

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2023

Diversified Fund

## **NBI Jarislowsky Fraser Select Balanced 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 interim management report of fund performance contains financial highlights, but does not contain the complete interim financial statements of the investment fund. You can get a copy of the interim 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

### Results of Operations

For the six-month period ended June 30, 2023, the NBI Jarislowsky Fraser Select Balanced Fund's Advisor Series units returned 10.04% compared to 6.16% for the Fund's blended benchmark. The broad-based indices, the Morningstar® Canada Liquid Bond Index (CAD) and the Morningstar® Canada Large-Mid Index (CAD), returned 2.48% and 6.00% respectively. Unlike the indices, 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.

Certain series of the Fund, as applicable, may make distributions at a rate determined by the manager. This rate may change from time to time. If the aggregate amount of distributions in such series exceeds the portion of net income and net realized capital gains allocated to such series, the excess will constitute a return of capital. The manager does not believe that the return of capital distributions made by such series of the Fund have a meaningful impact on the Fund's ability to implement its investment strategy or to fulfill its investment objective.

The Fund's net asset value rose by 6.90% over the period, from \$113.08 million as at December 31, 2022 to \$120.88 million as at June 30, 2023.

Financial markets put aside concerns over growth, inflation, and US regional banks in the quarter, generating strong returns in most equity markets.

Canadian GDP was flat in April, but it is expected to reach an annualized pace of 1.4% for the second quarter, while inflation slowed to its weakest pace in two years, rising to 3.4% in May, year-over-year, to match expectations.

In Canada, the provincial and corporate sectors broadly outperformed federal bonds, due in part to somewhat attractive valuations and a growing sense that inflation could moderate without the need for a recession.

In this context, the fund outperformed the benchmark for the period. Stock selection and overweight position in the Industrial sector and in the Information Technology sector contributed positively to the performance. Detractors to performance included our stock selection in the Materials and Real Estate sector.

The top individual contributors to performance for the period were Shopify Inc, Microsoft Corporation, and LVMH Moët Hennessey Louis Vuitton. The top individual detractors to performance for the period were Bank of Nova Scotia, TC Energy Corp, and Chubb Limited

### Recent Developments

For the past year, the portfolio manager exited our positions in Verisk Analytics Inc., and Chubb Limited. The Fund manager initiated new positions in Definity Financial Corp, Tourmaline Oil Corporation, and TC Energy Corp.

Compared to the index, the Fund is most notably overweight in the Information Technology, Consumer Discretionary, and Health Care sectors, and is most underweight in the Energy Sector and Financials.

The persistence of recession calls from financial indicators stands in contrast to the real economic indicators which have been slowing but remain at relatively strong levels. Financial markets may be faced with a weaker economic growth environment, which would negatively impact earnings growth, but the portfolio manager expects the positive influence of declining inflation to outweigh the negative influence of slower growth. Given the anticipated slower economic backdrop, the importance of careful security selection is paramount to a successful investment portfolio.

On May 1, 2023, the Fund's independent review committee (the "IRC") was increased to four members when Stéphanie Raymond-Bougie was appointed as IRsC member.

## Related Party Transactions

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

### 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 Fund reimbursed NBI for operating expenses, at cost, incurred in administering the Fund, including trustee, recordkeeping, custodial, legal, audit, investor servicing, and securityholder reporting fees.

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

### Distribution and Dealer Compensation

Fund securities are offered by National Bank Direct Brokerage (a division of National Bank Financial Inc., an indirect wholly owned subsidiary of the Bank), CABN Investments (a division of NBII), National Bank Financial Inc. and other affiliated entities. Each month, brokers receive a 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 June 30, 2023
<b>Total brokerage fees</b>	2,475.02
<b>Brokerage fees paid to National Bank Financial</b>	247.82

### 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. Under the *Distribution* heading, expenses include the broker's compensation consisting of the maximum annual trailer fees and sales commissions paid to brokers. Under the *Other* heading, the fees relate mainly to investment management, investment advisory services, general administration and profit. 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>
Advisor Series and Series T5*			
Front-end load	1.70%	58.82%	41.18%
Low load - 1 to 3 years	1.70%	29.41%	70.59%
Low load - 4 years and more	1.70%	58.82%	41.18%
Series E	0.70%	-	100.00%
Series F and Series F5	0.70%	-	100.00%

