

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Index Fund

NBI U.S. Index 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 U.S. Index Fund's investment objective is to ensure long-term capital growth similar to that of a recognized U.S. equity index. The Fund invests primarily in securities, options and futures on a U.S. equity index such as the Dow Jones Industrial Average™. The index is a price-weighted measure of 30 U.S. blue-chip companies. The index covers all industries except transportation and utilities.

The portfolio manager invests primarily in securities, options and futures on the Dow Jones Industrial Average and aims to obtain a return similar to the performance of this index.

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 U.S. Index Fund's Investor Series units returned 18.59% compared to 19.23% for the Fund's benchmark, the DOW Jones Industrial Average Index (CAD). Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for the returns of all of the Fund's series, which may vary mainly because of fees and expenses.

Certain series of the Fund, as applicable, may make distributions at a rate determined by the manager. This rate may change from time to time. If the aggregate amount of distributions in such series exceeds the portion of net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The manager does not believe that the return of capital distributions made by such series of the Fund have a meaningful impact on the Fund's ability to implement its investment strategy or to fulfill its investment objective.

The Fund's net asset value rose by 8.40% over the period, from \$67.74 million as at December 31, 2018 to \$73.43 million as at December 31, 2019.

The trade war involving the two biggest economies in the world continued to impact the market this year. The uncertainty that was brought about by the U.S. and China going head to head in a tit for tat trade war was a main driver of the volatility in all financial markets. During the dispute, the two sides set the pace in the market by imposing tariffs and retaliating against each other. In December, they finally agreed on the terms of the phase one deal that reduces some U.S. tariffs on Chinese goods in exchange for Chinese purchases of American farm, energy and manufactured goods and better protection for U.S. intellectual property. The day after Christmas, the three major U.S. indices hit record highs on raised hopes that a trade deal was in line to be signed in January. "The deal is done, it's just being translated now", President Trump said, to traders' delight.

Encouraged by three U.S. Federal Reserve rate cuts and a strong domestic economy, 2019 was a strong year for the U.S. equity market. All sectors performed well, with the largest laggard being the Energy sector. Meanwhile, the Information Technology and Telecommunications Services sectors were the biggest contributors this year.

The S&P 500 Index reached several all-time highs during the year, the last of which was on December 27th, boosted by growing optimism over an initial U.S.-China trade deal.

Given this context, the Fund underperformed its benchmark. The discrepancy between the Fund's return and its benchmark is primarily due to tracking errors.

Recent Developments

The Fund seeks to track the DOW Jones Industrial Average Index through investments in its constituents. The objective of this Fund is to minimize tracking errors and to replicate the returns of the benchmark.

With regards to its cash position, the Fund can never be fully invested and has to keep some cash on hand. This could cause a drag on relative performance when the market is rising and act as a positive catalyst when the market is dropping.

The global economy could find its footing and reaccelerate in a synchronous manner. The U.S. could lead the global charge as consumption remains the main driver of growth, though it could moderate due to limited spare capacity in these later stages of the cycle. Healthy demand and receding North American trade tensions could buoy the Canadian economy and help to facilitate the rotation towards exports and business investment.

Looking abroad, transitory factors that were exacerbated by trade tensions could dissipate and both the European and Japanese economies could recalibrate. The Chinese economy could stabilize thanks to numerous monetary and fiscal stimulus measures, thereby enhancing the global outlook.

This environment of moderate growth could keep inflation stable, which could allow the major central banks to maintain stimulative policies. These measures could nurture growth and extend the economic cycle. This backdrop could bode well for equities and commodities at the expense of fixed income and the U.S. dollar.

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.

