

Dear Securityholder,

On April 30, 2007, National Bank Investments Inc. the manager of the NBI Funds and Meritage Portfolios, established the Independent Review Committee of the NBI Funds and the Meritage Portfolios in accordance with National Regulation 81–107 Independent Review Committee for Investment Funds (“**Regulation 81–107**”).

Under Regulation 81–107, the mandate of the Independent Review Committee of the NBI Funds and Meritage Portfolios (the “IRC”) is to review conflict of interest matters referred to it by the manager of the NBI Funds and Meritage Portfolios. The IRC seeks to determine whether the manager’s proposed actions achieve a fair and reasonable result for the Funds. As part of its duties, the IRC meets regularly and concludes each meeting in camera, without the presence of representatives of the manager or any other entity related to the manager.

This report provides information about the activities of the IRC for the period from January 1, 2019, to December 31, 2019.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of the policies and procedures to deal with conflict of interest matters relating to the NBI Funds and the Meritage Portfolios, and also conducts a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC look forward to continuing to work with the manager in the best interests of each of the NBI Funds and Meritage Portfolios.

“ *Yves Julien* ”

Yves Julien

Chair of the independent Review Committee
 of the NBI Funds and the Meritage Portfolios

Members of the Independent Review Committee

Members of the Independent Review Committee	Residence	First Appointed to the Independent Review Committee
Jean-François Bernier	Boucherville, Québec	April 30, 2007
Yves Julien (President) ¹	Westmount, Quebec	April 30, 2007
Jacques Valotaire¹	Boucherville, Quebec	April 30, 2007
Norman A. Turnbull¹	Varenes, Quebec	May 22 nd , 2019
Robert Martin¹	Saint-Bruno-de-Montarville, Quebec	May 22 nd , 2019

1. As well a member of the Independent Review Committee of the NBI Exchange-Traded Funds (“**NBI ETFs**”).

André D. Godbout mandate ends on April 30, 2019. M. Godbout has been a member of the Committee since its inception and the Committee wished to acknowledge his valuable contribution to the work of the Committee and to thank him for his insightful advice. On May 22, 2019, Mr. Norman A. Turnbull and Mr. Robert Martin have been appointed as members of the IRC.

Mr. Jean-François Bernier sits on the Independent Review Committee of Professionals’ Financial Funds—Mutual Funds Inc. No other member of the IRC serves on an independent review committee of investment funds managed by another investment fund manager.

Holdings of Securities

(a) NBI Funds and Meritage Portfolios

On the date hereof, the percentage of securities of each series of the NBI Funds and the Meritage Portfolios beneficially owned, directly or indirectly, in aggregate, by all the members of the independent review committee did not exceed ten per cent.

(b) Investment Fund Manager

On the date hereof, the percentage of the securities of each class or series of voting or equity securities of National Bank Investments Inc. (the manager of the NBI Funds and the Meritage Portfolios) or National Bank of Canada (its parent company) beneficially owned, directly or indirectly, in aggregate, by all members of the independent review committee was less than 0.05 per cent.

(c) Service providers

On the date hereof, the percentage of securities of each class or series of voting or equity securities of any company or other entity providing services to the NBI Funds, the Meritage Portfolios or National Bank Investments Inc. (the manager of the NBI Funds and the Meritage Portfolios) beneficially owned, directly or indirectly, in aggregate, by all members of the independent review committee was less than 0.05 per cent.

Compensation and Indemnities

For the period from January 1st to December 31, 2019, the aggregate compensation paid to the members of the IRC of the NBI Funds and the Meritage Portfolios (in this capacity and as a member of the Independent Review Committee of the NBI ETFs) is of \$138,756.43. This amount was allocated among the NBI Funds, the Meritage Portfolios and the NBI ETFs in a manner the manager considers fair and reasonable.

In accordance with Regulation 81–107, the compensation paid to the IRC during the period from January 1st to December 31, 2019, was set by the members of the IRC taking into account the manager's recommendation.

At least annually, the IRC reviews its compensation, giving consideration to the following, *inter alia*:

1. the best interests of the funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the funds for which the IRC acts; and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected.

