

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 Unconstrained Fixed Income 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 Unconstrained Fixed Income ETF's investment objective is to maximize total return, consistent with preservation of capital. It invests, directly or indirectly through investments in securities of one or many other mutual funds or through the use of derivatives, in a diversified portfolio composed mainly of fixed-income securities of issuers located throughout the world with various maturities and credit ratings.

The ETF seeks to achieve its objective by managing portfolio duration, credit risk, and volatility. It has significant latitude to pursue opportunities across the fixed-income spectrum, and is not managed or compared to any specific index. It has the flexibility to invest across different sectors, credit ratings, maturities and geographic regions, including moving between sectors or across credit risks, and may have long, short or negative duration. The ETF may invest a significant portion of its net assets in a specific type of securities, by weighting one or other of the above criteria more heavily. The portfolio sub-advisor also integrates financially material environmental, social and governance factors as part of its investment process ("ESG Integration").

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 Unconstrained Fixed Income ETF's units returned 5.74% compared to 6.33% for the ETF's benchmark, the Bloomberg Global Aggregate Index (CAD hedged). 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 23.96% over the period, from \$2.029 billion as at December 31, 2022, to \$2.516 billion as at December 31, 2023. The increase stemmed mainly from investments in the Fund by other NBI Funds.

In 2023, market sentiment was even more mercurial than normal. Recession concerns dominated the narrative to open the year and spiked with the regional banking crisis in March before a buoyant economy gradually took over in the summer. Resilient economic data persistently surprised to the upside and by autumn, nerves were frayed as investors concluded that interest rates could remain high for longer.

However, as a clear disinflationary trend emerged and the economic outlook began to moderate, the market eyed a 'soft landing'. Resurgent market optimism reached a crescendo to close the year, after a dovish pivot from the Fed in December as policymakers strongly signaled no further interest rate increases this cycle.

In this context, the Fund underperformed its benchmark for the period. The Fund benefited from its exposure to investment-grade corporate credit where the fund was defensively positioned with an up-in-quality bias, primarily in financial and industrial names. Despite a progressive overall spread tightening contribution versus government bonds, the typically longer duration holdings delivered mixed returns during the year amidst uncertainty over the future path of monetary policy before the sector rallied strongly in the fourth quarter as the interest rate outlook improved.

Emerging markets debt also contributed, led by the Fund's selective positioning in local currency bonds from high-conviction countries, which delivered positive performance as inflation cooled significantly and central banks pivoted to more accommodative monetary policy.

Recent Developments

Over the year, the Fund increased headline duration from 3.5 to 4.3 years. The Fund shifted from a long US Treasury position to a short position with a steepening bias, reduced its short Japan government bond position, closed its short Italy government bond position, and opened a long Australia government bond position. The Fund increased its exposure to securitized products from 9% to 14%, primarily by adding agency mortgage-backed securities given attractive valuations. The Fund decreased its high-yield exposure from 23% to 20% while marginally increasing its investment-grade credit exposure from 36% to 37%. Additionally, the Fund maintained its overall emerging market debt exposure at 15%, primarily by adding to local currency bonds including opening a Czech Republic position, adding to its Mexico position, and reducing allocations to South Africa and Brazil.

The US Federal Reserve's dovish pivot has tipped the odds away from recession and towards a 'soft landing'. Sub-trend growth has become our base case.

The Fund manager favours the higher-yielding credit sectors of the bond market: investors should exploit any backups to target US and European investment grade and high-yield corporate bonds. Securitized asset valuations look attractive – especially agency pass-throughs and non-agency commercial mortgage-backed securities. Emerging markets also present opportunities, with high real yields on offer and cutting cycles already underway.

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.

During the period, the ETF received income from funds managed by related parties:

	December 31, 2023
Distributions from underlying funds	65,989.60

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	244,593.23
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 Unconstrained Fixed Income Fund	94.76
NBI Global Balanced Growth Fund	0.02

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.

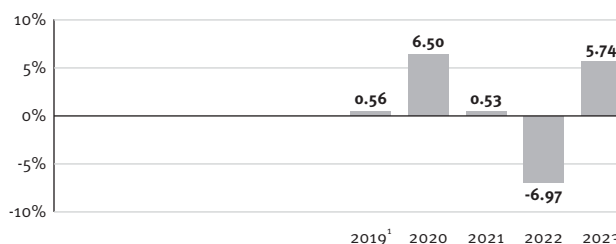
The ETF pays an annual management fee of 0.75% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general 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 October 18, 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:

- Bloomberg Global Aggregate Index (CAD Hedged)

NBI Unconstrained Fixed Income ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	5.74%	(0.37)%	-	-	1.38%
Benchmark	6.33%	(2.47)%	-	-	(0.59)%

¹Commencement of operations: October 18, 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 **Bloomberg Global Aggregate Index**, hedged in CAD, is a market capitalization weighted index which is designed to measure the broad global markets for corporate, government, governmental agency, supranational, mortgage-backed and asset backed fixed income securities.

