

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

### PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / March 31, 2019	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	5.5	4.3	3.9	4.0	5.1
Benchmark	6.2	6.1	4.4	4.2	-

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

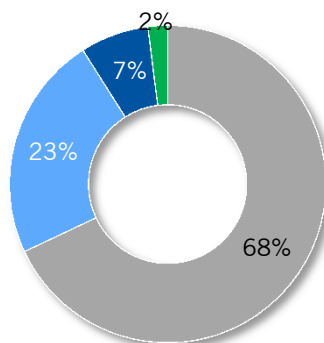
##### EQUITIES

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

##### BONDS

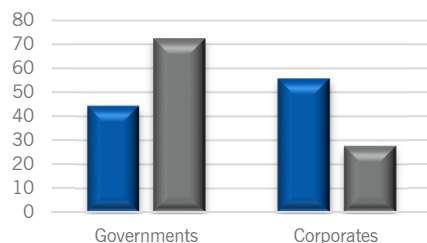
Issuer	Coupon/Maturity
Province of Ontario	2.40%, 06/02/26
Government of Canada	1.00%, 06/01/27
Royal Bank of Canada	2.03%, 03/15/21
CIBC	2.90%, 09/14/21
Bank of Montreal	2.27%, 07/11/22

#### ASSET MIX



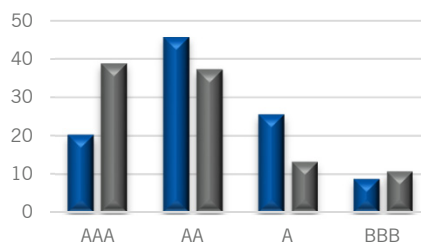
- Fixed Income (68%)
- Canadian Equities (23%)
- Foreign Equities (7%)
- Cash (2%)

#### 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	\$10.89
AUM (\$ Millions)	\$81.3

### 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

Almost all markets, both bond and equity saw strong returns, and for the quarter as a whole it would seem that the concerns felt in December 2018 have all but dissipated. The December collapse was driven predominantly by three factors: fears that higher interest rates would cause a premature end to U.S. economic expansion, concerns over the potential escalation of the trade war between the U.S. and China, and the potential for a broader-based slowdown in global GDP growth. The correction in December reduced the pressure on China to increase tariffs and led to a more considered approach on the part of the U.S. Federal Reserve, to the extent that the market is now betting that the next change in rates is most likely to be a cut.

Bond markets rebounded strongly in the first quarter as interest rates continued to decline. The main influence for the continuation of the rally in yields was the pivot to a more dovish stance by most central banks in response to continued weakness in global growth. The Bank of Canada and the Fed had previously stated, in their justification for interest rate increases last year, that they had become more data dependent. The impact on the bond market from the relatively abrupt shift from stronger to weaker economic data has been amplified by the central banks' data dependency policy framework. We now have the potential for central banks to abruptly shift policy direction and thereby accentuate asset price volatility. Implicit in the shift by the Fed is a prioritization of economic growth over inflation in terms of policy goals. The European Central Bank backed away from previous intentions to normalize policy and even took a step further, extending their bank loan facility for another two years.

## PORTFOLIO REVIEW

The portfolio underperformed the benchmark in the first quarter. The main contributors of the fixed income portion of the portfolio were the overweight in corporate bonds and the more bulleted structure of the portfolio as mid-term bonds outperformed an equal weighted short and long bond structure. Within the portfolio's corporate bond holdings, Canadian bank senior notes were particularly strong performers in the quarter. Provincial bonds outperformed federal bonds and thus our underweight was a detractor from performance as our slightly shorter term structure given the notable decline in yields.

Several of the companies in the equity portion of the portfolio performed very strongly in the quarter following good results. Top contributors were Restaurant Brands, Fanuc, Pembina Pipelines, Saputo and Thomson Reuters. While top detractor to performance was SNC-Lavalin. We are reviewing the overall impact of the news flow over the last few months, namely the earnings announcement in late January regarding the short-term impact of the loss related to the mining contract in Chile and the sale of 10% of SNC's 16.67% stake in Highway 407 ETR.

STRATEGY & INVESTMENT  
OUTLOOK

The central banks' shift back to a market-friendly policy stance was the technical driver that explained the concurrent rally in stock and bonds. The central banks have essentially extended the business cycle at the risk of a longer-term inflation overshoot. They have already tipped their hand, showing that they will be in no rush to resume policy tightening should growth pick up. Whereas they were previously seen as preempting a future rise in inflation, now they are suggesting that they will need to see the "whites" of inflation's eyes before tightening policy. In effect they have traded in short-term gain for possible long-term pain, as historically the inflation cycle lagged the growth cycle. However, we do not believe that they can extend easier financial conditions for long. The environment is becoming more volatile and expectations for future returns should be adjusted accordingly. Our strength in identifying and selecting top-quality business at attractive valuations should help our clients withstand the short-term uncertainties, protect portfolios on the downside, and add value over the long-term.

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.