



**Horizons Active Preferred Share ETF**  
**(HPR:TSX)**



**HORIZONS** ETFs  
by Mirae Asset

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## **A Message from the CEO**

Following the end of a turbulent 2020, it is worthwhile to reflect on the successes that Horizons ETFs and the broader Canadian ETF industry have achieved in the face of unprecedented challenges brought on by the COVID-19 pandemic during the year.

Despite the economic challenges and volatility posed by the COVID-19 pandemic, the Canadian ETF industry has grown in 2020 to new levels with record inflows of more than \$40 billion. The number of ETFs available in Canada has also eclipsed more than 1,000, which is a testament to the increasing confidence in, and demand for, ETFs as the investment vehicle of choice for investors.

Horizons ETFs also hit a major milestone in 2020, with its assets under management surpassing \$16 billion. This achievement reflects a record 55% increase in assets in 2020 alone – the highest proportional growth rate amongst Canada's top 5 ETF providers by assets.

As one of Canada's original and oldest ETF providers, we are proud of our history of product innovation and the track records of our ETFs. In 2020, 7 of our 94 funds celebrated 10-year anniversaries – a significant accomplishment in Canada's relatively young ETF industry. That includes the Horizons S&P/TSX 60™ Index ETF (HXT), as well the Horizons S&P 500® Index ETF (HXS), which have offered investors tax-efficiency unique to the Canadian marketplace for more than a decade.

There are reasons for optimism as we look ahead to 2021. As countries around the world begin implementing major COVID-19 vaccination efforts, we truly hope that we will see an easing of lockdown restrictions that could set the stage for a greater global economic recovery. Other trends, like the continued efforts at market expansion and deregulation of cannabis at state and federal levels in the United States, promises to transform the marijuana sector into one of the most important sectors to watch in 2021. This growing opportunity is highlighted by the popularity we have seen with our Horizons US Marijuana Index ETF (HMUS) and Horizons Marijuana Life Sciences Index ETF (HMMJ).

Recently, we announced an exciting development: Barry Allan, founder of DMAT Capital Management Inc. and a fixed income manager with nearly 40 years of experience, is working with us as the sub-advisor on our Horizons Active High Yield Bond ETF (HYI) and newly launched Horizons Tactical Absolute Return Bond ETF (HARB). We are excited to begin this partnership and offer these active solutions to this low-yield marketplace.

The hardships of this past year, both in the markets and in our daily lives, cannot be understated. However, we should take pride in the remarkable resilience of our markets and our country in the face of the COVID-19 pandemic.

We thank you for your continued support, and hope you are staying safe and healthy with your families. Wishing you good fortune with all of your investing in 2021!

Sincerely,



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

## MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Horizons Active Preferred Share ETF (“HPR” or the “ETF”) contains financial highlights and is included with the audited annual 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](http://www.horizonsetfs.com) or SEDAR at [www.sedar.com](http://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 HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including limited resource capital notes) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds, as they are defined in the ETF’s prospectus.

The ETF’s sub-advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental research to select the securities of companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, should be included in the ETF’s investment portfolio. An extensive credit analysis for each security as well as an assessment of each company’s risk profile is completed in order to confirm the selection and relative weight of each security held by the ETF. HPR invests primarily in the preferred shares, and securities convertible to preferred shares, of Canadian issuers whose debt, generally, at a minimum, has an investment grade rating at the time of purchase.

HPR may also invest in preferred shares (including securities convertible to preferred shares) of companies located in the United States, debt (including limited resource capital notes and other debt-like securities) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

## Management Discussion of Fund Performance (continued)

HPR may also invest in Canadian equity securities that have attractive dividend yields and Listed Funds that pay dividend income.

In anticipation of, or in response to, adverse conditions or for defensive purposes, HPR may temporarily hold a portion of its assets in cash, money market instruments, bonds or other debt securities generally not to exceed 20% of the ETF's net assets.

The Sub-Advisor may purchase securities of issuers that are related or connected to the Sub-Advisor. The Sub-Advisor may also rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. 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"). HPR may also invest in derivatives for currency hedging purposes only.

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

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

The Manager, as a summary for existing investors, is providing the list below of the risks to which an investment in the ETF may be subject. **Prospective investors should read the ETF's most recent prospectus and consider the full description of the risks contained therein before purchasing 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](http://www.horizonsetfs.com) or from [www.sedar.com](http://www.sedar.com), or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

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|--|--|
| <ul style="list-style-type: none"><li>• Stock market risk</li><li>• Specific issuer risk</li><li>• Legal and regulatory risk</li><li>• Market disruptions risk</li><li>• Cyber security risk</li><li>• Listed funds risk</li><li>• Reliance on historical data risk</li><li>• Corresponding net asset value risk</li><li>• Designated broker/dealer risk</li></ul> | <ul style="list-style-type: none"><li>• Cease trading of securities risk</li><li>• Exchange risk</li><li>• Early closing risk</li><li>• No assurance of meeting investment objective</li><li>• Tax risk</li><li>• Securities lending, repurchase and reverse repurchase transaction risk</li><li>• Loss of limited liability</li><li>• Reliance on key personnel</li></ul> |
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## Management Discussion of Fund Performance (continued)

- Distributions risk
  - 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
  - Income trust investment risk
  - Foreign stock exchange risk
  - Call risk
  - Liquidity risk

### Results of Operations

For the year ended December 31, 2020, units of the ETF returned 6.18% when including distributions paid to unitholders. This compares to a return of 6.16% for the S&P/TSX Preferred Share Index™ (the “Index”) on a total return basis for the same period.

The Index is designed to track the performance of the Canadian preferred stock market. Preferred stocks pay dividends at a specified rate and receive preference over common stocks in terms of dividend payments and liquidation of assets.

### General Market Review

The Canadian preferred shares market was hit hard in the first quarter of 2020 as the first wave of the COVID-19 pandemic hit, leading to an environment of lower government interest rates and wider credit spreads. The lack of liquidity at the height of the market panic in March also exacerbated the downside.

However, the launch of a new and cheaper Additional Tier 1 (“AT1”) funding alternative for Canadian banks, called Limited Recourse Capital Notes (“LRCNs”), was a game-changer for the asset class, helping propel it to positive territory by the end of 2020. Preferred share investors turned their focus towards the positive impacts of both LRCNs and hybrid preferred shares, which should result in many redemptions of expensive preferred shares and bring a constant bid to the market.

The strong credit tone and more stable interest rates during the second half of the year also helped. Perpetual preferred share issues outperformed both floating rate and fixed-reset issues, as they also rallied during the second half of the year. These perpetual preferreds held up much better during the first half of 2020, when rates were sharply declining, thus benefitting from smoother compounding throughout the year. The insurance and bank sectors outperformed in 2020, while energy and real estate sectors underperformed.

### Portfolio Review

The ETF’s 6.18% return for 2020 is remarkable when looked at in closer detail. For the first quarter of 2020, the ETF was down 25.11%. As markets recovered under the massive amounts of government and central bank stimulus, the ETF returned an astounding 41.79% for the final nine months of 2020 – a rate unheard of in the preferred share asset class.

## Management Discussion of Fund Performance (continued)

The ETF's overweight position in perpetual preferred securities was a major contributor to performance throughout the year, as was security selection in floating rate issues. Conversely, the ETF's underweight position in the financial sector and overweight in energy names reduced the outperformance of the ETF.

