The Nexus Report

Fourth Quarter, 2024

Investment Outlook

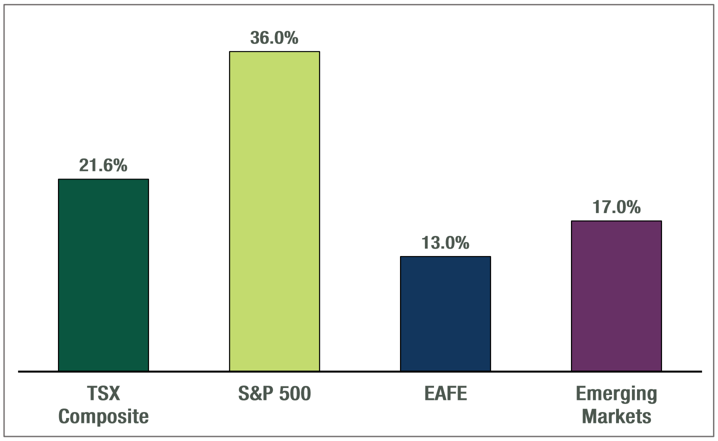
Momentum Reigns

The final quarter of 2024 was the capstone on another strong year in financial markets. In fact, 2023 and 2024 stand out as the best back-to-back years in the U.S. stock market since 1997-98. Canadian investors would typically be thrilled with the 16.6% average annual return that they earned from the TSX over the last two years. But it pales against the 29.5% per year generated by the S&P 500.

As we have written about before, stock market returns continue to be dominated by a small group of very large companies. The Magnificent 7 in the U.S.[1] and various technology stocks in other markets have been the darlings of investors. The momentum these stocks established in 2023 continued in 2024 and accelerated in the last three months.

The concentration of returns can be observed in different ways. First, is that over the course of 2024 the Dow Jones Industrial Average, home to a diversified group of companies reflecting the broad American economy, was up 12.9% (in U.S. dollar terms, excluding dividends). By comparison, the S&P 500, in which the Magnificent 7 have great prominence, was up 23.3%. The Mag 7 as a group accounted for 57% of this gain, with Nvidia accounting for 21% of it on its own. The NASDAQ, which is even more focused on technology stocks, was up 28.6%.

A second perspective on the same phenomenon is to consider the S&P 500 on a market capitalization basis versus an equal-weighted basis. Typically, S&P index returns are expressed in a way that gives the greatest weight to the largest companies. Giving equal weight to all companies is often thought of as expressing how the typical stock has performed. Over long periods of time, these two calculations of return show little difference. During 2024, however, the market cap-weighted index outperformed the equal-weighted index by a breathtaking amount. The only other time this happened in recent history was during the technology bubble of 1999 and early 2000.



Total Returns – 12 Months ended December 31, 2024 (C$)

As we enter 2025, investors reasonably question whether a third year of banner returns is likely. Indeed, while 2024 was a great year overall, it ended with a whimper. Late in the year, the Dow Jones endured a 10-day stretch of declines, the longest such stretch since 1974. Early 2025 has proven equally unsettled, with the momentum of 2023 and 2024 being threatened. After two years of focusing on good news and

NOTE: 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.

[1] The Magnificent 7 includes Alphabet, Amazon, Apple, Meta Platforms, Microsoft, Nvidia, and Tesla.

largely ignoring the risks, investors may well be embracing a slightly more cautious approach.

A Tale of Two Countries

Canadian economic growth stayed positive but was reasonably lacklustre through most of 2024. Inflation moderated significantly, falling to a level that lies within the Bank of Canada's target range. Tepid growth and falling inflation allowed the Bank to cut its policy rate five times in 2024, ending the year at 3.25%, which is 1.75% lower than where it started.

Late in the year a few indicators of economic activity appeared to pick up and this improvement was consistent with the strong jobs report released in early January. The Canadian economy generated 90,900 new jobs in December as compared to the 25,000 expected. The unemployment rate, which was expected to rise to 6.9% from 6.8%, actually fell to 6.7%. Job gains were broad-based across sectors and regions.

