

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 U.S. 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 Active U.S. Equity ETF's investment objective is to provide long-term capital growth. It invests, directly or indirectly through investments in securities of other mutual funds, in a portfolio comprised primarily of common shares of U.S. companies.

The ETF's investment process relies on a bottom-up, fundamental-driven investment approach. Securities chosen to compose the portfolio are growth-oriented companies with significant barriers to entry and first-class management teams. In-depth knowledge of companies allows the portfolio sub-advisor to manage risks by not relying on extended diversification, but rather on a quality over quantity selection. The portfolio sub-advisor uses a proprietary sustainability scorecard to evaluate companies across six pillars (Planet, People & Society, Governance, Productivity & Partnerships, Operations, Disclosure) and a minimum score is required in order to be considered for investment.

Risks

The Fund's risk level was modified from "low to medium" to "medium" during the year. This change aims to more accurately reflect the Fund's actual risk level.

Results of Operations

For the twelve-month period ended December 31, 2023, the NBI Active U.S. Equity ETF's units returned 30.02% compared to 22.90% for the ETF's benchmark, the S&P 500 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 69.29% over the period, from \$14.85 million as at December 31, 2022 to \$25.14 million as at December 31, 2023.

The increase stemmed mainly from unit purchases by investors in the Fund and market fluctuations.

U.S. equities registered solid gains during 2023 amidst a strong U.S. economy which provided consumers with consistent job creation and increased purchasing power. This despite the fastest central bank policy tightening in history, and an increasingly volatile global environment.

Businesses are benefitted from relatively positive headline data and significant fiscal stimulus from a U.S. government which is running war time-level deficits as the country heads into election season. The United States economy created nearly 2.7 million jobs during the year, which represented an average net gain of 225,000 posts per month. During December average hourly earnings rose by 0.4%, up 4.1% year-on-year.

The U.S. Federal Reserve, which has been on an interest rate hike cycle since March 2022, built manoeuvre room as falling inflation expectations embedded in 10-year U.S. TIPS securities dropped to under 2.2% during the year. The U.S. economy which the Conference Board projects will grow by 2.4% for 2024 completed the year on a high note.

The Atlanta Fed's GDPNow model in early January projected that GDP would grow by 2.5% in the fourth quarter. Jawboning by Jerome Powell, Chairman of the U.S. Federal Reserve, which many regarded as a pivot toward easier monetary policy going forward, coupled with stabilizing Russia-Ukraine front lines and a year-end summit between U.S. President Joseph Biden and China's President Xi Jinping in San Francisco raised hopes of easing geopolitical tensions which helped drive investors into stocks as the calendar turned to 2024.

In this context, the Fund outperformed its benchmark.

Top 5 contributors

- Meta Platforms: Continued cost discipline in addition to accelerating topline growth enabled the company to continue to meaningfully beat consensus estimates throughout the year combined with an acceleration of product launches/improvements which suggest that the company is operating at a high-level.
- Amazon.com: The company beat expectations for operating profit during the year and reversed the negative sentiment around AWS growth decelerating.
- Adobe: The company delivered upside to consensus estimates throughout the year combined with delivering a strong product roadmap with generative AI integrations that suggest the company is well positioned to deliver robust growth over the next several years.
- Workday: The company beat consensus estimates throughout most of the year and the stock rebounded from weak performance the year before.
- Microsoft: The company has been a first mover for generative AI workloads which positions them well over the midterm in addition to delivering stabilizing and higher-than-expected Azure growth which helped the stock throughout the year.

Top 5 detractors

- NVIDIA: This stock was the best performer in the S&P500 this year and we didn't own it until halfway through the year and as such being short for a big part of the year had a negative impact to our relative performance.
- Danaher: The stock underperformed this year due to contracting inventory levels which led to lowered revisions to sales growth estimates as Danaher's customers no longer stockpiled related to COVID supply shortages.
- Cullen Frost Bankers: Due in part to the U.S. banking crisis that occurred earlier in the year, and similarly to other regional banks in the U.S., the stock underperformed this year despite not suffering the financial distress other regional banking peers experienced.
- Tesla: Not owned.
- Waste Connections: The company reported an issue at one of its landfills along with one-time costs and a longer than expected timeframe for a solution.

