

# ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

Short Term and Income Fund  
**NBI Global Bond Fund**

## Notes on forward-looking statements

This report may contain forward-looking statements concerning the Fund, its future performance, its strategies or prospects or about future events or circumstances. Such forward-looking statements include, among others, statements with respect to our beliefs, plans, expectations, estimates and intentions. The use of the expressions "foresee", "intend", "anticipate", "estimate", "assume", "believe" and "expect" and other similar terms and expressions indicate forward-looking statements.

By their very nature, forward-looking statements imply the use of assumptions and necessarily involve inherent risks and uncertainties. Consequently, there is a significant risk that the explicit or implicit forecasts contained in these forward-looking statements might not materialize or that they may not prove to be accurate in the future. A number of factors could cause future results, conditions or events to differ materially from the objectives, expectations, estimates or intentions expressed in such forward-looking statements. Such differences might be caused by several factors, including changes in Canadian and worldwide economic and financial conditions (in particular interest and exchange rates and the prices of other financial instruments), market trends, new regulatory provisions, competition, changes in technology and the potential impact of conflicts and other international events.

The foregoing list of factors is not exhaustive. Before making any investment decision, investors and others relying on our forward-looking statements should carefully consider the foregoing factors and other factors. We caution readers not to rely unduly on these forward-looking statements. We assume no obligation to update forward-looking statements in the light of new information, future events or other circumstances unless applicable legislation so provides.

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This annual management report of fund performance contains financial highlights, but does not contain the complete annual financial statements of the investment fund. You can get a copy of the annual financial statements at your request, and at no cost, by calling 1-888-270-3941 or 514-871-2082, by writing to us at National Bank Investments Advisory Service, 500, Place d'Armes, 12th floor, Montreal, Quebec, H2Y 2W3, by visiting our website at [www.nbinvestments.ca](http://www.nbinvestments.ca), by visiting SEDAR's website at [www.sedar.com](http://www.sedar.com), or by contacting your advisor. You may also contact us using one of these methods to request a copy of the investment fund's proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosure.

## Management Discussion of Fund Performance

### Investment Objective and Strategies

The NBI Global Bond Fund's investment objective is to provide an attractive rate of current income while providing long-term capital growth and preserving capital. The Fund invests primarily in high-quality debt securities denominated in foreign currencies. Although these investments have a greater degree of risk, they offer potentially higher returns.

The portfolio manager takes advantage of the economic outlook and interest rates in foreign countries to diversify the portfolio and obtain higher returns. Depending on global economic conditions, the portfolio manager can choose to initiate positions in foreign currencies or hedge positions in Canadian dollars.

### Risks

The global investment risk of the Fund remains as described in the simplified prospectus or any amendments thereto and Fund Facts.

### Results of Operations

For the twelve-month period ended December 31, 2020, the NBI Global Bond Fund's Investor Series units returned 7.00% compared to 7.76% for the Fund's benchmark, the JP Morgan World Government Bond Index (CAD). Unlike the benchmark, the Fund's performance is calculated after fees and expenses. Please see the *Past Performance* section for the returns of all of the Fund's series, which may vary mainly because of fees and expenses.

The Fund's net asset value dropped by 19.35% over the period, from \$106.55 million as at December 31, 2019 to \$85.93 million as at December 31, 2020.

The decline stemmed mainly from net redemptions by unitholders of the Fund.

Throughout the year, COVID-19 had major implication pushing all economies in major economic contraction, before bouncing back following the reopening of the economies fueled by massive fiscal stimulus and ultra-accommodative monetary policy. Major central increased QE to help support the credit market.

During the first part of the year, global bonds benefitted from significant monetary easing. Then as the year progressed, unemployment was decreasing, developments on the vaccine front were encouraging, and market sentiment started to turn positive, helping credit spreads compressed significantly.

There was uncertainty around the U.S. election and its outcome, but markets generally took it in stride. Equity markets reached all-time highs and yield curves steepened in the second half of the year following higher inflation and growth expectation.

In this context, the majority of government bonds posted positive returns in 2020 as yields headed lower worldwide as massive central banks stimulus across the globe fueled the bond market rally. On the currency front, the U.S. dollar ended the year down.

Under these circumstances, the Fund underperformed its benchmark for the period. The overweight position in U.S. Treasuries and Australia was particularly lucrative with Italy as well. The Fund's overall shorter duration detracted somewhat, however.