However, any sense that Canada's outlook may be improving faces two serious challenges. First, north of the border, our own political chaos seized the headlines. In mid-December Canada's finance minister resigned at the same time it was announced that the federal deficit ballooned to $60 billion, approximately 50% higher than previous commitments. In early January, Prime Minister Trudeau also announced his resignation. The second and more profound challenge is the threat of tariffs that Trump has pledged to impose on Canada once he takes office. It is impossible to know whether or when the U.S. is likely to follow through on these threats, but it would be a mistake not to take them seriously. Canada loses in any trade war and the impact on our economy would be widespread. It's quite unfortunate that the political vacuum in Ottawa has occurred just as Donald Trump is about to move back into the White House.

In contrast to the modest level of economic growth in Canada, the U.S. economy has continued to power ahead. For example, auto sales are the strongest in years, job openings have risen back above 8 million, the ISM Manufacturing survey has steadily improved, and many expect real GDP growth to be close to 3% for 2024. The December labour market report also was unambiguously strong. The U.S. economy generated 256,000 new jobs, exceeding expectations of 165,000. The unemployment rate dropped to 4.1% from 4.2%. While inflation has not moderated in the U.S. as much as it has in Canada, it declined enough that the Fed felt it appropriate to start its own program of gradual policy rate reductions.

While most of the economic data we watch in the U.S. paint a pretty rosy picture, investors are growing increasingly anxious. Inflation has proven stickier than hoped and the outlook for further interest rate cuts has dimmed. Moreover, many of the policies espoused by President-elect Trump on the campaign trail are inflationary. At the top of the list is the tariff threat referred to above. In almost every scenario, tariffs push prices higher for American companies and consumers. As well, Trump has promised tax cuts for all and to eliminate taxes entirely on social security payments, overtime, and tips. Investors remember how inflation moderated from 12% in 1974 to 5% in 1976, then re-accelerated again to peak at 15% in 1980.[2] There is growing fear that such a re-acceleration could happen again as a consequence of the new Administration's policy initiatives.

Market Outlook

The initial market reaction to Donald Trump's re-election was one of euphoria on account of the prospect of lower taxes and more relaxed regulation. Companies across many sectors will make more money. However, that euphoria has given way to a sense of caution. It is impossible to know what policies – on trade or anything else – the new Administration will implement. Perhaps the only thing we can be sure of is that it will be chaotic.

Another aspect to consider when thinking about the outlook is the idea of "American Exceptionalism". This phrase has gained some popularity as, for an extended period, the U.S. economy has been stronger than most other developed economies and its stock market has generated extraordinary gains. The S&P 500 return has been a remarkable 15.6% per year over the last 10 years, far higher than is sustainable over the long term. No doubt influenced by the gains of the last decade, the Bank of America Global Fund Manager Survey recently found a record level of enthusiasm for U.S. stocks.[3] Survey results such as this are typically a contrary indicator and a warning sign about the future. While we make no prediction on the timing of a correction – it may still be years down the road – we are concerned that the prices of some U.S. stocks have gotten ahead of themselves.

While there are any number of reasons to be cautious about the period ahead, we think that the most likely outcome for the Canadian and U.S. stock markets in the coming year is a positive one. Fundamental economic trends continue to support the growth in profits. However, one day there will be a correction, whether it be in 2025 or some future year. We think that the most richly valued stocks will be most vulnerable. For this reason, despite all the excitement about artificial intelligence and the feeling of missing out on some of it, we feel it is more important than ever to retain our investment discipline. The stocks in our portfolio are valued much more conservatively than the market overall and, as such, remain attractive. The uncertainty that comes with the new U.S. administration is significant, but we are confident that good long-term returns are available to those with both discipline and patience.

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[2] U.S. Bureau of Labor Statistics.