Throughout the year, Fiera has continued to reposition the ETF for a "lower-for-longer" interest rate environment by increasing the average reset level of the portfolio's fixed reset issues and increasing the allocation to issues with floor features. The ETF also took advantage of some redemptions to increase the portfolio's allocation into some attractive fixed reset issues with floor features.

Heading into 2021, the ETF is underweight floating rate and fixed-floating preferred shares, and slightly overweight perpetual preferreds. The ETF remains overweight in the energy, utilities and communication services sectors and underweight the banks and other financials.

### **Outlook**

The impact of COVID-19 continues to be the focus for financial markets. The sharp acceleration in cases towards the end of 2020 and into 2021 will likely hurt growth as economies once again temporarily shut down in an attempt to slow transmission of the virus. Although growth in the first quarter of 2021 is expected to be soft, there are some reasons for optimism. Vaccination programs are underway, governments continue to provide support to individuals and companies, countries will eventually reopen their economies and growth will pick up significantly. Central banks are widely expected to keep short-term rates low, though expectations for a stronger economy, and the corresponding rise in inflation expectations, will likely put some pressure on the long end of the yield curve.

The development and strength of the LRCN market continues to be a game-changer for the Canadian preferred shares asset class. Apart from the Canadian banks, Fiera believes that life insurance companies could also tap the LRCN market shortly. Stronger non-financial companies already have access to the hybrid preferred market both in Canada and in the U.S. Those alternatives are currently cheaper solutions for issuers to fund capital. This should remain a positive for the next several quarters as issuers could redeem up to \$13.1 billion of expensive preferred shares (18.8% of the market) and replace them with LRCN and hybrid preferreds. While retail investors could continue to be net sellers, it should not derail the positive impact of those potential redemptions that will bring a strong and constant bid in the market.

Central banks and government fiscal stimulus will continue to keep the credit tone strong. The primary market will likely remain quiet in such a scenario. Flows into preferred share ETFs will continue to be an important driver of daily volatility. In this environment, it is expected that fixed reset issues with a mid-reset level that trade at discount should continue to outperform. Fiera also expects the non-financial sectors such as utilities, communication services and energy to have more upside than the financial sector.

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

For the year ended December 31, 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 \$69,761,252. This compares to \$38,081,263 for the year ended December 31, 2019. The ETF incurred management, operating and transaction expenses of \$8,455,301 (2019 – \$10,113,468) of which \$10,425 (2019 – \$696) 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 \$68,092,836 to unitholders during the year (2019 – \$70,030,776).

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## 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.

#### *Impact of COVID-19*

The full extent of the impact that the COVID-19 epidemic will have on the Canadian and U.S. economies and the ETF’s business remains uncertain and difficult to predict at this time. By their very nature, the estimates and/or judgements the Manager makes for the purposes of preparing the ETF’s financial statements relate to matters that are inherently uncertain. However, the Manager maintains detailed policies and internal controls that are intended to ensure that these estimates and judgements are well controlled, and that they are consistently applied from period to period. It is the Manager’s opinion that any estimates and/or judgements used in the preparation of these financial statements are appropriate as at December 31, 2020 and 2019.

### 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 December 31, 2020 and 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 past five fiscal years. This information is derived from the ETF's audited annual 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

Year <sup>(1)</sup>	2020	2019	2018	2017	2016
<b>Net assets, beginning of year</b>	\$ 8.14	8.36	9.66	8.70	8.38
<b>Increase (decrease) from operations:</b>					
Total revenue	0.44	0.44	0.43	0.42	0.42
Total expenses	(0.05)	(0.06)	(0.07)	(0.07)	(0.06)
Realized gains (losses) for the year	(0.52)	(0.37)	0.04	0.08	(0.05)
Unrealized gains (losses) for the year	0.51	0.15	(1.37)	0.85	0.64
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.38</b>	<b>0.16</b>	<b>(0.97)</b>	<b>1.28</b>	<b>0.95</b>
<b>Distributions:</b>					
From dividends	(0.38)	(0.38)	(0.34)	(0.32)	(0.33)
From net realized capital gains	–	–	(0.03)	(0.04)	–
From return of capital	(0.04)	(0.02)	–	(0.02)	(0.05)
<b>Total annual distributions <sup>(3)</sup></b>	<b>(0.42)</b>	<b>(0.40)</b>	<b>(0.37)</b>	<b>(0.38)</b>	<b>(0.38)</b>
<b>Net assets, end of year <sup>(4)</sup></b>	<b>\$ 8.16</b>	<b>8.14</b>	<b>8.36</b>	<b>9.66</b>	<b>8.70</b>

1. This information is derived from the ETF's 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**

Year <sup>(1)</sup>	2020	2019	2018	2017	2016
Total net asset value (000's)	\$ 1,398,529	1,411,437	1,576,544	1,538,245	941,319
Number of units outstanding (000's)	171,302	173,304	188,582	159,285	108,181
Management expense ratio <sup>(2)(5)</sup>	0.64%	0.64%	0.63%	0.65%	0.64%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.64%	0.64%	0.63%	0.65%	0.64%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	0.64%	0.64%	0.65%	0.65%	0.65%
Trading expense ratio <sup>(4)(5)</sup>	0.07%	0.06%	0.05%	0.07%	0.10%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.07%	0.06%	0.05%	0.07%	0.10%
Portfolio turnover rate <sup>(6)</sup>	74.59%	85.37%	25.78%	23.99%	32.72%
Net asset value per unit, end of year	\$ 8.16	8.14	8.36	9.66	8.70
Closing market price	\$ 8.18	8.15	8.36	9.66	8.71

1. This information is provided as at December 31 of the 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 year. Out of its management fees, and waivers and absorptions, as applicable, 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 year. 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 management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year.
6. 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 0.55%, 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 year.

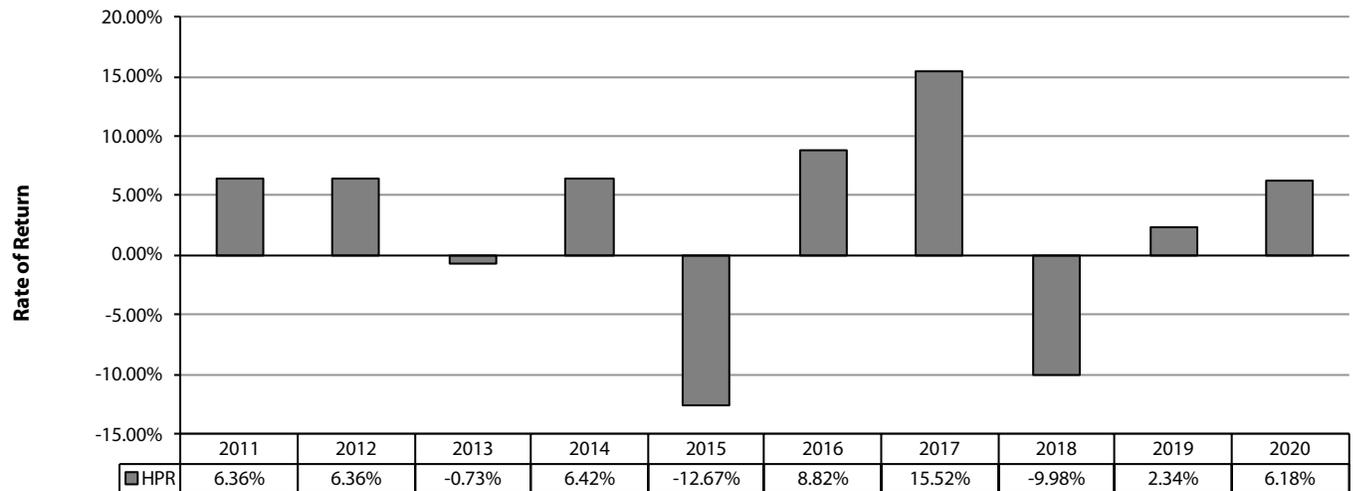
<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
4%	96%	–

## 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 November 22, 2010.

### Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2020, along with a comparable market index. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the ETF or future returns on investments in the ETF.

