



Horizons Active Ultra-Short Term Investment Grade Bond ETF
(formerly Horizons Active Floating Rate Bond ETF)
(HFR:TSX)



HORIZONS ETFs
by Mirae Asset

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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 Active Ultra-Short Term Investment Grade Bond ETF (formerly Horizons Active Floating Rate Bond ETF) (“HFR” or the “ETF”) contains financial highlights and is included with the unaudited 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 HFR is to generate income that is consistent with prevailing short-term corporate bond yields while stabilizing the market value of the ETF from the effects of interest rate fluctuations. HFR invests primarily in a portfolio of Canadian debt securities and hedges the portfolio’s interest rate risk to generally maintain a portfolio duration of less than one year. HFR may also invest in debt securities of U.S. companies, directly, or through investments in securities of other investment funds, including exchange traded funds. HFR may use derivatives, including interest rate swaps, to deliver a floating rate of income. HFR, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure to the Canadian dollar at all times.

To achieve HFR’s investment objectives, the ETF’s sub-advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental credit research to select companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: in-depth fundamental credit research, view of market trends, analysis of the company’s competitive position, and review of the return relative to the company’s risk and general market conditions, to select securities for HFR.

Management Discussion of Fund Performance (continued)

HFR has entered into one or more interest rate swaps pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed-income securities in exchange for a floating rate of income. HFR maintains a portfolio duration that is generally not more than two years.

The Sub-Advisor may, from time to time, invest in Canadian and foreign government debt, municipal bonds, exchange traded funds, cash and cash equivalents which generally in the aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt securities held by HFR must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt securities rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt securities will not exceed 5%, by value, of the debt securities held by HFR.

The Sub-Advisor of HFR may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor which are not exchange traded if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HFR. The investment must also be approved by the ETF's Independent Review Committee ("IRC") and is subject to certain other provisions of National Instrument 81-107 ("NI 81-107").

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed-income related exchange traded funds. HFR may also use both long and short derivative instruments, including future contracts, to manage duration, credit exposure, portfolio yield and currency risk.

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

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 units.**

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.

Management Discussion of Fund Performance (continued)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Stock market risk • Specific issuer risk • Legal and regulatory risk • Exchange traded funds risk • Reliance on historical data risk • Corresponding net asset value risk • Designated broker/dealer risk • Cease trading of securities risk • Exchange risk • Early closing risk • Market disruptions risk • No assurance of meeting investment objective • Tax risk • Securities lending, repurchase and reverse repurchase transaction risk • Loss of limited liability • Reliance on key personnel • Distributions risk | <ul style="list-style-type: none"> • Conflicts of interest • No ownership interest • Market for units • Redemption price • Net asset value fluctuation • Restrictions on certain unitholders • Highly volatile markets • No guaranteed return • Derivatives and counterparty risk • Interest rate risk • Foreign currency risk • Credit risk • Foreign stock exchange risk • Short selling risk • Call risk • Risk of difference between quoted and actionable market price • Liquidity risk |
|---|---|

Results of Operations

For the six-month period ended June 30, 2020, units of the ETF returned 0.28% when including distributions paid to unit-holders. This compares to a return of 0.83% for the 3-month Canadian Dealer Offered Rate (“CDOR”), for the same period.

CDOR is a key industry-determined financial benchmark in Canada. CDOR is the rate at which contributors are willing to extend credit to corporate clients utilizing a bankers’ acceptance facility.

General Market Review

Bond markets were significantly impacted by the COVID-19 pandemic in the first half of 2020. The spread of the virus and the impact of the response measures, including social distancing, on economic activity have been very severe. A global recession is in the cards for 2020. Specific to Canada, the sharp drop in oil prices has compounded the impact on our economy.

As at June 30, 2020, 30-year Government of Canada bonds were yielding 0.991%, down 77 basis points (“bps”) from where they began the year. In the United States, U.S. 30-year Treasury bond yields fell 98 bps for the first half of the year to 1.411%. Government bond yields swung wildly as investors sought to assess the economic fallout stemming from the coronavirus, the bond supply implications of the massive fiscal response, and assertive central bank measures aimed at restoring liquidity and avoiding a credit crunch.

Corporate credit spreads widened significantly in March as the economic shutdown threatened corporate health, and liquidity seized up in a tumultuous market environment. Over the second quarter of 2020, those spreads started to narrow as quantitative easing programs took effect and market conditions improved. Bonds with higher duration outperformed in this environment as interest rates were lowered by central banks.

Management Discussion of Fund Performance (continued)

In Canada, the best-performing sectors were communication services and infrastructure, while the real estate and securitization sectors underperformed. Provincial bonds outperformed corporate, municipal and federal bonds – returning 9.06% over the first six months of the year.

Portfolio Review

On an absolute basis, the ETF's exposure to the financial sector contributed the most to performance, as it makes up nearly 55% of the ETF's portfolio. Energy names were also strong contributors. Within financials, the bulk of the performance came from bank issuers such as Bank of Montreal and Royal Bank of Canada. Given their relative low weights, infrastructure and securitization issues contributed the least to performance.

The portfolio's interest rate hedging activities (primarily through the use of interest rate swaps) negatively impacted the performance of the ETF. As yields were on the decline throughout the period, these activities – which seek to stabilize the ETF from the effects of changing interest rates – came with an opportunity cost, as the ETF would have performed better, given the decline in rates.

Fiera continues to focus on the quality of issuing companies rather than taking undue credit risk, since the ETF is mostly exposed to corporate bonds. We constantly seek the best opportunities in a variety of industries and along the corporate term structure.

Heading into the second half of 2020, the ETF's portfolio is heavily invested in the financial sector and continues to have a very low net duration.

Outlook

COVID-19 will remain front and centre for financial markets. Governments have and will continue to respond with drastic measures that are necessary to bridge the gap until the economy can fully reopen. Fiera is confident that these decisions will eventually work, but the duration and severity of the impact on economic growth remains uncertain, especially in certain sectors. It is expected that second quarter growth will be extremely weak, but we are expecting activity to resume in the third quarter of 2020, albeit at a subdued pace.

Fiera anticipates that Canadian interest rates will remain low for a long period of time, but volatility will present the ETF with tradeable opportunities. Credit could continue to perform well, especially with government yields anchored; however, we do not expect a straight-line recovery. Given that credit has performed well, the ETF will continue to take profits in certain sectors, though if spreads widened, we would look to increase the ETF's exposure.

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

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 (\$83,571). This compares to \$20,622,520 for the six-month period ended June 30, 2019. The ETF incurred management, operating and transaction expenses of \$1,357,138 (2019 – \$1,667,841) of which \$72,052 (2019 – \$50,435) 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 distributed \$7,886,949 to unitholders during the period (2019 – \$9,132,737).

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 units as reported under IFRS.

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.

ETF Name Change

At the beginning of the reporting period, the Manager changed the name of the ETF to the Horizons Active Ultra-Short Term Investment Grade Bond ETF from the Horizons Active Floating Rate Bond ETF in order to more accurately reflect the underlying investment strategy of the ETF. In addition, the investment objective was amended so that the maximum duration of the ETF’s portfolio is limited to one year, rather than two years. There was no change to the management fee as a result of these changes.

