NBI Exchange-Traded Funds

Annual Management Report of Fund Performance

For the period ended December 31, 2020

NATIONAL BANK INVESTMENTS

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ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

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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 in a portfolio comprised primarily of bonds issued by Canadian federal or provincial governments or by Canadian corporations.

The ETF seeks to achieve its objective by using a top-down approach when managing the level of risk of the portfolio. It considers the economic outlook and analyzes the risks of the various assets constituting the portfolio. When selecting securities, the ETF uses a bottom-up approach. It selects issuers based on fundamental analysis, including a credit and an ESG analysis for each security.

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 Sustainable Canadian Bond ETF was launched on January 23, 2020, and the ETF's net asset value was $27.15 million as at December 31, 2020. Investment performance is not provided for an ETF that has been available for less than one year.

The year 2020 was characterized by several waves of uncertainty caused by COVID-19, the response of governments and central banks to the unforeseen events it caused, the impact on the economy and financial markets, not to mention the U.S. presidential election. While the global economy slowed down sharply in 2020, unemployment surged and corporate earnings dropped, stock markets surprisingly ended the year higher and spreads between corporate and federal bond yields ("credit spreads") remained essentially unchanged while real estate rallied around the world. The combination of highly accommodative and unprecedented fiscal and monetary policies on a global scale particularly helped to support markets during this turbulent year.

In this context, bond yields declined rapidly and drastically as the virus began to spread in Europe and North America. Investors sought refuge in safer securities, moving away from riskier ones that could lose value in the recession taking shape. At their low point, 10-year yields hit 0.54% in both Canada and the United States. The COVID-19 crisis has also had a significant impact on the corporate bond market. They posted negative returns in the first quarter due to a sharp widening of credit spreads in March, with longer-term issues the most affected. Provincial issuers have also not been spared from this frenzy for safe havens. In this environment, the Bank of Canada lowered its key rate from 1.75% to an all-time low of 0.25% only in March.

In addition to the provincial Treasury bills repurchase program, the Bank of Canada also announced federal, municipal and corporate bond buyback programs. Corporate bond repurchases proved far lower than initially stated, as market conditions improved before they were implemented.

U.S. Federal Reserve (“Fed”) Chair Jerome Powell, presented a new monetary policy framework, now focusing on an average inflation target. In practical terms, it will take an unemployment rate of less than 4% and inflation above 2% before the Fed starts raising its key rate, which they believe will not happen until 2023. The Bank of Canada is also considering this approach. The message is clear: keep short-term yields low and continue quantitative easing for a long time to push inflation well above the target to set the stage for this new approach. This has contributed to a widening gap between short- and long-term yields.

In short, in 2020, bond yields in Canada dropped significantly, allowing the FTSE TMX Canada Universe Bond Index to generate a return of 8.68%. Yields on 10-year bonds fell from 1.70% to 0.68% and the spread between 30-year and 2-year bond yields increased from 0.07% to 1.01%. While the worst was expected for the economy, credit spreads on corporate bonds increased very little, and companies were able to issue a record $108.1 billion in debt, 8.5% more than last year.

In this context, municipal and provincial bonds outperformed their corporate and federal peers, returning 10.13% and 9.86% respectively for the year as a whole, compared to 8.74% and 7.28% for the other two asset classes. Long-term issues outpaced their short- and medium-term peers.

Among corporate bonds, BBB-rated issues generated higher returns than their higher-rated peers. Sector-wise, Infrastructure and Communications outpaced their peers, gaining 10.44% and 10.49% respectively, while Securitized assets and the Financial sector lagged behind at 6.53% and 6.91% respectively.

The ETF was launched on February 27, 2020, when the effects of the pandemic had already disrupted markets. At that time, the portfolio positioning was defensive. At the end of the first quarter, the portfolio was underexposed to corporate credit and practically no deviations were made from the benchmark in the provincial bond sector, which includes provinces and municipalities. The largest deviation came from an underweight in long-term bonds (10-year and 30-year issues), resulting in a shorter duration than the benchmark.

This difference in duration was accentuated during the second quarter and decreased slightly in the third quarter, ending the year with a deviation of 0.77 years below the benchmark. This deviation still came mainly from an underweight in the longer segment of the curve (10- and 30-year maturities).

In the third quarter, the portfolio manager took advantage of market opportunities to increase the portfolio's exposure to provincial and corporate debt securities. The overweight in corporate bonds at the end of the year was 0.12 in dollar-duration, which is marginal, and 0.34 in dollar-duration for the provincial sector, mainly due to the overweight in municipal bonds.