Holdings

As at December 31, 2019, National Bank Investments Inc. held 430.37 Fund securities for a value of \$4,725.97, which represented close to 0.0064% 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

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 and Series R	0.45%	55.56%	44.44%
Series O	N/A**	—	100.00%

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

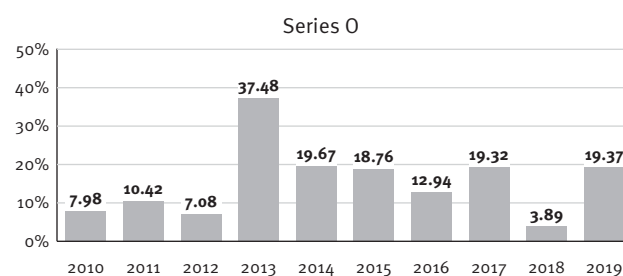
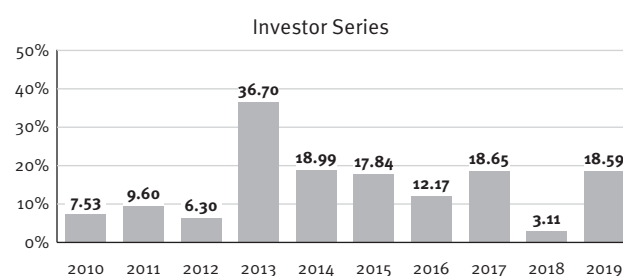
^(**) There are no management fees paid by the Fund with respect to the Series O. Instead, Series O securityholders pay a negotiated administration fee directly to National Bank Investments.

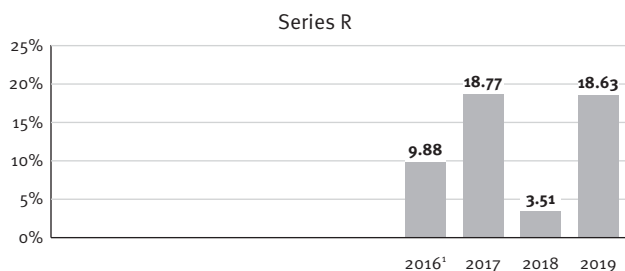
Past Performance

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 August 8, 2016 (commencement of operations) to December 31, 2016.

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:

- Dow Jones Industrial Average Index (CAD)

NBI U.S. Index Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	18.59%	13.21%	13.91%	14.60%	–
Benchmark	19.23%	14.45%	15.12%	15.83%	–
Series O²	19.37%	13.96%	14.69%	15.35%	–
Benchmark	19.23%	14.45%	15.12%	15.83%	–
Series R³	18.63%	13.41%	–	–	14.89%
Benchmark	19.23%	14.45%	–	–	18.13%

¹Commencement of operations: January 27, 1999

²Commencement of operations: January 31, 2006

³Commencement of operations: August 8, 2016

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 **Dow Jones Industrial Average Index (DJIA)** is one of the most quoted U.S. indexes and also the oldest; it is a basket of 30 blue-chip stocks of the New York Stock Exchange's largest and best known industrial stocks. The DJIA is price-weighted, meaning that higher-priced stocks affect index performance more than lower-priced ones.

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 Series*

^(*)Please note that the data presented below is in CAD although this Series is also available under the USD purchase option.

Net Assets per Unit⁽¹⁾ Commencement of operations: January 27, 1999

Accounting Period Ended	2019 December 31	2018 December 31	2017 December 31	2016 December 31	2015 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	7.96	7.71	8.15	8.36	7.60
Increase (Decrease) from Operations (\$)					
Total revenue	1.90	(0.40)	2.09	1.23	0.05
Total expenses	(0.06)	(0.06)	(0.06)	(0.06)	(0.10)
Realized gains (losses)	0.13	0.32	(0.15)	(0.24)	1.26
Unrealized gains (losses)	(0.48)	0.39	(0.37)	—	0.14
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.49	0.25	1.51	0.93	1.35
Distributions (\$)					
From net investment income (excluding dividends)	1.52	—	1.96	1.24	0.27
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	0.33
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	1.52	—	1.96	1.24	0.60
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	7.94	7.96	7.71	8.15	8.36

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 (ooo's of \$) ⁽⁵⁾	68,659	65,047	63,860	52,451	53,998
Number of units outstanding ⁽⁵⁾	8,645,686	8,173,908	8,277,122	6,438,477	6,462,685
Management expense ratio (%) ⁽⁶⁾	0.69	0.68	0.67	0.67	0.67
Management expense ratio before waivers or absorptions (%)	0.69	0.68	0.67	0.67	0.67
Trading expense ratio (%) ⁽⁷⁾	0.02	0.02	0.02	0.03	0.03
Portfolio turnover rate (%) ⁽⁸⁾	0.31	10.37	87.80	—	—
Net asset value per unit (\$)	7.94	7.96	7.72	8.15	8.36