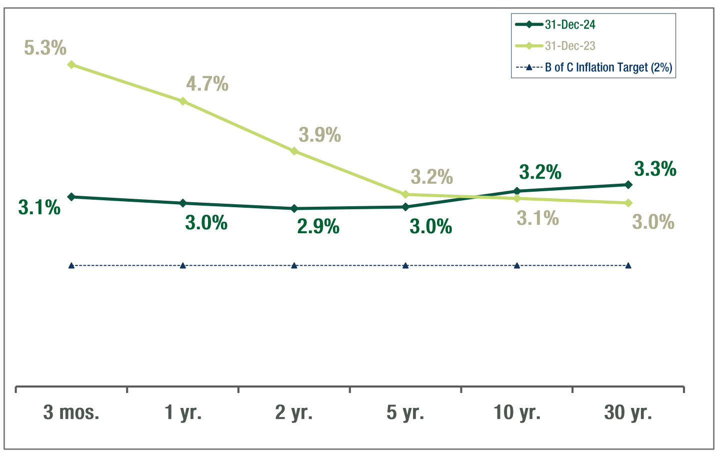
[3] *The Wall Street Journal*, December 31, 2024.

Asset Class Review

Fixed Income

Fourth-quarter returns suggest a quiet period for fixed-income investors. The FTSE TMX Index posted flat returns of 0.0%, meaning the overall decline in bond prices was precisely offset by the income generated by the bonds. Nexus's bond portfolio performed slightly better, delivering a return of 0.8% for the quarter. For the 12-month period ending in December, the index gained a reasonable 4.2%. Nexus's bond portfolio significantly outperformed on the year, generating a return of 6.9%.

Beneath the surface, markets were not as quiet as a 0.0% benchmark return might suggest. Yields rose toward the end of November, then dropped significantly in early December, before bouncing back up at the end of the month as equity markets sold off.



Government of Canada Yield Curve

Bond market returns in 2024 were more in line with what investors can typically expect from an investment-grade bond portfolio, especially when compared to recent years. This follows an exceptionally strong 2023 (+6.7% index returns), which came after a historically weak 2022 (-11.7%), not to mention the market volatility during the COVID-19 pandemic. As we know, past returns are not a reliable predictor of future performance. In fact, the current yield to maturity of a bond portfolio—approximately 3.8% for Nexus's bond holdings—is a much better indicator of expected returns.

Returns weren't the only factor that appeared more "normal" in 2024. In Q4, the yield curve became fully upward sloping for the first time since it inverted in August 2022. In most normal conditions, the yield curve slopes upward and to the right, meaning that the yield on 30-year Government of Canada bonds is higher than the yield on three-month T-bills. This shift occurred as longer-dated bonds experienced rising yields throughout the year (30-year yields started 2024 at 3.0% and ended at 3.3%), while the yields on shorter-dated bonds declined as the Bank of Canada reduced its overnight policy rate (two-year bonds began the year at 3.9% and finished at 2.9%).

While many view an inverted yield curve as a predictor of recession, it is now clear that, for the past couple of years, it was more a reflection of investors' expectations that the Bank of Canada's peak rate of 5% was unlikely to persist. In fact, higher rates lasted much longer than expected, primarily due to persistent inflation, which resulted in "higher for longer" overnight rates.

As we consider the macroeconomic landscape facing Canadians, much of which is outlined in the first section of this report, uncertainty emerges as a key theme across the political, employment, trade, and growth outlooks. Generally, uncertainty is not favourable for economies or investors, as most people prefer to wait out these periods before making major decisions. For this reason, we look forward to the time when some of these uncertainties are resolved, as elections and inaugurations take place, new governments settle in, and policies begin to take shape. In the meantime, we are braced for volatility as things sort themselves out.

In addition to ongoing uncertainty, Q4 brought the revelation of a significantly greater fiscal deficit than expected. Canada's long-delayed Fall Economic Statement revealed a worse-than-expected 2024 deficit and higher borrowing projections for 2025. The incremental bond issuance required to fund the deficit could put pressure on interest rate markets if investors are hesitant to purchase the incremental debt.

During the quarter, we sold some corporate bonds that had performed well due to strength in credit spreads. In addition, we slightly increased our portfolio's duration by purchasing longer-dated, high-quality corporate and government debt, including new senior bank debt.

We remain confident in our overall shorter-duration positioning. While we are pleased to see an upward-sloping yield curve once again, we would welcome a steeper curve, which may lead us to add more duration to our portfolio. If market conditions remain as they are, we will likely continue to gradually reduce credit exposure and opportunistically increase the portfolio's duration.

