

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 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.

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 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 simplified prospectus or any amendments thereto and ETF Facts.

Results of Operations

For the twelve-month period ended December 31, 2022, the NBI Active International Equity ETF's units returned -13.09% compared to -8.23% for the ETF's benchmark, the MSCI EAFE 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 141.69% over the period, from \$102.86 million as at December 31, 2021 to \$248.60 million as at December 31, 2022.

The increase stemmed mainly from investments in the Fund by other NBI Funds.

International stocks lost ground during 2022 amidst a range of geopolitical developments centred around after-effects of the Covid pandemic and the onset of Ukraine War. These exerted contrasting pressures on reconfiguring supply chains which took place alongside a global move into a tighter monetary policy environment.

The eurozone economy, which initially benefitted from an unleashing of pent-up following the relaxation of Covid measures early in the year, slowed steadily in the second half, as businesses adjusted to tough European Union sanctions levied upon Russia. Denial of Russian oil shipments to an energy-dependent Germany, and removal of Russia from the global U.S. dollar payment system created a range of uncertainties which are still playing out. The Japanese securities were also hit hard during the year. The falling Japanese yen significantly increased the price of energy imports in local terms and worsened the losses of foreign investors in Japanese stocks in U.S. and Canadian dollar terms.

Tough economic developments, however, increased hopes for moderation by a hawkish European Central Bank as the year ended. On the Asian front, China's relaxation of its Covid policy created hopes in the world's second-largest economy's trading partners, particularly Hong Kong and Taiwan where the stock prices of many companies picked up some momentum.

Under these circumstances, the Fund underperformed its benchmark.

Top contributing sectors to the Fund's relative performance included Real Estate, Financials, and Health Care. Bottom contributors included Consumer Discretionary, Information Technology, and Industrials.

Top individual contributors to the Fund's relative performance included MS&AD, Equinor, and Ashtead. MS&AD generated solid growth in its insurance premium revenues throughout the year, cut losses in its MS Amlin reinsurance division and benefitted from increased investment yield on its balance sheet assets in a rising interest rate environment, all of which caused a multiple expansion in its stock price. Equinor shares rose alongside strong energy and oil prices throughout much of the year. Ashtead Group's shares saw momentum following robust and resilient private sector construction throughout the year, and the release of industry data which suggested that construction increased by more than expected in December, signalling increased demand for industrial equipment rental services that it provides.

Top detractors from the Fund's performance included Teleperformance, Adidas, and Sinch. Teleperformance's shares underperformed after news emerged that the Colombian government was investigating working conditions at the back-office services provider's local affiliate, despite a strong response from management which denied the claim and provided evidence to the contrary. Adidas faced multiple headwinds this year. These ranged from supply chain disruptions, inventory gluts leading to higher discounting environments, ongoing weakness in China partially caused by the ongoing lockdowns, and issues related to their partnership with Kanye West, which ended after the artist made antisemitic comments. Sinch's stock underperformed due to gross margin headwinds related to its limited ability to pass on inflation costs due to contract lock-ins, and questions regarding its accounting and resulting restatement of certain items.

Recent Developments

Several transactions have taken place during the year 2022 resulting in few additions of new positions in the portfolio and some divestments in other companies. Thus, additions include CSL, L'Oreal, Sinch AB (sold later in the year), Ashtead, Coloplast, Keyence, Sika AG and Unicharm Corp. Conversely, the Fund divested holdings in B&M European Value Retail, Koninklijke Philips, Tenemos AG, Varta AG, Nitto Denko, Sinch AB, and Tsuruha Holdings.

The Fund's deviations from its benchmark in terms of region, sector and currency allocations remained negligible as we focus on security selection to add value through different market environments.

Lost production volumes and the effects of sanctions amidst Russia's invasion of Ukraine are complexifying numerous existing inflationary drivers. These include aging demographics, a labour force reassessing its work/life balance, Covid-related production hurdles, and regionalization trends. Consequently, we are focused on business models that have strong pricing power.

The uncertainty surrounding changes in supply chains, consumer behaviours, digitization and rising wages will have a lasting impact on business models.

The Fund continues to identify relative valuation dislocations caused by rapidly shifting market narratives that are offering compelling opportunities to book profits and reinvest in misunderstood and therefore mispriced stocks.

