

National Bank Conservative Diversified Fund Investor Series

This document contains key information you should know about the National Bank Conservative Diversified Fund. You can find more detailed information in the fund's simplified prospectus. Ask your representative for a copy, contact the manager, National Bank Investments Inc. ("NBI"), at 1-888-270-3941 or send an email to investments@nbc.ca or visit our website at www.nbinvestments.ca.

Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.

Subject to regulatory and securityholders' approvals, NBI intends to merge the fund into NBI Conservative Portfolio on or about May 28, 2021. For more information, please refer to Amendment No. 5 dated March 9, 2021, to the Simplified Prospectus. The fund remains generally closed to new purchases by new investors as of 11:59 p.m. EST on March 1, 2021. Please contact NBI or your representative for more information.

Quick facts

| | | | |
|---|----------------|-------------------------------|---|
| Fund code: | NBC835 | Fund manager: | National Bank Investments Inc. ("NBI") |
| Date series started: | July 29, 1998 | Portfolio manager: | National Bank Trust Inc. |
| Total value of fund on January 31, 2021: | \$63.8 million | Portfolio sub-advisor: | Fiera Capital Corporation |
| Management expense ratio (MER): | 1.92% | Distribution: | Net income, end of each month and net realized capital gains for the year, December (automatically reinvested in additional securities, unless the investor chooses differently). |
| | | Minimum investment: | \$500 (initial), \$50 (additional), \$25 (systematic) |

What does the fund invest in?

The fund's investment objective is to ensure, through the diversification of its investments, a steady rate of return and high current income while achieving capital growth over the medium term. The fund achieves this by investing primarily in a combination of debt securities of Canadian federal, provincial and municipal governments, and shares of Canadian and foreign companies. It is expected that investments in securities of foreign issuers will not exceed approximately 30% of the fund's assets.

The charts below give you a snapshot of the fund's investments on January 31, 2021. The fund's investments will change over time.

Top 10 Investments (as at January 31, 2021)

| | |
|---|--------------|
| 1. NBI Global Equity Fund, Series O | 19.3% |
| 2. NBI Preferred Equity Fund, Series O | 8.2% |
| 3. NBI High Yield Bond Fund, Series O | 8.0% |
| 4. NBI Small Cap Fund, Series O | 3.3% |
| 5. NBI Canadian Equity Growth Fund, Series O | 2.6% |
| 6. NBI Canadian Family Business ETF | 2.3% |
| 7. TCHC Issuer Trust, 4.88%, due May 11, 2037 | 1.1% |
| 8. Province of Alberta, 2.90%, due December 1st, 2028 | 1.0% |
| 9. Bank of Nova Scotia, 2.29%, due June 28, 2024 | 1.0% |
| 10. Province of Ontario, 2.70%, due June 2, 2029 | 0.9% |
| Total percentage of top 10 investments: | 47.7% |
| Total number of investments: | 214 |

Investment Mix (as at January 31, 2021)

| Asset Allocation | | Sector Allocation | |
|------------------------------|-------|---|-------|
| Corporate Bonds | 31.3% | Bonds | 51.2% |
| US Equity | 12.8% | Exchange Traded Funds | 10.4% |
| Provincial Bonds | 12.1% | Financials | 9.5% |
| Exchange Traded Funds | 10.4% | Information Technology | 6.4% |
| Canadian Equity | 8.1% | Industrials | 5.3% |
| International Equity | 8.0% | Consumer Discretionary | 3.2% |
| Preferred Shares | 8.0% | Consumer Staples | 3.1% |
| Federal Bonds | 3.3% | Health Care | 2.4% |
| US Bonds | 2.0% | Energy | 2.1% |
| Municipal Bonds | 1.4% | Communication Services | 1.7% |
| Foreign Bonds | 1.0% | Materials | 1.5% |
| Cash, Money Market and Other | 0.7% | Utilities | 1.1% |
| Net Assets | 0.7% | Cash, Money Market and Other Net Assets | 0.7% |
| Asset Backed Securities | 0.6% | Asset Backed Securities | 0.6% |
| Mortgage Backed Securities | 0.3% | Real Estate | 0.5% |
| | | Mortgage Backed Securities | 0.3% |

How risky is it?

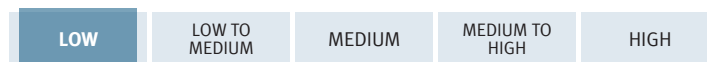
The value of the fund can go down as well as up. You could lose money. One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

Risk rating

NBI has rated the volatility of this fund as **low**.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. This rating can change over time. A fund with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the fund's returns, see the Risk section of the fund's simplified prospectus.

