

# Interim Management Report of Fund Performance

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For the period ended June 30, 2024

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2024

NBI Exchange-Traded Funds

## NBI Sustainable Canadian Short Term 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.

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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.sedarplus.ca](http://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

## Results of Operations

For the six-month period ended June 30, 2024, the NBI Sustainable Canadian Short Term Bond ETF's units returned 2.20% compared to 1.57% for the ETF's benchmark, the FTSE Canada Short Term Overall 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 Fund's net asset value rose by 0.65% over the period, from \$42.05 million as at December 31, 2023 to \$42.32 million as at June 30, 2024.

In the first half of 2024, rates rallied across the curve.

On the sector side, there was a general tightening of corporate credit spreads, the magnitude of which varies from industry to industry, but financials performed relatively well. Provincial spreads remained stable, but spreads for Quebec municipalities without a 5-year credit rating compressed over the period.

Against this backdrop, the ETF outperformed its benchmark. The largest contributors were Duration (0.02%), Curve (0.04%), Sector (0.69%), Security Selection (0.05%).

## Recent Developments

During the first half of 2024, the duration of the NSSB remained at the same level as the benchmark and the curve position remained similar.

In a corporate bond mandate, whose index also includes government bonds, the portfolio will naturally be overweight in corporate credit. The portfolio remains mostly overweight in financials and exposure to infrastructure increased during the six months.

There seems to be a shift in the direction of monetary policy in industrialized countries.

On one hand, the Bank of Canada and the European Central Bank began their monetary easing with respective 0.25% cuts in their key interest rates.

In contrast, the Federal Reserve continues to push back the date on which it believes monetary stimulus will be required to take the risks of a recovery in inflation. While the Fed had previously expected to cut its key interest rate 3 times at a time when the economy was experiencing excess demand, the Fed is now forecasting a single cut in 2024 as economic activity shows signs of exhaustion. Accumulated savings are practically exhausted while restrictive financial conditions weaken demand for credit.

During the first half of 2024, the composition of the portfolio was little changed from the beginning of the period. All issuers in the Portfolio continue to meet at least one of the four ESG inclusion criteria. The Fund's ESG objectives remain unchanged and are to maintain a portfolio 100% exposed to companies or bonds that meet at least one of four pre-established ESG criteria: impact (green, social, and sustainable), 50% below benchmark carbon intensity, above benchmark ESG score or above benchmark climate change mitigation score.

This objective has remained unchanged since the Fund's inception. As of June 28, 2024, all issuers or bonds in the portfolio met at least one of the four ESG eligibility criteria for the fund, namely, being an impact bond (green, social, and sustainable), having a carbon intensity 50% lower than the benchmark, having an ESG rating higher than the benchmark or, finally, having a climate mitigation rating higher than the benchmark.

## 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 June 30, 2024, 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 %
Meritage Conservative Portfolio	8.8900
Meritage Diversified Fixed Income Portfolio	6.1500
Meritage Conservative Income Portfolio	11.0400

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 0.25% 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.



<sup>(1)</sup> Returns for the period from February 10, 2022 (commencement of operations) to December 31, 2022.

<sup>(1)</sup> Returns for the period from January 1, 2024 to June 30, 2024.

## 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<sup>(1)</sup>

Commencement of operations: February 10, 2022

Accounting Period Ended	2024 June 30	2023 December 31	2022 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(2)</sup>	9.78	9.46	10.00
<b>Increase (Decrease) from Operations (\$)</b>			
Total revenue	0.17	0.32	0.26
Total expenses	(0.01)	(0.03)	(0.02)
Realized gains (losses)	—	(0.08)	(0.11)
Unrealized gains (losses)	0.05	0.38	(0.35)
<b>Total Increase (Decrease) from Operations</b> <sup>(3)</sup>	0.21	0.59	(0.22)
<b>Distributions (\$)</b>			
From net investment income (excluding dividends)	0.15	0.29	0.21
From dividends	—	—	—
From capital gains	—	—	—
Return of capital	—	—	—
<b>Total Annual Distributions</b> <sup>(4)</sup>	0.15	0.29	0.21
<b>Net Assets, End of Accounting Period Shown</b> <sup>(2)</sup>	9.84	9.78	9.46

## Ratios and Supplemental Data

Accounting Period Ended	2024 June 30	2023 December 31	2022 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	42,324	42,052	44,476
Number of units outstanding <sup>(5)</sup>	4,300,000	4,300,000	4,700,000
Management expense ratio (%) <sup>(6)</sup>	0.28	0.29	0.26
Management expense ratio before waivers or absorptions (%)	0.28	0.29	0.27
Trading expense ratio (%) <sup>(7)</sup>	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	25.16	47.16	47.27
Net asset value per unit (\$)	9.84	9.78	9.46
Closing market price <sup>(9)</sup>	9.85	9.78	9.44

<sup>(1)</sup> This information is derived from the ETF's Annual Audited Financial Statements and Interim Unaudited 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.

<sup>(2)</sup> The net assets are calculated in accordance with IFRS.

<sup>(3)</sup> 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.

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

<sup>(5)</sup> This information is provided as at the last day of the accounting period shown.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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.

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

## Summary of Investment Portfolio

As of June 30, 2024

### Portfolio Top Holdings

	% of Net Asset Value
Canadian Imperial Bank of Commerce, 2.25%, due January 7, 2027	4.5
Bank of Montreal, 1.76%, due March 10, 2026	4.3
National Bank of Canada, 1.53%, due June 15, 2026	4.2
Hydro One Inc., 2.77%, due February 24, 2026	3.9
Scotiabank, 2.95%, due March 8, 2027	3.4
Ontario Power Generation Inc., 3.32%, due October 4, 2027	3.2
Bell Canada, 2.20%, due May 29, 2028	3.0
Toronto-Dominion Bank/The, 5.49%, due September 8, 2028	2.9
Intact Financial Corp., 3.69%, due March 24, 2025	2.6
Ivanhoe Cambridge II Inc., 4.99%, due June 2, 2028	2.6
Choice Properties Reit, 2.46%, due November 30, 2026	2.5
Fédération des caisses Desjardins, Floating, due August 23, 2024	2.4
OMERS Finance Trust Realty Corporation, 5.38%, due November 14, 2028	2.4
Toronto Hydro Corp., 2.52%, due August 25, 2026	2.3
Royal Bank of Canada, 5.23%, due June 24, 2030	2.2
Fédération des caisses Desjardins, 1.59%, due September 10, 2026	2.2
Sun Life Financial Inc., Floating, due July 4, 2035	2.0
TELUS Corp., 2.35%, due January 27, 2028	2.0
407 International Inc., 6.47%, due July 27, 2029	1.8
Allied Properties Real Estate Investment Trust, 1.73%, due February 12, 2026	1.8
Scotiabank, 1.40%, due November 1, 2027	1.8
Toronto-Dominion Bank, 2.67%, due September 9, 2025	1.8
Verizon Communications Inc., 2.38%, due March 22, 2028	1.8
Ontario Power Generation Inc., 2.89%, due April 8, 2025	1.6
Cash, Money Market and Other Net Assets	1.0
	64.2

Net asset value .....\$42,323,577

### Asset Mix

	% of Net Asset Value
Corporate Bonds	84.4
Provincial Bonds	6.8
Municipal Bonds	3.1
US Bonds	2.9
Foreign Bonds	1.8
Cash, Money Market and Other Net Assets	1.0

### Term Allocation

	% of Net Asset Value
Under one year	10.9
From 1 year to 5 years	70.1
From 5 years to 10 years	12.4
More than 10 years	6.6

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](http://www.nbinvestments.ca).



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