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.

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, 2022
Total brokerage fees	415,107.21
Brokerage fees paid to National Bank Financial	76,177.29

Holdings

As at December 31, 2022, 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 Secure Portfolio	2.30
NBI Conservative Portfolio	11.30
NBI Moderate Portfolio	17.57
NBI Balanced Portfolio	38.64
NBI Growth Portfolio	21.06
NBI Equity Portfolio	7.62
NBI Global Balanced Growth Fund	0.04
NBI Active International Equity Fund	0.06

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 0.60% 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 February 11, 2021 (commencement of operations) to December 31, 2021.

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:

- MSCI EAFE Index

NBI Active International Equity ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units¹	(13.09)%	–	–	–	(7.69)%
Benchmark	(8.23)%	–	–	–	(1.75)%

¹Commencement of operations: February 11, 2021

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 **MSCI Europe, Australasia and Far East Index (the "MSCI EAFE Index")** comprises securities of companies located in 21 leading countries in Europe, Asia and the Pacific Rim.

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: February 11, 2021

Accounting Period Ended	2022 December 31	2021 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	24.97	25.25
Increase (Decrease) from Operations (\$)		
Total revenue	0.43	0.27
Total expenses	(0.14)	(0.15)
Realized gains (losses)	(2.22)	(0.77)
Unrealized gains (losses)	0.81	(3.72)
Total Increase (Decrease) from Operations ⁽³⁾	(1.12)	(4.37)
Distributions (\$)		
From net investment income (excluding dividends)	0.27	0.03
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
Total Annual Distributions ⁽⁴⁾	0.27	0.03
Net Assets, End of Accounting Period Shown ⁽²⁾	21.43	24.97

Ratios and Supplemental Data

Accounting Period Ended	2022 December 31	2021 December 31
Total net asset value (000's of \$) ⁽⁵⁾	248,595	102,859
Number of units outstanding ⁽⁵⁾	11,600,000	4,120,000
Management expense ratio (%) ⁽⁶⁾	0.69	0.67
Management expense ratio before waivers or absorptions (%)	0.69	0.68
Trading expense ratio (%) ⁽⁷⁾	—	—
Portfolio turnover rate (%) ⁽⁸⁾	61.01	31.94
Net asset value per unit (\$)	21.43	24.97
Closing market price ⁽⁹⁾	21.36	24.95

⁽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
Novartis AG	6.5
Prudential Corp. PLC	6.5
DBS Group Holdings Ltd.	5.8
Teleperformance	5.2
Fast Retailing Co. Ltd.	5.0
Statoil ASA	4.9
ASML Holding NV	4.8
Beiersdorf AG, Class A	4.8
L'Oréal SA	4.8
Adidas AG	4.5
Shin-Etsu Chemical Co. Ltd.	4.4
Experian Group Ltd.	4.3
Deutsche Boerse AG	3.6
MS&AD Insurance Group Holdings Inc.	3.6
Daikin Industries Ltd.	3.2
Sika AG	3.0
Ashtead Group PLC	2.8
CSL Ltd.	2.8
Daito Trust Construction Co. Ltd.	2.7
Novo Nordisk, Class B	2.7
REA Group Ltd.	2.4
Coloplast A/S, Class B	2.3
Keyence Corp.	2.3
Tencent Holdings Ltd.	1.9
Cash, Money Market and Other Net Assets	(0.8)
	94.0
Net asset value	\$248,595,447

Regional Allocation

	% of Net Asset Value
Japan	22.8
Germany	14.0
France	10.1
Switzerland	9.5
United Kingdom	9.3
Singapore	5.8
Australia	5.2
Denmark	5.0
Norway	4.9
Netherlands	4.8
Ireland	4.3
China	3.7
Sweden	1.4
Cash, Money Market and Other Net Assets	(0.8)

Sector Allocation

	% of Net Asset Value
Financials	19.5
Industrials	15.6
Health Care	14.3
Consumer Discretionary	11.2
Consumer Staples	11.1
Information Technology	8.6
Materials	8.5
Energy	4.9
Communication Services	4.4
Real Estate	2.7
Cash, Money Market and Other Net Assets	(0.8)

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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