

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Short Term and Income Fund
NBI Preferred Equity Income 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 Income 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 10% 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 Income Fund's Investor Series units returned 3.34% 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 rose by 1.02% over the period, from \$484.62 million as at December 31, 2018 to \$489.56 million as at December 31, 2019.

While most asset classes posted gains for the year, the S&P/TSX Preferred Share Index ended the period with a gain of 3.48%. Fixed rate perpetual issues were the best performers followed by fixed-reset and floating rate perpetuals.

The year started on a strong note as most asset classes rebounded sharply following a dismal end to 2018. From December 27, 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.

First-quarter gains erode 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 Fed 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 BoC 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 slightly lagged its benchmark for the period. The overweight exposure to fixed rate perpetuals, the best performing group, was particularly profitable during the period. The underweight exposure to fixed-reset and floating rate perpetuals also added value. Selection of some fixed rate perpetuals hindered some return, however.

During the year, exposure to fixed-reset issues was marginally increased by reducing fixed rate perpetuals. This was the result of price movements and opportunistic transactions.

Exposure to P3 credits was also slightly raised and P2 decreased. The Fund's positioning to Financials was increased and that of Energy and Utilities trimmed accordingly, mostly as the result of opportunistic transactions.

Recent Developments

The outlook for preferred shares has improved over the near-term. As the portfolio manager reviews the markets key driver for performance, he is not overly concerned with any specific one. In fact, he's quite positive on a few drivers that should help enhance performance over the next 12–18 months.

Although interest rate volatility seems to be the new norm, current level of interest rates should be supportive for the fixed-reset segment, which represents approximately ¾ of the market as their future dividend yields should remain approximately the same to slightly higher over time.

Volatility has certainly increased over the last few years and he believes this trend should persist. The impact of ETFs is more pronounced than in the past as they grew immensely in size (From sub 5% in 2014 to about 10% today). Furthermore, Central Bank policies on interest rates has created heightened volatility without a clear direction. Both these dynamics will be important to understand and monitor going forward.

Additionally, fixed-reset and fixed rate perpetual spreads versus Canada and corporate bonds have risen sharply over the short-term and are now at a 3-year high. This has occurred while the credit fundamentals of most issuers are improving. There is room for spread compression if the volatility in the market settles. Credit spreads in preferred shares have widened too much relative to more senior instruments.

Finally, the lack of supply for new preferred share issues should help valuations on the secondary market. The portfolio manager doesn't expect the outlook of new supply to change in the near-term given that issuers would have to launch new issues with higher dividend yields which may not be interesting for them.

In such context, the portfolio manager will continue to maintain a balanced portfolio allocation of fixed-reset and fixed rate perpetual preferred shares, to withstand external shocks like volatility in interest rates and flows in specific segments of the market. He believes that maintaining this type of philosophy will enable the Fund to outperform over the cycle.

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	574,180.59
Brokerage fees paid to National Bank Financial	-

Holdings

As at December 31, 2019, National Bank Investments Inc. held 139.46 Fund securities for a value of \$1,305.32, which represented close to 0.0003% 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, Intact Insurance Company held 15,532,121.44 Fund securities for a value of \$145,380,656.68, which represented close to 29.6952% of the net asset value of the Fund at that date. Transactions between Intact Insurance Company 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.

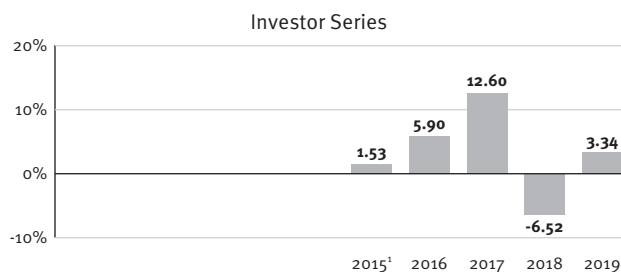
^(**) There are no management fees paid by the Fund with respect to the Series O. Instead, Series O securityholders pay a negotiated administration fee directly to National Bank Investments.