Equities [4]

Equity markets rose in the fourth quarter. Most of the gains were achieved in October and November, driven by optimism over central banks' success in achieving a soft economic landing and the pro-growth promises from the new U.S. administration. However, December brought concerns of resurgent inflation. This tempered market enthusiasm as central banks indicated an intention to proceed cautiously with rate reductions. Despite the volatility, the Equity Fund concluded the quarter with a 4.5% gain. Over the year, it rose by 19.2%, performing well although lagging indices which were driven by continued enthusiasm for growth stocks.

North American Equities

U.S. stocks had an impressive year, with the S&P 500 climbing 25.0% and achieving 57 record closes. This surge was driven by a healthy economy, lower inflation, and an AI-fueled rally in big tech stocks. Despite the decline in December, the S&P 500 marked its best consecutive years since 1997-1998. The Canadian markets also experienced significant growth, achieving a 21.6% gain over the year. Similar to our southern neighbours, this performance was supported by lower interest rates and a resilient economy.

In the quarter, Nexus's Canadian stocks rose 1.7% and our U.S. stocks gained 9.0%. In the last year, our Canadian stocks rose 15.0% and our U.S. stocks gained 26.6%. The U.S. return figures benefited considerably from the weaker Canadian dollar, which fell due to Canada's sluggish growth relative to the U.S. as well as more recent tariff concerns. While the absolute returns are robust, they trail the indices' performance, which are increasingly influenced by a few large technology companies. By year-end, the largest 10 stocks in the S&P 500, predominantly tech companies, represented an unusually high 39% of the index's total market capitalization.[5]

The primary contributors to our performance in the quarter were our investments in the Financial and Energy sectors. Specifically, our holdings in JPMorgan, Citigroup, and Visa performed well, driven by expectations of a less stringent regulatory environment and improved earnings prospects. Our Canadian energy stocks, including TC Energy, ARC Resources, and Enbridge, also experienced gains due to higher natural gas prices and strong financial performance. Conversely, U.S. healthcare stocks declined due to potential regulatory changes, adversely affecting our holding of CVS Health. Additionally, Canadian rate-sensitive stocks in Real Estate, Utilities, and Telecommunications were weak owing to rising long-term bond yields. Meanwhile, enthusiasm for artificial intelligence continued to drive market returns. Though some of our holdings have benefited from this trend, we have avoided certain high-profile AI stocks that we consider to have speculative growth prospects or extreme valuations.

In the one-year period, our returns benefitted from our U.S. bank holdings (JPMorgan and Citigroup), continued gains in Meta and a recovery in General Motors. Notable contributors in Canada included our Canadian pipeline holdings (TC Energy and Enbridge) as well as our grocery holdings (George Weston and Metro). Significant detractors were Dollar General and CVS Health in the U.S., and Magna and Telus in Canada. Dollar General's core low-income consumer continues to suffer under the weight of inflation, although we expect this pressure to ease now that price gains have hopefully subsided. CVS Health has suffered along with other health insurers following the murder of a U.S. healthcare executive and the ensuing criticism of health insurance and pharmacy benefit manager companies. Although sentiment is low today, we believe CVS plays an important role in the U.S. healthcare system and that the shares will eventually reflect that reality.

We bought a new position in Canadian National Railway in October. The investment team has long considered it to be a high-quality company but had waited for an opportunity to purchase it at an attractive price. That opportunity arrived in the fall, following a series of events – labour disputes, the Jasper fire, and investor concerns about growth – which led to a reduction in the stock's valuation. We also reduced our investment in Finning. While we continue to regard it as an attractive company, it had become a significant position in our portfolio and we decided to lower our exposure.

International Equity Investments

We continue to hold two externally-managed pooled funds.[6] In the fourth quarter, EQIT (international developed market equities) declined 3.1% and EMEC (emerging market equities) fell 0.5%. Over the past 12 months, EQIT rose 10.3% and EMEC gained 13.1%.

