

Annual Management Report of Fund Performance

For the period ended December 31, 2023

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2023

NBI Exchange-Traded Funds
NBI Liquid Alternatives ETF

Notes on forward-looking statements

This report may contain forward-looking statements concerning the ETF, 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 ETF. You can get a copy of the annual financial statements of the ETF at your request, and at no cost, by calling 1-866-603-3601, by emailing us at investments@nbc.ca, by visiting our website at www.nbinvestments.ca, by visiting SEDAR+'s website at www.sedarplus.ca, or by contacting your advisor. You may also contact us using one of these methods to request a copy of the ETF'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 Liquid Alternatives ETF's investment objective is to provide a positive return while maintaining low correlation to, and lower volatility than, the return of the global equity markets. The ETF will aim to achieve this investment objective regardless of prevailing market conditions or general market direction. The ETF will seek to achieve this objective by investing primarily in long and short positions on financial derivatives that provide exposure to different major global asset classes, such as government bonds, currencies, equities or commodities. The use of derivatives may introduce leverage into the ETF. Under normal market conditions, the ETF's maximum aggregate exposure to leverage will not exceed 300% of its net asset value.

The ETF uses a quantitative, rules-based strategy designed to evaluate the overall current expected return, risk and correlation of the investible universe available to the ETF. The portfolio manager uses computer models that analyze the available information on the current interactions between different asset classes (correlation), their current risk levels and short, medium and long-term return expectations. Following this analysis, results are aggregated to automatically propose to the portfolio manager long and short positions that reduce risk and correlation while aiming to maintain a positive return.

Risks

The global investment risk of the ETF remains as described in the simplified prospectus or any amendments thereto and ETF Facts.

Results of Operations

For the twelve-month period ended December 31, 2023, the NBI Liquid Alternatives ETF's units returned -0.46% compared to 4.71% for the ETF's benchmark, the FTSE Canada T Bill 91 Days Index. Unlike the benchmark, the ETF's performance is calculated after fees and expenses. Please see the *Past Performance* section for the ETF's returns, which may vary mainly because of fees and expenses.

The Fund's net asset value rose by 21.20% over the period, from \$332.15 million as at December 31, 2022 to \$402.56 million as at December 31, 2023.

The increase stemmed mainly from unit purchases by investors in the Fund.

Turbulence within US regional banks, conflict in the Middle East, advances in artificial intelligence, record fluctuations in interest rates, hope for a soft landing: once again this year, the economic environment has not been kind to investors. Yet, with inflation slowing, the economy holding up, and the Federal Reserve opening the door to potential rate cuts, 2023 ended positively for most investors, with equities, bonds and even cash posting appreciable gains over the period. Quite a contrast after a particularly trying 2022 on the markets.

Specifically, global equities (+22.8% for the MSCI ACWI in US\$) appreciated strongly in 2023, outperforming traditional Canadian bonds (+6.7% for the FTSE Canada Universe), which nonetheless had a good year. In terms of leadership, 2023 belonged mainly to US technology stocks, which rebounded strongly after a more difficult 2022. This largely explains the outperformance of the US stock market (+26.3% for the S&P 500 in US\$) over Canada (+11.8% for the S&P/TSX) and emerging markets (+10.3% for the MSCI EM in US\$).

On the fixed income side, while long-term bonds dominated at the end of the year (+14.8% in the fourth quarter, and +8.8% in 2023 for the Canadian Long Term Index), it was high-yield bonds that ended 2023 with the best performance in the category (+13.4% for the BofA High Yield Index) against a generally positive backdrop for risky securities. Among commodities, oil prices fell by around 10% over the period, while gold rebounded (+13.8% in US\$) amid heightened geopolitical tensions. Finally, widespread market optimism resulted in a weaker US dollar (-2.7% for the DXY) against a majority of currencies at year-end, including the Canadian dollar (-2.2% for the USD/CAD).

In this context, the Fund underperformed its benchmark.

For the full year, the three biggest return contributors were Gold, Soybean Oil, and Copper futures positions. The three biggest return detractors were Silver, WTI Crude, and Gasoline futures positions.

