

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

Fixed Income Private Portfolio

## **NBI Canadian Preferred Equity Private Portfolio**

### **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.

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This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual 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](http://www.nbinvestments.ca), by visiting SEDAR's website at [www.sedar.com](http://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

### Investment Objective and Strategies

The NBI Canadian Preferred Equity Private Portfolio's investment objective is to provide dividend income while focusing on capital preservation. This Fund invests directly, or through investments in securities of other mutual funds, in a portfolio mainly composed of preferred shares of Canadian companies and other income generating Canadian equities.

The portfolio manager conducts fundamental research, but will also consider quantitative and technical factors. The portfolio securities selection is based on knowledge of the company, its industry and its growth prospects. An extensive credit analysis for each security and an assessment of the risk profiles, the relative performance and the general conditions are completed in order to confirm the selection and the relative weight of each portfolio security. It is expected that investments in foreign securities will not exceed approximately 30% of the Fund's assets.

### Risks

The Fund's risk level was modified from "low to medium" to "medium" during the year. This change aims to more accurately reflect the Fund's actual risk level.

### Results of Operations

For the twelve-month period ended December 31, 2020, the NBI Canadian Preferred Equity Private Portfolio's Series N units returned 6.83% compared to 6.16% 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.

Certain series of the Fund, as applicable, may make distributions at a rate determined by the manager. This rate may change from time to time. If the aggregate amount of distributions in such series exceeds the portion of net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The manager does not believe that the return of capital distributions made by such series of the Fund have a meaningful impact on the Fund's ability to implement its investment strategy or to fulfill its investment objective.

The Fund's net asset value dropped by 21.13% over the period, from \$733.14 million as at December 31, 2019 to \$578.22 million as at December 31, 2020.

The decline stemmed mainly from net redemptions by unitholders of the Fund and a rebalancing of the managed solutions offered by National Bank.

After a start marked by the emergence of a global pandemic and the fastest stock market plunge in history, 2020 ended with a third consecutive quarter of strong gains for risk assets. Overall, these twelve months have witnessed extreme variations between asset classes - especially in the first quarter. Nonetheless, both stock and bond markets generally ended 2020 in positive territory, as lower interest rates led to significant gains for fixed income securities while supporting the economic and stock market recovery. Within equity regions, divergences were also quite spectacular, with the U.S. stock market dominating its peers throughout the first three quarter of the year thanks to its heavy allocation to more defensive sectors. That said, emerging markets rallied strongly later in 2020, lifted by a weaker U.S. dollar and the spectacular performance of Asian countries, most of which have managed to quickly contain the pandemic.

On the preferred equity front, the launch of new and cheaper AT1 funding alternatives for Canadian Banks, Limited Recourse Capital Notes (LRCNs), were a game changer for preferred shares and helped the asset class end the year in positive territory. Preferred shares investors turned their focus towards the positive impact of both the LRCN and the Hybrid market, which should result in many redemptions of expensive preferred shares over the next quarters and bring a constant bid to the market. The strong credit tone and more stable interest rates during the second half of the year also supported this asset class.

Under these circumstances, the Fund outperformed its benchmark. An overweight position in perpetual securities was a major contributor throughout the year, as was security selection in floating rate issues. Conversely, an underweight position in Financials and an overweight in Energy, reduced the Fund's performance.

### Recent Developments

The portfolio manager has continued to improve the quality of issues for "a lower for longer" interest rate environment within the Fund's fixed reset allocation by reducing exposure to fixed resets with low reset levels, and increasing the allocation to fixed reset issues with high reset levels and issues with floor features. The portfolio manager also took advantage of some redemptions to increase the allocation towards some attractive fixed reset issues with a floor.

The Fund is underweight floating rate and fixed-floating securities, and slightly overweight perpetuals. Sector wise, the Fund remains overweight the Energy, Utilities and Telecommunication Services sectors and underweight Banks and Financials.

COVID-19 will continue to be the focus for financial markets. The portfolio manager acknowledges virus cases are currently spiking, economies are temporarily shutting down and growth will be hit hard in the near term, but vaccinations are underway, governments will continue to provide support, countries will eventually re-open and growth will pick up significantly. Central banks will keep short rates anchored but expectations for a stronger economy and the corresponding rise in inflation expectations will put some pressure on the long end of the curve.