Recent Developments

Additions

- Valero Energy: Given Exxon failed our ESG requirements, we screened for another high-quality company to be our WTI-hedge which is why we initiated in Valero Energy.
- Zoetis: Zoetis is a high-quality pharmaceutical company that develops treatments for livestock and other animals that is continuing to build out diagnostic revenue which is increasing in contribution to sales growth, but is a market in early stages of adoption globally, and is not modelled by analysts, which we believe should lead to consensus upgrades over our investment time horizon.
- NVIDIA: In addition to believing that the company is well positioned in the AI-computing era, the initial buy decision for the stock was risk management motivated as we aimed to lower our underweight position to NVIDIA given its increasing size in the benchmark.
- Veralto Corp: Quality growth company spun out from a long-term holding of ours. We appreciate the exposure to pollution control equipment, especially in the water purification segment. We are holding a minimum weight position until we finalize our investment thesis.

- **Rollins:** Rollins, a U.S.-domiciled pest control company, has a highly recurring and recession resilient business model and we believe that consensus underappreciates the margin expansion potential that will materialize due to SG&A cost initiatives that are being implemented by the new management team after decades of being operated under the Rollins family.

Deletions

- **EOG Resources Inc.:** Exited given its fracking and tar sands exposure.
- **Netflix:** The stock had outperformed meaningfully of late resulting in a higher valuation and limited further upside compounded with our estimates no longer being differentiated versus consensus caused us to sell the name and reinvest in better investment ideas already held in the portfolio.
- **Interactive Brokers Group:** Following a discussion with the company's Investor Relations and engaging on the company's intentions to seek deposits in Hungary, which is a very high-risk political region with well-documented political corruption issues and human rights violations, our revised ESG score caused the company to fail our MBI Sustainability score
- **Exxon Mobil:** Exxon no longer passed our ESG requirement of being suitable for the FNG label and as such we screened for another WTI-hedge which was Valero.
- **Envista Holdings:** The stock was breaching our minimum liquidity hurdle because of a decrease in market cap due to recent underperformance.
- **Nordson:** We are now below consensus estimates on forward EPS growth on a view that margins could compress more than management is suggesting and given that the valuation is demanding, we have elected to recycle the weight into higher conviction investment ideas.

Upcoming U.S. election candidate positioning could add to existing inflationary drivers such as aging demographics, a labour force reassessing its work/life balance, and regionalization trends. Consequently, we are focused on business models that have strong pricing power.

The uncertainty surrounding changes in supply chains, consumer behaviours, digitization, AI impacts and rising wages will have a lasting impact on business models.

We continue to see relative valuation dislocations caused by rapidly shifting market narratives that are offering compelling opportunities to book profits and reinvest in misunderstood and therefore mispriced stocks.

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.

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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 | 6,184.79 |
| Brokerage fees paid to National Bank Financial | 143.40 |

Holdings

As at December 31, 2023, the NBI Exclusive Income Pooled Fund held approximately 48.78% 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.



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

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 500 Index

NBI Active U.S. Equity ETF

| | 1 year | 3 years | 5 years | 10 years | Since inception |
|------------------------|--------|---------|---------|----------|-----------------|
| ETF Units ¹ | 30.02% | – | – | – | 15.03% |
| Benchmark | 22.90% | – | – | – | 15.10% |

¹Commencement of operations: February 11, 2021

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 500 Index** is a float-adjusted market capitalization weighted index composed of 500 companies that measures the performance of the large-cap segment of the U.S. market. It measures the performance of the largest U.S. companies.