Related Party Transactions

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

Manager, Trustee and Investment Manager

The manager, trustee 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 8) 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 for the current interim reporting period and for the past five fiscal years. 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 Unit

<i>Period</i> ⁽¹⁾		2020	2019	2018	2017	2016	2015
Net assets, beginning of period	\$	10.07	9.91	10.06	10.03	9.95	10.15
Increase (decrease) from operations:							
Total revenue		0.14	0.31	0.29	0.25	0.25	0.24
Total expenses		(0.02)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Realized gains (losses) for the period		(0.03)	(0.03)	(0.02)	0.01	(0.05)	(0.07)
Unrealized gains (losses) for the period		(0.11)	0.19	(0.13)	0.02	0.13	(0.12)
Total increase (decrease) from operations ⁽²⁾		(0.02)	0.42	0.09	0.23	0.28	–
Distributions:							
From net investment income (excluding dividends)		(0.15)	(0.26)	(0.23)	(0.20)	(0.20)	(0.20)
From net realized capital gains		–	–	–	(0.01)	–	–
From return of capital		–	–	–	–	–	(0.01)
Total distributions ⁽³⁾		(0.15)	(0.26)	(0.23)	(0.21)	(0.20)	(0.21)
Net assets, end of period ⁽⁴⁾	\$	9.95	10.07	9.91	10.06	10.03	9.95

1. This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
2. Net assets per unit and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units 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 units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units. 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 unit.

Financial Highlights (continued)

Ratios and Supplemental Data

<i>Period</i> ⁽¹⁾	2020	2019	2018	2017	2016	2015
Total net asset value (000's)	\$ 452,487	671,043	704,242	419,357	367,787	344,811
Number of units outstanding (000's)	45,459	66,617	71,031	41,703	36,654	34,646
Management expense ratio ⁽²⁾	0.47%	0.46%	0.46%	0.46%	0.46%	0.46%
Management expense ratio before waivers and absorptions ⁽³⁾	0.49%	0.48%	0.49%	0.50%	0.49%	0.48%
Trading expense ratio ⁽⁴⁾	0.00%	0.00%	0.00%	0.01%	0.01%	0.00%
Portfolio turnover rate ⁽⁵⁾	5.52%	22.17%	10.35%	25.52%	27.03%	18.78%
Net asset value per unit, end of period	\$ 9.95	10.07	9.91	10.06	10.03	9.95
Closing market price	\$ 9.93	10.08	9.92	10.07	10.04	9.95

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. Transaction costs related to the purchase and/or sale of fixed income securities are typically imbedded in the price of those transactions and are therefore not included in the trading expense ratio.
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 unitholders 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 unitholders 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 units of the ETF; and dealing and communicating with unitholders 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 0.40%, plus applicable sales taxes, of the net asset value of the ETF's units, 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.

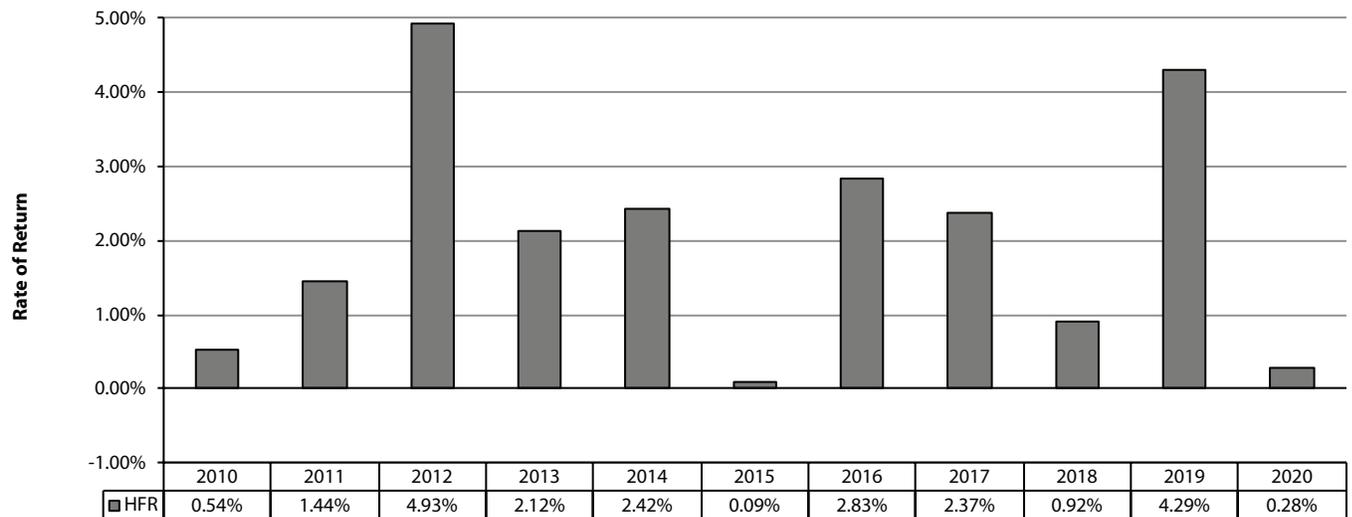
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
3%	91%	6%

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 unit 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 units 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 units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units 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 December 12, 2010.

Summary of Investment Portfolio

As at June 30, 2020

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Canadian Fixed Income Securities	\$ 411,224,931	90.88%
U.S. Fixed Income Securities	38,782,554	8.57%
Short-Term Investments	1,028,671	0.23%
Currency Forward Hedge*	5,483	0.00%
Interest Rate Swaps*	(17,201,212)	-3.80%
Cash and Cash Equivalents	16,199,307	3.58%
Margin Deposits	1,198,230	0.26%
Other Assets less Liabilities	1,213,587	0.27%
Short Positions		
Futures Contracts–Interest Rate Hedge*	35,000	0.01%
	\$ 452,486,551	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Corporate Bonds	\$ 445,853,651	98.53%
Mortgage Backed Securities	2,877,980	0.64%
Provincial Bonds	1,275,854	0.28%
Treasury Bills	1,028,671	0.23%
Currency Forward Hedge*	5,483	0.00%
Interest Rate Swaps*	(17,201,212)	-3.80%
Cash and Cash Equivalents	16,199,307	3.58%
Margin Deposits	1,198,230	0.26%
Other Assets less Liabilities	1,213,587	0.27%
Short Positions		
Futures Contracts–Interest Rate Hedge*	35,000	0.01%
	\$ 452,486,551	100.00%

*Positions in forward, futures, and interest rate swap 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 25 Holdings*	% of ETF's Net Asset Value
Bank of Montreal	6.35%
Royal Bank of Canada	5.44%
Toronto-Dominion Bank (The)	5.29%
Canadian Imperial Bank of Commerce	4.98%
Bank of Nova Scotia (The)	3.89%
Cash and Cash Equivalents	3.58%
Enbridge Inc.	3.22%
Inter Pipeline Ltd.	2.87%
Manulife Financial Corp.	2.72%
Choice Properties REIT	2.70%
Pembina Pipeline Corp.	2.57%
SmartCentres REIT	2.40%
AltaGas Ltd.	2.23%
Wells Fargo & Co.	2.19%
Bank of America Corp.	1.92%
Bell Canada Inc.	1.83%
Ford Credit Canada Co.	1.78%
Ford Auto Securitization Trust	1.66%
H&R REIT	1.61%
Canadian Western Bank	1.55%
Crombie REIT	1.47%
Alimentation Couche-Tard Inc.	1.44%
National Bank of Canada	1.40%
RioCan REIT	1.38%
Federation des Caisses Desjardins du Quebec	1.37%

* Note all of the Top 25 Holdings, excluding cash and cash equivalents, represent the aggregate debt instruments of that issuer in the ETF's portfolio.