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

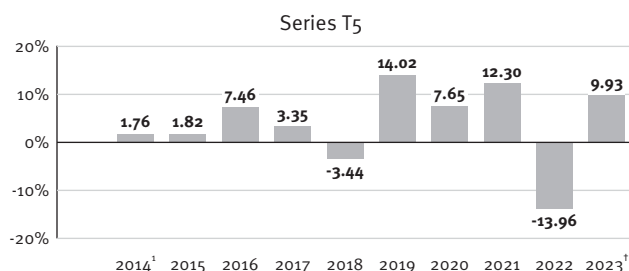
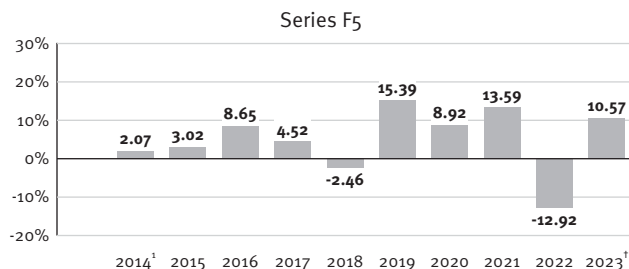
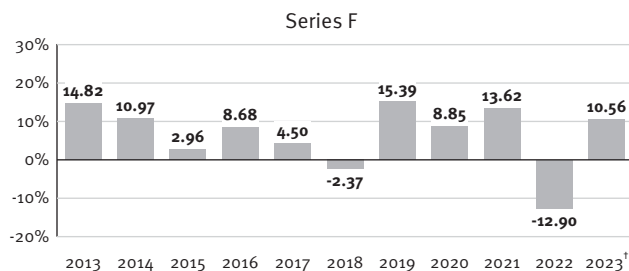
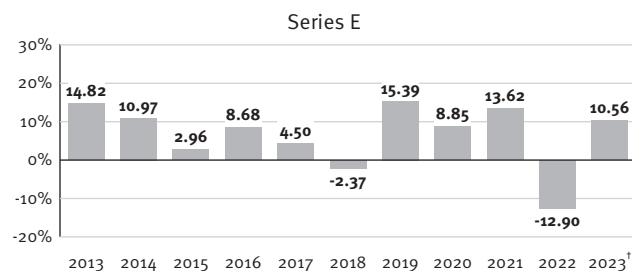
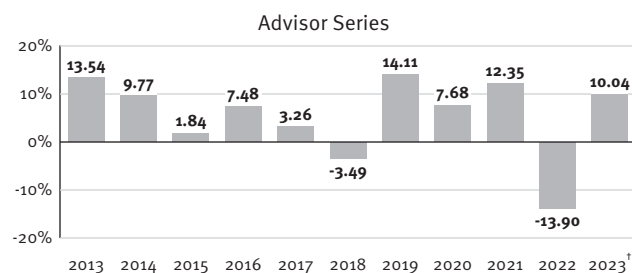
<sup>(†)</sup> Excluding sales commissions paid on the Advisor Series and Series T5 with the low sales charge option, which are not included in the management fees.

## Past Performance

The performance of each series of the Fund presented below are calculated as of December 31 of each year. They assume 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 the 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, in the case of the Annual management report of fund performance, or by June 30, in the case of the Interim management report of fund performance.



<sup>(†)</sup> Returns for the period of September 30, 2014 (commencement of operations) to December 31, 2014.

<sup>(†)</sup> Returns for the period from January 1, 2023 to June 30, 2023.

## 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.

### Advisor Series

Net Assets per Unit <sup>(1)</sup>		Commencement of operations: October 7, 2010				
Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
<b>Net Assets, Beginning of Accounting Period Shown<sup>(4)</sup></b>	15.15	17.61	15.91	14.82	13.07	13.97
<b>Increase (Decrease) from Operations (\$)</b>						
Total revenue	0.18	0.35	0.36	0.35	0.37	0.35
Total expenses	(0.16)	(0.31)	(0.34)	(0.30)	(0.29)	(0.27)
Realized gains (losses)	0.20	0.27	1.26	0.66	0.20	0.96
Unrealized gains (losses)	1.30	(2.87)	0.69	0.32	1.56	(1.48)
<b>Total Increase (Decrease) from Operations (\$)<sup>(2)</sup></b>	1.52	(2.56)	1.97	1.03	1.84	(0.44)
<b>Distributions (\$)</b>						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	0.01	0.01	0.01	0.04	0.08	0.08
From capital gains	—	—	0.25	—	—	0.34
Return of capital	—	—	—	—	—	—
<b>Total Annual Distributions (\$)<sup>(3)</sup></b>	0.01	0.01	0.26	0.04	0.08	0.42
<b>Net Assets, End of Accounting Period Shown (\$)<sup>(4)</sup></b>	16.66	15.15	17.61	15.91	14.82	13.07

