Interim Report | June 30, 2020

Horizons Absolute Return Global Currency ETF (HARC:TSX)

HORIZONS ETFs
by Mirae Asset

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Contents

A Message from the CEO

For many industries and sectors, the first half of 2020 has been a very challenging period. As COVID-19 spread across the world, many countries closed their borders, restricted business operations and issued work-from-home orders for those businesses still operating.

COVID-19 restrictions also impacted the investment fund industry as investor fears of a recession resulted in a mass sell-off in global equities and corporate bonds in March. Governments and global central banks responded with significant stimulus packages to keep businesses afloat and support the growing number of people out of work.

Amid the crisis, Horizons ETFs has managed to rise above the market turbulence. As at June 30, 2020, Horizons ETFs was the second-best selling firm in Canada for 2020 in terms of inflows, with over $4.0 billion in net sales for the first six months of the year. With more than 90 ETFs listed in Canada, investors looked to our firm for innovative investment solutions to help manage this crisis and seek new investment opportunities.

In February, Horizons ETFs launched three new total return ETFs ("**TRI ETFs**"): the Horizons US Large Cap Index ETF ("**HULC**"), the Horizons S&P/TSX Capped Composite Index ETF ("**HXCN**") and the Horizons Cash Maximizer ETF ("**HSAV**"). HXCN received the most seed capital in Canadian history at $1 billion and is the best-selling ETF in Canada for the first half of 2020.

The second-best selling ETF in Canada for the first six months of 2020 is another one of our products: the Horizons Cdn. Select Universe Bond ETF ("**HBB**"). Our suite of tax-efficient TRI ETFs, which are not expected to pay out distributions, seem to have become a key target for investors using the crisis as an opportunity to rebalance their portfolios.

We have observed several recent positive indicators that have strengthened our optimistic outlook for the rest of 2020. In the broader Canadian ETF industry, there are signs that activity may be picking up; for the month of May, we saw $2.4 billion of net inflows into Canadian ETFs after a relatively quiet April, with all equity classes contributing, and a further $4 billion of inflows for the month of June. We've also seen marijuana stocks more than double from their March lows in the U.S., despite COVID-19 restrictions and the fact that marijuana remains illegal federally. Currently, Horizons ETFs provides the only ETF focused on exposure to this sector that can provide diversified exposure across the United States ("**HMUS**").

At Horizons ETFs, "Innovation is Our Capital," has long been our motto, and we believe that has allowed us to be nimble enough to adapt quickly while anticipating what investors are looking for. While the road ahead is still uncertain, we feel confident in our ability to maintain our momentum.

As always, we thank you for your continued support, and hope you're staying safe and healthy during this time.

Sincerely,

Steven J. Hawkins
President & CEO of Horizons ETFs Management (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Absolute Return Global Currency ETF ("HARC" or the "ETF"), a corporate class of shares (a "Corporate Class") of Horizons ETF Corp. (the "Company") (see *Recent Developments* below), contains financial highlights and is included with the unaudited interim consolidated financial statements ("financial statements" or "interim financial statements") for the investment fund. You may request a copy of the ETF's unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the ETF's manager, Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager"), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 55 University Avenue, Suite 800, Toronto ON, M5J 2H7, or by visiting our website at www.horizonsetfs.com or SEDAR at www.sedar.com.

This document may contain forward-looking statements relating to anticipated future events, results, circumstances, performance, or expectations that are not historical facts but instead represent our beliefs regarding future events. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. There is significant risk that predictions and other forward-looking statements will not prove to be accurate. We caution readers of this document not to place undue reliance on our forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed or implied in the forward-looking statements.

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF's prospectus. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Manager does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HARC is to seek to generate positive absolute returns through long and short exposure to selected global currencies. HARC will generally hold Canadian short-term fixed-income securities and will primarily use derivative instruments to gain its exposure to selected global currencies.

In order to achieve its investment objective, the ETF's portfolio sub-advisor, CIBC Asset Management Inc. ("CIBC Asset" or the "Sub-Advisor"), selects currencies that are expected to strengthen or weaken on a relative basis using the Sub-Advisor's proprietary active investment process that tracks more than thirty global currencies. The Sub-Advisor's investment process employs both fundamental analysis and a factor based ranking model.

HARC obtains exposure to currencies primarily by entering into derivatives where the underlying interests are the currencies of two countries. In each derivative, the currency of one country (the "strong side currency") is selected by the Sub-Advisor to outperform the currency of the other country (the "weak side currency"). HARC profits (or incurs a loss) from the derivative if, during the term of the derivative, the exchange rate between the two currencies changes such that the strong side currency increases (or decreases) in value relative to the weak side currency.

Management Discussion of Fund Performance (continued)

The Sub-Advisor studies a country's level of inflation, anticipated interest rate change, employment outlook, economic growth expectation, trade balance, government policy and central bank actions. The Sub-Advisor actively monitors interest rate and inflation differentials and uses, among other techniques, exchange rate analysis techniques such as interest rate parity and purchasing power parity to forecast currency values. The Sub-Advisor also conducts fundamental economic analysis of the currencies being considered for inclusion in HARC's portfolio, taking into account macro-economic variables and events that it judges to be important to a particular country.

Please refer to the ETF's most recent prospectus for a complete description of HARC's investment restrictions.

Risk

The Manager performs a review of the ETF's risk rating at least annually, as well as when there is a material change in the ETF's investment objective or investment strategies. The current risk rating for the ETF is: low to medium.

Risk ratings are determined based on the historical volatility of the ETF as measured by the standard deviation of its performance against its mean. The risk categorization of the ETF may change over time and historical volatility is not indicative of future volatility. Generally, a risk rating is assigned to the ETF based on a rolling 10-year standard deviation of its returns, the return of an underlying index, or of an applicable proxy. In cases where the Manager believes that this methodology produces a result that is not indicative of the ETF's future volatility, the risk rating may be determined by the ETF's category. Risk ratings are not intended for use as a substitute for undertaking a proper and complete suitability or financial assessment by an investment advisor.

