

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

Fixed Income Private Portfolio

NBI Non-Traditional Fixed Income 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 Non-Traditional Fixed Income Private Portfolio's investment objective is to provide current income while focusing on capital preservation. The Fund invests directly, or through investments in securities of other mutual funds, in a portfolio composed mainly of fixed income securities of issuers around the world selected using different nontraditional investment strategies.

The Fund's investment process is based on selecting mutual funds that offer exposure to the different asset classes mentioned above and to a combination of non-traditional investment strategies aimed at obtaining a low correlation with the main market indices. The portfolio manager selects mutual funds by applying risk management strategies, including tactical global diversification strategies and rotation among various asset classes.

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, 2020, the NBI Non-Traditional Fixed Income Private Portfolio's Series N units returned 4.47% compared to 5.33% for the Fund's benchmark, the Bloomberg Barclays Global Aggregate Bond Index (CAD Hedged). 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 47.37% over the period, from \$967.52 million as at December 31, 2019 to \$1.426 billion as at December 31, 2020. The increase stemmed mainly from the 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 the 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 quarters 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.

For their part, the majority of fixed-income markets managed to post gains, as bond yields ended the period lower. In this tumultuous and unprecedented market environment, investment grade corporate and sovereign bonds figured among the best performing asset classes for the year, followed by emerging and high yield bonds.

In Canada, the FTSE Canada Universe Bond index posted a strong absolute return for 2020. Municipal and provincial bonds for their part, outperformed corporate and federal bonds. However, the big winners for the period were long-term issues, which outperformed those with short and medium-term maturities. Among corporate bonds, BBB-rated issuers also stood out in comparison to higher rated issuers. On a sector basis, Infrastructure and Communications outperformed other sectors while securitized securities and financial sector-related securities lagged behind.

On the preferred equity front, the launch of a new type of notes that are eligible for Tier 1 capital funding for Canadian banks, was a game changer for preferred shares and helped the asset class end the year in positive territory. As such, banks may be tempted to redeem some of their expensive preferred shares to launch more Limited Recourse Capital Notes (LRCNs), at a cheaper cost in the next quarters. This could bring a constant bid for preferred shares if investors need to replace them. If the demand is higher than the volume of new preferred shares issues, it may help support the market too. These factors combined with the strong credit tone and more stable interest rates during the second half of the year were also beneficial for this asset class.

Under these circumstances, the Fund underperformed its benchmark. The global bond component contributed strongly to performance, driven in large part by the performance of the NBI Unconstrained Fixed Income Fund, which is an underlying holding in the Fund. In contrast, the high yield and non-traditional components, namely the Fund's positions in the Manulife Strategic Income Fund and the Purpose Structured Equity Yield mandates, contributed the least to gains.

Recent Developments

The portfolio manager expects the new business cycle to carry on, strengthened by the gradual inoculation of the world's population and supported by monetary conditions arguably more accommodative than ever before. It is undeniable that growth will slow down early in the year, whereas a considerable increase in the number of COVID-19 cases forces the maintenance of restrictive containment measures. However, the vaccination campaign should provide immunization for the vast majority of the most-at-risk population in developed countries by the end of March and takes us near herd immunity mid-year. As a result, the pace of growth is expected to accelerate starting in the second quarter, driven by a gradual and permanent reopening of the economy, a rise in consumer sentiment, and a recovery in the service sector. All in all, this background argues in favour of a pro-risk stance, which he increased one step further in early December, and plan to build up gradually over the course of the year as opportunities arise. He will, however, continue to closely monitor key risks to our baseline scenario, including the speed at which COVID-19 immunization occurs, the trajectory of inflation, and the policies put forward by the new U.S. administration.

In terms of leadership within the stock market, he doesn't expect 2020 outperformers such as large technology companies to do poorly, but they should nonetheless yield their place at the top of the podium to stocks more exposed to global growth. Geographically, he expects emerging markets to be the main beneficiaries of a cyclical recovery environment featuring depreciation of the U.S. dollar. As for the loonie, it is reasonable to assume that it will appreciate modestly over the next twelve months, but he continues to view the currency more as an effective diversification tool – a feature it has brilliantly demonstrated over the past year.

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.

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.

Portfolio Manager

The Manager has appointed National Bank Trust Inc. (“NBT”), an indirect wholly-owned subsidiary of the Bank, as the portfolio manager for the Fund. A flat fee is payable annually to NBT for its management 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

NBT carries out the portfolio transactions in the underlying funds through National Bank Direct Brokerage (a division of National Bank Financial Inc., an indirect wholly owned subsidiary of the Bank). Each month, the Manager pays a flat fee for each transaction carried out in the underlying fund securities.

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	0.60%	—	100.00%

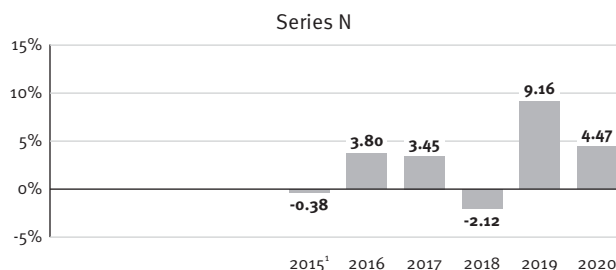
^(†) Includes all costs related to management, investment advisory services, general administration and profit.

