

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Canadian Equity Private Portfolio

NBI Canadian Small Cap 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.

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, 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

Investment Objective and Strategies

The NBI Canadian Small Cap Equity Private Portfolio's investment objective is to provide long-term capital growth while focusing on preservation of capital. The Fund invests directly, or through investments in securities of other mutual funds, in a portfolio composed mainly of common shares of Canadian small capitalization companies.

The portfolio manager invests in securities of Canadian small capitalization companies that are listed on recognized markets. When selecting securities, the portfolio manager gives greater importance to security selection than sector rotation. The portfolio manager takes small positions in companies with earnings growth potential, and then increases the positions if the companies live up to expectations. It is expected that investments in foreign securities will not exceed approximately 40% of the Fund's assets.

Risks

The global investment risk of the Fund remains as described in the simplified prospectus or any amendments thereto and Fund Facts.

Results of Operations

For the twelve-month period ended December 31, 2019, the NBI Canadian Small Cap Equity Private Portfolio's Series N units returned 20.33% compared to 15.84% for the Fund's benchmark, the S&P/TSX Small Cap 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 rose by 25.26% over the period, from \$284.74 million as at December 31, 2018 to \$356.66 million as at December 31, 2019.

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

The Bank of Canada didn't follow its peers around the world in lowering its benchmark rate, instead opting to maintain its key interest rate of 1.75% throughout the year. The Governing Council stated that the resilience of Canada's economy will be increasingly tested as trade conflicts and uncertainty persist but that it will only act by considering its own economic indicators. Economic growth in Canada slowed in the third quarter to an annual pace of 1.3%, in line with the Bank of Canada's forecast in October. CPI inflation in Canada remains generally on target, and measures of core inflation are around 2%, consistent with an economy operating near capacity. The unemployment rate remained impressively low during the year but the Canadian economy posted its biggest monthly job loss since the financial crisis in November, pushing the unemployment rate higher near year's end. The Bank of Canada thus ended the year as one of the few major central banks to maintain its policy rate, rather than decreasing it.

In this environment, smaller businesses in Canada underperformed their large relatives for the year, with the S&P/TSX Small Cap Index falling short of the broad-based S&P/TSX Index. The Energy and Health Care sectors were the only detractors while the Financials and Utilities sectors outperformed.

Under these circumstances, the Fund outperformed its benchmark. The major positive contributors came from GoEasy, Altus Group, Solium Capital, Heroux-Devtek and ECN Capital. In contrast, the major negative contributors came from Merit Medical Systems, Enerflex, NuVista Energy, Tamarack Valley Energy and Helmerich & Payne.

Most of the positive outperformance is explained by an underweight and the quality of the Fund's stock picking in the Energy sector. The Fund also benefited from an overweight in the Information Technology sector and from the contribution of Solium Capital that was taken out at a premium. On the other hand, an underweight in the Materials sector was costly as gold stocks performed strongly, especially towards the end of the year.

Recent Developments

The portfolio manager initiated positions in the following stocks: ARC Resources, Andlauer Healthcare Group, BJ's Wholesale Clubs, Cargojet, Dorman Products, Envesnet, Helmerich & Payne, InterRent REIT, Mag Silver, Minto Apartment REIT, Parex Resources, RealPage, Richard's Packaging, Omnicell and Verra Mobility. Meanwhile, the portfolio manager removed the following positions from the portfolio: AGT Food & Ingredients, Cushman & Wakefield, Mediagrif Interactive, MTY Food Group, NuVista Energy, Russel Metals, Sleep Country Canada, Pinnacle Renewable Energy, Semafo, Solium Capital, TPI Composites and Vermilion Energy.

Regarding the Fund's positioning, it is overweight sectors that have a low correlation with the Commodity and Energy sectors (Industrials, Consumer Staples, Information Technology and Real Estate) because the portfolio manager believes in their long-term growth potential (which does not depend on high commodity prices and constant access to equity markets to finance growth). The Fund upholds an underweight in the Energy sector. This is mainly explained by reduced exposure to service companies. The difficult spending environment persists in the Canadian energy sector caused by low oil and gas prices and lack of infrastructure. The Fund also maintains an underweight in the Materials sector. This is mainly explained by reduced exposure to gold, silver and base metal companies.

