

INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2021

Short Term and Income Fund

NBI Preferred Equity Income Fund

Notes on forward-looking statements

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions "foresee", "intend", "anticipate", "estimate", "assume", "believe" and "expect" and other similar terms and expressions indicate forward-looking statements.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events.

The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.

This interim management report of fund performance contains financial highlights, but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim financial statements at your request, and at no cost, by calling 1-888-270-3941 or 514-871-2082, by writing to us at National Bank Investments Advisory Service, 500, Place d'Armes, 12th floor, Montreal, Quebec, H2Y 2W3, by visiting our website at www.nbinvestments.ca, by visiting SEDAR's website at www.sedar.com, or by contacting your advisor. You 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 Fund Performance

Results of Operations

For the six-month period ended June 30, 2021, the NBI Preferred Equity Income Fund's Investor Series units returned 18.84% compared to 14.30% for the Fund's benchmark, the S&P/TSX Preferred Share Index (CAD). Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for the returns of all of the Fund's series, which may vary mainly because of fees and expenses.

The Fund's net asset value rose by 37.12% over the period, from \$564.45 million as at December 31, 2020 to \$773.96 million as at June 30, 2021.

The increase stemmed mainly from unit purchases by investors in the Fund and market fluctuations.

The Canadian preferred share market had a stellar semester, outperforming the Canadian fixed income universe, including corporate bonds. The launch of new Limited Recourse Capital Notes (LRCN) and hybrid issues at tighter spreads than preferred shares, the high volume of shares buyback during the period and even more to come, combined with the rising rate environment, had a positive impact on this asset class.

The unbalanced demand/supply dynamic which led to a real scarcity of preferred shares, resulted in investors having to pay higher prices to replace those that have been redeemed, to maintain approximately the same exposure, in their investment portfolio. In this regard, over four billion dollars of preferred shares were redeemed by issuers, offset by only a few hundred million, split in two new issues, over the last six months.

In this context, the Fund outperformed its benchmark by over 450 bps for the semester. The outperformance resulted mainly from our overweight position in discounted resets, which performed very well during the period.

Recent Developments

The outlook for preferred shares has improved as we work our way through the COVID-19 outbreak. In reviewing the key drivers of market performance, the portfolio manager notes that while some elements are more difficult to predict, there are nevertheless some encouraging signs for this asset class over the next 12-18 months.

While the preferred share market has been one of the best performing asset class year-to-date, many investors are questioning themselves on how much higher it can go.

The portfolio manager thinks that a decent part of the capital appreciation has been realized, but he still expects more spread compression potential on the horizon in most segments of the preferred share market. Yield spreads between preferred shares and other fixed income assets still remain attractive.

In addition, preferred shares tend to outperform bonds in a rising interest rate environment, which can be particularly useful to diversify and protect fixed income portfolios against interest rate risk.

As we enter the next few months, substantial redemptions of preferred shares are expected from Canadian Banks, refinanced by LRCN issues. These circumstances will leave investors with cash that needs to be reinvested in the secondary market, due to the lack of new issues, which should be supportive for the overall asset class.

On April 30, 2021, the Fund's independent review committee (the "IRC") was reduced to three members when Yves Julien resigned as IRC member. On May 1, 2021, the Fund's IRC was increased to four members when Paul Béland was appointed as IRC member.

Related Party Transactions

National Bank of Canada ("the Bank") and its affiliated companies' roles and responsibilities related to the Fund are as follows:

Trustee, Custodian, and Registrar

Natcan Trust Company ("NTC"), a direct or indirect wholly-owned subsidiary of the Bank, is the Fund's trustee. In this capacity, it is the legal owner of the Fund's investments.

NTC acts as registrar for the Fund's securities and the names of securityholders. NTC also acts as the Fund's custodian. The fees for NTC's custodial services are based on the standard rates in effect at NTC.

Agent for securities lending transactions

NTC acts as the agent for securities lending transactions acts on behalf of the Fund in administering securities lending transactions entered into by the Fund. NTC is an affiliate of the Manager.

Fund Manager

The Fund is managed by National Bank Investments Inc. ("NBII"), which is a wholly-owned subsidiary of the Bank. Therefore, NBII provides or ensures the provision of all general management and administrative services required by the Fund's current operations, including investment consulting, the arrangement of brokerage contracts for the purchase and sale of the investment portfolio, bookkeeping and other administrative services required by the Fund.

