

For the period January 15, 2019, to December 31, 2019

Dear Securityholder,

On April 30, 2007, National Bank Investments Inc. the manager of the NBI Funds and Meritage Portfolios, established the Independent Review Committee NBI Funds and the Meritage Portfolios in accordance with National Regulation 81–107 Independent Review Committee for Investment Funds (“**Regulation 81–107**”). Effective January 15, 2019, the mandate of the IRC includes the NBI Exchange-Traded Funds (“**NBI ETFs**”).

Under Regulation 81–107, the mandate of the Independent Review Committee of the NBI ETFs (the “**IRC**”) is to review conflict of interest matters referred to it by the manager of the NBI ETFs. The IRC seeks to determine whether the manager’s proposed actions achieve a fair and reasonable result for the funds. As part of its duties, the IRC meets regularly and concludes each meeting in camera, without the presence of representatives of the manager or any other entity related to the manager.

This report provides information about the activities of the IRC for the period from January 15, 2019, to December 31, 2019.

At least annually, the IRC reviews and assesses the adequacy and effectiveness of the policies and procedures to deal with conflict of interest matters relating to the NBI ETFs, and also conducts a self-assessment of the IRC’s independence, compensation and effectiveness.

The members of the IRC look forward to continuing to work with the manager in the best interests of each of the NBI ETFs.

“ Yves Julien ”

Yves Julien

Chair of the independent Review Committee  
of the NBI ETF

#### **Members of the Independent Review Committee**

<b>Members of the Independent Review Committee</b>	<b>Residence</b>	<b>First Appointed to the Independent Review Committee</b>
<b>Yves Julien (President)<sup>1</sup></b>	Westmount, Quebec	April 30, 2007
<b>Jacques Valotaire<sup>1</sup></b>	Boucherville, Quebec	April 30, 2007
<b>Norman A. Turnbull<sup>1</sup></b>	Varenes, Quebec	May 22 <sup>nd</sup> , 2019
<b>Robert Martin<sup>1</sup></b>	Saint-Bruno-de-Montarville, Quebec	May 22 <sup>nd</sup> , 2019

1. As well a member of the Independent Review Committee of the NBI Funds and the Meritage Portfolios.

André D. Godbout mandate ends on April 30, 2019. M. Godbout has been a member of the Committee since its inception and the Committee wished to acknowledge his valuable contribution to the work of the Committee and to thank him for his insightful advice. On May 22, 2019, Mr. Norman A. Turnbull and Mr. Robert Martin have been appointed as members of the IRC.

No member of the IRC serves on an independent review committee of investment funds managed by another investment fund manager.

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## **Holdings of Securities**

### **(a) NBI ETFs**

On the date hereof, the percentage of outstanding securities of each of the NBI ETFs beneficially owned, directly or indirectly, in aggregate, by all the members of the independent review committee did not exceed ten per cent.

### **(b) Investment Fund Manager**

On the date hereof, the percentage of the securities of each class or series of voting or equity securities of National Bank Investments Inc. (the manager of the NBI ETFs) or National Bank of Canada (its parent company) beneficially owned, directly or indirectly, in aggregate, by all members of the independent review committee was less than 0.05 per cent.

### **(c) Service providers**

On the date hereof, the percentage of securities of each class or series of voting or equity securities of any company or other entity providing services to the NBI ETFs or National Bank Investments Inc. (the manager of the NBI ETFs) beneficially owned, directly or indirectly, in aggregate, by all members of the independent review committee was less than 0.05 per cent.

## **Compensation and Indemnities**

For the period from January 1<sup>st</sup> to December 31, 2019, the aggregate compensation paid to the members of the IRC of the NBI ETF (in this capacity and as a member of the Independent Review Committee of the NBI Funds and the Meritage Portfolios) is of \$138,756.43. This amount was allocated among the NBI ETFs, the NBI Funds and the Meritage Portfolios in a manner that the manager considers to be fair and reasonable.

In accordance with Regulation 81–107, the compensation paid to the IRC during the period from January 1<sup>st</sup> to December 31, 2019, was set by the members of the IRC taking into account the manager's recommendation.

At least annually, the IRC reviews its compensation, giving consideration to the following, *inter alia*:

1. the best interests of the funds;
2. industry best practices, including industry averages and surveys on IRC compensation;
3. the number, nature and complexity of the funds for which the IRC acts; and
4. the nature and extent of the workload of each member of the IRC, including the commitment of time and energy that is expected.

National Bank Investments Inc. (manager of the NBI ETFs) and the NBI ETFs have granted contractual indemnities to each IRC member where circumstances warrant and as permitted by Regulation 81–107. No amounts were paid by the NBI ETFs or by National Bank Investments Inc. (manager of the NBI ETFs) to the IRC as an indemnity during the relevant period.