### Recent Developments

Looking into 2021, the portfolio manager expects major central banks to remain on the sidelines. He expects volatility and higher yields, as the economic activity should accelerate in the second half of the year following the vaccination campaign and the massive amount of stimulus in the system. In this context, he doesn't find European and Japanese bonds, on a risk/reward perspective, attractive and prefers higher-yielding countries such as the U.S., Australia, Mexico, New Zealand and Norway. On the currency front, he favors a slight underweight in USD. He likes real return bonds as these bonds are relatively attractive considering the actual and forecasted inflation.

His approach is to combine strategic and tactical positions to maximize the risk/reward of the Fund. The biggest risk on a relative basis is that the fact that the Fund doesn't have any exposure in Japan and almost none in core Europe as he finds the risk/reward is clearly skewed to the downside.

For most of the year, the Fund was overweight U.S. treasuries considering the relative attractiveness of U.S. bond yields versus any other developed nation. The Fund still doesn't own negative yielding bonds and won't own any as it is a wealth destructor. Long dated bonds have been added during the period as the portfolio manager thought that the U.S. and Australian yield curves were steep considering the economic environment we are in.

On April 30, 2020, the Fund's independent review committee (the "IRC") was reduced to three members when Jacques Valotaire and Jean-François Bernier resigned as IRC members. On July 1, 2020, the Fund's IRC was increased to four members when Marie Desroches was appointed as IRC member.

## Related Party Transactions

National Bank of Canada ("the Bank") and its affiliated companies' roles and responsibilities related to the Fund are as follows:

### Trustee, Custodian, and Registrar

Natcan Trust Company ("NTC"), a direct or indirect wholly-owned subsidiary of the Bank, is the Fund's trustee. In this capacity, it is the legal owner of the Fund's investments.

NTC acts as registrar for the Fund's securities and the names of securityholders. NTC also acts as the Fund's custodian. The fees for NTC's custodial services are based on the standard rates in effect at NTC.

### Agent for securities lending transactions

NTC acts as the agent for securities lending transactions acts on behalf of the Fund in administering securities lending transactions entered into by the Fund. NTC is an affiliate of the Manager.

### Fund Manager

The Fund is managed by National Bank Investments Inc. ("NBII"), which is a wholly-owned subsidiary of the Bank. Therefore, NBII provides or ensures the provision of all general management and administrative services required by the Fund's current operations, including investment consulting, the arrangement of brokerage contracts for the purchase and sale of the investment portfolio, bookkeeping and other administrative services required by the Fund.

The Manager pays the operating expenses of the Fund other than its "Fund costs" (defined below) (the "variable operating expenses"), in exchange for the Fund's payment to the Manager of annual fixed-rate administration fees with respect to each series of the Fund.

The administration fees are equal to a specified percentage of the net asset value of each series of the Fund, calculated and paid in the same manner as the Fund's management fees. The variable operating expenses payable by the Manager include, but are not limited to: transfer agency and recordkeeping costs; custodial costs; accounting and valuation fees; audit fees and legal fees; costs of preparing and distributing financial reports, simplified prospectuses, annual information forms, Fund Facts, continuous disclosure material and other securityholder communications; and costs of trustee services relating to registered tax plans, as applicable.

In addition to administration fees, the Fund shall also pay certain Fund costs, namely: taxes (including, but not limited to, GST/HST and income taxes); costs of compliance with any changes to existing governmental or regulatory requirements introduced after August 1, 2013; costs of compliance with any new governmental or regulatory requirements, including any new fees introduced after August 1, 2013; interest and borrowing costs; costs related to external services that were not commonly charged in the Canadian mutual fund industry as at August 1, 2013; Independent Review Committee costs, including compensation paid to IRC members, travel expenses, insurance premiums and costs associated with their continuing education; and variable operating expenses incurred outside of the normal course of business of the Fund.

The Manager may, from time to time and at its sole discretion, decide to absorb a portion of a series' management fees, administration fees or Fund costs.

As described under the heading *Management Fees*, the Fund pays annual management fees to NBII as consideration for its services.

### Distribution and Dealer Compensation

NBII acts as principal distributor for the Fund. In this capacity, NBII buys, sells and swaps securities through Bank branches and the National Bank Investments Advisory Service in Canadian provinces and territories, and through external registered representatives. Fund securities are also offered by National Bank Financial Inc. (including its division National Bank Direct Brokerage), CABN Investments (a division of NBII) and other affiliated entities. Brokers may receive, depending on the distributed series, a monthly commission representing a percentage of the average daily value of the securities held by their clients.

