

Annual Financial Statements

For the period ended December 31, 2016



► Short Term and Income Funds

NBI Jarislowsky Fraser Select Income Fund

(formerly Jarislowsky Fraser Select Income Fund)

Financial Statements

Statements of Financial Position

(in thousands canadian dollars, except per unit amounts)

	Note	December 31, 2016	December 31, 2015
		\$	\$
Assets			
Current assets			
Investments	5	206,751	175,388
Cash		1,634	2,174
Subscriptions receivable		246	1,378
Proceeds from sale of investments receivable		3,366	-
Interest receivable		805	833
Dividends receivable		212	130
Total assets		213,014	179,903
Liabilities			
Current liabilities			
Redeemed units payable		278	135
Accrued expenses		190	194
Total liabilities (excluding net assets attributable to holders of redeemable units)		468	329
Net assets attributable to holders of redeemable units		212,546	179,574
Net assets attributable to holders of redeemable units per series			
Advisor Series	2	125,326	116,556
Series F/E		87,220	63,018
		212,546	179,574
Net assets attributable to holders of redeemable units per unit, per series			
Advisor Series	2	10.61	10.43
Series F/E		11.20	10.92

Approved on the behalf of the board of directors of
National Bank Investments Inc.

Jonathan Durocher

President, Chief Executive Officer and Chairman of the Board

Tina Tremblay-Girard

Director

Statements of Comprehensive Income for the Year Ended December 31

(in thousands canadian dollars, except per unit amounts)

	Note	2016	2015
		\$	\$
Income			
	2		
Interest income for distribution purposes		4,295	4,089
Dividends income		2,419	1,985
Other income		-	19
Changes in fair value			
Net realized gains (losses) on sale of investments		2,446	357
Net realized gains (losses) on foreign currencies		(2)	(24)
Net realized gains (losses) on forwards currency		(1)	(2)
Change in net unrealized appreciation/depreciation on investments		5,009	(4,535)
Change in unrealized gains/losses on foreign currencies		(17)	4
Total income		14,149	1,893
Expenses			
	8		
Management fees		2,386	2,124
Custodial fees		24	22
Directors' fees of independent review committee		1	1
Audit fees		9	7
Legal fees		5	4
Rights and deposits		36	33
Securityholder reporting costs		45	66
Professional fees		9	9
Fees paid by the manager		(18)	(3)
Withholding taxes	2	72	63
Transaction costs on purchase and sale of investments	8	24	11
Total expenses		2,593	2,337
Increase (decrease) in net assets attributable to holders of redeemable units		11,556	(444)
Increase (decrease) in net assets attributable to holders of redeemable units per series			
	2		
Advisor Series		6,614	(569)
Series F/E		4,942	125
		11,556	(444)
Increase (decrease) in net assets attributable to holders of redeemable units per unit, per series			
	2		
Advisor Series		0.59	(0.06)
Series F/E		0.72	0.02

The accompanying notes are an integral part of these financial statements.

► Short Term and Income Funds

NBI Jarislowsky Fraser Select Income Fund *(continued)*

(formerly Jarislowsky Fraser Select Income Fund)

Financial Statements

Statements of Changes in Net Assets Attributable to Holders of Redeemable Units per Series for the Year Ended December 31

(in thousands canadian dollars)