	1 Year	3 Year	5 Year	10 Year	Since Inception
Horizons Active Preferred Share ETF	6.18%	-0.73%	4.22%	2.53%	2.53%
S&P/TSX Preferred Share Index™	6.16%	0.38%	4.21%	1.95%	1.91%

The ETF effectively began operations on November 22, 2010.

## Summary of Investment Portfolio

As at December 31, 2020

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Canadian Preferred Securities	\$ 1,373,408,502	98.20%
Canadian Fixed Income Securities	20,023,544	1.43%
Short-Term Investments	9,047,944	0.65%
Currency Forward Hedge*	16,574	0.00%
Cash and Cash Equivalents	5,621,869	0.40%
Other Assets less Liabilities	(9,589,838)	-0.68%
	<b>\$ 1,398,528,595</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Financials	\$ 806,245,100	57.65%
Energy	298,870,268	21.37%
Utilities	178,586,275	12.77%
Communication Services	70,494,248	5.04%
Corporate Bonds	20,023,544	1.43%
Consumer Staples	10,103,562	0.72%
Treasury Bills	9,047,944	0.65%
Industrials	7,099,448	0.51%
Consumer Discretionary	2,009,601	0.14%
Currency Forward Hedge*	16,574	0.00%
Cash and Cash Equivalents	5,621,869	0.40%
Other Assets less Liabilities	(9,589,838)	-0.68%
	<b>\$ 1,398,528,595</b>	<b>100.00%</b>

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

**Summary of Investment Portfolio** (continued)

As at December 31, 2020

<b>Top 25 Holdings*</b>	<b>% of ETF's Net Asset Value</b>
Enbridge Inc.	8.87%
Toronto-Dominion Bank (The)	7.45%
Manulife Financial Corp.	6.97%
Canadian Imperial Bank of Commerce	6.41%
Great-West Lifeco Inc.	5.27%
BCE Inc.	5.04%
Bank of Montreal	4.85%
Sun Life Financial Inc.	4.58%
Pembina Pipeline Corp.	4.32%
TC Energy Corp.	4.15%
National Bank of Canada	4.02%
Brookfield Asset Management Inc.	3.46%
Power Financial Corp.	3.39%
Royal Bank of Canada	3.33%
Canadian Utilities Ltd.	2.90%
Brookfield Renewable Power Preferred Equity Inc.	2.65%
AltaGas Ltd.	2.53%
Bank of Nova Scotia (The)	1.87%
Fortis Inc.	1.84%
Husky Energy Inc.	1.79%
Brookfield Office Properties Inc.	1.52%
Brookfield Infrastructure Partners L.P.	1.32%
Intact Financial Corp.	1.28%
Brookfield Renewable Partners L.P.	1.21%
Industrial Alliance Insurance and Financial Services Inc.	0.93%

\* Note all of the Top 25 Holdings represent the aggregate preferred securities 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](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

**MANAGER’S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying audited annual financial statements of Horizons Active Preferred Share 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 and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of unitholders. The independent auditors’ report outlines the scope of their audit and their opinion on the financial statements.



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



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Thomas Park  
Director  
Horizons ETFs Management (Canada) Inc.

## INDEPENDENT AUDITORS' REPORT

### To the Unitholders of Horizons Active Preferred Share ETF (the "ETF")

#### *Opinion*

We have audited the financial statements of the ETF, which comprise the statements of financial position as at December 31, 2020 and 2019, the statements of comprehensive income, changes in financial position and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS).

#### *Basis for Opinion*

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Other Information*

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

### ***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ETF's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ETF's financial reporting process.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the ETF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants, Licensed Public Accountants  
The engagement partner on the audit resulting in this auditors' report is Ziad Said.  
Toronto, Canada  
March 12, 2021

## Statements of Financial Position

As at December 31,

	2020	2019
<b>Assets</b>		
Cash and cash equivalents	\$ 5,621,869	\$ 5,836,866
Investments	1,402,479,990	1,413,148,987
Amounts receivable relating to accrued income	2,318,380	2,770,975
Amounts receivable relating to portfolio assets sold	87,015	1,394,992
Amounts receivable relating to securities issued	1,426,231	1,216,199
Derivative assets (note 3)	16,840	517,481
<b>Total assets</b>	<b>1,411,950,325</b>	<b>1,424,885,500</b>
<b>Liabilities</b>		
Accrued management fees	709,092	735,414
Accrued operating expenses	58,011	111,300
Amounts payable relating to securities redeemed	–	3,665,464
Amounts payable for portfolio assets purchased	6,557,103	3,111,205
Distribution payable	6,097,258	5,772,326
Derivative liabilities (note 3)	266	53,017
<b>Total liabilities</b>	<b>13,421,730</b>	<b>13,448,726</b>
<b>Total net assets (note 2)</b>	<b>\$ 1,398,528,595</b>	<b>\$ 1,411,436,774</b>
Number of redeemable units outstanding (note 8)	171,302,082	173,303,797
Total net assets per unit	\$ 8.16	\$ 8.14

(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

For the Years Ended December 31,

	2020	2019
<b>Income</b>		
Dividend income	\$ 69,489,005	\$ 75,499,270
Interest income for distribution purposes	1,333,269	1,648,320
Securities lending income (note 7)	12,817	28,181
Net realized loss on sale of investments and derivatives	(85,238,436)	(65,797,227)
Net realized gain (loss) on foreign exchange	99,865	(32,400)
Net change in unrealized appreciation of investments and derivatives	84,062,317	26,748,222
Net change in unrealized appreciation (depreciation) of foreign exchange	2,415	(13,103)
	<b>69,761,252</b>	<b>38,081,263</b>
<b>Expenses (note 9)</b>		
Management fees	7,292,582	8,723,552
Audit fees	21,634	19,656
Independent Review Committee fees	726	2,804
Custodial and fund valuation fees	216,190	290,908
Legal fees	25,240	22,708
Securityholder reporting costs	84,927	76,428
Administration fees	26,602	28,954
Transaction costs	787,252	894,453
Withholding taxes	–	53,930
Other expenses	148	75
	<b>8,455,301</b>	<b>10,113,468</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(10,425)	(696)
	<b>8,444,876</b>	<b>10,112,772</b>
<b>Increase in net assets for the year</b>	<b>\$ 61,316,376</b>	<b>\$ 27,968,491</b>
Increase in net assets per unit	\$ 0.38	\$ 0.16

(See accompanying notes to financial statements)

## Statements of Changes in Financial Position

For the Years Ended December 31,

	2020	2019
<b>Total net assets at the beginning of the year</b>	\$ 1,411,436,774	\$ 1,576,543,581
<b>Increase in net assets</b>	61,316,376	27,968,491
<b>Redeemable unit transactions</b>		
Proceeds from the issuance of securities of the investment fund	331,785,007	357,160,672
Aggregate amounts paid on redemption of securities of the investment fund	(338,525,141)	(480,912,622)
Securities issued on reinvestment of distributions	608,415	707,428
Distributions:		
From net investment income	(61,016,969)	(66,397,055)
Return of capital	(7,075,867)	(3,633,721)
<b>Total net assets at the end of the year</b>	<b>\$ 1,398,528,595</b>	<b>\$ 1,411,436,774</b>

