

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2018

Canadian Equity Fund

## **NBI Jarislowsky Fraser Select Canadian Equity 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.

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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.nbc.ca/financial\\_reports](http://www.nbc.ca/financial_reports), by visiting SEDAR's website at [www.sedar.com](http://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 Jarislowsky Fraser Select Canadian Equity Fund's investment objective is to achieve long-term capital growth. The Fund invests directly or indirectly in a portfolio comprised mainly of equity securities of large-capitalization Canadian issuers.

The portfolio manager analyzes stocks through a valuation approach of "growth at a reasonable price" with a long-term investment horizon. Based on fundamental analysis, the portfolio manager identifies companies with above average growth prospects and below average risk. Securities held in the portfolio are common and/or preferred shares of large-capitalization companies that are industry leaders, have strong management, a good earnings track record and reasonable financial leverage.

### 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, 2018, the NBI Jarislowsky Fraser Select Canadian Equity Fund's Advisor Series units returned -6.62% compared to -8.89% for the Fund's benchmark, the S&P/TSX Capped Composite 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 dropped by 14.73% over the period, from \$107.69 million as at December 31, 2017 to \$91.83 million as at December 31, 2018.

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 Portfolio have a meaningful impact on the Fund's ability to implement its investment strategy or to fulfill its investment objective.

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

Global financial markets ended 2018 on a mitigated note and sentiment remained fragile as deepening pessimism on the state of the global economy and the prospect for a drawn-out U.S. government shutdown overshadowed some signs of optimism regarding US-China trade discussions. In stark contrast to the calm and rewarding market conditions witnessed in 2017, volatility reasserted itself throughout 2018 amid a myriad of global economic and geopolitical developments that stifled risk appetite – with nearly all asset classes ending the year in negative territory, except government bonds among others. As such, the world's equity markets suffered their worst year since the global financial crisis. Bond market sentiment also swung dramatically in the final quarter of the year as yields fell, retracing much of the rising trend experienced since the beginning of the year. Risk-off sentiment accelerated into the year-end with equity markets selling off broadly and corporate spreads widening.

In Canada, the narrative continued to be focused on the Energy sector, an issue that became quite divisive late in the year. Differentials between the price for Western Canadian Select and West Texas Intermediate crude reached all-time highs during November, only narrowing when the Alberta Premier announced forced cuts to production. Access to new markets is limited by a lack of pipeline capacity, and until that issue is addressed in some meaningful way, even the \$1.6 billion in federal assistance announced in December can only be seen as a "temporary" solution. Trade tensions and the strong U.S. dollar have also been a source of great uncertainty as the cost of debt servicing and repayment has increased with the stronger U.S. dollar.

In this context, Canadian equities, like most of the rest of the world, posted losses for 2018. The S&P/TSX Composite Index which finished the year down 8.89%, was mainly hampered by the Energy, Consumer Discretionary and Health Care sectors. The Energy sector was the largest laggard as it was impacted by a drop of more than 24% in oil prices. Information Technology, Real Estate and Consumer Staples were the only sectors that stood out with positive returns.

In this tumultuous environment, the Fund outperformed its benchmark for the year. The Fund's Canadian equity exposure performed relatively well despite the decline in the markets, due to the overall stock selection in companies such as Bank of Nova Scotia, Manulife and Enbridge. The Fund's conservative sector positioning was also fruitful as well as the overweight exposure to the Consumer Staples sector. Avoiding Cannabis stocks which lost close to 45% of their value was particularly profitable. Conversely, the weakness of the Financial Services sector, the largest sector in both the index and the Fund, detracted the Fund's performance as well as the Energy sector which underperformed during the year.

### Recent Developments

The portfolio manager doesn't believe that the fourth quarter correction in equity markets will extend far into 2019. Economic fundamentals are still relatively sound and leading indicators, while pointing to slower growth, are not suggesting that the next global recession will occur within the 12-18 months. There is, however, much uncertainty for investors to consider, and therefore market volatility will likely continue. The exit of the United Kingdom from the European Union (Brexit) should continue to worry investors, with British Prime Minister May setting the parliamentary vote in January – which may not solve anything. There is still potential for further escalation in the U.S./China trade scuffle, and the path of interest rate increases is by no means carved in stone. The current volatility also provides excellent opportunities to acquire quality securities at better valuations, and ultimately increase potential gains.