In the first quarter, the three biggest return contributors were Gold, Natural Gas, and Silver futures positions. The three biggest return detractors were the Australian Dollar, WTI Crude, and Gasoline futures positions.

In the second quarter, the three biggest return contributors were Copper, Soybean Oil, and Heating Oil futures positions. The three biggest return detractors were Gasoline, Corn, and WTI Crude futures positions.

In the third quarter, the three biggest return contributors were Heating Oil, Soybean Oil, and US Long futures positions. The three biggest return detractors were Silver, Gold, and Natural Gas futures positions.

In the fourth quarter, the three biggest return contributors were Gold, Soybean Meal, and Copper futures positions. The three biggest return detractors were Heating Oil, WTI Crude, and Natural Gas futures positions.

Recent Developments

Effective April 1, 2023, NALT's benchmark was changed on the MRFP, from the Morningstar Broad Hedge Fund Index to the FTSE Canada 91 Day T-Bill Index. This has no impact whatsoever on the fund's performance in absolute terms.

Effective May 24, 2023, NALT substituted in its investment universe the 90-Day Eurodollar futures for the Three-Month SOFR futures, as the former was to be discontinued. This has only a marginal impact on the strategy and the fund's performance, as the two futures were closely related in terms of properties and behaviour.

As of 2023-12-31, NALT had long positions in Fixed Income (except for the US Long future), long positions in Currencies (except for the Japanese Yen), marginal positions in Energy and Agriculture (fewer than 50 basis points in any futures contract), and long positions in Metals.

As of 2023-12-31, the effective duration of the portfolio was -0.35.

NALT made one quarterly cash distribution in 2023. Unitholders of record on September 22, 2023, received \$0.3700 per unit on September 29, 2023. There were no other distributions for NALT in 2023. Distributions do not affect the total return (which includes distributions) but does impact the ex-dividend return (which is often the default return displayed by data providers).

NALT follows a weekly systematic trading strategy. As such, outside of discretionary decisions, the impact on the Fund of the weekly changes in positions are only incremental.

On the economic front, with inflation potentially in the Fed's comfort zone as early as April, we can expect to see central banks gradually shift their rhetoric to pave the way for rate cuts in the second half of 2024 in the US, and probably even earlier in Canada. Quantifying the extent of the economic slowdown that will accompany this process is not obvious, but with the most restrictive monetary policy since the 1980s and three "no-fault" recession signals now triggered, the risks are on the downside. Moreover, with market sentiment in "extreme optimism" territory as quantified by the manager's model, it seems that the soft-landing scenario, while not impossible, is already widely discounted.

That being said, it is important to note that NALT's underlying models are purely quantitative. These models try to capture market trends to favourably direct weekly allocations. It is thus hard to predict the ETF's strategy for the coming months, except for the punctual and infrequent discretionary decisions. The strategy is strictly bound to respect diverse constraints which keep it in line with NALT's three main objectives: a sustained absolute positive performance, moderate volatility, and decorrelation to equity markets. Against this backdrop, the manager continues to favour defensive positioning, with a preference for bond markets. In over 50 years, there has never been a bear market trough with a recession before the onset of the latter. In parallel, it is common to see bond yields fall significantly during (and sometimes slightly after) a major economic downturn.

On April 1, 2023, the benchmark was modified to better reflect the categories of assets in which the Fund invests. The previous benchmark was the Morningstar® Broad Hedge Fund Index.

Effective May 1, 2023, the distribution frequency of the ETF was revised from yearly to quarterly.

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

Related Party Transactions

National Bank Investments Inc. (the "manager") is the manager and promoter of the ETF. Accordingly, it is entitled to receive, in exchange for the services that it provides to the ETF, management fees paid to it by the ETF (see "Management Fees" below).

From time to time, the manager may, on behalf of the ETF, carry out transactions or sign agreements to involve certain persons or companies related to it, to the extent that these transactions or agreements are, in its opinion, in the interest of the ETF. The description of the transactions or agreements between the ETF and a related party is provided in this section.

Members of the manager's group may earn fees or spreads in connection with services provided to, or transactions with, the NBI ETF, including in connection with brokerage and derivatives transactions.

