



## INVESTING

# Understanding Fund Facts Documents

May 2014

The following terms and definitions will help you to better understand the National Bank Mutual Fund Facts documents.

Please note that the Fund Facts documents are divided into two sections: the first part contains information on the fund, while the second part contains fees, rights and other complementary information.

## Header

This section presents the complete name of the fund as it appears in the Simplified Prospectus as well as the series described by the Fund Facts document.



## FUND FACTS

May 14, 2014

### National Bank Secure Diversified Fund Investor Series

This document contains key information you should know about the National Bank Secure Diversified Fund. You can find more detailed information in the fund's simplified prospectus. Ask your representative for a copy, contact the manager, National Bank Investments Inc., at 1-888-270-3941 or send an email to [investments@nbc.ca](mailto:investments@nbc.ca) or visit our website at [www.nbc.ca/investment](http://www.nbc.ca/investment).

Before you invest in any fund, consider how the fund would work with your other investments and your tolerance for risk.

## Quick facts

This section presents the fund's financial highlights, including:

- **Fund code:** Code to identify the series of the fund.
- **Date series started:** Date from which this fund series was made available for sale to the public and from which the financial information on the fund's series performance has been tracked.
- **Total value:** The dollar amount represents the total market value of the assets of the whole fund series.
- **Management Expense Ratio (MER):** The MER represents the fees charged by the manager to manage a fund expressed as a percentage of fund assets. It includes all the costs associated with investment management within the fund, marketing and administration expenses as well as the fees paid to the representative. The MER varies depending on the fund and the series of the fund.
- **Fund manager:** Name of the company who offers the funds.
- **Portfolio manager:** Name of the company that manages the assets included in the fund. The portfolio manager monitors and chooses investments based on the investment objectives.
- **Distribution:** The anticipated frequency and nature of distributions.
- **Minimum investment:** Minimum amounts for initial, additional and systematic investments.

### Quick facts

<b>Fund code:</b>	NBC188	<b>Portfolio manager:</b>	Fiera Capital Corporation
<b>Date series started:</b>	December 31, 1985	<b>Distribution:</b>	The fund distributes ordinary dividends and capital gains dividends, if any, at the end of each quarter (March, June, September, December). Dividends are automatically reinvested in securities of the fund, unless the dividend amount is greater than \$25 and you ask to be paid in cash. If so, you will be paid through direct deposit to your bank account or by cheque.
<b>Total value of fund on March 31, 2014:</b>	\$120.3 million	<b>Minimum investment:</b>	\$500 (Initial), \$50 (additional), \$25 (systematic)
<b>Management expense ratio (MER):</b>	1.50%		
<b>Fund manager:</b>	National Bank Investments Inc.		



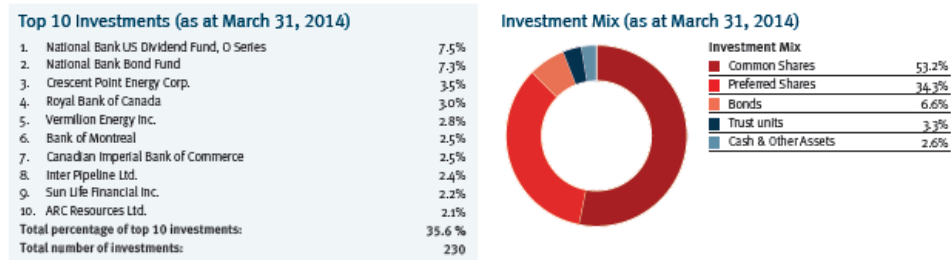
## What does the fund invest in?

This section describes the fund's basic and distinguishing features. It also contains the top 10 investments, the total number of investments and the percentage of the market value represented by the top 10 investments. The graph shows the allocation of the asset mix in the portfolio.

### What does the fund invest in?

The fund aims to achieve the maximum level of dividend income as is consistent with prudent levels of capital preservation and liquidity. The fund invests primarily in common and preferred stocks of Canadian companies that pay dividends. It is expected that investments in foreign securities will not exceed approximately 30% of the fund's net asset value.

The charts below give you a snapshot of the fund's investments on March 31, 2014. The fund's investments will change over time.



## How risky is it?

### Guarantees

This statement indicates if the fund offers insurance or a guarantee protecting all or part of the investment capital.