The Manager pays the operating expenses of the Fund other than its "Fund costs" (defined below) (the "variable operating expenses"), in exchange for the Fund's payment to the Manager of annual fixed-rate administration fees with respect to each series of the Fund.

The administration fees are equal to a specified percentage of the net asset value of each series of the Fund, calculated and paid in the same manner as the Fund's management fees. The variable operating expenses payable by the Manager include, but are not limited to: transfer agency and recordkeeping costs; custodial costs; accounting and valuation fees; audit fees and legal fees; costs of preparing and distributing financial reports, simplified prospectuses, annual information forms, Fund Facts, continuous disclosure material and other securityholder communications; and costs of trustee services relating to registered tax plans, as applicable.

In addition to administration fees, the Fund shall also pay certain Fund costs, namely: taxes (including, but not limited to, GST/HST and income taxes); costs of compliance with any changes to existing governmental or regulatory requirements introduced after August 1, 2013; costs of compliance with any new governmental or regulatory requirements, including any new fees introduced after August 1, 2013; interest and borrowing costs; costs related to external services that were not commonly charged in the Canadian mutual fund industry as at August 1, 2013; Independent Review Committee costs, including compensation paid to IRC members, travel expenses, insurance premiums and costs associated with their continuing education; and variable operating expenses incurred outside of the normal course of business of the Fund.

The Manager may, from time to time and at its sole discretion, decide to absorb a portion of a series' management fees, administration fees or Fund costs.

As described under the heading *Management Fees*, the Fund pays annual management fees to NBII as consideration for its services.

Distribution and Dealer Compensation

NBII acts as principal distributor for the Fund. In this capacity, NBII buys, sells and swaps securities through Bank branches and the National Bank Investments Advisory Service in Canadian provinces and territories, and through external registered representatives. Fund securities are also offered by National Bank Financial Inc. (including its division National Bank Direct Brokerage), CABN Investments (a division of NBII) and other affiliated entities. Brokers may receive, depending on the distributed series, a monthly commission representing a percentage of the average daily value of the securities held by their clients.

Brokerage Fees

The Fund may pay broker's commissions at market rates to a corporation affiliated with NBII. The brokerage fees paid by the Fund for the period are as follows:

	Period ended June 30, 2021
Total brokerage fees	372,402.09
Brokerage fees paid to National Bank Financial	-

Holdings

As at June 30, 2021, National Bank Investments Inc. held 150.84 Fund securities for a value of \$1,695.39, which represented close to 0.0002% of the net asset value of the Fund at that date. Transactions between National Bank Investments Inc. and the Fund were carried out in the normal course of business and at the Fund's net asset value as at the transaction date.

As at June 30, 2021, Intact Insurance Company held 21,383,799.63 Fund securities for a value of \$240,353,907.86, which represented close to 31.1894% of the net asset value of the Fund at that date. Transactions between Intact Insurance Company and the Fund were carried out in the normal course of business and at the Fund's net asset value as at the transaction date.

Independent Review Committee Approvals and Recommendations

The Fund followed the standing instructions of its Independent Review Committee with respect to one or more of the following transactions:

- Purchasing or holding the securities of a related issuer, in particular, those of National Bank of Canada;
- Investing in the securities of an issuer when an entity related to the manager acts as an underwriter for the placement or at any time during the 60-day period after the end of the placement;
- Purchasing or selling securities to another investment Fund managed by the manager or a company in the same group;
- Purchasing or selling debt securities on the secondary market, through related brokers that are main brokers in the Canadian debt securities market (in accordance with an exemption received from the Canadian Securities Administrators);
- Entering into foreign exchange transactions (including both spot transactions and forward transactions) with National Bank of Canada.

The Manager has implemented policies and procedures to make sure that the conditions applicable to each of the above transactions are met. The applicable standing instructions require that these transactions be carried out in accordance with NBII policies, which specify, in particular, that investment decisions pertaining to these related party transactions must be made free from any influence by an entity related to NBII and without taking into account any consideration relevant to an entity related to NBII. Furthermore, the investment decisions must represent the business judgment of the securities advisor, uninfluenced by considerations other than the best interest of the Fund and must achieve a fair and reasonable result for the Fund.

Registered Plan Trust Services

NTC receives a fixed amount per registered account for services provided as trustee for registered plans.

