

Horizons Active Preferred Share ETF (HPR:TSX)







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A Message from the CEO

After 2020's challenges and uncertainty, we have seen persistent success in the global fight against the COVID-19 pandemic during the first half of 2021.

Across the world, vaccination rollouts are under way and there is growing optimism that a 'return to normal' is on the horizon. At Horizons ETFs, while we mourn the COVID-19 pandemic's toll and reflect on its lessons, we continue to work diligently to best serve our investors and clients.

Despite the impacts of the pandemic across many businesses and sectors, Canada's ETF industry and the marketplace have shown few signs of slowing down. As at May 31, 2021, Canada's ETF industry has seen \$25 billion in year-to-date inflows, with \$7 billion in May alone – a 12-month record.

Horizons ETFs is proud to continue our longstanding commitment to bringing innovative ETFs to market. In 2021, that commitment has so far resulted in eight new ETF launches.

In January, Horizons ETFs launched the Horizons Psychedelic Stock Index ETF ("**PSYK**"). PSYK is the world's first psychedelics ETF; an emerging industry that has the potential to disrupt the pharmaceutical sector and revolutionize the treatment of numerous mental health conditions.

Another global first: in April, we launched our inverse Bitcoin ETF, the BetaPro Inverse Bitcoin ETF ("**BITI**"), offering investors a unique opportunity to potentially profit from volatility in what has become one of 2021's most-watched asset classes.

In June, we launched the Horizons S&P Green Bond Index ETF ("**HGGB**"), Canada's first global green bond ETF. We believe there is growing demand for responsible investing products in the Canadian marketplace and HGGB fills an important gap for those seeking to directly fund projects that will help lead to a greener future.

Also launched in June was the Horizons Global Semiconductor Index ETF ("**CHPS**"). CHPS offers direct exposure to companies involved in the production and development of semiconductors. Despite supply being interrupted by COVID-19, we are bullish on the potential of this sector as semiconductors are at the core of technology usage.

At Horizons ETFs, following the significant growth in our assets under management in 2020 from approximately \$10 billion to more than \$17 billion, we continue to solidify our position as one of Canada's top ETF providers. In May of this year, we were honoured to be the recipient of Wealth Professionals "Fund Provider of the Year Award" for 2020. With several more innovative Horizons ETFs' funds slated to launch this year, we are optimistic about the prospect of further growth for the second half of 2021.

In 2021, several sectors that we have pioneered ETF exposure to, including the marijuana industry and the global uranium market, have seen their fortunes rise considerably. Following the election of the Biden Administration, there is renewed hope for broader federal cannabis reform in the United States, which has resulted in rallies in both the Canadian and American marijuana industries. The uranium market has also seen significant growth this year as well as continued global efforts toward decarbonization and building more sustainable power generation – both positive trends for the nuclear sector.

At Horizons ETFs, "Innovation is Our Capital," has long been our motto, and we believe this has allowed us to be nimble enough to adapt quickly when anticipating what investors are looking for. While the road ahead is still uncertain, we feel confident in our ability to retain our momentum and believe there are brighter days on the horizon.

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

Sincerely,



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





MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of 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.

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 or from www.sedar.com, or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.



- Stock market risk
- Specific issuer risk
- Legal and regulatory risk
- Market disruptions risk
- Cyber security risk
- Listed Funds risk
- Reliance on historical data risk
- Corresponding net asset value risk
- Designated broker/dealer risk
- Cease trading of securities risk
- Exchange risk
- Early closing risk
- No assurance of meeting investment objective
- Tax risk
- Securities lending, repurchase and reverse repurchase transaction risk
- Loss of limited liability
- Reliance on key personnel
- Distributions risk

- 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
- Risk of difference between quoted and actionable market price
- Liquidity risk

Results of Operations

For the six-month period ended June 30, 2021, units of the ETF returned 18.33% when including distributions paid to unitholders. This compares to a return of 14.30% for the S&P/TSX Preferred Share Index $^{\text{TM}}$ (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

Risk assets continued where they left off at the end of 2020 and pushed higher throughout the first quarter of 2021. Vaccinations and reopenings, especially in the U.S., drove risk assets even higher throughout the second quarter, but bond markets reversed direction.

In the first half of the year, global bond markets sold off significantly after the U.S. approved a massive \$1.9 trillion fiscal package, forcing fixed income investors to quickly adjust their expectations higher for both growth and inflation. The yield curve steepened as central banks were in no hurry to take their foot off the gas pedal. In the second half of the year, short term rates increased significantly, and the long end rallied causing the curve to flatten.

