

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Short Term and Income Fund
NBI Preferred Equity Fund

Notes on forward-looking statements

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

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

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

This 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 Preferred Equity Fund's investment objective is to generate high 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 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 Preferred Equity Fund's Investor Series units returned 1.36% compared to 3.48% for the Fund's benchmark, the S&P/TSX Preferred Share Index (CAD). Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for the returns of all of the Fund's series, which may vary mainly because of fees and expenses.

The Fund's net asset value dropped by 11.71% over the period, from \$398.22 million as at December 31, 2018 to \$351.61 million as at December 31, 2019.

The decline stemmed mainly from net redemptions by unitholders of the Fund.

The Canadian preferred share market ended the year in positive territory but lagged other major asset classes such as corporate bonds and common equities. Fixed rate perpetuals were the best performers, gaining about 11.4% as they benefited from the downward trend in bond yields, with banks outperforming the other sectors; floating rate issues for their part, lagged the overall asset class with a loss of 6.6%, with the energy sector getting hurt the most.

The year started on a strong note as most asset classes rebounded sharply following a dismal end to 2018. From December 27th, 2018 (through of the market) to January 11, 2019, the S&P TSX Preferred Shares Index had gained 7.58%. However, on January 14th, new supply, especially the bank issues, caused the secondary market to reprice lower as the new issues were priced at more attractive levels, and essentially halted the momentum.

The gains were short-lived as the risk-off tone returned to the preferred share market during the second quarter. Ongoing trade discussions between the two biggest economies had broken down. The fallout of the trade disputes between the U.S. and its biggest trading partners led to a flight for safety, as bond yields continued to move lower. This has increased considerably the probability of the U.S. Federal Reserve (the "Fed") and the Bank of Canada ("BoC") to cut interest rates before the end of the year. The Canadian yield curve continued to be inverted, and the yield on a 5-year Government of Canada ("GoC") bonds went from 1.52% to 1.39% during that time. This was detrimental for the preferred share market as ¾ of the issues are fixed-resets, which their future dividends are determined by using the 5-year GoC bond.

In late July, the Federal Reserve cut its policy rate by 25 bps. This was the first cut since the financial crisis of 2008. This added uncertainty regarding the position of both the Fed as well as the Bank of Canada on future policy decision. The volatility in interest rates increased during the quarter which translated into increased volatility for the preferred share market.

However, the prospects of a deal in the ongoing U.S. versus China trade war encouraged investors during the last quarter of 2019. Bond yields rose as well as equity prices move up with the probability of a phase-one trade deal that kept increasing. Though considerable information about the details of the agreement remain unknown, an initial trade deal is set to be signed at the White House on January 15th. This development also encouraged preferred share investors to buy, as we saw an unbalanced supply/demand picture throughout the final months of the year.

As we moved closer to the end of the year, most investors feared another episode of tax-loss selling, similar to what we had seen in Q4 of 2018. With equities and bonds performing well, a logical choice to sell would have been fixed-reset issues, as some of them had produced negative price returns over the last twelve months. However, this strategy was less prevalent in 2019 as we saw inflows instead of outflows in the latter half of 2019. In fact, over the past two months of 2019, investors added \$168M to preferred share ETFs. This also contributed to the positive price movements in the market. The investors' perception that the valuation of preferred shares was cheap versus corporate bonds contributed to the inflows. From our pulse of the market, it felt like most of the tax-loss selling was counterbalanced with a buy on the other side, creating a net-neutral trade.

For new issuance, 2019 was very light compared to previous years. In total, only nine new issues came to market, all fixed-reset products, for a total value of \$2.3B (compared to \$5.2B in 2017 and \$4.6B in 2018). Demand for new issues increased significantly as the new issues became more interesting on a valuation standpoint. Institutional participation was much higher, which is constructive for the market going forward.

For redemptions, multiple banks completed the redemption of non-NVCC issues (fixed and floating) at par value. In total, twelve issues were redeemed for a notional value of \$1.8B.