During the year, the portfolio manager exited the position in Loblaw, Crescent Point, Potash, Capital One, 3M Company, General Electric, CA Technologies, Oracle, Schneider, Fomento, Nestle, LVMH Moet and Jean Coutu. In counterpart, he initiated a new position in Nutrien, Booking Holdings, Unilever, ASML Holdings, Tencent, AIA Group, Brookfield Asset Management and Restaurant Brands International in 2018. Brookfield Asset Management was added to the Fund in the third quarter, an industry-leading infrastructure business, one of the largest pure-play renewable power businesses and a rapidly expanding private equity business, through ownership of publicly traded subsidiaries. The company has a goal of generating 12%-15% compound returns over time. Another addition in Q3 was Restaurant Brands International (RBI), a leading quick-service restaurant company with three iconic brands spanning throughout 100 countries, \$30B of system sales and 24,000 restaurants. He sees significant upside for unit growth globally versus leading peers, a strong record of improving corporate and franchisee profitability, and a unique investment in the Canadian landscape. Compared to the index, the Fund is underweight Communication Services, Energy, Materials and Utilities and overweight in Information Technology and Consumer Staples.

## Related Party Transactions

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

### 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 Fund reimbursed NBI for operating expenses, at cost, incurred in administering the Fund, including trustee, recordkeeping, custodial, legal, audit, investor servicing, and securityholder reporting fees.

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

### Distribution and Dealer Compensation

Fund securities are offered by National Bank Direct Brokerage (a division of National Bank Financial Inc., an indirect wholly owned subsidiary of the Bank), CABN Investments (a division of NBII), National Bank Financial Inc. and other affiliated entities. Each month, brokers receive a 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, 2018
<b>Total brokerage fees</b>	21,841.20
<b>Brokerage fees paid to National Bank Financial</b>	4,182.90

### Holdings

As at December 31, 2018, National Bank Investments Inc. held 352.13 Fund securities for a value of \$3,368.48, which represented close to 0.0037% 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 <sup>†</sup>
<b>Advisor Series and Series T5*</b>			
Front-end load	1.75%	57.14%	42.86%
Low load - 1 to 3 years	1.75%	28.57%	71.43%
Low load - 4 years and more	1.75%	57.14%	42.86%
Series E	0.75%	-	100.00%
Series F and Series F5	0.75%	-	100.00%

<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

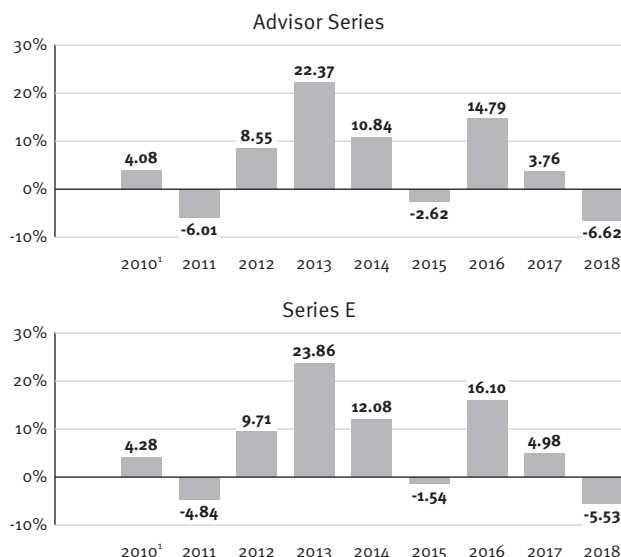
<sup>(\*)</sup> Excluding sales commissions paid on the Advisor Series and Series T5 with the low sales charge option, which are not included in the management fees.