The Manager, as a summary for existing investors, is providing the list below of the risks to which an investment in the ETF may be subject. **Prospective investors should read the ETF's most recent prospectus and consider the full description of the risks contained therein before purchasing shares.**

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's most recent prospectus. A full description of each risk listed below may also be found in the most recent prospectus. The most recent prospectus is available at www.horizonsetfs.com or from www.sedar.com, or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

- Inability to achieve investment objective
- Leverage risk
- Liquidity risk
- Borrowing risk
- Exchange traded products risk
- Risks relating to use of derivatives
- Designated Broker/Dealer risk
- Counterparty risk
- Reliance on key personnel
- Issuer concentration risk
- Cyber security risk
- Aggressive investment technique risk
- Tax-related risks
- Foreign security risk
- Currency price fluctuations
- Income trust investments risks
- Interest rate risk
- Currency fund risk
- Use of options risk
- Political, economic and social risk
- Market disruptions risk
- Significant redemptions
- Exchange risk
- Cease trading of securities risk
- Early closing risk
- Price limit risk
- Conflicts of interest
- Business and regulatory risks of alternative investment strategies

Management Discussion of Fund Performance (continued)

- Change in legislation
- No ownership interest
- Securities lending risk
- Fund corporation and multi-class/series structure risk
- Fluctuations in NAV and market price of the ETF shares risk
- Absence of an active market for the ETF shares and lack of operating history risk

Results of Operations

For the six-month period ended June 30, 2020, shares of the ETF returned -6.26%. By comparison, a basket of global currencies had the following returns versus the Canadian dollar ("CAD") for the same period: U.S. dollar ("USD") +4.51%, Japanese yen ("JPY") +5.18%, Euro currency ("EUR") +4.69%, Brazilian real ("BRL") -23.12% and Russian ruble ("RUB") -9.13%.

General Market Review

The first quarter ("Q1") of 2020 experienced a deep decline in global economic activity due to shutdowns enacted in response to the COVID-19 pandemic. Risk assets, including pro-risk currencies, weakened significantly, due to indiscriminate selling versus the USD on fears of widespread dollar shortage.

Economic data subsequently bounced vigorously in the second quarter ("Q2"), outperforming market expectations. Global monetary and fiscal policy support, already at unprecedented levels, has continued to grow, ensuring an abundance of liquidity. Economic reopening has, broadly, proceeded at a faster pace than expected, notwithstanding some recent rollbacks, particularly across the U.S. The growth recovery has been particularly strong in China and Europe; both economies implemented stricter lockdowns, causing deeper economic losses, from which they exited earlier than the U.S.

The vigor of the growth recovery should not obscure the continued low level of economic activity in much of the world. Economic activity will likely not recover to levels reported at the beginning of this year until well into 2021, at the earliest. This suggests downward pressure on rates of inflation in the near-term, even if abundant liquidity eventually tilts long-term inflation risks to the upside.

A mix of improving growth but low activity levels is expected to encourage policy makers to stay very accommodative for an extended period, as they seek to minimize the extent of systemic scarring due to the recession. Abundant policy accommodation, alongside mandated behavioural changes to minimize infection rates, suggests that countries are finding a way to live with COVID-19. As a result, the hurdle for a significant reversal of economic reopening appears higher than previously priced.

There are a number of important risks to this central scenario. Outside of those related to COVID-19, others are beginning to grow in importance. These include the November 2020 U.S. elections, which have potentially significant implications for U.S. tax and healthcare policies, and U.S.-China relations.

Portfolio Review and Outlook

Five main themes drove portfolio positioning and performance in the first half of 2020, and how the ETF is being positioned as we enter the second half of the year. First, strategy risk was reduced at the end of Q1 in the early stages of COVID-19-related market dislocations, as a proactive protective measure. The ETF also added positions expected to hedge risks in the current environment. These included a Swiss franc ("CHF") long position as a safe haven, and a short CAD position to hedge oil market fluctuations.

Management Discussion of Fund Performance (continued)

In response to unprecedented policy support and more rapid economic reopening than expected, market conditions normalized rapidly during Q2. Strategy risk was progressively raised in response, as was the pro-cyclical bias of the portfolio; this bias included a positioning switch from long to short CHF. The level of active strategy risk ended the first half of the year higher than it was at end of 2019.

Second—and consistent with the core tenets of the ETF's investment process, throughout the period—long positions were maintained in fundamentally strong currencies that offer relatively attractive interest rate carry and valuations. This group includes the Indian rupee, Indonesian rupiah, Mexican peso, and Russian ruble, as well as the Norwegian krone ("NOK").

Regardless of fundamentals, currencies suffered indiscriminate selling by market participants in late-February and March 2020 against the USD, motivated by concerns over dollar liquidity shortage, as well as corporate solvency due to global economic shutdowns. For currencies of oil-producing countries, selling also reflected concerns over the extent of oil market disruption, from both supply and demand perspectives.

In response to unprecedented policy stimulus, these currencies have regained part of the ground lost in Q1 and continued relatively attractive fundamentals indicate a constructive long-term outlook. Accordingly, the ETF has retained its long exposure, and in some cases has increased position sizes at least commensurate with the increase in strategy risk during Q2. Long exposure to the Australian dollar was also added to the portfolio, again reflecting attractive long-term fundamentals and current valuations, as well as high economic exposure to the relatively strong Chinese economy.

Third, positioning became more constructive in Europe during Q2. This change reflects the extent of well-targeted policy stimulus in Europe, which is expected to encourage a relatively persistent and strong cyclical recovery, as well as the proposed European Recovery Fund. If approved by all member countries, this fund would represent the first steps towards fiscal union. This more positive European outlook was expressed through longs in the NOK, the Swedish krona and Polish zloty that, in aggregate, more than offset a continued short EUR exposure.

Fourth, the ETF began 2020 with a short USD position. Its size was reduced in response to the Q1 flight to safety. As market sentiment improved during Q2, the position was increased once more. USD is expensive, according to our valuation metrics. The increase in dollar liquidity resulting from U.S. policy stimulus is massive, and is expected to persist for several quarters. The U.S. is expected to cede cyclical growth leadership to China, as well as the Euro area. All of these factors suggest a weaker USD.

Fifth, a short Thai baht (THB) position was introduced to the portfolio. THB is one of the most overvalued currencies in our investment universe. It is also relatively more exposed to the COVID-19 crisis, given the importance of tourism to the Thai economy. This source of income is likely to return only slowly over coming quarters, suggesting a significant deterioration in the Thai current account balance.

Other Operating Items and Changes in Net Assets Attributable to Holders of Redeemable Shares

For the six-month period ended June 30, 2020, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of ($1,342,189). This compares to $468,923 for the six-month period ended June 30, 2019. The ETF incurred management, operating and transaction expenses of $166,243 (2019 – $116,364) of which $900 (2019 – $50,278) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF did not make any distributions to shareholders during the periods ended June 30, 2020 and 2019.