In this context, the Fund underperformed its benchmark for the period. Security selection in fixed-reset perpetuals was a major detractor from performance throughout the year, as was the overweight in floating rate issues. Conversely, security selection in both fixed rate and floating rate issues was strong. Fixed rate perpetual and floating rate Utilities issues added value, which was offset by fixed-reset energy and financial issuers in the fixed-reset and fixed rate perpetual structures.

In the back half of the year, the portfolio manager continued to improve the quality of issues within the portfolio by increasing the average reset level on the fixed-reset issues. He also reduced the allocation to floating rate issues and he took some profit by reducing the allocation to some expensive fixed-rate perpetual issues.

Recent Developments

In Canada, the passage of the United States-Mexico-Canada trade Agreement (USMCA) will bring some relief on this front. The portfolio manager looks for moderate overall growth to continue, including a modest lift from federal tax cuts and spending. With inflation running near target he expects the BoC to remain in wait-and-see mode before adding stimulus to the economy but is biased to easing should growth disappoint. In this environment he doesn't expect significant upward pressure on longer-term bond yields from current levels. The low yield environment is set to continue, and he believes demand for higher-yielding investments will remain a dominant theme in 2020. However, credit spreads have narrowed from earlier attractive levels and provide less break-even protection than in the recent past. Given the elevated state of economic and geopolitical risks could increase the volatility going forward, he will remain disciplined at managing credit risk exposures.

Despite the strong performance of the preferred share market in Q4, the performance of the asset class continued to lag other asset classes like credit assets (Investment grade corporate and high yield bonds) as well as equities. With the tax loss selling season behind us, the FED and the Bank of Canada on the sidelines, and some positive development on trades deals, the portfolio manager is expecting a total performance of the preferred share market stronger than the average dividend yield in 2020. He's expecting buyers to be back as the yield pickup over other asset classes continues to be at the top end of its range since 2015. He expects non-financial issuers to limit preferred share funding in the near-term as the hybrid structure remains more attractive on a funding cost basis while providing a stronger institutional investor base. Subject to regulatory capital requirements, he thinks financial issuers will continue issuing additional tier 1 capital including preferred shares, but he expects financial issuers to closely monitor the funding cost spread between Canadian preferred shares and US AT1 perpetual structures (ex: Bank of Montreal and Bank of Nova Scotia). As a result, he expects supply to be quiet (lower than expected) over the next few quarters which should be a technical positive for the asset class. Flows into the ETFs will continue to be an important driver of daily volatility. In this environment, fixed-reset issues with mid reset level should outperform fixed-reset issues with high reset levels, fixed-reset issues with floors and fixed rate perpetuials.

In this context, the portfolio manager favors an underweight exposure to fixed rate perpetual issues and an overweight positioning in floating rate issues. He continues to be overweight banks and to a lesser extent telecom at the expense of insurers. Heading into 2020, he continues to focus on fixed-reset and floating rate issues that trade at a discount to par.

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

Brokerage Fees

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

	Period ended December 31, 2019
Total brokerage fees	146,733.93
Brokerage fees paid to National Bank Financial	-

Holdings

As at December 31, 2019, National Bank Investments Inc. held 179.61 Fund securities for a value of \$1,429.23, which represented close to 0.0004% of the net asset value of the Fund at that date. Transactions between National Bank Investments Inc. and the Fund were carried out in the normal course of business and at the Fund's net asset value as at the transaction date.

As at December 31, 2019, National Bank Trust Inc. held 1.08 Fund securities for a value of \$8.65, which represented close to 0.0000% of the net asset value of the Fund at that date. Transactions between National Bank Trust 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

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

Administrative and Operating Services

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

Management Fees

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

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

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

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

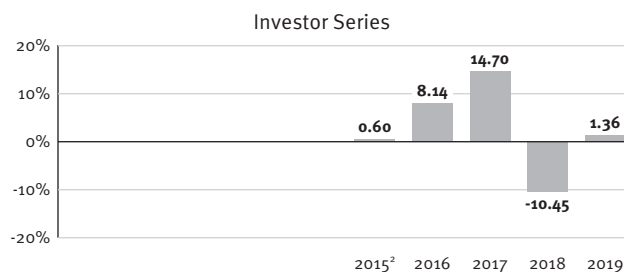
^(**) There are no management fees paid by the Fund with respect to the Series O. Instead, Series O securityholders pay a negotiated administration fee directly to National Bank Investments.