The development of the LRCN market and the strength of this market continue to be a game changer for the Canadian preferred shares market. Apart from the Canadian banks, the portfolio manager thinks life insurance companies could also tap the LRCN market shortly. For the non-financial companies, the stronger ones already have access to the hybrid market both in Canada and in the U.S. Those alternatives are currently cheaper solutions for issuers to fund capital or AT1. The portfolio manager thinks central banks and fiscal government stimulus will help keep the credit tone strong. The primary market will remain quiet in this environment. Retail investors could continue to be net seller, but it should not derail the positive impact of those potential redemptions, which will bring a strong and constant bid in the market. Flows into ETFs will continue to be an important driver of daily volatility. In this environment, fixed reset issues with mid reset levels that trade at discount should continue to outperform. The portfolio manager also thinks the non-financial sectors (Utilities, Telecommunications and Energy) have more upside than the Financials sector.

On April 30, 2020, the Fund's independent review committee (the "IRC") was reduced to three members when Jacques Valotaire and Jean-François Bernier resigned as IRC members. On July 1, 2020, the Fund's IRC was increased to four members when Marie Desroches 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. Trailing commissions are covered by NBI Private Wealth Management's service fees, which are paid directly by investors.

#### 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<br>December 31, 2020 |
|---|-----------------------------------|
| <b>Total brokerage fees</b>                           | 206,103.83                        |
| <b>Brokerage fees paid to National Bank Financial</b> | 240.00                            |

#### Holdings

As at December 31, 2020, National Bank Investments Inc. held 119.91 Fund securities for a value of \$1,167.94, 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.

#### 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

NBT 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. The management fees paid by the Fund only cover management of fund investments, i.e. the fees related to management of fund portfolios constituting the profiles of the NBI Private Wealth Management service ("PWM"). General administration services, trailer fees and sale commissions paid to brokers are covered by the PWM's service fees, which are paid directly by investors. 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 <sup>†</sup> |
|------------------------|-----------------|--------------|---------------------|
| Series N and Series NR | 0.15%           | —            | 100.00%             |

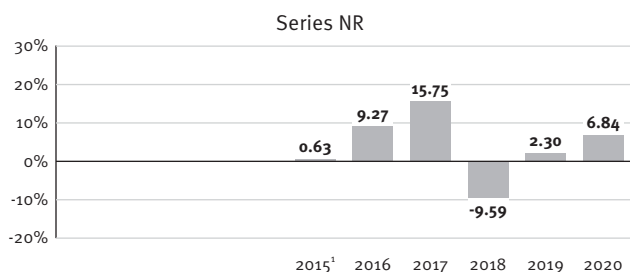
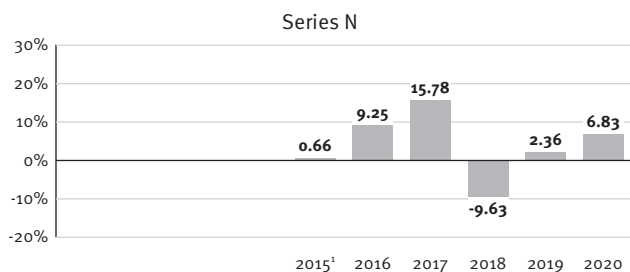
<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

## 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.



<sup>(1)</sup> Returns for the period from October 30, 2015 (commencement of operations) to December 31, 2015.

### Annual Compounded Performance

The following table shows the Fund's annual compound returns for each series in existence greater than one year and for each of the periods ended on December 31, 2020, compared with the following benchmark:

- S&P/TSX Preferred Share Index (CAD)

#### NBI Canadian Preferred Equity Private Portfolio

|                              | 1 year | 3 years | 5 years | 10 years | Since inception |
|------------------------------|--------|---------|---------|----------|-----------------|
| <b>Series N<sup>1</sup></b>  | 6.83%  | (0.40)% | 4.56%   | –        | 4.54%           |
| Benchmark                    | 6.16%  | 0.38%   | 4.22%   | –        | 4.43%           |
| <b>Series NR<sup>1</sup></b> | 6.84%  | (0.40)% | 4.56%   | –        | 4.53%           |
| Benchmark                    | 6.16%  | 0.38%   | 4.22%   | –        | 4.43%           |

<sup>1</sup>Commencement of operations: October 30, 2015

A discussion of the Fund's relative performance in comparison to the index (or indices) can be found in the *Results of Operations* Section of this report.

#### Index Description

The **S&P/TSX Preferred Share Index** is a subset of the S&P/TSX Index and reflects the preferred share price fluctuations of a group of companies listed on the Toronto Stock Exchange and weighted by market capitalization.