Management Discussion of Fund Performance (continued)

Leverage

The aggregate market exposure of all instruments held directly or indirectly by HARC, calculated daily on a mark-to-market basis, can exceed HARC's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HARC divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2020, and for the year ended December 31, 2019; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2020	1:77:1	2:45:1	2:37:1	237%
December 31, 2019	1.45:1	2.61:1	2.36:1	236%

Recent Developments

Other than indicated below, there are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

The Corporate Class Merger

On June 23, 2020, a meeting of unitholders of the ETF approved a proposal to proceed with a merger (the "Merger") of the ETF, structured at the time as a trust (the "ETF Trust"), into a corresponding class of shares (the "Continuing Corporate Class ETF") of Horizons ETF Corp. ("Horizons MFC"), a multi-class mutual fund corporation managed by the Manager.

The decision to propose the Merger followed an extensive review by the Manager of the activities and tax positions of the ETF Trust, along with the proposed changes to the Income Tax Act (Canada) (the "Tax Act") contained in the 2019 Federal Budget, as a means to preserve the existing benefits offered by the ETF Trust.

The approved Merger took place at the close of business on June 29, 2020, and units of the ETF Trust (the "ETF Units") were exchanged on a one-for-one basis for ETF Shares of the applicable corresponding Corporate Class of Horizons MFC. The investment objective, investment strategies and fee structure of the merged ETF did not change as a result of the exchange of ETF Units into the corresponding ETF Shares.

The Merger is not expected to be a taxable event for Canadian resident holders of the ETF, provided that holders with ETF Units that were in an unrealized gain position and were held in taxable accounts prior to the Merger make a joint election with Horizons ETF Corp. under Section 85 of the Tax Act for the exchange of their ETF Units into the corresponding class of ETF Shares of Horizons ETF Corp., to occur on a tax-deferred basis.

For more information about making a joint election as indicated above, investors should refer to our website disclosure on this which can be found at: https://www.horizonsetfs.com/section-85-election.

Management Discussion of Fund Performance (continued)

Presentation

The attached financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets in the financial statements and/or management report of fund performance is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable shares as reported under IFRS. As the Merger described in Recent Developments involved the exchange of ETF Units for ETF Shares on a one-for-one basis, any items measured and described as on a "per share" basis may equally be ascribed to as on a "per unit" basis prior to the Merger.

The ETF has received an exemption from its regulators so that it may report information in its management report of fund performance and financial statements on a combined basis for both the pre- and post-Merger periods as though it were one continuous reporting entity.

Related Party Transactions

Certain services have been provided to the ETF by related parties and those relationships are described below.

Manager and Investment Manager

The manager and investment manager of the ETF is Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, a corporation incorporated under the laws of Ontario.

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 9) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2020, and December 31, 2019, are disclosed in the statements of financial position.

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 since it effectively began operations on January 16, 2017. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Share

Period [1]		**2020**	**2019**	**2018**	**2017**
Net assets, beginning of period	$	21.71	20.23	21.05	20.00
Increase (decrease) from operations:					
Total revenue		0.10	0.34	0.28	0.19
Total expenses		(0.18)	(0.31)	(0.28)	(0.31)
Realized gains (losses) for the period		(1.30)	0.72	(0.57)	1.27
Unrealized gains (losses) for the period		(0.23)	0.75	(0.25)	(0.15)
Total increase (decrease) from operations [2]		(1.61)	1.50	(0.82)	1.00
Distributions:					
From net investment income (excluding dividends)		–	–	–	(0.96)
Total distributions [3]		–	–	–	(0.96)
Net assets, end of period [4]	$	20.34	21.71	20.23	21.05

1. This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
2. Net assets per share and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.
3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional shares of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional shares of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each shareholder's adjusted cost base for their shares. Neither the number of shares held by the shareholder, nor the net asset per share of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each shareholder's adjusted cost base for their shares. The characteristics of distributions, if any, are determined subsequent to the end of the ETF's tax year. Until such time, distributions are classified as from net investment income (excluding dividends) for reporting purposes.
4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per share.

Financial Highlights (continued)

Ratios and Supplemental Data

Period [1]		2020	2019	2018	2017
Total net asset value (000's)	$	24,251	11,223	9,449	7,777
Number of shares outstanding (000's)		1,192	517	467	370
Management expense ratio [2]		1.53%	1.09%	1.09%	1.09%
Management expense ratio before waivers and absorptions [3]		1.54%	1.85%	1.93%	3.20%
Trading expense ratio [4]		0.19%	0.36%	0.28%	0.45%
Portfolio turnover rate [5]		0.00%	0.00%	0.00%	0.00%
Net asset value per share, end of period	$	20.34	21.71	20.23	21.05
Closing market price	$	20.40	21.67	20.34	21.15

1. This information is provided as at June 30, 2020, and December 31 of the other years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. 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 period.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. 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 year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to shareholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that shareholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in shares of the ETF; and dealing and communicating with shareholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.95%, plus applicable sales taxes, of the net asset value of the ETF's shares, calculated and accrued daily and payable monthly in arrears.

The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

The table below details, in percentage terms, the services received by the ETF from the Manager in consideration of the management fees paid during the period.

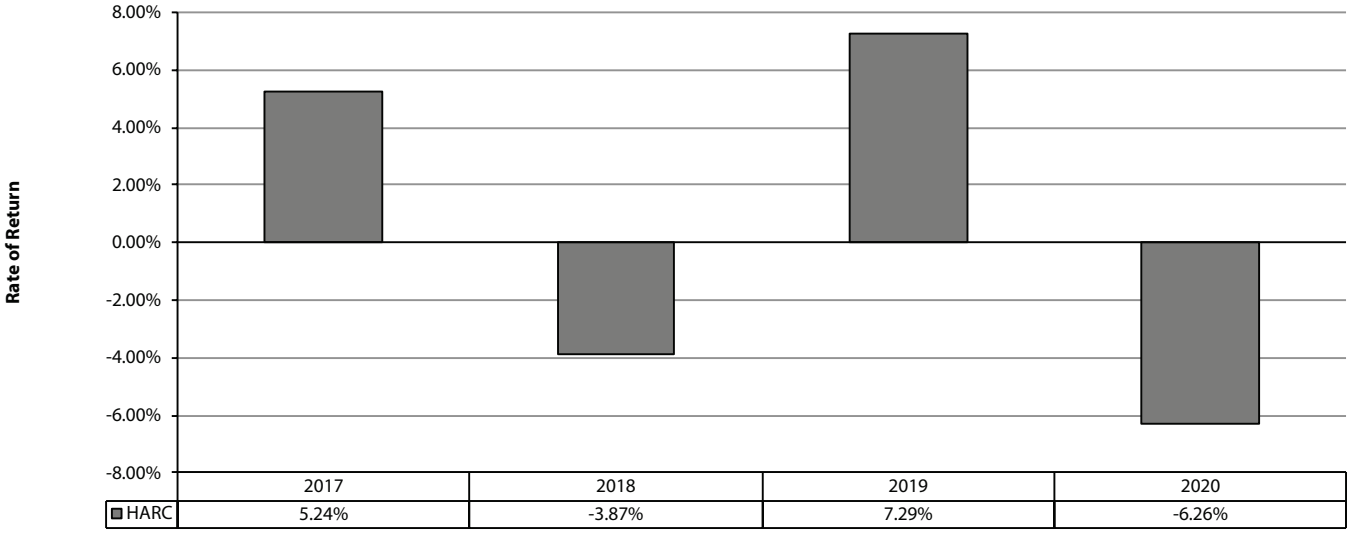
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
3%	96%	1%

