

NBI Jarislowsky Fraser Select Income Fund

Financial Statements

Statements Interim of Financial Position (Unaudited) (in thousands Canadian dollars, except per unit amounts)

	Note	June 30, 2018 \$	December 31, 2017 \$
Assets			
Current assets			
Investments	5	218,023	236,555
Cash		975	5,399
Subscriptions receivable		182	611
Proceeds from sale of investments receivable		558	-
Interest receivable		885	935
Dividends receivable		233	201
Total assets		220,856	243,701
Liabilities			
Current liabilities			
Redeemed units payable		411	176
Investments payable		561	993
Accrued expenses		220	243
Total liabilities (excluding net assets attributable to holders of redeemable units)		1,192	1,412
Net assets attributable to holders of redeemable units		219,664	242,289
Net assets attributable to holders of redeemable units per series	2		
Advisor Series		127,745	140,916
Series F/E		91,919	101,373
		219,664	242,289
Net assets attributable to holders of redeemable units per unit, per series	2		
Advisor Series		10.24	10.42
Series F/E		10.94	11.10

Approved on behalf of the board of directors of National Bank Investments Inc.
Jonathan Durocher
President and Chief Executive Officer
The Giang Diep
Director

Statements Interim of Comprehensive Income for the 6-Month Periods Ended June 30 (Unaudited) (in thousands Canadian dollars, except per unit amounts)

	Note	2018 \$	2017 \$
Income	2		
Interest income for distribution purposes		2,092	2,166
Dividends income		1,586	1,505
Other income		4	46
Net realized gains (losses) on sale of investments		1,250	(1,260)
Net realized gains (losses) on foreign currencies		(14)	(6)
Change in net unrealized appreciation/depreciation on investments		(2,816)	1,754
Change in unrealized gains/losses on foreign currencies		18	(70)
Total income		2,120	4,135
Expenses	8		
Management fees		1,383	1,389
Custodial fees		13	15
Audit fees		4	2
Legal fees		2	2
Rights and deposits		51	15
Securityholder reporting costs		-	89
Professional fees		5	5
Fees paid by the manager		(37)	(12)
Withholding taxes	2	47	28
Transaction costs on purchase and sale of investments	7	12	39
Total expenses		1,480	1,572
Increase (decrease) in net assets attributable to holders of redeemable units		640	2,563
Increase (decrease) in net assets attributable to holders of redeemable units per series	2		
Advisor Series		135	1,278
Series F/E		505	1,285
		640	2,563
Increase (decrease) in net assets attributable to holders of redeemable units per unit, per series	2		
Advisor Series		0.01	0.10
Series F/E		0.06	0.15

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

**Statements Interim of Changes in Net Assets Attributable to Holders of Redeemable Units per Series
for the 6-Month Periods Ended June 30 (Unaudited)
(In thousands Canadian dollars)**

	Note	Advisor Series		Series F/E	
		2018	2017	2018	2017
		\$	\$	\$	\$
Net assets attributable to holders of redeemable units, beginning of the period		140,916	125,326	101,373	87,220
Increase (decrease) in net assets attributable to holders of redeemable units		135	1,278	505	1,285
Redeemable units transactions	6				
Proceeds from redeemable units issued		8,624	24,819	8,738	23,111
Reinvestments of distributions to holders of redeemable units		2,087	2,020	1,394	1,380
Redemption of redeemable units		(21,300)	(12,856)	(18,142)	(11,514)
Total redeemable units transactions		(10,589)	13,983	(8,010)	12,977
Distributions to investors	2				
Net investment income		1,039	1,018	1,146	1,100
Return of capital		1,670	1,655	798	791
Management fees rebate		8	7	5	4
Total distributions to investors		2,717	2,680	1,949	1,895
Net increase (decrease) in net assets attributable to holders of redeemable units		(13,171)	12,581	(9,454)	12,367
Net assets attributable to holders of redeemable units, end of the period		127,745	137,907	91,919	99,587
Redeemable units transaction					
Redeemable units outstanding, beginning of the period		13,518,313	11,810,192	9,136,168	7,787,501
Redeemable units issued		841,823	2,327,712	801,552	2,050,653
Redeemable units issued on reinvestments		204,411	189,555	127,966	122,406
Redeemable units redeemed		(2,084,669)	(1,205,657)	(1,664,235)	(1,020,198)
Redeemable units outstanding, end of the period		12,479,878	13,121,802	8,401,451	8,940,362