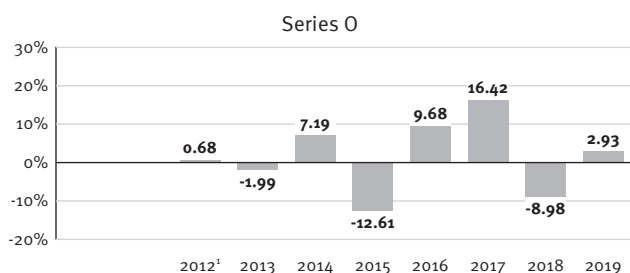
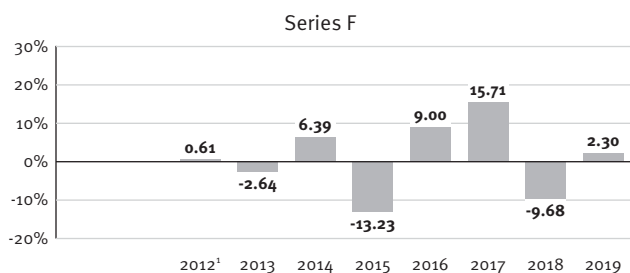
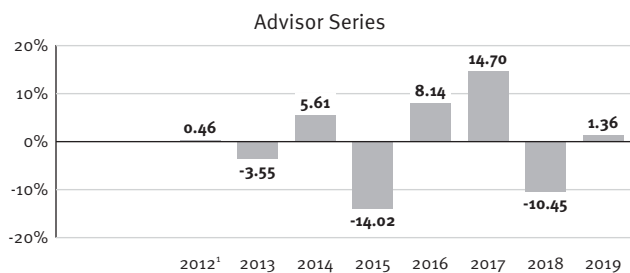
Past Performance

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

Annual Returns

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





⁽¹⁾ Returns for the period from October 12, 2012 (commencement of operations) to December 31, 2012.

⁽²⁾ 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 Preferred Share Index (CAD)

NBI Preferred Equity Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	1.36%	1.35%	–	–	3.03%
Benchmark	3.48%	2.68%	–	–	4.00%
Advisor Series²	1.36%	1.35%	(0.65)%	–	(0.13)%
Benchmark	3.48%	2.68%	(0.30)%	–	0.55%
Series F²	2.30%	2.25%	0.22%	–	0.73%
Benchmark	3.48%	2.68%	(0.30)%	–	0.55%
Series O²	2.93%	2.94%	0.89%	–	1.40%
Benchmark	3.48%	2.68%	(0.30)%	–	0.55%

¹Commencement of operations: October 30, 2015

²Commencement of operations: October 12, 2012

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 comprised of preferred stocks 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.

Investor* / Advisor Series

⁽¹⁾ The Investor Series was created on October 30, 2015.

Net Assets per Unit⁽¹⁾ Commencement of operations: October 12, 2012

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⁾	8.11	9.33	8.39	8.06	9.69
Increase (Decrease) from Operations (\$)					
Total revenue	0.43	0.41	0.40	0.40	0.43
Total expenses	(0.12)	(0.14)	(0.14)	(0.12)	(0.14)
Realized gains (losses)	(0.28)	0.01	—	(0.33)	(0.30)
Unrealized gains (losses)	0.02	(1.22)	1.02	0.63	(1.35)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.05	(0.94)	1.28	0.58	(1.36)
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.32	0.27	0.29	0.29	0.30
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.32	0.27	0.29	0.29	0.30
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	7.89	8.11	9.33	8.39	8.06

