

# Interim Management Report of Fund Performance

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For the period ended June 30, 2021

## **INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE**

For the period ended June 30, 2021

### **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.

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This interim management report of fund performance contains financial highlights, but does not contain the complete interim financial statements of the ETF. You can get a copy of the interim 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](mailto:investments@nbc.ca), by visiting our website at [www.nbinvestments.ca](http://www.nbinvestments.ca), by visiting SEDAR's website at [www.sedar.com](http://www.sedar.com), 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.

### Risks

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

### Results of Operations

The NBI Active International Equity ETF was launched on January 28, 2021, and the ETF's net asset value was \$1.02 million as at June 30, 2021. Investment performance is not provided for an ETF that has been available for less than one year.

Global equity markets generated strong gains during the first half of 2021, bolstered by the success of vaccination campaigns, abundant monetary and fiscal stimulus, and the reopening of economies.

European stocks and corporate earnings performed well during Q2 2021, in line with an accelerating pace of vaccine deployment, falling COVID-19 infections, easing restrictions on social and economic activity, and improving trade data. Eurozone inflation came in at 1.9% in June, just below the European Central Bank target.

Other developed markets also benefitted from the fallout of a strengthening U.S. economy, which added 4.8 million jobs in June, as individual states opened up at a quickening pace, coupled with news of the Biden Administration's proposed \$6 trillion budget (USD) which would foster the largest sustained federal spending since WWII.

Chinese stocks demonstrated relative weakness in the face of ever-tightening U.S. policies on a range of trade, intellectual property, and investment-related issues, as well as high domestic interest rates that remain far above Western levels. A post-Q2 relaxation in Chinese banking reserve requirements could ease credit conditions going forward.

The NBI Active International Equity ETF's performance during the first half of 2021 was largely due to the negative impact of stock selection, while sector allocation was positive, but to a small extent, given the minimal sector deviations.

At the stock level, the top three relative contributors were ANTA Sports, Teleperformance and DBS Group. On the other hand, the top three detractors to performance were Tsuruha Holdings, Daifuku and Nitto Denko Corp.

### Recent Developments

During the first half of 2021, the investment team has made several changes. Adidas, Deutsche Boerse, Experian and Prudential have all been added to the portfolio. On the other hand, positions in Ashtead Group, DNB ASA, St-James Place and Yamaha were all exited.

Throughout the period, the portfolio manager maintained exposure to ten of the eleven GICS sectors, with very little deviation from the benchmark weights. The only sector with no exposure at all is the Utilities sector.

The portfolio positioning is consistent with the investment team's approach of adding value through stock selection and reducing risk from large sector, regional and currency exposures.

Fiscal support and hopes for a V-shaped recovery have raised expectation for future earnings. The investment team sees growing uncertainty around the impact of changes in supply chains, consumer behaviours, and digitization, as well as high government and corporate debt.

The investment team continues to see dislocations in relative valuation caused by market narratives and overvaluations that provide attractive opportunities to take profits and reinvest in misunderstood, and therefore mispriced stocks.

On April 30, 2021, the ETF's independent review committee (the "IRC") was reduced to three members when Yves Julien resigned as IRC member. On May 1, 2021, the Fund's IRC was increased to four members when Paul Béland 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.

### 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 June 30, 2021
<b>Total brokerage fees</b>	1,198.07
<b>Brokerage fees paid to National Bank Financial</b>	274.34

### Management Fees

Since the present Interim Management Report of Fund Performance is the first interim report submitted for this ETF, the NI 81-106 does not require this information to be reported. The ETF's units were available since February 11, 2021.

## **Past Performance**

Since the present Interim Management Report of Fund Performance is the first interim report submitted for this ETF, the NI 81-106 does not require the presentation of past performance. The ETF's units were available since February 11, 2021.

## Financial Highlights

Since the present Interim Management Report of Fund Performance is the first interim report submitted for this ETF, the NI 81-106 does not require the presentation of financial highlights. The Fund's units were available since February 11, 2021.

## Summary of Investment Portfolio

As of June 30, 2021

### Portfolio Top Holdings

	% of Net Asset Value
Teleperformance .....	7.1
B&M European Value Retail SA .....	5.1
ASML Holding NV .....	5.0
Tsuruha Holdings Inc. ....	4.9
adidas AG .....	4.9
Novartis AG .....	4.7
MS&AD Insurance Group Holdings Inc. ....	4.7
DBS Group Holdings Ltd. ....	4.7
Varta AG .....	4.6
Nitto Denko Corp. ....	4.3
Koninklijke Vopak NV .....	4.2
Beiersdorf AG .....	4.0
Koninklijke Philips NV .....	3.8
Novo Nordisk A/S, Class B .....	3.3
Daito Trust Construction Co. Ltd. ....	3.2
Tencent Holdings Ltd. ....	3.2
Prudential PLC .....	3.1
Deutsche Boerse AG .....	3.1
Temenos AG .....	2.8
Symrise AG .....	2.7
Magellan Financial Group Ltd. ....	2.7
Experian PLC .....	2.3
REA Group Ltd. ....	2.1
ANTA Sports Products Ltd. ....	2.1
Fast Retailing Co. Ltd. ....	2.0
	94.6
<u>Net asset value .....</u>	<u>\$1,024,479</u>

### Regional Allocation

	% of Net Asset Value
Japan .....	20.6
Germany .....	19.3
Netherlands .....	13.0
Switzerland .....	8.7
United Kingdom .....	8.2
France .....	7.1
China .....	5.3
Australia .....	4.8
Singapore .....	4.7
Denmark .....	3.3
Ireland .....	2.3
Sweden .....	1.7
Cash, Money Market and Other Net Assets .....	1.0

### Sector Allocation

	% of Net Asset Value
Financials .....	18.3
Industrials .....	15.5
Consumer Discretionary .....	14.1
Health Care .....	11.8
Information Technology .....	9.5
Consumer Staples .....	8.9
Materials .....	8.2
Communication Services .....	5.3
Energy .....	4.2
Real Estate .....	3.2
Cash, Money Market and Other Net Assets .....	1.0

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 Web site at [www.nbinvestments.ca](http://www.nbinvestments.ca).



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