NBI Exchange-Traded Funds

Annual Management Report of Fund Performance

For the period ended December 31, 2023

NATIONAL BANK INVESTMENTS

ANNUAL MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended December 31, 2023

NBI Exchange-Traded Funds

NBI Sustainable Global Equity 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 Global Equity ETF's investment objective is to provide long-term capital growth while following a sustainable approach to investing. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of equity securities of companies located around the world.

The portfolio sub-advisor employs a combination of a “top-down” and “bottom-up” investment process with the goal of identifying, based on its internal research and analysis, securities of companies worldwide that fit into sustainable investment themes. The investment team utilizes top-down research based on the UN Sustainable Development Goals to gain a deeper understanding of long-term secular themes, which can drive the market outlook for industries. The investment team then uses a bottom-up analysis of individual companies, focusing on prospective earnings growth, valuation, and quality of company management and on evaluating a company’s exposure to ESG factors.

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 Global Equity ETF’s units returned 13.50% compared to 20.47% for the ETF’s benchmark, the the MSCI World 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 rose by 0.65% over the period, from $481.58 million as at December 31, 2022 to $484.73 million as at December 31, 2023.

Recession fears dominated the early part of 2023 as the Fed continued its steady path of rate increases. Instead, the economy proved resilient and surpassed bearish expectations. Fears of recession have been replaced by hope for “immaculate disinflation,” where inflation slows without a meaningful impact on growth and employment.

While narrow, the market’s rally was fuelled by a surprisingly strong economy, artificial intelligence (AI) ambitions of Big Tech, and lately, the prospect of interest-rate cuts in 2024. Even the bond market has perked up after a historic downturn, one that briefly sent yields to 5%.

For 2023, global equity markets as measured by the MSCI AWCI increased by 13.8% in CAD.

In this context, the Fund underperformed its benchmark.

2023 was all about the “magnificient 7” which saw large multiple expansion. The nature of this strategy has historically led us to be underweight to this cohort of companies (by over 15% relative to the MSCI ACWI), which resulted in over 580 bps of underperformance. Looking at relative performance against the rest of the index, the portfolio outperformed by around 60 bps. With that said, the positive impact from our winners including Topbuild, Adobe, and Partners Group was offset by weakness in our healthcare exposures (e.g., names like Biorad and Becton Dickinson where we have continued to see inventory digestion), renewables (NextEra Energy and Orsted impacted by cost inflation and rising interest rates) as well as networking equipment (Calix). The fund also suffered from exposure to SVB early in the year.

Recent Developments

Key buys

Q4 – Initiated Veralto and Nvidia and concentrated in high conviction names: Aptiv, NextEra Energy and Visa.

Q3 – Took advantages of the market volatility in Aug/Sept. to initiate in resilient business models: WSP Global, Fair Isaac, RELX, Labcorp, NextEra Energy, and Neste and topped up BYD, Bentley Systems, Keysight Tech, UNH, AIA, Calix, Experian.

Q2 – Little activity. Initiated in Bentley Systems

Q1 – Some offence with new positions in Palo Alto and AMD, adds in Adobe, TSMC, Intuit, and defensive exposures through names like J&J, Experian

Key sells

Q4 – Exited AMD and CHR Hansen

Q3 – Exited Lumentum, Abcam, Xylem and Orsted. Reduced Deere on cyclical concerns and more profit taking on YTD winners (Adobe, Flex, Onsemi, NXP, West Pharma).

Q2 – Little activity. Some profit taking on AI winners and exited DSM.

Q1 – Exited SVB, Dell, Nextera Energy, and Dassault Systems.

The strong rally in the indices in 2023 has masked more muted returns for most stocks. The ten largest stocks in the benchmark (largely big technology-oriented companies) accounted for an abnormally large share of the benchmark’s weight and returns for the year. The equal weighed MSCI ACWI underperformed by over 13%.

While some of this is justified by the superior profitability of these mega cap tech stocks and the new growth avenues that AI has provided to some of them, this narrowness will likely end in due course, as it has in the past. Catalysts for a change in leadership are often difficult to predict, but a few logical reasons include: a) recovery in growth from sectors such as healthcare and communications that have been plagued with excess inventories, b) a recognition that the generative AI wave will benefit more than just the cloud providers as related earnings materialize, c) weaker results and/or multiple compression from historically elevated levels in one of the individual market leaders that lead investors to question the whole group.

From a timing perspective, many of our themes have been overlooked this year given the dominance of “the magnificent 7.” Incredible benchmark concentration reinforces our view that benchmarks are inherently backward looking. In 2023, this concentration has had a negative impact on our relative performance, but we believe that over the long-term our disciplined process will help us to uncover more attractive investment opportunities for investors. Our portfolios remain highly differentiated as compared to the benchmark with many of the megacap names absent from our holdings. Indeed, what we hold has performed well vs. the rest of the market, arguing that the underlying fundamentals of the majority of our holdings remain strong.

