

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

Canadian Equity Fund

NBI Quebec Growth 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.

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, by visiting SEDAR's website at 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 Quebec Growth Fund's investment objective is to ensure long-term capital growth. The Fund primarily invests in equity securities of corporations whose head office is in Quebec or who do a substantial part of their business in Quebec. It invests in many sectors of the Quebec economy, including communications and media, conglomerates, consumer products, financial services, industrial products, merchandising, metals and minerals, paper and forest products, transportation and environment, and utilities. The Fund provides investors with a way to participate in economic growth in Quebec as part of a diversified portfolio.

The portfolio manager analyzes small, medium and large capitalization companies. When selecting securities in the Fund, the portfolio manager favours security selection over sector rotation and seeks companies with growth potential. It is expected that investments in foreign securities will not exceed approximately 10% of the Fund's assets.

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 Quebec Growth Fund's Investor Series units returned 15.34% compared to 12.87% for the Fund's benchmark, the S&P/TSX Small Cap 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 rose by 15.79% over the period, from \$288.64 million as at December 31, 2019 to \$334.22 million as at December 31, 2020.

This increase stemmed mainly from market fluctuations.

It goes without saying that 2020 has been a whirlwind year for global equity markets.

The year started with positive momentum with many markets reaching record highs up until mid-February when the coronavirus outbreak quickly turned things upside down, triggering panic and uncertainty about the outlook of the economy and global growth prospects. The rapid spread of the virus along with the rising number of cases and worldwide shutdowns caused high volatility in the markets, pushing investors away from equity markets and towards bond markets, where they sought refuge. As a result, global equity markets and bond yields fell sharply, in the worst meltdown since the global financial crisis.

The very timely and assertive policy response both from central banks and from governments, however, helped reinvigorate risk appetite and has been instrumental in guiding the economy back to health. The breakthroughs on the vaccine front have also been instrumental in allowing investors to look through to the end of the pandemic in 2021 and this has seen equity markets extend their gains as we head into the new year. Overall, the increasing risk appetite and the rebound in economic activity were favourable for small cap stocks, outperforming large cap stocks since the market lows observed in March.

In 2020, the S&P TSX Small Cap Index returned 12.87% versus 5.60% for the S&P/TSX index. The Materials (+44.9%) and Consumer Staples (+42.1%) sectors were the best performers while the Energy (-33.1%) and Health Care (-18.3%) sectors lagged.

During the last few weeks of the year, a sector rotation took place in favour of the cyclical sectors that were lagging at the beginning of the year. Merger and acquisition activity also picked up nicely and many small caps became takeover targets from private equity funds as the abundance and low cost of capital is starting to get deployed. The IPO market also continued to shine as investor demand was impressive for newly listed companies.

Quebec small cap stocks outperformed their Canadian peers during the last year, rebounding strongly after a few years of difficult performance. A rebound of certain mining stocks and the rapid rise of the Information Technology sector explains mainly this outperformance. On the other hand, large cap Quebec stocks underperformed their larger Canadian counterparts, notably because of lack of exposure to the gold sector.

In this context, the NBI Quebec Growth Fund outperformed its benchmark in 2020. The Fund's major positive contributors during the year were Cargojet, Tecsys, WSP Global, Lightspeed POS and Intertape Polymer. The Fund's major negative contributors during the same period were Heroux-Devtek, MTY Food Group, Air Canada, IA Financial Corporation and Transat.

Recent Developments

During the year, the investment team made several transactions aimed at improving the quality of the portfolio. Some stocks, which were considered more fragile to a prolonged economic slowdown, have been sold. The investment team notably acquired securities from larger companies that became eligible to the strategy following the market downturn earlier in the year. The investment team also added to the Fund's positions in companies that will benefit from the changes in customer demand related to the pandemic.

