

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 Active Canadian Preferred Shares 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 Active Canadian Preferred Shares ETF's investment objective is to generate tax-efficient dividend income while focusing on capital preservation. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of preferred shares of Canadian companies and other income-generating securities of Canadian companies.

The ETF's investment process is principally based on fundamental research, but the portfolio sub-advisor will also consider quantitative and technical factors. The portfolio securities selection is based on knowledge of the company, its industry and its growth prospects. An extensive credit analysis for each security and an assessment of the risk profiles, relative performance and general economic conditions are completed to confirm the selection and the relative weight of each portfolio security.

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 Active Canadian Preferred Shares ETF's units returned 5.87% compared to 5.90% for the ETF's benchmark, the S&P/TSX Preferred Share Index (CAD). 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 12.85% over the period, from \$138.34 million as at December 31, 2022 to \$120.57 million as at December 31, 2023.

The decline stemmed mainly from redemptions by unitholders of the Fund.

It was a strong start to the year for Canadian preferred shares. All structures rebounded significantly after experiencing tax-loss selling pressure in December of 2022. The combination of wide spreads, solid credit profiles, and increasing coupons should continue to attract interest from investors.

The rally was short-lived. As economic data kept coming in stronger throughout February with no signs of inflation abating, bond yields kept moving higher and Canadian Preferred Shares weakened. Counterintuitively, higher rates are hurting preferred share valuations as credit spreads widened, anticipating a deeper recession because of a more restrictive monetary policy.

Selling pressure continued in the third quarter. The demand environment seemed to soften even further as capital outflows accelerated. With very thin liquidity during the summer months, this selling had a significant impact on asset valuations and continued to push credit spreads higher.

Finally, preferred shares came back with a vengeance in November and December posting back-to-back positive results, increasing over 10% from the end of October as measured by the S&P Preferred Share Total Return Index. This was mainly due to the changing expectations for the path forward in terms of monetary policy and the subsequent decline in interest rates.

In this context, the Fund underperformed during the period. The underperformance resulted mainly from our overweight positioning in Fixed Perpetuals which were the worst performing structure for the year.

Recent Developments

Exposure to Fixed Perpetuals and Floaters decreased while the exposure to Fixed Resets was increased. This was a result of opportunistic transactions during the year. We see better opportunities in Fixed Resets which in our opinion do not currently reflect the benefit of higher interest rates.

Following the sharp selloff, the outlook for preferred share returns has improved. As macroeconomic risk dissipates (geopolitical conflicts, supply chain issues, inflation) the portfolio manager believes preferred shares offer attractive risk/reward potential at these levels. However, the portfolio manager is looking for the balance in supply and demand of preferred shares to improve before we become more constructive on the asset class.

We remain comfortable holding an overweight in fixed-rate perpetuals as their fundamentals are strong. We think that holding a diversified mix of fixed-rate perpetuals and fixed-resets is essential while navigating an unpredictable interest rate environment.

Holdings of fixed-resets act as a natural hedge against fixed-rate perpetuals since they tend to outperform in a rising rate environment, while the latter should stand out when rates fall. With 5-year interest rates at their highest level since 2011, we need to start being cautious about pricing in too many interest rate hikes. Our approach to investing will continue to be based on 3 key pillars: quality, balance, and relative valuation.

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.

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, 2023
Total brokerage fees	50,965.00
Brokerage fees paid to National Bank Financial	-

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.

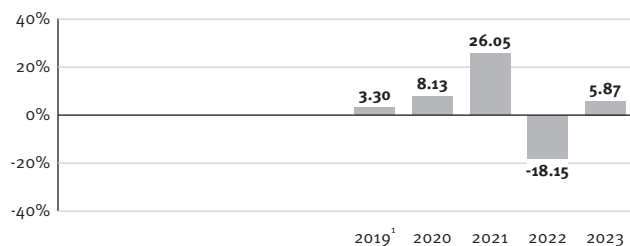
The ETF pays an annual management fee of 0.50% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general 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 8, 2019 (commencement of operations) to December 31, 2019.

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:

- S&P/TSX Preferred Share Index (CAD)

NBI Active Canadian Preferred Shares ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units ¹	5.87%	2.99%	–	–	4.15%
Benchmark	5.90%	1.17%	–	–	3.07%

¹Commencement of operations: February 8, 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 **S&P/TSX Preferred Share Index** is comprised of preferred stocks trading on the Toronto Stock Exchange that meet criteria relating to minimum size, liquidity and issuer rating.