No guarantees

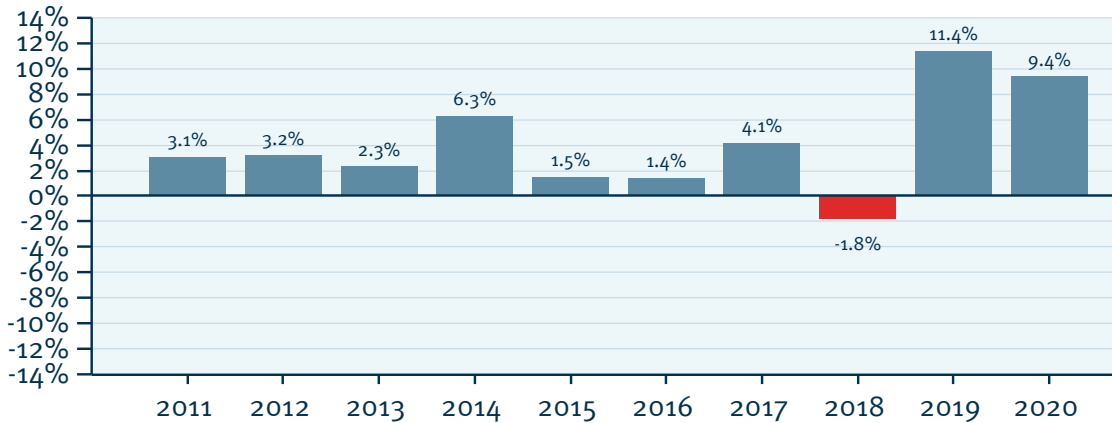
Like most mutual funds, this fund doesn't have any guarantees. You may not get back the money you invest.

How has the fund performed?

This section tells you how Investor Series securities of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the funds' returns.

Year-by-year returns

This chart shows how Investor Series securities of the fund performed in each of the past 10 years. The fund dropped in value in 1 of the 10 years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



Best and worst 3-month returns

This table shows the best and worst returns for Investor Series securities of the fund in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

| | Return | 3 months ending | If you invested \$1,000 at the beginning of the period |
|--------------|--------|-----------------|--|
| Best Return | 9.6% | June 30, 2020 | Your investment would rise to \$1,096. |
| Worst return | -8.0% | March 31, 2020 | Your investment would drop to \$920. |

Average return

The annual compounded return of Investor Series securities of the fund was 3.95% over the past 10 years. If you had invested \$1,000 in this series 10 years ago, your investment would now be worth \$1,473.

Who is this fund for?

Investors who:

- are looking to invest for the short to medium term (at least one year);
- are looking for a single investment solution or cannot afford to invest in a wide variety of securities in order to create a fully diversified portfolio.

A word about tax

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan (RRSP) or a Tax-Free Savings Account (TFSA).

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Investor Series units of the fund. The fees and expenses – including any commissions – can vary among series of the fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

1. Sales Charges

There are no charges when you purchase your securities through NBI or National Bank Direct Brokerage (a division of National Bank Financial Inc.). Other representative's firm may charge you a fee.

2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns. As of June 30, 2020, the fund's expenses were 1.94% of its value. This equals \$19.40 for every \$1,000 invested.

How much does it cost? (cont'd)

| | Annual rate (as a % of the fund's value) |
|--|--|
| Management expense ratio (MER) This is the total of the fund's management fee (including the trailing commission) and operating expenses (including fixed rate administration fee). NBI waived some of the fund's expenses. If it had not done so, the MER would have been higher. | 1.92% |
| Trading expense ratio (TER) These are the fund's trading costs. | 0.02% |
| Fund Expenses | 1.94% |

More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and/or advice that your representative and their firm provide to you.

NBI pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate for this series of the fund is up to 0.50% of the value of your investment each year. This equals \$5.00 each year for every \$1,000 invested.

3. Other fees

You may have to pay other fees when you buy, hold, sell, switch or convert securities of the fund.

| Fee | What you pay |
|------------------------|---|
| Short-term trading fee | 2% of the value of the securities you redeem or switch within 90 days of purchase may be charged by NBI. This fee goes to the fund. |
| Other fees | Registered Account termination fee, only if the registered investment account is with NBI. \$100 |

What if I change my mind?

Under the securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund securities within two business days after you receive a simplified prospectus or Fund Facts document; or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact your representative or NBI for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

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To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at www.securities-administrators.ca.