	Note	Advisor Series		Series F/E	
		2016	2015	2016	2015
		\$	\$	\$	\$
Net assets attributable to holders of redeemable units, beginning of the year		116,556	85,863	63,018	49,583
Increase (decrease) in net assets attributable to holders of redeemable units		6,614	(569)	4,942	125
Redeemable units transactions	6				
Proceeds from redeemable units issued		32,741	52,352	37,652	33,132
Reinvestments of distributions to holders of redeemable units		3,537	3,353	2,251	1,774
Redemption of redeemable units		(29,376)	(20,009)	(17,586)	(19,172)
Total redeemable units transactions		6,902	35,696	22,317	15,734
Distributions to investors	2				
Net investment income		2,125	2,008	1,949	1,596
Net realized gain		73	-	45	-
Return of capital		2,536	2,424	1,057	827
Management fees rebate		12	2	6	1
Total distributions to investors		4,746	4,434	3,057	2,424
Net increase (decrease) in net assets attributable to holders of redeemable units		8,770	30,693	24,202	13,435
Net assets attributable to holders of redeemable units, end of the year		125,326	116,556	87,220	63,018
Redeemable units transaction					
Redeemable units outstanding, beginning of the year		11,172,700	7,900,779	5,772,345	4,396,412
Redeemable units issued		3,098,379	4,817,567	3,403,762	2,927,995
Redeemable units issued on reinvestments		335,869	312,444	202,934	158,511
Redeemable units redeemed		(2,796,756)	(1,858,090)	(1,591,540)	(1,710,573)
Redeemable units outstanding, end of the year		11,810,192	11,172,700	7,787,501	5,772,345

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► Short Term and Income Funds

NBI Jarislowsky Fraser Select Income Fund *(continued)*

(formerly Jarislowsky Fraser Select Income Fund)

Financial Statements

Statements of Cash Flows for the Year Ended December 31

(in thousands canadian dollars)

Note	2016	2015
	\$	\$
Cash flows from operating activities		
Increase (decrease) in net assets attributable to holders of redeemable units	11,556	(444)
Adjustments for:		
Net realized (gains) losses on sale of investments	(2,446)	(357)
Net realized (gains) losses on foreign currencies	2	24
Net realized (gains) losses on forwards currency	1	2
Change in net unrealized appreciation/depreciation on investments	(5,009)	4,535
Change in unrealized gains/losses on foreign currencies	17	(4)
Purchases of investments	(99,460)	(72,946)
Proceeds from sale and maturity of investments	72,185	26,385
Interest receivable	28	(235)
Dividends receivable	(82)	(59)
Accrued expenses	(4)	42
Net cash from operating activities	(23,212)	(43,057)
Cash flows used in financing activities		
Distributions paid to holders of redeemable units, net of reinvested distributions	(2,015)	(1,731)
Proceeds from issuances of redeemable units	71,525	84,578
Amounts paid on redemption of redeemable units	(46,819)	(39,071)
Net cash used in financing activities	22,691	43,776
Net realized gains (losses) on foreign currencies	(2)	(24)
Change in unrealized gains/losses on foreign currencies	(17)	4
Net increase (decrease) for the year	(521)	719
Cash (bank overdraft), beginning of year	2,174	1,475
Cash (bank overdraft), end of year	1,634	2,174
Included in cash flows from operating activities		
Interest received	4,323	3,854
Dividends received, net of withholding taxes	2,265	1,863

Funds' Specific Notes

General Information

	Date Operations Commenced (Note 1)	Distribution of Net Income (Note 2)	Distribution of Gains (Note 2)	Annual Management Fees (Maximum) (Note 8)	Administration Fees (Note 8)
				%	%
Advisor Series	October 7, 2010	M	A	1.40	-
Series E	October 7, 2010	M	A	0.65	-
Series F	October 7, 2010	M	A	0.65	-

Net Assets/Equity Attributable to Holders of Redeemable Securities per Securities (Note 2)

	As at December 31, 2016		
	Transactional Net Asset Value per Unit/Share	Adjustment per Unit/Share	Net Assets per Unit/Share
Advisor Series	\$ 10.61	\$ -	\$ 10.61
Series F/E	11.20	-	11.20
	As at December 31, 2015		
	Transactional Net Asset Value per Unit/Share	Adjustment per Unit/Share	Net Assets per Unit/Share
Advisor Series	\$ 10.43	\$ -	\$ 10.43
Series F/E	10.92	-	10.92

Currency Risk (Note 5)

Currency	December 31, 2016		December 31, 2015	
	Exposure	Net Assets Attributable to Holders of Redeemable Units	Exposure	Net Assets Attributable to Holders of Redeemable Units
	\$	%	\$	%
American Dollar	13,845,185	6.5	14,257,663	7.9
Australian Dollar	769,546	0.4	734,183	0.4
Norwegian Krone	312,931	0.1	363,152	0.2

This fund has no investments in other mutual funds.

