

## NBI Jarislowsky Fraser Select Income Fund (Advisor Series)

### PERFORMANCE REVIEW (%)

Annualized for periods greater than 1 year

Annualized Returns / June 30, 2020	3 months	1 year	3 years	5 years	S.I.
NBI Jarislowsky Fraser Select Income Fund (Advisor Series)	7.0	1.3	2.1	2.5	4.0
Benchmark	8.6	5.7	5.2	4.4	-

Calendar Year Returns / December 31	2019	2018	2017	2016	2015
NBI Jarislowsky Fraser Select Income Fund (Advisor Series)	8.8	-3.0	2.3	5.9	-0.1
Benchmark	10.8	-1.2	4.1	6.2	0.4

### PORTFOLIO

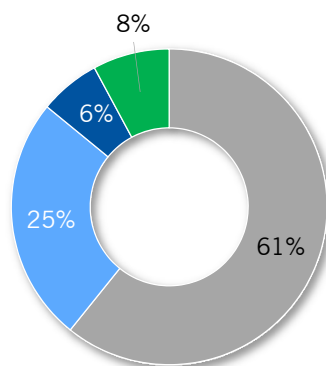
#### REPRESENTATIVE HOLDINGS

Holdings	Industry
Enbridge	Energy
Metro	Consumer Staples
Microsoft	Technology
Canadian National Railway	Industrials
TD Bank	Financials

#### BONDS

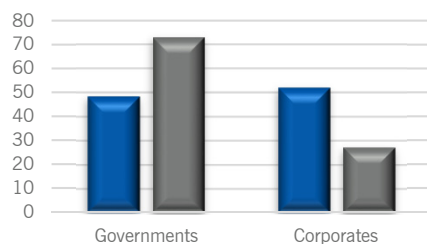
Issuer	Coupon/Maturity
Province of Ontario	2.90%, 06/02/28
Government of Canada	2.25%, 02/01/21
CIBC	2.90%, 09/14/21
Wells Fargo & Co.	3.87%, 05/21/25
Bank of Montreal	2.27%, 07/11/22

#### ASSET MIX



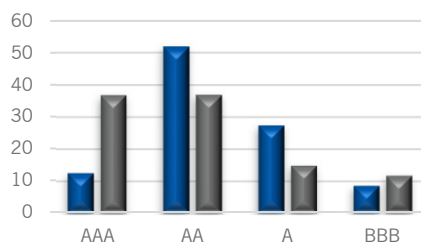
- Fixed Income (61%)
- Canadian Equities (25%)
- Foreign Equities (6%)
- Cash (8%)

#### 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	\$9.92
AUM (\$ Millions)	\$188.2

#### MER:

Advisor Series/LSC	1.61%
F-Series	0.80%

#### FUND CODES:

Advisor Series	NBC3400
LS	NBC3600
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 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.

## NBI Jarislowsky Fraser Select Income Fund (Advisor Series)

## QUARTERLY COMMENTARY

By the end of the second quarter, financial markets recouped the majority of the losses suffered in March, economic activity is nowhere near normal levels. Central banks did not offer any resistance and, if anything, were extremely careful to assure investors that they are willing and able to offset any setbacks in the economic recovery and financial markets —although they have repeatedly downplayed the potential for the latter. Fiscal policy efforts were more of a mixed bag as the inevitable political realities make additional stimulus more contentious, particularly with the upcoming U.S. national election. In our first quarter comments, we suggested that the recession would be “serious” and “with some caveats, we can say it will be short-lived”. Those caveats reflect the level of uncertainty that remains today. There are multiple unknowns, particularly as it relates to the intensity and path of the pandemic. At this point, one could argue that valuations have moved ahead of the economic recovery, but this is not unusual as markets discount the future. What is unusual is the clarity with which central banks, and in particular the US Federal Reserve, have reinforced their commitment to sustain the recovery, leading to more support for asset prices than in the past.

The corporate bond market rallied substantially in the second quarter on the back of actions by central bankers. In mid-April, the Bank of Canada announced its intention to introduce a \$10-billion corporate bond purchase program to buy eligible Canadian investment grade corporate bonds in the secondary market. With this unprecedented direct support, corporate bond spreads rallied strongly—a situation that is not typical during a very weak economic environment. Canadian corporate bonds posted strong gains with their yields declining by 88 bps on average while 10-year federal government bond yields declined by only 24 bps. Likewise, in April, the U.S. Federal Reserve also announced its support for high-yield credit markets, leading to a significant rally in high-yield corporate bonds (rated below investment grade or BBB) despite the likelihood of a substantial rise in default rates.

## PORTFOLIO REVIEW

The Bond portfolio outperformed its benchmark for the quarter. The main contributor was the overweight position in corporate bonds. We added to our exposure during the quarter. We had been building capacity to add credit risk over the last year, which proved advantageous in the recent sell-off. Security selection also contributed positively to performance. The detractor to performance continues to be our shorter duration, or interest rate exposure, as yields continued to decline. This quarter, the Canadian bond market rose 5.9% with corporate bonds producing an 8.1% return. The spread between corporate and government bond yields narrowed by 88 bps during the period. Essentially, the riskier the corporate bond, the better it performed. Notable contributors to performance in the equity portion of the portfolio were Restaurant Brands, Fanuc and Stantec. The main detractor to performance was Compass Group.

STRATEGY & INVESTMENT  
OUTLOOK

In the short run, there is likely to be an upward bias to inflation as income levels have been supported by government programs while the supply of goods and services is still constrained. There are still long-term disinflationary influences such as the extreme level of debt obligations, but the economic shutdown has accelerated the marriage of monetary and fiscal policy actions. Financial markets are clearly anticipating a “V-shaped” economic recovery. Indeed, there are certain parts of the economy which can recover quicker, and signs of that have been seen in above-consensus job gains in the past two months. There are other areas, such as travel and leisure, which will surely take much longer to return to normal, if that is even possible. Taking all of this into consideration, much will come down to the size and impact of the expected second wave of infections expected in the autumn months, and what further measures will be taken by governments and central banks as a response.

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

Returns of the F Series may vary mainly because of the different fees and expenses: NBI Jarislowsky Fraser Select Income Fund 3 months 7.3%, 1 year 2.3%, 3 years 3.0%, 5 years 3.4%, Since Inception 4.8%. 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.