

SRI Balanced Fund (Ethical Funds) Ethical Funds

Lead manager(s): Northwest & Ethical Investments

Performance review date: December 31, 2014

Investment objective: Aims to increase the value of the investment over the long-term, protect the original investment and provide a high degree of current income. It invests mostly in a mix of Canadian and U.S. Equities and fixed income investments and follows a socially responsible approach to investing.

Investment style: Specialty

Annual fund performance (%)

	2010	2011	2012	2013	2014	5 yrs
SRI Balanced Fund (Ethical Funds)	10.06	-2.58	1.96	5.78	8.98	4.73
SRI Balanced Fund Benchmark (Ethical Funds)	10.85	-1.39	7.19	7.69	10.13	6.80
Value added (+) / lost (-)	-0.79	-1.19	-5.23	-1.91	-1.15	-2.07
Benchmark:	50% FTSE TMX Universe Bond Index + 40% S&P/TSX Composite TR Index + 10% MSCI World TR Index (Can\$)					

Annualized performance – relative rankings ⁽¹⁾ (ending December 31, 2014)

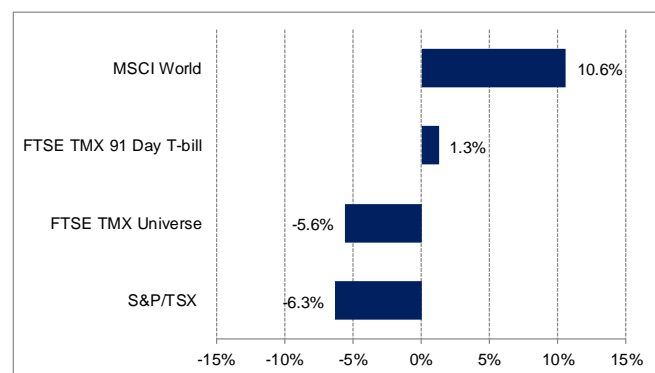
3 years	n/a
5 years	n/a
7 years	n/a
10 years	n/a

Risk characteristics (5 years ending December 31, 2014)

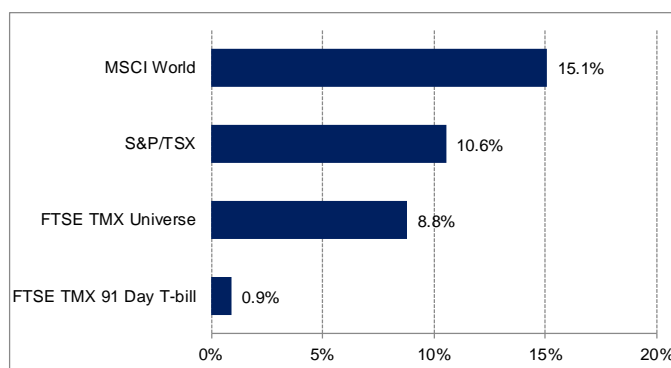
Downside volatility	n/a
Standard deviation	n/a
Tracking error	n/a
Information ratio	n/a
Beta	n/a

Portfolio positioning

Fund sector deviations



Year-to-date index sector performance



Short-term performance analysis

- In 2014, the fund underperformed its benchmark.
- Asset class performance was the main detractor of relative value, particularly within the foreign equity markets.
- Asset allocation produced positive results, primarily due to an overweight position in the US equity market.
- Given its macro focused investment philosophy, style bias had no impact on short-term performance.

Long-term style analysis

	2010	2011	2012	2013	2014	5 years
S&P/TSX outperforming style	value	value	value	value	growth	value
MSCI World outperforming style	value	growth	value	growth	value	growth

Long-term performance analysis

- The fund underperformed its benchmark in all of the past five years and failed to add value on a five-year annualized basis.
- Asset class performance was the main detractor of relative value.
- Asset allocation produced mixed results over the long term.
- Given its macro focused investment philosophy, style bias had no impact on long-term performance.

Significant corporate events

Corporate

- There were no significant corporate events over the last five years.

Fund specific

- On April 11 2012, NEI Investments announced that the sub-advisor for the Ethical Balanced Fund has changed from Guardian Capital Management to OtterWood Capital Management Inc., led by portfolio manager Christine Hughes. OtterWood Capital Management Inc. assumed investment management responsibilities for the \$330 million Ethical Balanced Fund on May 14, 2012 and the investment strategies of the fund has been adjusted to conform to Ms. Hughes's investment approach.

Quality & Choice commentary

- The portfolio manager actively manages the allocation to each of the Fund's asset classes, based on various macro-economic factors, including; financial market liquidity, sovereign solvency, credit spreads, money flows into the global banking system, and the behavior of central banks. Security selection of equities is driven by a bottom-up process taking into consideration "growth at a reasonable price" as the key criteria. The security selection process is focused on companies that generate high and growing levels of free cash flow and dividends. The Fund may invest up to 30% of its assets in non-Canadian securities.

Conclusion: The fund is No Longer Promoted as a Quality & Choice investment option as of August 2014, based on the analysis done at that time.

Manager outlook

- The manager has decided not to provide an investment outlook.

⁽¹⁾ Quartile rankings are based on the underlying fund's returns.

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