## **Conflict of Interest Matters**

The manager of the NBI ETFs has policies and procedures in place to address each of the conflict of interest matters listed below. The IRC has issued standing instructions to the manager of the NBI ETFs that require the manager to comply with its policies and procedures and to report periodically, and at least annually, to the IRC.

During the period from January 15 to December 31, 2019, the manager of the NBI ETFs has relied on the following approvals and recommendations (within the meaning of such terms under Regulation 81–107) granted by the IRC in accordance with Regulation 81–107.

### **Approvals**

1. *Transactions in Securities of a Related Issuer*: The IRC has given its approval so that the NBI ETFs may, in accordance with standing instructions of the IRC, make or retain an investment in securities of an issuer related to the NBI ETFs, the Manager or an entity related to the Manager (as defined in Regulation 81–107).
2. *Inter Fund Transactions*: The IRC has approved that the NBI ETFs may, in accordance with standing instructions of the IRC, purchase or sell securities between the NBI ETFs or with certain other investment funds or managed accounts. The IRC has been advised that there were no transactions during the reporting period under this matter.
3. *Related Party Underwriting*: The IRC has approved that the NBI ETFs may, in accordance with standing instructions of the IRC, invest in securities of an issuer underwritten by an entity related to the Manager (as defined in Regulation 81–107). The IRC has been advised that there were no transactions during the reporting period under this matter.

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4. *Related Party Debt Transactions:* The IRC has approved that the NBI ETFs may, in accordance with standing instructions of the IRC, enter into debt securities purchase or sale transactions with related entities for their own account. The IRC has been advised that there were no transactions during the reporting period under this matter.
5. *Transfers of Securities by Intact:* The IRC has given its approval for transfers of securities by Intact Investment Management Inc. to the Fund. (“Intact”) in the context of significant investments by Intact in a NBI ETF. The IRC has been advised that there were no transactions during the reporting period under this matter.

The IRC is not aware of any instance in which the manager of the NBI ETFs acted in respect of a conflict of interest matter without meeting the conditions as a result by the IRC in its approval.

### **Recommendations**

6. *Large Securityholders:* The IRC has provided its positive recommendation with respect to the establishment of special arrangements (relating to management fees, redemptions, seed capital, investments in fund of funds, etc.) with certain entities related to the Manager (as defined in Regulation 81–107) and certain large securityholders.
7. *Expense Eligibility and Allocation:* The IRC has provided its positive recommendation as to the allocation to the NBI ETFs of eligible expenses incurred in the operation of the funds (operating expenses) and the allocation of such operating expenses among the funds.
8. *Related Suppliers Fees and Quality Monitoring:* The IRC has provided its positive recommendation in respect of monitoring by the manager of fees charged and quality of services provided by service providers that are related to the manager or in a material business relationship with the manager or by strategic partners that are arms’ length suppliers and have contracted with the manager or an affiliate of the manager.
9. *Monitoring of Portfolio Managers’ Conflicts of Interests:* The IRC has provided its positive recommendation in respect of monitoring by the manager of conflict of interest matters present at the portfolio manager and sub-adviser levels, including without limitation: (i) portfolio managers’ and sub-advisers’ employees’ conflicts of interest (personal trading, disclosure and confidentiality and whistle-blowing), (ii) fair allocation of securities (among, on one hand, the NBI ETFs and, on the other hand, between the NBI ETFs, and the portfolios of other clients of the portfolio managers or sub-advisers), (iii) broker selection and trade allocation, (iv) soft dollar arrangements, (v) proxy voting and other corporate actions regarding related issuers, and (vi) correction of portfolio manager or sub-adviser material errors.
10. *Foreign Exchange Transactions with a Related Party:* The IRC has provided its positive recommendation in respect of the addition by the portfolio managers of the NBI ETFs of National Bank of Canada and other related counterparties as approved counterparties for the NBI ETFs foreign exchange transactions.
11. *Correcting Material Errors:* The IRC has provided its positive recommendation in respect of correcting material errors made by the manager of the NBI ETFs, namely in calculating net asset value, the wholesale process, and processing purchases, redemptions and exchanges of securities of the funds.
12. *Manager’s Employees’ Conflicts of Interest:* The IRC has provided its positive recommendation in respect of the treatment of certain conflicts such as personal trading, disclosure, confidentiality and whistle-blowing.
13. *Changing Portfolio Managers:* The IRC has provided its positive recommendation in respect of portfolio manager replacements.

The IRC is not aware of any instance in which the Manager of the NBI ETFs acted in respect of a conflict of interest matter referred to the IRC for which the IRC did not make a positive recommendation. The IRC is not aware of any instance in which the Manager of the NBI ETFs acted in respect of a conflict of interest matter without meeting the conditions imposed by the IRC in its recommendation.

**NBI ETF covered by this report:**

NBI Active Canadian Preferred Shares ETF  
NBI Canadian Family Business ETF  
NBI Global Real Assets Income ETF  
NIB Unconstrained Fixed Income ETF  
NBI Liquid Alternative ETF