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**Statements Interim of Cash Flows
for the 6-Month Periods Ended June 30 (Unaudited)
(In thousands Canadian dollars)**

	Note	2018 \$	2017 \$
Cash flows from operating activities			
Increase (decrease) in net assets attributable to holders of redeemable units	2	640	2,563
Adjustments for:			
Net realized (gains) losses on sale of investments		(1,250)	1,260
Net realized (gains) losses on foreign currencies		14	6
Change in net unrealized appreciation/depreciation on investments		2,816	(1,754)
Change in unrealized gains/losses on foreign currencies		(18)	70
Purchases of investments		(44,100)	(56,621)
Proceeds from sale and maturity of investments		60,076	38,649
Interest receivable		50	(51)
Dividends receivable		(32)	(61)
Accrued expenses		(23)	70
Net cash from operating activities		18,173	(15,869)
Cash flows used in financing activities	2		
Distributions paid to holders of redeemable units, net of reinvested distributions		(1,185)	(1,175)
Proceeds from issuances of redeemable units		17,791	47,233
Amounts paid on redemption of redeemable units		(39,207)	(24,157)
Net cash used in financing activities		(22,601)	21,901
Net realized gains (losses) on foreign currencies		(14)	(6)
Change in unrealized gains/losses on foreign currencies		18	(70)
Net increase (decrease) for the period		(4,428)	6,032
Cash (bank overdraft), beginning of the period		5,399	1,634
Cash (bank overdraft), end of the period		975	7,590
Included in cash flows from operating activities			
Interest received		2,142	2,115
Dividends received, net of withholding taxes		1,507	1,416

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 June 30, 2018		
	Transactional Net Asset Value Per Unit	Adjustment Per Unit	Net Asset Per Unit
Advisor Series	\$ 10.24	\$ -	\$ 10.24
Series F/E	10.94	-	10.94
	As at December 31, 2017		
	Transactional Net Asset Value Per Unit	Adjustment Per Unit	Net Asset Per Unit
Advisor Series	\$ 10.42	\$ -	\$ 10.42
Series F/E	11.10	-	11.10

Currency Risk (Note 5)

Currency	June 30, 2018		December 31, 2017	
	Exposure	Net assets attributable to holders of redeemable units	Exposure	Net assets attributable to holders of redeemable units
American Dollar	\$ 14,118,878	% 6.4	\$ 15,215,024	% 6.3
Australian Dollar	656,624	0.3	673,354	0.3

This fund has no investments in other mutual funds and/or exchange traded funds.

Numbers shown include monetary and non-monetary instruments, if appropriate.

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 asset and results of the fund would have varied by approximately \$738,775 (\$794,419 as at December 31, 2017).

Price Risk (Note 5)

The Fund's Benchmark Composition	June 30, 2018		December 31, 2017	
	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%)	\$ ± 19,154,679	% 8.7	\$ ± 21,539,507	% 8.9

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.

Credit Risk (Note 5)

Debt securities by Credit Rating	Percentage of Net Assets as at	
	June 30, 2018	December 31, 2017
Investment Grade - AAA	13.3%	16.2%
Investment Grade - AA	9.6%	8.3%
Investment Grade - A	26.7%	27.3%
Investment Grade - BBB	21.0%	18.7%
Non-investment Grade - BB	1.5%	0.4%
	72.1%	70.9%

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 and/or exchange traded funds.

Credit ratings are obtained from recognized rating companies.

Interest Rate Risk (Note 5)

Debt Securities by Maturity Date	June 30, 2018	December 31, 2017
	\$	\$
Under one year	5,220,551	5,530,040
From 1 year to 3 years	29,912,181	27,827,002
From 3 years to 5 years	16,678,114	23,758,956
From 5 years to 10 years	54,485,559	56,441,688
More than 10 years	30,223,080	34,144,358
	136,519,485	147,702,044

This fund has no investments in other mutual funds and/or exchange traded funds.

Based on the assumption that prevailing interest rates would vary of 0.25%, with all others variables held constant, net assets and results of the fund would have varied by approximately \$2,609,945 (\$2,854,060 as at December 31, 2017).