Throughout the year, the breakdown in credit ratings remained stable, with more than 65% of the portfolio's market value in AAA and AA bonds, and around 5% in BBBs.

Recent Developments

Now that the outcome of the U.S. presidential election is final and unequivocal, a trade deal has been reached for an amicable divorce between the United Kingdom and the European Union, and control of the U.S. Senate has shifted to the Democrats, the only major risk factor remaining in play is the pandemic and the new coronavirus strain.

This second wave will definitely have serious consequences for economic activity in the first quarter in Europe and Canada. Quebec and Ontario, the provinces with the country's two largest economies, have announced tough lockdown measures for January and possibly longer. The Canadian economy is expected to contract in the first quarter, possibly prompting the Bank of Canada (“BoC”) to further enhance its economic support measures. Since the central bank has recently reduced the pace of government bond purchases from $5 billion to $4 billion per week, it is unlikely to reverse its decision. In fact, at a monthly rate of $17.3 billion, the BoC's program is twice as aggressive as the Fed's as a share of the country's economy. In addition, the BoC is concerned about the rising Canadian dollar in recent months and its effects on our exporters at a time when our trading partners' activity is slowing. Accordingly, the possibility of an additional key rate cut at the January 20 meeting should not be ruled out, although the rate should remain in positive territory.

On April 30, 2020, the ETF's independent review committee (the "IRC") was reduced to three members when Jacques Valotaire resigned as IRC member. On July 1, 2020, the ETF's IRC was increased to four members when Marie Desroches 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.

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

Investment performance is not provided for an ETF that has been available for less than one year. The ETF's units were available since March 4, 2020.

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 04, 2020

Accounting Period Ended	2020 December 31
Net Assets, Beginning of Accounting Period Shown[2]	-
Increase (Decrease) from Operations ($)	
Total revenue	0.58
Total expenses	(0.13)
Realized gains (losses)	0.08
Unrealized gains (losses)	0.36
Total Increase (Decrease) from Operations ($)[3]	0.89
Distributions ($)	
From net investment income (excluding dividends)	0.34
From dividends	-
From capital gains	0.01
Return of capital	0.00
Total Annual Distributions ($)[4]	0.35
Net Assets, End of Accounting Period Shown ($)[2]	25.86

Ratios and Supplemental Data

Accounting Period Ended	2020 December 31
Total net asset value (000's of $)[5]	27,155
Number of units outstanding[5]	1,050,000
Management expense ratio (%)[6]	0.63
Management expense ratio before waivers or absorptions (%)	0.63
Trading expense ratio (%)[7]	-
Portfolio turnover rate (%)[8]	39.64
Net asset value per unit ($)	25.86
Closing market price[9]	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, 2020

Portfolio Top Holdings

	% of Net Asset Value
Province of Ontario Canada, 1.85%	14.9
Province of Ontario Canada, 2.65%	9.5
Province of Quebec Canada, 2.60%	8.4
CPPIB Capital Inc., Series EMTN, 3.00%	8.4
Hydro-Quebec, Series 19, 6.50%	8.3
Hydro-Quebec, 4.00%	4.6
Sun Life Financial Inc., 2.38%	4.3
Manulife Financial Corp., 3.32%	4.1
Societe de Transport de l'Outaouais, 1.35%	2.7
Lower Mattagami Energy LP, 5.14%	2.6
Ivanhoe Cambridge II Inc., Series 2, 2.30%	1.9
Algonquin Power Co., 4.65%	1.9
South Coast British Columbia Transportation Authority, 4.45%	1.9
MidAmerican Energy Co., 4.25%	1.7
City of Toronto Canada, 3.20%	1.6
Ontario Power Generation Inc., 3.84%	1.6
Canadian Government Bond, 2.00%	1.5
THP Partnership, 4.39%	1.3
Apple Inc., 3.00%	1.2
Regie d'Assainissement des eaux Terrebonne-Mascouche, 0.85%	0.8
Verizon Communications Inc., 3.88%	0.8
British Columbia Ferry Services Inc., Series 13-1, 4.70%	0.8
Export Development Canada, 1.80%	0.8
Autorite Regionale de Transport Metropolitain, 0.90%	0.8
Cash, Money Market and Other Net Assets	0.8
	87.2
Net asset value	$27,154,542

Asset Mix

	% of Net Asset Value
Bonds and Debentures	99.2
Cash, Money Market and Other Net Assets	0.8

Term Allocation

	% of Net Asset Value
Under 1 year	0.4
From 1 year to 5 years	33.8
From 5 years to 10 years	35.4
Over 10 years	29.6

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 Web site at www.nbinvestments.ca.