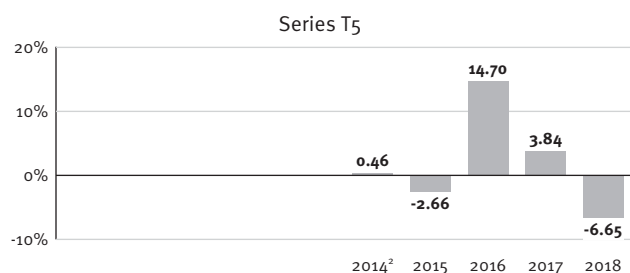
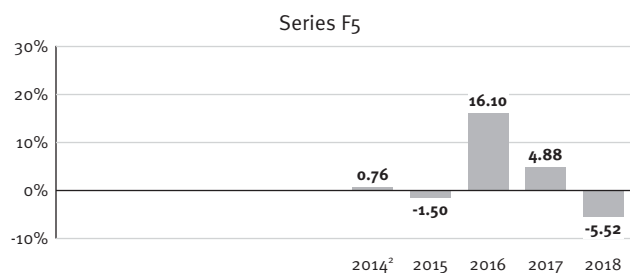
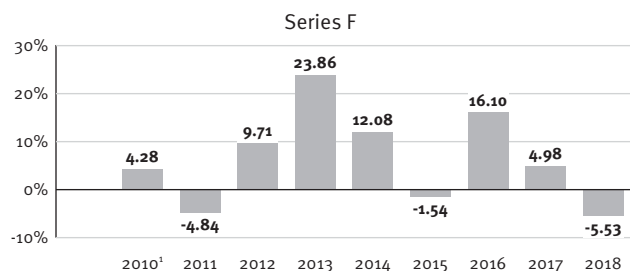
## Past Performance

The performance of each series of the Fund presented below are calculated as of December 31 of each year. They assume 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 the 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.





<sup>(1)</sup> Returns for the period of October 7, 2010 (commencement of operations) to December 31, 2010.

<sup>(2)</sup> Returns for the period of September 30, 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, 2018, compared with the following benchmark:

S&P/TSX Capped Composite Index (CAD)

### NBI Jarislowsky Fraser Select Canadian Equity Fund

	1 year	3 years	5 years	10 years	Since inception
<b>Advisor Series<sup>1</sup></b>	(6.62)%	3.61%	3.72%	–	5.55%
Benchmark	(8.89)%	6.37%	4.06%	–	4.90%
<b>Series E<sup>1</sup></b>	(5.53)%	4.81%	4.91%	–	6.75%
Benchmark	(8.89)%	6.37%	4.06%	–	4.90%
<b>Series F<sup>1</sup></b>	(5.53)%	4.81%	4.91%	–	6.75%
Benchmark	(8.89)%	6.37%	4.06%	–	4.90%
<b>Series F5<sup>2</sup></b>	(5.52)%	4.78%	–	–	3.17%
Benchmark	(8.89)%	6.37%	–	–	2.11%
<b>Series T5<sup>2</sup></b>	(6.65)%	3.60%	–	–	1.98%
Benchmark	(8.89)%	6.37%	–	–	2.11%

<sup>1</sup>Commencement of operations: October 7, 2010

<sup>2</sup>Commencement of operations: September 30, 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 Capped Composite Index** is a subset of the S&P/TSX and reflects share price fluctuations of a group of companies listed on the Toronto Stock Exchange (TSX) and weighted by market capitalization.

## 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.

### Advisor Series

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 7, 2010

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	15.91	15.39	13.48	14.04	12.73
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.42	0.39	0.39	0.41	0.39
Total expenses	(0.32)	(0.33)	(0.30)	(0.30)	(0.29)
Realized gains (losses)	1.07	(0.58)	0.22	0.56	0.28
Unrealized gains (losses)	(2.20)	1.09	1.67	(1.06)	1.00
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	(1.03)	0.57	1.98	(0.39)	1.38
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.08	0.06	0.08	0.12	0.07
From capital gains	—	—	—	0.08	—
Return of capital	—	—	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.08	0.06	0.08	0.20	0.07
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	14.77	15.91	15.39	13.48	14.04

### Ratios and Supplemental Data

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	30,979	36,327	35,894	33,231	35,425
Number of units outstanding <sup>(5)</sup>	2,097,469	2,283,489	2,332,866	2,465,886	2,523,107
Management expense ratio (%) <sup>(6)</sup>	2.04	2.09	2.12	2.11	2.12
Management expense ratio before waivers or absorptions (%)	2.05	2.10	2.13	2.11	2.12
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.03	0.02	0.02	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	20.87	10.48	8.16	15.32	10.49
Net asset value per unit (\$)	14.77	15.91	15.39	13.48	14.04