(See accompanying notes to financial statements)

## Statements of Cash Flows

For the Years Ended December 31,

	2020	2019
<b>Cash flows from operating activities:</b>		
Increase in net assets for the year	\$ 61,316,376	\$ 27,968,491
Adjustments for:		
Net realized loss on sale of investments and derivatives	85,238,436	65,797,227
Net realized gain (loss) on currency forward contracts	686,429	(321,373)
Net change in unrealized appreciation of investments and derivatives	(84,062,317)	(26,748,222)
Net change in unrealized depreciation of foreign exchange	2	1
Purchase of investments	(618,633,858)	(996,270,562)
Proceeds from the sale of investments	604,281,973	902,346,677
Amounts receivable relating to accrued income	452,595	603,189
Accrued expenses	(79,611)	(95,563)
<b>Net cash from (used in) operating activities</b>	<b>49,200,025</b>	<b>(26,720,135)</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	44,799,245	129,996,496
Amount paid on redemptions of units	(27,054,776)	(51,639,733)
Distributions paid to unitholders	(67,159,489)	(69,476,278)
<b>Net cash from (used in) financing activities</b>	<b>(49,415,020)</b>	<b>8,880,485</b>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(214,995)</b>	<b>(17,839,650)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(2)	(1)
<b>Cash and cash equivalents at beginning of year</b>	<b>5,836,866</b>	<b>23,676,517</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 5,621,869</b>	<b>\$ 5,836,866</b>
Interest received, net of withholding taxes	\$ 1,481,460	\$ 1,642,470
Dividends received, net of withholding taxes	\$ 69,793,409	\$ 76,054,380

(See accompanying notes to financial statements)

## Schedule of Investments

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
<b>CANADIAN PREFERRED SECURITIES (98.20%)</b>			
<b>Financials (57.65%)</b>			
Artis REIT, Preferred, Series 'A', Variable Rate, Perpetual	72,050	\$ 1,554,302	\$ 1,390,565
Artis REIT, Preferred, Series 'E', Variable Rate, Perpetual	131,292	2,489,315	2,413,803
Artis REIT, Preferred, Series 'I', Variable Rate, Perpetual	129,660	2,935,146	3,111,840
Bank of Montreal, Preferred, Class 'B', Series '27', Variable Rate, Convertible, Perpetual	396,026	7,738,077	8,134,374
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	644,399	12,482,978	12,849,316
Bank of Montreal, Preferred, Class 'B', Series '31', Variable Rate, Perpetual	157,303	3,262,333	3,178,307
Bank of Montreal, Preferred, Class 'B', Series '33', Variable Rate, Perpetual	243,892	5,240,230	5,182,705
Bank of Montreal, Preferred, Class 'B', Series '38', Variable Rate, Perpetual	409,198	10,334,032	10,536,849
Bank of Montreal, Preferred, Class 'B', Series '40', Variable Rate, Perpetual	746,783	17,135,633	18,512,751
Bank of Montreal, Preferred, Class 'B', Series '42', Variable Rate, Perpetual	379,041	8,619,628	9,241,020
Bank of Montreal, Preferred, Class 'B', Series '46', Variable Rate, Perpetual	13,000	315,210	331,175
Bank of Nova Scotia (The), Preferred, Series '34', Variable Rate, Perpetual	117,123	2,877,879	2,985,465
Bank of Nova Scotia (The), Preferred, Series '36', Variable Rate, Perpetual	51,148	1,316,467	1,312,969
Bank of Nova Scotia (The), Preferred, Series '38', Variable Rate, Perpetual	733,684	18,551,576	18,877,689
Brookfield Asset Management Inc., Preferred, Class 'A', Series '4', Variable Rate, Perpetual	53,591	703,989	508,043
Brookfield Asset Management Inc., Preferred, Class 'A', Series '8', Variable Rate, Perpetual	16,578	287,688	233,252
Brookfield Asset Management Inc., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	126,000	2,065,422	1,575,630
Brookfield Asset Management Inc., Preferred, Class 'A', Series '17', 4.75%, Perpetual	56,073	1,174,272	1,328,089
Brookfield Asset Management Inc., Preferred, Class 'A', Series '18', 4.75%, Convertible, Perpetual	71,346	1,493,041	1,687,333
Brookfield Asset Management Inc., Preferred, Class 'A', Series '24', Variable Rate, Perpetual	187,196	3,437,940	2,796,708
Brookfield Asset Management Inc., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	22,792	446,532	331,624
Brookfield Asset Management Inc., Preferred, Class 'A', Series '26', Variable Rate, Convertible, Perpetual	259,658	4,614,760	3,871,501
Brookfield Asset Management Inc., Preferred, Class 'A', Series '30', Variable Rate, Convertible, Perpetual	239,888	4,791,765	4,375,557
Brookfield Asset Management Inc., Preferred, Class 'A', Series '32', Variable Rate, Convertible, Perpetual	247,757	5,443,029	4,682,607
Brookfield Asset Management Inc., Preferred, Class 'A', Series '34', Variable Rate, Perpetual	113,158	2,306,682	1,968,949
Brookfield Asset Management Inc., Preferred, Class 'A', Series '36', 4.85%, Perpetual	108,766	2,332,116	2,637,576
Brookfield Asset Management Inc., Preferred, Class 'A', Series '37', 4.90%, Perpetual	152,207	3,326,345	3,729,072
Brookfield Asset Management Inc., Preferred, Class 'A', Series '38', 4.40%, Perpetual	222,354	4,359,943	3,625,482
Brookfield Asset Management Inc., Preferred, Class 'A', Series '40', Variable Rate, Perpetual	424,367	8,243,445	7,591,926
Brookfield Asset Management Inc., Preferred, Class 'A', Series '42', Variable Rate, Perpetual	438,262	8,626,598	7,397,863

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'N', Variable Rate, Perpetual	527,243	8,549,103	6,221,467
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual	272,253	4,709,095	3,294,261
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual	519,399	8,895,104	6,866,455
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'S', Floating Rate, Perpetual	62,063	1,173,484	805,267
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'T', 4.60%, Perpetual	47,338	739,092	721,431
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual	173,843	3,276,659	2,560,707
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'CC', Variable Rate, Perpetual	1,000	19,778	21,750
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'EE', Variable Rate, Perpetual	40,980	623,543	723,707
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'GG', Variable Rate, Perpetual	1,600	22,897	26,144
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual	644,701	12,322,847	12,552,328
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '41', Variable Rate, Perpetual	270,330	5,415,548	5,355,237
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual	1,066,403	22,070,507	22,458,447
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '45', Variable Rate, Perpetual	1,959,623	45,457,061	47,795,205
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '47', Variable Rate, Perpetual	70,515	1,339,217	1,452,609
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	9,187	160,151	164,264
Canadian Western Bank, Preferred, Series '7', Variable Rate, Perpetual	122,525	3,119,764	3,103,558
E-L Financial Corp. Ltd., Preferred, Series '3', 5.50%, Perpetual	1,500	37,755	37,725
Empire Life Insurance Co. (The), Preferred, Series '1', Variable Rate, Perpetual	1,076	27,480	27,088
Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible	18,312	334,152	316,798
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Perpetual	2,000	26,200	26,600
Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	32,948	539,508	428,324
Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	264,429	4,340,080	3,799,845
Fairfax Financial Holdings Ltd., Preferred, Series 'J', Variable Rate, Perpetual	46,711	855,694	663,296
Fairfax Financial Holdings Ltd., Preferred, Series 'K', 5.00%, Perpetual	112,358	2,151,216	2,061,769
Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	210,899	4,507,803	4,428,879
Great-West Lifeco Inc., Preferred, Series 'F', 5.90%, Perpetual	8,344	210,712	212,271
Great-West Lifeco Inc., Preferred, Series 'G', 5.20%, Perpetual	628,353	14,500,263	15,922,465

