

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

Index Fund

NBI International Currency Neutral 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 International Currency Neutral Index Fund seeks long-term growth of capital by tracking the performance of the MSCI Europe, Australasia and Far East Index* (the “MSCI-EAFE Index”). The MSCI-EAFE Index includes over 900 large company stocks representing 21 of the world’s industrialized countries excluding North America.

The portfolio manager aims to track the performance of the MSCI-EAFE Index. The Fund will invest primarily in options, futures and forward contracts based on the stock market indices of countries included in the MSCI-EAFE Index, as well as Government of Canada Treasury Bills and other high quality short-term money market instruments.

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, 2020, the NBI International Currency Neutral Index Fund’s Investor Series units returned -0.56% compared to 0.84% for the Fund’s benchmark, the MSCI EAFE Index (local currencies). 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 12.88% over the period, from \$32.01 million as at December 31, 2019 to \$27.89 million as at December 31, 2020.

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

After a start marked by the emergence of a global pandemic and the fastest stock market plunge in history, 2020 ended with a third consecutive quarter of strong gains for risk assets. Overall, these twelve months have witnessed extreme variations between asset classes - especially in the first quarter. Nonetheless, both the stock and bond markets generally ended 2020 in positive territory, as lower interest rates led to significant gains for fixed income securities while supporting the economic and stock market recovery.

Within equity regions, divergences were also quite spectacular, with the U.S. stock market dominating its peers throughout the first three quarters of the year thanks to its heavy allocation to more defensive sectors. That said, emerging markets rallied strongly later in 2020, lifted by a weaker U.S. dollar and the spectacular performance of Asian countries, most of which have managed to quickly contain the pandemic.

U.S. equities figured among the best performers worldwide thanks to the Information Technology and Consumer Discretionary sectors, which that gained over 40% and 30% respectively whereas the Energy sector suffered and lost more than 30% over the year.

The MSCI World Index also ended the year with strong gains. The Information Technology and Consumer Discretionary sectors outperformed other sectors, gaining around 44% and 37% respectively in USD, whereas the Energy and Real Estate sectors underperformed, losing about 30% and 4% respectively in USD.

In this an eventful year, the international markets also finished strong as the MSCI EAFE Index generated robust returns for the period. The leading sectors were Information Technology and Materials. In terms of countries, South Korea was the best performer while Spain was the biggest underperformer.

Given this context, the Fund underperformed its benchmark during 2020. The objective of this Fund is to minimize tracking errors and to replicate the returns of the benchmark.

Recent Developments

The portfolio manager expects the new business cycle to carry on, strengthened by the gradual inoculation of the world’s population and supported by monetary conditions arguably more accommodative than ever before. It is undeniable that growth will slow down early in the year, whereas a considerable increase in the number of COVID-19 cases forces the maintenance of restrictive containment measures. However, the vaccination campaign should provide immunization for the vast majority of the most-at-risk population in developed countries by the end of March and takes us near herd immunity midyear. As a result, the pace of growth is expected to accelerate starting in Q2, driven by a gradual and permanent reopening of the economy, a rise in consumer sentiment, and a recovery in the service sector. All in all, this background argues in favour of a pro-risk stance, which he increased one step further in early December, and plan to build up gradually over the course of the year as opportunities arise. He will, however, continue to closely monitor key risks to our baseline scenario, including the speed at which COVID-19 immunization occurs, the trajectory of inflation, and the policies put forward by the new U.S. administration.

In terms of leadership within the stock market, he doesn’t expect 2020 outperformers such as large technology companies to do poorly, but they should nonetheless yield their place at the top of the podium to stocks more exposed to global growth. Geographically, he continues to expect emerging markets to be the main beneficiaries of a cyclical recovery environment featuring depreciation of the U.S. dollar.

On April 30, 2020, the Fund’s independent review committee (the “IRC”) was reduced to three members when Jacques Valotaire and Jean-François Bernier resigned as IRC members. On July 1, 2020, the Fund’s IRC was increased to four members when Marie Desroches was appointed as IRC member.

On or about September 1, 2020, National Bank Trust Inc. became the portfolio manager of the Fund. The investment objective of the Fund remains unchanged. This change is in line with the governance process of NBI’s open architecture structure.

Related Party Transactions

National Bank of Canada (“the Bank”) and its affiliated companies’ roles and responsibilities related to the Fund are as follows:

Trustee, Custodian, and Registrar

Natcan Trust Company (“NTC”), a direct or indirect wholly-owned subsidiary of the Bank, is the Fund’s trustee. In this capacity, it is the legal owner of the Fund’s investments.

