

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

PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / December 31, 2019	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	1.0	9.6	3.4	3.5	5.1
Benchmark	0.2	10.8	4.5	4.0	-

Calendar Year Returns / December 31	2019	2018	2017	2016	2015
NBI Jarislowsky Fraser Select Income Fund (E/F Series)	9.6	-2.2	3.2	6.7	0.8
Benchmark	10.8	-1.2	4.1	6.2	0.4

PORTFOLIO

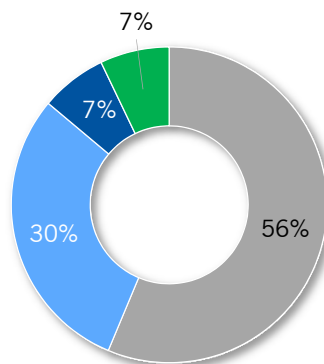
REPRESENTATIVE HOLDINGS

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

BONDS

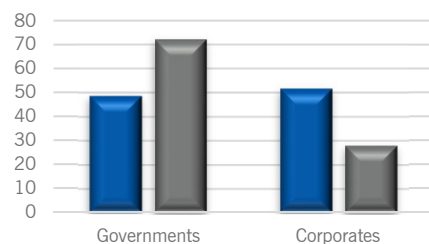
Issuer	Coupon/Maturity
Province of Ontario	2.90%, 06/02/28
Government of Canada	1.25%, 02/01/20
Royal Bank of Canada	2.03%, 03/15/21
CIBC	2.90%, 09/14/21
Bank of Montreal	2.27%, 07/11/22

ASSET MIX



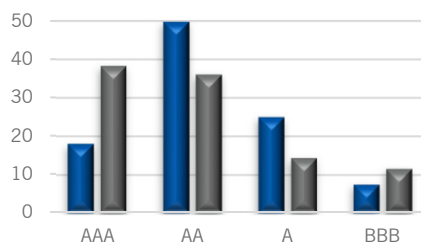
- Fixed Income (56%)
- Canadian Equities (30%)
- Foreign Equities (7%)
- Cash (7%)

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	\$10.99
AUM (\$ Millions)	\$195.6

MER:

E-Series	0.80%
F-Series	0.80%

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

Bond markets posted slight declines on the back of improving prospects for the global economy. Within the context of the strong gains this year, the pullback was minor. It was driven by the rise in yields in the fourth quarter as a result of fading expectations for economic weakness due to oncoming signs of recovery and another interest rate cut by the U.S. Federal Reserve Bank. The improved economic outlook fed directly into the outperformance of corporate and provincial bonds. In addition, foreign demand for North American corporate bonds remains strong as yields are attractive relative to Japanese and European levels. Underlying fundamentals for corporate bonds continue to deteriorate as leverage increases. On its own, increased leverage is not necessarily negative as long as the increased debt is used to fund productive investments. However, the numbers suggest that much of the debt is being used to fund the buyback of stock, which is more of a financial engineering exercise than an investment in future production.

The latest rise in yields naturally brings into question how high they can go. We expect some further increases, but absent a significant rise in inflation, the increase should be relatively limited. Economic growth, while recovering, is not expected to be strong and North American yields are unlikely to deviate too far from much lower European and Japanese levels. In addition, the elevated debt levels of corporations and Canadian households limits the room for interest rates to increase as the pain from the higher rates will be felt much sooner than within an economy that is less indebted.

PORTFOLIO REVIEW

Canadian corporate bonds outperformed federal bonds in the fourth quarter; and consequently the portfolio's overweight position in corporate bonds generated notable allocation performance. The portfolio's strong relative performance in the fourth quarter was enhanced by corporate bond selection in the infrastructure and industrial sectors, as well as solid security selection in the provincial bond sector. With the rise in yields in the fourth quarter, the portfolio's short duration position benefitted its relative performance.

Several of the companies in the equity portion of the portfolio performed strongly in the quarter, following good earnings results. Top contributors were SNC, Industrial Alliance and Stantec. Gildan and Unilever were top detractors to performance.

STRATEGY & INVESTMENT
OUTLOOK

The performance of markets in 2019 epitomizes that of the past decade, where central banks were a dominant influence. The recent year would not have seen such strong returns had central banks not shifted from restrictive to stimulative stances.

It is unlikely that we will experience the same level of support from central banks in 2020, as economic momentum continues to recover and inflation pressures build in the short term. The U.S. Federal Reserve also seems more willing to let economic deflation persist for longer in order to make up for past misses in their inflation targets, effectively raising the bar for future interest rate hikes.

In the longer term, our expectations continue to be limited by secular headwinds. The trend rate of economic growth will continue to be modest even without the added uncertainty from protracted trade wars and Brexit negotiations. Central bank intervention will continue to be needed in the absence of truly significant fiscal policy stimulus.

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.