## 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.

### Series N

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 30, 2015

| Accounting Period Ended  | 2020        | 2019        | 2018        | 2017        | 2016        |
|--|-------------|-------------|-------------|-------------|-------------|
|  | December 31 | December 31 | December 31 | December 31 | December 31 |
| <b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup> | 9.88        | 10.14       | 11.72       | 10.51       | 10.04       |
| <b>Increase (Decrease) from Operations (\$)</b>                        |             |             |             |             |             |
| Total revenue  | 0.52        | 0.53        | 0.52        | 0.50        | 0.52        |
| Total expenses   | (0.03)      | (0.03)      | (0.04)      | (0.04)      | (0.03)      |
| Realized gains (losses)  | (0.97)      | (0.31)      | 0.03        | 0.04        | (0.12)      |
| Unrealized gains (losses)  | 0.87        | 0.09        | (1.56)      | 1.15        | 0.98        |
| <b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>   | 0.39        | 0.28        | (1.05)      | 1.65        | 1.35        |
| <b>Distributions (\$)</b>  |             |             |             |             |             |
| From net investment income (excluding dividends)                       | —           | —           | —           | —           | —           |
| From dividends   | 0.53        | 0.49        | 0.48        | 0.44        | 0.46        |
| From capital gains   | —           | —           | —           | —           | —           |
| Return of capital  | —           | —           | —           | —           | —           |
| <b>Total Annual Distributions (\$)</b> <sup>(3)</sup>                  | 0.53        | 0.49        | 0.48        | 0.44        | 0.46        |
| <b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>  | 9.95        | 9.88        | 10.14       | 11.72       | 10.51       |

### Ratios and Supplemental Data

| Accounting Period Ended                                    | 2020        | 2019        | 2018        | 2017        | 2016        |
|--|-------------|-------------|-------------|-------------|-------------|
|  | December 31 | December 31 | December 31 | December 31 | December 31 |
| Total net asset value (000's of \$) <sup>(5)</sup>         | 238,677     | 315,821     | 264,762     | 275,553     | 241,621     |
| Number of units outstanding <sup>(5)</sup>                 | 23,985,663  | 31,962,492  | 26,075,079  | 23,516,553  | 22,968,504  |
| Management expense ratio (%) <sup>(6)</sup>                | 0.29        | 0.29        | 0.29        | 0.29        | 0.29        |
| Management expense ratio before waivers or absorptions (%) | 0.29        | 0.29        | 0.29        | 0.29        | 0.29        |
| Trading expense ratio (%) <sup>(7)</sup>                   | 0.03        | 0.03        | 0.03        | 0.04        | 0.05        |
| Portfolio turnover rate (%) <sup>(8)</sup>                 | 62.60       | 29.51       | 14.52       | 20.96       | 43.19       |
| Net asset value per unit (\$)                              | 9.95        | 9.88        | 10.15       | 11.72       | 10.52       |

### Series NR

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 30, 2015

| Accounting Period Ended  | 2020        | 2019        | 2018        | 2017        | 2016        |
|--|-------------|-------------|-------------|-------------|-------------|
|  | December 31 | December 31 | December 31 | December 31 | December 31 |
| <b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup> | 9.80        | 10.06       | 11.62       | 10.43       | 10.01       |
| <b>Increase (Decrease) from Operations (\$)</b>                        |             |             |             |             |             |
| Total revenue  | 0.51        | 0.53        | 0.52        | 0.50        | 0.51        |
| Total expenses   | (0.03)      | (0.03)      | (0.04)      | (0.04)      | (0.03)      |
| Realized gains (losses)  | (0.96)      | (0.30)      | 0.03        | 0.04        | (0.12)      |
| Unrealized gains (losses)  | 0.72        | 0.10        | (1.66)      | 1.14        | 0.91        |
| <b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>   | 0.24        | 0.30        | (1.15)      | 1.64        | 1.27        |
| <b>Distributions (\$)</b>  |             |             |             |             |             |
| From net investment income (excluding dividends)                       | —           | —           | —           | —           | —           |
| From dividends   | 0.51        | 0.49        | 0.48        | 0.43        | 0.45        |
| From capital gains   | —           | —           | —           | —           | —           |
| Return of capital  | 0.03        | —           | —           | 0.01        | 0.02        |
| <b>Total Annual Distributions (\$)</b> <sup>(3)</sup>                  | 0.54        | 0.49        | 0.48        | 0.44        | 0.47        |
| <b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>  | 9.86        | 9.80        | 10.06       | 11.62       | 10.43       |