NTC acts as registrar for the Fund’s securities and the names of securityholders. NTC also acts as the Fund’s custodian. The fees for NTC’s custodial services are based on the standard rates in effect at NTC.

Agent for securities lending transactions

NTC acts as the agent for securities lending transactions acts on behalf of the Fund in administering securities lending transactions entered into by the Fund. NTC is an affiliate of the Manager.

Fund Manager

The Fund is managed by National Bank Investments Inc. (“NBII”), which is a wholly-owned subsidiary of the Bank. Therefore, NBII provides or ensures the provision of all general management and administrative services required by the Fund’s current operations, including investment consulting, the arrangement of brokerage contracts for the purchase and sale of the investment portfolio, bookkeeping and other administrative services required by the Fund.

The Manager pays the operating expenses of the Fund other than its “Fund costs” (defined below) (the “variable operating expenses”), in exchange for the Fund’s payment to the Manager of annual fixed-rate administration fees with respect to each series of the Fund.

The administration fees are equal to a specified percentage of the net asset value of each series of the Fund, calculated and paid in the same manner as the Fund's management fees. The variable operating expenses payable by the Manager include, but are not limited to: transfer agency and recordkeeping costs; custodial costs; accounting and valuation fees; audit fees and legal fees; costs of preparing and distributing financial reports, simplified prospectuses, annual information forms, Fund Facts, continuous disclosure material and other securityholder communications; and costs of trustee services relating to registered tax plans, as applicable.

In addition to administration fees, the Fund shall also pay certain Fund costs, namely: taxes (including, but not limited to, GST/HST and income taxes); costs of compliance with any changes to existing governmental or regulatory requirements introduced after August 1, 2013; costs of compliance with any new governmental or regulatory requirements, including any new fees introduced after August 1, 2013; interest and borrowing costs; costs related to external services that were not commonly charged in the Canadian mutual fund industry as at August 1, 2013; Independent Review Committee costs, including compensation paid to IRC members, travel expenses, insurance premiums and costs associated with their continuing education; and variable operating expenses incurred outside of the normal course of business of the Fund.

The Manager may, from time to time and at its sole discretion, decide to absorb a portion of a series' management fees, administration fees or Fund costs.

As described under the heading *Management Fees*, the Fund pays annual management fees to NBII as consideration for its services.

Portfolio Manager

The Manager has appointed National Bank Trust Inc. ("NBT"), an indirect wholly-owned subsidiary of the Bank, as the portfolio manager for the Fund. A flat fee is payable annually to NBT for its management services.

Distribution and Dealer Compensation

NBII acts as principal distributor for the Fund. 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, 2020
Total brokerage fees	3,068.32
Brokerage fees paid to National Bank Financial	-

Holdings

As at December 31, 2020, National Bank Investments Inc. held 156.84 Fund securities for a value of \$1,469.61, which represented close to 0.0051% 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	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.

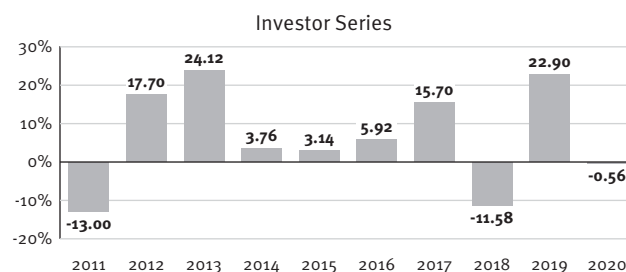
^(**) There are no management fees paid by the Fund with respect to the Series O. Instead, Series O securityholders pay a negotiated administration fee directly to National Bank Investments.

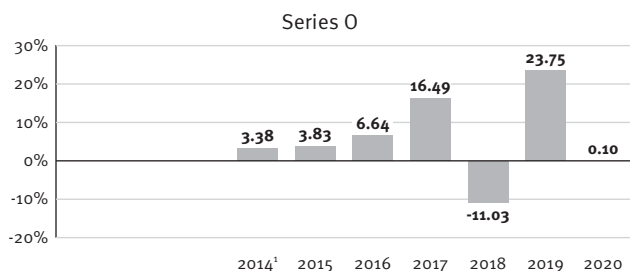
Past Performance

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 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, 2020, compared with the following benchmark:

- MSCI EAFE Index (local currencies)

NBI International Currency Neutral Index Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	(0.56)%	2.62%	5.78%	6.06%	–
Benchmark	0.84%	2.98%	5.80%	6.82%	–
Series O²	0.10%	3.29%	6.48%	–	5.99%
Benchmark	0.84%	2.98%	5.80%	–	6.55%

¹Commencement of operations: November 5, 1998

²Commencement 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 **MSCI EAFE Index (Europe, Australasia, Far East)** is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada. The MSCI EAFE Index consists of 21 developed market country indices.