Administrative and Operating Services

The provision of certain services was delegated by the Fund Manager, NBII, to National Bank Trust Inc. ("NBT"), a wholly-owned indirect subsidiary of the Bank. These include accounting, reporting and portfolio valuation services. The fees incurred for these services are paid to NBT by the Fund manager.

Management Fees

The Fund pays annual management fees to the Fund manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. A portion of the management fees paid by the Fund covers maximum annual trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily covers investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

Series	Management Fees	Distribution	Others [†]
Investor Series	1.25%	60.00%	40.00%
Advisor Series*			
Front-end load	1.25%	60.00%	40.00%
Back-end load - 1 to 6 years	1.25%	20.00%	80.00%
Back-end load - 7 years and more	1.25%	60.00%	40.00%
Low load - 1 to 3 years	1.25%	20.00%	80.00%
Low load - 4 years and more	1.25%	60.00%	40.00%
Series F	0.50%	—	100.00%
Series O	N/A**	—	100.00%

^(†) Includes all costs related to management, investment advisory services, general administration and profit.

^(*) Excluding sales commissions paid on the Advisor Series with the low sales charge option and deferred sales charge option, which are not paid for out of the management fees.

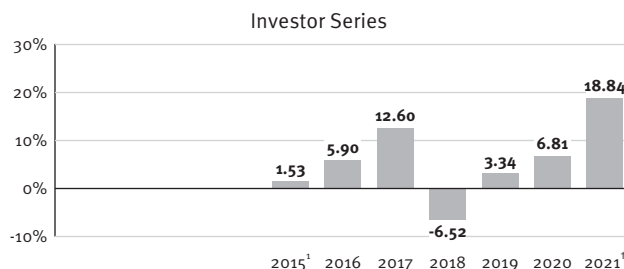
^(**) There are no management fees paid by the Fund with respect to the Series O. Instead, Series O securityholders pay a negotiated administration fee directly to National Bank Investments.

Past Performance

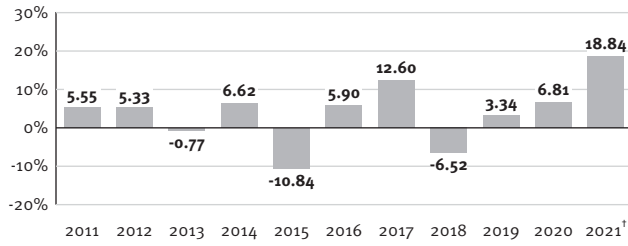
The performance of each series of the Fund is presented below and calculated as at December 31 of each year. It assumes that all distributions made in the periods shown were reinvested in additional securities and does not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of a series of a Fund does not necessarily indicate how it will perform in the future.

Annual Returns

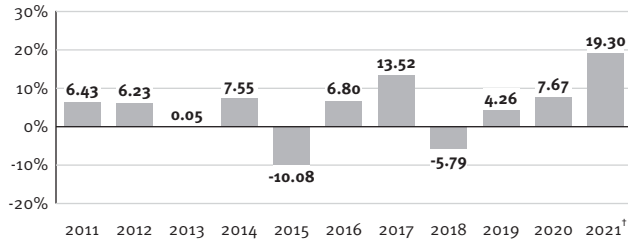
The bar charts indicate the performance for each the Fund's series in existence greater than one year during the years shown, and illustrate how the performance has changed from year to year. They show, in percentage terms, how much an investment made on January 1 (or made commencing from the start of the series) would have grown or decreased by December 31 of that year, or by June 30, as applicable.



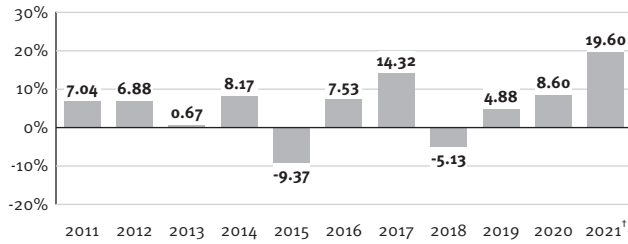
Advisor Series



Series F



Series O



⁽⁴⁾ Returns for the period from October 30, 2015 (commencement of operations) to December 31, 2015.

^(†) Returns for the period from January 1, 2021 to June 30, 2021.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the accounting periods shown.

Investor* / Advisor Series

^(*) The Investor Series was created on October 30, 2015.

