

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

### PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / June 30, 2019	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	1.8	4.5	3.6	3.7	5.1
Benchmark	2.6	6.7	4.2	4.1	-

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

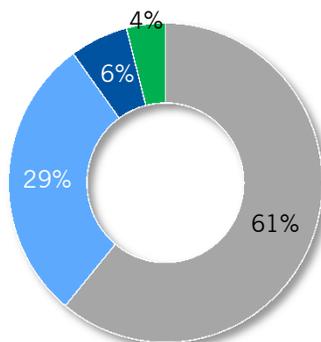
##### EQUITIES

Holdings	Industry
Enbridge	Energy
Restaurant Brands Int'l	Consumer Staples
Microsoft	Technology
Canadian National Railway	Industrials
TD Bank	Financials

##### BONDS

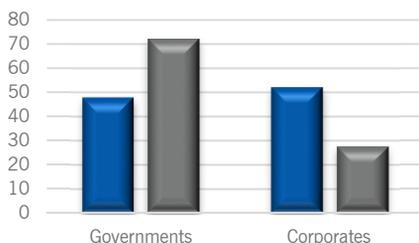
Issuer	Coupon/Maturity
Province of Ontario	2.90%, 06/02/28
Government of Canada	1.25%, 02/01/20
Royal Bank of Canada	2.03%, 03/15/21
CIBC	2.90%, 09/14/21
Wells Fargo & Co.	3.87%, 05/21/25

#### ASSET MIX



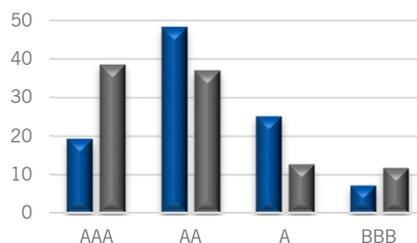
- Fixed Income (61%)
- Canadian Equities (29%)
- Foreign Equities (6%)
- Cash (4%)

#### CORPORATE BOND WEIGHT



■ NBI JF Select Income Fund (%) ■ FTSE Canada 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	\$10.98
AUM (\$ Millions)	\$80.6

### MER:

E-Series	0.78%
F-Series	0.78%

### FUND CODES:

E-Series	NBC3900
F-Series	NBC3700

### BENCHMARK:

- FTSE Canada Universe Bond (70%)
- S&P/TSX Capped Composite (25%)
- FTSE Canada 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 bond market posted strong returns in the second quarter as yields continued their descent in response to evidence of weakness in the global economy and anticipation of central bank interest rate cuts. Within the central banks' data dependency framework, we are not surprised that the Fed has shifted relatively quickly from a tightening to an easing bias. While economic momentum has moved meaningfully lower, driven by weakness in China, the Canadian economy has generally surprised to the upside. The pressure to lower interest rates is not as obvious in Canada when looking at the inflation and growth prospects for the economy, and it is a dubious proposition that households require more incentives for debt-fueled spending.

Corporate bonds outperformed government bonds in the second quarter as the rally continued. As with the first quarter, the driving force was central bankers' shift to a more dovish policy stance, improving the pricing of all financial assets and, in particular, the more credit sensitive ones in the bond market. The yield curve further inverted as the 3-month Treasury bill yield was unchanged at 1.66% while the 10-year Government of Canada bond yield declined 14bps to 1.47%. Some of the inversion was a result of central bank intervention, however, this could still be seen as a signal of weaker economic growth to come.

## PORTFOLIO REVIEW

The portfolio underperformed the benchmark in the second quarter. The portfolio's shorter duration position relative to the duration of the benchmark index was a detraction from performance in the second quarter. Long bonds outperformed short- and mid-term bonds with the Canadian yield curve retracting some of the steepening experienced in the first quarter. Consequently, the more bulleted structure of the portfolio's holdings was a detraction to performance in the quarter. The portfolio's overweight position in corporate bonds was the key contributor to positive relative quarterly performance. Selected utility holdings did particularly well along with continued narrowing spread performance from financial corporate holdings.

Several of the companies in the equity portion of the portfolio performed very strongly in the quarter following good results. Top contributors were CCL, CAE and Industrial Alliance Financial Group. While top detractors to performance were ARC Resources, Saputo and SNC-Lavalin.

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 Canada Global Debt Capital Markets Inc.