Past Performance

Commissions, management fees, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in share value and reinvestment of all distributions, and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any investor that would have reduced returns. An investment in the ETF is not guaranteed. Its value changes frequently and past performance may not be repeated. The ETF's performance numbers assume that all distributions, if any, are reinvested in additional shares of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional shares. The amount of the reinvested taxable distributions is added to the adjusted cost base of the shares that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

The following chart presents the ETF's performance for the periods shown, and illustrates how the performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



The ETF effectively began operations on January 16, 2017.

Summary of Investment Portfolio

As at June 30, 2020

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Exposure		
Currency Forward Contracts–Speculative*	$ 31,399,035	129.47%
Cash and Cash Equivalents	24,332,801	100.34%
Other Assets less Liabilities	(42,144)	-0.18%
Short Exposure		
Currency Forward Contracts–Speculative*	(31,438,540)	-129.63%
	$ 24,251,152	**100.00%**

*Positions in forward contracts are disclosed as the gain/(loss) that would be realized if the contracts were closed out on the date of this report.

Summary of Investment Portfolio (continued)

As at June 30, 2020

Top Forward Currency Exposure **	% of ETF's Net Asset Value
Long Exposure	
Indian Rupee	19.69%
Norwegian Krone	18.14%
Mexican Peso	17.84%
Indonesian Rupiah	17.36%
Russian Ruble	14.46%
Swedish Krona	14.34%
Australian Dollars	7.97%
South Korean Won	7.90%
Polish Zloty	5.96%
Malaysian Ringgit	5.81%
Short Exposure	
Chinese Yuan	-5.86%
Hong Kong Dollars	-7.78%
New Zealand Dollars	-7.98%
Canadian Dollars	-10.31%
Swiss Franc	-18.32%
Thailand Baht	-22.09%
United States Dollars	-27.60%
Euro	-29.69%

** All forward contracts are speculative in nature. Positions in forward contracts are disclosed in terms of their fair value. Aggregate exposure of forward contracts equals 259.10% of the ETFs NAV.

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent financial statements are available at no cost by calling 1-866-641-5739, or (416) 933-5745, by writing to us at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Absolute Return Global Currency ETF (the "ETF") are the responsibility of the manager to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgements.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager.

Steven J. Hawkins
Director
Horizons ETFs Management (Canada) Inc.

Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO SHAREHOLDERS

The Auditors of the ETF have not reviewed these Financial Statements.

Horizons ETFs Management (Canada) Inc., the Manager of the ETF, appoints an independent auditor to audit the ETF's annual financial statements.

The ETF's independent auditors have not performed a review of these interim financial statements in accordance with Canadian generally accepted auditing standards.

Consolidated Statements of Financial Position (unaudited)

As at June 30, 2020 and December 31, 2019

		2020		2019
Assets				
Cash and cash equivalents	$	24,332,801	$	11,052,932
Amounts receivable relating to accrued income		22,433		15,546
Derivative assets (note 3)		190,614		596,578
Total assets		**24,545,848**		**11,665,056**
Liabilities				
Accrued management fees		22,160		9,403
Accrued operating expenses		42,417		11,843
Derivative liabilities (note 3)		230,119		420,522
Total liabilities		**294,696**		**441,768**
Total net assets (note 2)	**$**	**24,251,152**	**$**	**11,223,288**
Number of redeemable shares outstanding (note 9)		1,192,000		517,000
Total net assets per share	$	20.34	$	21.71

(See accompanying notes to financial statements)

Approved on behalf of the Board of Directors of the Manager:

Steven J. Hawkins
Director

Thomas Park
Director

Consolidated Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

		2020		2019
Income				
Interest income for distribution purposes	$	92,290	$	71,092
Securities lending income (note 7)		357		521
Net realized gain (loss) on sale of investments and derivatives		(1,252,099)		282,094
Net realized gain (loss) on foreign exchange		29,557		(9,526)
Net change in unrealized appreciation (depreciation) of investments and derivatives		(215,561)		129,085
Net change in unrealized appreciation (depreciation) of foreign exchange		3,267		(4,343)
		(1,342,189)		**468,923**
Expenses (note 10)				
Management fees		102,795		48,283
Audit fees		5,998		3,686
Independent Review Committee fees		376		371
Custodial and fund valuation fees		14,048		14,005
Legal fees		3,172		12,396
Securityholder reporting costs		7,738		7,417
Administration fees		13,523		13,392
Transaction costs		18,593		16,814
		166,243		**116,364**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(900)		(50,278)
		165,343		**66,086**
Increase (decrease) in net assets for the period	**$**	**(1,507,532)**	**$**	**402,837**
Increase (decrease) in net assets per share	$	(1.61)	$	0.93

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

		2020		2019
Total net assets at the beginning of the period	$	11,223,288	$	9,449,037
Increase (decrease) in net assets		(1,507,532)		402,837
Redeemable share transactions				
Proceeds from the issuance of securities of the investment fund		16,919,246		–
Aggregate amounts paid on redemption of securities of the investment fund		(2,383,850)		(1,036,885)
Total net assets at the end of the period	**$**	**24,251,152**	**$**	**8,814,989**

(See accompanying notes to financial statements)