### Risk rating

The value of an investment may decrease as well as increase. This scale shows the level of risk of an investment in this fund, which has been established based on the investment risk classification method adopted by the fund manager. Clients' acceptable level of risk will depend on several factors, such as investment objectives, risk tolerance and personal and financial situation.

### How risky is it?

The value of the fund can go down as well as up. You could lose money. One way to gauge risk is to look at how much a fund's returns change over time. This is called "volatility".

In general, funds with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. Funds with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

### No guarantees

Like most mutual funds, this fund doesn't have any guarantees. You may not get back the money you invest.

### Risk rating

National Bank Investments Inc. has rated the volatility of this fund as **low to medium**.

This rating is based on how much the fund's returns have changed from year to year. It doesn't tell you how volatile the fund will be in the future. This rating can change over time. A fund with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the fund's returns, see the Risk section of the fund's simplified prospectus.

## How has the fund performed?

This section tells you how the series of the fund has performed over the past 10 years. If the series of the fund was created during the year, returns will only be indicated for the number of years completed the series of fund has existed.

- **Year-by-year returns:** This chart shows the series of the fund's annual returns for each of the last 10 years, or less, if applicable. Each bar shows the evolution of an investment in a calendar year, as a

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percentage. Graphs are not provided for funds that have existed for less than one year, because of insufficient data (calendar year not completed).

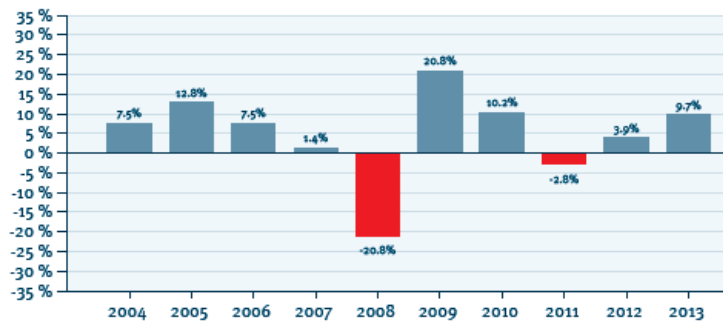
- **Best and worst 3-month returns:** This chart shows the best and worst 3 consecutive month returns for each of the last 10 years, or less, if applicable.
- **Average return:** This section shows the returns obtained by a person who had invested \$1,000 in the fund for the years indicated as well as the average annual percentage that would correspond to this investment. This information is not provided for funds that have existed for less than one year, as the fund history is insufficient.

### How has the fund performed?

This section tells you how Investor Series securities of the fund have performed over the past 10 years. Returns are after expenses have been deducted. These expenses reduce the funds' returns.

#### Year-by-year returns

This chart shows how Investor Series securities of the fund performed in each of the past 10 years. The fund dropped in value in 2 of the 10 years. The range of returns and change from year to year can help you assess how risky the fund has been in the past. It does not tell you how the fund will perform in the future.



#### Best and worst 3-month returns

This table shows the best and worst returns for Investor Series securities of the fund in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
Best Return	14.3%	May 31, 2009	Your investment would rise to \$1,143.
Worst return	-20.2%	November 30, 2008	Your investment would drop to \$798.

#### Average return

The annual compounded return of Investor Series securities of the fund was 4.43% over the past 10 years. If you had invested \$1,000 in the fund 10 years ago, your investment would now be worth \$1,543.

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## Who is this fund for?

This section provides a description of the investor who is best suited for this fund. The exclamation point symbol provides additional details about the circumstances in which this fund might be inappropriate for an investor.

### Who is this fund for?

#### Investors who:

- are looking to invest for the long term (at least 5 years);
- are seeking to diversify their investments with exposure to European markets;
- want to hedge against a drop in the value of the Canadian dollar.

**!** Don't buy this fund if you need a steady source of income from your investment.

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### A word about tax

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This statement describes the tax implications that may result from investing in this fund. In general, the income earned on a fund is taxable. The amount due varies according to tax laws, the place of residence and the type of account. Investors are taxed on returns on unregistered accounts, which are added to investors' taxable income.

