are held in our Equity and Balanced Funds.

Pooled Fund Reports

Nexus North American Equity Fund

The Nexus North American Equity Fund gained 3.6% in the first quarter, extending the gains achieved in the final quarter of last year. Most of the first quarter's gains came from our U.S. stocks, which rose 5.4%. Similarly, our Canadian and international stocks also rose. In the last 12 months, the Fund declined 0.6%. Our Canadian stocks fell, but by less than the TSX. Our U.S. stocks produced a modest gain in Canadian dollar terms, helped in part by the currency tailwind of the strengthening U.S. dollar. Our international holdings added to the Fund's overall returns for the 12-month period. More detail on the Fund's performance is presented in the table below.

Although the buoyancy of markets in the first quarter was welcome, it belied the volatility and shockwaves that coursed through the financial system during March. The first jolt came with the rapid collapse of Silicon Valley Bank and Signature Bank. Those events raised fears of a wider contagion among banks that was brought into even sharper focus with the near-failure of Credit Suisse Group, which was rapidly taken over by its Swiss banking rival, UBS, prompted by zealous banking regulators. Thankfully, this helped stabilize the sector.

Amidst this turmoil, there were puts and takes among our North American equity holdings in the quarter. On the positive side, we benefited from our positioning in the Communications Services sector, with both Meta (+76%) and Alphabet (+17%) posting strong recoveries after a period when sentiment on both stocks had eroded. We also benefited in Financials, where our high-quality bank stocks demonstrated their resilience as compared to many of the regional U.S. banks that were dragged down by the Silicon Valley Bank-induced crisis. On the negative side, despite large gains in several of our Information Technology holdings, we have a lower weighting than in the index and our holdings were unable to keep pace with the blistering recovery in growth-oriented equities in this sector. In addition, our Energy holdings declined due to a retreat in oil and gas prices resulting, in part, from warm winter weather. Lastly, two of our Healthcare holdings, Pfizer and CVS, declined in the quarter, as investors wrestled with each company's outlook in a post-COVID world. Despite these setbacks, we remain positive about the long-term outlook for North American energy producers and expect that our Healthcare holdings will create significant value in the years ahead.

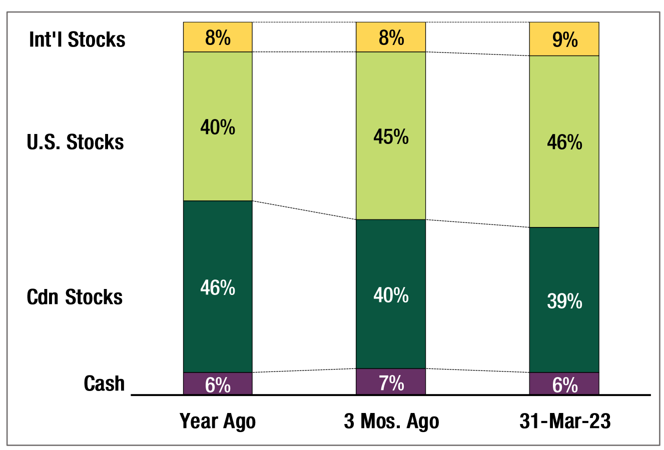
Our international holdings rose 7.6% in the quarter, with gains in both our international developed market (+8.6%) and our emerging market holdings (+6.2%). For more detail, please see the Nexus International Equity Fund section of this report.

At the end of the first quarter, the Fund's cash position was 6%. Our allocation to Canadian stocks was 39%, while U.S. stocks represented 46% of the mix. We have maintained an allocation of 9% to markets outside North America and remain confident that this will provide important diversification to our North American investments.

