

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 Sustainable Canadian 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 Sustainable Canadian Bond ETF's investment objective is to provide a high level of current income and sustained capital growth while focusing on debt instruments designed to raise funds for projects or businesses that have a positive environmental or social impact. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of bonds issued by Canadian federal or provincial governments or by Canadian corporations. It is expected that investments in foreign securities will not exceed approximately 30% of the ETF's net assets.

When selecting securities, the Portfolio Sub-Advisor uses a bottom-up approach. It selects issuers based on fundamental analysis. The Portfolio Sub-Advisor also carries out a credit analysis on each security which is combined to the ESG analysis and to the internal analysis described in the previous paragraph to determine the security's weighting in the portfolio. ESG issues are assessed using relevant indicators that vary from one sector to another (in accordance with the relevant ESG issues of the sector). This analysis could include elements such as energy efficiency, greenhouse gas emissions, water management, waste management, human capital, diversity and inclusion, health and safety, board composition, compensation and financial governance among other issues.

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 Sustainable Canadian Bond ETF's units returned -10.97% compared to -11.69% for the ETF's benchmark, the FTSE Canada Universe 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 488.14% over the period, from \$59.16 million as at December 31, 2021 to \$347.95 million as at December 31, 2022.

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

In the first quarter of 2022, we saw an increase in interest rates. This generalized increase in rates was, however, more pronounced at the short end of the curve, as the market anticipated larger increases in the policy rate by central banks.

In the second quarter, we saw a general interest rate increase that was slightly more pronounced in the long end of the curve. There are fears that a recession may be imminent following the hikes in policy rates by central banks around the world.

The third quarter was no exception, but this time the increase in rates was concentrated in the short end of the curve. In this environment of rising rates by central banks around the world, higher-than-expected inflation and the potential for a recession, corporate credit spreads continued to widen, as they have since the beginning of the year.

Contrary to what we saw in November, the yield curve moved higher in December. This leads to a rate increase for all terms of the curve in the fourth quarter. It is difficult to pinpoint a dominant factor explaining the year-end rate hike, but a return of good economic news could explain some of this movement. This had a positive impact on corporate credit spreads in the quarter, which compressed over the period. The telecommunications industry benefited from the largest spread compression. On the other hand, real estate performed relatively poorly.

All in all, 2022 was characterized by rate hikes across the curve and a flattening of the curve. Provincial and corporate credit spreads widened, and the financial and real estate industries underperformed relatively.

Despite this backdrop, the Fund slightly outperformed its benchmark for the period. The Fund's shorter-than-Index duration accounted for all its relative performance.

Conversely, overweight exposure to the provincial sector and corporates detracted value. Stock selection also had a negative impact.

In 2022, the duration remained below that of the benchmark, but the magnitude of the spread was reduced. This occurred by reducing the underweight to 10-year and long-term bonds and increasing it over the 5-year term. Exposure to provincial and corporate bonds was increased to take advantage of an attractive entry point as credit spreads widened.

Recent Developments

At year-end 2022, duration was shorter than that of the index, and this deviation was largely due to an underweight exposure to 10-year bonds. The portfolio is overweight in the provincial sector and corporate bonds.

The portfolio manager believes 2023 will be a transition year on several fronts. The Canadian and U.S. economies are expected to slow and possibly contract following the tightening of financial conditions announced in 2022. The pace of annual price growth is expected to moderate at the beginning of the year as significant price increases from early 2022 are removed from the year-over-year calculations. Central banks are also expected to move from aggressive tightening in 2022 to a more moderate pace next year. With most of the policy rate increases already behind us, there are still a few, but these increases are already anticipated by the financial markets. Banks will also want to pause to assess the impact of previous increases on growth and inflation. After a disastrous year in 2022, the bond market should stabilize next year. We expect the FTSE Canada Index to perform modestly in 2023, with a range of 2-5%.

In 2022, the percentage of green, social, and sustainable impact bonds decreased slightly, as the minimum threshold for this type of bond is 85% within the fund.

The fund's objective is to provide a high level of current yield and sustained capital growth while focusing on fixed income securities whose funds are used to finance projects that benefit the environment and social issues.

As at December 31, 2022, the carbon intensity of the fund was 5.1 tonnes of CO₂ equivalent per million dollars invested, compared to 46.9 for the benchmark, which is nearly 90% lower than the benchmark. As at December 31, 2021, the carbon intensity of the fund was 7.5 compared to 64.6 for the benchmark, again well below the 50% threshold.

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, 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 Bond Fund	7.06
NBI Sustainable Canadian Bond Fund	0.68
NBI Secure Portfolio	13.65
NBI Conservative Portfolio	26.36
NBI Moderate Portfolio	20.33
NBI Balanced Portfolio	18.53
NBI Growth Portfolio	2.01

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.