New positions were initiated in Boralex, Champion Iron Ore, Innergex Renewable Energy, Fronsac REIT, Major Drilling, MDF Commerce, Nuvei and Xebec. The portfolio manager sold the following positions: Aecon Group (concerns over valuation), Alythia Group (disappointing results and better investment opportunity) Cominar REIT (concerns on retail closures), Exfo (lack of execution and better investment alternatives), Gildan Activewear (concerns on impact from slowdown of the economy), IPL Plastics (takeover offer on the company), MTY Food Group (concerns on the restaurant industry slowdown and indebtedness), Power Corporation (better investment alternative), Saputo (slowing growth), Russel Metals (concerns on impact from the slowdown of the economy) and Transat (concerns on travel and tourism).

Most of the holdings in the portfolio have an important exposure to the U.S. economy by trade or by presence and are influenced by the growth of the global economy. The latest economic rebound as brought the economy to stabilize at healthy levels, supported by an abundance of monetary and fiscal stimulus. While the latest virus trends are worrisome, there are reasons for optimism and the end of the pandemic is in sight. While widespread distribution and vaccination will take some time, there now appears to be light at the end of the tunnel.

While the recovery may be restrained in the short term, it won't be derailed, and a rebound in economic activity is expected. Upbeat consumer and business confidence should translate into pent-up demand and a rebound in corporate profits.

The abundance and low cost of capital should be favourable to mergers and acquisitions. The portfolio manager expects the Fund's companies to be active on the acquisition front and further consolidate their marketplace. He also expects that some of the Fund's investments will become takeover targets as larger companies or private equity funds deploy their excess capital.

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.

Brokerage Fees

The Fund may pay broker’s commissions at market rates to a corporation affiliated with NBII. The brokerage fees paid by the Fund for the period are as follows:

	Period ended December 31, 2020
Total brokerage fees	127,642.27
Brokerage fees paid to National Bank Financial	10,066.41

Independent Review Committee Approvals and Recommendations

The Fund followed the standing instructions of its Independent Review Committee with respect to one or more of the following transactions:

- Purchasing or holding the securities of a related issuer, in particular, those of National Bank of Canada;
- Investing in the securities of an issuer when an entity related to the manager acts as an underwriter for the placement or at any time during the 60-day period after the end of the placement;
- Purchasing or selling securities to another investment Fund managed by the manager or a company in the same group;
- Purchasing or selling debt securities on the secondary market, through related brokers that are main brokers in the Canadian debt securities market (in accordance with an exemption received from the Canadian Securities Administrators);
- Entering into foreign exchange transactions (including both spot transactions and forward transactions) with National Bank of Canada.

The Manager has implemented policies and procedures to make sure that the conditions applicable to each of the above transactions are met. The applicable standing instructions require that these transactions be carried out in accordance with NBII policies, which specify, in particular, that investment decisions pertaining to these related party transactions must be made free from any influence by an entity related to NBII and without taking into account any consideration relevant to an entity related to NBII. Furthermore, the investment decisions must represent the business judgment of the securities advisor, uninfluenced by considerations other than the best interest of the Fund and must achieve a fair and reasonable result for the Fund.

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 ¹
Investor Series	2.00%	62.50%	37.50%
Advisor Series*			
Front-end load	2.00%	62.50%	37.50%
Back-end load - 1 to 6 years	2.00%	25.00%	75.00%
Back-end load - 7 years and more	2.00%	62.50%	37.50%
Low load - 1 to 3 years	2.00%	25.00%	75.00%
Low load - 4 years and more	2.00%	50.00%	50.00%
Series F	0.75%	—	100.00%

⁽¹⁾ Includes all costs related to management, investment advisory services, general administration and profit.

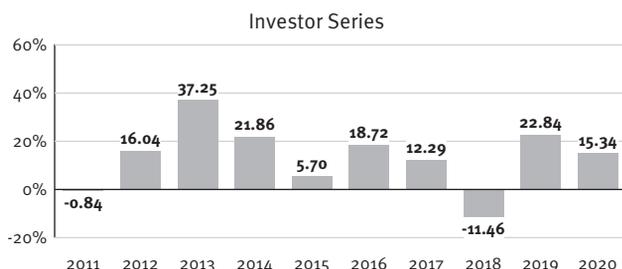
^(*) Excluding sales commissions paid on the Advisor Series with the low sales charge option and deferred sales charge option, which are not paid for out of the management fees.