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 11, 2021

| Accounting Period Ended | 2023 December 31 | 2022 December 31 | 2021 December 31 |
|--|---------------------|---------------------|---------------------|
| Net Assets, Beginning of Accounting Period Shown ⁽²⁾ | 28.56 | 32.67 | 25.00 |
| Increase (Decrease) from Operations (\$) | | | |
| Total revenue | 0.35 | 0.37 | 0.24 |
| Total expenses | (0.21) | (0.18) | (0.16) |
| Realized gains (losses) | 2.06 | 0.71 | 3.30 |
| Unrealized gains (losses) | 6.41 | (1.60) | 4.40 |
| Total Increase (Decrease) from Operations ⁽³⁾ | 8.61 | (0.70) | 7.78 |
| Distributions (\$) | | | |
| From net investment income (excluding dividends) | 0.14 | 0.12 | 0.10 |
| From dividends | 0.01 | 0.01 | 0.01 |
| From capital gains | 1.52 | 0.41 | 3.15 |
| Return of capital | — | — | — |
| Total Annual Distributions ⁽⁴⁾ | 1.67 | 0.54 | 3.26 |
| Net Assets, End of Accounting Period Shown ⁽²⁾ | 36.97 | 28.56 | 32.67 |

Ratios and Supplemental Data

| Accounting Period Ended | 2023 December 31 | 2022 December 31 | 2021 December 31 |
|--|---------------------|---------------------|---------------------|
| Total net asset value (000's of \$) ⁽⁵⁾ | 25,139 | 14,850 | 1,307 |
| Number of units outstanding ⁽⁵⁾ | 680,000 | 520,000 | 40,000 |
| Management expense ratio (%) ⁽⁶⁾ | 0.63 | 0.63 | 0.64 |
| Management expense ratio before waivers or absorptions (%) | 0.63 | 0.66 | 0.76 |
| Trading expense ratio (%) ⁽⁷⁾ | 0.03 | 0.04 | 0.04 |
| Portfolio turnover rate (%) ⁽⁸⁾ | 64.81 | 45.97 | 66.64 |
| Net asset value per unit (\$) | 36.97 | 28.56 | 32.68 |
| Closing market price ⁽⁹⁾ | 36.94 | 28.52 | 32.69 |

⁽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 |
|---|-------------------------|
| Microsoft Corp. | 9.2 |
| Apple Inc. | 5.7 |
| Amazon.com Inc. | 5.3 |
| Waste Connections Inc. | 5.1 |
| Alphabet Inc. | 4.8 |
| MasterCard Inc., Class A | 4.7 |
| Nvidia Corporation | 4.3 |
| Adobe Systems Inc. | 4.2 |
| Amgen Inc. | 4.2 |
| Meta Platforms, Inc. | 4.2 |
| Valero Energy Corp. | 4.1 |
| Workday Inc. | 4.1 |
| Danaher Corp. | 3.9 |
| Wal-Mart Stores Inc. | 3.9 |
| Marsh & McLennan Cos Inc. | 3.8 |
| Five Below Inc. | 3.5 |
| Public Storage | 2.6 |
| Lamb Weston Holdings Inc. | 2.5 |
| Charles River Laboratories International Inc. | 2.4 |
| CME Group Inc., Class A | 2.4 |
| TJX Companies Inc. | 2.4 |
| Cullen/Frost Bankers Inc. | 2.3 |
| Linde PLC | 2.3 |
| ZOETIS INC. | 2.1 |
| Cash, Money Market and Other Net Assets | 0.4 |
| | 94.4 |

Net asset value \$25,138,508

Asset Mix

| | % of Net Asset Value |
|---|-------------------------|
| US Equity | 94.5 |
| Canadian Equity | 5.1 |
| Cash, Money Market and Other Net Assets | 0.4 |

Sector Allocation

| | % of Net Asset Value |
|---|-------------------------|
| Information Technology | 34.0 |
| Communication Services | 14.3 |
| Consumer Staples | 10.5 |
| Industrials | 8.9 |
| Financials | 8.6 |
| Health Care | 8.5 |
| Consumer Discretionary | 5.8 |
| Energy | 4.1 |
| Real Estate | 2.6 |
| Materials | 2.3 |
| Cash, Money Market and Other Net Assets | 0.4 |

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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