Although these returns were solid, they were not as high as those seen in U.S. markets. The threat of tariffs has dampened optimism for growth in global markets, given the dependence of many economies on efficient international trade. This new uncertainty added to existing concerns related to geopolitical risks in the Middle East, China, and Ukraine. Despite these concerns, the long-term growth prospects of emerging market economies remain compelling. Investing in developed international markets also remains attractive, offering good opportunities for portfolio diversification and reasonable valuations. For more information on EQIT and EMEC, please see the Nexus International Equity Fund section.

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[4] The overall and geographic level return data in this section are for the Equity Fund. Equity returns within the Balanced Fund were similar. For specific performance, please refer to the Fund reports that follow or your client-specific report.

[5] *Guide to the Markets*, J.P. Morgan Asset Management, December 31, 2024.

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

Pooled Fund Reports

Nexus North American Equity Fund

The Nexus North American Equity Fund advanced 4.5% in the fourth quarter, continuing the momentum from earlier in the year. Our Canadian holdings appreciated by 1.7% and our U.S. holdings advanced by 9.0%, aided by a 6.0% weakening of the Canadian dollar. Our international holdings declined by 2.4%. North American markets continued to rally through October and November but turned negative in late December.

In the last 12 months, the Fund gained 19.2%. Our Canadian and U.S. stocks were up 15.0% and 26.6%, respectively, and our international holdings improved by 11.1%. More details on the Fund's performance are presented in the table below.

Investors were initially enthusiastic following the U.S. election on Nov 5, 2024, and focused on moving forward with a pro-growth agenda. However, the post-election optimism gave way into year-end as confusion about the priorities of the incoming administration met a less dovish monetary policy outlook from the U.S. Federal Reserve Board following stronger economic data. This only mildly tarnished an otherwise remarkable year.

Our North American holdings notched impressive gains in the fourth quarter and captured much of the upside of the indices. On the positive side, our holdings in U.S. Financials including JPMorgan, Citigroup, and Visa performed well on the back of expectations for a lighter-touch regulatory environment in the U.S. While this is not part of our investment thesis, fewer layers of complexity and red tape can support earnings over time. Our Canadian energy holdings were also positive contributors in the quarter including TC Energy, ARC Resources, and Enbridge. The share prices were supported by higher natural gas prices and strong financial results.

A handful of companies detracted from performance in the quarter. The U.S. Healthcare sector declined as talk about reform grew louder after the tragic murder of a public-company healthcare executive, ostensibly to protest perceived wrongs by the industry. The share price of CVS Health declined given the exposure to potential regulatory change. Canadian rate-sensitive holdings in Telecommunications, Real Estate, and Utilities, were also weak as long-term bond yields rose, which is often a negative for dividend-paying stocks. Large-cap Technology and artificial intelligence stocks continued to drive market returns in the quarter. Some of our holdings benefitted from this phenomenon, but we have avoided others with more uncertain growth prospects or more extreme valuations.

Performance in our international holdings took a step back in the quarter and declined by 2.4%. For more details, please see this report's Nexus International Equity Fund section.

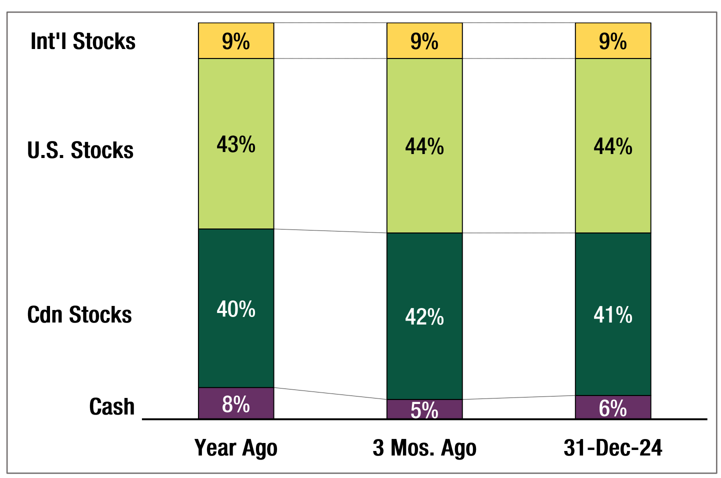
We bought a new position in Canadian National Railway in October. The investment team has long considered CNR to be a high-quality company but had waited for an opportunity to purchase it at an attractive price. That opportunity arrived in the fall, following a series of events – labour disputes, the Jasper fire, and investor concerns about growth – which led to a reduction in the stock's valuation. We also reduced our investment in Finning. While we continue to regard it as an attractive company, it had become a significant position in our portfolio and we decided to lower our exposure.