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⁾	17,549	23,878	27,968	41,398	44,897
Number of units outstanding ⁽⁵⁾	2,223,819	2,942,535	2,998,335	4,929,690	5,568,968
Management expense ratio (%) ⁽⁶⁾	1.54	1.53	1.53	1.53	1.54
Management expense ratio before waivers or absorptions (%)	1.55	1.54	1.57	1.57	1.54
Trading expense ratio (%) ⁽⁷⁾	0.04	0.06	0.07	0.07	0.07
Portfolio turnover rate (%) ⁽⁸⁾	22.00	6.55	30.50	35.79	30.57
Net asset value per unit (\$)	7.89	8.11	9.33	8.40	8.06

Series F

Net Assets per Unit⁽¹⁾ Commencement of operations: October 12, 2012

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⁾	8.22	9.38	8.41	8.08	9.72
Increase (Decrease) from Operations (\$)					
Total revenue	0.43	0.42	0.40	0.40	0.43
Total expenses	(0.06)	(0.07)	(0.07)	(0.06)	(0.07)
Realized gains (losses)	(0.26)	—	—	(0.32)	(0.33)
Unrealized gains (losses)	(0.19)	(1.97)	1.02	0.63	(0.30)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	(0.08)	(1.62)	1.35	0.65	(0.27)
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.41	0.28	0.34	0.36	0.36
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.41	0.28	0.34	0.36	0.36
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	7.97	8.22	9.38	8.41	8.08

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⁾	47,454	94,984	21,161	16,078	20,355
Number of units outstanding ⁽⁵⁾	5,950,099	11,548,615	2,256,198	1,909,745	2,516,518
Management expense ratio (%) ⁽⁶⁾	0.70	0.70	0.70	0.70	0.70
Management expense ratio before waivers or absorptions (%)	0.75	0.73	0.73	0.74	0.70
Trading expense ratio (%) ⁽⁷⁾	0.04	0.06	0.07	0.07	0.07
Portfolio turnover rate (%) ⁽⁸⁾	22.00	6.55	30.50	35.79	30.57
Net asset value per unit (\$)	7.98	8.22	9.38	8.42	8.09

Series O

Net Assets per Unit⁽¹⁾

Commencement of operations: October 12, 2012

Accounting Period Ended	2019	2018	2017	2016	2015
	December 31	December 31	December 31	December 31	December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	8.17	9.36	8.39	8.05	9.68
Increase (Decrease) from Operations (\$)					
Total revenue	0.43	0.42	0.40	0.40	0.43
Total expenses	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Realized gains (losses)	(0.29)	—	—	(0.32)	(0.31)
Unrealized gains (losses)	0.10	(1.59)	0.98	0.62	(1.30)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.23	(1.18)	1.37	0.69	(1.19)
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.42	0.37	0.39	0.41	0.42
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.42	0.37	0.39	0.41	0.42
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	7.97	8.17	9.36	8.39	8.05

Ratios and Supplemental Data

Accounting Period Ended	2019	2018	2017	2016	2015
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) ⁽⁵⁾	286,604	262,045	143,000	97,361	110,367
Number of units outstanding ⁽⁵⁾	35,937,555	32,035,582	15,273,702	11,602,807	13,697,301
Management expense ratio (%) ⁽⁶⁾	0.02	0.02	0.02	0.02	0.02
Management expense ratio before waivers or absorptions (%)	0.02	0.02	0.02	0.02	0.02
Trading expense ratio (%) ⁽⁷⁾	0.04	0.06	0.07	0.07	0.07
Portfolio turnover rate (%) ⁽⁸⁾	22.00	6.55	30.50	35.79	30.57
Net asset value per unit (\$)	7.98	8.18	9.36	8.39	8.06

