

# Interim Management Report of Fund Performance

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For the period ended June 30, 2023

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2023

NBI Exchange-Traded Funds  
**NBI Canadian Dividend 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.

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This interim management report of fund performance contains financial highlights, but does not contain the complete interim financial statements of the ETF. You can get a copy of the interim 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](mailto:investments@nbc.ca), by visiting our website at [www.nbinvestments.ca](http://www.nbinvestments.ca), by visiting SEDAR's website at [www.sedar.com](http://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

### Results of Operations

For the six-month period ended June 30, 2023, the NBI Canadian Dividend Income ETF's units returned 7.37% compared to 5.70% 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 Fund's net asset value dropped by 7.03% over the period, from \$13.10 million as at December 31, 2022 to \$12.18 million as at June 30, 2023.

Canadian equities registered moderate gains during the first half of the year, despite significant headwinds from ever-tightening monetary policy. In early July the Bank of Canada announced its 10th rate hike since March 2022 bringing its policy interest rate to 5%. Headline inflation trended down to 3.4% during May and wage growth fell to 3.9% in June, its lowest level of the year. However, Bank of Canada officials regard stubbornly high core inflation as a key concern.

The Canadian economy created 290,000 jobs during the first six months of the year led by a monster 150,000 new positions in January alone. Part of the economy's strength lies in fiscal policy. The Trudeau Government announced stimulative fiscal measures including \$132 billion in deficit spending over the next five years in its March budget.

Strength in the U.S. economy, the largest export market for Canadian businesses also provided positive momentum. A recent upward revision brought U.S. first-quarter GDP growth estimates to 2%, from 1.3%. The Federal Reserve of Atlanta's GDPNow model currently projects 2.3% growth during the second quarter. This helped counter the effects of the rising Canadian dollar which made Canadian exports more expensive for foreign customers.

Under these circumstances, the Fund outperformed its benchmark.

Value added came mainly from security selection. Top individual contributors to relative performance during the period were Microsoft, Constellation Software and Brookfield Infrastructure. On the other hand, top detractors were Shopify (not owned), Enbridge and Toronto-Dominion Bank.

### Recent Developments

#### Additions

Lumine Group: Stock dividend received as Constellation Software shareholder during the first quarter.

Canadian Natural Resources: Initiated position to reduce underweight in the sector as per communicated messaging to clients.

Franco-Nevada Corporation: Initiated position to reduce underweight in the sector as per communicated messaging to clients.

Lundin Mining Corporation: Initiated position to reduce underweight in the sector as per communicated messaging to clients.

#### Deletions

Brookfield Renewable Corporation: Almost 10% overvalued versus Brookfield Renewable L.P. which we recycled proceeds into.

Lumine Group: Non-dividend payers are exited (see additions above).

Digital Realty Trust Inc.: We exited the name due to muted Funds from Operations per Share growth, deterioration in our ESG score, and lack of defensive characteristics (Down/Capture ratio $\gt$ 1).

Bank of Nova Scotia: Exited position. New CEO has yet to convince investors. No catalyst until Investor Day in September/October 2023.

Crown Castle Inc.: Muted Funds from Operations per Share growth outlook (2022–2025E Compound Annual Growth Rate of 2%) and lack of stock-specific catalysts, combined with better investment opportunities elsewhere.

We are selectively evaluating long-term investment opportunities in the resource sectors (energy & materials) due to secular developments in supply-demand dynamics. The possibility of a multi-year runway for certain companies to consistently meet our quality growth criteria has increased due to a variety of factors. Foremost, is an improved focus on capital discipline and shareholder returns, which has historically been absent in this space. Secondly, growing resource nationalism, exacerbated by the Ukraine/Russia debacle and most recently in Panama, is impeding supply. Lastly, the energy transition will be metal intensive further increasing demand, which is counter-intuitive in a carbon-free world. Our MBI investment philosophy and process will consistently be used to assess all investment opportunities, such as the ability to surpass our MBI Score and MBI Sustainability Score thresholds, three-to-five-year investment horizons and commensurate risk-reward return profiles, carbon footprint goals, and risk management requirements. As our quality growth universe evolves, it is our responsibility to research and re-examine new ideas and we look forward to apprising you on our progress. We began building positions in the resource sectors during the quarter as previously communicated. We intend to opportunistically scale these positions in the coming months.

