

Annual Management Report of Fund Performance

For the period ended December 31, 2023

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2023

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.sedarplus.ca, 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 prospectus 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, 2023, the NBI Sustainable Canadian Short Term Bond ETF's units returned 6.56% compared to 5.02% for the ETF's benchmark, the FTSE Canada Short Term Overall 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 dropped by 5.45% over the period, from \$44.48 million as at December 31, 2022 to \$42.05 million as at December 31, 2023.

During 2023, rates declined across the Canadian curve. The 2 to 30-year terms were down by approximately 0.15% to 0.25%.

On the sector side, there was a general compression in credit spreads. The provinces tightened, while the range was even greater for all industries and all terms on the corporate side. Contractions were observed according to terms and industry.

Against this backdrop, the ETF outperformed its benchmark. The top contributors were duration (0.15%), curve (-0.01%), sectors (1.47%), and security selection (0.2%).

Recent Developments

During 2023, the duration of the ETF increased relative to the benchmark, from -0.29 years to -0.04 years. In a corporate bond mandate, whose index also includes government bonds, the portfolio will naturally be overweight in corporate credit. Most of the portfolio remains overweight in real estate finance and communications.

The transition period for monetary policy is beginning. In the face of slowing inflation, the aggressive tone of central banks has left room for more flexibility. Some bankers have indicated their intention to keep rates high for an extended period while others, such as the Federal Reserve, are talking about further rate cuts in 2024. However, this is not an appropriate time to do so. The U.S. economy is strong, the employment imbalance continues to favour workers and household incomes are growing faster than inflation, helping to support consumption. Households are less indebted and have a long mortgage refinancing cycle, which weakens the transmission of U.S. monetary policy into the economy. In contrast, the Canadian economy is weakening under the weight of frequent rate hikes and mortgage refinancing.

Nevertheless, the Bank of Canada is not yet ready to give up on inflation. In her speech, she remained concerned about the inflationary impact of immigration, which is increasing housing shortages and driving up rental prices. Therefore, no rate cuts are expected by the Bank of Canada at this time, although the economic situation may indicate otherwise. Financial markets have a different view, with the Bank of Canada acting in 2024 if it wants to avoid a recession.

On May 1, 2023, the ETF's independent review committee (the "IRC") was increased to four members when Stéphanie Raymond-Bougie 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.

Holdings

As at December 31, 2023, 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	9.85
Meritage Diversified Fixed Income Portfolio	6.60
Meritage Conservative Income Portfolio	11.87

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

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 10, 2022 (commencement of operations) to December 31, 2022.

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, 2023, compared with the following benchmark:

- FTSE Canada Short Term Overall Bond Index

NBI Sustainable Canadian Short Term Bond ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	6.56%	–	–	–	1.72%
Benchmark	5.02%	–	–	–	2.21%

¹Commencement of operations: February 10, 2022

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 Short Term Overall Bond Index** is intended to represent the Canadian short-term bond market. It contains bonds with remaining effective terms greater than or equal to one year and less than or equal to five years.

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	2023	2022
	December 31	December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	9.46	10.00
Increase (Decrease) from Operations (\$)		
Total revenue	0.32	0.26
Total expenses	(0.03)	(0.02)
Realized gains (losses)	(0.08)	(0.11)
Unrealized gains (losses)	0.38	(0.35)
Total Increase (Decrease) from Operations ⁽³⁾	0.59	(0.22)
Distributions (\$)		
From net investment income (excluding dividends)	0.29	0.21
From dividends	—	—
From capital gains	—	—
Return of capital	—	—
Total Annual Distributions ⁽⁴⁾	0.29	0.21
Net Assets, End of Accounting Period Shown ⁽²⁾	9.78	9.46

Ratios and Supplemental Data

Accounting Period Ended	2023	2022
	December 31	December 31
Total net asset value (000's of \$) ⁽⁵⁾	42,052	44,476
Number of units outstanding ⁽⁵⁾	4,300,000	4,700,000
Management expense ratio (%) ⁽⁶⁾	0.29	0.26
Management expense ratio before waivers or absorptions (%)	0.29	0.27
Trading expense ratio (%) ⁽⁷⁾	—	—
Portfolio turnover rate (%) ⁽⁸⁾	47.16	47.27
Net asset value per unit (\$)	9.78	9.46
Closing market price ⁽⁹⁾	9.78	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. The management expense ratio includes, if necessary, the management expenses from its underlying funds, as described in Article 15.2 of Regulation 81-106.

⁽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, 2023

Portfolio Top Holdings

	% of Net Asset Value
Canadian Imperial Bank of Commerce, 2.00%, due April 17, 2025	4.6
Bank of Montreal, 1.76%, due October 3, 2026	4.3
National Bank of Canada, 1.53%, due June 15, 2026	4.2
Lower Mattagami Energy LP, 3.42%, due June 20, 2024	4.0
Hydro One Inc., 2.77%, due February 24, 2026	3.9
Ontario Power Generation Inc., 3.32%, due April 10, 2027	3.2
Bell Canada, 2.20%, due May 29, 2028	3.1
Toronto-Dominion Bank/The, 5.49%, due August 9, 2028	3.0
Ivanhoe Cambridge II Inc., 4.99%, due February 6, 2028	2.7
Intact Financial Corp., 3.69%, due March 24, 2025	2.6
Choice Properties Reit, 2.46%, due November 30, 2026	2.5
OMERS Finance Trust Realty Corporation, 5.38%, due November 14, 2028	2.5
Fédération des caisses Desjardins, 5.04%, due August 23, 2032	2.4
TELUS Corp., 2.35%, due January 27, 2028	2.4
Toronto Hydro Corp., 2.52%, due August 25, 2026	2.3
Royal Bank of Canada, 5.23%, due June 24, 2030	2.2
Fédération des caisses Desjardins, 1.59%, due October 9, 2026	2.2
Bank of Nova Scotia/The, 2.95%, due August 3, 2027	2.0
Sun Life Financial Inc., 5.50%, due April 7, 2035	2.0
Scotiabank, 1.40%, due January 11, 2027	1.8
Toronto-Dominion Bank, 2.85%, due August 3, 2024	1.8
Verizon Communications Inc., 2.38%, due March 22, 2028	1.8
Allied Properties Real Estate Investment Trust, 1.73%, due December 2, 2026	1.7
Ivanhoe Cambridge II Inc., 2.30%, due December 12, 2024	1.7
Cash, Money Market and Other Net Assets	0.7
	65.6

Net asset value\$42,052,153

Asset Mix

	% of Net Asset Value
Corporate Bonds	83.3
Municipal Bonds	6.3
Provincial Bonds	5.0
US Bonds	2.9
Foreign Bonds	1.8
Cash, Money Market and Other Net Assets	0.7

Term Allocation

	% of Net Asset Value
Under one year	13.0
From 1 year to 5 years	65.1
From 5 years to 10 years	10.8
More than 10 years	11.1

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.



Open architecture.
Endless opportunities.



**NATIONAL
BANK**
INVESTMENTS