Consolidated Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

		2020		2019
Cash flows from operating activities:				
Increase (decrease) in net assets for the period	$	(1,507,532)	$	402,837
Adjustments for:				
Net realized loss (gain) on sale of investments and derivatives		1,252,099		(282,094)
Net realized gain (loss) on currency forward contracts		(1,252,099)		282,094
Net change in unrealized depreciation (appreciation) of investments and derivatives		215,561		(129,085)
Net change in unrealized depreciation (appreciation) of foreign exchange		(3,267)		4,343
Amounts receivable relating to accrued income		(6,887)		1,943
Accrued expenses		43,331		(672)
Net cash from (used in) operating activities		**(1,258,794)**		**279,366**
Cash flows from financing activities:				
Amount received from the issuance of shares		16,919,246		–
Amount paid on redemptions of shares		(2,383,850)		(1,036,885)
Net cash from (used in) financing activities		**14,535,396**		**(1,036,885)**
Net increase (decrease) in cash and cash equivalents during the period		13,276,602		(757,519)
Effect of exchange rate fluctuations on cash and cash equivalents		3,267		(4,343)
Cash and cash equivalents at beginning of period		11,052,932		9,601,459
Cash and cash equivalents at end of period	**$**	**24,332,801**	**$**	**8,839,597**

Interest received, net of withholding taxes	$	85,403	$	73,035

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2020

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (-0.16%)			
Currency Forwards (-0.16%)			
Currency forward contract to buy MYR 4,450,000 for US$1,038,749 maturing July 9, 2020		$ –	$ (822)
Currency forward contract to buy C$7,458,004 for EUR€4,840,000 maturing July 14, 2020		–	74,089
Currency forward contract to buy EUR€120,000 for C$183,608 maturing July 14, 2020		–	(536)
Currency forward contract to buy PLN 4,210,000 for C$1,449,620 maturing July 14, 2020		–	(4,956)
Currency forward contract to buy MXN 73,350,000 for C$4,334,333 maturing July 14, 2020		–	(8,796)
Currency forward contract to buy US$6,784,605 for C$9,292,890 maturing July 15, 2020		–	(82,436)
Currency forward contract to buy C$1,937,684 for NZD 2,210,000 maturing July 21, 2020		–	1,606
Currency forward contract to buy RUB 184,335,000 for US$2,620,628 maturing July 23, 2020		–	(51,319)
Currency forward contract to buy NOK 31,190,000 for C$4,406,531 maturing July 24, 2020		–	(7,227)
Currency forward contract to buy SEK 23,885,000 for C$3,513,626 maturing July 24, 2020		–	(33,001)
Currency forward contract to buy KRW 1,692,295,000 for US$1,409,424 maturing August 27, 2020		–	1,988
Currency forward contract to buy C$5,413,320 for THB 122,000,000 maturing August 28, 2020		–	55,757
Currency forward contract to buy C$4,470,208 for CHF 3,095,150 maturing August 28, 2020		–	28,160
Currency forward contract to buy C$1,904,254 for HKD 10,780,000 maturing September 8, 2020		–	17,005
Currency forward contract to buy C$1,433,005 for CNH 7,430,000 maturing September 8, 2020		–	11,881
Currency forward contract to buy US$95,238 for INR 7,240,000 maturing September 8, 2020		–	129
Currency forward contract to buy INR 274,940,000 for US$3,615,491 maturing September 8, 2020		–	(3,268)
Currency forward contract to buy AU$2,061,800 for C$1,935,700 maturing September 15, 2020		–	(3,828)
Currency forward contract to buy IDR 45,783,070,000 for US$3,127,259 maturing September 23, 2020		–	(33,931)
		–	(39,505)
TOTAL DERIVATIVES		**–**	**(39,505)**

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Contracts	Average Cost	Fair Value
TOTAL INVESTMENT PORTFOLIO (-0.16%)		**$ –**	**$ (39,505)**
Cash and cash equivalents (100.34%)			24,332,801
Other assets less liabilities (-0.18%)			(42,144)
TOTAL NET ASSETS (100.00%)			**$ 24,251,152**

(See accompanying notes to financial statements)

Notes to Consolidated Financial Statements (unaudited)

June 30, 2020

1. REPORTING ENTITY

Horizons ETF Corp. (the "Company" or "Horizons MFC") is a mutual fund corporation established on October 10, 2019, under the federal laws of Canada. The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, nonvoting classes of shares (each, a "Corporate Class" or "ETF"), issuable in an unlimited number of series, and one class of voting shares designated as "Class J Shares". Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. These consolidated financial statements (the "financial statements") as at June 30, 2020, and December 31, 2019, and for the periods ended June 30, 2020 and 2019, comprise the Company and its wholly-owned entities and are presented on the basis outlined below. Each ETF is a separate Corporate Class and currently consists of a single series of exchange traded fund shares ("ETF Shares") of the applicable Corporate Class of the Company.

Horizons Absolute Return Global Currency ETF ("HARC" or "the ETF") is offered for sale on a continuous basis by the Company's prospectus in ETF Shares which trade on the Toronto Stock Exchange ("TSX") under the symbol HARC. An investor may buy or sell shares of the ETF on the TSX through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade shares of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling shares.

Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager" or the "Investment Manager") is the manager and investment manager of Horizons MFC and of each Corporate Class. The Investment Manager is responsible for implementing each ETF's investment strategies and for engaging the services of CIBC Asset Management Inc. ("CIBC Asset" or the "Sub-Advisor"), to act as the sub-advisor to HARC. The address of the Company's registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The Corporate Class Merger

On June 23, 2020, a meeting of unitholders of the ETF approved a proposal to proceed with a merger (the "Merger") of the ETF, structured at the time as a trust (the "ETF Trust"), into a corresponding class of shares (the "Continuing Corporate Class ETF") of Horizons MFC, a multi-class mutual fund corporation managed by the Manager.

The decision to propose the Merger followed an extensive review by the Manager of the activities and tax positions of the ETF Trust, along with the proposed changes to the Income Tax Act (Canada) (the "Tax Act") contained in the 2019 Federal Budget, as a means to preserve the existing benefits offered by the ETF Trust.

The approved Merger took place at the close of business on June 29, 2020, and units of the ETF Trust (the "ETF Units") were exchanged on a one-for-one basis for ETF Shares of the applicable corresponding Corporate Class of Horizons MFC. The investment objective, investment strategies and fee structure of the merged ETF did not change as a result of the exchange of ETF Units into the corresponding ETF Shares.

The Merger is not expected to be a taxable event for Canadian resident holders of the ETF, provided that holders with ETF Units that were in an unrealized gain position and were held in taxable accounts prior to the Merger make a joint election with Horizons ETF Corp. under Section 85 of the Tax Act for the exchange of their ETF Units into the corresponding class of ETF Shares of Horizons ETF Corp., to occur on a tax-deferred basis.

For more information about making a joint election as indicated above, investors should refer to our website disclosure on this which can be found at: https://www.horizonsetfs.com/section-85-election.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Reporting Periods

While the ETF only became part of the Company after the completion of the Merger, it has received an exemption from its regulators so that it may report information in its financial statements on a combined basis for both the pre- and post-Merger periods into one continuous period for the six months ended June 30, 2020, as well as for any comparative information for the year ended December 31, 2019, and/or period ended June 30, 2019. Post-Merger, the ETF Trust is wholly-owned by the Company. These financial statements are presented on a consolidated basis for the individual ETF and the corresponding ETF Trusts.

