

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 Sustainable Canadian Bond 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 Sustainable Canadian Bond ETF's investment objective is to provide a high level of current income and sustained capital growth while focusing on debt instruments designed to raise funds for projects or businesses that have a positive environmental or social impact. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of bonds issued by Canadian federal or provincial governments or by Canadian corporations.

When selecting securities, the portfolio sub-advisor uses a bottom-up approach. It selects issuers based on fundamental analysis. The portfolio sub-advisor also carries out a credit analysis on each security which is combined to the ESG analysis and to the internal analysis described in the prospectus to determine the security's weighting in the portfolio. ESG issues are assessed using relevant indicators that vary from one sector to another (in accordance with the relevant ESG issues of the sector). This analysis could include elements such as energy efficiency, greenhouse gas emissions, water management, waste management, human capital, diversity and inclusion, health and safety, board composition, compensation and financial governance among other issues.

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 Sustainable Canadian Bond ETF's units returned 6.89% compared to 6.69% for the ETF's benchmark, the FTSE Canada Universe Bond 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 ETF's net asset value rose by 579.32% over the period, from \$347.91 million as at December 31, 2022 to \$2.363 billion as at December 31, 2023. The increase stemmed mainly from investments in the Fund by other NBI Funds.

During 2023, rates declined across the Canadian curve. The 2 to 30-year terms were down by approximately 0.15% to 0.25%.

The combination of rate cuts and narrowing credit spreads contributed to a relatively strong positive performance for the FTSE Canada Universe Bond Index in 2023, at 6.69%.

Against this backdrop, the Fund slightly outperformed its benchmark for the period. Top contributors included duration (0.34%), curve (-0.1%), and sectors (0.58%).

Recent Developments

During 2023, the duration of the ETF Fund increased relative to the benchmark, from -0.29 years to 0 years. The Fund remains overweight in 5-year and 10-year bonds.

The transition period for monetary policy is beginning. In the face of slowing inflation, the aggressive tone of central banks has left room for more flexibility. Some bankers have indicated their intention to keep rates high for an extended period while others, such as the Federal Reserve, are talking about further rate cuts in 2024. However, this is not an appropriate time to do so. The U.S. economy is strong, the employment imbalance continues to favour workers and household incomes are growing faster than inflation, helping to support consumption. Households are also less indebted and have a long mortgage refinancing cycle, which is weakening the transmission of U.S. monetary policy into the economy. In contrast, the Canadian economy is weakening under the weight of frequent rate hikes and mortgage refinancing.

Nevertheless, the Bank of Canada is not yet ready to give up on inflation. In her speech, she remained concerned about the inflationary impact of immigration, which is increasing housing shortages and driving up rental prices. Therefore, no rate cuts are expected by the Bank of Canada at this time, although the economic situation may indicate otherwise. Financial markets have a different view, with the Bank of Canada acting in 2024 if it wants to avoid a recession.

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

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 Bond Fund	3.30
NBI Sustainable Canadian Bond Fund	2.49
NBI Secure Portfolio	5.45
NBI Conservative Portfolio	16.42
NBI Moderate Portfolio	13.29
NBI Balanced Portfolio	13.90
NBI Growth Portfolio	1.64
NBI Canadian Bond Private Portfolio	41.70

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.

Independent Review Committee Approvals and Recommendations

The ETF has followed the standing instructions of its Independent Review Committee with respect to one or more of the following transactions:

- purchasing or selling government or other debt securities on the secondary market from related brokers that are main brokers in the Canadian debt securities market;
- purchasing on the secondary market securities of a related issuer that are not traded on an exchange;
- purchasing on the primary market non-exchange-related issuer debt securities having maturities of 365 days or more, other than asset-backed commercial paper.

The manager has implemented policies and procedures to ensure that the conditions that apply to each of the transactions identified above are met. The applicable standing instructions require that these transactions be carried out in accordance with the manager's policies. Notably, these instructions require that investment decisions pertaining to such related-party transactions must be made free from any influence from an entity related to the manager and without taking into account any consideration relevant to an entity related to the manager. Moreover, investment decisions must represent the business judgment of the portfolio manager, uninfluenced by considerations other than the interests of the ETF, and must achieve a fair and reasonable result for the ETF.

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.

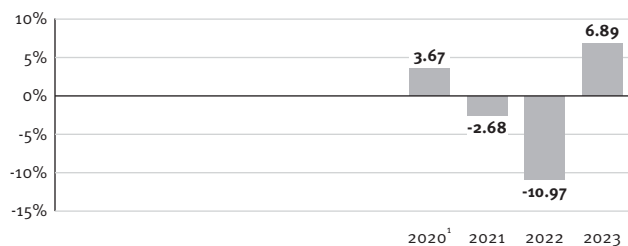
The ETF pays an annual management fee of 0.55% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general 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 March 4, 2020 (commencement of operations) to December 31, 2020.