#### A word about tax

In general, you'll have to pay income tax on any money you make on a fund. How much you pay depends on the tax laws where you live and whether or not you hold the fund in a registered plan, such as a Registered Retirement Savings Plan (RRSP) or a Tax-Free Savings Account (TFSA).

Keep in mind that if you hold your fund in a non-registered account, fund distributions are included in your taxable income, whether you get them in cash or have them reinvested.

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### How much does it cost?

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This section explains the charges for buying, holding or selling units in a series of a fund.

- **Initial sales charge:** Sales charges are payable by the investor according to the various purchasing options. For certain series (Advisor, T5), the table shows the options available to investors when they purchase fund units.
- **Fund expenses:** Fund expenses are comprised of management, operating and trading expenses based on the most recent management report of fund performance. These expenses are expressed as a percentage of the fund's assets and vary depending on the fund.
- **More about the trailing commission:** Represents any payment related to an investor's ownership of a fund paid to a registered firm or registered individual by the manager or another member of the fund organization. The maximum annual commission is expressed as a percentage of the investment value.
- **Other fees:** Indicates the fees, other than sales charges, that the investor pays when selling, substituting or switching fund units. It also includes fees such as for duplicate tax slips or dishonoured cheques, and Registered Account termination fee.

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## How much does it cost?

The following tables show the fees and expenses you could pay to buy, own and sell Investor Series securities of the fund. The fees and expenses – including any commissions – can vary among series of the fund and among funds. Higher commissions can influence representatives to recommend one investment over another. Ask about other funds and investments that may be suitable for you at a lower cost.

### 1. Sales Charges

There are no charges when you purchase your securities through National Bank Investments Inc. or National Bank Direct Brokerage Inc. Other representative's firm may charge you a fee.

### 2. Fund expenses

You don't pay these expenses directly. They affect you because they reduce the fund's returns. The fund's expenses are made up of the management fee, operating expenses and trading costs. As of December 31, 2013, the fund's expenses were 1.92% of its value. This equals \$19.20 for every \$1,000 invested.

	Annual rate (as a % of the fund's value)
<b>Management expense ratio (MER)</b> This is the total of the fund's management fee (which includes the trailing commission) and operating expenses. National Bank Investments Inc. waived some of the fund's expenses. If it had not done so, the MER would have been higher.	1.92%
<b>Trading expense ratio (TER)</b> These are the fund's trading costs.	0.00%
<b>Fund Expenses</b>	<b>1.92%</b>

### More about the trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the fund. It is for the services and advice that your representative and their firm provide to you.

National Bank Investments Inc. pays the trailing commission to your representative's firm. It is paid from the fund's management fee and is based on the value of your investment. The rate for this series of the fund is up to 0.50% of the value of your investment each year. This equals \$5.00 each year for every \$1,000 invested.

### 3. Other fees

You may have to pay other fees when you buy, hold, sell, switch or convert securities of the fund through a representative's firm other than National Bank Investments Inc. or National Bank Direct Brokerage Inc.

Fee	What you pay	
<b>Short-term trading fee</b>	2% of the value of securities you redeem or switch within 30 days of purchase may be charged by National Bank Investments Inc. This fee goes to the fund.	
<b>Other fees</b>	Dishonoured cheques or electronic funds	\$20
	Duplicate tax slips for previous years	\$10
	Registered Account termination fee, only if the registered investment account is with National Bank Investments Inc.	\$100

## What if I change my mind?

This section lists the investor's right to terminate their sales agreement or cancel a purchase. Investors may decide to withdraw from an agreement within two business days of receiving a simplified prospectus or Funds Facts. They may also cancel their purchase within 48 hours of receiving confirmation of the transaction.

### What if I change my mind?

Under the securities law in some provinces and territories, you have the right to:

- withdraw from an agreement to buy mutual fund securities within two business days after you receive a simplified prospectus or Fund Facts document; or
- cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the simplified prospectus, annual information form, Fund Facts document or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

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### For more information

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This section lists information about and contact information for the fund manager.

#### For more information

Contact National Bank Investments Inc. or your representative for a copy of the fund's simplified prospectus and other disclosure documents. These documents and the Fund Facts make up the fund's legal documents.

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To learn more about investing in mutual funds, see the brochure **Understanding mutual funds**, which is available on the website of the Canadian Securities Administrators at [www.securities-administrators.ca](http://www.securities-administrators.ca).