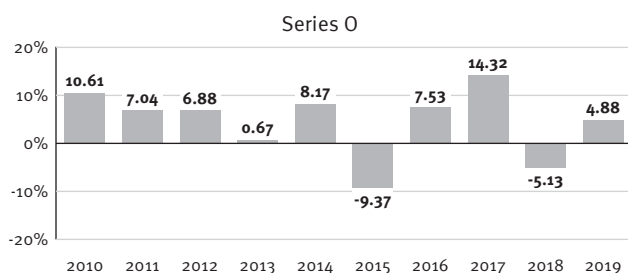
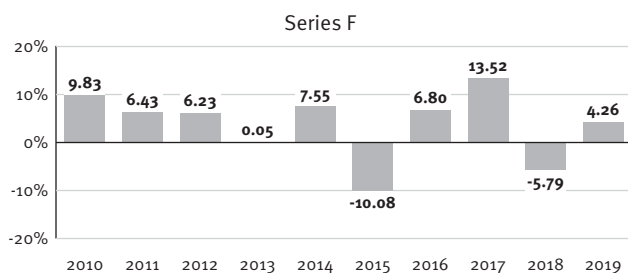
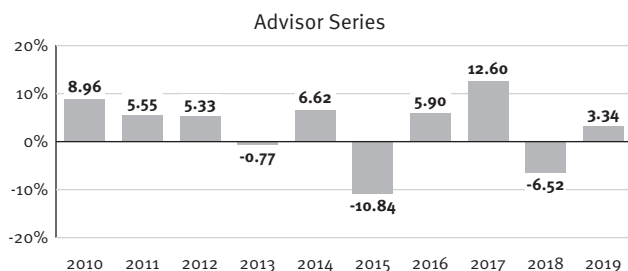
Past Performance

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 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 Income Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	3.34%	2.84%	–	–	3.82%
Benchmark	3.48%	2.68%	–	–	4.00%
Advisor Series²	3.34%	2.84%	0.54%	2.79%	–
Benchmark	3.48%	2.68%	(0.30)%	2.10%	–
Series F³	4.26%	3.70%	1.38%	3.65%	–
Benchmark	3.48%	2.68%	(0.30)%	2.10%	–
Series O²	4.88%	4.39%	2.08%	4.33%	–
Benchmark	3.48%	2.68%	(0.30)%	2.10%	–

¹Commencement of operations: October 30, 2015

²Commencement of operations: November 22, 2007

³Commencement of operations: May 16, 2008

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.

Accounting Period Ended	Commencement of operations: November 22, 2007				
	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.23	10.21	9.34	9.13	10.60
Increase (Decrease) from Operations (\$)					
Total revenue	0.49	0.47	0.44	0.44	0.49
Total expenses	(0.15)	(0.17)	(0.17)	(0.15)	(0.17)
Realized gains (losses)	(0.22)	0.08	0.34	(0.52)	(0.46)
Unrealized gains (losses)	0.18	(1.01)	0.57	0.63	(1.04)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.30	(0.63)	1.18	0.40	(1.18)
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.34	0.32	0.30	0.30	0.33
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.34	0.32	0.30	0.30	0.33
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	9.20	9.23	10.21	9.34	9.13

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⁾	128,362	146,075	188,478	191,052	216,886
Number of units outstanding ⁽⁵⁾	13,953,751	15,812,361	18,457,708	20,451,135	23,750,872
Management expense ratio (%) ⁽⁶⁾	1.55	1.55	1.55	1.55	1.56
Management expense ratio before waivers or absorptions (%)	1.55	1.55	1.55	1.55	1.56
Trading expense ratio (%) ⁽⁷⁾	0.12	0.14	0.16	0.15	0.17
Portfolio turnover rate (%) ⁽⁸⁾	43.72	47.95	55.26	53.85	44.78
Net asset value per unit (\$)	9.20	9.24	10.21	9.34	9.13

Series F

Accounting Period Ended	Commencement of operations: May 16, 2008				
	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.54	10.54	9.61	9.39	10.85
Increase (Decrease) from Operations (\$)					
Total revenue	0.51	0.49	0.45	0.46	0.51
Total expenses	(0.08)	(0.09)	(0.09)	(0.08)	(0.09)
Realized gains (losses)	(0.23)	0.09	0.36	(0.47)	(0.51)
Unrealized gains (losses)	0.16	(1.16)	0.52	0.72	(0.80)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	0.36	(0.67)	1.24	0.63	(0.89)
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.42	0.40	0.36	0.38	0.38
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.42	0.40	0.36	0.38	0.38
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	9.52	9.54	10.54	9.61	9.39