	Equity Fund	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter				
Fund	3.6%	1.4%	5.4%	7.6%
Benchmark	*5.7%*	*4.6%*	*7.4%*	
One Year				
Fund	-0.6%	-4.4%	1.0%	4.9%
Benchmark	*-2.4%*	*-5.2%*	*-0.1%*	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE Canada 91 Day TBill, 50% TSX, and 45% S&P 500 (in C$) (rebalanced monthly); (b) for Cdn Stocks: TSX; and (c) for U.S. Stocks: S&P 500 (in C$).

Investment Returns – As at March 31, 2023



Equity Fund Asset Mix

Nexus North American Balanced Fund

The Nexus North American Balanced Fund gained 2.3% in the first quarter. The Fund experienced positive returns in each of its asset allocation categories. Bonds were up 2.4%, Canadian and U.S. equities rose 1.0% and 2.8%, respectively, and, while small, the Fund's international holdings delivered outsized returns.

In the last 12 months, the Fund fell 0.3%. We benefitted from gains in our bond holdings, while our Canadian stocks acted as an offset, falling 4.9%. Our U.S. stocks managed a small 0.2% gain in Canadian dollar terms, helped by the strengthening of the U.S. dollar. Our international holdings added to the Fund's overall returns over the 12-month period. More detail on the Fund's performance is shown in the table below.

After a very tough 2022, it was encouraging to see positive returns for bond markets in the first quarter. The FTSE Canada Universe Bond Index gained 2.9%, while the Fund's bond holdings returned 2.4%. The largest contributor to bond returns during the quarter was the broad move lower in bond yields across all maturities. Yields declined in the period as concerns of U.S. financial system stability arose with the failures of Silicon Valley Bank and Signature Bank. In addition, after months of tighter financial conditions, the economy is beginning to show some signs of a slowdown.

North American equity markets ended the quarter with a gain, but endured significant volatility due to the aforementioned bank failures, which sent shockwaves through the U.S. financial system. Amidst this turmoil, there were puts and takes among our North American equity holdings in the quarter. On the positive side, we benefited from our positioning in the Communications Services sector, with both Meta (+76%) and Alphabet (+17%) posting strong recoveries after a period when sentiment on both stocks had eroded. We also benefited in Financials, where our high-quality bank stocks demonstrated their resilience as compared to many of the regional U.S. banks that were dragged down by the banking sector turmoil. On the negative side, despite gains in several of our Information Technology holdings (Microsoft, Western Digital and Cisco), we have a lower weighting than in the index and our holdings were unable to keep pace with the blistering recovery in growth-oriented equities in this sector. In addition, our Energy holdings declined due to a retreat in oil and gas prices resulting, in part, from warm winter weather. Lastly, two of our Healthcare holdings, Pfizer and CVS, declined in the quarter as investors wrestled with each company's outlook in a post-COVID world. Despite these setbacks, we remain positive about the long-term outlook for North American energy producers and expect that our Healthcare holdings will create significant value in the years ahead.

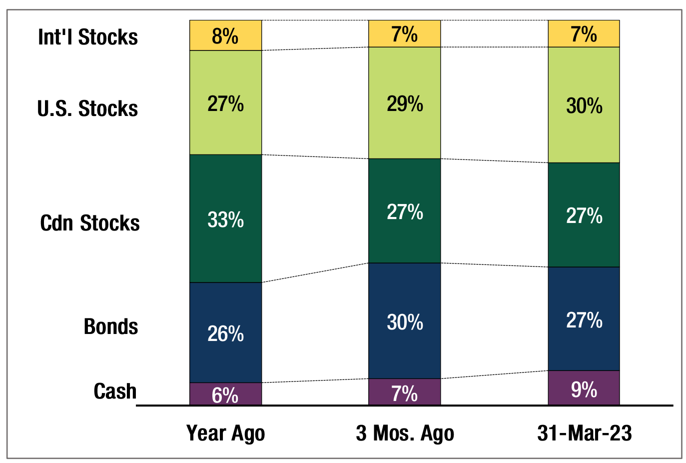
Our international portfolio rose 7.6% in the quarter, with gains in both our international developed market (+8.6%) and our emerging market holdings (+6.2%). For more detail, please see the Nexus International Equity Fund section of this report.