Trustee

The manager has retained the services of Natcan Trust Company to serve as trustee for the ETF and has retained the services of National Bank Trust to serve as portfolio manager.

Designated Broker

The manager has signed an agreement with National Bank Financial Inc. ("NBF"), a company affiliated with NBI, under which NBF will serve as a designated broker for the ETF. The designated broker agreement signed with NBF is in keeping with market conditions.

Brokerage Fees

The ETF may pay broker's commissions at market rates to a corporation affiliated with National Bank Investments Inc. The brokerage fees paid by the ETF for the period are as follows:

	Period ended December 31, 2023
Total brokerage fees	525,567.08
Brokerage fees paid to National Bank Financial	-

Holdings

As at December 31, 2023, ownership of the redeemable units outstanding of the ETF was held by the following NBI Funds as indicated below:

NBI Funds	Ownership of the redeemable units outstanding of the ETF %
NBI Presumed Sound Investments Fund	0.89
NBI Multiple Asset Class Private Portfolio	1.37
Meritage Tactical ETF Moderate Portfolio	0.50
Meritage Tactical ETF Balanced Portfolio	0.95
Meritage Tactical ETF Growth Portfolio	0.64

Transactions between the NBI Funds and the ETF were carried out in the normal course of business. The portfolio manager for these Funds is National Bank Trust Inc.

As at December 31, 2023, the Multi Asset Class Basket Private Pool held approximately 0.17% ownership of the redeemable units outstanding of the ETF. Transactions between the Multi Asset Class Basket Private Pool and the ETF were carried out in the normal course of business. The portfolio manager for this Fund is National Bank Trust Inc.

As at December 31, 2023, the NBI Exclusive Income Pooled Fund held approximately 2.02% ownership of the redeemable units outstanding of the ETF. Transactions between the NBI Exclusive Income Pooled Fund and the ETF were carried out in the normal course of business. The portfolio manager for this Fund is National Bank Trust Inc.

Management Fees

The management fee is payable to the ETF manager in consideration of the services that the manager provides to the ETF in its capacity as manager, such as managing the day-to-day business and affairs of the ETF.

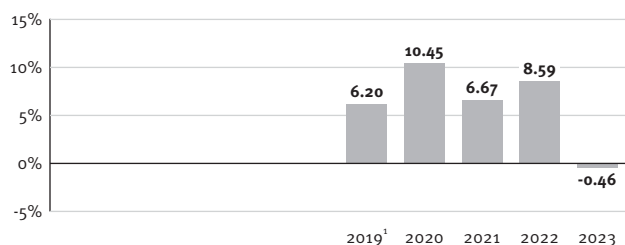
The ETF pays an annual management fee of 0.60% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general administration services.

Past Performance

The performance of the ETF, presented below and calculated as at December 31 of each year, is based on the net asset value of the ETF. It assumes that all distributions made in the periods shown were reinvested in additional units of the ETF. These returns do not take into account sales, redemption charges, distributions, or optional charges that would have reduced returns. Past performance of an ETF does not necessarily indicate how it will perform in the future.

Year-by-Year Returns

The bar chart indicates the performance of the ETF for each of the years shown and illustrates how the performance has changed from year to year. It shows, in percentage terms, how much an investment made on January 1 (or made commencing from the start of the ETF) 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.



⁽¹⁾ Returns for the period from February 8, 2019 (commencement of operations) to December 31, 2019.

Annual Compounded Performance

The following table shows the ETF's annual compound returns greater than one year and for each of the periods ended on December 31, 2023, compared with the following benchmark:

- FTSE Canada 91 Day T-Bill Index (CAD)

NBI Liquid Alternatives ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	(0.46)%	4.86%	–	–	6.36%
Benchmark	4.71%	2.22%	–	–	2.25%

¹Commencement of operations: February 8, 2019

A discussion of the ETF's relative performance in comparison to the index (or indices) can be found in the *Results of Operations* Section of this report.

Index Description

The **FTSE Canada 91 Day T-Bill Index** tracks the daily return on 91-day Canadian Treasury bills.