Many of our portfolio’s companies have seen their prices reset even as earnings expectations for the portfolio as a whole have continued to grow nicely, in line with our expectations. While valuation at the index level has risen dramatically, it’s distorted by a few key stocks. By contrast, our portfolio trades at very reasonable valuations and the premium vs. the market is at one of the lowest levels in the past decade.

Amidst all the noise, our themes continue to move forward as broad shifts in the global economy run their course. Global challenges such as access to healthcare and infrastructure needs are not solved overnight. Entering the year with a more defensive mindset did not help. However, our core thematic exposures continue to offer robust growth potential.

We believe a portfolio with high-quality companies on the right side of change, trading at reasonable valuations, provides a strong combination for the current market environment. Resilient fundamentals and narrow leadership in the market has created a powerful setup for a group of companies that fit this profile.

Within our Information, Communication and Technologies (ICT) theme, the latest earnings results from a number of leaders like Nvidia, AMD and the cloud providers demonstrate that society's move towards intelligent digital economies is leading to increased demand for bigger networks, more powerful and energy efficient data centres and new consumption models. We continue to expect the key AI enablers, i.e., the companies that facilitate the training and running of AI models in an energy-efficient way, along with the adopters (those who successfully integrate AI in their applications) will enjoy strong tailwinds near-term.

Within our Transportation theme, secular shifts in autos continue: EV sales rose >50% in 2023 (through Sept.) vs. 63% growth in 2022 globally, per Canalys. Adoption continues to grow but it will not be a straight line and auto OEMs are in a discovery phase, learning what features have the greatest appeal with consumers. As with our other themes, our focus on the enablers of vehicle electrification is driving an earnings tailwind despite OEM-specific challenges. Every EV rolling off the line contains significantly more electronic content (2x in an EV vs. and ICE and 1.5x for a hybrid) benefitting suppliers in this ecosystem. We're also seeing a standardization of charging standards in the US, which should encourage further adoption.

In our health-related theme, there have been a few dynamics at play in 2023. A lot of the diagnostic and testing companies benefitted from robust demand during the early days of COVID. Lead time to get products went up a lot, so customers ordered a lot to ensure supply. In 2023, we saw the other side of this as lead times came down. We are going through a period of inventory digestion (for life sciences and diagnostic tools particularly) along with macro weakness in China, a double whammy of sorts for suppliers into this ecosystem. The underlying growth rate of their customers (biopharma production) remains double digits. The market enthusiasm around weight loss has also drawn investor attention, and buying activity, further depressing valuations for companies outside this group. 2024 should see an improvement in inventory profiles and growth rates for suppliers of medical innovation products as well.

As Ben Graham said: "In the short run, the market is a voting machine but in the long run it is a weighing machine." Rather than chasing the market's chosen few, our focus continues to be on identifying powerful themes and the companies best positioned to capitalize on these opportunities. This approach has delivered strong results for our clients over time and we're highly confident in its ability to do so in the future.

We recently engaged with Haleon to gain insight into the company's position on various ESG issues.

We met with the British multinational consumer healthcare company's Head of Sustainability, Teri Lyng, a biochemist and scientist, formerly holding various positions at GSK. Her group is charged with driving sustainability goals across categories and countries and consists of people recruited from Unilever and other competitors, along with former GSK employees with supply chain specialties. Haleon also has an Environmental and Social Sustainability Committee on the board, chaired by Marie-Anne Aymerich.

As a new company, Haleon has yet to launch its first sustainability report, it has started to disclose more metrics, data and information on its website. The company just released its first set of full-year results, and admitted delivering a high-quality sustainability report shortly after would have been too big of an undertaking.

The company is working to bolster its data and establish a master data set to get baseline numbers. It also takes a different approach on Scope3 emissions where the number does not include consumer use; instead, the company has identified the top 20 materials having the biggest impact on purchased goods and will use this as a roadmap for further Scope3 reductions.

Haleon is also focused on health inclusivity, with programs aimed to empower 59million people per year to make better health decisions. The AB investment team provided the company with different ways to measure the impact of its programs, along with centralizing it all in one place.

On DEI issues, median gender pay gap is at 5.3%, well below the industry average at 15%. The company also employs more than 24,000 people globally. We are impressed that Haleon is committed to following the UN Guiding Principles on Business and Human Rights (UNGPs), the Organization for Economic Co-Operation and Development's (OECD) Guidelines for Multinational Enterprises and obligations imposed by the Modern Slavery Act2015 in the UK and Modern Slavery Act2018 in Australia. Haleon is also committed to upholding the Universal Declaration of Human Rights and the core labour standards set out by the International Labor Organization.

A key focus of our ESG approach is investing in companies whose products and services contribute to the achievement of the UN Sustainable Development Goals (UN SDGs). To be eligible for investment, our companies must obtain a minimum of 20% of their revenues from these SDG aligned product and services. As of December 31, 2023, the Sustainable Global Thematic portfolio had 85.0% weighted SDG revenues exposure.

