

# Interim Management Report of Fund Performance

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For the period ended June 30, 2024

# INTERIM MANAGEMENT REPORT OF FUND PERFORMANCE

For the period ended June 30, 2024

## NBI Exchange-Traded Funds **NBI High Yield Bond 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.sedarplus.ca](http://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

### Results of Operations

For the six-month period ended June 30, 2024, the NBI High Yield Bond ETF's units returned 1.38% compared to 2.31% for the ETF's benchmark, the ICE BofA US High Yield Constrained 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 0.93% over the period, from \$1.034 billion as at December 31, 2023 to \$1.043 billion as at June 30, 2024.

The high yield market continued its grind tighter in the first quarter, absorbing most of the move higher in US Treasuries. Strong fundamentals and supportive technicals, buoyed by risk-on sentiment across asset classes, helped generate a carry-like return in the quarter.

Investor demand for new issues was also very strong in the quarter as most deals came oversubscribed and priced well through initial price talk. Interestingly, outlooks were viewed more positively than they were in prior quarters as issuers are seeing strong market demand and inflationary pressures are abating.

The high yield market began the second quarter with negative returns in April as geopolitical tensions and negative inflation prints pressured risk assets. However, on the back of solid earnings results, positive economic data, and solid retail inflows in May and June, returns turned positive in the quarter and market spreads continued to be range-bound. US Treasury yields spiked in April but decreased steadily in May and June following a softer inflation print and economic data that reflects slowing economic growth. Issuance remained solid though slowed in June as did secondary trading volumes, reflective of a summer slowdown.

In this context, the Fund underperformed its benchmark for the period. Security selection in Pharmaceuticals, Cable Satellite, and Wirelines added to relative performance during the period. Offsetting relative performance was security selection in Retailers and Chemicals, along with an overweight position in Media Entertainment.

### Recent Developments

Relative to the benchmark, the portfolio manager increased the Fund's yield and spread but remained shorter in duration given the inverted US Treasury yield curve. Relative to the benchmark, the Fund was overweight Automotive, Cable Satellite, Consumer Products, and Pharmaceuticals due to the relative value opportunities within those sectors. Conversely, the Fund was underweight Finance Companies, P&C, Retailers and Restaurants. The fund manager does not find these sectors attractive due to challenging fundamental outlooks or rich valuations.

Macroeconomic factors are likely to drive high yield returns for the remainder of the year given the overall fundamental health of ~90% of the market. With high quality spreads range bound near all-time tights, the market appears to be in a carry-like environment until there is more clarity around the Fed's path to interest rate cuts.

### 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.

### Holdings

As at June 30, 2024, the NBI High Yield Bond Fund held approximately 98.17% ownership of the redeemable units outstanding of the ETF. Transactions between the NBI High Yield Bond Fund and the ETF were carried out in the normal course of business. The portfolio manager for this Fund is National Bank Trust Inc.

### 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.

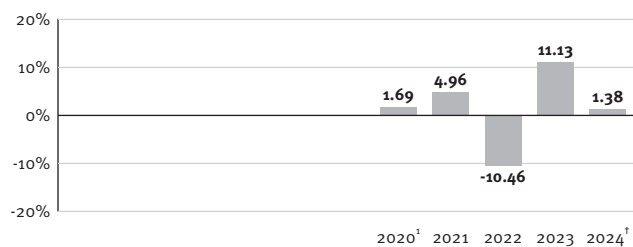
The ETF pays an annual management fee of 0.60% to the ETF manager for its management services. The fees are calculated based on a percentage of the ETF's daily net asset value before applicable taxes and are paid on a monthly basis. The management fees primarily covers investment management and general 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 March 4, 2020 (commencement of operations) to December 31, 2020.

<sup>(1)</sup> Returns for the period from January 1, 2024 to June 30, 2024.

