

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

Specialized Fund
NBI Resource 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 Resource Fund aims to achieve capital growth primarily by investing in equities of Canadian natural resource companies and companies that support resource companies.

The portfolio manager analyzes stocks from companies that engage in natural resource activities, such as mining, oil and gas, energy, forest products, water resources and fishing, and companies that support those industries. The portfolio manager uses a combination of growth and value styles and a mix of investment strategies to select investments for the Fund. It is expected that investments in foreign securities will not exceed approximately 30% 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 Resource Fund's Investor Series units returned -8.36% compared to -3.52% for the Fund's blended benchmark. The broad-based index, the S&P/TSX Composite Index (CAD), returned 5.60%. 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.

The Fund's net asset value dropped by 18.30% over the period, from \$59.76 million as at December 31, 2019 to \$48.82 million as at December 31, 2020.

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

It is not possible to talk about 2020 without mentioning the pandemic that swept the world. Outside of the Information Technology sector, there were no other sectors that felt the impact more acutely from the coronavirus than the Energy and Materials sectors.

For the Energy sector, things clearly worsened for an industry which had already been trying to adjust to lower oil prices since oil last peaked at U.S. \$100/barrel in 2014. The industry was also dealing with the headwinds of the transition to renewable sources of energy and pressure on carbon emissions. While the year started with a strong oil price of U.S. \$60/barrel, this rapidly disintegrated as prices started to decline. By March/April, when uncertainty around the coronavirus peaked, crude oil prices fell to negative U.S. \$37/barrel briefly. Prices rebounded to U.S. \$20+/barrel, a level where producers cannot make money. This precipitous drop was the result of a demand shock from the coronavirus and a supply shock, the latter caused by a dispute between Russia and Saudi Arabia. Both countries flooded the market with barrels of oil at the worst possible time.

The market eventually rebalances and prices rise. This was the case for oil as U.S. shale production, which had been aggressively growing for years, started to decline. With such low prices, companies faced cash flow and balance sheet issues. Many players pulled back spending, leading to a slowdown in activity and numerous bankruptcies. Saudi Arabia and Russia mended fences and OPEC+ supply discipline came back into the market. The potential for renewed growth in refined product demand boosted oil prices, which have been trading in the U.S. \$35-\$40 range for months, to a level above U.S. \$48/barrel by the end of the year.

Gold was essentially the exact opposite story of oil in 2020. Gold started the year going up right out of the gates and, except for a brief coronavirus related dip in March, gold kept rising until prices peaked at slightly over \$2,000 per ounce in August. Gold closed the year at almost U.S. \$1,900 per ounce. Silver also benefitted, with prices rising nearly 50% and closing the year at around U.S. \$26 per ounce.

In the Materials sector, it wasn't just the gold and silver stocks that saw their stock prices shine. Lumber, iron ore, copper, methanol and agricultural prices all rose by the end of the year. Overall, the Materials sector had a total return of +21% for 2020.

In this context, the NBI Resource Fund underperformed its benchmark during the year. During the period, the Fund was slightly overweight in the Materials sector and slightly underweight in the Energy sector. Stock selection in Materials added value, while stock selection in the Energy sector detracted from relative performance.

Recent Developments

During 2020, the portfolio manager initiated the following positions: CCL Industries, Freeport-McMoran, Nutrien. He also added to the following positions: Franco-Nevada, Wheaton Precious Metals and Agnico Eagle in the gold space, and Canadian Natural Resources and TC Energy in the energy space.

During the same period, the portfolio manager also eliminated several energy and mining stocks to fund new and existing positions. The following positions were exited: Pembina Pipelines, ConocoPhillips, Interfor, MEG Energy and SSR Mining. The positions in B2Gold and Endeavour Mining were also significantly reduced.

Although the strong momentum in gold in 2020 took a bit of a pause towards the end of the year, the portfolio manager believes that the outlook remains positive for the sector in 2021. The investment team continues to have discussions with management teams and the feedback has been a consistent message around disciplined capital allocation, a strict focus on the balance sheet and returning capital to shareholders in this strong pricing environment. The key signposts for gold will be a continuation of global stimulus, a weaker U.S. dollar, low real rates and investor inflation expectations. The investment team continues to believe these factors will be supportive of the gold price in 2021.