### Series F/E

Net Assets per Unit<sup>(1)</sup> Commencement of operations: October 7, 2010

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	16.31	15.74	13.72	14.27	12.90
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.43	0.40	0.40	0.42	0.40
Total expenses	(0.15)	(0.15)	(0.15)	(0.14)	(0.13)
Realized gains (losses)	1.11	(0.62)	0.22	0.58	0.29
Unrealized gains (losses)	(2.25)	1.17	1.83	(1.09)	0.97
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	(0.86)	0.80	2.30	(0.23)	1.53
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.29	0.21	0.19	0.25	—
From capital gains	—	—	—	0.08	0.19
Return of capital	—	—	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.29	0.21	0.19	0.33	0.19
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	15.11	16.31	15.74	13.72	14.27

### Ratios and Supplemental Data

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	43,098	56,197	49,609	32,658	29,037
Number of units outstanding <sup>(5)</sup>	2,852,897	3,445,436	3,151,205	2,380,039	2,034,770
Management expense ratio (%) <sup>(6)</sup>	0.90	0.95	0.99	0.97	0.97
Management expense ratio before waivers or absorptions (%)	0.92	0.96	1.00	0.97	0.97
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.03	0.02	0.02	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	20.87	10.48	8.16	15.32	10.49
Net asset value per unit (\$)	15.11	16.31	15.74	13.72	14.27

## Series F5

Net Assets per Unit<sup>(1)</sup>

Commencement of operations: September 30, 2014

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(a)</sup>	10.21	10.24	9.26	9.95	10.00
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.27	0.24	0.28	0.29	0.08
Total expenses	(0.09)	(0.10)	(0.10)	(0.08)	(0.02)
Realized gains (losses)	0.66	(0.39)	0.20	0.39	0.06
Unrealized gains (losses)	(1.19)	1.34	2.47	(0.73)	(0.04)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(a)</sup>	(0.35)	1.09	2.85	(0.13)	0.08
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.17	0.12	0.16	0.20	0.06
From capital gains	—	—	—	0.05	—
Return of capital	0.34	0.39	0.31	0.30	0.07
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.51	0.51	0.47	0.55	0.13
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(a)</sup>	9.16	10.21	10.24	9.26	9.95

### Ratios and Supplemental Data

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	77	59	15	1	1
Number of units outstanding <sup>(5)</sup>	8,431	5,801	1,462	107	101
Management expense ratio (%) <sup>(6)</sup>	0.91	0.95	1.03	0.83	0.85
Management expense ratio before waivers or absorptions (%)	0.93	0.95	1.06	0.93	0.85
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.03	0.02	0.02	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	20.87	10.48	8.16	15.32	10.49
Net asset value per unit (\$)	9.16	10.21	10.24	9.26	9.95

## Series T5

Net Assets per Unit<sup>(1)</sup>

Commencement of operations: September 30, 2014

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(a)</sup>	9.83	9.96	9.12	9.92	10.00
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.25	0.25	0.26	0.29	0.08
Total expenses	(0.20)	(0.21)	(0.20)	(0.20)	(0.05)
Realized gains (losses)	0.64	(0.37)	0.16	0.38	0.06
Unrealized gains (losses)	(1.28)	0.70	1.65	(0.73)	(0.04)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(a)</sup>	(0.59)	0.37	1.87	(0.26)	0.05
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	0.05	0.04	0.05	0.09	0.06
From capital gains	—	—	—	0.05	—
Return of capital	0.44	0.46	0.40	0.41	0.07
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.49	0.50	0.45	0.55	0.13
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(a)</sup>	8.71	9.83	9.96	9.12	9.92

### Ratios and Supplemental Data

Accounting Period Ended	2018	2017	2016	2015	2014
	December 31	December 31	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	67	79	82	1	1
Number of units outstanding <sup>(5)</sup>	7,700	8,059	8,198	107	101
Management expense ratio (%) <sup>(6)</sup>	2.06	2.11	2.15	2.08	2.05
Management expense ratio before waivers or absorptions (%)	2.07	2.11	2.15	2.18	2.05
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.03	0.02	0.02	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	20.87	10.48	8.16	15.32	10.49
Net asset value per unit (\$)	8.71	9.83	9.96	9.12	9.92