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 December 31, 2023
Total brokerage fees	158,189.49
Brokerage fees paid to National Bank Financial	-

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 %
NBI Secure Portfolio	0.83
NBI Conservative Portfolio	5.25
NBI Moderate Portfolio	8.33
NBI Balanced Portfolio	18.06
NBI Growth Portfolio	9.89
NBI Equity Portfolio	5.57
NBI Sustainable Global Equity Fund	47.89

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.

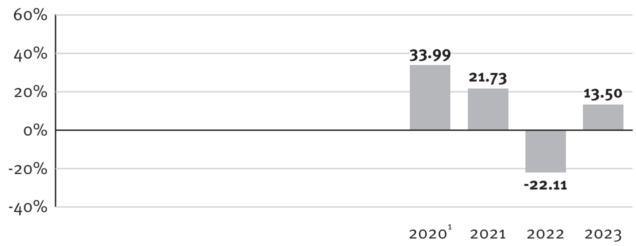
The ETF pays an annual management fee of 0.65% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general 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 March 4, 2020 (commencement of operations) 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, 2023, compared with the following benchmark:

- MSCI World Index

NBI Sustainable Global Equity ETF

	1 year	3 years	5 years	10 years	Since inception
ETF Units[1]	13.50%	2.48%	–	–	10.68%
Benchmark	20.47%	8.51%	–	–	13.89%

[1]Commencement of operations: March 4, 2020

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 **MSCI World Index** is designed to measure global developed market equity performance and is made up of approximately 1,500 companies listed on stock exchanges in the 22 developed countries that make up the MSCI national indexes.

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: March 4, 2020

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31
Net Assets, Beginning of Accounting Period Shown [2]	32.32	41.61	34.24	25.00
Increase (Decrease) from Operations ($)				
Total revenue	0.39	0.36	0.29	0.18
Total expenses	(0.26)	(0.25)	(0.28)	(0.22)
Realized gains (losses)	(0.56)	(1.57)	0.39	1.03
Unrealized gains (losses)	4.27	(5.21)	8.08	8.66
Total Increase (Decrease) from Operations [3]	3.84	(6.67)	8.48	9.65
Distributions ($)				
From net investment income (excluding dividends)	0.17	0.09	0.07	—
From dividends	—	—	—	—
From capital gains	—	—	0.35	0.65
Return of capital	—	—	—	—
Total Annual Distributions [4]	0.17	0.09	0.42	0.65
Net Assets, End of Accounting Period Shown [2]	36.51	32.32	41.61	34.24

Ratios and Supplemental Data

Accounting Period Ended	2023 December 31	2022 December 31	2021 December 31	2020 December 31
Total net asset value (000's of $) [5]	484,726	481,583	377,624	11,129
Number of units outstanding [5]	13,275,000	14,900,000	9,075,000	325,000
Management expense ratio (%) [6]	0.75	0.75	0.74	0.74
Management expense ratio before waivers or absorptions (%)	0.75	0.75	0.74	0.74
Trading expense ratio (%) [7]	0.06	0.05	0.05	0.05
Portfolio turnover rate (%) [8]	50.11	35.31	17.23	39.82
Net asset value per unit ($)	36.51	32.32	41.61	34.24
Closing market price [9]	36.55	32.30	41.73	34.33

(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
Visa Inc., Class A	3.2
Microsoft Corp.	3.1
Partners Group Holding AG	2.8
Waste Management Inc.	2.8
Accenture PLC	2.5
Deutsche Boerse AG	2.5
MSCI Inc.	2.5
Flex Ltd.	2.4
London Stock Exchange Group PLC	2.4
Adobe Systems Inc.	2.3
Intuit Inc.	2.3
AFLAC Inc.	2.2
Icon PLC	2.2
Infineon Technologies AG	2.2
Keysight Technologies Inc.	2.2
Experian Group Ltd.	2.1
Danaher Corp.	2.0
Fair Isaac Inc.	2.0
Taiwan Semiconductor Manufacturing Co. Ltd.	2.0
Tetra Tech Inc.	2.0
ASML Holding NV	1.9
Becton Dickinson and Co.	1.8
Byd Co.	1.8
Veralto Corp.	1.8
Cash, Money Market and Other Net Assets	(0.1)
	54.9

Net asset value $484,725,645

Regional Allocation

	% of Net Asset Value
United States	56.7
Ireland	8.4
United Kingdom	6.9
Germany	4.7
Switzerland	4.6
India	3.4
Netherlands	3.4
Japan	3.0
Taiwan	2.0
China	1.8
Canada	1.4
Hong Kong	1.4
Finland	1.3
Norway	0.9
Denmark	0.2
Cash, Money Market and Other Net Assets	(0.1)

Sector Allocation

	% of Net Asset Value
Information Technology	36.1
Industrials	16.0
Health Care	15.1
Financials	13.7
Consumer Staples	8.7
Consumer Discretionary	6.3
Utilities	2.7
Energy	1.3
Materials	0.2
Cash, Money Market and Other Net Assets	(0.1)

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.

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