Investment Objective

The investment objective of HARC is to seek to generate positive absolute returns through long and short exposure to selected global currencies. HARC will generally hold Canadian short-term fixed-income securities and will primarily use derivative instruments to gain its exposure to selected global currencies.

2. BASIS OF PREPARATION

(i) Statement of compliance

The ETF's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable shares as reported under IFRS. As the Reorganization described in note 1 involved the exchange of ETF Units for ETF Shares on a one-for-one basis, any items measured and described as on a "per share" basis may equally be ascribed to as on a "per unit" basis prior to the Reorganization.

These financial statements were authorized for issue on August 14, 2020, by the Board of Directors of the Manager.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value though profit or loss, which are measured at fair value.

(iii) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the ETF's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(a) Financial instruments

(i) Recognition, initial measurement and classification

The ETF is subject to IFRS 9, Financial Instruments ("IFRS 9") for the classification and measurement requirements for financial instruments, including impairment of financial assets and hedge accounting.

IFRS 9 requires assets to be classified based on the ETF's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss ("FVTPL"). IFRS 9 requires classification of debt instruments, if any, based solely on payments of principal and interests, and business model tests.

The ETF's financial assets and financial liabilities are managed and its performance is evaluated on a fair value basis. The contractual cash flows of the ETF's debt securities, if any, consist solely of principal and interest, however, these securities are neither held in held-to-collect, or held-to-collect-and-sell business models in IFRS 9.

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value (see below), with transaction costs recognized in the statements of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

The ETF classifies financial assets and financial liabilities into the following categories:

- Financial assets mandatorily classified at FVTPL: debt securities, equity investments and derivative financial instruments
- Financial assets at amortized cost: All other financial assets
- Financial liabilities classified at FVTPL: derivative financial instruments and securities sold short, if any
- Financial liabilities at amortized cost: all other financial liabilities

(ii) Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the ETF has access at that date. The fair value of a liability reflects its non-performance risk.

Investments are valued at fair value as of the close of business on each day upon which a session of the TSX is held ("Valuation Date") and based on external pricing sources to the extent possible. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their closing sale price. However, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. Short-term investments, including notes and money market instruments, are valued at amortized cost which approximates fair value.

Investments held that are not traded in an active market, including some derivative financial instruments, are valued using observable market inputs where possible, on such basis and in such manner as established by the Manager. Derivative financial instruments are recorded in the statements of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also the summary of fair value measurements in note 6.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Fair value policies used for financial reporting purposes are the same as those used to measure the net asset value ("NAV") for transactions with shareholders.

The fair value of other financial assets and liabilities approximates their carrying values due to the short-term nature of these instruments.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

(iv) Specific instruments

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase.

Forward foreign exchange contracts

Forward foreign exchange contracts, if any, are valued at the current market value thereof on the Valuation Date. The value of these forward contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be closed out and recorded as derivative assets and/or liabilities in the statements of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable shares

The redeemable shares are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable shares. They are classified as financial liabilities as a result of the Company's requirement to distribute net income and capital gains to shareholders.

(b) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the ETF accounted for on an accrual basis.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs is recognized when earned.

Income from derivatives is shown in the statements of comprehensive income as net realized gain (loss) on sale of investments and derivatives; net change in unrealized appreciation (depreciation) of investments and derivatives; and, interest income for distribution purposes, in accordance with its nature.

Income from securities lending, if any, is included in "Securities lending income" on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 7).

If the ETF incurs withholding taxes imposed by certain countries on investment income and capital gains, such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

(c) Foreign currency

Transactions in foreign currencies are translated into the ETF's reporting currency using the exchange rate prevailing on the trade date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the period-end exchange rate. Foreign exchange gains and losses are presented as "Net realized gain (loss) on foreign exchange", except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within "Net realized gain (loss) on sale of investments and derivatives" and "Net change in unrealized appreciation (depreciation) of investments and derivatives" in the statements of comprehensive income.

(d) Cost basis

The cost of portfolio investments is determined on an average cost basis.

(e) Increase (decrease) in net assets attributable to holders of redeemable shares per share

The increase (decrease) in net assets per share in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable shares from operations divided by the weighted average number of shares of the ETF outstanding during the reporting period.

(f) Shareholder transactions

The value at which shares of the ETF (and, prior to the Merger described in note 1, units of the ETF) are issued or redeemed is determined by dividing the net asset value of the ETF by the total number of shares outstanding of the ETF on the applicable Valuation Date. Amounts received on the issuance of shares and amounts paid on the redemption of shares are included in the statements of changes in financial position. Orders for subscriptions or redemptions are only permissible on valid trading days, as defined in the ETF's prospectus.

(g) Amounts receivable (payable) relating to portfolio assets sold (purchased)

In accordance with the ETF's policy of trade date accounting for sale and purchase transactions, sales/purchase transactions awaiting settlement represent amounts receivable/payable for securities sold/purchased, but not yet settled as at the reporting date.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(h) Net assets attributable to holders of redeemable shares per share

Net assets attributable to holders of redeemable shares per share is calculated by dividing the ETF's net assets attributable to holders of redeemable shares by the number of shares of the ETF outstanding on the Valuation Date.

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these financial statements, the Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

The ETF may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgements and estimates that the ETF has made in preparing the financial statements. See note 6 for more information on the fair value measurement of the ETF's financial instruments.

5. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the ETF's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the ETF's performance by employing professional, experienced portfolio advisors, by daily monitoring of the ETF's positions and market events, and periodically may use derivatives to hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the ETF's investment activities and monitors compliance with the ETF's stated investment strategies, internal guidelines and securities regulations.

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the shares of the ETF. Significant financial instrument risks that are relevant to the ETF and an analysis of how they are managed are presented below.