National Bank Investments Inc. (manager of the NBI Funds and the Meritage Portfolios) and the NBI Funds and the Meritage Portfolios have granted contractual indemnities to each IRC member where circumstances warrant and as permitted by Regulation 81–107. No amounts were paid by the NBI Funds, the Meritage Portfolios or by National Bank Investments Inc. (manager of the NBI Funds and the Meritage Portfolios) to the IRC as indemnity during the relevant period.

Conflict of Interest Matters

The manager of the NBI Funds and the Meritage Portfolios has policies and procedures in place to address each of the conflict of interest matters listed below. The IRC has issued standing instructions to the manager of the NBI Funds and the Meritage Portfolios that require the manager to comply with its policies and procedures and to report periodically, and at least annually, to the IRC.

During the period from January 1st to December 31, 2019, the manager of the NBI Funds and the Meritage Portfolios has relied on the following approval and recommendations (within the meaning of such terms under Regulation 81–107) granted by the IRC in accordance with Regulation 81–107.

Approvals

1. *Transactions in Securities of Related Issuers*: The IRC has given its approval so that the NBI Funds and Meritage Portfolios may, in accordance with standing instructions of the IRC, make or retain an investment in securities of an issuer related to the NBI Funds and Meritage Portfolios, the Manager or an entity related to the Manager (as defined in Regulation 81–107).
2. *Inter Fund Transactions*: The IRC has approved that the NBI Funds and the Meritage Portfolios may, in accordance with standing instructions of the IRC, purchase or sell securities between the NBI Funds and the Meritage Portfolios or with certain other investment funds or managed accounts.
3. *Related Party Underwriting*: The IRC has approved that the NBI Funds and Meritage Portfolios may, in accordance with standing instructions of the IRC, invest in securities of an issuer underwritten by an entity related to the Manager (as defined in Regulation 81–107).

4. *Related Party Debt Transactions:* The IRC has approved that the NBI Funds and Meritage Portfolios may, in accordance with standing instructions of the IRC, enter into debt securities purchase or sale transactions with related entities for their own account.
5. *Mortgage Related Party Transactions:* The IRC has approved that NBI Mortgage and Tactical Income Fund may, in accordance with standing instructions of the IRC, enter into mortgage purchase or sale transactions with entities related to the Manager (as defined in Regulation 81–107). The IRC has been advised that there were no transactions during the reporting period under this matter.
6. *Transfers of Securities by Intact:* The IRC has given its approval for transfers of securities by Intact Investment Management Inc. to the Fund. (“Intact”) in the context of significant investments by Intact in a NBI Fund. The IRC has been advised that there were no transactions during the reporting period under this matter.

The IRC must include in its report to securityholders a description of each known instance where the manager acted in respect of a conflict of interest matter without complying with a condition imposed by the Committee in its approval. The IRC is also required to notify the Canadian securities regulatory authorities if it determines that the manager has failed to comply with a condition imposed by securities regulations or the IRC.

Violations were reported to the IRC in connection with inter-fund transactions for two NBI Funds with investment funds or managed accounts of a portfolio manager that had not been pre-approved under applicable policies and procedures. In addition, the Portfolio Manager executed an inter-fund transaction at the “last sale price” and not at the “current market price of the security”, as those terms are defined in the applicable rules. The manager met with the Portfolio Manager to discuss these violations and reported them to the IRC. Representatives of the manager described to the IRC the steps taken to try to prevent future violations. Based on the representations made by the manager and the Portfolio Manager, the IRC is of the view that the violations had no adverse impact on the securityholders of the two NBI Funds involved and that the actions taken as a result of the violation will be an appropriate response in the circumstances.

Another violation was reported to the IRC in connection with trades in securities of a related issuer by a portfolio manager for two NBI Funds. This transaction resulted in the affected NBI Funds temporarily holding securities of a related issuer in a proportion of its assets in excess of the threshold prescribed by the applicable policies and procedures. The manager met with the Portfolio Manager to discuss this violation and reported to the IRC. Representatives of the manager described to the IRC the steps taken to try to prevent future violations. Based on the representations made by the manager and the Portfolio Manager, the IRC is of the view that the breach had no adverse impact on the securityholders of the two NBI Funds involved and that the actions taken as a result of the breach will be an appropriate response in the circumstances.