### Ratios and Supplemental Data

| Accounting Period Ended                                    | 2020        | 2019        | 2018        | 2017        | 2016        |
|--|-------------|-------------|-------------|-------------|-------------|
|  | December 31 | December 31 | December 31 | December 31 | December 31 |
| Total net asset value (000's of \$) <sup>(5)</sup>         | 3,859       | 5,758       | 5,173       | 5,421       | 4,953       |
| Number of units outstanding <sup>(5)</sup>                 | 391,327     | 587,367     | 513,702     | 466,626     | 474,517     |
| Management expense ratio (%) <sup>(6)</sup>                | 0.29        | 0.29        | 0.29        | 0.29        | 0.29        |
| Management expense ratio before waivers or absorptions (%) | 0.29        | 0.29        | 0.29        | 0.29        | 0.29        |
| Trading expense ratio (%) <sup>(7)</sup>                   | 0.03        | 0.03        | 0.03        | 0.04        | 0.05        |
| Portfolio turnover rate (%) <sup>(8)</sup>                 | 62.60       | 29.51       | 14.52       | 20.96       | 43.19       |
| Net asset value per unit (\$)                              | 9.86        | 9.80        | 10.07       | 11.62       | 10.44       |

## Series PW\*

<sup>(1)</sup> Please note that this Series is offered by way of private placement.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 30, 2015

| Accounting Period Ended  | 2020<br>December 31 | 2019<br>December 31 | 2018<br>December 31 | 2017<br>December 31 | 2016<br>December 31 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup> | 6.89                | 7.12                | 8.22                | 7.35                | 7.05                |
| <b>Increase (Decrease) from Operations (\$)</b>                        |                     |                     |                     |                     |                     |
| Total revenue  | 0.36                | 0.37                | 0.37                | 0.36                | 0.35                |
| Total expenses   | (0.02)              | (0.02)              | (0.02)              | (0.02)              | (0.02)              |
| Realized gains (losses)  | (0.68)              | (0.20)              | 0.02                | 0.03                | (0.08)              |
| Unrealized gains (losses)  | 0.36                | (0.05)              | (1.21)              | 0.69                | 0.39                |
| <b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>   | 0.02                | 0.10                | (0.84)              | 1.06                | 0.64                |
| <b>Distributions (\$)</b>  |                     |                     |                     |                     |                     |
| From net investment income (excluding dividends)                       | 0.01                | —                   | —                   | —                   | —                   |
| From dividends   | 0.34                | 0.38                | 0.34                | 0.28                | 0.33                |
| From capital gains   | —                   | —                   | —                   | —                   | —                   |
| Return of capital  | —                   | —                   | —                   | —                   | —                   |
| <b>Total Annual Distributions (\$)</b> <sup>(3)</sup>                  | 0.35                | 0.38                | 0.34                | 0.28                | 0.33                |
| <b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>  | 6.95                | 6.89                | 7.12                | 8.22                | 7.35                |

### Ratios and Supplemental Data

| Accounting Period Ended                                    | 2020<br>December 31 | 2019<br>December 31 | 2018<br>December 31 | 2017<br>December 31 | 2016<br>December 31 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total net asset value (000's of \$) <sup>(5)</sup>         | 290,387             | 349,175             | 514,666             | 493,034             | 225,312             |
| Number of units outstanding <sup>(5)</sup>                 | 41,786,622          | 50,668,121          | 72,245,935          | 59,963,599          | 30,646,495          |
| Management expense ratio (%) <sup>(6)</sup>                | 0.23                | 0.23                | 0.23                | 0.23                | 0.23                |
| Management expense ratio before waivers or absorptions (%) | 0.23                | 0.23                | 0.23                | 0.23                | 0.23                |
| Trading expense ratio (%) <sup>(7)</sup>                   | 0.03                | 0.03                | 0.03                | 0.04                | 0.05                |
| Portfolio turnover rate (%) <sup>(8)</sup>                 | 62.60               | 29.51               | 14.52               | 20.96               | 43.19               |
| Net asset value per unit (\$)                              | 6.95                | 6.89                | 7.12                | 8.22                | 7.35                |