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
Great-West Lifeco Inc., Preferred, Series 'H', 4.85%, Perpetual	600,681	14,056,015	14,716,684
Great-West Lifeco Inc., Preferred, Series 'I', 4.50%, Perpetual	132,418	3,012,987	3,147,576
Great-West Lifeco Inc., Preferred, Series 'L', 5.65%, Perpetual	254,370	6,224,712	6,445,736
Great-West Lifeco Inc., Preferred, Series 'M', 5.80%, Perpetual	228,977	5,755,906	5,809,146
Great-West Lifeco Inc., Preferred, Series 'O', Floating Rate, Perpetual	10,195	179,238	115,764
Great-West Lifeco Inc., Preferred, Series 'P', 5.40%, Perpetual	372,122	9,247,323	9,444,456
Great-West Lifeco Inc., Preferred, Series 'Q', 5.15%, Perpetual	389,948	9,313,181	9,770,147
Great-West Lifeco Inc., Preferred, Series 'R', 4.80%, Perpetual	44,483	1,021,315	1,086,497
Great-West Lifeco Inc., Preferred, Series 'S', 5.25%, Perpetual	187,889	4,488,417	4,744,197
Great-West Lifeco Inc., Preferred, Series 'T', 5.15%, Perpetual	89,948	2,070,448	2,284,679
Industrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'G', Variable Rate, Convertible, Perpetual	591,973	12,254,706	12,224,242
Industrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'I', Variable Rate, Perpetual	36,982	780,569	788,456
Intact Financial Corp., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	554,535	10,625,885	11,451,148
Intact Financial Corp., Preferred, Class 'A', Series '5', 5.20%, Perpetual	76,136	1,863,169	1,963,547
Intact Financial Corp., Preferred, Class 'A', Series '6', 5.30%, Perpetual	111,705	2,698,482	2,840,100
Intact Financial Corp., Preferred, Class 'A', Series '7', Variable Rate, Convertible, Perpetual	75,431	1,752,423	1,507,866
Intact Financial Corp., Preferred, Class 'A', Series '9', 5.40%, Perpetual	3,800	95,788	98,952
Laurentian Bank of Canada, Preferred, Class 'A', Series '15', Variable Rate, Perpetual	124,165	2,921,647	3,116,542
Manulife Financial Corp., Preferred, Class 'A', Series '2', 4.65%, Perpetual	334,443	7,466,210	8,157,065
Manulife Financial Corp., Preferred, Class 'A', Series '3', 4.50%, Perpetual	272,596	5,909,793	6,610,453
Manulife Financial Corp., Preferred, Class '1', Series '4', Floating Rate, Convertible, Perpetual	4,500	75,600	55,508
Manulife Financial Corp., Preferred, Class '1', Series '5', Variable Rate, Convertible, Perpetual	494,882	9,816,457	11,134,845
Manulife Financial Corp., Preferred, Class '1', Series '7', Variable Rate, Perpetual	525,522	10,620,503	12,481,147
Manulife Financial Corp., Preferred, Class '1', Series '9', Variable Rate, Convertible, Perpetual	436,902	9,182,666	9,830,295
Manulife Financial Corp., Preferred, Class '1', Series '11', Variable Rate, Perpetual	273,237	5,527,357	5,737,977
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	298,419	5,604,578	5,461,068
Manulife Financial Corp., Preferred, Class '1', Series '17', Variable Rate, Perpetual	371,089	7,354,850	7,262,212
Manulife Financial Corp., Preferred, Class '1', Series '19', Variable Rate, Perpetual	281,053	5,575,683	5,427,133
Manulife Financial Corp., Preferred, Class '1', Series '21', Variable Rate, Perpetual	138,063	3,530,523	3,505,420
Manulife Financial Corp., Preferred, Class '1', Series '23', Variable Rate, Perpetual	846,276	19,904,648	21,207,677
Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	34,779	770,924	726,881
National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	429,649	8,047,092	8,562,905
National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	229,367	4,197,293	4,424,489
National Bank of Canada, Preferred, Series '34', Variable Rate, Perpetual	22,697	574,328	577,412

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
National Bank of Canada, Preferred, Series '36', Variable Rate, Perpetual	709,250	17,953,619	18,121,338
National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	716,065	16,379,223	17,894,464
National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual	261,011	5,082,788	5,504,722
National Bank of Canada, Preferred, Series '42', Variable Rate, Perpetual	46,994	932,495	1,078,512
Power Corp. of Canada, Preferred, Series 'A', 5.60%, Perpetual	67,732	1,676,746	1,723,779
Power Corp. of Canada, Preferred, Series 'B', 5.35%, Perpetual	197,079	4,711,409	4,946,683
Power Corp. of Canada, Preferred, Series 'C', 5.80%, Perpetual	22,771	567,161	579,522
Power Corp. of Canada, Preferred, Series 'G', 5.60%, Perpetual	126,144	3,169,243	3,190,182
Power Financial Corp., Preferred, Series 'D', 5.50%, Perpetual	76,139	1,870,671	1,937,357
Power Financial Corp., Preferred, Series 'E', 5.25%, Perpetual	126,224	3,047,273	3,199,778
Power Financial Corp., Preferred, Series 'F', 5.90%, Perpetual	92,822	2,279,749	2,375,315
Power Financial Corp., Preferred, Series 'H', 5.75%, Perpetual	142,760	3,403,782	3,628,959
Power Financial Corp., Preferred, Series 'K', 4.95%, Perpetual	386,684	8,790,461	9,516,293
Power Financial Corp., Preferred, Series 'L', 5.10%, Perpetual	142,237	3,363,671	3,568,726
Power Financial Corp., Preferred, Series 'O', 5.80%, Perpetual	189,629	4,841,184	4,831,747
Power Financial Corp., Preferred, Series 'P', Variable Rate, Perpetual	243,820	3,779,105	2,835,627
Power Financial Corp., Preferred, Series 'Q', Variable Rate, Convertible, Perpetual	51,976	720,179	608,119
Power Financial Corp., Preferred, Series 'R', 5.50%, Perpetual	298,039	7,429,477	7,573,171
Power Financial Corp., Preferred, Series 'S', 4.80%, Perpetual	193,720	4,081,313	4,742,266
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	60,609	1,408,825	1,146,722
Power Financial Corp., Preferred, Series 'V', 5.15%, Perpetual	57,236	1,310,810	1,459,518
Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual	1,227,072	26,192,528	27,179,645
Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual	681,419	14,051,199	14,616,438
Royal Bank of Canada, Preferred, Series 'BI', 4.90%, Perpetual	9,686	249,564	254,742
Royal Bank of Canada, Preferred, Series 'BK', Variable Rate, Perpetual	123,914	3,163,450	3,154,850
Royal Bank of Canada, Preferred, Series 'BM', Variable Rate, Perpetual	49,981	1,295,555	1,282,013
Sun Life Financial Inc., Preferred, Class 'A', Series '1', 4.75%, Perpetual	743,447	16,834,973	18,407,748
Sun Life Financial Inc., Preferred, Class 'A', Series '2', 4.80%, Perpetual	665,630	15,114,800	16,540,905
Sun Life Financial Inc., Preferred, Class 'A', Series '3', 4.45%, Perpetual	87,909	2,014,421	2,129,156
Sun Life Financial Inc., Preferred, Class 'A', Series '4', 4.45%, Perpetual	172,502	3,861,547	4,174,548
Sun Life Financial Inc., Preferred, Class 'A', Series '5', 4.50%, Perpetual	194,793	4,307,423	4,723,730
Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Perpetual	238,104	4,240,661	4,297,777
Sun Life Financial Inc., Preferred, Class 'A', Series '11QR', Floating Rate, Perpetual	5,700	113,735	97,727
Sun Life Financial Inc., Preferred, Class 'A', Series '12R', Variable Rate, Perpetual	643,664	12,840,042	13,568,437
Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Convertible, Perpetual	244,368	4,975,375	5,058,418
Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	777,056	15,491,900	15,968,501
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	524,726	10,566,822	10,987,762
Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	1,159,889	25,317,733	26,074,305
Toronto-Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual	553,115	12,126,378	12,887,580