The IRC is not aware of any other instance in which the manager of the NBI Funds and the Meritage Portfolios acted in a conflict of interest matter without meeting the conditions as a result by the IRC in its approval.

Recommendations

7. *Large Securityholders:* The IRC has provided its positive recommendation with respect to the establishment of special arrangements (relating to management fees, redemptions, seed capital, investments in fund of funds, etc.) with certain entities related to the Manager (as defined in Regulation 81–107) and certain large securityholders.
8. *Expense Eligibility and Allocation:* The IRC has provided its positive recommendation as to the allocation to the NBI Funds and the Meritage Portfolios of eligible expenses incurred in the operation of the funds (operating expenses) and the allocation of such operating expenses among the funds.
9. *Fair Value Pricing:* The IRC has provided its positive recommendation in respect of fair value pricing of the NBI Funds and Meritage Portfolios’ portfolio securities to reflect their fair market value.
10. *Dividend Allocation for National Bank Funds Corporation:* The IRC has provided its positive recommendation in respect of the allocation of dividends of National Bank Funds Corporation among its investors.
11. *Related Suppliers Fees and Quality Monitoring:* The IRC has provided its positive recommendation in respect of monitoring by the manager of fees charged and quality of services provided by service providers that are related to the manager or in a material business relationship with the manager or by strategic partners that are arms’ length suppliers and have contracted with the manager or an affiliate of the manager.
12. *Monitoring of Portfolio Managers’ Conflicts of Interests:* The IRC has provided its positive recommendation in respect of monitoring by the manager of conflict of interest matters present at the portfolio manager and sub-adviser levels, including without limitation: (i) portfolio managers’ and sub-advisers’ employees’ conflicts of interest (personal trading, disclosure and confidentiality and whistle-blowing), (ii) fair allocation of securities (among, on one hand, the NBI Funds and the Meritage Portfolios and, on the other hand, between the NBI Funds and the Meritage Portfolios, and the portfolios of other clients of the portfolio managers or sub-advisers), (iii) broker selection and trade allocation, (iv) soft dollar arrangements, (v) proxy voting and other corporate actions regarding related issuers, and (vi) correction of portfolio manager or sub-adviser material errors.

13. *Foreign Exchange Transactions with a Related Party:* The IRC has provided its positive recommendation in respect of the addition by the portfolio managers of the NBI Funds and the Meritage Portfolios of National Bank of Canada and other related counterparties as approved counterparties for the NBI Funds and the Meritage Portfolios' foreign exchange transactions.
14. *Correcting Material Errors:* The IRC has provided its positive recommendation in respect of correcting material errors made by the manager of the NBI Funds and the Meritage Portfolios, namely in calculating net asset value, the wholesale process, and processing purchases, redemptions and exchanges of securities of the funds.
15. *Manager's Employees' Conflicts of Interest:* The IRC has provided its positive recommendation in respect of the treatment of certain conflicts such as personal trading, disclosure, confidentiality and whistle-blowing.
16. *Changing Portfolio Managers:* The IRC has provided its positive recommendation in respect of portfolio manager replacements.

The IRC is not aware of any instance in which the Manager of the NBI Funds and Meritage Portfolios acted in respect of a conflict of interest matter referred to the IRC for which the IRC did not make a positive recommendation. The IRC is not aware of any instance in which the Manager of the NBI Funds and Meritage Portfolios acted in respect of a conflict of interest matter without meeting the conditions imposed by the IRC in its recommendation.

NBI Funds covered by this report:

NBI Money Market Fund	NBI U.S. Dividend Fund
NBI Floating Rate Income Fund	NBI <i>SmartData</i> U.S. Equity Fund
NBI Tactical Mortgage & Income Fund	NBI U.S. Equity Fund
NBI Bond Fund	NBI <i>SmartData</i> International Equity Fund
NBI Income Fund	NBI Diversified Emerging Markets Equity Fund
NBI Dividend Fund	NBI Westwood Emerging Markets Fund
NBI Global Bond Fund	NBI Resource Fund
NBI Global Tactical Bond Fund	NBI Precious Metals Fund
NBI Unconstrained Fixed Income Fund	NBI Science and Technology Fund
NBI Corporate Bond Fund	NBI Canadian Bond Index Fund
NBI High Yield Bond Fund	NBI Canadian Index Fund
NBI Preferred Equity Income Fund	NBI Canadian Equity Index Fund
NBI Preferred Equity Fund	NBI U.S. Index Fund
NBI Jarislowsky Fraser Select Income Fund	NBI U.S. Equity Index Fund
NBI Presumed Sound Investments Fund	NBI U.S. Currency Neutral Index Fund
NBI Secure Portfolio	NBI International Index Fund
NBI Conservative Portfolio	NBI International Equity Index Fund
NBI Moderate Portfolio	NBI International Currency Neutral Index Fund
NBI Balanced Portfolio	NBI Municipal Bond Plus Private Portfolio
NBI Growth Portfolio	NBI Canadian Bond Private Portfolio
NBI Equity Portfolio	NBI Canadian Diversified Bond Private Portfolio
National Bank Secure Diversified Fund	NBI U.S. Bond Private Portfolio
National Bank Conservative Diversified Fund	NBI Corporate Bond Private Portfolio
National Bank Moderate Diversified Fund	NBI Non-Traditional Fixed Income Private Portfolio
National Bank Balanced Diversified Fund	NBI High Yield Bond Private Portfolio
National Bank Growth Diversified Fund	NBI Canadian Preferred Equity Private Portfolio
NBI Jarislowsky Fraser Select Balanced Fund	NBI Tactical Fixed Income Private Portfolio
NBI Strategic U.S. Income and Growth Fund	NBI Multiple Asset Class Private Portfolio
NBI Tactical Asset Allocation Fund	NBI Equity Income Private Portfolio
NBI Jarislowsky Fraser Select Canadian Equity Fund	NBI Canadian Equity Private Portfolio
NBI <i>SmartBeta</i> Canadian Equity Fund	NBI Canadian High Conviction Equity Private Portfolio
NBI Canadian Equity Fund	NBI Canadian Small Cap Equity Private Portfolio
NBI Canadian All Cap Equity Fund	NBI North American Dividend Private Portfolio
NBI Canadian Equity Growth Fund	NBI U.S. Equity Private Portfolio
NBI Small Cap Fund	NBI U.S. High Conviction Equity Private Portfolio
NBI Quebec Growth Fund	NBI International Equity Private Portfolio
NBI <i>SmartBeta</i> Global Equity Fund	NBI International High Conviction Equity Private Portfolio
NBI Global Equity Fund	NBI Tactical Equity Private Portfolio
NBI Global Diversified Equity Fund	NBI Non-Traditional Capital Appreciation Private Portfolio
NBI Global Real Assets Income Fund	NBI Real Assets Private Portfolio

Meritage Portfolios covered by this report:

Meritage Canadian Equity Portfolio	Meritage Growth Income Portfolio
Meritage Canadian Equity Class Portfolio	Meritage Dynamic Growth Income Portfolio
Meritage Global Equity Portfolio	Meritage Global Conservative Portfolio
Meritage Global Equity Class Portfolio	Meritage Global Moderate Portfolio
Meritage American Equity Portfolio	Meritage Global Balanced Portfolio
Meritage International Equity Portfolio	Meritage Global Growth Portfolio
Meritage Conservative Portfolio	Meritage Global Growth Class Portfolio
Meritage Moderate Portfolio	Meritage Global Dynamic Growth Portfolio
Meritage Balanced Portfolio	Meritage Global Dynamic Growth Class Portfolio
Meritage Growth Portfolio	Meritage Tactical ETF Fixed Income Portfolio
Meritage Growth Class Portfolio	Meritage Tactical ETF Moderate Portfolio
Meritage Dynamic Growth Portfolio	Meritage Tactical ETF Balanced Portfolio
Meritage Dynamic Growth Class Portfolio	Meritage Tactical ETF Growth Portfolio
Meritage Diversified Fixed Income Portfolio	Meritage Tactical ETF Equity Portfolio
Meritage Conservative Income Portfolio	
Meritage Moderate Income Portfolio	
Meritage Balanced Income Portfolio	