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

Net Assets per Unit⁽¹⁾

Commencement of operations: November 5, 1998

Accounting Period Ended	2020	2019	2018	2017	2016
	December 31	December 31	December 31	December 31	December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.62	8.63	9.76	10.13	10.31
Increase (Decrease) from Operations (\$)					
Total revenue	0.43	2.21	(0.80)	1.70	0.63
Total expenses	(0.06)	(0.07)	(0.07)	(0.08)	(0.08)
Realized gains (losses)	(0.65)	0.14	(0.03)	(0.01)	(0.02)
Unrealized gains (losses)	0.12	(0.08)	(0.03)	0.02	(0.01)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	(0.16)	2.20	(0.93)	1.63	0.52
Distributions (\$)					
From net investment income (excluding dividends)	0.42	0.98	—	1.92	0.79
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.42	0.98	—	1.92	0.79
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	9.14	9.62	8.63	9.76	10.13

Ratios and Supplemental Data

Accounting Period Ended	2020	2019	2018	2017	2016
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) ⁽⁵⁾	27,888	32,012	70,139	148,984	283,042
Number of units outstanding ⁽⁵⁾	3,045,810	3,325,666	8,130,982	15,264,123	27,940,009
Management expense ratio (%) ⁽⁶⁾	0.66	0.69	0.68	0.67	0.67
Management expense ratio before waivers or absorptions (%)	0.66	0.69	0.68	0.67	0.67
Trading expense ratio (%) ⁽⁷⁾	0.02	0.04	0.06	0.08	0.12
Portfolio turnover rate (%) ⁽⁸⁾	—	11.32	57.72	45.97	—
Net asset value per unit (\$)	9.16	9.63	8.63	9.76	10.13

Series O

Net Assets per Unit⁽¹⁾

Commencement of operations: May 21, 2014

Accounting Period Ended	2020	2019	2018	2017	2016
	December 31	December 31	December 31	December 31	December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	9.94	8.55	9.60	9.55	9.73
Increase (Decrease) from Operations (\$)					
Total revenue	0.58	2.01	(0.99)	1.61	0.66
Total expenses	—	—	(0.01)	(0.01)	(0.01)
Realized gains (losses)	(0.70)	0.19	(0.03)	(0.01)	(0.01)
Unrealized gains (losses)	0.11	(0.18)	(0.03)	0.01	(0.02)
Total Increase (Decrease) from Operations (\$) ⁽²⁾	(0.01)	2.02	(1.06)	1.60	0.62
Distributions (\$)					
From net investment income (excluding dividends)	0.59	0.64	—	1.53	0.82
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	0.59	0.64	—	1.53	0.82
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	9.35	9.94	8.55	9.60	9.55

Ratios and Supplemental Data

Accounting Period Ended	2020	2019	2018	2017	2016
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) ⁽⁵⁾	1	1	1	1	1
Number of units outstanding ⁽⁵⁾	157	148	139	139	120
Management expense ratio (%) ⁽⁶⁾	—	0.02	0.01	—	—
Management expense ratio before waivers or absorptions (%)	2.06	1.58	1.37	1.83	2.70
Trading expense ratio (%) ⁽⁷⁾	0.02	0.04	0.06	0.08	0.12
Portfolio turnover rate (%) ⁽⁸⁾	—	11.32	57.72	45.97	—
Net asset value per unit (\$)	9.37	9.95	8.55	9.61	9.56

- ⁽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.
- ⁽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.
- ⁽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, 2020

Portfolio Top Holdings

	% of Net Asset Value
MSCI EAFE, March 21	100.2
Cash, Money Market and Other Net Assets	(0.2)
	100.0
Net asset value	\$27,889,878

Regional Allocation

	% of Net Asset Value
Japan	23.8
United Kingdom	16.8
France	11.4
Others	10.0
Switzerland	9.3
Germany	8.8
Australia	6.9
Hong Kong	4.1
Netherlands	3.5
Spain	3.0
Sweden	2.6
Cash, Money Market and Other Net Assets	(0.2)

The above table shows the top 25 positions held by the Fund. In the case of a Fund with fewer than 25 positions, all positions are indicated.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment Fund. A quarterly update is available. Please consult our Web site at www.nbinvestments.ca.