At the end of the year, the Fund held 6% cash, 41% Canadian stocks, 44% U.S. stocks, and 9% non-North American stocks. The international allocation is an important source of diversification and less correlated returns.

	Equity Fund	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter				
Fund	4.5%	1.7%	9.0%	-2.4%
Benchmark	*6.0%*	*3.8%*	*9.2%*	
One Year				
Fund	19.2%	15.0%	26.6%	11.1%
Benchmark	*27.1%*	*21.6%*	*36.0%*	

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 December 31, 2024



Equity Fund Asset Mix

Nexus North American Balanced Fund

The Nexus North American Balanced Fund advanced 3.3% in the fourth quarter. This was led by an 8.8% increase in U.S. stocks, a 2.1% increase in Canadian stocks, and a 0.7% increase in our bond holdings. This was offset by a 1.9% decline in our international stocks.

The Fund gained 16.2% in 2024, led by double-digit performance from North American and international stocks and solid gains in the bond holdings.

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

Bond market returns were flat in Q4 meaning the overall decline in bond prices was precisely offset by the income generated by the bonds. As discussed in the Fixed Income section, this performance masks the significant change in the yield curve which became upward sloping for the first time since August 2022.

While we are pleased to see an upward-sloping yield curve once again, we would welcome a steeper curve, which may lead us to add more duration to our portfolio. If market conditions remain as they are, we will likely continue to gradually reduce credit exposure and opportunistically increase the portfolio's duration.

North American equity market performance was again robust in Q4 with outsized gains in the U.S. supported by the weaker Canadian dollar. See the discussion earlier in the report for more details.

Our North American equities notched impressive gains in the fourth quarter and captured much of the upside of the indices. On the positive side, our holdings in U.S. Financials including JPMorgan, Citigroup, and Visa performed well on the back of expectations for a lighter-touch regulatory environment in the U.S. Our Canadian energy holdings were also positive contributors including TC Energy, ARC Resources, and Enbridge.

A handful of companies detracted from performance in the quarter. The share price of CVS Health declined as investors digested potential regulatory changes to the U.S. Healthcare sector. Canadian rate-sensitive holdings in Real Estate, Utilities, and Telecommunications were also weak as long-term bond yields rose, which is often a negative for dividend-paying stocks. Large-cap Technology and artificial intelligence stocks continued to drive market returns in the quarter. Some of our holdings benefitted from this phenomenon, but we have avoided others with more uncertain growth prospects or more extreme valuations.

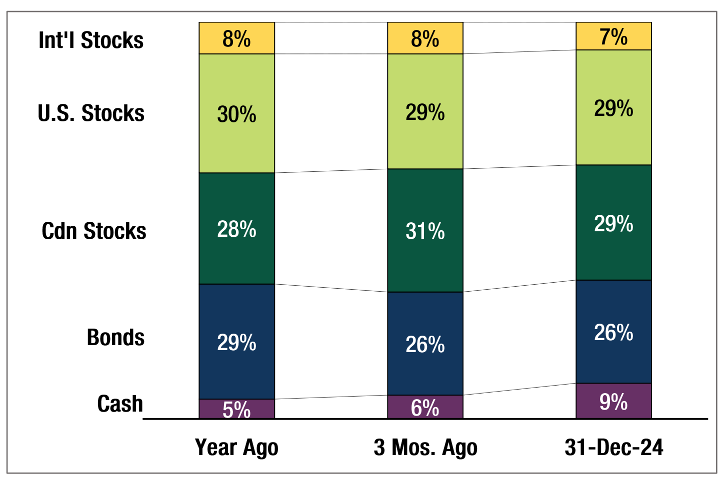
Our international holdings pulled back in the quarter, but performance for the full year of 2024 was robust at 11.7%. For more details, please see this report's Nexus International Equity Fund section.