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

Concentration Risk (Note 5)

Asset Mix	Percentage of Net Assets as at	
	June 30, 2018	December 31, 2017
	%	%
Bonds and Debentures	62.2	60.9
Canadian Equity	20.6	20.7
Cash, Money Market and Other Net Assets	0.7	2.4
International Equity	2.2	1.9
Preferred Shares	9.9	10.0
US Equity	4.4	4.1

Fair Value of Financial Instruments Table (Note 5)

June 30, 2018	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds and debentures	22,687,958	113,831,527	n/a	136,519,485
Preferred shares	21,691,754	n/a	n/a	21,691,754
Common shares	59,811,530	n/a	n/a	59,811,530
Total investments	104,191,242	113,831,527	n/a	218,022,769

During the period ended June 30, 2018, there were no significant transfers of investments between Level 1, Level 2 and Level 3.

December 31, 2017	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Bonds and debentures	27,209,359	120,492,685	n/a	147,702,044
Preferred shares	23,891,059	n/a	n/a	23,891,059
Common shares	64,962,251	n/a	n/a	64,962,251
Total investments	116,062,669	120,492,685	n/a	236,555,354

During the year ended December 31, 2017, there were no significant transfers of investments between Level 1, Level 2 and Level 3.

Brokerage Commissions and Soft Dollars (Note 7)

(in thousands Canadian dollars)

	June 30, 2018	June 30, 2017
	\$	\$
Total Commissions	12	40
Related Entities	-	1

Losses (Note 9)

(in thousands Canadian dollars)

	2017	2016
	\$	\$
Capital Losses	1,325	16

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

Schedule of Investments as at June 30, 2018

(In Canadian dollars)