Numbers shown include monetary and non-monetary instruments.

Based on the assumption that the Canadian Dollar had risen or fallen by 5% in relation to all other currencies, with all other variables held constant, net assets and results of the fund would have varied by approximately \$746,383 (\$ 767,750 as at December 31, 2015).

Price Risk (Note 5)

The Fund's Benchmark Composition	December 31, 2016		December 31, 2015	
	Impact on Net Assets and Results	Percentage of Net Assets	Impact on Net Assets and Results	Percentage of Net Assets
	\$	%	\$	%
FTSE TMX Canada Universe Bond Index (75%) – S&P/TSX Index Capped TR (25%)	± 19,766,786	9.3	± 16,915,893	9.4

The impact is presented in the event that the benchmark's performance would rise or fall by 10%, with all variables held constant. This impact is presented on a 36-month historical correlation between the fund's fluctuating performance and the reference index.

The accompanying notes are an integral part of these financial statements.

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NBI Jarislowsky Fraser Select Income Fund *(continued)*

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Funds' Specific Notes

Credit Risk (Note 5)

Debt Securities by Credit Ratings	Percentage of Net Assets as at	
	December 31, 2016	December 31, 2015
	%	%
Investment Grade – AAA	7.6	11.4
Investment Grade – AA	11.7	9.6
Investment Grade – A	30.8	28.3
Investment Grade – BBB	19.5	16.5
Investment Grade – BB	1.0	-
	70.6	65.8

If applicable, the counterparties to futures and OTC had a rating of at least A-1 or A. This fund has no investments in other mutual funds.

The credit ratings are provided by recognized rating agencies.

Interest Rate Risk (Note 5)

Debt Securities by Maturity Date	December 31, 2016	December 31, 2015
	\$	\$
Under One Year	3,743,873	3,976,670
From 1 Year to 3 Years	15,020,663	11,842,284
From 3 Years to 5 Years	32,259,265	29,689,943
From 5 Years to 10 Years	42,614,209	37,591,290
More than 10 Years	33,805,126	35,194,637
	127,443,136	118,294,824

This fund has no investments in other mutual funds.

Based on the assumption that prevailing interest rates would vary of 0.25%, with all other variables held constant, net assets and results of the fund would have varied by approximately \$2,520,305 (\$2,350,349 as at December 31, 2015).

Concentration Risk (Note 5)

Asset Mix	Percentage of Net Assets as at	
	December 31, 2016	December 31, 2015
	%	%
Bonds and Debentures	59.9	65.8
Canadian Equity	20.9	23.5
Cash, Money Market and Other Net Assets	2.6	2.4
International Equity	2.3	4.0
Preferred Shares	10.7	-
US Equity	3.6	4.3

Fair Value of Financial Instruments Table (Note 5)

December 31, 2016	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds and debentures	13,451,253	113,991,883	n/a	127,443,136
Preferred shares	22,608,102	n/a	n/a	22,608,102
Common shares	56,699,779	n/a	n/a	56,699,779
Total Investments	92,759,134	113,991,883	n/a	206,751,017

During the year ended December 31, 2016, there were no significant transfers of investments between Level 1, Level 2 and Level 3.

December 31, 2015	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds and Debentures	15,912,223	102,382,601	n/a	118,294,824
Common Shares	57,092,938	n/a	n/a	57,092,938
Total Investments	73,005,161	102,382,601	n/a	175,387,762

During the year ended December 31, 2015, there were no significant transfers of investments between Level 1, Level 2 and Level 3.