At the end of the quarter, cash represented 9% of the Fund's asset mix, bonds were 27% and stocks accounted for the remaining 64%.

	Balanced Fund	Bonds	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter					
Fund	2.3%	2.4%	1.0%	2.8%	7.6%
Benchmark	*4.6%*	*2.9%*	*4.6%*	*7.4%*	
One Year					
Fund	-0.3%	1.0%	-4.9%	0.2%	4.9%
Benchmark	*-2.4%*	*-2.0%*	*-5.2%*	*-0.1%*	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE Cda 91Day TBill, 30% FTSE Cda Universe Bond, 40% TSX, and 25% S&P 500 (in C$) (rebalanced monthly); (b) for Bonds: FTSE Cda Univ. Bond; (c) for Cdn Stocks: TSX; and (d) for U.S. Stocks: S&P 500 (in C$).

Investment Returns – As at March 31, 2023



Balanced Fund Asset Mix

Nexus North American Income Fund

The Nexus North American Income Fund gained 1.5% in the first quarter. Yields declined in the period, as concerns of U.S. financial system stability arose with the failures of Silicon Valley Bank and Signature Bank. In addition, after months of tighter financial conditions, the economy is beginning to show some signs of a slowdown.

Although yields fell in the quarter, they remain elevated as compared to recent history, so bond investors now earn a higher nominal yield. At the end of the quarter, the average yield on the bonds held in the Fund was approximately 4.4%. This compares to a 1.3% average yield 12 months ago.

In the last 12 months, the Fund declined 1.4%, which was modestly better than its benchmark, the FTSE Canada Universe Bond Index, which fell 2.0%. This was mainly due to the outperformance of our bond holdings as compared to the bond index, as the income-oriented equities in the Fund detracted from performance.

More detail on the Fund's performance is displayed in the table below.

Because the positive price returns were larger in longer-dated bonds, the relatively shorter-duration positioning of the bonds in the Fund resulted in a small underperformance of the Fund's bond holdings in the quarter. The FTSE Canada Universe Bond Index returned 2.9% in the quarter, compared to 2.3% for the Fund's bond portfolio.

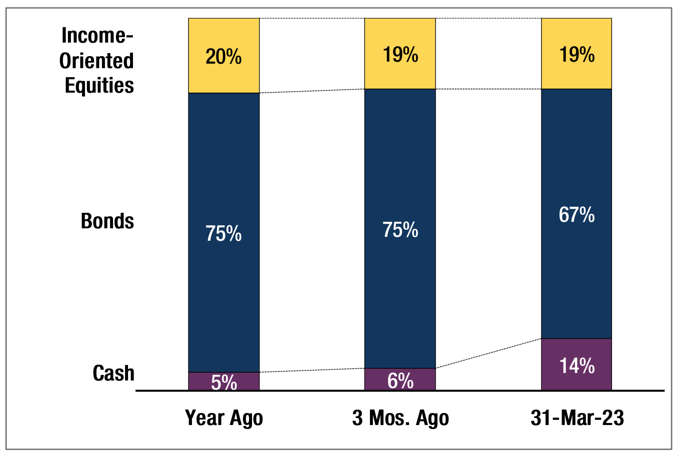
The income-oriented equities were weak in the quarter. Our Canadian equity holdings rose 1.7%, while our U.S. holdings declined 6.5%.

At the end of the first quarter, the Fund's cash position was 14%, income-oriented equities accounted for 19% and the balance, 67%, was in our core bond holdings.

	Income Fund	Bonds	Cdn Stocks	U.S. Stocks
Quarter				
Fund	1.5%	2.3%	1.7%	-6.5%
Benchmark	*2.9%*	*2.9%*		
One Year				
Fund	-1.4%	0.8%	-13.1%	-5.8%
Benchmark	*-2.0%*	*-2.0%*		

Returns are presented before deduction of management fees. Benchmarks are (a) for Fund: FTSE Canada Universe Bond; (b) for Bonds: FTSE Canada Universe Bond. In addition to bonds, up to 20% of the Fund's portfolio may be invested in equities.

