

Annual Management Report of Fund Performance

For the period ended December 31, 2022

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2022

NBI Exchange-Traded Funds NBI High Yield 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.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 High Yield Bond ETF's investment objective is to provide a high level of long-term income. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of high-yield debt securities of developed market issuers.

The ETF seeks to achieve its objective by applying a fundamental bottom-up investment process to achieve strong risk-adjusted returns based around a good diversification by sector, in-depth analysis of the company's strength, competitive position in the sector, management team, market trends and the return offered compared to risk and market conditions. The ETF seeks to invest in well-managed companies with a well-defined business vision and significant competitive advantages.

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, 2022, the NBI High Yield Bond ETF's units returned -10.46% compared to -11.73% for the ETF's benchmark, the ICE BofA US High Yield Constrained 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 Fund's net asset value rose by 13.83% over the period, from \$858.41 million as at December 31, 2021 to \$977.12 million as at December 31, 2022.

The increase stemmed mainly from unit purchases by investors and from investments in the Fund by other NBI funds.

2022 was the second-worst return year in high yield history, with the market retracing over 11%. The year began with a 4.3% market yield, before quickly climbing and ultimately doubling throughout the year.

While the war in Ukraine had an impact on global markets and economies, inflation prints and Fed policy decisions alternated dominating market sentiment and driving volatility higher and markets lower. Similarly in uncharted territory, the high-yield market is in a position of strength this late in the cycle. Fundamentals, which peaked in late 2021, remain solid by most measurements, as companies have smartly paid down debt and refinanced at historically low levels.

Entering 2022 the Fund was positioned slightly defensive and overweight in communications and consumer non-cyclical sectors and underweight finance. The Fund was also over 0.8 years short in rate duration, as the portfolio manager believed investors were not being compensated for extending out curves.

While we have moved closer to market-like in yield and spread throughout the year, most of our risk-taking has occurred in defensive sectors, moving down to the capital structure as historic relationships between secured and unsecured bonds widened.

In this context, the Fund outperformed slightly its benchmark for the period. Security selection in defensive sectors such as cable satellite and healthcare benefitted relative performance, as did our security selection in leisure.

Valuations are fair in the short term and attractive for long-term investors who can withstand continued volatility in 2023. With the material repricing that has occurred across fixed-income markets, the increased starting yield of 9% compensates investors for inevitable volatility as the Fed continues to try to tame inflation amidst rising geopolitical tensions. Additionally, on a default-adjusted basis, spreads near 500 bps are fair given the prevailing expectations of a year-end 2023 default rate of 3-4%.

Recent Developments

Amidst the second-worst return year on record, high-yield yields more than doubled, increasing 4.66%, while spreads widened 161 bps and are nearing 500 bps. As evidenced by the move in yields and spreads, the majority of 2022 pain was rated driven, and the high-yield market proved relatively resilient throughout the year, outperforming higher-quality fixed income and equities.

High-yield issuer fundamentals peaked in late 2021, and although they normalized in 2022, they remain solid, and the asset class is entering 2023 from a position of strength. Despite the wave of rising stars, BBs still account for more than 50% of the market and the default rate has been below 1% for 16 consecutive months.

The technical backdrop is positive; muted new issuance and rising stars outpacing fallen angels should keep supply tight while the 'renters' of high yield, who left the asset class in 2022, can only increase their allocation, and thus increase demand. Valuations are attractive in a vacuum. The high-yield market is pricing in a default rate of approximately 4%, which is at the high end of our base case expectations.

Finally, the high-yield market has never experienced back-to-back negative returns years. In fact, in five of the six years following a negative return year, the high-yield market generated a positive double-digit return. Cognizant of the macroeconomic headwinds and heightened geopolitical concerns entering 2023, we believe this is an attractive entry point for long-term investors.

On April 30, 2022, the ETF's independent review committee (the "IRC") was reduced to three members when Robert Martin resigned as IRC member. On May 1, 2022, the Fund's IRC was increased to four members when Line Deslandes was appointed as IRC member. However, on September 30, 2022, the ETF's IRC was reduced to three members when Line Deslandes resigned 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, 2022, the NBI High Yield Bond Fund held approximately 98.39% ownership of the redeemable units outstanding of the ETF. Transactions between the NBI High Yield Bond Fund and the ETF were carried out in the normal course of business. The portfolio manager for this Fund 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 0.60% 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 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, 2022, compared with the following benchmark:

- ICE BofA US High Yield Constrained Index (CAD Hedged)

NBI High Yield Bond ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	(10.46)%	–	–	–	(1.59)%
Benchmark	(11.73)%	–	–	–	(1.43)%

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 **ICE BofA US High Yield Constrained Index**, hedged in CAD, is composed of U.S. dollar-denominated, high yield corporate bonds that have at least \$250 million of outstanding face value, have an original maturity date of at least 18 months; and have at least one year to maturity. The Index contains all securities in the ICE BofA US High Yield Index but caps issuer exposure at 2%. Index constituents are capitalization-weighted, based on their current amount outstanding, provided the total allocation to an individual issuer does not exceed 2%.