## Series PWO\*

<sup>(1)</sup> Please note that this Series is offered by way of private placement.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 30, 2015

| Accounting Period Ended  | 2020<br>December 31 | 2019<br>December 31 | 2018<br>December 31 | 2017<br>December 31 | 2016<br>December 31 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup> | 8.07                | 8.37                | 9.74                | 8.77                | 8.42                |
| <b>Increase (Decrease) from Operations (\$)</b>                        |                     |                     |                     |                     |                     |
| Total revenue  | 0.42                | 0.44                | 0.43                | 0.42                | 0.43                |
| Total expenses   | (0.01)              | (0.01)              | (0.01)              | (0.01)              | (0.01)              |
| Realized gains (losses)  | (0.79)              | (0.22)              | 0.03                | 0.03                | (0.09)              |
| Unrealized gains (losses)  | 0.35                | (0.09)              | (1.21)              | 1.03                | 0.55                |
| <b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>   | (0.03)              | 0.12                | (0.76)              | 1.47                | 0.88                |
| <b>Distributions (\$)</b>  |                     |                     |                     |                     |                     |
| From net investment income (excluding dividends)                       | 0.02                | —                   | —                   | —                   | —                   |
| From dividends   | 0.41                | 0.49                | 0.47                | 0.42                | 0.42                |
| From capital gains   | —                   | —                   | —                   | —                   | —                   |
| Return of capital  | —                   | —                   | —                   | —                   | —                   |
| <b>Total Annual Distributions (\$)</b> <sup>(3)</sup>                  | 0.43                | 0.49                | 0.47                | 0.42                | 0.42                |
| <b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>  | 8.12                | 8.07                | 8.37                | 9.74                | 8.77                |

### Ratios and Supplemental Data

| Accounting Period Ended                                    | 2020<br>December 31 | 2019<br>December 31 | 2018<br>December 31 | 2017<br>December 31 | 2016<br>December 31 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total net asset value (000's of \$) <sup>(5)</sup>         | 42,419              | 59,299              | 118,772             | 208,775             | 284,432             |
| Number of units outstanding <sup>(5)</sup>                 | 5,221,603           | 7,344,038           | 14,175,941          | 21,440,247          | 32,429,695          |
| Management expense ratio (%) <sup>(6)</sup>                | 0.10                | 0.10                | 0.10                | 0.10                | 0.10                |
| Management expense ratio before waivers or absorptions (%) | 0.10                | 0.10                | 0.10                | 0.10                | 0.10                |
| Trading expense ratio (%) <sup>(7)</sup>                   | 0.03                | 0.03                | 0.03                | 0.04                | 0.05                |
| Portfolio turnover rate (%) <sup>(8)</sup>                 | 62.60               | 29.51               | 14.52               | 20.96               | 43.19               |
| Net asset value per unit (\$)                              | 8.12                | 8.07                | 8.38                | 9.74                | 8.77                |

## Private Series\*

<sup>(\*)</sup> Please note that this Series is offered by way of private placement.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: December 5, 2016

| Accounting Period Ended  | 2020<br>December 31 | 2019<br>December 31 | 2018<br>December 31 | 2017<br>December 31 | 2016<br>December 31 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| <b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup> | 9.64                | 9.91                | 11.45               | 10.33               | 10.00               |
| <b>Increase (Decrease) from Operations (\$)</b>                        |                     |                     |                     |                     |                     |
| Total revenue  | 0.50                | 0.52                | 0.51                | 0.49                | 0.04                |
| Total expenses   | (0.06)              | (0.06)              | (0.07)              | (0.07)              | —                   |
| Realized gains (losses)  | (0.98)              | (0.30)              | 0.03                | 0.05                | (0.03)              |
| Unrealized gains (losses)  | 1.18                | 0.10                | (1.52)              | 1.15                | 0.34                |
| <b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>   | 0.64                | 0.26                | (1.05)              | 1.62                | 0.35                |
| <b>Distributions (\$)</b>  |                     |                     |                     |                     |                     |
| From net investment income (excluding dividends)                       | —                   | —                   | —                   | —                   | —                   |
| From dividends   | 0.46                | 0.46                | 0.44                | 0.45                | 0.01                |
| From capital gains   | —                   | —                   | —                   | —                   | —                   |
| Return of capital  | —                   | —                   | —                   | —                   | —                   |
| <b>Total Annual Distributions (\$)</b> <sup>(3)</sup>                  | 0.46                | 0.46                | 0.44                | 0.45                | 0.01                |
| <b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>  | 9.73                | 9.64                | 9.91                | 11.45               | 10.33               |