Brokerage Fees and Soft Dollars (Note 8)

(in thousands canadian dollars)	December 31, 2016	December 31, 2015
	\$	\$
Total Commissions	24	9
Commissions Paid to NBF	-	2

Losses (Note 9)

(in thousands canadian dollars)	December 31, 2016	December 31, 2015
	\$	\$
Capital Losses	16	16

► Short Term and Income Funds

NBI Jarislowsky Fraser Select Income Fund *(continued)*

(formerly Jarislowsky Fraser Select Income Fund)

Schedule of Investments as at December 31, 2016

(in canadian dollars)

	Par Value	Average Cost	Fair Value		Number of Shares	Average Cost	Fair Value
		\$	\$			\$	\$
Corporations (35.1%) (continued)							
TransCanada Pipelines Ltd.							
4.55%, due November 15, 2041	2,503,000	2,650,500	2,615,630				
Wells Fargo Financial Canada							
2.78%, due November 15, 2018	562,000	579,754	575,845				
3.04%, due January 29, 2021	549,000	578,004	572,205				
Westcoast Energy Inc.							
3.43%, due September 12, 2024	1,060,000	1,093,018	1,084,502				
		<u>75,413,438</u>	<u>74,634,348</u>				
Foreign Bonds (3.8%)							
Anheuser-Busch Companies Inc.							
3.38%, due January 25, 2023	2,272,000	2,340,668	2,372,063				
HSBC Holdings PLC							
3.20%, due December 5, 2023	2,000,000	1,987,760	1,993,792				
Metropolitan Life Global Funding I							
2.68%, due April 16, 2019	460,000	463,943	470,361				
Molson Coors International LP							
3.44%, due July 15, 2026	708,000	707,816	693,796				
Wells Fargo & Co.							
3.87%, due May 21, 2025	2,458,000	2,502,567	2,523,528				
		<u>8,002,754</u>	<u>8,053,540</u>				
Total Bonds and Debentures		<u>129,047,862</u>	<u>127,443,136</u>				
	Number of Shares						
Preferred Shares (10.7%)							
Energy (3.8%)							
TransCanada Corp.							
4.90%, Series 15	248,000	6,196,000	6,314,080				
Westcoast Energy Inc.							
5.20%, Series 12	65,000	1,625,000	1,677,000				
		<u>7,821,000</u>	<u>7,991,080</u>				
Financials (5.9%)							
Bank of Montreal							
4.85%, Class B, Series 38	21,200	530,000	547,172				
Bank of Nova Scotia							
4.85%, Series 38	35,000	875,000	901,250				
5.50%, Series 36	135,000	3,445,800	3,631,500				
Royal Bank of Canada							
5.50%, Series BM	130,000	3,335,400	3,532,100				
Toronto-Dominion Bank							
4.85%, Series 14	150,000	3,750,000	3,870,000				
		<u>11,936,200</u>	<u>12,482,022</u>				
Telecommunication Services (1.0%)							
BCE Inc.							
4.15%, Series AK	140,000	2,080,986	2,135,000				
Total Preferred Shares		<u>21,838,186</u>	<u>22,608,102</u>				
Canadian Equities (20.9%)							
Consumer Discretionary (1.8%)							
Aimia Inc.	69,950	1,048,683	621,156				
Canadian Tire Ltd., Class A	9,220	866,984	1,284,069				
Thomson Reuters Corp.	31,170	1,171,449	1,831,549				
		<u>3,087,116</u>	<u>3,736,774</u>				
Consumer Staples (1.4%)							
Jean Coutu Group Inc., Class A	34,220	610,754	715,882				
Loblaw Companies Ltd.	15,184	719,887	1,075,635				
Metro Inc.	24,723	487,748	992,876				
Saputo Inc.	4,830	199,240	229,473				
		<u>2,017,629</u>	<u>3,013,866</u>				
Energy (5.4%)							
AltaGas Ltd.	24,050	974,525	815,295				
ARC Resources Ltd.	29,210	701,090	675,043				
Cameco Corp.	43,300	816,987	607,932				
Canadian Natural Resources Ltd.	51,974	1,987,636	2,223,967				
Cenovus Energy Inc.	71,810	1,913,383	1,457,743				
Crescent Point Energy Corp.	31,925	583,108	582,631				
Enbridge Inc.	46,451	2,415,757	2,624,482				
Keyera Corp.	14,990	387,428	606,495				
Pembina Pipeline Corporation	17,670	568,659	741,433				
Vermilion Energy Inc.	19,370	1,033,346	1,094,211				
		<u>11,381,919</u>	<u>11,429,232</u>				
Financials (7.4%)							
Bank of Nova Scotia	43,030	2,635,492	3,216,923				
Great-West Lifeco Inc.	28,770	819,564	1,011,841				
Industrial Alliance, Insurance & Financial Services Inc.	16,690	704,218	891,079				
Intact Financial Corp.	11,660	813,425	1,120,526				
Manulife Financial Corp.	76,270	1,449,826	1,823,616				
Royal Bank of Canada	37,820	2,505,551	3,436,703				
Toronto-Dominion Bank	64,800	3,029,368	4,291,056				
		<u>11,957,444</u>	<u>15,791,744</u>				
Industrials (2.6%)							
CAE Inc.	37,930	465,662	712,325				
Canadian National Railway Co.	15,240	768,596	1,377,086				
SNC-Lavalin Group Inc.	26,360	1,140,709	1,523,344				
Stantec Inc.	22,900	723,510	776,768				
WSP Global Group Inc.	23,710	771,301	1,059,600				
		<u>3,869,778</u>	<u>5,449,123</u>				
Information Technology (1.0%)							
DH Corp.	22,630	570,236	504,196				
Open Text Corp.	18,940	1,162,964	1,570,505				
		<u>1,733,200</u>	<u>2,074,701</u>				
Materials (0.7%)							
CCL Industries Inc., Class B	2,398	550,610	632,592				
Potash Corporation of Saskatchewan Inc.	33,890	955,922	823,188				
		<u>1,506,532</u>	<u>1,455,780</u>				
Utilities (0.6%)							
Innervex Renewable Energy Inc.	85,600	851,851	1,200,968				
Total Canadian Equities		<u>36,405,469</u>	<u>44,152,188</u>				
International Equities (5.9%)							
Australia (0.3%)							
Australia and New Zealand Banking Group Ltd.	23,240	606,662	684,867				
France (0.1%)							
Total SA, ADR	2,590	145,587	177,227				
Germany (0.5%)							
Siemens Ag, ADR	6,400	765,853	1,051,833				
Netherlands (0.4%)							
Royal Dutch Shell PLC, ADR	11,600	826,251	847,171				
Norway (0.1%)							
Telenor ASA	13,890	305,593	278,547				
United Kingdom (0.9%)							
GlaxoSmithKline PLC, ADR	15,030	787,221	777,046				
HSBC Holdings PLC, ADR	6,050	298,807	326,347				
Vodafone Group PLC, ADR	22,700	1,001,976	744,498				
		<u>2,088,004</u>	<u>1,847,891</u>				