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⁾	215,738	221,820	203,732	130,880	108,675
Number of units outstanding ⁽⁵⁾	22,670,073	23,227,744	19,333,701	13,610,181	11,563,505
Management expense ratio (%) ⁽⁶⁾	0.71	0.71	0.71	0.72	0.71
Management expense ratio before waivers or absorptions (%)	0.71	0.71	0.71	0.72	0.72
Trading expense ratio (%) ⁽⁷⁾	0.12	0.14	0.16	0.15	0.17
Portfolio turnover rate (%) ⁽⁸⁾	43.72	47.95	55.26	53.85	44.78
Net asset value per unit (\$)	9.52	9.55	10.54	9.62	9.40

Series O

Net Assets per Unit⁽¹⁾

Commencement of operations: November 22, 2007

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 ^(a)	9.37	10.36	9.46	9.23	10.65
Increase (Decrease) from Operations (\$)					
Total revenue	0.50	0.48	0.44	0.45	0.61
Total expenses	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Realized gains (losses)	(0.23)	0.08	0.34	(0.48)	(0.68)
Unrealized gains (losses)	0.26	(1.07)	0.57	0.80	0.61
Total Increase (Decrease) from Operations (\$) ^(a)	0.52	(0.53)	1.33	0.75	0.52
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.46	0.47	0.44	0.42	0.43
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.46	0.47	0.44	0.42	0.43
Net Assets, End of Accounting Period Shown (\$) ^(a)	9.36	9.37	10.36	9.46	9.23

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⁾	145,457	116,726	123,016	107,599	80,500
Number of units outstanding ⁽⁵⁾	15,532,261	12,445,281	11,876,802	11,365,116	8,714,627
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⁾	0.12	0.14	0.16	0.15	0.17
Portfolio turnover rate (%) ⁽⁸⁾	43.72	47.95	55.26	53.85	44.78
Net asset value per unit (\$)	9.36	9.38	10.36	9.47	9.24

⁽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. For series created before 2016, the trading expense ratio as at December 31, 2015 has been adjusted to reflect a non-material correction related to a programming error in the ratio calculation.

⁽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
	4.4
Power Financial Corp., 5.90%, Series F	2.3
Toronto-Dominion Bank, 4.85%, Series 14	2.2
Canadian Imperial Bank of Commerce, 4.40%, Series 45	2.1
Power Financial Corp., 6.00%, Series I	2.1
Bank of Montreal, 3.90%, Series 29	2.0
Government of Canada, 1.66%, due February 20, 2020	2.0
Brookfield Asset Management Inc., 3.47%, Series 26	1.9
Enbridge Inc., 4.89%, Series J	1.9
Brookfield Asset Management Inc., 3.01%, Series 24	1.7
National Bank of Canada, 5.40%, Series 36	1.6
Enbridge Inc., 4.96%, Series L	1.6
Toronto-Dominion Bank, 3.80%, Series 3	1.5
Brookfield Properties Corp., 3.78%, Class AAA, Series N	1.5
Power Financial Corp., 4.95%, Series K	1.4
Pembina Pipeline Corporation, 4.90%, Series 21	1.4
Power Corporation of Canada, 5.60%, Series G	1.4
Manulife Financial Corp., 4.50%, Series 3	1.4
Power Financial Corp., 5.75%, Series H	1.3
E-L Financial Corp. Ltd., 5.50%, Series 3	1.3
Power Corporation of Canada, 5.35%, Series B	1.3
Bank of Montreal, 3.80%, Series 31	1.2
Bank of Montreal, 4.00%, Series 27	1.2
Element Financial Corp., 5.75%, Series I	1.2
Bank of Montreal, 4.40%, Series 42	1.1
	43.0

Net asset value \$489,556,475

Sector Allocation

	% of Net Asset Value
Financials	69.7
Energy	14.6
Utilities	5.5
Real Estate	3.5
Communication Services	2.8
Cash, Money Market and Other Net Assets	3.9

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.