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
Toronto-Dominion Bank (The), Preferred, Series '12', Variable Rate, Perpetual	515	11,710	13,143
Toronto-Dominion Bank (The), Preferred, Series '14', Variable Rate, Perpetual	898,389	22,513,649	23,061,646
Toronto-Dominion Bank (The), Preferred, Series '16', Variable Rate, Perpetual	40,299	821,272	983,900
Toronto-Dominion Bank (The), Preferred, Series '18', Variable Rate, Perpetual	28,600	604,562	654,654
Toronto-Dominion Bank (The), Preferred, Series '22', Variable Rate, Perpetual	61,100	1,286,155	1,536,054
Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual	271,441	6,664,605	6,962,462
		787,911,045	806,245,100
<b>Energy (21.37%)</b>			
AltaGas Ltd., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	665,408	11,180,638	9,362,291
AltaGas Ltd., Preferred, Series 'C', 4.40%, Convertible, Perpetual	274,874	7,337,206	6,490,406
AltaGas Ltd., Preferred, Series 'G', Variable Rate, Perpetual	486,369	9,698,919	8,749,778
AltaGas Ltd., Preferred, Series 'I', Variable Rate, Perpetual	6,360	160,111	159,191
AltaGas Ltd., Preferred, Series 'K', Variable Rate, Perpetual	431,384	10,175,669	10,555,966
Enbridge Inc., Preferred, Series 'A', 5.50%, Perpetual	103,534	2,462,468	2,562,466
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	751,317	10,641,197	9,526,700
Enbridge Inc., Preferred, Series 'C', Floating Rate, Perpetual	9,172	133,709	114,650
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	340,454	5,864,016	4,657,411
Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	433,111	7,963,250	6,306,096
Enbridge Inc., Preferred, Series 'H', 4.00%, Perpetual	15,000	204,750	205,350
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	152,684	3,758,705	3,352,563
Enbridge Inc., Preferred, Series 'N', Variable Rate, Perpetual	334,483	6,259,229	5,268,107
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	863,936	14,575,844	12,414,760
Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	896,836	15,336,677	12,645,388
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,728,185	28,436,119	23,330,497
Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	121,033	2,163,168	1,767,082
Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	275,241	4,754,761	4,037,785
Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	773,428	13,463,783	11,353,923
Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	508,818	8,106,322	6,919,925
Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual	292,356	4,749,877	3,940,959
Enbridge Inc., Preferred, Series '17', Variable Rate, Perpetual	89,272	2,120,248	2,152,348
Enbridge Inc., Preferred, Series '19', Variable Rate, Convertible, Perpetual	417,638	9,343,524	9,576,439
Husky Energy Inc., Preferred, Series '1', Variable Rate, Perpetual	193,701	2,795,438	1,842,096
Husky Energy Inc., Preferred, Series '2', Variable Rate, Perpetual	43,005	617,548	395,646
Husky Energy Inc., Preferred, Series '3', Variable Rate, Perpetual	521,112	10,271,859	8,468,070
Husky Energy Inc., Preferred, Series '5', Variable Rate, Perpetual	464,122	9,074,547	8,108,211
Husky Energy Inc., Preferred, Series '7', Variable Rate, Perpetual	353,678	6,449,370	6,083,262
Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	87,929	1,536,352	1,301,349
Pembina Pipeline Corp., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	75,740	905,410	1,222,444
Pembina Pipeline Corp., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	495,388	9,728,023	7,851,900
Pembina Pipeline Corp., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	888,665	18,613,063	16,866,862

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
Pembina Pipeline Corp., Preferred, Class 'A', Series '11', Variable Rate, Perpetual	13,007	328,975	327,126
Pembina Pipeline Corp., Preferred, Class 'A', Series '13', Variable Rate, Perpetual	193,978	4,845,679	4,896,005
Pembina Pipeline Corp., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	315,225	5,375,332	4,952,185
Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual	209,769	3,833,816	3,370,988
Pembina Pipeline Corp., Preferred, Class 'A', Series '19', Variable Rate, Perpetual	308,178	6,427,666	6,246,768
Pembina Pipeline Corp., Preferred, Class 'A', Series '23', Variable Rate, Perpetual	253,211	5,694,351	6,153,027
Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	300,242	6,883,176	7,229,827
TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	788,575	13,555,517	10,535,362
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	77,376	1,253,596	735,072
TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	525,636	7,678,657	5,540,203
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	392,122	7,295,628	5,968,097
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	540,486	9,510,174	7,999,193
TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual	651,005	12,511,847	10,910,844
TC Energy Corp., Preferred, Series '13', Variable Rate, Perpetual	110,084	2,728,422	2,809,344
TC Energy Corp., Preferred, Series '15', Variable Rate, Perpetual	546,438	13,506,162	13,606,306
		340,310,798	298,870,268
<b>Utilities (12.77%)</b>			
Algonquin Power & Utilities Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	49,103	1,071,529	986,479
Algonquin Power & Utilities Corp., Preferred, Series 'D', Variable Rate, Perpetual	155,720	3,030,901	3,291,921
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	466,897	9,511,142	9,081,147
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	41,219	1,021,543	1,034,803
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	262,842	6,238,477	6,521,110
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	1,500	32,321	35,895
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '11', Variable Rate, Perpetual	77,389	1,745,031	1,849,597
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	331,991	7,965,130	8,336,294
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	191,986	4,529,558	4,847,647
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '11', Variable Rate, Perpetual	133,968	2,741,425	3,260,781