### Holdings

As at December 31, 2020, National Bank Investments Inc. held 160.50 Fund securities for a value of \$1,555.21, which represented close to 0.0018% of the net asset value of the Fund at that date. Transactions between National Bank Investments Inc. and the Fund were carried out in the normal course of business and at the Fund's net asset value as at the transaction date.

### Registered Plan Trust Services

NTC receives a fixed amount per registered account for services provided as trustee for registered plans.

### Administrative and Operating Services

The provision of certain services was delegated by the Fund Manager, NBII, to National Bank Trust Inc. ("NBT"), a wholly-owned indirect subsidiary of the Bank. These include accounting, reporting and portfolio valuation services. The fees incurred for these services are paid to NBT by the Fund manager.

## Management Fees

The Fund pays annual management fees to the Fund manager for its management services. The fees are calculated based on a percentage of the Fund's daily net asset value before applicable taxes and are paid on a monthly basis. A portion of the management fees paid by the Fund covers maximum annual trailer fees and sales commissions paid to brokers. The remainder of the management fees primarily covers investment management and general administration services. The breakdown of major services provided in consideration of the management fees, expressed as an approximate percentage of the management fees is as follows:

Series	Management Fees	Distribution	Others <sup>†</sup>
Investor Series	1.50%	33.33%	66.67%
Advisor Series*			
Front-end load	1.50%	33.33%	66.67%
Back-end load - 1 to 6 years	1.50%	16.67%	83.33%
Back-end load - 7 years and more	1.50%	33.33%	66.67%
Low load - 1 to 3 years	1.50%	16.67%	83.33%
Low load - 4 years and more	1.50%	33.33%	66.67%
Series O	N/A**	—	100.00%

<sup>(†)</sup> Includes all costs related to management, investment advisory services, general administration and profit.

<sup>(\*)</sup> Excluding sales commissions paid on the Advisor Series with the low sales charge option and deferred sales charge option, which are not paid for out of the management fees.

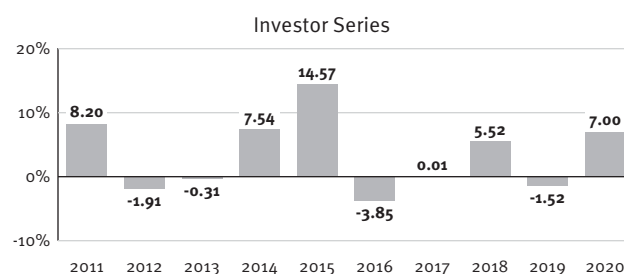
<sup>(\*\*)</sup> There are no management fees paid by the Fund with respect to the Series O. Instead, Series O securityholders pay a negotiated administration fee directly to National Bank Investments.

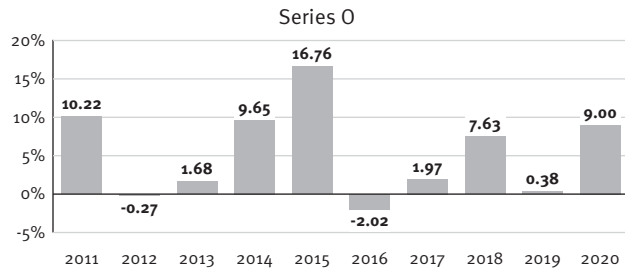
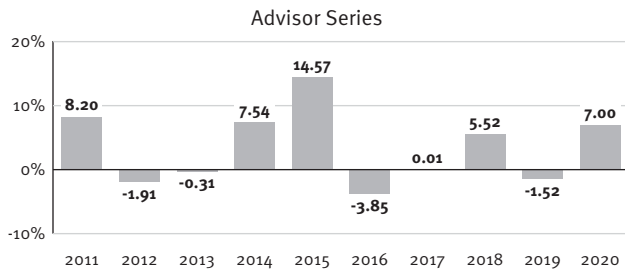
## Past Performance

The performance of each series of the Fund is presented below and calculated as at December 31 of each year. It assumes that all distributions made in the periods shown were reinvested in additional securities and does not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of a series of a Fund does not necessarily indicate how it will perform in the future.

## Annual Returns

The bar charts indicate the performance for each the Fund's series in existence greater than one year during the years shown, and illustrate how the performance has changed from year to year. They show, in percentage terms, how much an investment made on January 1 (or made commencing from the start of the series) would have grown or decreased by December 31 of that year, or by June 30, as applicable.