At the end of the quarter, cash represented 9% of the Fund's asset mix, bonds were 26% and stocks accounted for the remaining 65%.

	Balanced Fund	Bonds	Cdn Stocks	U.S. Stocks	Int'l Stocks
Quarter					
Fund	3.3%	0.7%	2.1%	8.8%	-1.9%
Benchmark	*3.8%*	*0.0%*	*3.8%*	*9.2%*	
One Year					
Fund	16.2%	6.6%	18.6%	26.5%	11.7%
Benchmark	*18.7%*	*4.2%*	*21.6%*	*36.0%*	

Returns are presented before deduction of management fees. Benchmarks are (a) for the Fund: 5% FTSE Cda 91 Day 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 December 31, 2024



Balanced Fund Asset Mix

Nexus North American Income Fund

The Nexus North American Income Fund gained 1.0% in the fourth quarter. Our bond holdings increased 0.8% while our income-oriented Canadian stocks slipped 0.8%. Our U.S. income-oriented stocks gained 4.3% and were supported by the 6% decline in the Canadian dollar.

In 2024, the Fund advanced 9.4%, outpacing the benchmark and supported by both robust bond and income-oriented equity performance. While the performance was satisfying, in the future we should expect returns closer to the long-term average.

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

Beneath the surface, Bond markets were not as quiet as a 0.0% benchmark return might suggest. Yields rose toward the end of November, then dropped significantly in early December, before bouncing back up at the end of the month as equity markets sold off.

Bond market returns in 2024 were more in line with what investors should typically expect from an investment-grade bond portfolio, especially when compared to recent years. This follows an exceptionally strong 2023 (+6.7% index returns), which came after a historically weak 2022 (-11.7%), not to mention the market volatility during the COVID-19 pandemic. As we know, past returns are not a reliable predictor of future performance. In fact, the current yield to maturity of a bond portfolio – approximately 3.8% for Nexus's bond holdings – is a much better indicator of expected returns.

Bond returns weren't the only factor that appeared more "normal" in 2024. In Q4, the yield curve became fully upward sloping for the first time since it inverted in August 2022. In most normal conditions, the yield curve slopes upward and to the right, meaning that the yield on 30-year Government of Canada bonds is higher than the yield on three-month T-bills. Normalization occurred as longer-dated bonds experienced rising yields throughout the year (30-year yields started 2024 at 3.0% and ended at 3.3%), while the yields on shorter-dated bonds declined as the Bank of Canada reduced its overnight policy rate (two-year bonds began the year at 3.9% and finished at 2.9%).

During the quarter, we sold some corporate bonds that had performed well due to strength in credit spreads. We also slightly increased our portfolio's duration by purchasing longer-dated, high-quality corporate and government debt, including new senior bank debt.

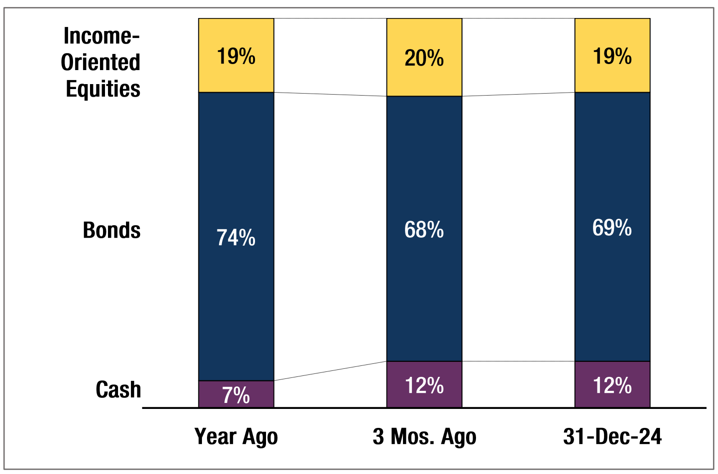
We remain confident in our overall shorter-duration positioning. While we are pleased to see an upward-sloping yield curve once again, we would welcome a steeper curve, which may lead us to add more duration to our portfolio. If market conditions remain as they are, we will likely continue to gradually reduce credit exposure and opportunistically increase the portfolio's duration.