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 8, 2019

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31	2019 December 31
Net Assets, Beginning of Accounting Period Shown ⁽²⁾	19.55	24.97	20.60	20.03	25.00
Increase (Decrease) from Operations (\$)					
Total revenue	1.23	1.15	1.10	1.11	0.97
Total expenses	(0.12)	(0.13)	(0.14)	(0.12)	(0.12)
Realized gains (losses)	(0.79)	0.27	1.40	(1.11)	(0.15)
Unrealized gains (losses)	0.67	(5.80)	2.75	0.93	0.71
Total Increase (Decrease) from Operations ⁽³⁾	0.99	(4.51)	5.11	0.81	1.41
Distributions (\$)					
From net investment income (excluding dividends)	—	—	—	—	—
From dividends	1.13	0.97	0.92	0.90	0.63
From capital gains	—	0.33	0.31	—	—
Return of capital	—	—	—	—	—
Total Annual Distributions ⁽⁴⁾	1.13	1.30	1.23	0.90	0.63
Net Assets, End of Accounting Period Shown ⁽²⁾	19.53	19.55	24.97	20.60	20.03

Ratios and Supplemental Data

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31	2019 December 31
Total net asset value (000's of \$) ⁽⁵⁾	120,568	138,344	177,923	115,357	95,132
Number of units outstanding ⁽⁵⁾	6,175,000	7,075,000	7,125,000	5,600,000	4,750,000
Management expense ratio (%) ⁽⁶⁾	0.58	0.58	0.57	0.57	0.57
Management expense ratio before waivers or absorptions (%)	0.58	0.58	0.57	0.57	0.57
Trading expense ratio (%) ⁽⁷⁾	0.04	0.06	0.08	0.06	0.11
Portfolio turnover rate (%) ⁽⁸⁾	22.49	24.80	48.54	54.26	47.34
Net asset value per unit (\$)	19.53	19.55	24.97	20.60	20.03
Closing market price ⁽⁹⁾	19.44	19.68	24.94	20.59	20.05

⁽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. Data for periods prior to 2023 have been restated.

⁽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
Enbridge Inc., 4.96%, Series L	2.3
Brookfield Corp., 3.24%, Series 24	2.2
Power Financial Corp., 2.31%, Series P	2.1
Brookfield Corp., 3.85%, Series 26	2.0
TC Energy Corp., 3.76%, Series 9	1.9
Bank of Montreal, 3.62%, Series 29	1.8
Toronto-Dominion Bank, 3.75%, Series 5	1.8
Toronto-Dominion Bank, 5.75%, Series 27	1.8
Brookfield Corp., 4.61%, Series 28-A	1.8
Enbridge Inc., 4.00%, Series 3	1.8
Cash, Money Market and Other Net Assets	1.8
Brookfield Renewable Energy Partners, 3.14%, Series 1	1.7
Toronto-Dominion Bank, 3.68%, Series 3	1.6
Power Financial Corp., 4.95%, Series K	1.6
TC Energy Corp., 2.15%, Series 3	1.5
Canadian Imperial Bank of Commerce, 3.90%, Series 39	1.4
Bank of Montreal, 4.00%, Series 27	1.4
Power Financial Corp., 4.22%, Series T	1.4
Power Financial Corp., 4.50%, Series 23	1.4
Brookfield Corp., 3.25%, Series 42	1.3
Canadian Utilities Ltd., 4.60%, Series 1	1.3
Fortis Inc., 3.91%, Series M	1.3
Royal Bank of Canada, 3.60%, Series BD	1.2
Enbridge Inc., 4.00%, Series R	1.2
Manulife Financial Corp., 3.80%, Series 19	1.2
	40.8

Net asset value \$120,568,228

Asset Mix

	% of Net Asset Value
Preferred Shares	94.8
Corporate Bonds	3.4
Cash, Money Market and Other Net Assets	1.8

Sector Allocation

	% of Net Asset Value
Financials	57.1
Energy	16.6
Utilities	12.4
Communication Services	6.4
Bonds	3.4
Real Estate	2.0
Consumer Staples	0.3
Cash, Money Market and Other Net Assets	1.8

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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