(a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the ETF's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. The following tables indicate the foreign currencies to which the ETF had significant exposure as at June 30, 2020, and December 31, 2019, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

June 30, 2020	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	($000's)	($000's)	($000's)	($000's)
Australian Dollar	–	1,932	1,932	19
Chinese Yuan	–	(1,421)	(1,421)	(14)
Euro Currency	–	(7,201)	(7,201)	(72)
Hong Kong Dollar	–	(1,887)	(1,887)	(19)
Indian Rupee	–	4,775	4,775	48
Indonesian Rupiah	–	4,211	4,211	42
Malaysian Ringgit	–	1,409	1,409	14
Mexican Peso	–	4,326	4,326	43
New Zealand Dollar	–	(1,936)	(1,936)	(19)
Norwegian Krone	–	4,399	4,399	44
Polish Zloty	–	1,445	1,445	14
Russian Ruble	–	3,506	3,506	35
South Korean Won	–	1,915	1,915	19
Swedish Krona	–	3,481	3,481	35
Swiss Franc	–	(4,442)	(4,442)	(44)
Thai Baht	–	(5,358)	(5,358)	(54)
U.S. Dollar	141	(6,694)	(6,553)	(66)
Total	141	2,460	2,601	25
As % of Net Asset Value	0.6%	10.1%	10.7%	0.1%

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

December 31, 2019	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	($000's)	($000's)	($000's)	($000's)
Australian Dollar	–	(1,136)	(1,136)	(11)
Brazilian Real	–	892	892	9
Euro Currency	–	(3,807)	(3,807)	(38)
Hong Kong Dollar	–	(2,437)	(2,437)	(24)
Indian Rupee	–	2,636	2,636	26
Indonesian Rupiah	–	2,671	2,671	27
Japanese Yen	–	449	449	4
Mexican Peso	–	1,554	1,554	16
Norwegian Krone	–	1,813	1,813	18
Russian Ruble	–	2,009	2,009	20
Singapore Dollar	–	(449)	(449)	(4)
South Korean Won	–	(1,347)	(1,347)	(13)
Swedish Krona	–	1,338	1,338	13
Thai Baht	–	(1,119)	(1,119)	(11)
U.S. Dollar	339	(2,833)	(2,494)	(25)
Total	339	234	573	7
As % of Net Asset Value	3.0%	2.1%	5.1%	0.1%

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature.

As at June 30, 2020, and December 31, 2019, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Manager has imposed internal risk management controls on the ETF which are intended to limit the loss on its trading activities.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

Comparative Index	June 30, 2020	December 31, 2019
MSCI World Index	$155,948	$34,555

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables. The ETF's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the statements of financial position. The ETF's credit risk policy is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the ETF's prospectus and by taking collateral.

As at June 30, 2020, and December 31, 2019, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(c) Liquidity risk

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the ETF's reputation. Generally, liabilities of the ETF are due within 90 days. Liquidity risk is managed by investing the majority of the ETF's assets in investments that are traded in an active market and can be readily disposed. The ETF aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the ETF is considered minimal.

6. FAIR VALUE MEASUREMENT

Below is a classification of fair value measurements of the ETF's investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

- Level 1: securities that are valued based on quoted prices in active markets.
- Level 2: securities that are valued based on inputs other than quoted prices that are observable, either directly as prices, or indirectly as derived from prices.
- Level 3: securities that are valued with significant unobservable market data.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2020, and December 31, 2019, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2020			December 31, 2019		
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets						
Currency Forward Contracts	–	190,614	–	–	596,578	–
Total Financial Assets	**–**	**190,614**	**–**	**–**	**596,578**	**–**
Financial Liabilities						
Currency Forward Contracts	–	(230,119)	–	–	(420,522)	–
Total Financial Liabilities	**–**	**(230,119)**	**–**	**–**	**(420,522)**	**–**
Net Financial Assets and Liabilities	**–**	**(39,505)**	**–**	**–**	**176,056**	**–**

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or year shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2020, and for the year ended December 31, 2019.

7. SECURITIES LENDING

In order to generate additional returns, the ETF is authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with National Instrument 81-102 – *Investment Funds* ("NI 81-102"). Under a securities lending agreement, the borrower must pay the ETF a negotiated securities lending fee, provide compensation to the ETF equal to any distributions received by the borrower on the securities borrowed, and the ETF must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. Revenue, if any, earned on securities lending transactions during the period is disclosed in the ETF's statements of comprehensive income.

The aggregate closing market value of securities loaned and collateral received as at June 30, 2020, and December 31, 2019, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2020	$4,552,531	$4,781,212
December 31, 2019	$3,505,230	$3,680,754

Collateral may comprise, but is not limited to, cash and obligations of or guaranteed by the Government of Canada or a province thereof; by the United States government or its agencies; by some sovereign states; by permitted supranational agencies; and short-term debt of Canadian financial institutions, if, in each case, the evidence of indebtedness has a designated rating as defined by NI 81-102.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the periods ended June 30, 2020 and 2019. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the periods ended	June 30, 2020	% of Gross Income	June 30, 2019	% of Gross Income
Gross securities lending income	$510		$744	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(153)	30.00%	(223)	29.97%
Net securities lending income paid to the ETF	**$357**	**70.00%**	**$521**	**70.03%**

8. LEVERAGE

The aggregate market exposure of all instruments held directly or indirectly by HARC, calculated daily on a mark-to-market basis, can exceed HARC's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HARC divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2020, and for the year ended December 31, 2019; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2020	1:77:1	2:45:1	2:37:1	237%
December 31, 2019	1.45:1	2.61:1	2.36:1	236%

9. REDEEMABLE SHARES

The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, non-voting Corporate Classes, issuable in an unlimited number of series, including the ETF Shares, and one class of voting shares designated as "Class J Shares". Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. The ETF of the Company is a separate Corporate Class.

An unlimited number of ETF Shares are being offered for sale on a continuous basis in Canadian dollars ("Cdn$ Shares") and may also be offered for sale on a continuous basis in, U.S. dollars ("US$ Shares").

Each ETF Share entitles the owner to one vote at meetings of shareholders to which they are entitled to vote. Each shareholder is entitled to participate equally with all other shares of the same Corporate Class or series of Corporate Class with respect to all payments made to shareholders, other than management fee rebates, including dividends and distribu-

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

tions and, on liquidation, to participate equally in the net assets of the Corporate Class remaining after satisfaction of any outstanding liabilities that are attributable to ETF Shares of the Corporate Class.

The redeemable shares issued by the ETF provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the ETF's net assets at each redemption date and are classified as liabilities as a result of the ETF's requirement to distribute net income and capital gains to shareholders. The ETF's objectives in managing the redeemable shares are to meet the ETF's investment objective, and to manage liquidity risk arising from redemptions. The ETF's management of liquidity risk arising from redeemable shares is discussed in note 5.

