




Professionally managed diversified baskets

Baskets

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Opting for flexibility, clarity and peace of mind

“Put not your trust in money, but put your money in trust.”

— Oliver Wendell Holmes

Financial independence is an undertaking that is best achieved through effective investing. While this aspiration is far from being unrealistic, arriving at this ultimate destination isn't always that simple. With the financial world under constant evolution, investing has undoubtedly become a daunting task for some individuals. For others, high minimum initial investments may have rendered certain vehicles or strategies inaccessible. To overcome these challenges, National Bank Financial offers an exclusive investment solution called the Baskets.



Available through National Bank Financial's Discretionary Management Program, the Baskets give you access to [professional portfolio management](#). What this implies is that you can always benefit from the expertise of a dedicated portfolio management team, which will liberate you from the challenges of managing your own portfolio.

For a decade running, this investment vehicle has served a wide range of needs for investors like you. Designed to make investing that much simpler, the Baskets are portfolios of securities that are managed according to various investment mandates. As such, they can provide you with the following advantages:

- A possibility to [diversify your investments and reduce your risk](#);
- An [affordable and cost-effective access to institutional portfolio managers](#) through their low minimum initial investments and their competitive management fees;
- An opportunity to achieve your [personal investment objectives](#), thanks to the facility of combining asset classes in an infinite number of ways.

In short, National Bank Financial allows you to take full advantage of financial market opportunities through its Discretionary Management Program and its Baskets.



The Baskets

A unique way of putting
investment basics to work

An unconventional approach



Compared to traditional methods, the Baskets are premised on a relatively different investment approach. Rather than investing in stocks, bonds and other asset classes separately, the Baskets allow you to invest in a combination of these securities. In other words, the Baskets allow you to obtain a diversified portfolio without going through the trouble of having to acquire one security at a time.

In some respects, our Baskets are quite similar to mutual funds. Professional portfolio management, broad diversification and a relatively small minimum investment are just some of their common advantages. Despite these similarities, Baskets are very different from mutual funds.

With mutual funds, the portfolio manager will hold cash balances if he or she anticipates inflows, outflows or a market correction. This means that your exposure to a given asset class may be less than expected.

Unlike mutual funds, you directly own the securities issued by corporations, income trusts and governments when you invest in Baskets. Each security becomes an integral part of your portfolio and you become the [sole beneficiary](#) of capital gains, interest income and dividends generated thereafter. Compared to mutual funds, the main advantage of the Baskets is found in their attractive fee structure. In fact, since the Baskets are offered under National Bank Financial's Discretionary Management Program, their fees are less than most comparable funds.

Along with our Baskets, we have also created a family of Private Pools, which are similarly offered under National Bank Financial's Discretionary Management Program. Although both solutions provide attractive fee structures and access to professional portfolio management, the Baskets and Private Pools are far from being identical as each is used to address different needs. With the Baskets, you gain direct ownership of the underlying securities. Accordingly, every security in which you invest appears on your statement. Conversely, when you purchase a Private Pool, you own units of the Pool. As such, your statement shows your investment on a single line rather than a detailed listing of securities held by the Pool.

As you can see, Baskets, Private Pools and mutual funds are investment vehicles used to address different needs. That being said, Baskets may be applied to a variety of situations as suitable investment tools for many of our clients. Your Investment Advisor remains your trusted source to help you determine which of the three options is best suited for you.



Diversification: Reducing your risk

Our family of Baskets is your gateway
to a broad range of asset classes

Diversification across asset classes

There are two main reasons for investing in more than one asset class at a time. First, owning several asset classes eliminates the risk of having all your capital invested in the one that ends up posting the lowest return for a given period. Second, returns earned by the main asset classes typically show a relatively low level of correlation with each other. By increasing your exposure to several asset classes, you reduce the overall risk of your portfolio, which provides a greater degree of protection against periods of upheaval experienced by financial markets from time to time. As the minimum investment for each Basket is relatively low, they may be combined in order to ensure effective diversification of asset classes. Otherwise, a much larger investment would be required if the same diversification strategy were implemented with individually-purchased securities.

Diversification within asset classes

Regardless of asset class, investors will always be confronted with issuer-specific risk. This is precisely the type of risk that diversification within asset classes seeks to minimize. To better illustrate this concept, consider the risks associated with an investment in common shares.



We have seen very attractive stocks lose their lustre far too often to believe that security selection is an infallible science. The only way to reduce the risk associated with the shares of a specific company (issuer-specific risk) is to invest in many different stocks. The idea behind allocating your investment capital across a wider range of stocks is that it usually produces a portfolio with offsetting returns. Losses incurred on some of the stocks in the portfolio can be expected to be more than offset by gains realized on other stocks. According to experts, it takes 15 to 20 stocks in a portfolio to reduce issuer-specific risk to an acceptable level.