## Private Series\*

<sup>(1)</sup> Please note that this Series is offered by way of private placement.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: March 11, 2016

Accounting Period Ended	2018	2017	2016
	December 31	December 31	December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	11.93	11.44	10.00
<b>Increase (Decrease) from Operations (\$)</b>			
Total revenue	0.32	0.29	0.24
Total expenses	(0.10)	(0.10)	(0.08)
Realized gains (losses)	0.74	(0.47)	0.09
Unrealized gains (losses)	(1.43)	0.99	1.43
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	(0.47)	0.71	1.68
<b>Distributions (\$)</b>			
From net investment income (excluding dividends)	—	—	—
From dividends	0.18	0.09	0.03
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	0.18	0.09	0.03
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	11.10	11.93	11.44

## Ratios and Supplemental Data

Accounting Period Ended	2018	2017	2016
	December 31	December 31	December 31
Total net asset value (000's of \$) <sup>(5)</sup>	17,611	15,032	3,774
Number of units outstanding <sup>(5)</sup>	1,587,244	1,260,644	329,995
Management expense ratio (%) <sup>(6)</sup>	0.80	0.84	0.93
Management expense ratio before waivers or absorptions (%)	0.80	0.84	0.93
Trading expense ratio (%) <sup>(7)</sup>	0.02	0.03	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	20.87	10.48	8.16
Net asset value per unit (\$)	11.10	11.92	11.44

<sup>(4)</sup> 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.

<sup>(2)</sup> 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 the Advisor Series, 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.

<sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both. For Series F and E, the distribution from dividends and from capital gains as at December 31, 2014 have been adjusted to reflect a non-material correction related to a transposition errors.

<sup>(4)</sup> The net assets are calculated in accordance with IFRS.

<sup>(5)</sup> This information is provided as at the last day of the accounting period shown.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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, 2018

### Portfolio Top Holdings

	% of Net Asset Value
Toronto-Dominion Bank	6.0
Royal Bank of Canada	4.9
Canadian National Railway Co.	4.8
Enbridge Inc.	4.6
Bank of Nova Scotia	4.4
Alimentation Couche-Tard Inc., Class B	3.6
Nutrien Ltd.	3.4
Manulife Financial Corp.	3.4
Open Text Corp.	2.9
Canadian Natural Resources Ltd.	2.8
CGI Group Inc., Class A	2.8
Brookfield Asset Management Inc., Class A	2.7
Thomson Reuters Corp.	2.7
Gildan Activewear Inc.	2.4
Restaurant Brands International Inc.	2.4
Cash, Money Market and Other Net Assets	2.4
SNC-Lavalin Group Inc.	2.3
Pembina Pipeline Corporation	2.3
CCL Industries Inc., Class B	2.2
Intact Financial Corp.	2.2
Saputo Inc.	2.2
Metro Inc.	2.1
Descartes Systems Group Inc.	1.9
Stantec Inc.	1.7
CAE Inc.	1.4
	74.5

Net asset value ..... \$91,831,627

### Asset Mix

	% of Net Asset Value
Canadian Equity	79.2
US Equity	11.8
International Equity	6.6
Cash, Money Market and Other Net Assets	2.4

### Regional Allocation

	% of Net Asset Value
Canada	79.2
United States	11.8
Germany	1.5
Netherlands	1.4
France	0.8
Hong Kong	0.8
Switzerland	0.8
China	0.5
United Kingdom	0.4
Belgium	0.4
Cash, Money Market and Other Net Assets	2.4

### Sector Allocation

	% of Net Asset Value
Financials	32.3
Energy	13.1
Industrials	11.9
Consumer Staples	10.9
Information Technology	10.6
Consumer Discretionary	8.6
Materials	5.5
Health Care	3.7
Utilities	1.0
Cash, Money Market and Other Net Assets	2.4

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.nbc.ca/financial\\_reports](http://www.nbc.ca/financial_reports).