The Fund's current positioning is the result of a bottom up long-term investment approach. The portfolio manager is looking to invest in the global leaders of tomorrow that have a clear and defined growth strategy. The Fund's investment horizon is long term if the business plan is evolving in the right direction.

Canadian small cap stocks have been underperforming their larger peers since mid 2016. The portfolio manager thinks this provides a good entry point at current levels, considering that valuations have come down significantly, balance sheets are healthy and credit conditions remain positive. Meanwhile, Canadian energy stocks have suffered recently due to the lack of available pipeline capacity. This situation will not be resolved quickly and limits the upside of the Fund's local producers and service companies.

Going forward, the portfolio manager expects the majority of the holdings to continue to grow, pursue M&A opportunities in their respective markets, consolidate their leadership position and increase profitability at the same time. The portfolio manager is monitoring the different geopolitical risks, rising food costs, pressure on wages and ongoing global trade issues that could have an impact on the growth of the global economy

On April 30, 2019, the Fund's independent review committee (the "IRC") was reduced to three members when André Godbout resigned as an IRC member. On May 22, 2019, the Fund's IRC was increased to five members when Norman Turnbull and Robert Martin were appointed as IRC members.

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.

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 [†]
Series N and Series NR	0.30%	—	100.00%

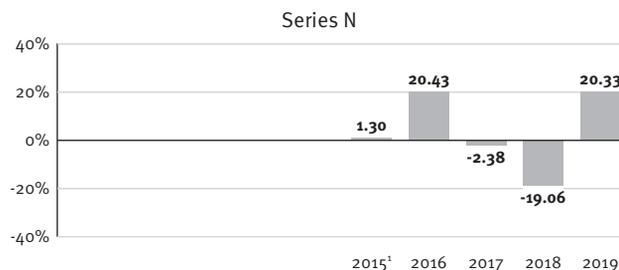
^(†) Includes all costs related to management, investment advisory services, general administration and profit.

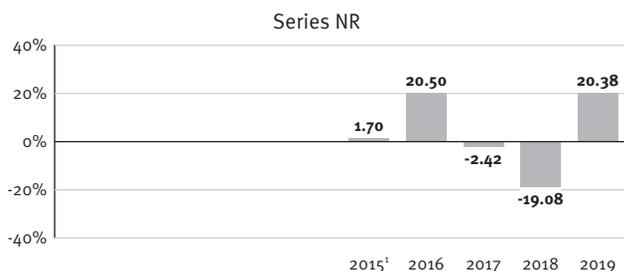
Past Performance

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.





⁽¹⁾ 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, 2019, compared with the following benchmark:

- S&P/TSX Small Cap Index (CAD)

NBI Canadian Small Cap Equity Private Portfolio

	1 year	3 years	5 years	10 years	Since inception
Series N¹	20.33%	(1.67)%	–	–	3.62%
Benchmark	15.84%	(0.87)%	–	–	6.89%
Series NR¹	20.38%	(1.68)%	–	–	3.72%
Benchmark	15.84%	(0.87)%	–	–	6.89%

¹Commencement 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 Small Cap Index** is capitalization weighted and consists of small cap companies trading on the Toronto Stock Exchange that meet criteria relating to minimum size, liquidity and issuer rating.

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 / Private Series*

^(*)Please note that the Private Series was created on November 28, 2016, and is offered by way of private placement.

Net Assets per Unit⁽¹⁾ Commencement of operations: October 30, 2015

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.64	11.91	12.20	10.13	10.00
Increase (Decrease) from Operations (\$)					
Total revenue	0.11	—	—	—	—
Total expenses	(0.06)	(0.06)	(0.06)	(0.06)	(0.01)
Realized gains (losses)	0.03	—	0.03	0.23	—
Unrealized gains (losses)	1.84	(2.26)	0.05	2.32	0.09
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.92	(2.32)	0.02	2.49	0.08
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	—	—	—	—	—
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	11.60	9.64	11.91	12.20	10.13

Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Total net asset value (000's of \$) ⁽⁵⁾	351,061	279,536	274,153	141,690	42,406
Number of units outstanding ⁽⁵⁾	30,272,302	29,003,495	23,021,888	11,614,355	4,187,380
Management expense ratio (%) ⁽⁶⁾	0.54	0.54	0.54	0.54	0.54
Management expense ratio before waivers or absorptions (%)	0.54	0.54	0.54	0.54	0.55
Trading expense ratio (%) ⁽⁷⁾	0.08	0.16	0.21	0.27	0.05
Portfolio turnover rate (%) ⁽⁸⁾	7.84	2.04	2.33	23.37	28.12
Net asset value per unit (\$)	11.60	9.64	11.91	12.20	10.13