Net Assets per Unit⁽¹⁾ Commencement of operations: November 22, 2007

Accounting Period Ended	2021 June 30	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.42	9.20	9.23	10.21	9.34	9.13
Increase (Decrease) from Operations (\$)						
Total revenue	0.24	0.50	0.49	0.47	0.44	0.44
Total expenses	(0.09)	(0.14)	(0.15)	(0.17)	(0.17)	(0.15)
Realized gains (losses)	0.08	(0.16)	(0.22)	0.08	0.34	(0.52)
Unrealized gains (losses)	1.50	0.28	0.18	(1.01)	0.57	0.63
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.73	0.48	0.30	(0.63)	1.18	0.40
Distributions (\$)						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	0.16	0.35	0.34	0.32	0.30	0.30
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.16	0.35	0.34	0.32	0.30	0.30
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	11.02	9.42	9.20	9.23	10.21	9.34

Ratios and Supplemental Data

Accounting Period Ended	2021 June 30	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) ⁽⁵⁾	155,828	120,221	128,362	146,075	188,478	191,052
Number of units outstanding ⁽⁵⁾	14,141,408	12,757,321	13,953,751	15,812,361	18,457,708	20,451,135
Management expense ratio (%) ⁽⁶⁾	1.55	1.55	1.55	1.55	1.55	1.55
Management expense ratio before waivers or absorptions (%)	1.55	1.55	1.55	1.55	1.55	1.55
Trading expense ratio (%) ⁽⁷⁾	0.11	0.10	0.12	0.14	0.16	0.15
Portfolio turnover rate (%) ⁽⁸⁾	9.97	24.28	43.72	47.95	55.26	53.85
Net asset value per unit (\$)	11.02	9.42	9.20	9.24	10.21	9.34

Series F

Net Assets per Unit⁽¹⁾ Commencement of operations: May 16, 2008

Accounting Period Ended	2021 June 30	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.77	9.52	9.54	10.54	9.61	9.39
Increase (Decrease) from Operations (\$)						
Total revenue	0.25	0.52	0.51	0.49	0.45	0.46
Total expenses	(0.04)	(0.07)	(0.08)	(0.09)	(0.09)	(0.08)
Realized gains (losses)	0.08	(0.15)	(0.23)	0.09	0.36	(0.47)
Unrealized gains (losses)	1.55	0.64	0.16	(1.16)	0.52	0.72
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.84	0.94	0.36	(0.67)	1.24	0.63
Distributions (\$)						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	0.21	0.41	0.42	0.40	0.36	0.38
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.21	0.41	0.42	0.40	0.36	0.38
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	11.43	9.77	9.52	9.54	10.54	9.61

Ratios and Supplemental Data

Accounting Period Ended	2021 June 30	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) ⁽⁵⁾	377,678	286,393	215,738	221,820	203,732	130,880
Number of units outstanding ⁽⁵⁾	33,035,850	29,301,697	22,670,073	23,227,744	19,333,701	13,610,181
Management expense ratio (%) ⁽⁶⁾	0.71	0.72	0.71	0.71	0.71	0.72
Management expense ratio before waivers or absorptions (%)	0.71	0.72	0.71	0.71	0.71	0.72
Trading expense ratio (%) ⁽⁷⁾	0.11	0.10	0.12	0.14	0.16	0.15
Portfolio turnover rate (%) ⁽⁸⁾	9.97	24.28	43.72	47.95	55.26	53.85
Net asset value per unit (\$)	11.43	9.77	9.52	9.55	10.54	9.62

Series O

Net Assets per Unit⁽¹⁾

Commencement of operations: November 22, 2007

Accounting Period Ended	2021 June 30	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.61	9.36	9.37	10.36	9.46	9.23
Increase (Decrease) from Operations (\$)						
Total revenue	0.25	0.51	0.50	0.48	0.44	0.45
Total expenses	(0.01)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)
Realized gains (losses)	0.08	(0.16)	(0.23)	0.08	0.34	(0.48)
Unrealized gains (losses)	1.50	0.43	0.26	(1.07)	0.57	0.80
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.82	0.77	0.52	(0.53)	1.33	0.75
Distributions (\$)						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	0.24	0.47	0.46	0.47	0.44	0.42
From capital gains	—	—	—	—	—	—
Return of capital	—	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.24	0.47	0.46	0.47	0.44	0.42
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	11.24	9.61	9.36	9.37	10.36	9.46