On May 1, 2023, the ETF's independent review committee (the "IRC") was increased to four members when Stéphanie Raymond-Bougie was appointed as an 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 June 30, 2023
<b>Total brokerage fees</b>	3,686.30
<b>Brokerage fees paid to National Bank Financial</b>	889.20

#### Holdings

As at June 30, 2023, the NBI Exclusive Income Pooled Fund held approximately 89.18% ownership of the redeemable units outstanding of the ETF. Transactions between the NBI Exclusive Income 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.

## 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

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.



<sup>(1)</sup> Returns for the period from February 11, 2021 (commencement of operations) to December 31, 2021.

<sup>(1)</sup> Returns for the period from January 1, 2023 to June 30, 2023.

## 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<sup>(1)</sup>

Commencement of operations: February 11, 2021

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(2)</sup>	27.30	30.46	25.00
<b>Increase (Decrease) from Operations (\$)</b>			
Total revenue	0.54	0.92	0.77
Total expenses	(0.09)	(0.17)	(0.16)
Realized gains (losses)	0.09	(0.34)	0.63
Unrealized gains (losses)	1.49	(2.20)	4.82
<b>Total Increase (Decrease) from Operations</b> <sup>(3)</sup>	2.03	(1.79)	6.06
<b>Distributions (\$)</b>			
From net investment income (excluding dividends)	—	0.08	0.03
From dividends	0.30	0.56	0.56
From capital gains	—	—	0.64
Return of capital	—	—	—
<b>Total Annual Distributions</b> <sup>(4)</sup>	0.30	0.64	1.23
<b>Net Assets, End of Accounting Period Shown</b> <sup>(2)</sup>	29.00	27.30	30.46

### Ratios and Supplemental Data

Accounting Period Ended	2023 June 30	2022 December 31	2021 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	12,181	13,103	1,218
Number of units outstanding <sup>(5)</sup>	420,000	480,000	40,000
Management expense ratio (%) <sup>(6)</sup>	0.63	0.63	0.64
Management expense ratio before waivers or absorptions (%)	0.63	0.67	0.77
Trading expense ratio (%) <sup>(7)</sup>	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	23.79	29.17	31.74
Net asset value per unit (\$)	29.00	27.30	30.46
Closing market price <sup>(9)</sup>	29.03	27.30	30.43

<sup>(1)</sup> This information is derived from the ETF's Annual Audited Financial Statements and Interim Unaudited 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.

<sup>(2)</sup> The net assets are calculated in accordance with IFRS.

<sup>(3)</sup> 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.

<sup>(4)</sup> Distributions were paid in cash or reinvested in additional units of the ETF, or both.

<sup>(5)</sup> This information is provided as at the last day of the accounting period shown.

<sup>(6)</sup> 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.

<sup>(7)</sup> 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.

<sup>(8)</sup> 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.

<sup>(9)</sup> Closing market price on the last trading day of the year as reported on the TSX.

## Summary of Investment Portfolio

As of June 30, 2023

### Portfolio Top Holdings

	% of Net Asset Value
Toronto-Dominion Bank	8.8
Royal Bank of Canada	8.4
Canadian National Railway Co.	7.2
Enbridge Inc.	6.6
Brookfield Infrastructure Partners LP	6.0
Constellation Software Inc.	4.8
TC Energy Corp.	4.8
Quebecor Inc., Class B	4.7
WSP Global Group Inc.	4.0
Microsoft Corp.	3.8
Granite Real Estate Investment Trust	3.3
TMX Group Ltd.	2.7
Procter & Gamble Co.	2.7
Brookfield Renewable Energy Partners LP	2.6
Sun Life Financial Inc.	2.4
Brookfield Corp.	2.2
Loblaw Companies Ltd.	2.2
National Bank of Canada	2.1
Cash, Money Market and Other Net Assets	2.0
TELUS Corp.	1.9
BCE Inc.	1.8
iA Financial Corp Inc.	1.4
Parkland Corp.	1.3
Intact Financial Corp.	1.2
Maple Leaf Foods Inc.	1.1
	90.0

Net asset value ..... \$12,181,457

### Asset Mix

	% of Net Asset Value
Canadian Equity	89.9
US Equity	7.1
International Equity	1.0
Cash, Money Market and Other Net Assets	2.0

### Sector Allocation

	% of Net Asset Value
Financials	31.0
Energy	13.7
Industrials	11.6
Utilities	9.7
Information Technology	9.2
Communication Services	8.4
Consumer Staples	8.4
Real Estate	4.0
Materials	2.0
Cash, Money Market and Other Net Assets	2.0

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](http://www.nbinvestments.ca).



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