

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 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 Sustainable Canadian Equity ETF's investment objective is to provide long-term capital growth while following a sustainable approach to investing. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of equity securities of Canadian companies. It is expected that investments in foreign securities will not exceed approximately 10% of the ETF's net assets.

The ETF seeks to achieve its objective by applying a fundamental bottom-up investment process to invest in profitable, well-established companies with durable attributes presenting a strong potential for risk-adjusted returns. Each security goes through a thorough ESG analysis to assess the quality, capital allocation ability and long-term sustainability of a business.

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 Equity ETF's units returned -1.60% compared to -5.84% for the ETF's benchmark, the S&P/TSX Composite 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 ETF's net asset value increased by 282.3% over the period, from \$355.46 million as at December 31, 2021 to \$1,359 billion as at December 31, 2022. The increase stemmed mainly from investments in the Fund by other NBI Funds.

As we mark the end of the fourth and final quarter of 2022, we can reflect on the past 12 months that have been exceptionally eventful for both the Canadian market and the global economy overall. The year began with widespread uncertainty as investors' fears shifted from COVID-19 variants to socio-political crisis and war in eastern Europe. Coupled with rising energy prices and inflation concerns, the first quarter was one of significant volatility across markets and sectors. In this environment, the S&P/TSX Composite posted an eighth consecutive quarter of positive returns which represented the longest streak of quarters with total positive returns in over 25 years. These macroeconomic conditions led to a value-driven rally where the more cyclical sectors of the market such as Energy and Materials led the way on the back of commodity prices despite the lower quality attributes of many of the companies. At the same time, with central banks beginning to take action to keep a handle on inflation, technology stocks which had seen their valuations soar over recent years began a steep decline as the market repriced their future growth prospects in this new environment. As the second quarter began in the spring, investors saw the volatility of the start of the year continue as they adjusted to a more persistent inflationary environment and socio-political turmoil in Europe showed no signs of ending. Despite aggressive central bank action, recession fears increased and fuelled negative sentiment in all areas of the market. After eight consecutive quarters of positive returns, the S&P/TSX shifted into negative territory during the quarter with a broad-based downturn affecting all sectors. Energy and utility stocks continued to be the best-performing sectors despite being in negative territory and the route in technology stocks continued led by high-profile companies like Shopify and Lightspeed. The third quarter was more muted as the market adjusted to the uncertainty potential implications of a sustained recession and the top-performing stocks were consumer companies with pricing power to handle inflation and defensive industry businesses like railways and waste management. Finally, the Canadian market rallied in the fourth quarter on the back of improving market sentiment. Despite continued recession fears, improving inflation data led to the market seeing a potential end to the rate hike cycle which fuelled a broad rally across most sectors.

Under these circumstances, the Fund outperformed its benchmark.

Among the leading contributors to performance over the period were Dollarama and Intact Financial. Dollarama is a provider of general merchandise through their network of discount retail stores located throughout Canada. The company has a culture of efficiency led by an experienced management team with the founding family still retaining a minority ownership stake. Their stores have been a trusted destination for consumers and their basic needs throughout the pandemic and the company has shown resiliency in managing inflationary and supply chain pressures. Intact Financial is a leading provider of property and casualty insurance in Canada. The company has a long-term focused management team with a strong acquisition track record. They have continued to see organic growth from multiple product lines and the integration of their 2021 acquisition of RSA PLC is expected to be completed this year and with it they have significantly increased their position as the biggest P&C insurer in Canada.

Significant detractors over the period were Open Text and Enghouse Systems. Open Text develops enterprise information management (EIM) solutions, which enable companies to control and better utilize all forms of information. During the month of August, Open Text announced its acquisition of UK firm Micro Focus. Although aligned from a service perspective and offering a complementary client base, the deal will require Open Text to issue a significant amount of debt and there is some uncertainty in the market as to the future prospects of the combined business. In this context the stock was down during the year. Enghouse Systems develops software for facilities management and geographic information systems. The company has an experienced management team and provides mission critical software to clients around the world. However, over recent years they have been lagging their peers with regards to research and development and the resulting decline in organic growth over time.

We currently have positions in a portfolio of well managed and profitable Canadian companies, including Intact Financial, Royal Bank of Canada, Constellation Software, Toromont and CP Rail all of which find themselves in our top 10 holdings.

These companies are all well established with track records of profitability and growth over time and align well with our investment approach.

