

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2019

Canadian Equity Fund

NBI Quebec Growth 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 Quebec Growth Fund's investment objective is to ensure long-term capital growth. The Fund primarily invests in equity securities of corporations whose head office is in Quebec or who do a substantial part of their business in Quebec. It invests in many sectors of the Quebec economy, including communications and media, conglomerates, consumer products, financial services, industrial products, merchandising, metals and minerals, paper and forest products, transportation and environment, and utilities. The Fund provides investors with a way to participate in economic growth in Quebec as part of a diversified portfolio.

The portfolio manager analyzes small, medium and large capitalization companies. When selecting securities in the Fund, the portfolio manager favours security selection over sector rotation and seeks companies with growth potential. 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 Quebec Growth Fund's Investor Series units returned 22.84% compared to 15.84% for the Fund's benchmark, the S&P/TSX Small Cap 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 18.97% over the period, from \$242.61 million as at December 31, 2018 to \$288.64 million as at December 31, 2019.

The increase stemmed mainly from market fluctuations.

Buoyed by upbeat economic data from China amid growing optimism over an initial U.S.-China trade deal, the Canadian equity market ended the year on a high note. Along with the rest of the world, the S&P/TSX index reached several all-time highs during the year and posted double digit gains.

The index was mainly driven by the Information Technology and Utilities sectors. In contrast, the Health Care sector shed value thanks to the unimpressive performance of names in the cannabis sector.

Smaller businesses in Canada underperformed their large relatives for the year with the S&P/TSX Small Cap Index falling short of the broad-based S&P/TSX Index. The Energy and Health Care sectors were the only detractors while the Financials and Utilities sectors outperformed.

Given these events, the Fund outperformed the benchmark. The Fund's outperformance for the period was a result of stock selection.

From a security selection perspective, major positive contributors came from WSP Global, IA Financial, Heroux-Devtek, GDI Integrated Facilities and GoEasy. Conversely, the Fund's detractors came from Baylin Technologies, SNC-Lavalin Group, IPL Plastics, Lassonde Industries and Logistec.

During the year, the portfolio manager notably reduced the Fund's exposure to more cyclical stocks and increased the exposure to larger capitalization stocks. He also sold positions that failed to meet expectations and that offered limited upside.

During the year, he initiated positions in the following stocks: Alythia Group, Andlauer Health Group, Cominar REIT, Lightspeed POS and Transat A.T. Conversely, he removed the following positions from the Fund: AGT Growth, Baylin Technologies, Boralex, Cascades, Knight Therapeutics, Osisko Gold Royalties, Power Corporation, Semafo, Sleep Country, SNC-Lavalin Group and Valener.

In terms of changes to existing positions during the year, we increased our weighting in IA Financial, GDI Integrated Services and Tecsys. We also decreased our weighting in Aecon Group, Lassonde Industries and Stella-Jones.

On a sector level, the Fund's largest positions at the end of the year were in Industrials, Consumer Staples and Financials.

The portfolio manager continues to favor companies that have exposure to the growth of the North American economy as well as companies that have a clear growth strategy, either organically or via acquisitions. The Fund continues to have limited exposure to commodity stocks; apart from a small exposure to gold and no exposure in the Energy sector. The portfolio manager also has minimal exposure to the Canadian banks, apart from a small position in the National Bank of Canada. This ultimately differentiates the Fund from most existing Canadian equity funds.

He expects the majority of the Fund's holdings to continue to grow and pursue merger and acquisition opportunities in their respective markets, consolidate their leadership position, and increase profitability at the same time.

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.

The NBI Quebec Growth Fund won a Lipper Fund Award in the "Canadian Small/Mid Cap Equity category" at the Lipper Fund Awards ceremony held November 14, 2019 in Toronto. These awards recognize investment funds that have maintained a strong risk-adjusted performance in their respective categories.

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	114,908.10
Brokerage fees paid to National Bank Financial	20,950.20

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	2.00%	62.50%	37.50%
Advisor Series*			
Front-end load	2.00%	62.50%	37.50%
Back-end load - 1 to 6 years	2.00%	25.00%	75.00%
Back-end load - 7 years and more	2.00%	62.50%	37.50%
Low load - 1 to 3 years	2.00%	25.00%	75.00%
Low load - 4 years and more	2.00%	50.00%	50.00%
Series F	0.75%	—	100.00%

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

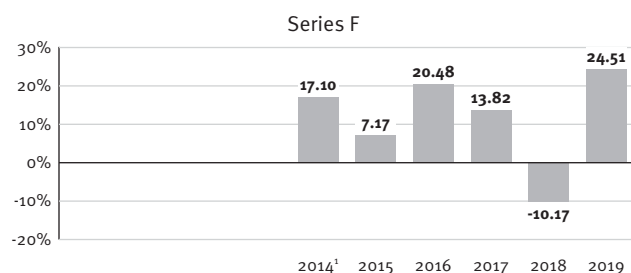
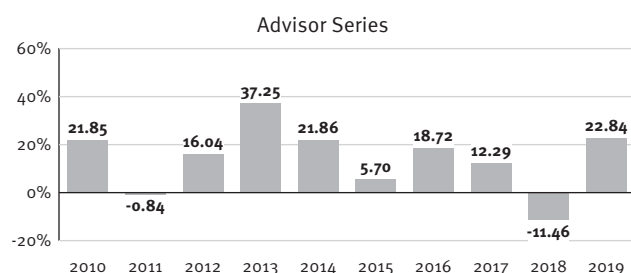
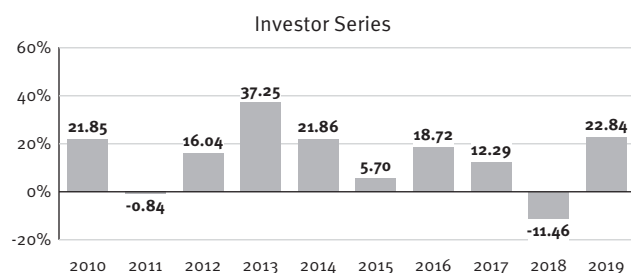
^(*) Excluding sales commissions paid on the Advisor Series with the low sales charge option and deferred sales charge option, which are not paid for out of the management fees.