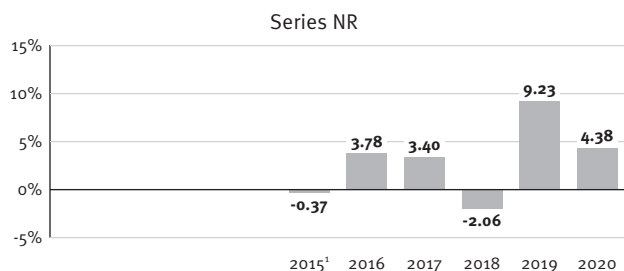
Past Performance

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 28, 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:

- Bloomberg Barclays Global Aggregate Bond Index (CAD Hedged)

NBI Non-Traditional Fixed Income Private Portfolio

	1 year	3 years	5 years	10 years	Since inception
Series N¹	4.47%	3.73%	3.69%	–	3.48%
Benchmark	5.33%	4.57%	4.00%	–	3.90%
Series NR¹	4.38%	3.74%	3.68%	–	3.48%
Benchmark	5.33%	4.57%	4.00%	–	3.90%

¹Commencement of operations: October 28, 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 **Bloomberg Barclays Global Aggregate Bond Index**, hedged in CAD, is a market capitalization weighted index which is designed to measure the broad global markets for corporate, government, governmental agency, supranational, mortgage-backed and asset backed fixed income securities.

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 28, 2015

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	10.12	9.50	9.96	10.05	9.89
Increase (Decrease) from Operations (\$)					
Total revenue	0.27	0.34	0.35	0.32	0.29
Total expenses	(0.09)	(0.09)	(0.08)	(0.09)	(0.09)
Realized gains (losses)	0.11	0.01	(0.01)	0.21	0.09
Unrealized gains (losses)	0.22	0.59	(0.50)	(0.09)	0.05
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.51	0.85	(0.24)	0.35	0.34
Distributions (\$)					
From net investment income (excluding dividends)	0.12	0.10	0.07	0.19	0.16
From dividends	0.06	0.14	0.18	0.05	—
From capital gains	0.06	—	—	0.19	0.06
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.24	0.24	0.25	0.43	0.22
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	10.32	10.12	9.50	9.96	10.05

Ratios and Supplemental Data

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) ⁽⁵⁾	1,406,501	950,337	739,621	490,954	607,115
Number of units outstanding ⁽⁵⁾	136,333,339	93,871,829	77,864,247	49,296,451	60,456,040
Management expense ratio (%) ⁽⁶⁾	0.92	0.95	0.98	0.98	0.95
Management expense ratio before waivers or absorptions (%)	0.92	0.95	0.98	0.98	0.95
Trading expense ratio (%) ⁽⁷⁾	0.06	0.01	0.03	0.02	—
Portfolio turnover rate (%) ⁽⁸⁾	8.79	31.94	0.57	39.81	83.80
Net asset value per unit (\$)	10.32	10.12	9.50	9.96	10.04

Series NR

Net Assets per Unit⁽¹⁾ Commencement of operations: October 28, 2015

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.33	8.91	9.51	9.78	9.89
Increase (Decrease) from Operations (\$)					
Total revenue	0.24	0.31	0.33	0.31	0.28
Total expenses	(0.08)	(0.08)	(0.08)	(0.08)	(0.09)
Realized gains (losses)	0.09	0.01	(0.01)	0.22	0.09
Unrealized gains (losses)	0.14	0.55	(0.46)	(0.12)	0.06
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.39	0.79	(0.22)	0.33	0.34
Distributions (\$)					
From net investment income (excluding dividends)	0.11	0.10	0.06	0.18	0.16
From dividends	0.06	0.13	0.18	0.05	—
From capital gains	0.05	—	—	0.18	0.06
Return of capital	0.22	0.17	0.17	0.18	0.27
Total Annual Distributions (\$) ⁽³⁾	0.44	0.40	0.41	0.59	0.49
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	9.28	9.33	8.91	9.51	9.78

Ratios and Supplemental Data

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) ⁽⁵⁾	19,339	17,181	14,338	11,347	12,737
Number of units outstanding ⁽⁵⁾	2,084,086	1,841,902	1,609,319	1,192,508	1,303,241
Management expense ratio (%) ⁽⁶⁾	0.92	0.95	0.98	0.98	0.95
Management expense ratio before waivers or absorptions (%)	0.92	0.95	0.98	0.98	0.95
Trading expense ratio (%) ⁽⁷⁾	0.06	0.01	0.03	0.02	—
Portfolio turnover rate (%) ⁽⁸⁾	8.79	31.94	0.57	39.81	83.80
Net asset value per unit (\$)	9.28	9.33	8.91	9.51	9.77

- ⁽¹⁾ 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.
- ⁽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 December 31, 2020

Portfolio Top Holdings

	% of Net Asset Value
NBI Unconstrained Fixed Income Fund, Series O	36.9
Purpose Structured Equity Yield Portfolio II	21.6
Purpose Structured Equity Yield Portfolio	13.3
RP Strategic Income Plus Fund, Class O	12.5
Manulife Strategic Income Fund, Series I	9.4
NBI Global Tactical Bond Fund, Series O US	6.5
Cash, Money Market and Other Net Assets	(0.2)
	100.0

Net asset value \$1,425,840,880

Term Allocation

	% of Net Asset Value
Under one year	0.4
From 1 year to 5 years	1.1
From 5 years to 10 years	96.2
More than 10 years	2.3

Credit Quality

	% of Net Asset Value
AAA	30.6
AA	9.7
A	16.7
BBB	31.9
BB	6.9
B	1.4
Not rated	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.