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
Brookfield Renewable Partners L.P., Preferred, Class 'A'; Series '13'; Variable Rate, Perpetual	2	39	48
Brookfield Renewable Partners L.P., Preferred, Class 'A'; Series '15'; Variable Rate, Perpetual	14,044	280,111	355,314
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A'; Series '1'; Variable Rate, Convertible, Perpetual	813,321	14,319,535	12,443,811
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A'; Series '3'; Variable Rate, Convertible, Perpetual	621,666	12,209,599	10,910,238
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A'; Series '5'; 5.59%, Perpetual	58,364	1,335,508	1,459,100
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A'; Series '6'; 5.00%, Perpetual	525,319	11,081,284	12,260,946
Canadian Utilities Ltd., Preferred, Series 'Y'; Variable Rate, Perpetual	513,395	9,746,844	9,597,920
Canadian Utilities Ltd., Preferred, Series 'AA'; 4.90%, Perpetual	350,856	8,153,465	8,760,874
Canadian Utilities Ltd., Preferred, Series 'BB'; 4.90%, Perpetual	229,797	5,261,621	5,712,753
Canadian Utilities Ltd., Preferred, Series 'CC'; 4.50%, Perpetual	87,367	1,823,015	2,085,450
Canadian Utilities Ltd., Preferred, Series 'DD'; 4.50%, Perpetual	440,243	9,382,347	10,521,808
Canadian Utilities Ltd., Preferred, Series 'EE'; 5.25%, Perpetual	147,033	3,502,105	3,766,985
Capital Power Corp., Preferred, Series '1'; Variable Rate, Convertible, Perpetual	58,560	801,070	689,837
Capital Power Corp., Preferred, Series '3'; Variable Rate, Convertible, Perpetual	61,131	1,229,782	1,127,867
Capital Power Corp., Preferred, Series '5'; Variable Rate, Perpetual	67,904	1,224,119	1,187,641
Capital Power Corp., Preferred, Series '9'; Variable Rate, Perpetual	3,500	84,664	88,200
CU Inc., Preferred, Series '1'; 4.60%, Perpetual	230,413	5,024,025	5,475,765
Emera Inc., Preferred, Series 'A'; Variable Rate, Convertible, Perpetual	278,443	4,401,449	3,466,615
Emera Inc., Preferred, Series 'C'; Variable Rate, Convertible, Perpetual	229,187	4,565,692	4,095,572
Emera Inc., Preferred, Series 'E'; 4.50%, Perpetual	2,200	45,405	52,283
Emera Inc., Preferred, Series 'F'; Variable Rate, Perpetual	234,530	4,577,450	4,118,347
Fortis Inc., Preferred, Series 'F'; 4.90%, Perpetual	2,967	70,366	75,050
Fortis Inc., Preferred, Series 'G'; Variable Rate, Perpetual	374,682	7,415,863	6,238,455
Fortis Inc., Preferred, Series 'H'; 4.25%, Perpetual	14,521	230,940	161,982
Fortis Inc., Preferred, Series 'J'; 4.75%, Perpetual	148,983	3,336,263	3,643,379
Fortis Inc., Preferred, Series 'K'; Variable Rate, Perpetual	180,713	3,410,718	2,945,622
Fortis Inc., Preferred, Series 'M'; Variable Rate, Perpetual	672,170	13,381,191	12,670,405
TransAlta Corp., Preferred, Series 'C'; Variable Rate, Convertible, Perpetual	250,268	3,826,755	3,761,528
TransAlta Corp., Preferred, Series 'E'; 5.00%, Perpetual	148,686	2,495,519	2,674,861
TransAlta Corp., Preferred, Series 'G'; Variable Rate, Perpetual	22,337	387,842	423,286
Westcoast Energy Inc., Preferred, Series '12'; Variable Rate, Perpetual	336,686	8,408,345	8,568,659
		179,899,988	178,586,275
<b>Communication Services (5.04%)</b>			
BCE Inc., Preferred, Series 'R'; Variable Rate, Perpetual	223,441	3,708,112	3,322,568
BCE Inc., Preferred, Series 'S'; Variable Rate, Perpetual	8,272	130,798	115,974
BCE Inc., Preferred, Series 'T'; Variable Rate, Perpetual	902,498	14,151,707	13,289,283
BCE Inc., Preferred, Series 'Z'; Variable Rate, Perpetual	251,310	4,023,711	3,689,231
BCE Inc., Preferred, Series 'AA'; Variable Rate, Perpetual	662,894	10,632,674	9,784,316
BCE Inc., Preferred, Series 'AB'; Variable Rate, Perpetual	41,487	747,600	579,573
BCE Inc., Preferred, Series 'AD'; Variable Rate, Perpetual	139,706	1,607,105	1,957,281
BCE Inc., Preferred, Series 'AE'; Variable Rate, Perpetual	29,816	455,460	415,933

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
BCE Inc., Preferred, Series 'AF', Variable Rate, Perpetual	662,554	11,373,638	10,355,719
BCE Inc., Preferred, Series 'AG', Variable Rate, Perpetual	317,563	4,730,172	4,414,126
BCE Inc., Preferred, Series 'AH', Variable Rate, Perpetual	204,883	3,406,470	2,892,948
BCE Inc., Preferred, Series 'AI', Variable Rate, Perpetual	489,724	6,760,256	6,880,622
BCE Inc., Preferred, Series 'AJ', Variable Rate, Perpetual	113,680	1,862,720	1,591,520
BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	375,533	5,116,585	4,942,014
BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	127,888	2,206,378	1,567,267
BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual	263,909	4,305,907	3,665,696
BCE Inc., Preferred, Series 'AN', Variable Rate, Convertible, Perpetual	53,876	844,419	713,857
BCE Inc., Preferred, Series 'AO', Variable Rate, Perpetual	16,000	274,560	316,320
		<u>76,338,272</u>	<u>70,494,248</u>
<b>Consumer Staples (0.72%)</b>			
George Weston Ltd., Preferred, Series 'III', 5.20%, Perpetual	129,685	3,119,585	3,252,500
George Weston Ltd., Preferred, Series 'IV', 5.20%, Perpetual	149,172	3,597,203	3,737,505
Loblaw Cos. Ltd., Preferred, Series 'B', 5.30%, Perpetual	120,261	2,992,150	3,113,557
		<u>9,708,938</u>	<u>10,103,562</u>
<b>Industrials (0.51%)</b>			
Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual	284,486	6,855,994	6,947,148
Element Fleet Management Corp., Preferred, Series 'I', Variable Rate, Perpetual	6,075	128,078	152,300
		<u>6,984,072</u>	<u>7,099,448</u>
<b>Consumer Discretionary (0.14%)</b>			
Shaw Communications Inc., Preferred, Class '2', Series 'A', Variable Rate, Perpetual	148,310	2,499,498	2,009,601
		<u>2,499,498</u>	<u>2,009,601</u>
<b>TOTAL CANADIAN PREFERRED SECURITIES</b>		<b><u>1,403,652,611</u></b>	<b><u>1,373,408,502</u></b>
<b>CANADIAN FIXED INCOME SECURITIES (1.43%)</b>			
<b>Corporate Bonds (1.43%)</b>			
Bank of Nova Scotia (The), Variable Rate, Perpetual, 4.90%, 2025/06/04	2,200,000	3,030,390	3,038,888
Enbridge Inc., Variable Rate, Callable, 6.00%, 2077/01/15	345,000	366,015	469,268
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,000,000	3,000,000	3,433,022
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	6,649,000	6,649,000	6,981,395
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	5,625,000	5,625,000	6,100,971
		<u>18,670,405</u>	<u>20,023,544</u>
<b>TOTAL CANADIAN FIXED INCOME SECURITIES</b>		<b><u>18,670,405</u></b>	<b><u>20,023,544</u></b>