Economic growth in the U.S. was strong in the first half of the year, but supply constraints are causing shortages in labor, supplies and goods. Jobs are still down 6.8 million from their pre-COVID-19 levels putting pressure on the Fed. However, there are now seven of 18 Federal Open Market Committee ("FOMC") members expecting a rate hike by the end of 2022. New COVID-19 variants are spreading globally causing concerns that new or additional stay-at-home orders and economic restrictions may increase in some countries.



Conversely, the Canadian economy had started growing in the first quarter of 2021 following the rollout of vaccines and easing of restrictions, however it slowed down in the second quarter on the back of the new lockdowns associated with the third wave. With Canadian vaccinations now proceeding much faster and plans to lift restrictions over the summer, the economy is set to have a strong recovery, led by consumer spending. Rising global demand and higher commodity prices are expected to help Canadian exports. Inflation has increased to 3% but is expected to ease later in the year. The weekly net asset purchases by the Bank of Canada of government bonds were reduced to \$3 billion from \$4 billion in April.

These developments caused the 10-year Canada yield to increase by 71 basis points ("bps") to 1.39% and for the yield curve to flatten. In this environment midterm provincial bond spreads tightened 7 bps on average to 50 bps, and midterm corporate spreads tightened by 14 bps on average to 119 bps.

The Canadian preferred shares market posted a strong return in the first half of the year. The S&P/TSX Preferred Share Index returned 14.3% while the Solactive Laddered Canadian Preferred Share Index (100% rate reset) returned 17.9%. The strong credit tone in the limited resource capital notes ("LRCN") and hybrid markets, and the stable five-year rate were the main drivers of outperformance throughout the period. Real estate, telecommunication and energy sectors outperformed, while bank and utility sectors underperformed.

Portfolio Review

The security selection in fixed-floating issues was a major contributor to the fund's performance throughout the first half of the year. The overweight positions in energy and utilities combined with a strong security selection in these sectors was also beneficial to the overall performance. Conversely, the underweight position in floating rate issues reduced the fund's outperformance.

Over the six-month period, we reduced our allocation in banks and insurance issues, while increasing our allocation in real estate and energy issues.

Outlook

The speed of vaccinations against COVID-19 will continue to drive financial markets for the remainder of the year. In Canada, a substantial portion of the population has now received at least one dose and the second dose is being rolled out faster than previously expected. Fiera continues to maintain the thesis on the reopening of the economy with the U.S. leading the way. Fiera anticipates that during the summer, reopenings will occur and with this a boom in the economy; fiscal and monetary policy will also support this powerful recovery. Inflation has pushed materials higher this year and although we expect it to decline over the medium term, Fiera also believes inflationary risks are skewed higher due to the strength of the economy and supply chain disruptions caused by the virus. Central banks are also expected to reduce bond purchases later in the year. As a result, the portfolio is still positioned for higher yields and a steeper curve, but Fiera is expecting volatility.

The preferred shares market should continue to deliver some capital gains over the next quarters but at a slower pace versus Q1. The technical side should remain positive as Fiera expects issuers should continue to redeem their expensive preferred shares and replace them with LRCN and hybrid securities. Fiera expects at least \$11.4 billion of redemption (16.8% of the market) until the end of 2022. The primary market should remain quiet in this environment. Retail investors could continue to be net sellers, but it should not derail the positive impact of those potential redemptions which will bring a strong and constant bid in the market. Flows into the ETFs will continue to be an important driver of daily volatility. In this environment, fixed reset issues with low reset level that trade at discount should continue to outperform.



Fiera also believes the non-financial sectors (utilities, communications and energy) have more upside than the financial sector in this environment.

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

For the six-month period ended June 30, 2021, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$270,568,460. This compares to (\$186,937,794) for the six-month period ended June 30, 2020. The ETF incurred management, operating and transaction expenses of \$5,685,434 (2020 – \$4,163,731) of which \$31,075 (2020 – \$21,220) 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 \$35,804,676 to unitholders during the period (2020 – \$33,215,067).

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 June 30, 2021, and December 31, 2020, and for the periods ended June 30, 2021 and 2020.

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 15) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2021, and December 31, 2020, are disclosed in the statements of financial position.



Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the current interim reporting period and for the past five fiscal years. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Unit

Period (1)	2021	2020	2019	2018	2017	2016
Net assets, beginning of period	\$ 8.16	8.14	8.36	9.66	8.70	8.38
Increase (decrease) from operations:						
Total revenue	0.21	0.44	0.44	0.43	0.42	0.42
Total expenses	(0.03)	(0.05)	(0.06)	(0.07)	(0.07)	(0.06)
Realized gains (losses) for the period	0.07	(0.52)	(0.37)	0.04	0.08	(0.05)
Unrealized gains (losses) for the period	1.22	0.51	0.15	(1.37)	0.85	0.64
Total increase (decrease) from operations (2)	1.47	0.38	0.16	(0.97)	1.28	0.95
Distributions:						
From net investment income (excluding dividends)	(0.20)	_	_	_	_	_
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)
Total distributions (3)	(0.20)	(0.42)	(0.40)	(0.37)	(0.38)	(0.38)
Net assets, end of period (4)	\$ 9.45	8.16	8.14	8.36	9.66	8.70

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



Financial Highlights (continued)

Ratios and Supplemental Data

Period (1)	2021	2020	2019	2018	2017	2016
Total net asset value (000's)	\$ 1,752,606	1,398,529	1,411,437	1,576,544	1,538,245	941,319
Number of units outstanding (000's)	185,435	171,302	173,304	188,582	159,285	108,181
Management expense ratio (2)(5)	0.64%	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 (3)	0.65%	0.64%	0.64%	0.65%	0.65%	0.65%
Trading expense ratio (4)(5)	0.06%	0.07%	0.06%	0.05%	0.07%	0.10%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.06%	0.07%	0.06%	0.05%	0.07%	0.10%
Portfolio turnover rate (6)	47.60%	74.59%	85.37%	25.78%	23.99%	32.72%
Net asset value per unit, end of period	\$ 9.45	8.16	8.14	8.36	9.66	8.70
Closing market price	\$ 9.47	8.18	8.15	8.36	9.66	8.71

- 1. This information is provided as at June 30, 2021, and December 31 of the other years shown.
- 2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, 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 period. Transaction costs related to the purchase and/or sale of fixed income securities are typically embedded 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 period.

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

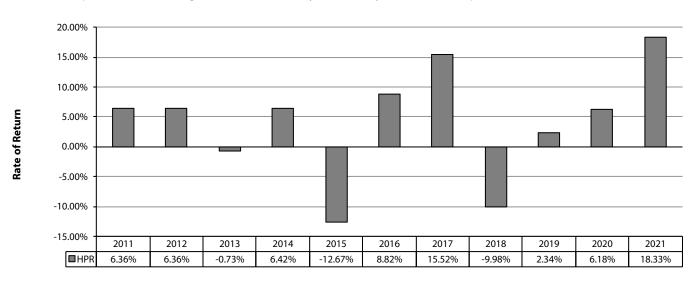


Past Performance

Commissions, management fees, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in 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.



Summary of Investment Portfolio As at June 30, 2021

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Canadian Preferred Securities	\$ 1,708,085,054	97.46%
Canadian Fixed Income Securities	19,293,868	1.10%
Currency Forward Hedge*	(336,937)	-0.02%
Cash and Cash Equivalents	29,352,292	1.67%
Other Assets less Liabilities	(3,788,176)	-0.21%
	\$ 1,752,606,101	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 948,796,019	54.14%
Energy	411,571,949	23.48%
Utilities	221,341,637	12.63%
Communication Services	105,361,746	6.01%
Corporate Bonds	19,293,868	1.10%
Consumer Staples	12,128,315	0.69%
Industrials	8,885,388	0.51%
Currency Forward Hedge*	(336,937)	-0.02%
Cash and Cash Equivalents	29,352,292	1.67%
Other Assets less Liabilities	(3,788,176)	-0.21%
	\$ 1,752,606,101	100.00%

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



Summary of Investment Portfolio (continued)

As at June 30, 2021

Top 25 Holdings*	% of ETF's Net Asset Value
Enbridge Inc.	9.65%
Manulife Financial Corp.	7.45%
Canadian Imperial Bank of Commerce	6.07%
Toronto-Dominion Bank (The)	6.01%
BCE Inc.	6.01%
Bank of Montreal	4.79%
Pembina Pipeline Corp.	4.61%
TC Energy Corp.	4.51%
Sun Life Financial Inc.	4.49%
Great-West Lifeco Inc.	4.44%
Brookfield Asset Management Inc.	3.89%
National Bank of Canada	3.22%
Royal Bank of Canada	3.20%
Brookfield Renewable Power Preferred Equity Inc.	3.02%
Power Financial Corp.	2.98%
AltaGas Ltd.	2.71%
Canadian Utilities Ltd.	2.67%
Brookfield Office Properties Inc.	2.60%
Cenovus Energy Inc.	2.22%
Fortis Inc.	1.98%
Cash and Cash Equivalents	1.67%
Intact Financial Corp.	1.46%
Brookfield Infrastructure Partners L.P.	1.25%
Industrial Alliance Insurance and Financial Services Inc.	1.00%
Brookfield Renewable Partners L.P.	1.00%