Ratios and Supplemental Data

Accounting Period Ended	2021 June 30	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) ⁽⁵⁾	240,458	157,832	145,457	116,726	123,016	107,599
Number of units outstanding ⁽⁵⁾	21,383,951	16,428,818	15,532,261	12,445,281	11,876,802	11,365,116
Management expense ratio (%) ⁽⁶⁾	0.02	0.02	0.02	0.02	0.02	0.02
Management expense ratio before waivers or absorptions (%)	0.02	0.02	0.02	0.02	0.02	0.02
Trading expense ratio (%) ⁽⁷⁾	0.11	0.10	0.12	0.14	0.16	0.15
Portfolio turnover rate (%) ⁽⁸⁾	9.97	24.28	43.72	47.95	55.26	53.85
Net asset value per unit (\$)	11.24	9.61	9.36	9.38	10.36	9.47

⁽¹⁾ This information is derived from the Fund's Annual Audited Financial Statements and Interim Unaudited Financial Statements. The net assets per unit presented in the financial statements might differ from the net asset value calculated for fund pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the average number of units outstanding over the accounting period.

⁽³⁾ Distributions were paid in cash or reinvested in additional units of the Fund, or both.

⁽⁴⁾ The net assets are calculated in accordance with IFRS.

⁽⁵⁾ This information is provided as at the last day of the accounting period shown.

⁽⁶⁾ Management expense ratio is based on total expenses including sales taxes for the accounting period indicated (excluding commission, other portfolio transaction costs and withholding taxes) and is expressed as an annualized percentage of daily average net value during the accounting period.

⁽⁷⁾ 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 accounting period. The trading expense ratio includes, if necessary, the trading expenses from its underlying funds, as described in Article 15.2 of Regulation 81-106.

⁽⁸⁾ The Fund's portfolio turnover rate indicates how actively the Fund portfolio's manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the accounting period. The higher a Fund's portfolio turnover rate in an accounting period, the greater the trading costs payable by the Fund in the accounting period, and the greater the chance of an investor receiving taxable capital gains in the accounting period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

Summary of Investment Portfolio

As of June 30, 2021

Portfolio Top Holdings

	% of Net Asset Value
Enbridge Inc., 4.96%, Series L	2.6
Brookfield Asset Management Inc., 3.01%, Series 24	2.1
Cash, Money Market and Other Net Assets	2.1
Brookfield Asset Management Inc., 3.47%, Series 26	1.9
Power Financial Corp., 2.31%, Series P	1.9
Bank of Montreal, 3.90%, Series 29	1.7
TC Energy Corp., 4.25%, Series 9	1.6
Brookfield Properties Corp., 3.78%, Class AAA, Series N	1.5
Toronto-Dominion Bank, 3.80%, Series 3	1.3
Brookfield Renewable Power Inc., 3.36%, Series 1	1.3
Brookfield Renewable Power Inc., 4.40%, Series	1.3
Sun Life Financial Inc., 2.84%, Series 10R	1.3
Power Financial Corp., 4.95%, Series K	1.2
Enbridge Inc., 4.00%, Series 3	1.2
Manulife Financial Corp., 3.90%, Series 15	1.2
Brookfield Asset Management Inc., 4.50%, Series 40	1.1
Enbridge Inc., 3.42%, Series B	1.1
Enbridge Inc., 4.89%, Series J	1.1
Canadian Imperial Bank of Commerce, 3.90%, Series 39	1.0
Bank of Montreal, 3.80%, Series 31	1.0
Bank of Montreal, 4.00%, Series 27	1.0
Brookfield Asset Management Inc., 4.50%, Series 42	1.0
Power Financial Corp., 4.20%, Series T	1.0
Emera Inc., 4.25%, Series F	1.0
Fortis Inc., 4.10%, Series M	1.0
	34.5

Net asset value \$773,963,739

Sector Allocation

	% of Net Asset Value
Financials	59.0
Energy	17.6
Utilities	12.2
Communication Services	4.9
Real Estate	4.2
Cash, Money Market and Other Net Assets	2.1

The above table shows the top 25 positions held by the Fund. In the case of a Fund with fewer than 25 positions, all positions are indicated.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment Fund. A quarterly update is available. Please consult our Web site at www.nbinvestments.ca.