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 Active Ultra-Short Term Investment Grade Bond ETF (*formerly Horizons Active Floating Rate Bond ETF*) (the "ETF") are the responsibility of the manager and trustee 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 UNITHOLDERS

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.

Statements of Financial Position (unaudited)

As at June 30, 2020 and December 31, 2019

	2020	2019
Assets		
Cash and cash equivalents	\$ 16,199,307	\$ 1,961,333
Investments	451,036,157	665,888,334
Margin deposits (note 11)	1,198,230	2,416,850
Amounts receivable relating to accrued income	2,702,082	4,926,084
Amounts receivable relating to portfolio assets sold	1,695,612	–
Derivative assets (note 3)	40,483	2,387,023
Total assets	472,871,871	677,579,624
Liabilities		
Accrued management fees	178,926	258,762
Accrued operating expenses	18,509	16,648
Amounts payable relating to securities redeemed	50,474	–
Amounts payable for portfolio assets purchased	1,816,555	342,865
Distribution payable	1,119,644	1,687,415
Derivative liabilities (note 3)	17,201,212	4,230,721
Total liabilities	20,385,320	6,536,411
Total net assets (note 2)	\$ 452,486,551	\$ 671,043,213
Number of redeemable units outstanding (note 8)	45,458,558	66,617,254
Total net assets per unit	\$ 9.95	\$ 10.07

(See accompanying notes to financial statements)

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



Steven J. Hawkins
Director



Thomas Park
Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2020	2019
Income		
Interest income for distribution purposes	\$ 8,078,889	\$ 10,778,801
Securities lending income (note 7)	10,262	15,378
Net realized loss on sale of investments and derivatives	(1,551,602)	(1,295,815)
Net realized gain on foreign exchange	688	1,706
Net change in unrealized appreciation (depreciation) of investments and derivatives	(6,622,672)	11,127,188
Net change in unrealized appreciation (depreciation) of foreign exchange	864	(4,738)
	(83,571)	20,622,520
Expenses (note 9)		
Management fees	1,223,593	1,524,739
Audit fees	8,635	7,499
Independent Review Committee fees	376	371
Custodial and fund valuation fees	64,234	81,412
Legal fees	12,494	1,415
Securityholder reporting costs	31,190	27,287
Administration fees	15,356	17,184
Transaction costs	1,135	4,977
Withholding taxes	–	2,945
Other expenses	125	12
	1,357,138	1,667,841
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(72,052)	(50,435)
	1,285,086	1,617,406
Increase (decrease) in net assets for the period	\$ (1,368,657)	\$ 19,005,114
Increase (decrease) in net assets per unit	\$ (0.02)	\$ 0.27

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2020	2019
Total net assets at the beginning of the period	\$ 671,043,213	\$ 704,242,439
Increase (decrease) in net assets	(1,368,657)	19,005,114
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	33,174,453	79,911,800
Aggregate amounts paid on redemption of securities of the investment fund	(242,636,426)	(85,794,974)
Securities issued on reinvestment of distributions	160,917	183,977
Distributions:		
From net investment income	(7,886,949)	(9,132,737)
Total net assets at the end of the period	\$ 452,486,551	\$ 708,415,619

(See accompanying notes to financial statements)

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	\$ (1,368,657)	\$ 19,005,114
Adjustments for:		
Net realized loss on sale of investments and derivatives	1,551,602	1,295,815
Net realized loss on currency forward contracts	(160,896)	(7,052)
Net change in unrealized depreciation (appreciation) of investments and derivatives	6,622,672	(11,127,188)
Net change in unrealized depreciation (appreciation) of foreign exchange	(868)	85
Purchase of investments	(30,128,789)	(72,262,729)
Proceeds from the sale of investments	176,937,050	99,321,124
Margin deposits	1,218,620	938,544
Amounts receivable relating to accrued income	2,224,002	202,105
Accrued expenses	(77,975)	(12,983)
Net cash from operating activities	156,816,760	37,352,835
Cash flows from financing activities:		
Amount received from the issuance of units	33,174,453	79,660,484
Amount paid on redemptions of units	(167,460,305)	(84,287,075)
Distributions paid to unitholders	(8,293,803)	(8,880,507)
Net cash used in financing activities	(142,579,655)	(13,507,098)
Net increase in cash and cash equivalents during the period	14,237,106	23,845,737
Effect of exchange rate fluctuations on cash and cash equivalents	868	(85)
Cash and cash equivalents at beginning of period	1,961,333	1,784,111
Cash and cash equivalents at end of period	\$ 16,199,307	\$ 25,629,763
Interest received, net of withholding taxes	\$ 10,302,891	\$ 10,977,961

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
CANADIAN FIXED INCOME SECURITIES (90.88%)			
Corporate Bonds (89.96%)			
Alimentation Couche-Tard Inc., Series '3', Callable, 3.90%, 2022/11/01	763,000	\$ 819,546	\$ 807,936
Alimentation Couche-Tard Inc., Callable, 3.06%, 2024/07/26	2,555,000	2,502,887	2,691,201
Alimentation Couche-Tard Inc., Series '5', Callable, 3.60%, 2025/06/02	2,801,000	2,818,051	3,026,537
Allied Properties REIT, Series 'B', 3.93%, 2022/11/14	582,000	582,000	608,823
Allied Properties REIT, Series 'E', Callable, 3.11%, 2027/04/08	2,202,000	2,184,615	2,260,351
AltaGas Ltd., Callable, 3.72%, 2021/09/28	2,490,000	2,589,365	2,563,361
AltaGas Ltd., 2.61%, 2022/12/16	1,133,000	1,133,000	1,163,278
AltaGas Ltd., Callable, 3.57%, 2023/06/12	1,000,000	1,009,050	1,052,656
AltaGas Ltd., Callable, 4.40%, 2024/03/15	4,000,000	4,113,382	4,355,096
AltaGas Ltd., Callable, 2.16%, 2025/06/10	587,000	587,000	593,349
AltaGas Ltd., Callable, 4.12%, 2026/04/07	345,000	363,844	382,013
Artis REIT, Series 'C', 3.67%, 2021/02/22	1,739,000	1,739,000	1,743,172
Bank of Montreal, 2.89%, 2023/06/20	638,000	637,890	672,669
Bank of Montreal, 2.85%, 2024/03/06	6,964,000	6,993,880	7,338,816
Bank of Montreal, 2.28%, 2024/07/29	5,993,000	5,990,467	6,202,125
Bank of Montreal, 2.70%, 2024/09/11	4,177,000	4,176,479	4,444,042
Bank of Montreal, Callable, 2.37%, 2025/01/17	1,448,000	1,447,985	1,506,134
Bank of Montreal, Variable Rate, Callable, 3.32%, 2026/06/01	1,158,000	1,166,850	1,179,765
Bank of Montreal, Variable Rate, Callable, 2.57%, 2027/06/01	3,000,000	2,931,715	3,060,767
Bank of Montreal, Variable Rate, Callable, 2.88%, 2029/09/17	2,079,000	2,078,813	2,156,670
Bank of Montreal, Variable Rate, Callable, 3.80%, 2032/12/15	1,470,000	1,888,950	2,149,588
Bank of Nova Scotia (The), 2.98%, 2023/04/17	1,386,000	1,387,217	1,461,418
Bank of Nova Scotia (The), 2.38%, 2023/05/01	2,562,000	2,603,274	2,644,727
Bank of Nova Scotia (The), 2.29%, 2024/06/28	333,000	332,980	348,466
Bank of Nova Scotia (The), 2.49%, 2024/09/23	1,245,000	1,244,938	1,299,593
Bank of Nova Scotia (The), 2.16%, 2025/02/03	2,292,000	2,291,244	2,363,305
Bank of Nova Scotia (The), Variable Rate, Callable, 2.58%, 2027/03/30	2,676,000	2,619,825	2,726,851
Bank of Nova Scotia (The), Variable Rate, Callable, 3.89%, 2029/01/18	3,732,000	3,732,041	3,991,540
Bank of Nova Scotia (The), Variable Rate, Callable, 2.84%, 2029/07/03	2,692,000	2,692,000	2,788,497
Bell Canada Inc., Series 'M-26', Callable, 3.35%, 2023/03/22	3,620,000	3,663,832	3,801,839
Bell Canada Inc., Callable, 2.70%, 2024/02/27	4,300,000	4,174,320	4,482,230
BMW Canada Auto Trust, Class 'A3', Series '18-1', Callable, 2.82%, 2021/05/20	590,000	590,000	597,940
BMW Canada Auto Trust, Class 'A2', Series '2019-1', Callable, 2.22%, 2021/12/20	1,127,000	1,127,000	1,137,634
BMW Canada Auto Trust, Class 'A3', Series '2019-1', Callable, 2.35%, 2022/06/20	966,000	966,000	976,495
Brookfield Asset Management Inc., Callable, 5.04%, 2024/03/08	5,500,000	5,926,264	6,054,211
Brookfield Renewable Partners ULC, Series '10', Callable, 3.63%, 2027/01/15	2,000,000	2,028,540	2,170,635
BRP Finance ULC, Callable, 4.79%, 2022/02/07	5,685,000	6,053,933	5,982,466
Canadian Imperial Bank of Commerce, 2.43%, 2023/06/09	6,000,000	5,998,380	6,203,994
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.45%, 2028/04/04	13,636,000	13,557,692	14,257,801
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.95%, 2029/06/19	2,023,000	2,022,899	2,102,876