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 Universe Bond Index

NBI Sustainable Canadian Bond ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	6.89%	(2.53)%	-	-	(1.06)%
Benchmark	6.69%	(2.80)%	-	-	(1.58)%

¹Commencement of operations: March 4, 2020

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 Universe Bond Index** is designed to be a broad measure of the Canadian fixed-income market and tracks the performance of Canadian investment-grade government and corporate bonds.

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: March 4, 2020

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	21.51	24.65	25.86	25.00
Increase (Decrease) from Operations (\$)				
Total revenue	0.78	0.62	0.63	0.58
Total expenses	(0.14)	(0.14)	(0.16)	(0.13)
Realized gains (losses)	0.01	—	(0.15)	0.08
Unrealized gains (losses)	1.75	(1.37)	(0.62)	0.36
Total Increase (Decrease) from Operations ⁽³⁾	2.40	(0.89)	(0.30)	0.89
Distributions (\$)				
From net investment income (excluding dividends)	0.57	0.44	0.51	0.34
From dividends	—	—	—	—
From capital gains	—	0.04	—	0.01
Return of capital	—	—	0.01	—
Total Annual Distributions ⁽⁴⁾	0.57	0.48	0.52	0.35
Net Assets, End of Accounting Period Shown ⁽²⁾	22.40	21.51	24.65	25.86

Ratios and Supplemental Data

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31
Total net asset value (000's of \$) ⁽⁵⁾	2,363,381	347,954	59,168	27,155
Number of units outstanding ⁽⁵⁾	105,500,000	16,175,000	2,400,000	1,050,000
Management expense ratio (%) ⁽⁶⁾	0.63	0.63	0.63	0.63
Management expense ratio before waivers or absorptions (%)	0.63	0.63	0.63	0.63
Trading expense ratio (%) ⁽⁷⁾	—	—	—	—
Portfolio turnover rate (%) ⁽⁸⁾	15.93	166.09	82.37	39.64
Net asset value per unit (\$)	22.40	21.51	24.65	25.86
Closing market price ⁽⁹⁾	22.41	21.56	24.68	25.94

⁽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
Province of Ontario, 4.05%, due February 2, 2032	5.6
Hydro-Québec, 5.00%, due February 15, 2050	5.1
Government of Canada, 2.25%, due January 12, 2029	4.6
Province of Ontario, 1.55%, due January 11, 2029	3.4
Province of Quebec, 3.90%, due November 22, 2032	3.1
Province of Ontario, 1.85%, due January 2, 2027	3.0
Hydro-Québec, 2.00%, due January 9, 2028	2.9
Hydro-Québec, 4.00%, due February 15, 2055	2.9
CPPIB Capital Inc., 3.00%, due June 15, 2028	2.7
Bank of Montreal, 1.76%, due October 3, 2026	2.6
Province of Ontario, 2.65%, due May 2, 2025	2.3
Hydro-Québec, 3.40%, due January 9, 2029	2.1
City of Toronto, 4.40%, due December 14, 2042	2.0
OMERS Finance Trust Realty Corporation, 5.38%, due November 14, 2028	1.9
PSP Capital Inc., 4.40%, due February 12, 2030	1.9
National Bank of Canada, 5.30%, due March 11, 2025	1.8
Bell Canada, 2.20%, due May 29, 2028	1.8
CDP Financial Inc., 3.80%, due February 6, 2027	1.8
Hydro One Inc., 5.58%, due September 21, 2026	1.8
Ontario Teachers Finance Trust, 4.45%, due February 6, 2032	1.8
Sun Life Financial Inc., 5.50%, due April 7, 2035	1.7
Fédération des caisses Desjardins, 1.59%, due October 9, 2026	1.6
PSP Capital Inc., 2.60%, due January 3, 2032	1.6
Toronto-Dominion Bank/The, 7.28%, due October 31, 2082	1.5
Cash, Money Market and Other Net Assets	(0.3)
	61.2

Net asset value \$2,363,381,186

Asset Mix

	% of Net Asset Value
Corporate Bonds	41.3
Provincial Bonds	38.8
Municipal Bonds	10.8
Federal Bonds	8.0
Derivative Products	0.1
Foreign Bonds	0.5
Cash, Money Market and Other Net Assets	0.5

Term Allocation

	% of Net Asset Value
Under one year	1.0
From 1 year to 5 years	34.8
From 5 years to 10 years	34.0
More than 10 years	30.2

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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