

Annual Management Report of Fund Performance

For the period ended December 31, 2020

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2020

NBI Unconstrained Fixed Income 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 Unconstrained Fixed Income ETF's investment objective is to maximize total return while preserving capital. It invests in a diversified portfolio of global fixed-income securities with various maturities and credit ratings.

The ETF seeks to achieve its objective by managing portfolio duration, credit risk, and volatility. It has significant latitude to pursue opportunities across the fixed-income spectrum, and is not managed against a specific benchmark. It has the flexibility to invest across different sectors, credit ratings, maturities and geographic regions, including moving between sectors or across credit risks, and may have long, short or negative duration.

The ETF may invest a significant portion of its net assets in a specific type of securities, by weighting one or other of the above criteria more heavily.

Risks

The global investment risk of the ETF remains as described in the prospectus or any amendments thereto and ETF Facts.

Results of Operations

For the twelve-month period ended December 31, 2020, the NBI Unconstrained Fixed Income ETF's units returned 6.50% compared to 5.33% for the ETF's benchmark, the Bloomberg Barclays Global Aggregate Bond Index (CAD hedged). 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 rose by 96,061.5% over the period, from \$1.88 million as at December 31, 2019 to \$1.81 billion as at December 31, 2020. The increase stemmed mainly from unit purchases by investors in the ETF, investments in the ETF by other NBI Funds and market fluctuations.

An optimistic start to the year gave way to the spread of COVID-19, a global lockdown, job losses and recession. As growth contracted sharply and unemployment soared, riskier asset classes reacted severely, with losses of 22% and 21% in high yield and emerging market debt, in the first quarter. Despite this, a sharp and sustained bounce back meant that most markets posted a positive return for the full year (investment grade bonds returned 10.4%, with high yield and emerging market debt returning 7.0% and 5.3%, respectively) in USD. This ultimately came down to two things: first, central banks conducted massive quantitative easing and governments provided emphatic stimulus support; and second, the progress toward a vaccine, which ultimately bore fruit in Q4 as markets remained optimistic about the outlook for the global recovery in 2021.

Despite a significant drawdown in the market in March, the ETF had a strong year and outperformed its benchmark. Corporate investment grade bonds ("IG credit") were the top contributors for the year, given the support from central banks and extremely strong investor demand for the asset class. This is an area the portfolio manager added to substantially as the full scale of policy support for IG credit became clear. Corporate high yield bonds were another key contributor. He had reduced their exposure during March in response to the crisis and avoided the full impact of the sell-off, before adding back cautiously as markets staged a strong rebound. Another area which added value to the ETF was emerging market debt, which – similarly to high yield – has been tactically reduced in Q1, before adding back across both local and hard currency assets. Additional contributors came from government bonds positioning and duration and securitized products (which held up well throughout the year relative to other sectors).

Over the last twelve months, the portfolio manager has lifted the duration of the ETF from 3.5 years at the end of 2019 to 3.7 years at the end of December 2020. In the first quarter, he lifted the duration to 5.7 years to hedge the portfolio against increased market volatility primarily through exposure to developed-market government rates and later trimmed it as markets were more risk on in the second quarter. These changes helped provide a hedge during the COVID induced crisis and later added returns especially from the Peripheral European bonds in May and June. However, the portfolio manager cut the duration back in the fourth quarter mainly through increased short positions in US Treasuries. The duration's positioning generated positive returns overall in 2020. In high yield ("HY") bonds, where he had reduced exposure to 12% from 18% in the first quarter, exposure to this asset class detracted value during this period with the credit spread widening relative government bonds. However, increasing HY's exposure to 14% in the second quarter and to 23% in the second semester was particularly lucrative, as this asset class rebounded strongly with the risk-on sentiment. Increasing convertible bonds positioning was also fruitful, with equities approaching all-time highs. Emerging market debt is another sector that was down during March, but the portfolio manager reduced the losses by trimming the overall exposure. As markets moved to risk on towards the end of the second quarter, he cautiously raised the sector exposure from 13% at the end of 2019 to 21% as of December 2020 by adding across all the three sub-sectors of the asset class, which added strong returns after the weakness seen in the first quarter. Investment grade corporate bonds where he has increased exposure from 17% to 26%, has been the strongest performer of the year making up for more than its losses from March 2020. Lastly, he has trimmed the overall exposure to securitized sector from 28% to 16% across 2020 to fund the riskiest sectors. The sector was the worst performer across March but has also bounced back strongly after that to have overall positive returns over 2020.

Recent Developments

The portfolio manager expects above-trend growth for 2021 as more countries gain control of the coronavirus and vaccine distribution begins. This improving economic backdrop is likely to drive core government bond yields moderately higher, but he believes central banks will continue to be accommodative and not let rates rise too much. The persistent low rate environment should continue to drive demand for higher-yielding bond markets, such as emerging markets debt and high yield. The biggest risk to his outlook for 2021 is related to the vaccines: any issues with their efficacy or distribution could result in a delay of the economic reopening and a double-dip recession. He's also closely monitoring for a potential temporary bounce in inflation in the spring (for instance, if the global reopening creates a demand surge and pushes prices up) and a possible reduction in fiscal support from governments.