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Canadian Natural Resources Ltd., Callable, 3.55%, 2024/06/03	5,600,000	5,631,589	5,845,857
Canadian Western Bank, 2.88%, 2021/03/01	1,496,000	1,493,879	1,508,440
Canadian Western Bank, 2.79%, 2021/09/13	2,683,000	2,674,556	2,712,221
Canadian Western Bank, 2.74%, 2022/06/16	1,426,000	1,426,000	1,444,611
Canadian Western Bank, 2.92%, 2022/12/15	1,350,000	1,350,000	1,375,093
Central 1 Credit Union, 2.58%, 2023/12/06	2,819,000	2,819,000	2,853,785
Central 1 Credit Union, Variable Rate, Callable, 3.06%, 2026/10/14	1,335,000	1,321,590	1,342,840
Choice Properties REIT, Series 'I', Callable, 3.01%, 2022/03/21	2,500,000	2,490,773	2,557,578
Choice Properties REIT, Series 'G', Callable, 3.20%, 2023/03/07	800,000	800,000	828,383
Choice Properties REIT, Series 'B', Callable, 4.90%, 2023/07/05	1,400,000	1,489,908	1,515,665
Choice Properties REIT, Series 'K', Callable, 3.56%, 2024/09/09	6,200,000	6,180,291	6,564,858
Choice Properties REIT, Series 'F', Callable, 4.06%, 2025/11/24	676,000	694,621	737,148
Clover L.P., Series '1B', Sinkable, 4.22%, 2034/06/30	3,149,255	3,149,316	3,514,652
CNH Capital Canada Receivables Trust, Class 'A2', Series '18-1', Callable, 2.75%, 2024/08/15	1,242,408	1,242,408	1,262,095
CNH Capital Canada Receivables Trust, Class 'A2', Series '19-1', Restricted, Callable, 2.18%, 2025/11/17	1,328,000	1,328,000	1,342,876
Coast Capital Savings Federal Credit Union, Floating Rate, 1.22%, 2021/07/21	1,278,000	1,278,000	1,261,322
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.00%, 2028/05/03	3,482,000	3,500,704	3,643,680
Coast Capital Savings Federal Credit Union, Series '2', Variable Rate, Callable, 5.25%, 2030/10/29	450,000	450,000	483,601
Cominar REIT, Series '10', 4.25%, 2023/05/23	1,300,000	1,281,007	1,272,811
Crombie REIT, 3.96%, 2021/06/01	2,956,000	2,964,268	2,993,405
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	2,214,000	2,214,000	2,267,791
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	1,366,000	1,366,000	1,403,400
Eagle Credit Card Trust, Series 'A', 2.22%, 2024/07/17	318,000	318,000	326,232
Emera Inc., 2.90%, 2023/06/16	747,000	747,000	771,915
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.38%, 2026/12/16	1,587,000	1,590,722	1,618,252
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.66%, 2028/03/15	1,380,000	1,400,197	1,433,870
Enbridge Inc., 3.19%, 2022/12/05	4,375,000	4,566,961	4,551,624
Enbridge Inc., Series '10', 3.94%, 2023/01/13	1,502,000	1,543,711	1,591,466
Enbridge Inc., Callable, 3.94%, 2023/06/30	4,500,000	4,644,476	4,782,961
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,322,000	3,322,000	3,604,603
ENMAX Corp., Series '6', Callable, 3.33%, 2025/06/02	2,378,000	2,377,905	2,522,601
Federation des Caisses Desjardins du Quebec, 3.06%, 2023/09/11	1,458,000	1,458,012	1,547,885
Federation des Caisses Desjardins du Quebec, 2.42%, 2024/10/04	1,110,000	1,110,000	1,154,105
Federation des Caisses Desjardins du Quebec, Floating Rate, Callable, 2.86%, 2030/05/26	3,357,000	3,357,000	3,468,873
First Capital REIT, Series 'Q', Callable, 3.90%, 2023/10/30	1,160,000	1,172,376	1,183,125
First Capital REIT, Series 'R', Callable, 4.79%, 2024/08/30	1,100,000	1,170,268	1,157,928
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	465,000	465,000	455,181
Ford Auto Securitization Trust, Class 'A3', Series '17-R2', Callable, 1.77%, 2022/08/15	1,514,439	1,514,439	1,519,393
Ford Auto Securitization Trust, Class 'A2', Series '19-A', Restricted, Callable, 2.35%, 2023/06/15	2,217,206	2,217,206	2,241,308

