NBI Exchange-Traded Funds

Annual Management Report of Fund Performance

For the period ended December 31, 2023

NATIONAL BANK INVESTMENTS

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2023

NBI Exchange-Traded Funds

NBI Active International Equity 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 Active International Equity ETF's investment objective is to provide long-term capital growth. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of common shares of international companies.

The ETF's investment process relies on a bottom-up, fundamental-driven investment approach. Securities chosen to compose the portfolio are growth-oriented companies with significant barriers to entry and first-class management teams. In-depth knowledge of companies allows the portfolio sub-advisor to manage risks by not relying on extended diversification, but rather on a quality over quantity selection. The portfolio sub-advisor uses a proprietary sustainability scorecard to evaluate companies across six pillars (Planet, People & Society, Governance, Productivity & Partnerships, Operations, Disclosure) and a minimum score is required in order to be considered for investment.

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 Active International Equity ETF's units returned 15.52% compared to 15.07% for the ETF's benchmark, the MSCI EAFE 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 168.26% over the period, from $248.61 million as at December 31, 2022 to $666.91 million as at December 31, 2023.

The increase stemmed mainly from investments in the Fund by other NBI Funds.

International equities registered solid gains during 2023 amidst the fastest central bank policy tightening cycle in history and an increasingly volatile international environment that was recently characterized by threats by Yemeni Houthi tribesmen to ships headed towards Israel through a key Red Sea choke point.

European stocks performed well as the region's economy eased towards what the IMF predicts will be a soft landing amidst gradually declining inflation and GDP growth which is expected to have slowed to 1.3% in the region during 2023, from 2.7% the previous year. European businesses, like those in Japan, which are significantly reliant on energy imports benefitted from down-trending oil prices during much of the year which eased costs in a range of global supply chains.

U.S. monetary policy was a key global driver as the year ended. Fixed income investors began pushing down the Treasury yield curve in anticipation of "pivot" to a more dovish monetary policy stance which was telegraphed by Jerome Powell, Chairman of the U.S. Federal Reserve Board, near year-end thus relieving pressure on other major central banks.

U.S. President Joe Biden and Chinese President Xi Jinping's commitments to restore full implementation of the U.S.-China air transportation agreement and to encourage expanded educational, cultural, sports, and business exchanges raised hopes in East Asia, where China is a dominant trading partner, of falling global tensions. This generated particularly reassuring momentum in Japan and other East Asian markets which are heavily integrated into the Chinese economy.

In this context, the Fund outperformed its benchmark.

Top 5 contributors

• Partners Group Holding: The company's performance fees are expected to experience a solid recovery as financial conditions ease. In 2023 we initiated into the stock after the company lowered performance fees guidance. Since then, the company has reported higher-than-expected performance fees causing it to outperform. We anticipate double-digit growth in the next twelve months driven by a recovery of both performance fees and base fees.

• Shin-Etsu Chemical: The company has multiple business segments but one of them is manufacturing leading-edge semiconductor wafers and in this segment, the company benefitted from the proliferation of generative AI workloads which created an uplift to near- and mid-term estimates in this division.

• REA Group: The Australian real estate market held up better than expected and the company also reached an inflection in operating losses due to scale for its Asia real estate businesses which should decrease and eventually lead to stand-alone segment profitability which will lead to meaningful improvements in the company's margins going forward.

• ASML: The company delivered better-than-expected results throughout the calendar year while also offering a reassuring message regarding demand for its lithography tools next year in addition to articulating that its secular long-term growth drivers remain unchanged which were all well received by investors.

• Fast Retailing: The company delivered strong results during the year and generally outperformed other apparel brands supported by strong momentum in international markets and new store openings.

Top 5 detractors

• Teleperformance: In addition to lowering full-year guidance three times this year due to the weakening and volatile macroeconomic environment, some of the company's business model appears to be threatened by generative AI tools which had investors challenge the company's terminal value explaining the stock's weakness throughout the year.

• Prudential Plc: Prudential's recovery is being hindered by a slowdown in mainland travellers to Hong Kong, impacting new business in addition to the stock underperforming due to general concerns regarding the Chinese macroeconomic environment.

• Compagnie Financière Richemont: The company underperformed on expectations for slower growth rates in the luxury segment as demand normalizes, and fallout from the cancellation of the YNAP deal with Farfetch.

• Equinor ASA: Weaker energy prices throughout the year hampered the stock's performance.

• Coloplast: The stock underperformed this year due to short-term dilutive equity financing for a new acquisition, and margins below expectations due to long-term investments being made which caught investors by surprise.

Recent Developments

Additions

• Compagnie Financière Richemont: Luxury company with a high-calibre brand portfolio where we believe that consensus is underestimating the improvements the company has made in its business operations across improving its product and regional mix, distribution channel mix, and exiting lower margin side businesses which should aid the company to be less cyclical in the future and increase its overall growth and margin profile.

• Hoya Corp.: Thesis is predicated on reshaping the portfolio into structurally higher growth areas in semiconductors and Extreme Ultraviolet (EUV) lithography while at the same time growing their healthcare offering across lenses, endoscopes, and intraocular lenses globally. Structurally higher margins in both businesses have allowed for a higher quality growth story than a few years ago.

• Schneider Electric: Schneider Electric, a France-based company which specializes in energy-related and industrial automation solutions, has improved its business model through a better geographic and product mix (including a higher software component) which should improve the company's margins and lower its cyclicality which we believe warrants a valuation rerating over time.

