

NBI Jarislowsky Fraser Select Income Fund (E/F Series)

PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / September 30, 2018	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	-0.2	2.6	3.8	4.8	5.0
Benchmark	-0.9	2.7	3.6	4.3	-

Calendar Year Returns / December 31	2017	2016	2015	2014	2013
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	3.2	6.7	0.8	9.7	7.2
Benchmark	4.1	6.2	0.4	8.9	2.4

PORTFOLIO

REPRESENTATIVE HOLDINGS

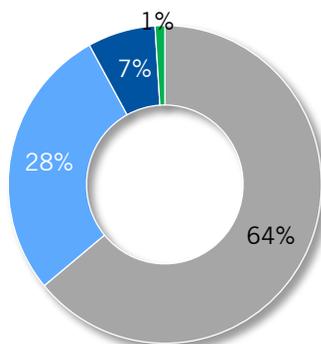
EQUITIES

Holdings	Industry
Canadian Natural Resources	Energy
Saputo Inc.	Consumer Staples
Microsoft	Technology
Canadian National Railway	Industrials
TD Bank	Financials

BONDS

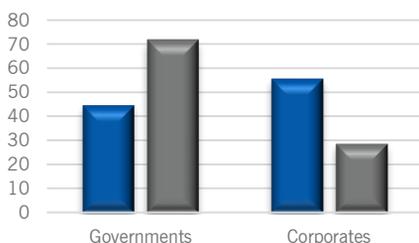
Issuer	Coupon/Maturity
Province of Ontario	2.90%, 06/02/28
Government of Canada	1.00%, 06/01/27
Royal Bank of Canada	2.03%, 03/15/21
CIBC	2.90%, 09/14/21
Bank of Montreal	2.27%, 07/11/22

ASSET MIX



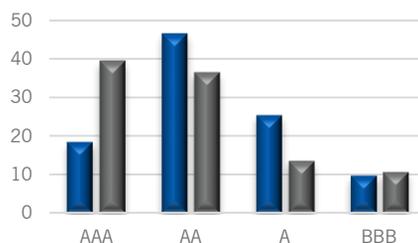
- Fixed Income (64%)
- Canadian Equities (28%)
- Foreign Equities (7%)
- Cash (1%)

CORPORATE BOND WEIGHT



■ NBI JF Select Income Fund (%) ■ FTSE TMX Universe (%)

CREDIT QUALITY



FUND OBJECTIVE

This Fund's investment objective is to provide regular income and to achieve moderate capital growth. The Fund invests, directly or indirectly, in a diversified portfolio comprised mainly of Canadian fixed income and equity securities.

FUND FACTS

Inception Date	October 7, 2010
Price Per Unit	\$10.94
AUM (\$ Millions)	\$61.7

MER:

E-Series	0.78%
F-Series	0.78%

FUND CODES:

E-Series	NBC3900
F-Series	NBC3700

BENCHMARK:

- FTSE TMX Universe Bond (70%)
- S&P/TSX Capped Composite (25%)
- FTSE TMX 91 Day T-Bills (5%)

ABOUT JARISLOWSKY, FRASER LIMITED

Founded in 1955, Jarislowsky, Fraser Limited is one Canada's largest independent investment management firms. Our primary goal is growing capital, over the long term, for our clients in a low risk manner. The firm's philosophy is founded upon time-proven principles of fundamental investing. This investment approach has produced consistent returns through changing economic environments and has been effective in minimizing the volatility prevalent in today's global markets.

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QUARTERLY COMMENTARY

The Canadian bond market posted one of its weakest quarters in recent years, declining -1.0% as global interest rates rose in response to decent economic growth and continued central bank interest rate increases in Canada and the US.

After lagging the US Federal Reserve in its program to normalize interest rates, the Bank of Canada raised its target interest rate by 0.25% to 1.5%, matching the Federal Reserve's 0.25% increase. The European Central Bank (ECB) is likely keen to also move rates higher as it remains stuck in negative territory (-0.4%). It has already announced that it will phase out its asset purchase program by yearend. The Bank of Japan has allowed more flexibility around its yield control target and as a result its ten-year government bond yield rose from 0.02% to 0.12%. All together it is clear that central banks are unwinding the unprecedented liquidity expansion of the past decade.

PORTFOLIO REVIEW

The bond fund outperformed the FTSE/TMX Universe return with most of the outperformance attributed to the shorter duration of the portfolio which reduced its downside to the increase in interest rates experienced during the quarter. Our overweight in corporate credit and in particular, senior Canadian bank deposit notes, was also a positive contributor to performance.

Canadian and U.S. 10-year government yields rose approximately 0.3% in the quarter. Corporate bonds recovered some of their underperformance earlier in the year. Their performance was consistent with the improved growth scenario and some late in the quarter stability in the emerging markets. Issuance remains robust with year-to-date levels likely to be close to record highs. Quality is weak, as you would expect late in the credit cycle, with loan covenants in particular favouring the borrower over the lender.

The equities portion of the portfolio benefitted from a solid progression from Financial Services, and foreign stocks in Consumer Staples, Information Technology and Health Care.

STRATEGY & INVESTMENT
OUTLOOK

The Bank of Canada raised rates in July, while the U.S. Federal Reserve waited until near quarter end. Central banks are trying to be reasonably transparent in terms of the pace of rate increases, while the general trend continues upward.

Most of the interest rate increase was attributable to the rise in real yields which reflected increased expectations for economic growth rather than rising inflation expectations. Overall, our growth expectations for Canada remain subdued due to the extreme leverage in the household sector and the concomitant sensitivity to higher interest rates. Markets have priced in some of this divergence in growth expectations with the US as the real yields in Canada are almost 0.3% lower. Our expectation is for a continued rise in short term interest rates globally, but we believe there is a limited amount of room for long term interest rates to rise particularly in Canada.

The Bank of Nova Scotia (BNS) is the parent company of Jarislowsky, Fraser Limited. BNS securities held in the portfolio are related securities.

The NBI Jarislowsky Fraser Select Funds (the "Funds") are managed by National Bank Securities Inc., a wholly owned subsidiary of National Bank of Canada. **Commissions, trailing commissions, management fees and expenses all may be associated with investments in the Funds. Please read the prospectus of the Funds before investing. The Funds' securities are not insured by the Canada Deposit Insurance Corporation or by any other government deposit insurer. The Funds are not guaranteed, their values change frequently and past performance may not be repeated. The indicated rates of returns are based on the historical annual compounded total returns including changes in securities value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns.**

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Source of data: PC Bond Analytics, Wilshire Analytics, Bloomberg, FTSE TMX Global Debt Capital Markets Inc.