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Ford Auto Securitization Trust, Class 'A3', Series '19-A', Callable, 2.55%, 2024/09/15	1,350,000	1,350,000	1,367,172
Ford Auto Securitization Trust, Class 'A3', Series '19-B', Callable, 2.47%, 2025/02/15	2,325,000	2,325,000	2,352,534
Ford Credit Canada Co., 2.58%, 2021/05/10	1,182,000	1,182,000	1,152,904
Ford Credit Canada Co., 3.28%, 2021/07/02	605,000	619,139	590,873
Ford Credit Canada Co., 2.71%, 2022/02/23	2,798,000	2,749,042	2,677,344
Ford Credit Canada Co., 3.35%, 2022/09/19	1,459,000	1,459,000	1,383,234
Ford Credit Canada Co., 3.74%, 2023/05/08	2,419,000	2,419,000	2,278,427
Fortified Trust, Series 'A', 1.67%, 2021/07/23	387,000	386,999	389,628
Fortified Trust, Series 'A', 2.34%, 2023/01/23	1,525,000	1,525,000	1,566,858
General Motors Financial of Canada Ltd., 3.00%, 2021/02/26	1,715,000	1,714,554	1,717,570
Genworth MI Canada Inc., Callable, 4.24%, 2024/04/01	1,160,000	1,165,137	1,216,148
Gibson Energy Inc., Callable, 5.25%, 2024/07/15	1,900,000	1,900,000	1,978,351
Gibson Energy Inc., Callable, 2.45%, 2025/07/14	1,119,000	1,116,807	1,123,812
Granite REIT Holdings L.P., Series '2', Callable, 3.79%, 2021/07/05	1,275,000	1,275,000	1,299,224
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	3,075,000	3,078,505	3,256,877
H&R REIT, Series 'O', Callable, 3.42%, 2023/01/23	905,000	915,580	906,181
H&R REIT, Callable, 3.37%, 2024/01/30	6,411,000	6,367,041	6,376,315
Honda Canada Finance Inc., 2.49%, 2022/12/19	850,000	850,000	872,640
Honda Canada Finance Inc., 2.54%, 2023/03/01	2,448,000	2,448,000	2,518,815
HSBC Bank Canada, 2.25%, 2022/09/15	1,458,000	1,458,013	1,485,584
HSBC Bank Canada, 3.25%, 2023/09/15	2,480,000	2,480,017	2,613,370
Husky Energy Inc., Callable, 3.95%, 2022/04/15	1,000,000	1,239,213	1,387,572
iA Financial Corp. Inc., Variable Rate, Callable, 3.07%, 2031/09/24	2,668,000	2,668,000	2,805,905
Industrial Alliance Insurance and Financial Services Inc., Floating Rate, Callable, 3.30%, 2028/09/15	578,000	577,855	606,500
Inter Pipeline Ltd., Callable, 2.61%, 2023/09/13	5,932,000	5,795,985	5,931,553
Inter Pipeline Ltd., Callable, 2.73%, 2024/04/18	3,900,000	3,733,201	3,903,382
Inter Pipeline Ltd., Callable, 3.17%, 2025/03/24	1,800,000	1,761,300	1,819,868
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	1,455,000	1,455,000	1,350,014
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	1,431,000	1,431,000	1,423,514
Laurentian Bank of Canada, 2.55%, 2022/06/20	2,700,000	2,696,598	2,723,118
Laurentian Bank of Canada, Variable Rate, Callable, 4.25%, 2027/06/22	2,203,000	2,209,900	2,223,912
Leisureworld Senior Care L.P., Series 'B', Callable, 3.47%, 2021/02/03	1,868,000	1,873,789	1,882,776
Loblaw Cos. Ltd., Callable, 4.86%, 2023/09/12	4,469,000	4,812,898	4,942,658
Loblaw Cos. Ltd., Restricted, Callable, 3.92%, 2024/06/10	982,000	982,000	1,074,620
Manufacturers Life Insurance Co. (The), Variable Rate, Callable, 3.18%, 2027/11/22	1,620,000	1,661,715	1,686,656
Manulife Bank of Canada, 2.38%, 2024/11/19	488,000	488,000	509,968
Manulife Financial Corp., Variable Rate, Callable, 3.05%, 2029/08/20	4,535,000	4,556,091	4,760,968
Manulife Financial Corp., Variable Rate, Callable, 2.24%, 2030/05/12	2,036,000	2,036,000	2,066,072
Manulife Financial Corp., Variable Rate, Callable, 4.06%, 2032/02/24	3,800,000	4,685,380	5,475,044
MBARC Credit Canada Inc., Class 'A2', Series '18-A', Callable, 2.61%, 2021/03/15	136,240	136,240	136,321
MCAP Commercial L.P., 5.00%, 2022/12/14	1,045,000	1,045,000	1,063,157

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Metro Inc., Callable, 3.20%, 2021/12/01	720,000	719,914	741,108
Metro Inc., Callable, 2.68%, 2022/12/05	3,919,000	3,884,402	4,060,667
National Bank of Canada, 2.98%, 2024/03/04	2,526,000	2,526,000	2,671,546
National Bank of Canada, 2.55%, 2024/07/12	187,000	187,000	195,497
National Bank of Canada, 2.58%, 2025/02/03	3,300,000	3,299,901	3,462,654
Nissan Canada Inc., Class 'E', 2.61%, 2021/03/05	1,379,000	1,379,000	1,367,259
Nissan Canada Inc., Series 'F', 3.15%, 2021/09/14	4,332,000	4,332,000	4,242,480
Pembina Pipeline Corp., Callable, 2.99%, 2024/01/22	11,125,000	10,876,170	11,550,154
Pembina Pipeline Corp., Callable, 3.71%, 2026/08/11	95,000	99,981	102,815
Reliance L.P., 4.08%, 2021/08/02	1,500,000	1,500,000	1,529,482
Reliance L.P., Callable, 3.84%, 2025/03/15	78,000	80,317	81,223
Reliance L.P., Callable, 3.75%, 2026/03/15	1,144,000	1,140,293	1,186,954
RioCan REIT, Series 'R', 3.72%, 2021/12/13	2,200,000	2,240,282	2,248,494
RioCan REIT, Series 'AA', Callable, 3.21%, 2023/09/29	1,600,000	1,599,920	1,632,227
RioCan REIT, Series 'W', 3.29%, 2024/02/12	2,300,000	2,280,910	2,353,584
Rogers Communications Inc., Callable, 3.65%, 2027/03/31	875,000	870,721	972,290
Royal Bank of Canada, 2.95%, 2023/05/01	7,700,000	7,707,494	8,114,553
Royal Bank of Canada, 2.35%, 2024/07/02	5,794,000	5,793,990	6,020,996
Royal Bank of Canada, 2.33%, 2027/01/28	3,627,000	3,627,000	3,790,978
Royal Bank of Canada, Variable Rate, Callable, 2.74%, 2029/07/25	4,058,000	4,057,993	4,197,871
Royal Bank of Canada, Variable Rate, Callable, 2.88%, 2029/12/23	2,388,000	2,387,785	2,484,877
Shaw Communications Inc., Callable, 4.35%, 2024/01/31	2,000,000	2,093,000	2,176,466
Sienna Senior Living Inc., Series 'A', Restricted, Callable, 3.11%, 2024/11/04	1,874,000	1,874,000	1,837,731
SmartCentres REIT, Series 'Q', 2.88%, 2022/03/21	2,900,000	2,863,480	2,935,987
SmartCentres REIT, Callable, 3.73%, 2022/07/22	3,400,000	3,431,161	3,506,438
SmartCentres REIT, Series 'I', Callable, 3.99%, 2023/05/30	3,000,000	3,075,650	3,140,143
SmartCentres REIT, Series 'O', Callable, 2.99%, 2024/08/28	1,300,000	1,243,580	1,322,273
Sun Life Financial Inc., Variable Rate, Callable, 2.75%, 2027/11/23	1,595,000	1,594,330	1,644,283
Sun Life Financial Inc., Variable Rate, Callable, 3.05%, 2028/09/19	600,000	599,136	628,118
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	1,721,000	1,720,346	1,781,319
Suncor Energy Inc., Series 'S', Callable, 3.10%, 2021/11/26	595,000	592,995	607,380
Superior Plus L.P., Callable, 5.25%, 2024/02/27	1,161,000	1,177,705	1,162,693
Superior Plus L.P., Callable, 5.13%, 2025/08/27	565,000	524,868	561,233
TD Capital Trust IV, Variable Rate, Callable, 6.63%, 2021/06/30	1,810,000	2,156,163	1,896,152
TELUS Corp., Series 'CJ', Callable, 3.35%, 2023/03/15	4,000,000	4,052,376	4,201,442
Teranet Holdings L.P., Callable, 4.81%, 2020/12/16	633,000	661,967	642,590
Teranet Holdings L.P., Callable, 3.65%, 2022/11/18	2,800,000	2,850,887	2,873,367
Teranet Holdings L.P., Series '2020', Callable, 3.54%, 2025/06/11	904,000	904,000	924,372
Toronto-Dominion Bank (The), 3.01%, 2023/05/30	7,085,000	7,085,058	7,493,027
Toronto-Dominion Bank (The), 1.91%, 2023/07/18	564,000	563,998	579,320
Toronto-Dominion Bank (The), 2.85%, 2024/03/08	2,291,000	2,291,000	2,418,043
Toronto-Dominion Bank (The), 2.50%, 2024/12/02	4,664,000	4,664,002	4,886,312
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.59%, 2028/09/14	3,240,000	3,240,034	3,427,257
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.22%, 2029/07/25	2,800,000	2,809,114	2,953,153
Toronto-Dominion Bank (The), Floating Rate, Callable, 3.06%, 2032/01/26	2,063,000	2,062,257	2,187,491
Toyota Credit Canada Inc., 2.35%, 2022/07/18	187,000	186,983	191,418