## 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: March 4, 2020

Accounting Period Ended	2024 June 30	2023 December 31	2022 December 31	2021 December 31	2020 December 31
<b>Net Assets, Beginning of Accounting Period Shown</b> <sup>(2)</sup>	21.41	20.50	24.28	24.50	25.00
<b>Increase (Decrease) from Operations (\$)</b>					
Total revenue	0.70	1.32	1.43	1.40	1.14
Total expenses	(0.07)	(0.14)	(0.15)	(0.17)	(0.13)
Realized gains (losses)	0.13	(0.36)	(1.24)	0.91	2.45
Unrealized gains (losses)	(0.21)	1.24	(2.29)	(0.97)	1.87
<b>Total Increase (Decrease) from Operations</b> <sup>(3)</sup>	0.29	2.06	(2.25)	1.17	5.33
<b>Distributions (\$)</b>					
From net investment income (excluding dividends)	0.63	1.29	1.28	1.40	0.87
From dividends	—	—	—	—	—
From capital gains	—	—	—	0.64	2.15
Return of capital	—	—	—	—	—
<b>Total Annual Distributions</b> <sup>(4)</sup>	0.63	1.29	1.28	2.04	3.02
<b>Net Assets, End of Accounting Period Shown</b> <sup>(2)</sup>	21.07	21.41	20.50	24.28	24.50

### Ratios and Supplemental Data

Accounting Period Ended	2024 June 30	2023 December 31	2022 December 31	2021 December 31	2020 December 31
Total net asset value (000's of \$) <sup>(5)</sup>	1,043,245	1,033,612	977,119	858,397	883,698
Number of units outstanding <sup>(5)</sup>	49,525,000	48,275,000	47,675,000	35,350,000	36,075,000
Management expense ratio (%) <sup>(6)</sup>	0.69	0.69	0.69	0.69	0.69
Management expense ratio before waivers or absorptions (%)	0.69	0.69	0.69	0.69	0.69
Trading expense ratio (%) <sup>(7)</sup>	—	—	—	—	—
Portfolio turnover rate (%) <sup>(8)</sup>	12.49	26.91	13.10	32.80	39.49
Net asset value per unit (\$)	21.07	21.41	20.50	24.28	24.50
Closing market price <sup>(9)</sup>	21.07	21.32	20.53	24.13	24.47

<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. The management expense ratio includes, if necessary, the management expenses from its underlying funds, as described in Article 15.2 of Regulation 81-106.

<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, 2024

### Portfolio Top Holdings

	% of Net Asset Value
Cash, Money Market and Other Net Assets	2.3
DISH DBS Corp., 5.88%, due November 15, 2024	1.7
CCO Holdings Capital Corp., 4.75%, due January 3, 2030	1.2
Cooper-Standard Automotive Inc., 13.50%, due March 31, 2027	1.2
Intelsat Jackson Holdings SA, 6.50%, due March 15, 2030	0.9
CCO Holdings Capital Corp., 5.00%, due January 2, 2028	0.8
Ford Credit Canada Ltd., 4.54%, due January 8, 2026	0.7
DISH Network Corp., 11.75%, due November 15, 2027	0.7
Mauser Packaging Solutions Holding Co., 7.88%, due April 15, 2027	0.7
Bausch Health Americas Inc., 5.50%, due January 11, 2025	0.6
Bausch Health Americas Inc., 9.25%, due January 4, 2026	0.6
Bausch Health Cos Inc., 4.88%, due January 6, 2028	0.6
CCO Holdings Capital Corp., 4.25%, due January 2, 2031	0.6
Ford Credit Canada Ltd., 5.13%, due June 16, 2025	0.6
Tenet Healthcare Corp., 5.13%, due January 11, 2027	0.6
Albertsons Cos LLC / Safeway Inc / New Albertsons LP / Albertson's LLC, 4.63%, due January 15, 2027	0.5
CCO Holdings Capital Corp., 4.50%, due August 15, 2030	0.5
Central Garden & Pet Co., 5.13%, due January 2, 2028	0.5
CenturyLink Inc., 5.13%, due December 15, 2026	0.5
Cooper-Standard Automotive Inc., 10.63%, due May 15, 2027	0.5
DISH DBS Corp., 5.25%, due January 12, 2026	0.5
Live Nation Entertainment Inc., 6.50%, due May 15, 2027	0.5
Nexstar Escrow Inc., 5.63%, due July 15, 2027	0.5
Sirius XM Radio Inc., 4.00%, due July 15, 2028	0.5
Standard Industries Inc./NJ, 4.75%, due January 15, 2028	0.5
	18.8

Net asset value ..... \$1,043,245,059

### Term Allocation

	% of Net Asset Value
Under one year	4.8
From 1 year to 5 years	68.4
From 5 years to 10 years	4.5
More than 10 years	22.3

### Credit Quality

	% of Net Asset Value
BBB	6.6
BB	49.2
B	29.9
CCC and below	13.5
Not rated	0.8

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



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