**Schedule of Investments** (continued)

As at December 31, 2020

Security	Shares/ Par Value/Contracts	Average Cost	Fair Value
<b>SHORT-TERM INVESTMENTS (0.65%)</b>			
Government of Canada Treasury Bill, 0.06%, 2021/04/15	5,000,000	4,999,200	4,999,200
Government of Canada Treasury Bill, 0.10%, 2021/04/08	2,750,000	2,749,230	2,749,230
Government of Canada Treasury Bill, 0.11%, 2021/04/01	1,300,000	1,299,514	1,299,514
		<u>9,047,944</u>	<u>9,047,944</u>
<b>TOTAL SHORT-TERM INVESTMENTS</b>		<b><u>9,047,944</u></b>	<b><u>9,047,944</u></b>
<b>DERIVATIVES (0.00%)</b>			
<b>Currency Forwards (0.00%)</b>			
Currency forward contract to buy C\$13,309,040 for US\$10,444,500 maturing March 17, 2021		-	16,840
Currency forward contract to buy US\$75,000 for C\$95,714 maturing March 17, 2021		-	(266)
		<u>-</u>	<u>16,574</u>
<b>TOTAL DERIVATIVES</b>		<u>-</u>	<b><u>16,574</u></b>
Transaction Costs		<u>(445,493)</u>	
<b>TOTAL INVESTMENT PORTFOLIO (100.28%)</b>		<b><u>\$ 1,430,925,467</u></b>	<b><u>\$ 1,402,496,564</u></b>
<b>Cash and cash equivalents (0.40%)</b>			5,621,869
<b>Other assets less liabilities (-0.68%)</b>			(9,589,838)
<b>TOTAL NET ASSETS (100.00%)</b>			<b><u>\$ 1,398,528,595</u></b>

(See accompanying notes to financial statements)

## Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

### 1. REPORTING ENTITY

Horizons Active Preferred Share ETF (“HPR” 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 November 22, 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 HPR. 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 HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including limited resource capital notes) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds, as they are defined in the ETF’s prospectus.

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 March 12, 2021, by the Board of Directors of the Manager.

#### *(ii) Basis of measurement*

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

#### *(iii) Functional and presentation currency*

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

## Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

### (a) Financial instruments

#### (i) Recognition, initial measurement and classification

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

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

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

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

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

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

#### (ii) Fair value measurement

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

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

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

## Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

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.

#### **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.

## Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

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 year-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 year.

### (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.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

**(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 any applicable 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 full extent of the impact that the COVID-19 epidemic will have on the Canadian and U.S. economies and the ETF's business remains uncertain and difficult to predict at this time. By their very nature, the estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements relate to matters that are inherently uncertain. However, the Manager maintains detailed policies and internal controls that are intended to ensure that these estimates and judgements are well controlled, and that they are consistently applied from period to period. It is the Manager's opinion that any estimates and/or judgements used in the preparation of these financial statements are appropriate as at December 31, 2020 and 2019.

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

**5. FINANCIAL INSTRUMENTS RISK**

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

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

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

**(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 December 31, 2020 and 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 majority of the ETF's assets and liabilities are non-interest bearing. However, in general, preferred shares tend to react to changes in the prevailing level of long-term interest rates in a similar manner as bonds. For example, if interest rates fall, preferred share prices tend to rise, and vice versa. As at December 31, 2020, approximately 100.4% (December 31, 2019 - 100.3%) of the ETF's net assets were directly or indirectly exposed to interest rate risk. The amount by which the net assets of the ETF would have increased or decreased, as at December 31, 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 \$68,715,281 (December 31, 2019 - \$59,749,037).

**(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 implemented 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	December 31, 2020	December 31, 2019
S&P/TSX Preferred Share Index™	\$13,699,185	\$13,556,078

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

**(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, when necessary, receiving acceptable collateral.

***Analysis of credit quality***

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

Canadian Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2020	December 31, 2019
P-1 - Best credit	–	2.4%
P-2 - Second best credit	62.5%	60.6%
P-3 - Third best credit	31.2%	33.5%
<b>Total</b>	<b>93.7%</b>	<b>96.5%</b>
U.S. Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2020	December 31, 2019
AAA	0.6%	0.2%
BBB	2.5%	2.5%
BB	3.6%	1.1%
<b>Total</b>	<b>6.7%</b>	<b>3.8%</b>

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 December 31, 2020, was 8.9% (December 31, 2019 – 8.8%) of the net assets of the ETF.

**(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

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

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 December 31, 2020 and 2019, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2020			December 31, 2019		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Short-Term Investments	–	9,047,944	–	–	3,067,761	–
Bonds	–	20,023,544	–	–	24,098,130	–
Equities	1,373,408,502	–	–	1,383,613,404	–	–
Exchange Traded Fund	–	–	–	2,369,692	–	–
Currency Forward Contracts	–	16,840	–	–	517,481	–
<b>Total Financial Assets</b>	<b>1,373,408,502</b>	<b>29,088,328</b>	<b>–</b>	<b>1,385,983,096</b>	<b>27,683,372</b>	<b>–</b>
<b>Financial Liabilities</b>						
Currency Forward Contracts	–	(266)	–	–	(53,017)	–
<b>Total Financial Liabilities</b>	<b>–</b>	<b>(266)</b>	<b>–</b>	<b>–</b>	<b>(53,017)</b>	<b>–</b>
<b>Net Financial Assets and Liabilities</b>	<b>1,373,408,502</b>	<b>29,088,062</b>	<b>–</b>	<b>1,385,983,096</b>	<b>27,630,355</b>	<b>–</b>

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 years shown. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2020 and 2019.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 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 year is disclosed in the ETF’s statements of comprehensive income.

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

As at	Securities Loaned	Collateral Received
December 31, 2020	\$4,741,375	\$4,991,628
December 31, 2019	\$21,530,674	\$22,780,661

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 years ended December 31, 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 years ended	December 31, 2020	% of Gross Income	December 31, 2019	% of Gross Income
Gross securities lending income	\$19,536		\$40,215	
Withholding taxes	(409)	2.09%	–	–
Lending Agents’ fees:				
Canadian Imperial Bank of Commerce	(6,310)	32.30%	(12,034)	29.92%
<b>Net securities lending income paid to the ETF</b>	<b>\$12,817</b>	<b>65.61%</b>	<b>\$28,181</b>	<b>70.08%</b>

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

**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 years ended December 31, 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:

<b>Year</b>	<b>Beginning Units Outstanding</b>	<b>Units Issued</b>	<b>Units Redeemed</b>	<b>Ending Units Outstanding</b>	<b>Average Units Outstanding</b>
2020	173,303,797	45,548,285	(47,550,000)	171,302,082	162,530,372
2019	188,582,316	44,302,042	(59,580,561)	173,303,797	176,853,103

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

**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 0.55%, 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** (continued)

For the Years Ended December 31, 2020 and 2019

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 years ended December 31, 2020 and 2019, were as follow:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2020	\$477,560	\$40,166	\$nil
December 31, 2019	\$609,849	\$60,298	\$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 December 31, 2020 and 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. 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.

**12. 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, 2020, 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
\$50,803,351	–	–

**13. 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 December 31, 2020 and 2019. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2020 and 2019

Financial Assets and Liabilities as at December 31, 2020	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	16,840	–	16,840	(266)	–	16,574
Derivative liabilities	(266)	–	(266)	266	–	–

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	517,481	–	517,481	(1,494)	–	515,987
Derivative liabilities	(53,017)	–	(53,017)	1,494	–	(51,523)

**14. 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 December 31, 2020 and 2019, the ETF had no material exposure to subsidiaries, associates or unconsolidated structured entities.

Manager

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