Since the large quantities of securities purchased for our Baskets are divided into many small positions, it certainly becomes possible to hold fractions or odd lots (instead of board lots). As a result, you can benefit from a fully diversified portfolio using a smaller investment than if you were to purchase the same securities individually. This is why each of our Baskets was designed to hold as many different securities as necessary to allow for a meaningful exposure to either a specific asset class or a combination of asset classes while avoiding the risk of excessive concentration. Simply put, diversification is the easiest and most accessible way to optimize your return potential.



A transactional structure that provides you with the advantages of an institutional service

With an operational environment that results in significant savings, the Baskets will appeal to many investors

National Bank Financial currently manages more than \$2 billion in its Basket and Private Pool programs. When we make changes to these portfolios, the buy and sell transactions are very large, which means that our transaction costs are much smaller than what an individual investor would pay for trades in his or her personal portfolio. This is why from an operational standpoint alone, Baskets are far more cost-effective than a portfolio of identical securities that you manage for yourself. Every transaction represents a cost saving, which translates into a higher return for you.

Because we make trades of several million dollars at a time, the price we pay to purchase a security is generally lower, and the proceeds we receive when selling a security are generally higher than what you would experience when making the same transactions in your personal account. Because of their sheer size, our transactions are executed by professional traders in our institutional department – the same traders used by large pension funds and investment funds to transact big blocks of stocks and bonds. These traders carefully manage our orders and seek out institutions that are most likely to offer the best pricing. Once again, this difference ends up in your pocket in the form of a higher return potential.





Professional portfolio management that optimizes your returns and brings you peace of mind

Our Baskets allow you to delegate the decision-making process to a team of investment specialists

Active Management

Each Basket is managed by a team of experts that chooses the securities and follows them on a continuous basis. Securities in the portfolio are sold when they reach their target price or if better investment opportunities come along. As is the case with any actively managed portfolio, the composition of our Baskets will change several times over the course of the year.

A specific mandate

Each Basket has a specific mandate and an investment policy statement that clearly states the type of investments which may be held in that Basket. All securities held in a Basket must fully meet the criteria specified in the investment policy statement. This strict observance of the investment mandate ensures that the Baskets you own are always aligned with the objectives that prompted you to acquire them in the first place.

A discretionary management agreement

Given that the Baskets are offered through National Bank Financial's Discretionary Management Program, you must sign a discretionary management agreement. This discretionary management agreement only applies to the portion of your portfolio that is invested in Baskets – not all investments you hold at National Bank Financial. The agreement authorizes our portfolio managers to manage the Basket without having to notify you whenever a transaction must be made.

Transferring securities from the Basket

You always have the option to cancel your discretionary management agreement and return to owning your Basket's underlying securities. In this case, we will no longer apply our Basket management fees. However, you will no longer benefit from the decisions made by our investment committee.



A wide array of options with the flexibility to meet all of your investment needs

Each Basket is designed with a specific investment objective in mind. A Basket will give you professionally-managed exposure to an asset class, a combination of asset classes or a sub-set of a given asset class.

The Baskets line-up is flexible and can accommodate a wide variety of investment needs. Since a Basket can cater to a specific portion of your overall investment strategy, a combination of Baskets may be used to construct a portfolio that fully matches your overall investment needs and objectives. For example, you can combine a fixed income Basket, a Canadian equity Basket and an international equity Basket to construct a fully diversified portfolio.

Our family of Baskets is also responsive to market conditions. That being said, we will offer new Baskets that will allow you to take full advantage of new and interesting opportunities.

FIXED INCOME BASKETS

WITH AN OBJECTIVE OF GENERATING A REGULAR INCOME STREAM AND PROVIDING A HIGH DEGREE OF CAPITAL PROTECTION, OUR FIXED INCOME BASKETS INVEST THEIR ASSETS IN BOTH GOVERNMENT AND CORPORATE BONDS. THIS VAST SELECTION ALSO INCLUDES BASKETS THAT ARE DESIGNED TO MEET ADDITIONAL MANDATES. ALONG WITH GOVERNMENT AND CORPORATE BONDS, THESE BASKETS CAN HOLD STRIPPED COUPONS AND EXCHANGE-TRADED FUNDS ON FIXED INCOME SECURITIES.

CANADIAN EQUITY BASKETS

WE OFFER SEVERAL BASKETS COMPRISED OF CANADIAN EQUITIES AND VARIOUS COMPLEMENTARY INVESTMENT STYLES. ALL THESE BASKETS ARE DESIGNED TO PRODUCE LONG-TERM CAPITAL GROWTH. WHILE THEY FOCUS MAINLY ON COMMON STOCKS, THESE BASKETS CAN OCCASIONALLY INVEST IN OTHER TYPES OF SECURITIES SUCH AS INCOME TRUSTS.

