

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Global Equity Private Portfolio

## **NBI Tactical 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 Tactical Equity Private Portfolio's investment objective is to achieve long-term capital growth. The Fund invests tactically, directly or through investments in securities of other mutual funds, in a portfolio composed mainly of global equity securities.

The portfolio manager applies a tactical allocation valuation process in which the choice of securities (including the securities of underlying funds) is subject to frequent changes (normally on a quarterly basis) depending on economic and market conditions. When the choice of securities is modified, the Fund is generally rebalanced based on the new selection. When selecting the securities in which to invest (including the securities of underlying funds), the portfolio manager considers the different factors likely to allow it to benefit from market opportunities.

### 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 Tactical Equity Private Portfolio's Series N units returned 21.32% compared to 21.71% for the Fund's blended benchmark. The broad-based index, the MSCI World Index (CAD), returned 21.22%. Unlike the indices, 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 95.82% over the period, from \$582.77 million as at December 31, 2018 to \$24.38 million as at December 31, 2019.

The decrease stemmed mainly from a rebalancing of the managed solutions offered by National Bank Investments.

Equity markets have performed exceptionally well in 2019, benefiting from rate cuts by most central banks around the world. Of course, the strong returns did not come in a straight line, with the vagaries of the U.S./Chinese tariffs spat, a first U.S. yield curve inversion since 2007 and a persistent slowdown in global manufacturing activity all fueling recession fears and causing great volatility during the second and third quarters. Yet, these clouds have dissipated later in the year, with the world's two biggest economies reaching a "phase one" trade agreement, economic green shoots accumulating and global central banks in no rush to withdraw their easy monetary policies. This explains why stocks finished the year so strongly.

Against this backdrop, the Fund posted solid returns, ending the period slightly below its benchmark. One of the main positive catalysts was the underweight positioning in the Europe, Australasia, and the Far East (EAFE) region that was kept throughout the year. In parallel, the above-benchmark allocation in both Canadian and U.S. equities that the Fund held for most of 2019 also did well, as these two indices finished the period as the top-performing major regions of the year.

### Recent Developments

The Fund's asset allocation remained relatively stable in 2019 and the portfolio manager maintained a bias in favour of North American equities and against the EAFE region. A slight overweight position in emerging markets was initiated early in the year but was reversed at a small loss in the second quarter, in the face of a ramp up in trade tensions between China and the U.S.

The Fund remains overweight U.S. equities and underweight the EAFE region. As of the end of January 2020, the Fund initiated a modest overweight position in emerging markets following the pullback triggered by the coronavirus outbreak.

With monetary conditions set to remain accommodative and global growth bottoming out, 2020 is shaping up to be a positive year for equities. However, investors must temper their return expectations given the already high levels of valuations for most financial assets.

Within the equity market, the portfolio manager's models point to sustained leadership of U.S. equities that should benefit from strong consumer spending, a resilient labour market and low interest rates. For their part, Canadian equities are exhibiting attractive valuations on a relative basis and are among the most likely to benefit from a potential rebound in global growth given their allocation tilted towards cyclical sectors. For emerging markets, the portfolio manager expects the growth differential needs to keep moving in the former's direction, as it has been the case since late 2019. Yet, for this to happen, the significant emergency measures put in place in China in light of the coronavirus outbreak will have to bear fruit sooner rather than later. By the same token, this should allow the counter-cyclical U.S. dollar – a key macroeconomic factor when it comes to emerging market vs. developed market leadership – to head lower as investors' risk appetite comes back. Turning to Europe, the context is likely to remain challenging in 2020, with the lack of monetary ammunition on the European Central Bank side and Germany's reluctance to provide fiscal stimulus all clouding the region's outlook.

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.

#### 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

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 December 31, 2019
<b>Total brokerage fees</b>	10,248.24
<b>Brokerage fees paid to National Bank Financial</b>	10,248.24

#### Holdings

As at December 31, 2019, National Bank Investments Inc. held 104.80 Fund securities for a value of \$1,133.93, which represented close to 0.0047% 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.

#### 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. A portion of the management fees paid by the Fund covers maximum annual trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily covers investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

Series	Management Fees	Distribution	Others <sup>†</sup>
Series N and Series NR	0.25%	—	100.00%

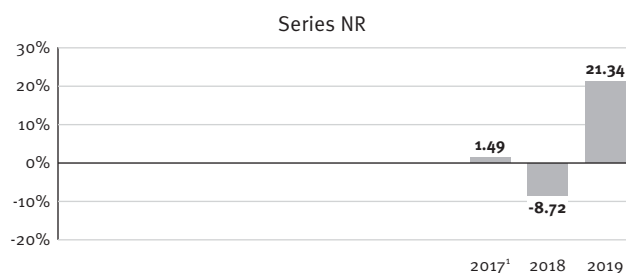
<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

#### 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>(†)</sup> Returns for the period from October 27, 2017 (commencement of operations) to December 31, 2017.

## 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 benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- MSCI World Index (CAD) (70%)
- S&P/TSX Composite Index (CAD) (30%)

The broad-based index is the MSCI World Index (CAD).