Private Series*

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

Net Assets per Unit⁽¹⁾

Commencement of operations: July 17, 2017

Accounting Period Ended	2019	2018	2017
	December 31	December 31	December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	8.99	10.33	10.00
Increase (Decrease) from Operations (\$)			
Total revenue	0.47	0.46	0.21
Total expenses	(0.05)	(0.06)	(0.03)
Realized gains (losses)	(0.06)	0.01	0.03
Unrealized gains (losses)	(0.11)	(1.62)	0.24
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.25	(1.21)	0.45
Distributions (\$)			
From net investment income (excluding dividends)	—	—	—
From dividends	1.24	0.38	0.11
From capital gains	—	—	—
Return of capital	—	—	—
Total Annual Distributions (\$) ⁽³⁾	1.24	0.38	0.11
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	7.88	8.99	10.33

Ratios and Supplemental Data

Accounting Period Ended	2019	2018	2017
	December 31	December 31	December 31
Total net asset value (000's of \$) ⁽⁵⁾	0	17,314	18,437
Number of units outstanding ⁽⁵⁾	41	1,923,370	1,784,739
Management expense ratio (%) ⁽⁶⁾	0.51	0.51	0.51
Management expense ratio before waivers or absorptions (%)	0.51	0.51	0.51
Trading expense ratio (%) ⁽⁷⁾	0.04	0.06	0.07
Portfolio turnover rate (%) ⁽⁸⁾	22.00	6.55	30.50
Net asset value per unit (\$)	7.89	9.00	10.33

- ⁽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. For the Investor Series, Advisor Series, Series F and O, the detailed calculation of the total Increase (Decrease) from Operations as at December 31, 2015 has been adjusted to reflect the proper allocation between the following items: Total revenue, Total expenses, Realized gain (losses) and/or Unrealized gain (losses). It is a non-material correction related to a programming error in the ratio calculation.
- ⁽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. 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.
- ⁽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
Canadian Imperial Bank of Commerce, 4.40%, Series 45	2.8
National Bank of Canada, 5.40%, Series 36	1.9
Royal Bank of Canada, 3.60%, Series BD	1.8
Toronto-Dominion Bank, 4.85%, Series 14	1.8
Bank of Nova Scotia, 2.59%, Series 33	1.7
Sun Life Financial Inc., 4.75%, Series 1	1.7
Toronto-Dominion Bank, 3.60%, Series 7	1.6
Great-West Lifeco Inc., 4.85%, Series H	1.5
Enbridge Inc., 4.00%, Series 3	1.4
Canadian Imperial Bank of Commerce, 3.60%, Series 43	1.3
Bank of Nova Scotia, 4.85%, Series 38	1.3
Enbridge Inc., 4.40%, Series 11	1.2
Sun Life Financial Inc., 4.80%, Series 2	1.2
Pembina Pipeline Corporation, 4.75%, Series 9	1.2
National Bank of Canada, 4.45%, Series 38	1.1
Fortis Inc., 4.10%, Series M	1.1
TC Energy Corp., 3.60%, Series 2	1.1
Enbridge Inc., 4.00%, Series P	1.0
Enbridge Inc., 4.00%, Series R	1.0
Pembina Pipeline Corporation, 4.50%, Series 7	1.0
Toronto-Dominion Bank, 3.75%, Series 5	0.9
Toronto-Dominion Bank, 3.80%, Series 3	0.9
Brookfield Renewable Power Inc., 4.40%, Series	0.9
Great-West Lifeco Inc., 5.20%, Series G	0.9
Cash, Money Market and Other Net Assets	0.8
	33.1

Net asset value \$351,607,114

Asset Mix

	% of Net Asset Value
Preferred Shares	97.6
Corporate Bonds	1.2
Foreign Bonds	0.4
Cash, Money Market and Other Net Assets	0.8

Sector Allocation

	% of Net Asset Value
Financials	55.3
Energy	22.7
Utilities	10.7
Communication Services	5.4
Real Estate	2.5
Bonds	1.7
Consumer Staples	0.9
Cash, Money Market and Other Net Assets	0.8

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.