### Ratios and Supplemental Data

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	53,816	51,401	67,046	64,703	69,709	65,532
Number of units outstanding <sup>(6)</sup>	3,230,635	3,391,712	3,807,093	4,066,570	4,703,465	5,016,194
Management expense ratio (%) <sup>(4)</sup>	2.01	2.02	2.02	2.02	1.99	1.96
Management expense ratio before waivers or absorptions (%)	2.02	2.03	2.03	2.03	2.00	1.97
Trading expense ratio (%) <sup>(7)</sup>	—	0.01	0.01	0.01	0.01	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	8.91	38.04	29.91	37.49	30.90	37.81
Net asset value per unit (\$)	16.66	15.15	17.61	15.91	14.82	13.06

### Series F/E

Net Assets per Unit <sup>(1)</sup>		Commencement of operations: October 7, 2010				
Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
<b>Net Assets, Beginning of Accounting Period Shown<sup>(4)</sup></b>	15.49	18.00	16.21	15.09	13.31	14.24
<b>Increase (Decrease) from Operations (\$)</b>						
Total revenue	0.19	0.36	0.37	0.35	0.37	0.36
Total expenses	(0.07)	(0.15)	(0.16)	(0.14)	(0.13)	(0.12)
Realized gains (losses)	0.20	0.28	1.30	0.68	0.20	0.96
Unrealized gains (losses)	1.33	(2.90)	0.71	0.35	1.65	(1.48)
<b>Total Increase (Decrease) from Operations (\$)<sup>(2)</sup></b>	1.65	(2.41)	2.22	1.24	2.09	(0.28)
<b>Distributions (\$)</b>						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	0.10	0.19	0.14	0.20	0.25	0.24
From capital gains	—	—	0.27	—	—	0.34
Return of capital	—	—	—	—	—	—
<b>Total Annual Distributions (\$)<sup>(3)</sup></b>	0.10	0.19	0.41	0.20	0.25	0.58
<b>Net Assets, End of Accounting Period Shown (\$)<sup>(4)</sup></b>	17.02	15.49	18.00	16.21	15.09	13.31

### Ratios and Supplemental Data

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	55,160	50,905	65,949	67,809	69,642	70,932
Number of units outstanding <sup>(6)</sup>	3,240,490	3,287,278	3,663,682	4,182,644	4,613,109	5,330,028
Management expense ratio (%) <sup>(4)</sup>	0.91	0.91	0.91	0.91	0.86	0.84
Management expense ratio before waivers or absorptions (%)	0.92	0.92	0.92	0.91	0.87	0.85
Trading expense ratio (%) <sup>(7)</sup>	—	0.01	0.01	0.01	0.01	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	8.91	38.04	29.91	37.49	30.90	37.81
Net asset value per unit (\$)	17.02	15.49	18.00	16.21	15.10	13.31

## Series F5

Net Assets per Unit<sup>(4)</sup>

Commencement of operations: September 30, 2014

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
<b>Net Assets, Beginning of Accounting Period Shown<sup>(4)</sup></b>	9.15	11.14	10.42	10.07	9.14	10.10
<b>Increase (Decrease) from Operations (\$)</b>						
Total revenue	0.11	0.22	0.23	0.23	0.25	0.25
Total expenses	(0.04)	(0.09)	(0.10)	(0.09)	(0.09)	(0.08)
Realized gains (losses)	0.12	0.19	0.81	0.43	0.14	0.64
Unrealized gains (losses)	0.74	(1.38)	0.43	(0.07)	1.08	(1.03)
<b>Total Increase (Decrease) from Operations (\$)<sup>(4)</sup></b>	0.93	(1.06)	1.37	0.50	1.38	(0.22)
<b>Distributions (\$)</b>						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	0.06	0.10	0.11	0.13	0.16	0.16
From capital gains	—	—	0.15	—	—	0.21
Return of capital	0.17	0.46	0.41	0.37	0.29	0.34
<b>Total Annual Distributions (\$)<sup>(5)</sup></b>	0.23	0.56	0.67	0.50	0.45	0.71
<b>Net Assets, End of Accounting Period Shown (\$)<sup>(4)</sup></b>	9.88	9.15	11.14	10.42	10.07	9.14

### Ratios and Supplemental Data

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	8,921	7,928	4,682	4,425	5,666	5,365
Number of units outstanding <sup>(5)</sup>	902,836	866,592	420,357	424,729	562,556	586,679
Management expense ratio (%) <sup>(6)</sup>	0.92	0.92	0.92	0.92	0.88	0.85
Management expense ratio before waivers or absorptions (%)	0.94	0.94	0.94	0.94	0.89	0.86
Trading expense ratio (%) <sup>(7)</sup>	—	0.01	0.01	0.01	0.01	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	8.91	38.04	29.91	37.49	30.90	37.81
Net asset value per unit (\$)	9.88	9.15	11.14	10.42	10.07	9.14