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	2022 December 31	2021 December 31	2020 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	24.28	24.50	25.00
Increase (Decrease) from Operations (\$)			
Total revenue	1.43	1.40	1.14
Total expenses	(0.15)	(0.17)	(0.13)
Realized gains (losses)	(1.24)	0.91	2.45
Unrealized gains (losses)	(2.29)	(0.97)	1.87
Total Increase (Decrease) from Operations ⁽³⁾	(2.25)	1.17	5.33
Distributions (\$)			
From net investment income (excluding dividends)	1.28	1.40	0.87
From dividends	—	—	—
From capital gains	—	0.64	2.15
Return of capital	—	—	—
Total Annual Distributions ⁽⁴⁾	1.28	2.04	3.02
Net Assets, End of Accounting Period Shown ⁽²⁾	20.50	24.28	24.50

Ratios and Supplemental Data

Accounting Period Ended	2022 December 31	2021 December 31	2020 December 31
Total net asset value (000's of \$) ⁽⁵⁾	977,119	858,397	883,698
Number of units outstanding ⁽⁵⁾	47,675,000	35,350,000	36,075,000
Management expense ratio (%) ⁽⁶⁾	0.69	0.69	0.69
Management expense ratio before waivers or absorptions (%)	0.69	0.69	0.69
Trading expense ratio (%) ⁽⁷⁾	—	—	—
Portfolio turnover rate (%) ⁽⁸⁾	13.10	32.80	39.49
Net asset value per unit (\$)	20.50	24.28	24.50
Closing market price ⁽⁹⁾	20.53	24.13	24.47

⁽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.

⁽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, 2022

Portfolio Top Holdings

	% of Net Asset Value
Cash, Money Market and Other Net Assets	1.6
DISH DBS Corp., 5.88%, due November 15, 2024	1.6
Tenet Healthcare Corp., 4.88%, due January 1, 2026	1.3
HCA Inc., 5.63%, due September 1, 2028	1.0
Sprint Corp., 7.63%, due February 15, 2025	1.0
CCO Holdings Capital Corp., 5.13%, due May 1, 2027	0.9
Ford Credit Canada Ltd., 4.54%, due August 1, 2026	0.9
Intelsat Jackson Holdings SA, 6.50%, due March 15, 2030	0.9
CCO Holdings Capital Corp., 4.75%, due March 1, 2030	0.8
CCO Holdings Capital Corp., 5.00%, due February 1, 2028	0.7
Centene Corp., 4.63%, due December 15, 2029	0.7
CenturyLink Inc., 5.13%, due December 15, 2026	0.7
United States Treasury Bill, due June 1, 2023	0.7
Bausch Health Americas Inc., 9.25%, due April 1, 2026	0.6
CommScope Inc., 8.25%, due March 1, 2027	0.6
Nexstar Escrow Inc., 5.63%, due July 15, 2027	0.6
Sirius XM Radio Inc., 5.00%, due August 1, 2027	0.6
Sprint Corp., 7.63%, due March 1, 2026	0.6
Albertsons Cos LLC / Safeway Inc / New Albertsons LP / Albertson's LLC, 4.63%, due January 15, 2027	0.5
CCO Holdings Capital Corp., 4.25%, due February 1, 2031	0.5
Clear Channel Outdoor Holdings Inc., 5.13%, due August 15, 2027	0.5
CSC Holdings LLC, 6.50%, due February 1, 2029	0.5
PetSmart Inc., 4.75%, due February 15, 2028	0.5
Sprint Capital Corp., 8.75%, due March 15, 2032	0.5
Standard Industries Inc./NJ, 4.75%, due January 15, 2028	0.5
	19.3

Net asset value..... \$977,119,123

Term Allocation

	% of Net Asset Value
Under one year	1.6
From 1 year to 5 years	47.8
From 5 years to 10 years	49.6
More than 10 years	1.0

Credit Quality

	% of Net Asset Value
AAA	1.1
BBB	6.4
BB	45.8
B	38.9
CCC	4.8
CC	0.1
C	—
D	0.3
Non cotés	—

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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