In energy, despite an exceptionally volatile 2020, the investment team remains fundamentally positive on the sector. Its discussions with senior management teams continue to suggest the sector needs an oil price of at least U.S. \$45-\$50 per barrel in order to deploy capital at attractive returns. The portfolio manager believes it can hold around these levels. The investment team continues to look for low-cost producers with strong balance sheets, as they should provide downside protection during periods of weaker prices but offer upside should the price continue to strengthen over the medium term. The key for energy prices in 2021 will be continued OPEC+ supply discipline and a recovery in refined product demand.

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	102,080.52
Brokerage fees paid to National Bank Financial	300.00

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 [†]
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%

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

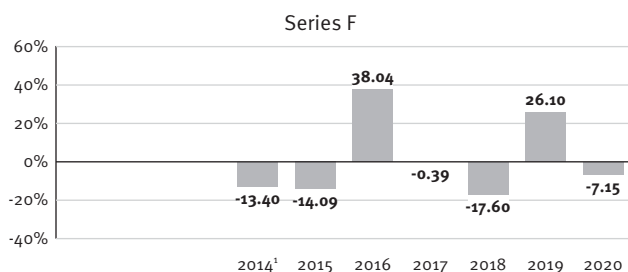
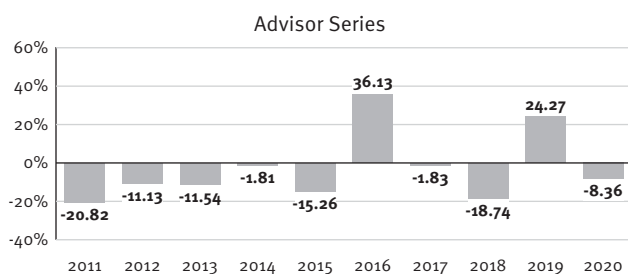
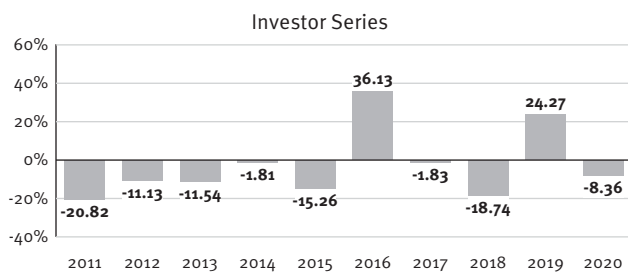
^(*) Excluding sales commissions paid on the Advisor Series with the low sales charge option and deferred sales charge option, which are not paid for out of the management fees.

Past Performance

The 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 Returns

The bar charts indicate the performance for each series of the Fund (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.



⁽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 benchmarks:

The blended benchmark (the "Benchmark") is composed of:

- S&P/TSX Composite Energy Sector Index (CAD) (50%)
- S&P/TSX Composite Material Sector Index (CAD) (50%)

The broad-based index is the S&P/TSX Composite Index (CAD).

NBI Resource Fund

	1 year	3 years	5 years	10 years	Since inception
Investor Series¹	(8.36)%	(2.55)%	4.34%	(4.36)%	–
Benchmark	(3.52)%	1.05%	7.77%	(1.93)%	–
Broad-based index	5.60%	5.74%	9.33%	5.76%	–
Advisor Series²	(8.36)%	(2.55)%	4.34%	(4.36)%	–
Benchmark	(3.52)%	1.05%	7.77%	(1.93)%	–
Broad-based index	5.60%	5.74%	9.33%	5.76%	–
Series F³	(7.15)%	(1.19)%	5.82%	–	(0.20)%
Benchmark	(3.52)%	1.05%	7.77%	–	(0.27)%
Broad-based index	5.60%	5.74%	9.33%	–	6.46%

¹Commencement of operations: November 10, 1989

²Commencement of operations: June 12, 2009

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 Descriptions

The **S&P/TSX Composite Energy Sector Index** measures the performance of securities in the Energy sector in Canada. The index is based on the securities' market capitalization. No security can exceed 25% of the total value of the index.

The **S&P/TSX Composite Material Sector Index** measures the performance of securities in the Materials sector in Canada. The index is based on the securities' market capitalization. No security can exceed 25% of the total value of the index.

The **S&P/TSX Composite Index** is a subset of the S&P/TSX and reflects share price fluctuations of a group of companies listed on the Toronto Stock Exchange (TSX) and weighted by market capitalization.