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Toyota Credit Canada Inc., 2.31%, 2024/10/23	1,214,000	1,213,636	1,253,541
TransAlta Corp., 5.00%, 2020/11/25	1,900,000	1,890,804	1,920,099
		393,530,933	407,071,097
Mortgage Backed Securities (0.64%)			
Classic RMBS Trust, Class 'A', Series '19-1', Callable, 3.06%, 2026/08/15	2,158,530	2,158,530	2,183,629
Real Estate Asset Liquidity Trust, Class 'A1', Series '2017', Callable, 2.87%, 2022/06/12	205,742	205,741	207,502
Real Estate Asset Liquidity Trust, Class 'A2', Series '2017', Callable, 3.64%, 2027/06/12	462,000	461,993	486,849
		2,826,264	2,877,980
Provincial Bonds (0.28%)			
New Brunswick F-M Project Co. Inc., Sinkable, Callable, 6.47%, 2027/11/30	1,060,469	1,248,237	1,275,854
TOTAL CANADIAN FIXED INCOME SECURITIES		397,605,434	411,224,931
U.S. FIXED INCOME SECURITIES (8.57%)			
Corporate Bonds (8.57%)			
Anheuser-Busch InBev Finance Inc., Callable, 2.60%, 2024/05/15	2,260,000	2,270,919	2,336,930
AT&T Inc., Callable, 2.85%, 2024/05/25	3,556,000	3,485,500	3,712,677
AT&T Inc., Callable, 4.00%, 2025/11/25	1,300,000	1,314,573	1,438,112
Bank of America Corp., 3.23%, 2022/06/22	1,757,000	1,757,000	1,826,103
Bank of America Corp., Variable Rate, Callable, 3.30%, 2024/04/24	3,000,000	3,002,760	3,149,130
Bank of America Corp., Variable Rate, Callable, 2.93%, 2025/04/25	2,960,000	2,972,469	3,091,572
Bank of America Corp., Variable Rate, Callable, 3.41%, 2025/09/20	580,000	591,995	618,350
Citigroup Inc., 3.39%, 2021/11/18	368,000	367,908	379,419
Citigroup Inc., 4.09%, 2025/06/09	3,194,000	3,233,714	3,444,792
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 3.31%, 2025/10/31	598,000	598,000	631,667
Molson Coors International L.P., Callable, 2.84%, 2023/07/15	3,540,000	3,539,327	3,591,153
Morgan Stanley, 3.00%, 2024/02/07	4,450,000	4,408,105	4,671,788
Wells Fargo & Co., 2.51%, 2023/10/27	1,060,000	1,060,000	1,090,973
Wells Fargo & Co., Callable, 3.18%, 2024/02/08	864,000	864,000	911,071
Wells Fargo & Co., 3.87%, 2025/05/21	4,610,000	4,700,720	4,960,360
Wells Fargo & Co., Variable Rate, Callable, 2.57%, 2026/05/01	1,700,000	1,700,000	1,738,590
Wells Fargo & Co., 2.49%, 2027/02/18	1,170,000	1,170,000	1,189,867
		37,036,990	38,782,554
TOTAL U.S. FIXED INCOME SECURITIES		37,036,990	38,782,554
SHORT-TERM INVESTMENTS (0.23%)			
Government of Canada Treasury Bill, 0.28%, 2020/10/15	1,030,000	1,028,671	1,028,671
TOTAL SHORT-TERM INVESTMENTS		1,028,671	1,028,671

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
DERIVATIVES (-3.79%)			
Treasury Bond Futures (0.01%)			
Short Positions (0.01%)			
Canadian 10-Year Treasury Bond Futures September 2020 at C\$153.82. Notional Value (C\$15,382,000)	(100)	–	35,000
Currency Forwards (0.00%)			
Currency forward contract to buy C\$7,723,538 for US\$5,686,000 maturing September 23, 2020		–	5,483
Interest Rate Swaps (-3.80%)			
Receive Floating Interest Rate 0.703%, Pay Fixed Interest Rate 0.862%, 2020/07/11, C\$	15,000,000	–	(830)
Receive Floating Interest Rate 0.665%, Pay Fixed Interest Rate 1.995%, 2020/10/24, C\$	5,000,000	–	(22,859)
Receive Floating Interest Rate 0.667%, Pay Fixed Interest Rate 1.368%, 2021/01/31, C\$	10,000,000	–	(46,821)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 0.950%, 2021/03/03, C\$	4,000,000	–	(10,754)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 1.378%, 2021/03/06, C\$	10,000,000	–	(56,757)
Receive Floating Interest Rate 0.783%, Pay Fixed Interest Rate 0.952%, 2021/04/07, C\$	6,000,000	–	(18,432)
Receive Floating Interest Rate 0.703%, Pay Fixed Interest Rate 3.857%, 2021/04/11, C\$	750,000	–	(19,384)
Receive Floating Interest Rate 0.659%, Pay Fixed Interest Rate 1.157%, 2021/05/03, C\$	4,000,000	–	(20,188)
Receive Floating Interest Rate 0.670%, Pay Fixed Interest Rate 3.545%, 2021/05/03, C\$	700,000	–	(17,569)
Receive Floating Interest Rate 0.703%, Pay Fixed Interest Rate 0.937%, 2021/07/12, C\$	15,000,000	–	(60,309)
Receive Floating Interest Rate 0.670%, Pay Fixed Interest Rate 1.363%, 2021/10/29, C\$	6,200,000	–	(67,062)
Receive Floating Interest Rate 0.586%, Pay Fixed Interest Rate 2.180%, 2021/11/20, C\$	3,500,000	–	(79,817)
Receive Floating Interest Rate 0.579%, Pay Fixed Interest Rate 2.595%, 2022/02/24, C\$	8,000,000	–	(270,272)
Receive Floating Interest Rate 0.564%, Pay Fixed Interest Rate 1.540%, 2022/03/20, C\$	5,000,000	–	(85,077)
Receive Floating Interest Rate 0.561%, Pay Fixed Interest Rate 1.434%, 2022/03/28, C\$	4,000,000	–	(61,433)
Receive Floating Interest Rate 0.665%, Pay Fixed Interest Rate 1.371%, 2022/04/24, C\$	8,000,000	–	(118,327)
Receive Floating Interest Rate 0.659%, Pay Fixed Interest Rate 1.344%, 2022/05/02, C\$	15,000,000	–	(216,334)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 2.479%, 2022/06/07, C\$	10,000,000	–	(371,828)
Receive Floating Interest Rate 0.852%, Pay Fixed Interest Rate 1.800%, 2022/07/05, C\$	6,000,000	–	(149,538)