Past Performance

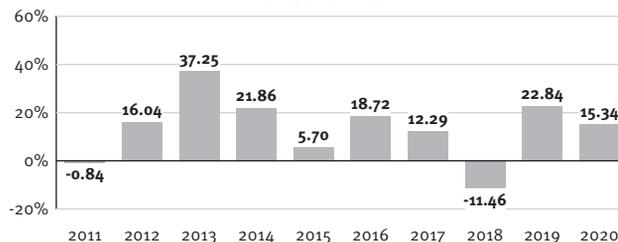
The performance of each series of the Fund is presented below and calculated as at December 31 of each year. It assumes that all distributions made in the periods shown were reinvested in additional securities and does not take into account sales, redemption charges, distributions, or optional charges 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

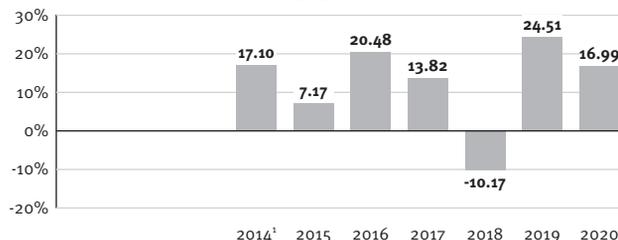
The bar charts indicate the performance for each of the Fund's series in existence greater than one year during the years shown, and illustrate how the performance has changed from year to year. They show, in percentage terms, how much an investment made on January 1 (or made commencing from the start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



Advisor Series



Series F



⁽¹⁾ Returns for the period from May 21, 2014 (commencement of operations) to December 31, 2014.

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:

- S&P/TSX Small Cap Index (CAD)

NBI Quebec Growth Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	15.34%	7.85%	10.83%	13.02%	—
Benchmark	12.87%	2.28%	8.77%	1.26%	—
Advisor Series²	15.34%	7.85%	10.83%	13.02%	—
Benchmark	12.87%	2.28%	8.77%	1.26%	—
Series F³	16.99%	9.38%	12.40%	—	13.05%
Benchmark	12.87%	2.28%	8.77%	—	2.74%

¹Commencement of operations: July 23, 1999

²Commencement of operations: February 8, 2002

³Commencement of operations: May 21, 2014

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 **S&P/TSX Small Cap Index** is capitalization weighted and consists of small cap companies trading on the Toronto Stock Exchange that meet criteria relating to minimum size, liquidity and issuer rating.

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

^(*) The Advisor Series was created on February 8, 2002.

Net Assets per Unit⁽¹⁾ Commencement of operations: July 23, 1999

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	77.10	62.79	70.85	63.16	53.19
Increase (Decrease) from Operations (\$)					
Total revenue	1.24	1.78	1.16	1.00	0.92
Total expenses	(1.89)	(1.83)	(1.77)	(1.68)	(1.54)
Realized gains (losses)	0.96	(0.18)	0.62	0.67	1.07
Unrealized gains (losses)	11.02	14.58	(8.25)	7.94	8.95
Total Increase (Decrease) from Operations (\$) ⁽²⁾	11.33	14.35	(8.24)	7.93	9.40
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	—	—	—	—	—
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	88.96	77.10	62.79	70.85	63.16

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 \$) ⁽⁵⁾	228,567	207,024	176,657	188,327	136,835
Number of units outstanding ⁽⁵⁾	2,569,373	2,684,191	2,813,436	2,655,442	2,166,529
Management expense ratio (%) ⁽⁶⁾	2.52	2.52	2.52	2.52	2.52
Management expense ratio before waivers or absorptions (%)	2.52	2.52	2.52	2.52	2.52
Trading expense ratio (%) ⁽⁷⁾	0.05	0.04	0.04	0.05	0.08
Portfolio turnover rate (%) ⁽⁸⁾	22.51	22.98	19.36	23.42	20.59
Net asset value per unit (\$)	88.96	77.13	62.79	70.92	63.16