### Annual Compounded Performance

The following table shows the Fund's annual compound returns for each series in existence greater than one year and for each of the periods ended on December 31, 2020, compared with the following benchmark:

- JP Morgan World Government Bond Index (CAD)

#### NBI Global Bond Fund

	1 year	3 years	5 years	10 years	Since inception
<b>Investor Series<sup>1</sup></b>	7.00%	3.60%	1.35%	3.38%	—
Benchmark	7.76%	5.51%	2.83%	5.01%	—
<b>Advisor Series<sup>2</sup></b>	7.00%	3.60%	1.35%	3.38%	—
Benchmark	7.76%	5.51%	2.83%	5.01%	—
<b>Series O<sup>3</sup></b>	9.00%	5.60%	3.31%	5.35%	—
Benchmark	7.76%	5.51%	2.83%	5.01%	—

<sup>1</sup>Commencement of operations: January 10, 1995

<sup>2</sup>Commencement of operations: February 8, 2002

<sup>3</sup>Commencement of operations: March 1, 2005

A discussion of the Fund's relative performance in comparison to the index (or indices) can be found in the *Results of Operations* Section of this report.

#### Index Description

The **JP Morgan World Government Bond Index** measures markets global returns' capital and interest and covers shares offered to international investors.

## Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance for the accounting periods shown.

### Investor / Advisor\* Series

<sup>(\*)</sup> The Advisor Series was created on February 8, 2002.

Net Assets per Unit<sup>(1)</sup> Commencement of operations: January 10, 1995

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	8.86	9.04	8.66	8.73	9.52
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.15	0.20	0.26	0.25	0.28
Total expenses	(0.19)	(0.17)	(0.17)	(0.17)	(0.20)
Realized gains (losses)	0.73	0.17	(0.12)	(0.03)	0.02
Unrealized gains (losses)	0.09	(0.32)	0.49	(0.01)	(0.48)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	0.78	(0.12)	0.46	0.04	(0.38)
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	—	0.03	0.11	0.07	0.08
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	0.35
Return of capital	—	—	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	—	0.03	0.11	0.07	0.43
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	9.48	8.86	9.04	8.66	8.73

### Ratios and Supplemental Data

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	83,934	105,232	160,555	237,931	241,128
Number of units outstanding <sup>(5)</sup>	8,858,414	11,874,735	17,778,316	27,482,161	27,634,084
Management expense ratio (%) <sup>(6)</sup>	1.94	1.95	1.95	1.95	1.95
Management expense ratio before waivers or absorptions (%)	1.94	1.99	1.99	1.98	1.98
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	72.14	138.73	277.85	219.85	220.69
Net asset value per unit (\$)	9.48	8.86	9.03	8.66	8.73

### Series O

Net Assets per Unit<sup>(1)</sup> Commencement of operations: March 1, 2005

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(4)</sup>	8.89	9.05	8.58	8.58	9.39
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.17	0.22	0.25	0.26	0.25
Total expenses	—	—	—	—	(0.02)
Realized gains (losses)	0.64	0.16	(0.16)	(0.04)	0.06
Unrealized gains (losses)	(0.09)	(0.33)	0.71	(0.11)	(0.78)
<b>Total Increase (Decrease) from Operations (\$)</b> <sup>(2)</sup>	0.72	0.05	0.80	0.11	(0.49)
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	—	0.19	0.19	0.17	0.29
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	0.36
Return of capital	—	—	—	—	—
<b>Total Annual Distributions (\$)</b> <sup>(3)</sup>	—	0.19	0.19	0.17	0.65
<b>Net Assets, End of Accounting Period Shown (\$)</b> <sup>(4)</sup>	9.69	8.89	9.05	8.58	8.58

### Ratios and Supplemental Data

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	2,001	1,320	748	313	118
Number of units outstanding <sup>(5)</sup>	206,460	148,418	82,736	36,476	13,808
Management expense ratio (%) <sup>(6)</sup>	0.02	0.02	0.02	0.02	0.02
Management expense ratio before waivers or absorptions (%)	0.02	0.02	0.03	0.04	0.06
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	72.14	138.73	277.85	219.85	220.69
Net asset value per unit (\$)	9.69	8.89	9.04	8.58	8.58