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Receive Floating Interest Rate 0.703%, Pay Fixed Interest Rate 1.772%, 2022/07/12, C\$	7,000,000	–	(172,052)
Receive Floating Interest Rate 0.642%, Pay Fixed Interest Rate 2.012%, 2022/11/06, C\$	10,000,000	–	(337,199)
Receive Floating Interest Rate 0.579%, Pay Fixed Interest Rate 2.422%, 2023/02/23, C\$	11,000,000	–	(529,388)
Receive Floating Interest Rate 0.569%, Pay Fixed Interest Rate 2.414%, 2023/02/28, C\$	10,000,000	–	(481,351)
Receive Floating Interest Rate 0.561%, Pay Fixed Interest Rate 2.451%, 2023/03/27, C\$	5,000,000	–	(251,521)
Receive Floating Interest Rate 0.670%, Pay Fixed Interest Rate 2.558%, 2023/04/19, C\$	5,000,000	–	(271,177)
Receive Floating Interest Rate 0.667%, Pay Fixed Interest Rate 2.558%, 2023/04/26, C\$	7,000,000	–	(381,780)
Receive Floating Interest Rate 0.659%, Pay Fixed Interest Rate 2.535%, 2023/05/03, C\$	5,000,000	–	(270,986)
Receive Floating Interest Rate 0.579%, Pay Fixed Interest Rate 2.573%, 2023/05/25, C\$	21,000,000	–	(1,183,366)
Receive Floating Interest Rate 0.579%, Pay Fixed Interest Rate 2.575%, 2023/05/25, C\$	7,000,000	–	(394,962)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 2.510%, 2023/05/30, C\$	5,000,000	–	(273,910)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 2.531%, 2023/06/04, C\$	10,000,000	–	(556,770)
Receive Floating Interest Rate 0.564%, Pay Fixed Interest Rate 2.469%, 2023/06/18, C\$	8,000,000	–	(435,748)
Receive Floating Interest Rate 0.703%, Pay Fixed Interest Rate 1.009%, 2023/07/13, C\$	5,000,000	–	(56,334)
Receive Floating Interest Rate 0.670%, Pay Fixed Interest Rate 2.412%, 2023/07/19, C\$	7,000,000	–	(377,937)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 2.549%, 2023/09/07, C\$	10,000,000	–	(604,799)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 2.055%, 2023/11/30, C\$	10,000,000	–	(474,252)
Receive Floating Interest Rate 0.634%, Pay Fixed Interest Rate 2.220%, 2024/02/07, C\$	10,000,000	–	(554,184)
Receive Floating Interest Rate 0.670%, Pay Fixed Interest Rate 2.588%, 2024/04/19, C\$	11,000,000	–	(790,531)
Receive Floating Interest Rate 0.620%, Pay Fixed Interest Rate 2.649%, 2024/05/13, C\$	10,000,000	–	(753,017)
Receive Floating Interest Rate 0.592%, Pay Fixed Interest Rate 1.458%, 2024/05/17, C\$	5,000,000	–	(147,308)
Receive Floating Interest Rate 0.579%, Pay Fixed Interest Rate 2.608%, 2024/05/25, C\$	12,000,000	–	(892,322)
Receive Floating Interest Rate 0.569%, Pay Fixed Interest Rate 1.840%, 2024/05/28, C\$	5,000,000	–	(222,517)
Receive Floating Interest Rate 0.568%, Pay Fixed Interest Rate 2.552%, 2024/06/05, C\$	6,000,000	–	(435,690)

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Receive Floating Interest Rate 0.852%, Pay Fixed Interest Rate 2.463%, 2024/07/06, C\$	7,000,000	-	(492,823)
Receive Floating Interest Rate 0.677%, Pay Fixed Interest Rate 2.445%, 2024/07/17, C\$	7,000,000	-	(490,367)
Receive Floating Interest Rate 0.670%, Pay Fixed Interest Rate 1.742%, 2024/07/18, C\$	10,000,000	-	(417,409)
Receive Floating Interest Rate 0.564%, Pay Fixed Interest Rate 1.760%, 2024/09/20, C\$	10,000,000	-	(438,786)
Receive Floating Interest Rate 0.604%, Pay Fixed Interest Rate 1.815%, 2024/11/14, C\$	10,000,000	-	(473,737)
Receive Floating Interest Rate 0.665%, Pay Fixed Interest Rate 1.843%, 2025/01/22, C\$	14,000,000	-	(701,812)
Receive Floating Interest Rate 0.677%, Pay Fixed Interest Rate 2.801%, 2025/10/17, C\$	3,000,000	-	(318,979)
Receive Floating Interest Rate 0.435%, Pay Fixed Interest Rate 2.979%, 2027/05/09, US\$	3,800,000	-	(881,731)
Receive Floating Interest Rate 0.715%, Pay Fixed Interest Rate 2.563%, 2028/04/09, C\$	3,500,000	-	(442,876)
		-	(17,201,212)
TOTAL DERIVATIVES		-	(17,160,729)
TOTAL INVESTMENT PORTFOLIO (95.89%)		\$ 435,671,095	\$ 433,875,427
Cash and cash equivalents (3.58%)			16,199,307
Margin deposits (0.26%)			1,198,230
Other assets less liabilities (0.27%)			1,213,587
TOTAL NET ASSETS (100.00%)			\$ 452,486,551

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2020

1. REPORTING ENTITY

Horizons Active Ultra-Short Term Investment Grade Bond ETF (formerly *Horizons Active Floating Rate Bond ETF*) (“HFR” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on December 12, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HFR. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units 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 units.

The investment objective of HFR is to generate income that is consistent with prevailing short-term corporate bond yields while stabilizing the market value of the ETF from the effects of interest rate fluctuations. HFR invests primarily in a portfolio of Canadian debt securities and hedges the portfolio’s interest rate risk to generally maintain a portfolio duration of less than one year. HFR may also invest in debt securities of U.S. companies, directly, or through investments in securities of other investment funds, including exchange traded funds. HFR may use derivatives, including interest rate swaps, to deliver a floating rate of income. HFR, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure to the Canadian dollar at all times.

Horizons ETFs Management (Canada) Inc. is the manager, trustee and investment manager of the ETF (“Horizons Management”, the “Manager” or the “Investment Manager”). The Investment Manager is responsible for implementing the ETF’s investment strategies and for engaging the services of Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), to act as the sub-advisor to the ETF.

2. BASIS OF PREPARATION

(i) *Statement of compliance*

These 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 units as reported under IFRS.

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

3. SIGNIFICANT ACCOUNTING POLICIES

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

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

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.

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

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.

Interest rate swaps

Interest rate swaps, if any, are valued at the current market value thereof on the Valuation Date. The value of these interest rate swaps 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, plus any amounts relating to accrued income, if applicable, in the statements of financial position, and as a net change in unrealized appreciation (depreciation) of investments and derivatives and interest income for distribution purposes, if applicable, in the statements of comprehensive income. When the interest rate swaps are closed out or mature, realized gains or losses on interest rate swaps are recognized and are included in the statements of comprehensive income.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

Redeemable units

The redeemable units 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 units. They are classified as financial liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders.