### NBI Tactical Equity Private Portfolio

	1 year	3 years	5 years	10 years	Since inception
<b>Series N<sup>1</sup></b>	21.32%	–	–	–	5.42%
Benchmark	21.71%	–	–	–	10.96%
Broad-based index	21.22%	–	–	–	12.36%
<b>Series NR<sup>1</sup></b>	21.34%	–	–	–	5.39%
Benchmark	21.71%	–	–	–	10.96%
Broad-based index	21.22%	–	–	–	12.36%

<sup>1</sup>Commencement of operations: October 27, 2017

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 Descriptions

The **MSCI World Index** is designed to measure global developed market equity performance and is made up of approximately 1,500 companies listed on stock exchanges in the 22 developed countries that make up the MSCI national indexes.

The **S&P/TSX Composite Index** is a subset of the S&P/TSX and reflects share price fluctuations of a group of companies listed on the Toronto Stock Exchange (TSX) 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 27, 2017

Accounting Period Ended	2019	2018	2017
	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	9.07	10.06	10.00
<b>Increase (Decrease) from Operations (\$)</b>			
Total revenue	0.28	0.18	0.08
Total expenses	(0.04)	(0.03)	(0.01)
Realized gains (losses)	0.40	(0.09)	—
Unrealized gains (losses)	2.15	(1.00)	0.10
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	2.79	(0.94)	0.17
<b>Distributions (\$)</b>			
From net investment income (excluding dividends)	—	—	—
From dividends	0.18	0.11	0.10
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.18	0.11	0.10
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	10.81	9.07	10.06

#### Ratios and Supplemental Data

Accounting Period Ended	2019	2018	2017
	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	22,879	571,337	400,611
Number of units outstanding <sup>(5)</sup>	2,117,158	63,014,727	39,819,876
Management expense ratio (%) <sup>(6)</sup>	0.40	0.38	0.48
Management expense ratio before waivers or absorptions (%)	0.42	0.43	0.48
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.04	—
Portfolio turnover rate (%) <sup>(8)</sup>	42.58	149.23	—
Net asset value per unit (\$)	10.81	9.07	10.06

### Series NR

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 27, 2017

Accounting Period Ended	2019	2018	2017
	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	8.58	9.97	10.00
<b>Increase (Decrease) from Operations (\$)</b>			
Total revenue	0.26	0.17	0.08
Total expenses	(0.03)	(0.03)	(0.01)
Realized gains (losses)	0.07	(0.09)	—
Unrealized gains (losses)	2.38	(0.93)	0.10
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	2.68	(0.88)	0.17
<b>Distributions (\$)</b>			
From net investment income (excluding dividends)	—	—	—
From dividends	0.17	0.10	0.09
From capital gains	—	—	—
Return of capital	0.36	0.46	0.08
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.53	0.56	0.17
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	9.85	8.58	9.97

#### Ratios and Supplemental Data

Accounting Period Ended	2019	2018	2017
	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	162	8,656	7,169
Number of units outstanding <sup>(5)</sup>	16,483	1,008,878	718,937
Management expense ratio (%) <sup>(6)</sup>	0.40	0.38	0.48
Management expense ratio before waivers or absorptions (%)	0.42	0.43	0.48
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.04	—
Portfolio turnover rate (%) <sup>(8)</sup>	42.58	149.23	—
Net asset value per unit (\$)	9.85	8.58	9.97

## 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 27, 2017

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	9.14	10.13	10.00
<b>Increase (Decrease) from Operations (\$)</b>			
Total revenue	0.19	0.28	0.19
Total expenses	(0.01)	(0.01)	—
Realized gains (losses)	6.97	(0.13)	—
Unrealized gains (losses)	(4.89)	(1.37)	(0.02)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	2.26	(1.23)	0.17
<b>Distributions (\$)</b>			
From net investment income (excluding dividends)	0.01	—	—
From dividends	0.28	0.14	0.05
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.29	0.14	0.05
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	10.82	9.14	10.13

## Ratios and Supplemental Data

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	1,334	2,775	1,523
Number of units outstanding <sup>(5)</sup>	123,266	303,737	150,300
Management expense ratio (%) <sup>(6)</sup>	0.13	0.14	0.19
Management expense ratio before waivers or absorptions (%)	0.15	0.19	0.21
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.05	—
Portfolio turnover rate (%) <sup>(8)</sup>	42.58	149.23	—
Net asset value per unit (\$)	10.82	9.14	10.13

<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, 2019

### Portfolio Top Holdings

	% of Net Asset Value
NBI U.S. Equity Index Fund, Series O .....	41.5
NBI Canadian Equity Index Fund, Series O .....	34.9
iShares, Core MSCI Emerging Markets ETF .....	11.9
NBI International Equity Index Fund, Series O .....	11.8
Cash, Money Market and Other Net Assets .....	(0.1)
	<u>100.0</u>

Net asset value ..... \$24,375,204

### Asset Mix

	% of Net Asset Value
US Equity .....	41.5
Canadian Equity .....	35.0
Emerging Market Equity .....	11.9
International Equity .....	11.8
Cash, Money Market and Other Net Assets .....	(0.2)

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).