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: October 18, 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⁾	21.18	25.32	26.25	25.07	25.00
Increase (Decrease) from Operations (\$)					
Total revenue	0.70	2.32	1.27	1.04	0.74
Total expenses	(0.19)	(0.21)	(0.23)	(0.22)	(0.05)
Realized gains (losses)	(1.15)	(1.86)	(0.19)	1.71	—
Unrealized gains (losses)	1.82	(2.03)	(0.72)	0.47	(0.46)
Total Increase (Decrease) from Operations ⁽³⁾	1.18	(1.78)	0.13	3.00	0.23
Distributions (\$)					
From net investment income (excluding dividends)	0.73	2.40	1.07	0.43	0.14
From dividends	—	—	—	—	—
From capital gains	—	—	—	0.70	0.21
Return of capital	0.13	—	—	—	—
Total Annual Distributions ⁽⁴⁾	0.86	2.40	1.07	1.13	0.35
Net Assets, End of Accounting Period Shown ⁽²⁾	21.50	21.18	25.32	26.25	25.07

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⁾	2,516,316	2,029,462	2,369,562	1,809,462	1,881
Number of units outstanding ⁽⁵⁾	117,025,000	95,825,000	93,575,000	68,925,000	75,000
Management expense ratio (%) ⁽⁶⁾	0.86	0.86	0.86	0.86	0.89
Management expense ratio before waivers or absorptions (%)	0.86	0.86	0.86	0.86	0.89
Trading expense ratio (%) ⁽⁷⁾	—	—	—	—	—
Portfolio turnover rate (%) ⁽⁸⁾	51.07	37.68	45.17	59.98	—
Net asset value per unit (\$)	21.50	21.18	25.32	26.25	25.07
Closing market price ⁽⁹⁾	21.58	21.24	25.22	26.17	25.08

⁽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, Money Market and Other Net Assets	3.9
Uniform Mortgage-Backed Security, 4.50%, due January 16, 2054	2.5
Government National Mortgage Association, 4.50%, due January 22, 2054	2.4
Uniform Mortgage-Backed Security, 5.50%, due January 16, 2054	1.9
Mexico Bonos, Series M, 7.75%	1.7
United Kingdom Gilt, 3.75%	1.6
Brazil Notas do Tesouro Nacional Serie F, Series NTNF, 10.00%	1.5
Government National Mortgage Association, 5.00%, due January 22, 2054	1.3
Republic of South Africa Government Bond, Series 2035, 8.88%	1.2
Mexican Bonos, 8.00%	1.1
United States Treasury Inflation Indexed Bond, 1.38%	1.1
Mexico Bonos, Series M, 7.50%	1.1
Australia Government Bond, 4.75%	1.0
Czech Republic Government Bond, Series 151, 4.90%	0.9
Czech Republic Government Bond, 4.50%	0.7
NXP BV/NXP Funding LLC/NXP USA, Inc., 2.50%	0.4
Czech Republic Government Bond, Series 142, 1.95%	0.4
Petroleos Mexicanos, 6.88%	0.4
Mitsubishi UFJ Financial Group, Inc., 2.34%	0.4
Intesa Sanpaolo SpA, Series 144A, 6.63%	0.3
Republic of Italy Government International Bond, 2.88%	0.3
Morgan Stanley, 1.59%	0.3
BPCE SA, Series 144A, 5.98%	0.3
Bank of Nova Scotia, Series 2, 3.63%	0.3
HSBC Holdings PLC, 7.34%	0.3
	27.3

Net asset value \$2,516,316,238

Asset Mix

	% of Net Asset Value
US Bonds	35.0
Foreign Bonds	29.1
Federal bonds	17.4
Mortgage Backed Securities	12.5
Asset Backed Securities	1.5
Bank Loans	0.5
Common Shares	0.1
Cash, Money Market and Other Net Assets	3.9

Term Allocation

	% of Net Asset Value
Under 1 year	1.6
From 1 year to 5 years	31.7
From 5 years to 10 years	28.3
More than 10 years	34.4

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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