

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 Short Term 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 Short Term Bond ETF's investment objective is to provide a steady flow of income with an emphasis on capital preservation while focusing on debt instruments designed to raise funds that promote a positive environmental and/or social impact and/or contribute to sustainable development. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of high quality Canadian corporate fixed-income securities with relatively shorter terms to maturity. It may also invest in short-term fixed income securities issued by federal, provincial or municipal governments in Canada.

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 and an ESG analysis on each security. The Portfolio Sub-Advisor also carries out a credit analysis on each security which is combined to the ESG 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

The NBI Sustainable Canadian Short Term Bond ETF was launched on February 10, 2022, and the ETF's net asset value was \$44.48 million as at December 31, 2022. Investment performance is not provided for an ETF that has been available for less than one year.

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.

The short duration position contributed positively compared to the benchmark. On the other hand, the curve positioning was negative, as the short duration position was largely driven by an underweight position in two-year bonds, which rose less than in the 5-year sector of the curve. Within the context of a nearly 100% corporate bond portfolio and an index that includes government issuers, widening credit spreads resulted in sector selection contributing negatively.

Recent Developments

During 2022, the duration remained lower than the benchmark, but the magnitude of the spread widened slightly. This occurred by reducing the underweight to 5-year bonds and further increasing the underweight to two-year bonds. Overexposure to the financials and real estate industry remains, as well as a slight underexposure to energy.

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%.

The percentage of impact bonds (green, social, and sustainable) increased from 27.3% to 37.5% of the fund's total market value. This notable increase was due to the addition of several impact bonds from renewable energy issuers, banks, real estate trusts and telecommunications. With respect to the ESG score, climate risk mitigation score and carbon intensity criteria, there was relatively little change in this regard during the year.

The fund's objective is to provide a high level of current return and sustained capital growth with an emphasis on fixed-income securities, the funds of which are used to finance projects that benefit the environment and social issues and contribute to sustainable development.

One of the fund's objectives is to maintain a carbon intensity below 50% of the benchmark's carbon intensity value. As at December 31, 2022, the carbon intensity of the fund was 3.3 tonnes of CO₂ equivalent per million dollars invested, compared to 27.4 for the benchmark, which is nearly 90% lower than the benchmark. As at March 31, 2022, the carbon intensity of the fund was 3.7 compared to 30.1 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 %
Meritage Conservative Portfolio	11.53
Meritage Diversified Fixed Income Portfolio	6.15
Meritage Conservative Income Portfolio	13.60

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 0.25% 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 February 10, 2022.

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 10, 2022

Accounting Period Ended	2022 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	10.00
Increase (Decrease) from Operations (\$)	
Total revenue	0.26
Total expenses	(0.02)
Realized gains (losses)	(0.11)
Unrealized gains (losses)	(0.35)
Total Increase (Decrease) from Operations ⁽³⁾	(0.22)
Distributions (\$)	
From net investment income (excluding dividends)	0.21
From dividends	—
From capital gains	—
Return of capital	—
Total Annual Distributions ⁽⁴⁾	0.21
Net Assets, End of Accounting Period Shown ⁽²⁾	9.46

Ratios and Supplemental Data

Accounting Period Ended	2022 December 31
Total net asset value (000's of \$) ⁽⁵⁾	44,476
Number of units outstanding ⁽⁵⁾	4,700,000
Management expense ratio (%) ⁽⁶⁾	0.26
Management expense ratio before waivers or absorptions (%)	0.27
Trading expense ratio (%) ⁽⁷⁾	—
Portfolio turnover rate (%) ⁽⁸⁾	47.27
Net asset value per unit (\$)	9.46
Closing market price ⁽⁹⁾	9.44

⁽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
Lower Mattagami Energy LP, 3.42%, due June 20, 2024	4.4
Hydro One Inc., 2.77%, due February 24, 2026	4.3
National Bank of Canada, 1.53%, due June 15, 2026	4.2
Canadian Imperial Bank of Commerce, 2.00%, due April 17, 2025	4.2
BCI QuadReal Realty, 1.06%, due March 12, 2024	4.1
Sun Life Financial Inc., Floating, due August 13, 2029	4.1
Bank of Montreal, 1.76%, due March 10, 2026	3.9
Scotiabank, 2.38%, due May 1, 2023	3.9
Ivanhoe Cambridge II Inc., 2.30%, due December 12, 2024	3.9
OMERS Finance Trust Realty Corporation, 2.86%, due February 23, 2024	3.3
Choice Properties Reit, 2.46%, due November 30, 2026	3.2
Fédération des caisses Desjardins, 1.59%, due September 10, 2026	3.2
Toronto-Dominion Bank, 1.90%, due September 11, 2028	3.1
Intact Financial Corp., 3.69%, due March 24, 2025	3.1
Allied Properties Real Estate Investment Trust, 1.73%, due February 12, 2026	3.0
Wells Fargo & Co., 3.87%, due May 21, 2025	2.6
Toronto-Dominion Bank, 1.94%, due March 13, 2025	2.5
Toronto-Dominion Bank, 2.85%, due March 8, 2024	2.2
CT Real Estate Investment Trust, 3.53%, due June 9, 2025	2.2
Fairfax Financial Holdings Ltd., 4.70%, due December 16, 2026	2.2
Fédération des caisses Desjardins, Floating, due August 23, 2032	2.2
TMX Group Ltd., 3.00%, due December 11, 2024	2.2
iA Financial Corp Inc., Floating, due June 30, 2082	2.2
Manulife Financial Corp., Floating, due May 9, 2028	2.2
Cash, Money Market and Other Net Assets	0.3
	<u>76.7</u>

Net asset value \$44,475,622

Asset Mix

	% of Net Asset Value
Corporate Bonds	91.1
Municipal Bonds	4.4
US Bonds	2.6
Foreign Bonds	1.6
Cash, Money Market and Other Net Assets	0.3

Term Allocation

	% of Net Asset Value
Under one year	7.3
From 1 year to 5 years	68.3
From 5 years to 10 years	14.5
More than 10 years	9.9

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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