

Large Cap Dividend Growth Portfolio

December 31, 2016

Portfolio Managers:

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Basket Investment Strategy

The portfolio is invested primarily in low volatility, dividend-paying equities, with a history of dividend growth, in addition to earnings growth. The portfolio's mandate is to be primarily invested in Canada, but may also hold some U.S. and International stocks.

Top 10 Holdings

Issuer	Sector	%
Illinois Tool Works	Industrial	5.8
Pepsico Inc.	Consumer	5.3
Saputo Inc.	Food Producer	5.3
Royal Bank of Canada	Financial	4.7
Great West Life Inc.	Financial	4.6
Bank of Montreal	Financial	4.5
Canadian National Railway	Transportation	4.5
Accenture	Support Services	4.4
Honeywell International	Industrial	4.4
Enbridge Inc.	Energy	4.4

Performance:

Portfolio Performance					
	2016	1 Year	2 Years	3 Years	Inception*
Portfolio Performance	16.0%	16.0%	9.5%	10.6%	14.1%
Benchmark	21.1%	21.1%	5.4%	7.1%	9.7%

*Annualized return. Portfolio inception date is June 1, 2012

Value of Portfolio December 31, 2016 \$ 84,911

Fees: Returns presented are gross of fees.

Source:

Index performance information from Morningstar Canada. Indices are shown for comparison purpose only.

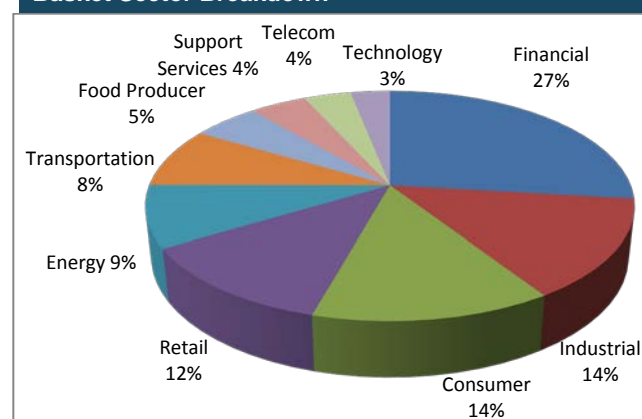
Composition of the benchmark:

Benchmark is the TSX Total Return

Basket Geographical Breakdown

The Portfolio is comprised of 70% Canadian Equities, 23% US Equities, and 4% International Equities.

Basket Sector Breakdown



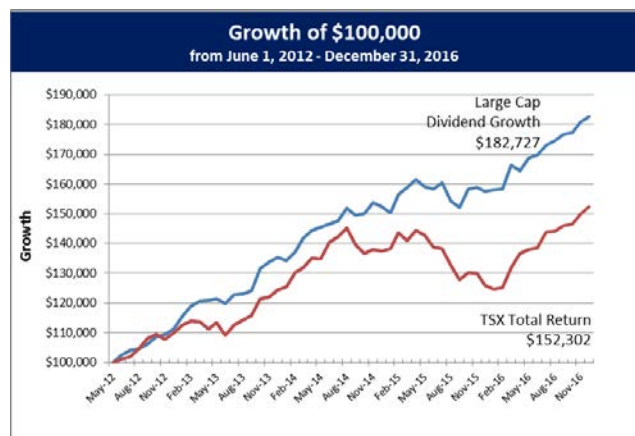
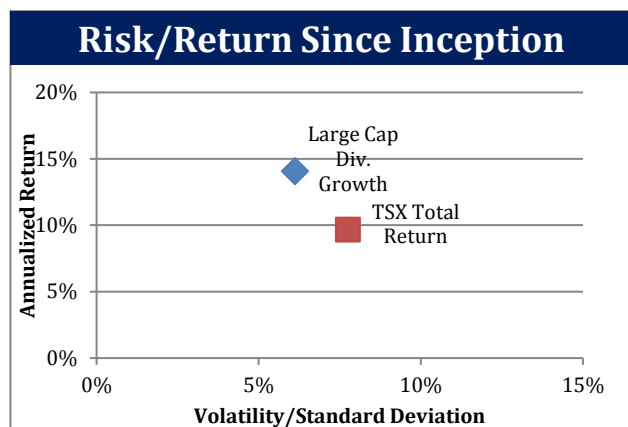
**NATIONAL BANK
FINANCIAL**

WEALTH MANAGEMENT

Performance Data

The average dividend increase for stocks in the portfolio over the past 12 months is 7.6%.

Since inception, the Basket has experienced 21% less volatility, while delivering 46% better performance than the benchmark (TSX).



Who is this Investment for?

This Basket is suitable for investors who:

- want to add a growth component to their portfolio.
- want to receive dividend income.
- are willing to tolerate a moderate level of risk.

Transactions Performed During the Fourth Quarter of 2016

Purchase /Sold	Description	Quantity	Price (C\$)
Sell	TD BANK	8	65.80
Sell	NATIONAL BANK	8	54.70
Buy	ILLINOIS TOOL WORKS	30	127.50
Sell	CISCO SYSTEMS INC	96	30.10
Buy	CAE INC	140	19.81
Buy	THOMSON REUTERS	56	55.63
Sell	TRANSCANADA CORP	8	60.67
Sell	SAPUTO INC	12	48.23
Sell	ROYAL BANK	6	83.04
Sell	PEPSICO INC	4	106.30
Sell	METRO INC	12	41.34
Sell	KIMBERLY CLARK	4	113.64
Sell	HONEYWELL INTL	4	109.10
Sell	CANADIAN TIRE	4	128.56
Sell	BCE INC	8	60.34
Sell	BANK OF MONTREAL	6	84.80
Sell	ACCENTURE	4	116.11
Sell	ADVANSIX	1	15.35

Portfolio Manager's Comments

Our focus on companies with highly visible and steady growth, as well as strong and increasing dividends continues to be rewarded this year with excellent returns combined with low volatility.

Year to date 100% of the companies in the current portfolio increased their dividends, with 1 company raising its dividends twice.

This adds up to solid, risk-adjusted total returns derived from steady growth in our underlying companies combined with an average dividend yield of approximately 3.0%.

We are optimistic that our discipline of quality, value-based stock selection should provide superior risk-adjusted performance for investors.



I have prepared this commentary to give you my thoughts on various financial aspects and considerations. This commentary reflects my opinion alone, and may not reflect the views of National Bank Financial Group. In expressing these opinions, I bring my best judgement and professional experience from the perspective of someone who surveys a broad range of investments. Therefore, this report should be viewed as a reflection of my informed opinions rather than analyses produced by the Research Department of National Bank Financial. • National Bank Financial is an indirect wholly-owned subsidiary of National Bank of Canada. The National Bank of Canada is a public company listed on the Toronto Stock Exchange (NA: TSX). • National Bank Financial may act as financial advisor, fiscal agent or underwriter for certain companies mentioned herein and may receive remuneration for its services. National Bank Financial and/or its officers, directors, representatives or associates may have a position in the securities mentioned herein and may make purchases and/or sales of these securities from time to time on the open market or otherwise. The particulars contained herein were obtained from sources we believe to be reliable, but are not guaranteed by us and may be incomplete. Unit values and returns will fluctuate and past performance is not necessarily indicative of future performance.