Recent Developments

During the period we did not initiate any new positions, but we exited our positions in Enghouse Systems and Open Text. Enghouse Systems develops software for facilities management and geographic information systems. The company has an experienced management team and provides mission critical software to clients around the world. However, over recent years they have been lagging their peers with regards to research and development and the resulting decline in organic growth over time was the catalyst for us exiting the position and looking to deploy capital elsewhere in the portfolio. Open Text develops enterprise information management (EIM) solutions, which enable companies to control and better utilize all forms of information. During the month of August, Open Text announced its acquisition of UK firm Micro Focus. Although aligned from a service perspective and offering a complementary client base, the deal will require Open Text to issue a significant amount of debt and there is some uncertainty in the market as to the future prospects of the combined business. After taking the time to speak with management and evaluate our thesis, during the quarter we decided to exit the position in order to redeploy the capital to better opportunities within the portfolio.

Investors in our strategy have the benefit of an investment team with a solid long-term track record of performance, with a focus on capital preservation. Our commitment remains to investing in high-quality companies with a demonstrated ability to compound intrinsic value over time, with our portfolio continuing to trade at an attractive discount to intrinsic value.

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	72,507.21
Brokerage fees paid to National Bank Financial	14,604.48

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	0.82
NBI Conservative Portfolio	4.83
NBI Moderate Portfolio	7.91
NBI Balanced Portfolio	17.65
NBI Growth Portfolio	9.69
NBI Equity Portfolio	3.26
NBI Sustainable Canadian Equity Fund	53.46

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 0.60% 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:

- S&P/TSX Composite Index

NBI Sustainable Canadian Equity ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	(1.60)%	–	–	–	10.76%
Benchmark	(5.84)%	–	–	–	12.19%

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 **S&P/TSX Composite Index** is a subset of the S&P/TSX and reflects share price fluctuations of a group of companies listed on the Toronto Stock Exchange (TSX) and weighted by market capitalization.

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⁾	33.06	27.50	25.00
Increase (Decrease) from Operations (\$)			
Total revenue	0.65	0.67	0.50
Total expenses	(0.22)	(0.22)	(0.15)
Realized gains (losses)	(0.63)	0.23	(0.22)
Unrealized gains (losses)	0.19	4.43	2.74
Total Increase (Decrease) from Operations ⁽³⁾	(0.01)	5.11	2.87
Distributions (\$)			
From net investment income (excluding dividends)	—	—	—
From dividends	0.29	0.35	0.17
From capital gains	—	0.17	—
Return of capital	—	—	0.02
Total Annual Distributions ⁽⁴⁾	0.29	0.52	0.19
Net Assets, End of Accounting Period Shown ⁽²⁾	32.24	33.06	27.50

Ratios and Supplemental Data

Accounting Period Ended	2022 December 31	2021 December 31	2020 December 31
Total net asset value (000's of \$) ⁽⁵⁾	1,358,917	355,447	6,187
Number of units outstanding ⁽⁵⁾	42,150,000	10,750,000	225,000
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⁾	7.32	6.61	28.74
Net asset value per unit (\$)	32.24	33.06	27.50
Closing market price ⁽⁹⁾	32.23	33.08	27.62

⁽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
Canadian Pacific Railway Co.....	5.5
Constellation Software Inc.....	5.4
Intact Financial Corp.....	5.1
Thomson Reuters Corp.....	5.0
Metro Inc.....	4.8
CGI Group Inc., Class A.....	4.7
Royal Bank of Canada.....	4.6
Canadian National Railway Co.....	4.6
Dollarama Inc.....	4.2
National Bank of Canada.....	4.1
Toromont Industries Ltd.....	4.1
Bank of Montreal.....	3.9
Waste Connections, Inc.....	3.9
TMX Group Ltd.....	3.8
TELUS Corp.....	3.6
Toronto-Dominion Bank.....	3.4
Descartes Systems Group Inc.....	3.0
CCL Industries Inc., Class B.....	2.9
Loblaw Companies Ltd.....	2.8
Brookfield Corp.....	2.5
Empire Company Ltd., Class A.....	2.4
Quebecor Inc., Class B.....	2.2
Richelieu Hardware Ltd.....	2.0
Restaurant Brands International Inc.....	2.0
Cash, Money Market and Other Net Assets.....	(0.4)
	<u>90.1</u>

Net asset value..... \$1,358,917,069

Asset Mix

	% of Net Asset Value
Common Shares.....	99.3
Federal Bonds.....	1.1
Cash, Money Market and Other Net Assets.....	(0.4)

Sector Allocation

	% of Net Asset Value
Industrials.....	30.5
Financials.....	28.1
Information Technology.....	14.2
Consumer Staples.....	10.1
Consumer Discretionary.....	6.2
Communication Services.....	5.9
Materials.....	4.3
Bonds.....	1.1
Cash, Money Market and Other Net Assets.....	(0.4)

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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