For more information

Your Investment Advisor can provide you with detailed information on each of our Baskets as well as recommend the most appropriate Baskets or combination thereof, taking into account your risk tolerance, objectives and existing portfolio.



MULTIPLE ASSET CLASS BASKETS

OUR MULTIPLE ASSET CLASS BASKETS ARE DESIGNED TO ENSURE COMPLETE PORTFOLIO DIVERSIFICATION FOR VARIOUS TYPES OF RISK PROFILES. THESE BASKETS CONTAIN A CAREFULLY CHOSEN MIX OF TRADITIONAL ASSET CLASSES, INCLUDING CASH EQUIVALENTS, BONDS, CANADIAN AND U.S. STOCKS AND AN INTERNATIONAL COMPONENT. EXPOSURE TO THE U.S. AND INTERNATIONAL STOCK MARKETS IS TYPICALLY IN THE FORM OF EXCHANGE-TRADED FUNDS, ALTHOUGH INDIVIDUAL STOCKS ARE SOMETIMES USED. THESE BASKETS CAN ALSO INVEST IN ALTERNATIVE ASSETS SUCH AS COMMODITIES, REAL ESTATE INCOME TRUSTS AND STRUCTURED PRODUCTS.

U.S. AND INTERNATIONAL EQUITY BASKETS

THESE BASKETS ARE DESIGNED TO PRODUCE CAPITAL GROWTH THROUGH GIVING EXPOSURE TO SOME OF THE LARGEST AND MOST DEVELOPED STOCK MARKETS IN THE WORLD. THE BASKETS' ASSETS ARE INVESTED IN A WIDE RANGE OF HIGH QUALITY U.S. AND INTERNATIONAL STOCKS.



Baskets: Questions & Answers

How do I purchase a Basket?

Any investor that participates in National Bank Financial's Discretionary Management Program may invest in the Baskets. To participate in the program, simply sign our discretionary management agreement. Your Investment Advisor will inform you of the minimum investments required for each Basket.

How do I sell a Basket?

You can sell your entire Basket - one transaction is all it takes. Alternatively, you can decide to sell some of the Basket's securities and hold on to the others. Note that from the moment you sell your Basket's securities, you will no longer pay discretionary management fees and cease to benefit from the professional portfolio management offered under the Discretionary Management Program.

Do I cease to manage my own investments when I invest in a Basket?

Yes - when you sign the discretionary management agreement, you grant National Bank Financial authority to manage the capital invested in the Basket. However, this discretionary mandate only applies to that portion of your assets invested in the Basket. If you also hold other investments in your National Bank Financial accounts, these will remain under your control.

Does the composition of a Basket change often?

There are no pre-established rules in this regard. The frequency of transactions depends on the investment decisions of the portfolio manager, which are dependent on asset class and market conditions.

What information will appear on my statement?

Your portfolio statement will identify the names of the Baskets you hold, along with their respective quantities. It will also show a list of the underlying securities and the transactions associated with each Basket (purchases, sales, interest payments, dividends, restructurings and more). Upon request, you may also obtain annual reports for all the companies you hold in your Baskets.

How much does all this cost?

Baskets are subject to management fees that are assessed monthly, and vary from one to another depending on the investment mandate. Further details can be obtained from your Investment Advisor. The Baskets' management fees are also significantly lower than management expense ratios of mutual funds invested in equivalent asset classes. Furthermore, for Baskets held in a taxable account, their management fees are fully tax-deductible.

Are Baskets eligible to be held in tax-deferred plans such as RRSPs, TFSA or LIFs?

All of our Baskets are eligible to be held in RRSPs and LIFs. Given that the minimum amount required to purchase a Basket is higher than the maximum investment allowed in a TFSA, this type of account is not offered for the moment.

What role will my Investment Advisor play in all of this?

Purchasing a Basket does not change the role your Investment Advisor plays. He or she will remain the person best suited to help you define your objectives and risk tolerance, and then choose the most appropriate asset mix. Baskets are merely an additional tool at your Investment Advisor's disposal for implementing your investment strategy.

What will happen if I decide to transfer my account to another financial institution?

You simply transfer the securities held to a new account. The securities that are held in the Basket and transferred to another financial institution will no longer benefit from discretionary management.

Ready to put your trust in a Basket?

Your Investment Advisor will be pleased to guide you through the process.

Consult your Investment Advisor for more information on the benefits of our Baskets and how they can be incorporated into your portfolio.



MANAGING THE WORLD'S MOST
IMPORTANT INVESTMENTS: YOURS!

The Baskets are offered in the context of the Discretionary Management Program offered by National Bank Financial Inc. and National Bank Financial Ltd. (collectively, "NBF"), subsidiaries of National Bank of Canada. Please read the terms of the Discretionary Management Agreement to be entered into between you and NBF before investing. An investment in a Basket is not guaranteed, its value changes frequently and past performance may not be repeated.

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