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 May 21, 2014 (commencement of operations) to December 31, 2014.

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 Small Cap Index (CAD)

NBI Quebec Growth Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	22.84%	6.89%	8.91%	13.65%	–
Benchmark	15.84%	(0.87)%	3.18%	3.09%	–
Advisor Series²	22.84%	6.89%	8.91%	13.65%	–
Benchmark	15.84%	(0.87)%	3.18%	3.09%	–
Series F³	24.51%	8.38%	10.45%	–	12.37%
Benchmark	15.84%	(0.87)%	3.18%	–	0.83%

¹Commencement of operations: July 23, 1999

²Commencement of operations: February 8, 2002

³Commencement of operations: May 21, 2014

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 Small Cap Index** is capitalization weighted and consists of small cap companies 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

^(*) The Advisor Series was created on February 8, 2002.

Net Assets per Unit⁽¹⁾ Commencement of operations: July 23, 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⁾	62.79	70.85	63.16	53.19	50.33
Increase (Decrease) from Operations (\$)					
Total revenue	1.78	1.16	1.00	0.92	0.82
Total expenses	(1.83)	(1.77)	(1.68)	(1.54)	(1.40)
Realized gains (losses)	(0.18)	0.62	0.67	1.07	2.52
Unrealized gains (losses)	14.58	(8.25)	7.94	8.95	0.50
Total Increase (Decrease) from Operations (\$) ⁽²⁾	14.35	(8.24)	7.93	9.40	2.44
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	—	—	—	—	—
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	77.10	62.79	70.85	63.16	53.19

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⁾	207,024	176,657	188,327	136,835	69,471
Number of units outstanding ⁽⁵⁾	2,684,191	2,813,436	2,655,442	2,166,529	1,305,961
Management expense ratio (%) ⁽⁶⁾	2.52	2.52	2.52	2.52	2.53
Management expense ratio before waivers or absorptions (%)	2.52	2.52	2.52	2.52	2.53
Trading expense ratio (%) ⁽⁷⁾	0.04	0.04	0.05	0.08	0.10
Portfolio turnover rate (%) ⁽⁸⁾	22.98	19.36	23.42	20.59	29.83
Net asset value per unit (\$)	77.13	62.79	70.92	63.16	53.20

Series F

Net Assets per Unit⁽¹⁾ Commencement of operations: May 21, 2014

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⁾	15.46	17.20	15.12	12.55	11.71
Increase (Decrease) from Operations (\$)					
Total revenue	0.44	0.29	0.25	0.24	0.21
Total expenses	(0.20)	(0.19)	(0.18)	(0.17)	(0.15)
Realized gains (losses)	(0.04)	0.15	0.17	0.22	0.28
Unrealized gains (losses)	3.65	(2.13)	1.99	1.70	0.09
Total Increase (Decrease) from Operations (\$) ⁽²⁾	3.85	(1.88)	2.23	1.99	0.43
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	—	—	—	—	—
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	19.25	15.46	17.20	15.12	12.55

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⁾	81,616	65,954	52,182	29,977	1,763
Number of units outstanding ⁽⁵⁾	4,239,054	4,267,215	3,031,349	1,983,260	140,449
Management expense ratio (%) ⁽⁶⁾	1.11	1.11	1.11	1.11	1.10
Management expense ratio before waivers or absorptions (%)	1.11	1.11	1.11	1.11	1.10
Trading expense ratio (%) ⁽⁷⁾	0.04	0.04	0.05	0.08	0.10
Portfolio turnover rate (%) ⁽⁸⁾	22.98	19.36	23.42	20.59	29.83
Net asset value per unit (\$)	19.25	15.46	17.21	15.12	12.55

- ⁽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 all series created before 2016, 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
Cash, Money Market and Other Net Assets	5.8
WSP Global Group Inc.	4.9
Héroux-Devtek Inc.	4.9
iA Financial Corp Inc.	4.3
GDI Integrated Facility Services Inc.	4.2
Alimentation Couche-Tard Inc., Class B	4.1
Parkland Fuel Corp.	3.4
Cargojet Inc.	3.2
Morneau Shepell Inc.	3.2
CGI Group Inc., Class A	3.0
Richelieu Hardware Ltd.	2.9
Logistec Corp., Class B	2.5
Savaria Corp.	2.5
TECSYS Inc.	2.5
TFI International Inc.	2.4
CAE Inc.	2.3
Intertape Polymer Group Inc.	2.3
Jamieson Wellness Inc.	2.3
Metro Inc.	2.3
New Look Vision Group Inc., Class A	2.3
Quebecor Inc., Class B	2.2
Stella-Jones Inc.	2.2
Winpak Ltd.	2.2
National Bank of Canada	2.1
BRP Inc./CA	2.0
	76.0

Net asset value \$288,639,917

Asset Mix

	% of Net Asset Value
Canadian Equity	94.2
Cash, Money Market and Other Net Assets	5.8

Sector Allocation

	% of Net Asset Value
Industrials	39.0
Consumer Staples	11.5
Consumer Discretionary	9.3
Information Technology	8.6
Materials	7.9
Financials	7.2
Energy	3.4
Real Estate	2.6
Communication Services	2.2
Utilities	1.7
Health Care	0.8
Cash, Money Market and Other Net Assets	5.8

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.