The benchmark was modified to better reflect the categories of assets in which the Fund invests. The information related to the previous benchmark is presented below.

The previous benchmark was the Morningstar® Broad Hedge Fund Index.

NBI Liquid Alternatives ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	(0.46)%	4.86%	–	–	6.36%
Benchmark	(12.33)%	10.24%	–	–	8.43%

¹Commencement of operations: February 8, 2019

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the accounting periods shown.

Net Assets per Unit⁽¹⁾

Commencement of operations: February 8, 2019

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31	2019 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	23.64	22.04	21.81	21.14	25.00
Increase (Decrease) from Operations (\$)					
Total revenue	0.09	0.51	1.26	2.38	1.54
Total expenses	(0.16)	(0.17)	(0.16)	(0.15)	(0.13)
Realized gains (losses)	(0.04)	(0.07)	(0.05)	(0.03)	0.04
Unrealized gains (losses)	—	—	—	—	—
Total Increase (Decrease) from Operations ⁽³⁾	(0.11)	0.27	1.05	2.20	1.37
Distributions (\$)					
From net investment income (excluding dividends)	—	0.22	1.26	1.53	0.11
From dividends	—	—	—	—	—
From capital gains	—	—	—	—	—
Return of capital	0.37	—	0.03	—	—
Total Annual Distributions ⁽⁴⁾	0.37	0.22	1.29	1.53	0.11
Net Assets, End of Accounting Period Shown ⁽²⁾	23.17	23.64	22.04	21.81	21.14

Ratios and Supplemental Data

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31	2019 December 31
Total net asset value (000's of \$) ⁽⁵⁾	402,562	332,146	84,853	39,801	32,765
Number of units outstanding ⁽⁵⁾	17,375,000	14,050,000	3,850,000	1,825,000	1,550,000
Management expense ratio (%) ⁽⁶⁾	0.69	0.69	0.69	0.69	0.69
Management expense ratio before waivers or absorptions (%)	0.69	0.69	0.69	0.69	0.69
Trading expense ratio (%) ⁽⁷⁾	—	—	—	—	—
Portfolio turnover rate (%) ⁽⁸⁾	8.66	33.04	—	—	—
Net asset value per unit (\$)	23.17	23.64	22.04	21.81	21.14
Closing market price ⁽⁹⁾	23.23	23.69	22.03	21.86	21.21

⁽¹⁾ This information is derived from the ETF's Annual Audited Financial Statements. The net assets per unit presented in the financial statements might differ from the net asset value calculated for ETF pricing purposes. The differences are explained in the notes to the financial statements.

⁽²⁾ The net assets are calculated in accordance with IFRS.

⁽³⁾ 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.

⁽⁴⁾ Distributions were paid in cash or reinvested in additional units of the ETF, or both.

⁽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. The management expense ratio includes, if necessary, the management expenses from its underlying funds, as described in Article 15.2 of Regulation 81-106.

⁽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 ETF's portfolio turnover rate indicates how actively the ETF portfolio's manager manages its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the accounting period. The higher an ETF's portfolio turnover rate in an accounting period, the greater the trading costs payable by the ETF 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 an ETF.

⁽⁹⁾ Closing market price on the last trading day of the year as reported on the TSX.

Summary of Investment Portfolio

As of December 31, 2023

Portfolio Top Holdings

	% of Net Asset Value
Cash and Other Net Assets	93.8
Currency Futures	17.6
Interest Rate Futures	12.2
Commodity Futures	39.7
Counterparty on Futures	(65.8)
Government of Canada, 4.68%, due January 18, 2024	2.5
	100.0

Net asset value\$402,562,408

Asset Mix

	% of Net Asset Value
Canadian T-Bills	2.5
Derivative Products	3.7
Cash, Money Market and Other Net Assets	93.8

The above table shows the top 25 positions held by the ETF. In the case of an ETF with fewer than 25 positions, all positions are indicated.

The Summary of Investment Portfolio may change due to ongoing portfolio transactions of the ETF. A quarterly update is available. Please consult our website at www.nbinvestments.ca.



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