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 June 12, 2009.

Net Assets per Unit⁽¹⁾

Commencement of operations: November 10, 1989

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⁾	34.10	27.44	33.77	34.40	25.27
Increase (Decrease) from Operations (\$)					
Total revenue	0.87	0.76	0.69	0.61	0.63
Total expenses	(0.81)	(0.81)	(0.86)	(0.90)	(0.89)
Realized gains (losses)	0.82	(0.62)	(0.94)	0.04	1.50
Unrealized gains (losses)	(3.78)	7.35	(5.09)	(0.43)	8.02
Total Increase (Decrease) from Operations (\$) ⁽²⁾	(2.90)	6.68	(6.20)	(0.68)	9.26
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⁾	31.25	34.10	27.44	33.77	34.40

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⁾	47,937	58,958	53,592	76,254	76,426
Number of units outstanding ⁽⁵⁾	1,533,782	1,728,993	1,953,322	2,258,042	2,222,006
Management expense ratio (%) ⁽⁶⁾	2.47	2.47	2.47	2.47	2.47
Management expense ratio before waivers or absorptions (%)	2.48	2.48	2.48	2.48	2.48
Trading expense ratio (%) ⁽⁷⁾	0.20	0.19	0.25	0.25	0.33
Portfolio turnover rate (%) ⁽⁸⁾	71.21	50.27	66.72	90.00	105.17
Net asset value per unit (\$)	31.25	34.10	27.44	33.77	34.40

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⁾	10.63	8.43	10.23	10.27	7.44
Increase (Decrease) from Operations (\$)					
Total revenue	0.28	0.24	0.21	0.19	0.19
Total expenses	(0.13)	(0.11)	(0.12)	(0.13)	(0.14)
Realized gains (losses)	0.27	(0.20)	(0.33)	(0.05)	0.91
Unrealized gains (losses)	(1.19)	2.25	(1.63)	0.24	0.79
Total Increase (Decrease) from Operations (\$) ⁽²⁾	(0.77)	2.18	(1.87)	0.25	1.75
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⁾	9.87	10.63	8.43	10.23	10.27

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⁾	882	798	579	699	258
Number of units outstanding ⁽⁵⁾	89,338	75,079	68,678	68,329	25,065
Management expense ratio (%) ⁽⁶⁾	1.17	1.02	1.05	1.05	1.09
Management expense ratio before waivers or absorptions (%)	1.19	1.04	1.08	1.09	1.15
Trading expense ratio (%) ⁽⁷⁾	0.20	0.19	0.25	0.25	0.33
Portfolio turnover rate (%) ⁽⁸⁾	71.21	50.27	66.72	90.00	105.17
Net asset value per unit (\$)	9.87	10.63	8.43	10.23	10.27

- ⁽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
Canadian Natural Resources Ltd.	9.7
Barrick Gold Corp.	9.5
TC Energy Corp.	8.9
Enbridge Inc.	7.9
Suncor Energy Inc.	6.2
Nutrien Ltd.	6.1
Agnico-Eagle Mines Ltd.	5.1
Franco-Nevada Corp.	4.7
Wheaton Precious Metals Corp.	4.2
First Quantum Minerals Ltd.	3.2
Parex Resources Inc.	2.9
CCL Industries Inc., Class B	2.8
Champion Iron Ltd.	2.7
Lundin Mining Corp.	2.4
Cenovus Energy Inc.	2.1
Imperial Oil Ltd.	2.0
Cameco Corp.	1.8
Parkland Corp/Canada	1.8
Kinross Gold Corp.	1.7
West Fraser Timber Co. Ltd.	1.6
Alamos Gold Inc., Class A	1.5
Newmont Mining Corp.	1.4
Keyera Corp.	1.2
SilverCrest Metals Inc.	1.2
Cash, Money Market and Other Net Assets	0.4
	93.0

Net asset value \$48,819,452

Regional Allocation

	% of Net Asset Value
Canada	93.4
Australia	2.7
United States	2.5
Caymans Isles	1.0
Cash, Money Market and Other Net Assets	0.4

Sector Allocation

	% of Net Asset Value
Oil Gas & Consumable Fuels	47.4
Metals & Mining	40.7
Chemicals	7.1
Containers & Packaging	2.8
Paper & Forest Products	1.6
Cash, Money Market and Other Net Assets	0.4

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.