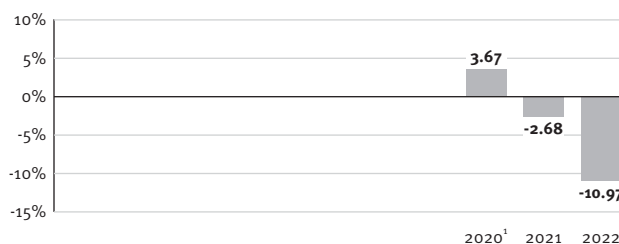
The ETF pays an annual management fee of 0.55% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general 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:

- FTSE Canada Universe Bond Index

NBI Sustainable Canadian Bond ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	(10.97)%	–	–	–	(3.73)%
Benchmark	(11.69)%	–	–	–	(5.47)%

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 **FTSE Canada Universe Bond Index** is designed to be a broad measure of the Canadian fixed-income market and tracks the performance of Canadian investment-grade government and corporate bonds.

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⁾	24.65	25.86	25.00
Increase (Decrease) from Operations (\$)			
Total revenue	0.62	0.63	0.58
Total expenses	(0.14)	(0.16)	(0.13)
Realized gains (losses)	—	(0.15)	0.08
Unrealized gains (losses)	(1.37)	(0.62)	0.36
Total Increase (Decrease) from Operations ⁽³⁾	(0.89)	(0.30)	0.89
Distributions (\$)			
From net investment income (excluding dividends)	0.44	0.51	0.34
From dividends	—	—	—
From capital gains	0.04	—	0.01
Return of capital	—	0.01	—
Total Annual Distributions ⁽⁴⁾	0.48	0.52	0.35
Net Assets, End of Accounting Period Shown ⁽²⁾	21.51	24.65	25.86

Ratios and Supplemental Data

Accounting Period Ended	2022 December 31	2021 December 31	2020 December 31
Total net asset value (000's of \$) ⁽⁵⁾	347,954	59,168	27,155
Number of units outstanding ⁽⁵⁾	16,175,000	2,400,000	1,050,000
Management expense ratio (%) ⁽⁶⁾	0.63	0.63	0.63
Management expense ratio before waivers or absorptions (%)	0.63	0.63	0.63
Trading expense ratio (%) ⁽⁷⁾	—	—	—
Portfolio turnover rate (%) ⁽⁸⁾	166.09	82.37	39.64
Net asset value per unit (\$)	21.51	24.65	25.86
Closing market price ⁽⁹⁾	21.56	24.68	25.94

⁽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
Hydro-Québec, 2.00%, due September 1, 2028.....	7.0
Province of Ontario, 1.55%, due November 1, 2029.....	7.0
CPPIB Capital Inc., 3.00%, due June 15, 2028.....	6.8
Province of Ontario, 1.85%, due February 1, 2027.....	5.9
Fédération des caisses Desjardins, 1.59%, due September 10, 2026.....	4.2
Sun Life Financial Inc., Floating, due August 13, 2029.....	4.0
Government of Canada, 2.25%, due December 1, 2029.....	4.0
Hydro-Québec, 4.00%, due February 15, 2055.....	4.0
Hydro-Québec, 6.50%, due February 15, 2035.....	3.6
National Bank of Canada, 1.53%, due June 15, 2026.....	3.3
Bank of Montreal, 1.76%, due March 10, 2026.....	3.1
Ivanhoe Cambridge II Inc., 2.30%, due December 12, 2024.....	2.6
Bell Canada, 2.20%, due May 29, 2028.....	2.0
Choice Properties Reit, 2.46%, due November 30, 2026.....	1.9
BCI QuadReal Realty, 2.55%, due June 24, 2026.....	1.8
Province of Ontario, 2.65%, due February 5, 2025.....	1.8
Ontario Teachers' Finance Trust, 4.45%, due June 2, 2032.....	1.6
BCI QuadReal Realty, 1.06%, due March 12, 2024.....	1.5
OMERS Finance Trust Realty Corporation, 5.38%, due November 14, 2028.....	1.5
Province of Quebec, 3.65%, due May 20, 2032.....	1.5
Manulife Financial Corp., Floating, due May 9, 2028.....	1.5
National Bank of Canada, 5.30%, due November 3, 2025.....	1.2
Granite Reit Holdings LP, 3.06%, due June 4, 2027.....	1.2
Lower Mattagami Energy LP, 4.85%, due October 31, 2033.....	1.2
Cash, Money Market and Other Net Assets.....	(0.1)
	<u>74.1</u>

Net asset value..... \$347,954,152

Asset Mix

	% of Net Asset Value
Corporate Bonds.....	49.3
Provincial Bonds.....	36.4
Federal Bonds.....	10.8
Municipal Bonds.....	3.3
Foreign Bonds.....	0.3
Derivative Products.....	(0.6)
Cash, Money Market and Other Net Assets.....	0.5

Term Allocation

	% of Net Asset Value
Under one year.....	0.2
From 1 year to 5 years.....	34.9
From 5 years to 10 years.....	44.0
More than 10 years.....	20.9

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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