Series O

Net Assets per Unit⁽¹⁾ Commencement of operations: January 31, 2006

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⁾	12.01	11.56	11.43	11.58	10.36
Increase (Decrease) from Operations (\$)					
Total revenue	2.76	(0.86)	3.23	2.09	0.12
Total expenses	(0.01)	—	(0.01)	(0.01)	(0.07)
Realized gains (losses)	0.20	0.54	(0.16)	(0.30)	1.77
Unrealized gains (losses)	(0.71)	0.58	(0.56)	—	0.22
Total Increase (Decrease) from Operations (\$) ⁽²⁾	2.24	0.26	2.50	1.78	2.04
Distributions (\$)					
From net investment income (excluding dividends)	1.86	—	2.09	1.67	0.39
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	0.34
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	1.86	—	2.09	1.67	0.73
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	12.50	12.01	11.56	11.43	11.58

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 (ooo's of \$) ⁽⁵⁾	4,772	2,695	1,639	357	191
Number of units outstanding ⁽⁵⁾	381,717	224,445	141,723	31,198	16,475
Management expense ratio (%) ⁽⁶⁾	0.04	0.03	0.02	0.02	0.02
Management expense ratio before waivers or absorptions (%)	0.04	0.03	0.02	0.03	0.05
Trading expense ratio (%) ⁽⁷⁾	0.02	0.02	0.02	0.03	0.03
Portfolio turnover rate (%) ⁽⁸⁾	0.31	10.37	87.80	—	—
Net asset value per unit (\$)	12.50	12.01	11.56	11.43	11.58

Series R

Net Assets per Unit⁽¹⁾

Commencement of operations: August 8, 2016

Accounting Period Ended	2019	2018	2017	2016
	December 31	December 31	December 31	December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	8.87	9.09	10.17	10.00
Increase (Decrease) from Operations (\$)				
Total revenue	2.04	(0.15)	2.57	0.80
Total expenses	(0.06)	(0.06)	(0.06)	(0.02)
Realized gains (losses)	0.14	0.32	(0.59)	0.29
Unrealized gains (losses)	(0.52)	0.45	(0.18)	(0.08)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	1.60	0.56	1.74	0.99
Distributions (\$)				
From net investment income (excluding dividends)	1.52	0.36	2.91	0.83
From dividends	—	—	—	—
From capital gains	—	—	—	—
Return of capital	0.49	0.18	0.04	—
Total Annual Distributions (\$) ⁽³⁾	2.01	0.54	2.95	0.83
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	8.50	8.87	9.09	10.17

Ratios and Supplemental Data

Accounting Period Ended	2019	2018	2017	2016
	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) ⁽⁵⁾	1	1	1	1
Number of units outstanding ⁽⁵⁾	163	132	137	108
Management expense ratio (%) ⁽⁶⁾	0.67	0.61	0.56	0.42
Management expense ratio before waivers or absorptions (%)	1.75	1.66	2.16	7.43
Trading expense ratio (%) ⁽⁷⁾	0.02	0.02	0.02	0.03
Portfolio turnover rate (%) ⁽⁸⁾	0.31	10.37	87.80	—
Net asset value per unit (\$)	8.50	8.87	9.09	10.17

⁽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 Series 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
Mini Dow Jones Index, March 20	99.8
Cash, Money Market and Other Net Assets	0.2
	<u>100.0</u>
Net asset value	\$73,432,275

Sector Allocation

	% of Net Asset Value
Bonds	38.7
Industrials	19.9
Information Technology	17.2
Financials	17.1
Consumer Discretionary	14.4
Health Care	13.0
Energy	7.0
Consumer Staples	6.9
Materials	2.5
Communication Services	1.7
Cash, Money Market and Other Net Assets	(38.4)

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.