- <sup>(1)</sup> This information is derived from the Fund's Annual Audited Financial Statements. The net assets per unit presented in the financial statements might differ from the net asset value calculated for fund pricing purposes. The differences are explained in the notes to the financial statements.
- <sup>(2)</sup> Net assets and distributions are based on the actual number of units outstanding at the relevant time. The increase or decrease from operations is based on the average number of units outstanding over the accounting period.
- <sup>(3)</sup> Distributions were paid in cash or reinvested in additional units of the Fund, or both.
- <sup>(4)</sup> The net assets are calculated in accordance with IFRS.
- <sup>(5)</sup> This information is provided as at the last day of the accounting period shown.
- <sup>(6)</sup> Management expense ratio is based on total expenses including sales taxes for the accounting period indicated (excluding commission, other portfolio transaction costs and withholding taxes) and is expressed as an annualized percentage of daily average net value during the accounting period.
- <sup>(7)</sup> The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the accounting period. The trading expense ratio includes, if necessary, the trading expenses from its underlying funds, as described in Article 15.2 of Regulation 81-106.
- <sup>(8)</sup> The Fund's portfolio turnover rate indicates how actively the Fund portfolio's manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the Fund buying and selling all of the securities in its portfolio once in the course of the accounting period. The higher a Fund's portfolio turnover rate in an accounting period, the greater the trading costs payable by the Fund in the accounting period, and the greater the chance of an investor receiving taxable capital gains in the accounting period. There is not necessarily a relationship between a high turnover rate and the performance of a Fund.

## Summary of Investment Portfolio

As of December 31, 2020

### Portfolio Top Holdings

	% of Net Asset Value
Government of the United States, 1.63%, due February 15, 2026 .....	7.8
Government of Australia, 3.00%, due March 21, 2047 .....	6.4
Cash, Money Market and Other Net Assets .....	5.9
Government of the United States, 2.25%, due August 15, 2027 .....	5.7
Government of the United States, 2.25%, due November 15, 2024 .....	4.7
Government of the United States, 2.00%, due February 15, 2025 .....	4.3
Government of France, 0.10%, due July 25, 2021 .....	4.2
Government of Mexico, 6.50%, due June 10, 2021 .....	4.1
Government of the United States, 5.00%, due May 15, 2037 .....	4.0
City of Oslo, 2.30%, due December 1, 2027 .....	3.7
Government of Italy, 2.10%, due September 15, 2021 .....	3.6
Government of the United States, 1.38%, due August 15, 2050 .....	3.5
Government of the United States, 0.25%, due May 31, 2025 .....	3.4
Government of the United States, 0.63%, due May 15, 2030 .....	3.4
Government of the United States, 2.88%, due November 15, 2046 .....	3.4
Government of the United States, 1.50%, due February 15, 2030 .....	3.3
Government of the United States, 2.13%, due November 30, 2023 .....	3.3
Government of Canada, 4.25%, due December 1, 2026 .....	2.9
Government of Italy, 2.95%, due September 1, 2038 .....	2.8
United Kingdom Gilt, 1.75%, due January 22, 2049 .....	2.2
French Republic Government Bond OAT, 0.75%, due May 25, 2052 .....	1.8
Republic of Poland Government Bond, 2.50%, due July 25, 2027 .....	1.5
Canadian Imperial Bank of Commerce, 0.30%, due October 18, 2024 .....	1.4
Government of New Zealand, Floating, due September 20, 2025 .....	1.4
City of Saint-Constant, 2.45%, due September 26, 2022 .....	1.4
	90.1

Net asset value ..... \$85,934,075

### Asset Mix

	% of Net Asset Value
US Bonds .....	49.6
Foreign Bonds .....	33.3
Municipal Bonds .....	4.6
Federal Bonds .....	3.3
Canadian Corporate Bonds .....	3.2
Provincial Bonds .....	0.1
Derivative Products .....	0.9
Cash, Money Market and Other Net Assets .....	5.0

### Currency Allocation

	% of Net Asset Value
Brazilian Real .....	(0.5)
Norwegian Krone .....	(0.1)
Canadian dollar .....	0.1
South African Rand .....	0.1
New Zealand Dollar .....	0.1
Polish Zloty .....	0.2
Mexican Peso .....	0.2
Australian Dollar .....	1.8
Pound Sterling .....	7.8
Japanese Yen .....	19.8
Euro .....	28.0
American Dollar .....	42.5

The above table shows the top 25 positions held by the Fund. In the case of a Fund with fewer than 25 positions, all positions are indicated.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the investment Fund. A quarterly update is available. Please consult our Web site at [www.nbinvestments.ca](http://www.nbinvestments.ca).