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▶ Short Term and Income Funds

NBI Jarislowsky Fraser Select Income Fund *(continued)*

(formerly Jarislowsky Fraser Select Income Fund)

Schedule of Investments as at December 31, 2016

(in canadian dollars)

	Number of Shares	Average Cost	Fair Value
		\$	\$
United States (3.6%)			
Becton Dickinson and Co.	3,850	670,264	855,718
CA Technologies Inc.	14,460	507,630	616,737
Colgate-Palmolive Co.	4,050	232,562	355,805
Comcast Corp., Class A	4,160	357,612	386,133
General Electric Co.	7,379	172,350	313,337
Johnson & Johnson	4,090	411,768	632,763
MetLife Inc.	6,090	317,002	440,595
Microsoft Corp.	5,280	352,164	440,473
PepsiCo Inc.	3,610	295,987	507,275
Pfizer Inc.	20,470	757,419	892,857
Procter & Gamble Co.	5,060	457,765	571,907
Walgreens Boots Alliance Inc.	10,920	700,667	1,213,563
Wells Fargo & Co.	5,850	355,324	432,892
		<u>5,588,514</u>	<u>7,660,055</u>
Total International Equities		<u>10,326,464</u>	<u>12,547,591</u>
Total Investments (97.4%)		<u><u>197,617,981*</u></u>	206,751,017
Cash and Other Net Assets (2.6%)			<u>5,795,068</u>
Net Assets (100%)			<u><u>212,546,085</u></u>

* Average cost of Investments as of December 31, 2015 is \$171,263,902.



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INVESTMENTS