• Sony Group: Sony Group is a conglomerate that is transforming its business from a consumer electronics company to an entertainment and sensor focused company with superior growth and margin potential vs. the sector and hence we believe deserves a valuation rerating over time.

• Partners Group: We believe that consensus underestimates the growth of the company's management fees which we believe will grow at a double-digit compound rate in addition to an attractive valuation for a company of this quality.

Deletions

• Anta Sports Products: Exited Anta and redistributed the weight across other holdings that had higher upside.

• Hoya: Given strong recent performance and lack of significant further upside, we decided to book profits and reinvest the weight in other existing more attractive portfolio holdings.

• MS&AD Insurance Group: In addition to reinvesting into a higher upside and higher conviction investment idea in Partners Group, we worry about Japan's investigation into the insurance industry (regarding price collusion) which could hamper the company's earnings growth expectations.

• Tencent: Exited Tencent as it violated our ESG policy given that its business practices scored as non-compliant according to the UN Global Compact framework.

Upcoming U.S. election candidate positioning could add to existing inflationary drivers such as aging demographics, a labour force reassessing its work/life balance, and regionalization trends. Consequently, we are focused on business models that have strong pricing power.

The uncertainty surrounding changes in supply chains, consumer behaviours, digitization, AI impacts, and rising wages will have a lasting impact on business models.

We continue to see relative valuation dislocations caused by rapidly shifting market narratives that are offering compelling opportunities to book profits and reinvest in misunderstood and therefore mispriced stocks.

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	1,111,961.07
Brokerage fees paid to National Bank Financial	134,711.30

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 Secure Portfolio	1.08
NBI Conservative Portfolio	7.05
NBI Moderate Portfolio	12.01
NBI Balanced Portfolio	27.17
NBI Growth Portfolio	14.61
NBI Equity Portfolio	6.37
NBI Active International Equity Fund	31.30

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.

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 11, 2021 (commencement of operations) to December 31, 2021.*

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:

- MSCI EAFE Index

NBI Active International Equity ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units[1]	15.52%	–	–	–	(0.22)%
Benchmark	15.07%	–	–	–	6.33%

[1]Commencement of operations: February 11, 2021

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 **MSCI Europe, Australasia and Far East Index (the "MSCI EAFE Index")** comprises securities of companies located in 21 leading countries in Europe, Asia and the Pacific Rim.

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 11, 2021

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31
Net Assets, Beginning of Accounting Period Shown [2]	21.43	24.97	25.25
Increase (Decrease) from Operations ($)			
Total revenue	0.55	0.43	0.27
Total expenses	(0.16)	(0.14)	(0.15)
Realized gains (losses)	0.98	(2.22)	(0.77)
Unrealized gains (losses)	2.06	0.81	(3.72)
Total Increase (Decrease) from Operations [3]	3.43	(1.12)	(4.37)
Distributions ($)			
From net investment income (excluding dividends)	0.31	0.27	0.03
From dividends	—	—	—
From capital gains	0.06	—	—
Return of capital	—	—	—
Total Annual Distributions [4]	0.37	0.27	0.03
Net Assets, End of Accounting Period Shown [2]	24.45	21.43	24.97

Ratios and Supplemental Data

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31
Total net asset value (000's of $) [5]	666,908	248,595	102,859
Number of units outstanding [5]	27,280,000	11,600,000	4,120,000
Management expense ratio (%) [6]	0.69	0.69	0.67
Management expense ratio before waivers or absorptions (%)	0.69	0.69	0.68
Trading expense ratio (%) [7]	0.32	0.20	1.15
Portfolio turnover rate (%) [8]	73.43	61.01	31.94
Net asset value per unit ($)	24.45	21.43	24.97
Closing market price [9]	24.48	21.36	24.95

(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. Data for periods prior to 2023 have been restated.

(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
DBS Group Holdings Ltd.	5.7
CSL Ltd.	5.2
Daikin Industries Ltd.	5.2
Beiersdorf AG, Class A	5.1
Partners Group Holding AG	5.0
Prudential Corp. PLC	4.9
Experian Group Ltd.	4.8
Statoil ASA	4.6
Deutsche Boerse AG	4.4
REA Group Ltd.	4.2
Cie Financière Richemont SA, Class A	4.1
Sika AG	4.1
Coloplast A/S, Class B	4.0
Keyence Corp.	3.7
Sony Corp.	3.7
Adidas AG	3.1
Schneider Electric SA	3.1
ASML Holding NV	3.0
Uni-Charm Corp.	3.0
Symrise AG	2.6
Teleperformance	2.4
Daito Trust Construction Co. Ltd.	2.3
Hexagon AB	2.3
Novartis AG	2.1
Cash, Money Market and Other Net Assets	(0.7)
	91.9

Net asset value	$666,908,372

Regional Allocation

	% of Net Asset Value
Japan	20.5
Switzerland	15.4
Germany	15.2
Australia	9.5
France	7.4
United Kingdom	6.5
Denmark	5.8
Singapore	5.7
Ireland	4.8
Norway	4.6
Netherlands	3.0
Sweden	2.3
Cash, Money Market and Other Net Assets	(0.7)

Sector Allocation

	% of Net Asset Value
Financials	20.1
Industrials	17.0
Health Care	13.2
Consumer Discretionary	12.2
Consumer Staples	9.9
Information Technology	9.0
Materials	8.2
Energy	4.6
Communication Services	4.2
Real Estate	2.3
Cash, Money Market and Other Net Assets	(0.7)

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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