	Par Value	Average Cost	Fair Value		Nombre of shares	Average Cost	Fair Value
		\$	\$			\$	\$
Wells Fargo Financial Canada							
2.78%, due November 15, 2018	562,000	579,754	563,679	Saputo Inc.	29,240	1,264,694	1,276,326
3.04%, due January 29, 2021	549,000	578,004	553,007			2,559,320	3,376,434
		<u>66,642,313</u>	<u>65,363,940</u>				
Foreign Bonds (5.4%)				Energy (4.4%)			
Anheuser-Busch Companies Inc.				ARC Resources Ltd.	93,200	1,764,464	1,265,656
3.38%, due January 25, 2023	1,306,000	1,345,472	1,323,088	Canadian Natural Resources Ltd.	51,044	1,958,342	2,422,038
BP Capital Markets PLC				Crescent Point Energy Corp.	31,425	555,075	303,566
3.50%, due November 9, 2020	2,748,000	2,832,046	2,804,271	Enbridge Inc.	60,121	3,038,383	2,825,687
3.47%, due May 15, 2025	518,000	518,000	522,935	Keyera Corp.	19,010	565,041	695,386
HSBC Holdings PLC				Pembina Pipeline Corporation	27,080	1,008,384	1,232,952
3.20%, due December 5, 2023	2,000,000	1,987,760	1,991,026	Vermilion Energy Inc.	19,130	1,004,785	906,953
Metropolitan Life Global Funding I						<u>9,894,474</u>	<u>9,652,238</u>
2.68%, due April 16, 2019	460,000	463,943	461,783	Financials (7.4%)			
National Grid Electricity Transmission PLC				Bank of Nova Scotia	43,200	2,717,713	3,215,808
2.90%, due November 26, 2019	1,746,000	1,780,470	1,759,518	Great-West Lifeco Inc.	28,270	825,261	913,686
Wells Fargo & Co.				Industrial Alliance, Insurance & Financial Services	16,340	707,871	829,255
3.87%, due May 21, 2025	2,958,000	3,026,667	2,978,242	Intact Financial Corp.	11,500	832,156	1,072,375
		<u>11,954,358</u>	<u>11,840,863</u>	Manulife Financial Corp.	74,920	1,462,191	1,769,610
Total Bonds and Debentures		<u>138,297,374</u>	<u>136,519,485</u>	Royal Bank of Canada	37,100	2,570,053	3,672,529
				Toronto-Dominion Bank	63,620	3,102,316	4,840,846
						<u>12,217,561</u>	<u>16,314,109</u>
	Number of shares			Industrials (3.2%)			
Preferred Shares (9.9%)				CAE Inc.	37,210	492,235	1,016,205
Energy (2.1%)				Canadian National Railway Co.	18,500	1,148,711	1,989,305
Pembina Pipeline Corporation				SNC-Lavalin Group Inc.	25,890	1,147,980	1,503,173
5.00%, Series 5	40,000	944,000	969,200	Stantec Inc.	27,200	858,533	919,632
TransCanada Corp.				WSP Global Group Inc.	23,290	798,864	1,612,134
4.00%, Series 7	52,600	1,070,410	1,187,708			<u>4,446,323</u>	<u>7,040,449</u>
4.90%, Series 15	97,600	2,438,426	2,499,536	Information Technology (0.8%)			
		<u>4,452,836</u>	<u>4,656,444</u>	Open Text Corp.	37,160	1,193,889	1,719,393
Financials (5.1%)				Materials (1.4%)			
Bank of Montreal				CCL Industries Inc., Class B	18,230	919,632	1,174,924
4.50%, Class B, Series 40	93,400	2,367,000	2,354,614	Nutrien Ltd.	27,212	1,881,267	1,946,202
Manulife Financial Corp.						<u>2,800,899</u>	<u>3,121,126</u>
4.35%, Series 9	19,000	450,300	472,150	Utilities (0.6%)			
4.73%, Series 11	50,000	1,250,000	1,244,000	Innergex Renewable Energy Inc.	87,110	908,968	1,202,989
Royal Bank of Canada				Total Canadian Equities		<u>35,901,623</u>	<u>45,159,800</u>
3.52%, Series AJ	21,200	528,934	531,696	International Equities (6.6%)			
5.50%, Series BM	85,000	2,180,838	2,260,150	Australia (0.3%)			
Toronto-Dominion Bank				Australia and New Zealand Banking Group Ltd.	23,240	606,662	638,535
3.90%, Series 1	115,000	2,339,100	2,688,700	Germany (0.5%)			
4.85%, Series 14	60,000	1,500,000	1,564,200	Siemens Ag, ADR	13,700	846,850	1,186,590
		<u>10,616,172</u>	<u>11,115,510</u>	Netherlands (0.5%)			
Telecommunication Services (1.4%)				Royal Dutch Shell PLC, ADR	12,400	882,057	1,128,521
BCE Inc.				Switzerland (0.5%)			
2.95%, Series AK	80,000	1,189,135	1,530,400	Novartis AG, ADR	7,320	764,965	726,912
4.25%, Series AQ	65,000	1,557,000	1,590,550	Roche Holding AG, ADR	12,700	485,096	461,294
		<u>2,746,135</u>	<u>3,120,950</u>			<u>1,250,061</u>	<u>1,188,206</u>
Utilities (1.3%)				United Kingdom (0.4%)			
Fortis Inc.				Vodafone Group PLC, ADR	24,200	1,055,959	773,382
4.10%, Series M	119,100	2,704,531	2,798,850	United States (4.4%)			
Total Preferred Shares		<u>20,519,674</u>	<u>21,691,754</u>	Becton Dickinson and Co.	3,850	670,264	1,213,223
Canadian Equities (20.6%)				CA Technologies Inc.	15,660	559,207	733,914
Consumer Discretionary (1.3%)				Colgate-Palmolive Co.	4,350	262,164	370,617
Canadian Tire Ltd., Class A	6,130	616,206	1,051,908	Comcast Corp., Class A	9,020	392,502	389,169
Thomson Reuters Corp.	31,690	1,263,983	1,681,154	J. P. Morgan Chase & Co.	8,900	1,207,908	1,220,538
		<u>1,880,189</u>	<u>2,733,062</u>	Microsoft Corp.	15,430	1,367,173	2,000,233
Consumer Staples (1.5%)							
Loblaw Companies Ltd.	14,934	750,600	1,009,538				
Metro Inc.	24,403	544,026	1,090,570				

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

Schedule of Investments as at June 30, 2018

(In Canadian dollars)

	<u>Par</u> <u>Value</u>	<u>Average</u> <u>Cost</u>	<u>Fair</u> <u>Value</u>
		\$	\$
Nielsen Holdings PLC	10,600	484,065	431,002
Oracle Corp.	7,700	483,190	445,994
PepsiCo Inc.	3,910	341,047	559,653
Pfizer Inc.	20,470	757,419	976,559
Walgreens Boots Alliance Inc.	11,820	800,574	932,547
Wells Fargo & Co.	6,350	392,516	463,047
		<u>7,718,029</u>	<u>9,736,496</u>
Total International Equities		<u>12,359,618</u>	<u>14,651,730</u>
Total Investments (99.3%)		<u>207,078,289*</u>	218,022,769
Cash and Other Net Assets (0.7%)			<u>1,640,984</u>
Net Assets (100%)			<u>219,663,753</u>

*Average cost of Investments as of December 31, 2017 is \$222,795,112.

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