Investment Returns – As at March 31, 2023



Income Fund Asset Mix

Nexus International Equity Fund

The Nexus International Equity Fund holds two underlying funds: EQIT (invested in international developed market equities) and EMEC (invested in emerging market equities).[11]

The Fund delivered strong returns in the first quarter, gaining 7.7%. EQIT gained 8.6% in the period and EMEC gained 6.2%.

Over the last 12 months, both EQIT and EMEC produced gains, but EQIT was the standout, up 6.9%, as compared to EMEC's gain of 2.3%.

More detail on the Fund's performance is presented in the table below.

International developed markets, particularly Europe, produced solid first quarter returns. One of the fears at the onset of the war in Ukraine was the potential for unprecedented increases in European energy costs, as the flow of cheap Russian gas was curtailed. While energy prices did rise, the worst-case scenarios have not prevailed due to warmer weather, successful energy-saving policies and the build-out of additional energy infrastructure. While long-term challenges with European energy supplies remain, the avoidance of worst-case outcomes this winter was enough to help propel markets forward in the quarter.

Emerging markets also produced solid gains in the first quarter. The key driver here was optimism regarding China's post-COVID re-opening and the potential economic activity that an easing of lockdowns could unleash.

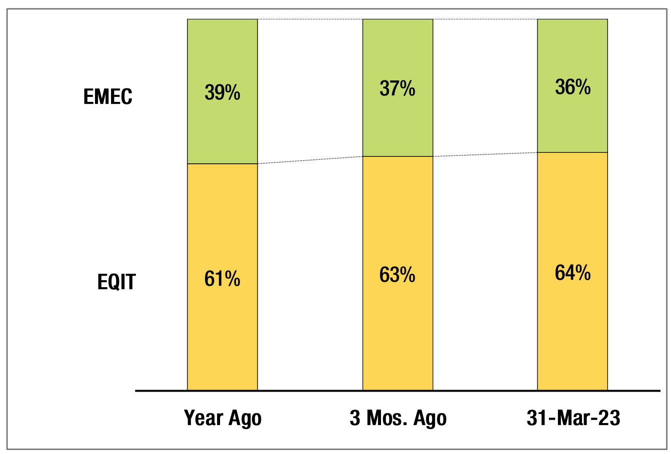
As long-term investors, we continue to see merit in holding international stocks. In addition to the general benefit of increased diversification, international holdings also provide access to a broader opportunity set beyond that available in Canada and the U.S. What's more, the growth potential, dividend opportunities and valuations in these markets remain compelling.

At the close of the first quarter, the Fund's investment in EQIT accounted for 64%, while EMEC accounted for 36%.

	International Equity Fund	EQIT	EMEC
Quarter			
Fund	7.7%	8.6%	6.2%
Benchmark	*7.3%*	*8.4%*	*3.9%*
One Year			
Fund	5.1%	6.9%	2.3%
Benchmark	*4.4%*	*6.8%*	*-3.3%*

Returns are presented before deduction of management fees. Benchmarks are (a) for Fund: 75% MSCI EAFE (in C$) and 25% MSCI Emerging Mkts (in C$) (rebalanced monthly); (b) for EQIT: MSCI EAFE (in C$); and (c) for EMEC: MSCI Emerging Mkts (in C$).

Investment Returns – As at March 31, 2023



International Equity Fund Asset Mix

[11] International developed markets or "EAFE" includes Europe, Australasia and the Far East. Emerging markets include 24 developing countries. EQIT and EMEC are managed by JPMorgan Asset Management in the U.K. The Nexus Balanced and Equity Funds have held EQIT and EMEC for some time and continue to do so.