

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

PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / December 31, 2018	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	-2.6	-2.2	2.5	3.5	4.5
Benchmark	-1.3	-1.2	3.0	3.6	-

Calendar Year Returns / December 31	2018	2017	2016	2015	2014
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	-2.2	3.2	6.7	0.8	9.7
Benchmark	-1.2	4.1	6.2	0.4	8.9

PORTFOLIO

REPRESENTATIVE HOLDINGS

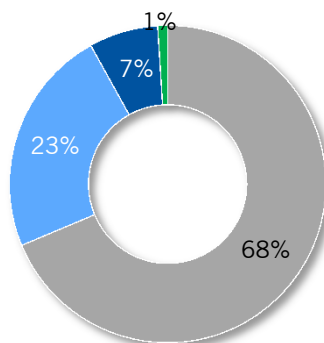
EQUITIES

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

BONDS

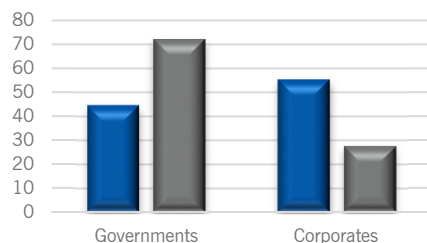
Issuer	Coupon/Maturity
Province of Ontario	2.40%, 06/02/26
Government of Canada	1.00%, 06/01/27
Royal Bank of Canada	2.03%, 03/15/21
CIBC	2.90%, 09/14/21
Bank of Montreal	2.27%, 07/11/22

ASSET MIX



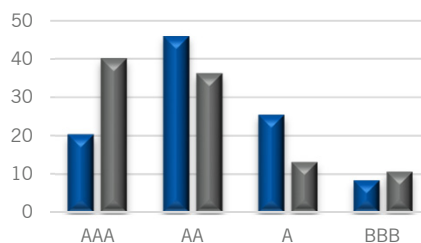
- Fixed Income (68%)
- Canadian Equities (23%)
- Foreign Equities (7%)
- Cash (1%)

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	\$10.42
AUM (\$ Millions)	\$58.7

MER:

E-Series	0.83%
F-Series	0.83%

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

Bond markets rebounded strongly from the negative third quarter, posting a return of 1.8% in Canada and 7.4% in the United States (both denominated in CAD). The U.S. Federal Reserve (Fed) and the Bank of Canada continued to raise the overnight rate to 2.5% and 1.75%, respectively. The impact of their interest rate hikes was overshadowed by the weaker financial market environment and the obvious change to the tone of the central bankers' communications. The European Central Bank announced the previously telegraphed end to their asset purchase program but maintained the dovish tone by keeping the overnight rate at -0.4%.

PORTFOLIO REVIEW

The Fund underperformed the FTSE/TMX Universe Bond in the fourth quarter primarily as a result of two factors. The overweight position in corporate bonds negatively impacted relative performance driven by the material widening in Canadian corporate spreads. The Fund's holdings in inflation-linked bonds also negatively contributed to its total return as Canadian inflation expectations declined markedly in the fourth quarter. The underweight position in provincial bonds relative to FTSE/TMX Universe benchmark positively contributed to the top-line return given the underperformance of provincial bonds relative to federal government bonds.

The 10-year Canadian government yield declined by approximately 0.46% in the quarter while the 2-year equivalent yield was only 0.35% lower, flattening the yield curve as equity markets sold off. Corporate bonds significantly underperformed federal government bonds globally as investor confidence was shaken by non-economic factors such as talk of trade wars, yield curve inversions, central bank policy missteps, oil price declines, and Chinese debt bubbles. The material government agency bond's underperformance was at least partly due to the illiquidity in the corporate bond market. As bond funds tried to satisfy the high volume of redeeming requests, market bids backed away which exacerbated the downturn and forced some selling of the more liquid bonds and more specifically the government agency and provincial bonds.

STRATEGY & INVESTMENT
OUTLOOK

There is no doubt that the stakes have risen for central banks and, consequently, financial markets as we enter the latter stages of the business cycle. Central banks have enjoyed the hard fought benefits of having anchored inflation expectations over the past four decades. Those expectations are likely to now be tested as the U.S. unemployment rate drives further below its estimated non-inflationary level and the U.S. politicians talk of more fiscal largesse. The environment is also unusually politically charged, as the U.S. administration prioritizes the growth part of the FED's mandate over inflation.

We are encouraged that the Fed has reduced its path for future interest rate increases in recognition of tighter financial conditions. Nonetheless, bond markets will be challenged as markets are still pricing in even less interest rate increases and are therefore vulnerable to even modest improvements in the economic momentum. The corporate bond market is starting to reprice itself to more reasonable valuations.

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.