## Series T5

Net Assets per Unit<sup>(4)</sup>

Commencement of operations: September 30, 2014

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
<b>Net Assets, Beginning of Accounting Period Shown<sup>(4)</sup></b>	8.17	10.07	9.57	9.36	8.60	9.63
<b>Increase (Decrease) from Operations (\$)</b>						
Total revenue	0.10	0.20	0.21	0.21	0.24	0.24
Total expenses	(0.09)	(0.18)	(0.21)	(0.19)	(0.18)	(0.18)
Realized gains (losses)	0.10	0.15	0.76	0.42	0.13	0.64
Unrealized gains (losses)	0.70	(1.55)	0.40	0.27	0.98	(1.00)
<b>Total Increase (Decrease) from Operations (\$)<sup>(4)</sup></b>	0.81	(1.38)	1.16	0.71	1.17	(0.30)
<b>Distributions (\$)</b>						
From net investment income (excluding dividends)	—	—	—	—	—	—
From dividends	—	—	0.01	0.02	0.05	0.05
From capital gains	—	—	0.17	—	—	0.23
Return of capital	0.20	0.50	0.47	0.45	0.38	0.43
<b>Total Annual Distributions (\$)<sup>(5)</sup></b>	0.20	0.50	0.65	0.47	0.43	0.71
<b>Net Assets, End of Accounting Period Shown (\$)<sup>(4)</sup></b>	8.77	8.17	10.07	9.57	9.36	8.60

### Ratios and Supplemental Data

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31	2020 December 31	2019 December 31	2018 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	2,981	2,842	3,625	4,082	3,510	2,996
Number of units outstanding <sup>(5)</sup>	339,877	347,887	360,153	426,558	374,825	348,427
Management expense ratio (%) <sup>(6)</sup>	2.06	2.07	2.10	2.11	1.97	1.96
Management expense ratio before waivers or absorptions (%)	2.08	2.09	2.12	2.13	1.99	1.98
Trading expense ratio (%) <sup>(7)</sup>	—	0.01	0.01	0.01	0.01	0.02
Portfolio turnover rate (%) <sup>(8)</sup>	8.91	38.04	29.91	37.49	30.90	37.81
Net asset value per unit (\$)	8.77	8.17	10.07	9.57	9.36	8.60

- <sup>(1)</sup> This information is derived from the Fund's Annual Audited Financial Statements and Interim Unaudited 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 June 30, 2023

### Portfolio Top Holdings

	% of Net Asset Value
Microsoft Corp.	2.9
Alphabet Inc., Class A	2.5
Canadian National Railway Co.	2.4
Amazon.com Inc.	2.0
LVMH Moët Hennessy Louis Vuitton SA, ADR	2.0
MasterCard Inc., Class A	2.0
Brookfield Corp.	1.9
Copart Inc.	1.7
Interactive Brokers Group Inc, Class A	1.7
Shopify Inc., Class A	1.7
Scotiabank	1.6
Atlas Copco AB, ADR	1.5
Open Text Corp.	1.5
TC Energy Corp.	1.5
Cash, Money Market and Other Net Assets	1.5
ASML Holding N.V.	1.4
Boston Scientific Corp.	1.4
CGI Group Inc., Class A	1.4
Guidewire Software Inc.	1.4
Thomson Reuters Corp.	1.4
UnitedHealth Group Inc.	1.4
Alimentation Couche-Tard Inc.	1.3
SNC-Lavalin Group Inc.	1.3
Intact Financial Corp.	1.3
Restaurant Brands International Inc.	1.3
	42.0
Net asset value	\$120,878,097

### Asset Mix

	% of Net Asset Value
Canadian Equity	37.0
US Equity	20.3
Corporate Bonds	10.9
Provincial Bonds	10.6
International Equity	7.6
Federal Bonds	7.3
US Bonds	3.1
Foreign Bonds	1.0
Municipal Bonds	0.7
Cash, Money Market and Other Net Assets	1.5

### Sector Allocation

	% of Net Asset Value
Bonds	33.6
Information Technology	13.9
Industrials	12.3
Financials	11.3
Consumer Discretionary	7.3
Consumer Staples	6.0
Health Care	5.0
Energy	3.0
Materials	2.7
Communication Services	2.5
Real Estate	0.9
Cash, Money Market and Other Net Assets	1.5

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).

If this investment Fund invests in other investment funds, please consult the prospectus and other information about the underlying investment funds on the website indicated above or on SEDAR's website at [www.sedar.com](http://www.sedar.com).