At the end of the year, 12% of the Fund was in cash, 19% in income-oriented equities and 69% in our core bond holdings.

	Income Fund	Bonds	Cdn Stocks	U.S. Stocks
Quarter				
Fund	1.0%	0.8%	-0.8%	4.3%
Benchmark	*0.0%*	*0.0%*		
One Year				
Fund	9.4%	6.9%	19.1%	21.8%
Benchmark	*4.2%*	*4.2%*		

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 December 31, 2024



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).[7]

The Fund declined 2.2% in the quarter after four consecutive periods of gains. EQIT and EMEC pulled back 3.1% and 0.5%, respectively. On a one-year basis, the Fund increased 11.3% with EQIT advancing 10.3% and EMEC gaining 13.1%. More detail on the Fund's performance is presented in the table below.

Non-North American stock market performance was generally negative in the fourth quarter as the incoming U.S. administration took a much-publicized tough stance on global trade with threats of significant tariffs across multiple regions. Coupled with weaker economic growth and political instability in parts of Europe, Latin America, and Asia, this uncertainty led investors to become more pessimistic after more than a year of optimism and positive equity returns.

The European stock market declined in the fourth quarter as signs of weaker economic growth and uncertainty weighed on investors. Like other global central banks, the European Central Bank cut interest rates twice in October and December. Fear of new tariffs on exported goods to the U.S. and an escalation of a global trade war dampened expectations. Political instability in France and Germany also provided a dose of uncertainty.

The Japanese stock market rallied in the fourth quarter as investors cheered continued corporate governance reforms and a blockbuster merger announcement between Honda and Nissan.

Equity performance in emerging markets was mainly negative in Q4. Like other regions, the over-arching theme was the potential impact of tariffs on exports destined for the U.S. and the potential escalation of global trade conflicts. Many emerging economies in Asia, Latin America, and Eastern Europe have supported their own growth and prosperity on the back of a multi-decade trend in globalization which now appears under threat. In China, investors took a cautious stance as the country was singled out by the U.S. for higher tariffs and technology export restrictions. Markets were also looking for more clarity by the government on policy stimulus to support the slowing economy.

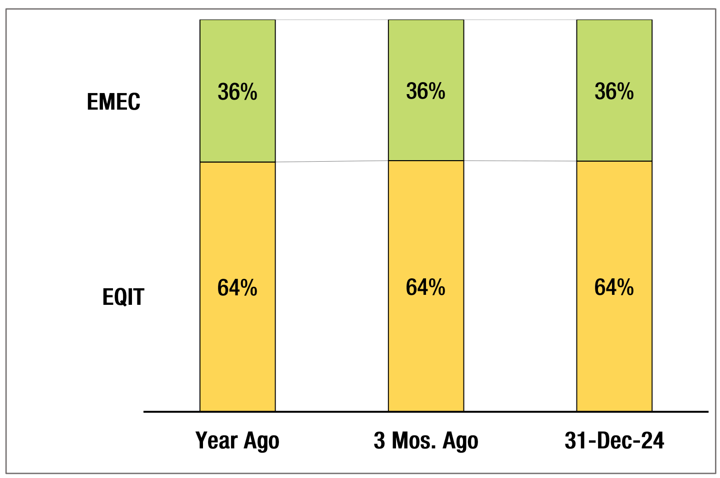
At Nexus, we value the benefits that come from holding international stocks. Returns will diverge quarter-to-quarter, but this broader exposure provides diversification by economy, currency, and business, plus many international regions have higher, and different, growth opportunities. As well, valuations in international markets generally remain more compelling than North America.

At the end of the year, the International Equity Fund's investment in EQIT accounted for 64% and EMEC accounted for 36% of the assets.

	International Equity Fund	EQIT	EMEC
Quarter			
Fund	-2.2%	-3.1%	-0.5%
Benchmark	*-2.0%*	*-2.1%*	*-1.9%*
One Year			
Fund	11.3%	10.3%	13.1%
Benchmark	*14.1%*	*13.0%*	*17.0%*

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 December 31, 2024



International Equity Fund Asset Mix

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