## Ratios and Supplemental Data

| Accounting Period Ended                                    | 2020<br>December 31 | 2019<br>December 31 | 2018<br>December 31 | 2017<br>December 31 | 2016<br>December 31 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| Total net asset value (000's of \$) <sup>(5)</sup>         | 2,878               | 3,091               | 2,857               | 3,559               | 6,818               |
| Number of units outstanding <sup>(5)</sup>                 | 295,604             | 320,681             | 288,096             | 310,744             | 659,784             |
| Management expense ratio (%) <sup>(6)</sup>                | 0.62                | 0.62                | 0.62                | 0.62                | 0.62                |
| Management expense ratio before waivers or absorptions (%) | 0.62                | 0.62                | 0.62                | 0.62                | 0.62                |
| Trading expense ratio (%) <sup>(7)</sup>                   | 0.03                | 0.03                | 0.03                | 0.04                | 0.05                |
| Portfolio turnover rate (%) <sup>(8)</sup>                 | 62.60               | 29.51               | 14.52               | 20.96               | 43.19               |
| Net asset value per unit (\$)                              | 9.74                | 9.64                | 9.92                | 11.45               | 10.33               |

<sup>(4)</sup> This information is derived from the Fund's Annual Audited 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.

<sup>(2)</sup> 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.

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

<sup>(4)</sup> The net assets are calculated in accordance with IFRS.

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

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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 December 31, 2020

### Portfolio Top Holdings

|  | % of Net<br>Asset Value |
|--|-------------------------|
| NBI Bond Fund, Series O                              | 23.4                    |
| Canadian Imperial Bank of Commerce, 4.40%, Series 45 | 2.7                     |
| Toronto-Dominion Bank, 4.85%, Series 14              | 1.7                     |
| Bank of Nova Scotia, 4.85%, Series 38                | 1.4                     |
| Royal Bank of Canada, 3.60%, Series BD               | 1.4                     |
| Toronto-Dominion Bank, 3.60%, Series 7               | 1.4                     |
| Enbridge Inc., 4.00%, Series 3                       | 1.4                     |
| Canadian Imperial Bank of Commerce, 3.60%, Series 43 | 1.2                     |
| Sun Life Financial Inc., 4.75%, Series 1             | 1.2                     |
| Sun Life Financial Inc., 4.80%, Series 2             | 1.1                     |
| Great-West Lifeco Inc., 4.85%, Series H              | 1.1                     |
| National Bank of Canada, 4.45%, Series 38            | 1.0                     |
| National Bank of Canada, 5.40%, Series 36            | 1.0                     |
| Great-West Lifeco Inc., 5.40%, Series P              | 1.0                     |
| Pembina Pipeline Corporation, 4.75%, Series 9        | 1.0                     |
| Enbridge Inc., 4.00%, Series P                       | 0.9                     |
| Pembina Pipeline Corporation, 4.50%, Series 7        | 0.9                     |
| Manulife Financial Corp., 4.65%, Series 2            | 0.9                     |
| Manulife Financial Corp., 4.85%, Series 23           | 0.9                     |
| Bank of Montreal, 4.50%, Class B, Series 40          | 0.8                     |
| Toronto-Dominion Bank, 3.80%, Series 3               | 0.8                     |
| BCE Inc., 3.11%, Series AF                           | 0.8                     |
| Enbridge Inc., 4.40%, Series 11                      | 0.8                     |
| TC Energy Corp., 4.90%, Series 15                    | 0.8                     |
| Cash, Money Market and Other Net Assets              | 0.4                     |
|  | 50.0                    |

Net asset value ..... \$578,218,872

### Sector Allocation

|   | % of Net<br>Asset Value |
|---|-------------------------|
| Financials                              | 42.3                    |
| Energy                                  | 16.9                    |
| Corporate Bonds                         | 9.8                     |
| Utilities                               | 9.2                     |
| Provincial Bonds                        | 7.8                     |
| Communication Services                  | 4.3                     |
| Federal Bonds                           | 3.5                     |
| Municipal Bonds                         | 2.2                     |
| Real Estate                             | 1.5                     |
| Consumer Staples                        | 1.0                     |
| US Bonds                                | 0.3                     |
| Mortgage Backed Securities              | 0.3                     |
| Foreign Bonds                           | 0.2                     |
| Asset Backed Securities                 | 0.2                     |
| Cash, Money Market and Other Net Assets | 0.5                     |

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](http://www.nbinvestments.ca).