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.

During the period, the ETF received income from funds managed by related parties:

	December 31, 2020
Distributions from underlying funds	155,329.87

Holdings

As at December 31, 2020, the NBI Unconstrained Fixed Income Fund held approximately 99.38% ownership of the redeemable units outstanding of the ETF. Transactions between the Non-Traditional Capital Appreciation Pooled Fund and the ETF were carried out in the normal course of business. The portfolio manager for this Fund is National Bank Trust Inc.

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, 2020
Total brokerage fees	35,755.32

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 related party transactions:

- a) 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;
- b) purchasing on the secondary market securities of a related issuer that are not traded on an exchange;
- c) 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 0.75% 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, or by June 30, as applicable.



(1) Returns for the period from October 18, 2019 (commencement of operations) to December 31, 2019.

(2) Returns for the period from January 1, 2020 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, 2020, compared with the following benchmarks:

- Bloomberg Barclays Global Aggregate Bond (CAD-Hedged) Index

NBI Unconstrained Fixed Income ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ⁽¹⁾	6.50%	-	-	-	5.86%
Benchmark	5.33%	-	-	-	5.28%

⁽¹⁾ Commencement of operations: October 18, 2019.

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 **Bloomberg Barclays Global Aggregate Bond (CAD-Hedged) Index**, hedged in CAD, is a market capitalization weighted index which is designed to measure the broad global markets for corporate, government, governmental agency, supranational, mortgage-backed and asset backed fixed income securities.

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: October 18, 2019

Accounting Period Ended	2020 December 31	2019 December 31
Net Assets, Beginning of Accounting Period Shown⁽²⁾	25.07	-
Increase (Decrease) from Operations (\$)		
Total revenue	1.04	0.74
Total expenses	(0.22)	(0.05)
Realized gains (losses)	1.71	-
Unrealized gains (losses)	0.47	(0.46)
Total Increase (Decrease) from Operations (\$)⁽³⁾	3.00	0.23
Distributions (\$)		
From net investment income (excluding dividends)	0.43	0.14
From dividends	-	-
From capital gains	0.70	0.21
Return of capital	-	-
Total Annual Distributions (\$)⁽⁴⁾	1.13	0.35
Net Assets, End of Accounting Period Shown (\$)⁽²⁾	26.25	25.07

Ratios and Supplemental Data

Accounting Period Ended	2020 December 31	2019 December 31
Total net asset value (000's of \$) ⁽⁵⁾	1,809,462	1,881
Number of units outstanding ⁽⁵⁾	68,925,000	75,000
Management expense ratio (%) ⁽⁶⁾	0.86	0.89
Management expense ratio before waivers or absorptions (%)	0.86	0.89
Trading expense ratio (%) ⁽⁷⁾	-	-
Portfolio turnover rate (%) ⁽⁸⁾	59.98	-
Net asset value per unit (\$)	26.25	25.07
Closing market price ⁽⁹⁾	26.17	25.08

⁽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
Cash, Money Market and Other Net Assets	4.0
U.S. Treasury Notes, 0.25%	1.5
U.S. Treasury Notes, 0.63%	1.3
Italy Buoni Poliennali Del Tesoro, 1.80%	1.1
Republic of Poland Government Bond, Series 1030, 1.25%	1.0
Republic of South Africa Government Bond, Series 2035, 8.87%	0.9
Republic of South Africa Government Bond, Series R213, 7.00%	0.5
Romania Government Bond, Series 10YR, 4.15%	0.5
Republic of Italy Government International Bond, 2.88%	0.5
Colombian TES, Series B, 7.00%	0.5
Mexican Bonos, Series M 20, 8.50%	0.5
ABN AMRO Bank NV, 4.38%	0.5
Colombian TES, Series B, 7.25%	0.5
Malaysia Government Bond, Series 0419, 3.83%	0.5
Indonesia Treasury Bond, Series FR87, 6.50%	0.5
Italy Buoni Poliennali Del Tesoro, 1.70%	0.5
Credit Agricole SA, Series 144A, 8.12%	0.5
Republic of Italy Government International Bond, 1.25%	0.5
Italy Buoni Poliennali Del Tesoro, 3.85%	0.4
Portugal Government International Bond, Series REGS, 5.13%	0.4
Portugal Obrigacoes do Tesouro OT, Series 15Y, 2.25%	0.4
KBC Group NV, 4.75%	0.4
Petroleos Mexicanos, 6.75%	0.4
Qatar Government International Bond, Series REGS, 5.10%	0.4
Italy Buoni Poliennali Del Tesoro, 0.95%	0.4
	18.6
Net asset value	\$1,809,462,080

Asset Mix

	% of Net Asset Value
US Bonds	31.2
Foreign Bonds	25.9
Federal Bonds	23.4
Asset Backed Securities	11.9
Mortgage Backed Securities	3.6
Common Shares	0.0
Preferred Shares	0.0
Cash, Money Market and Other Net Assets	4.0

Term Allocation

	% of Net Asset Value
Under 1 year	1.3
From 1 year to 5 years	28.2
From 5 years to 10 years	35.2
Over 10 years	31.3

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.



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