Series NR

Net Assets per Unit⁽¹⁾ Commencement of operations: October 30, 2015

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	7.97	10.53	11.52	10.12	10.00
Increase (Decrease) from Operations (\$)					
Total revenue	0.09	—	—	—	—
Total expenses	(0.05)	(0.05)	(0.05)	(0.06)	(0.01)
Realized gains (losses)	0.02	—	0.02	0.21	—
Unrealized gains (losses)	1.51	(1.94)	0.27	2.20	0.07
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.57	(1.99)	0.24	2.35	0.06
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	0.48	0.63	0.69	0.61	0.05
Total Annual Distributions (\$) ⁽³⁾	0.48	0.63	0.69	0.61	0.05
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	9.09	7.97	10.53	11.52	10.12

Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Total net asset value (000's of \$) ⁽⁵⁾	4,358	3,677	4,155	1,408	532
Number of units outstanding ⁽⁵⁾	479,551	461,316	394,660	122,265	52,575
Management expense ratio (%) ⁽⁶⁾	0.54	0.54	0.54	0.54	0.54
Management expense ratio before waivers or absorptions (%)	0.54	0.54	0.54	0.54	0.61
Trading expense ratio (%) ⁽⁷⁾	0.08	0.16	0.21	0.27	0.05
Portfolio turnover rate (%) ⁽⁸⁾	7.84	2.04	2.33	23.37	28.12
Net asset value per unit (\$)	9.09	7.97	10.53	11.52	10.12

Series PW*

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

Net Assets per Unit⁽¹⁾

Commencement of operations: October 30, 2015

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	10.08	12.46	12.67	10.52	10.56
Increase (Decrease) from Operations (\$)					
Total revenue	0.11	—	—	—	0.10
Total expenses	(0.06)	(0.06)	(0.06)	(0.05)	(0.06)
Realized gains (losses)	0.03	—	0.04	0.22	1.54
Unrealized gains (losses)	2.29	(2.50)	(0.21)	2.18	(1.49)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	2.37	(2.56)	(0.23)	2.35	0.09
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	0.06
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	—	—	—	—	0.06
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	12.12	10.08	12.46	12.67	10.52

Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Total net asset value (000's of \$) ⁽⁵⁾	1,241	1,523	1,724	1,098	568
Number of units outstanding ⁽⁵⁾	102,376	151,077	138,380	86,682	53,998
Management expense ratio (%) ⁽⁶⁾	0.51	0.52	0.52	0.50	0.58
Management expense ratio before waivers or absorptions (%)	0.51	0.52	0.52	0.50	0.60
Trading expense ratio (%) ⁽⁷⁾	0.08	0.16	0.21	0.27	0.05
Portfolio turnover rate (%) ⁽⁸⁾	7.84	2.04	2.33	23.37	28.12
Net asset value per unit (\$)	12.12	10.08	12.46	12.67	10.52

⁽⁴⁾ 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.

⁽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. For the Series N and NR and Private Series, the management expense ratio before waivers or absorptions as at December 31, 2015 has been adjusted to reflect a non-material correction related to a programming error in the ratio calculation.

⁽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. Since calculating an average daily allocation of the trading expenses would take considerable effort, an average monthly allocation has been used instead for the accounting periods prior to 2016. For series created before 2016, the trading expense ratio history has been adjusted to include the trading expenses from its underlying funds and the calculation method described above has been used.

⁽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 December 31, 2019

Portfolio Top Holdings

	% of Net Asset Value
NBI Small Cap Fund, Series O	100.0
	<u>100.0</u>
Net asset value	\$356,660,096

Sector Allocation

	% of Net Asset Value
Industrials	27.0
Materials	12.5
Energy	11.6
Real Estate	11.6
Consumer Discretionary	7.7
Financials	7.6
Information Technology	7.3
Consumer Staples	5.9
Health Care	4.2
Utilities	1.8
Cash, Money Market and Other Net Assets	2.8

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.