On any valid trading day, as defined in the ETF's prospectus, shareholders of the ETF may redeem: (i) ETF Shares for cash at a redemption price per ETF Share equal to 95% of the closing price for the ETF Shares in the applicable currency on the TSX on the effective day of the redemption, subject to a maximum redemption price per ETF Share equal to the net asset value per ETF Share on the effective day of redemption; or (ii) at the sole discretion of the Manager, a prescribed number of shares ("PNS") or a whole multiple PNS for cash in the applicable currency equal to the net asset value of that number of ETF Shares in such currency next determined following the receipt of the redemption request, less any applicable redemption charge as determined by the Manager in its sole discretion; or (iii) at the sole discretion of the Manager, a PNS or a whole multiple PNS in exchange for securities and cash in the applicable currency equal to the net asset value of that number of ETF Shares in such currency following the receipt of the redemption request, provided that a securities redemption may be subject to redemption charges at the sole discretion of the Manager.

Shares of the ETF are issued or redeemed on a daily basis at the net asset value per share that is determined as at 4:00 p.m. (Eastern Time) each business day.

If, in any taxation year, the Company would otherwise be liable for tax on net realized capital gains, the Company intends to pay, to the extent possible, by the last day of that year, a special capital gains dividend to ensure that the Company will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Such distributions may be paid in the form of ETF Shares of the relevant ETF and/or cash which is automatically reinvested in ETF Shares of the relevant ETF. Any such distributions payable in ETF Shares or reinvested in ETF Shares of the relevant ETF will increase the aggregate adjusted cost base of a shareholder's ETF Shares of that ETF. Immediately following payment of such a special distribution in ETF Shares or reinvestment in ETF Shares, the number of ETF Shares of that ETF outstanding will be automatically consolidated such that the number of ETF Shares of that ETF outstanding after such distribution will be equal to the number of ETF Shares of that ETF outstanding immediately prior to such distribution, except where there are non-resident shareholders to the extent tax is required to be withheld in respect of the distribution.

Please consult the ETF's most recent prospectus for a full description of the subscription and redemption features of the ETF Shares.

For the periods ended June 30, 2020 and 2019, the number of ETF Shares and/or Units issued by subscription, the number of ETF Shares and/or Units redeemed, the total and average number of ETF Shares and/or Units outstanding was as follows:

Period	Beginning Shares/ Units Outstanding	Shares/Units Issued	Shares/Units Redeemed	Ending Shares/Units Outstanding	Average Shares/ Units Outstanding
2020	517,000	800,000	(125,000)	1,192,000	938,566
2019	467,000	–	(50,000)	417,000	434,127

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

10. EXPENSES

Management fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to shareholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that shareholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in shares of the ETF; and dealing and communicating with shareholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.95%, plus applicable sales taxes, of the net asset value of the ETF's shares, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to shareholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; shareholder reports and servicing costs; registrar and transfer agent fees; costs associated with the Independent Review Committee; income taxes; sales taxes; brokerage expenses and commissions; and withholding taxes.

The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

11. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

Brokerage commissions paid on securities transactions may include amounts paid to related parties of the Manager for brokerage services provided to the ETF.

Research and system usage related services received in return for commissions generated with specific dealers are generally referred to as soft dollars.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the periods ended June 30, 2020 and 2019, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2020	$nil	$nil	$nil
June 30, 2019	$nil	$nil	$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 10 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2020, and December 31, 2019, are disclosed in the statements of financial position.

The ETF may invest in other ETFs managed by the Manager or its affiliates, in accordance with the ETF's investment objectives and strategies. Such investments, if any, are disclosed in the schedule of investments.

12. INCOME TAX

The Company qualifies and intends at all relevant times to qualify as a "mutual fund corporation" as defined in the Tax Act. Although the Company may issue any number of classes, in any number of series, it will be required (like any other mutual fund corporation with a multi-class structure) to compute its income and net capital gains for tax purposes as a single entity. All of the Company's revenues, deductible expenses, non-capital losses, capital gains and capital losses in connection with all of its investment portfolios, and other items relevant to its tax position (including the tax attributes of all of its assets), will be taken into account in determining the income (and taxable income) or loss of the Company and applicable taxes payable by the Company as a whole.

As a mutual fund corporation, the Company is entitled, in certain circumstances, to a refund of tax paid by it in respect of its net realized capital gains determined on a formula basis that is based in part on the redemption of the ETF Shares. Also, as a mutual fund corporation, the Company will be entitled to maintain a capital gains dividend account in respect of its net realized capital gains and from which it may elect to pay dividends which are treated as capital gains in the hands of shareholders.

To the extent that the Company earns net income (other than dividends from taxable Canadian corporations and certain taxable capital gains and after available deductions), including in respect of derivative transactions, interest and income paid or made payable to it by a trust resident in Canada, the Company will be subject to income tax on such net income and no refund will be available in respect thereof.

The Company may, at its option, pay special year-end dividends to shareholders in the form of a capital gains dividend where the Company has net taxable capital gains upon which it would otherwise be subject to tax, or in order to recover refundable tax not otherwise recoverable upon payment of regular cash distributions.

The Company will establish a policy to determine how it will allocate income and capital gains in a tax-efficient manner among its Corporate Classes in a way that it believes is fair, consistent and reasonable for all shareholders. The amount of dividends, if any, paid to shareholders will be based on this tax allocation policy, which will be approved by the Company's board of directors.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Prior to the Merger described in note 1, the ETF Trust qualified as a mutual fund trust under the Tax Act and accordingly, was not taxed on the portion of taxable income that was paid or allocated to the unitholders. As well, tax refunds (based on redemptions and realized and unrealized gains during the period) may have been available to retain some net capital gains in the ETF without incurring any income taxes.

13. TAX LOSSES CARRIED FORWARD

Where the Company has realized a net capital loss in a taxation year, such capital loss cannot be allocated to shareholders but the Company may carry such capital loss back three years or forward indefinitely to offset capital gains realized by the Company. Non-capital losses incurred by the Company in a taxation year cannot be allocated to shareholders of the Company, but may be carried back three years or carried forward twenty years to offset income (including taxable capital gains).

As at December 31, 2019, the Company and its wholly-owned entities had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
$1,268,854,684	$126,121	2028
	$1,961,149	2029
	$5,668,871	2030
	$3,237,571	2031
	$3,138,653	2032
	$153,021,428	2033
	$230,454,838	2034
	$447,364,861	2035
	$74,326,117	2036
	$266,066,173	2037
	$118,753,295	2038
	$229,673,077	2039

14. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2020, and December 31, 2019. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at June 30, 2020	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	190,614	–	190,614	(190,614)	–	–
Derivative liabilities	(230,119)	–	(230,119)	190,614	–	(39,505)

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at December 31, 2019	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	596,578	–	596,578	(420,522)	–	176,056
Derivative liabilities	(420,522)	–	(420,522)	420,522	–	–

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