(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. 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 units per unit

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

(f) Unitholder transactions

The value at which units are issued or redeemed is determined by dividing the net asset value of the ETF by the total number of units outstanding of the ETF on the applicable Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units 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.

(h) Net assets attributable to holders of redeemable units per unit

Net assets attributable to holders of redeemable units per unit is calculated by dividing the ETF's net assets attributable to holders of redeemable units by the number of units 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the units 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.

(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. As at June 30, 2020, and December 31, 2019, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

(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.

The following table summarizes the ETF's exposure to interest rate risk, including the ETF's assets categorized by the remaining term to maturity:

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
June 30, 2020						
Investments	19,163	81,570	212,564	156,696	–	469,993
Interest Rate Swaps	38	(2,281)	(13,200)	(2,416)	–	(17,859)
December 31, 2019						
Investments	54,095	193,087	240,411	184,675	–	672,268
Interest Rate Swaps	172	828	(2,588)	(654)	–	(2,242)

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2020, was 99.9% (December 31, 2019 – 99.8%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 2020, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$1,594,576 (December 31, 2019 – \$4,896,653). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

(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.

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
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$977,543	\$1,048,033

(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.

Analysis of credit quality

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2020, and December 31, 2019, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2020	December 31, 2018
AAA	7.7%	4.6%
AA	6.1%	11.5%
A	23.8%	31.2%
BBB	58.3%	50.6%
BB	4.0%	1.9%
Total	99.9%	99.8%

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2020, was 6.4% (December 31, 2019 – 6.4%) of the net assets of the ETF.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

(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.

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						
Short-Term Investments	–	1,028,671	–	–	501,989	–
Bonds	–	447,129,505	–	–	661,645,957	–
Mortgage Backed Securities	–	2,877,980	–	–	3,740,388	–
Futures	35,000	–	–	275,000	–	–
Currency Forward Contracts	–	5,483	–	–	182,461	–
Interest Rate Swaps	–	–	–	–	1,929,562	–
Total Financial Assets	35,000	451,041,639	–	275,000	668,000,357	–
Financial Liabilities						
Interest Rate Swaps	–	(17,201,212)	–	–	(4,230,721)	–
Total Financial Liabilities	–	(17,201,212)	–	–	(4,230,721)	–
Net Financial Assets and Liabilities	35,000	433,840,427	–	275,000	663,769,636	–

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

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	\$48,411,429	\$50,899,765
December 31, 2019	\$94,752,935	\$99,582,631

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.

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	\$15,432		\$24,380	
Withholding taxes	(777)	5.03%	(2,418)	9.92%
Lending Agents’ fees:				
Canadian Imperial Bank of Commerce	(4,393)	28.47%	(6,584)	27.00%
Net securities lending income paid to the ETF	\$10,262	66.50%	\$15,378	63.08%

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

8. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class E units each of which represents an equal, undivided interest in the net assets of the ETF. Each unit entitles the owner to one vote at meetings of unitholders. Each unit is entitled to participate equally with all other units with respect to all payments made to unitholders, other than management fee distributions, whether by way of income or capital distributions and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to units of that class of the ETF. All units will be fully paid and non-assessable, with no liability for future assessments, when issued and will not be transferable except by operation of law.

The redeemable units 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. They are classified as liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders. The ETF's objectives in managing the redeemable units 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 units is discussed in note 5.

On any valid trading day, as defined in the ETF's prospectus, unitholders of the ETF may (i) redeem units of the ETF for cash at a redemption price per unit equal to 95% of the closing price for units of the ETF on the TSX on the effective day of the redemption, where the units being redeemed are not equal to a prescribed number of units ("PNU") or a multiple PNU; or (ii) redeem, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of units.

Units of the ETF are issued or redeemed on a daily basis at the net asset value per security that is determined as at 4:00 p.m. (Eastern Time) each business day. Purchase and redemption orders are subject to a 9:30 a.m. (Eastern Time) cut-off time.

The ETF is required to distribute any net income and capital gains that it has earned in the year. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and these distributions are either paid in cash or reinvested by unitholders into additional units of the ETF. Net realized capital gains, if any, are typically distributed in December of each year to unitholders. The annual capital gains distributions are not paid in cash but rather, are reinvested and reported as taxable distributions and used to increase each unitholder's adjusted cost base for the ETF. Distributions paid to holders of redeemable units are recognized in the statements of changes in financial position.

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

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

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2020	66,617,254	3,316,304	(24,475,000)	45,458,558	55,881,069
2019	71,031,447	7,993,385	(8,575,000)	70,449,832	69,765,636

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

9. 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 unitholders 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 unitholders 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 units of the ETF; and dealing and communicating with unitholders 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 0.40%, plus applicable sales taxes, of the net asset value of the ETF's units, 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 unitholders; 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; unitholder 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.

10. 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 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	\$1,135	\$nil	\$nil
June 30, 2019	\$1,789	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 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. 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.

11. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

The ETF may maintain accounts with Futures Commission Merchants ("FCMs") to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the ETF held at the FCMs. Collateral held with FCMs is included as part of "Margin deposits" in the statements of financial position. The collateral held with FCMs as at June 30, 2020, and December 31, 2019, is as follows:

As at	Collateral Held With FCMs
June 30, 2020	\$1,198,230
December 31, 2019	\$2,416,850

12. INCOME TAX

The ETF has qualified as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act") and accordingly, is not taxed on the portion of taxable income that is paid or allocated to unitholders. As well, tax refunds (based on redemptions and realized and unrealized gains during the year) may be available that would make it possible to retain some net capital gains in the ETF without incurring any income taxes.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

13. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forwards may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2019, the ETF 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
\$4,109,980	–	–

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.

Financial Assets and Liabilities as at June 30, 2020	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	5,483	–	5,483	–	–	5,483
Derivative assets - interest rate swaps	–	–	–	–	–	–
Total derivative assets	5,483	–	5,483	–	–	5,483
Derivative liabilities - currency forwards	–	–	–	–	–	–
Derivative liabilities - interest rate swaps	(17,201,212)	–	(17,201,212)	–	–	(17,201,212)
Total derivative liabilities	(17,201,212)	–	(17,201,212)	–	–	(17,201,212)

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

Financial Assets and Liabilities as at December 31, 2019	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	182,461	-	182,461	-	-	182,461
Derivative assets - interest rate swaps	1,929,562	-	1,929,562	(1,929,562)	-	-
Total derivative assets	2,112,023	-	2,112,023	(1,929,562)	-	182,461
Derivative liabilities - currency forwards	-	-	-	-	-	-
Derivative liabilities - interest rate swaps	(4,230,721)	-	(4,230,721)	1,929,562	-	(2,301,159)
Total derivative liabilities	(4,230,721)	-	(4,230,721)	1,929,562	-	(2,301,159)

15. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in units of other ETFs as part of its investment strategies ("Investee ETF(s)"). The nature and purpose of these Investee ETFs generally, is to manage assets on behalf of third party investors in accordance with their investment objectives, and are financed through the issue of units to investors.

In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF qualifies as an investment entity under IFRS 10 - *Consolidated Financial Statements*, and therefore accounts for investments it controls at fair value through profit and loss. The ETF's primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the ETF's prospectus to meet those objectives. The ETF also measures and evaluates the performance of any Investee ETFs on a fair value basis.

Investee ETFs over which the ETF has control or significant influence are categorized as subsidiaries and associates, respectively. All other Investee ETFs are categorized as unconsolidated structured entities. Investee ETFs may be managed by the Manager, its affiliates, or by third-party managers.

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2020, and December 31, 2019, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

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