Series F

Net Assets per Unit⁽¹⁾ Commencement of operations: May 21, 2014

Accounting Period Ended	2020 December 31	2019 December 31	2018 December 31	2017 December 31	2016 December 31
Net Assets, Beginning of Accounting Period Shown ⁽⁴⁾	19.25	15.46	17.20	15.12	12.55
Increase (Decrease) from Operations (\$)					
Total revenue	0.32	0.44	0.29	0.25	0.24
Total expenses	(0.21)	(0.20)	(0.19)	(0.18)	(0.17)
Realized gains (losses)	0.27	(0.04)	0.15	0.17	0.22
Unrealized gains (losses)	2.90	3.65	(2.13)	1.99	1.70
Total Increase (Decrease) from Operations (\$) ⁽²⁾	3.28	3.85	(1.88)	2.23	1.99
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions (\$) ⁽³⁾	—	—	—	—	—
Net Assets, End of Accounting Period Shown (\$) ⁽⁴⁾	22.52	19.25	15.46	17.20	15.12

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 \$) ⁽⁵⁾	105,651	81,616	65,954	52,182	29,977
Number of units outstanding ⁽⁵⁾	4,690,908	4,239,054	4,267,215	3,031,349	1,983,260
Management expense ratio (%) ⁽⁶⁾	1.11	1.11	1.11	1.11	1.11
Management expense ratio before waivers or absorptions (%)	1.11	1.11	1.11	1.11	1.11
Trading expense ratio (%) ⁽⁷⁾	0.05	0.04	0.04	0.05	0.08
Portfolio turnover rate (%) ⁽⁸⁾	22.51	22.98	19.36	23.42	20.59
Net asset value per unit (\$)	22.52	19.25	15.46	17.21	15.12

- ⁽¹⁾ 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.
- ⁽²⁾ 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.
- ⁽³⁾ Distributions were paid in cash or reinvested in additional units of the Fund, or both.
- ⁽⁴⁾ The net assets are calculated in accordance with IFRS.
- ⁽⁵⁾ This information is provided as at the last day of the accounting period shown.
- ⁽⁶⁾ 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.
- ⁽⁷⁾ 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.
- ⁽⁸⁾ 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
WSP Global Group Inc.	5.6
GDI Integrated Facility Services Inc.	4.8
Cargojet Inc.	4.1
TECSYS Inc.	3.9
National Bank of Canada	3.7
iA Financial Corp Inc.	3.7
Alimentation Couche-Tard Inc., Class B	3.6
Héroux-Devtek Inc.	3.5
CAE Inc.	3.3
Cash, Money Market and Other Net Assets	3.3
Innergex Renewable Energy Inc.	3.2
Richelieu Hardware Ltd.	3.2
CGI Group Inc., Class A	3.0
Parkland Corp/Canada	3.0
Intertape Polymer Group Inc.	2.8
Morneau Shepell Inc.	2.7
Jamieson Wellness Inc.	2.4
TFI International Inc.	2.4
Metro Inc.	2.3
Savaria Corp.	2.3
New Look Vision Group Inc., Class A	2.2
Stella-Jones Inc.	2.2
Quebecor Inc., Class B	2.0
BRP Inc./CA	1.9
Logistec Corp., Class B	1.9
	77.0

Net asset value \$334,218,171

Asset Mix

	% of Net Asset Value
Canadian Equity	95.8
International Equity	0.9
Cash, Money Market and Other Net Assets	3.3

Sector Allocation

	% of Net Asset Value
Industrials	37.3
Information Technology	11.0
Consumer Staples	10.3
Materials	8.6
Financials	8.5
Consumer Discretionary	6.6
Utilities	5.5
Energy	2.9
Communication Services	2.7
Real Estate	2.3
Health Care	1.0
Cash, Money Market and Other Net Assets	3.3

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.