^{*} Note all of the Top 25 Holdings, excluding cash and cash equivalents 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 or through SEDAR at www.sedar.com.



MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim 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.

Steven J. Hawkins

Director Horizons ETFs Management (Canada) Inc. Thomas Park

Director

Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

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

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

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



Statements of Financial Position (unaudited)

As at June 30, 2021 and December 31, 2020

		2021	2020
Assets			
Cash and cash equivalents	\$	29,352,292	\$ 5,621,869
Investments		1,727,378,922	1,402,479,990
Amounts receivable relating to accrued income		2,529,848	2,318,380
Amounts receivable relating to portfolio assets sold		98,067	87,015
Amounts receivable relating to securities issued		474,783	1,426,231
Derivative assets (note 3)		_	16,840
Total assets	1	,759,833,912	1,411,950,325
Liabilities			
Accrued management fees		889,522	709,092
Accrued operating expenses		50,483	58,011
Amounts payable for portfolio assets purchased		_	6,557,103
Distribution payable		5,950,869	6,097,258
Derivative liabilities (note 3)		336,937	266
Total liabilities		7,227,811	13,421,730
Total net assets (note 2)	\$ 1	,752,606,101	\$ 1,398,528,595
Number of redeemable units outstanding (note 8)		185,435,316	171,302,082
Total net assets per unit	\$	9.45	\$ 8.16

(See accompanying notes to financial statements)

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

Steven J. Hawkins Director

Thomas Park Director



Statements of Comprehensive Income (unaudited) For the Periods Ended June 30,

	2021	2020
Income		
Dividend income	\$ 36,741,493	\$ 35,439,028
Interest income for distribution purposes	689,387	677,569
Securities lending income (note 7)	11,318	8,387
Net realized gain (loss) on sale of investments and derivatives	11,955,130	(74,121,600)
Net realized gain (loss) on foreign exchange	(31,460)	100,466
Net change in unrealized appreciation (depreciation) of investments and derivatives	221,202,065	(149,044,143)
Net change in unrealized appreciation of foreign exchange	527	2,499
	270,568,460	(186,937,794)
Expenses (note 9)		
Management fees	4,921,732	3,504,251
Audit fees	7,887	11,371
Independent Review Committee fees	576	376
Custodial and fund valuation fees	220,886	110,517
Legal fees	19,906	24,635
Securityholder reporting costs	27,424	49,994
Administration fees	16,152	15,218
Transaction costs	470,746	445,998
Other expenses	125	1,371
	5,685,434	4,163,731
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(31,075)	(21,220)
	5,654,359	4,142,511
Increase (decrease) in net assets for the period	\$ 264,914,101	\$ (191,080,305)
Increase (decrease) in net assets per unit	\$ 1.47	\$ (1.18)



Statements of Changes in Financial Position (unaudited) For the Periods Ended June 30,

	2021	2020
Total net assets at the beginning of the period	\$ 1,398,528,595	\$ 1,411,436,774
Increase (decrease) in net assets	264,914,101	(191,080,305)
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	183,754,905	143,273,061
Aggregate amounts paid on redemption of securities of the investment fund	(59,024,770)	(255,575,337)
Securities issued on reinvestment of distributions	237,946	355,094
Distributions:		
From net investment income	(35,804,676)	(33,215,067)
Total net assets at the end of the period	\$ 1,752,606,101	\$ 1,075,194,220



Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	\$ 264,914,101	\$ (191,080,305)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	(11,955,130)	74,121,600
Net realized gain (loss) on currency forward contracts	612,661	(157,221)
Net change in unrealized depreciation (appreciation) of investments and derivatives	(221,202,065)	149,044,143
Net change in unrealized appreciation of foreign exchange	(126)	(6)
Purchase of investments	(758,020,802)	(461,730,430)
Proceeds from the sale of investments	715,277,953	486,620,868
Amounts receivable relating to accrued income	(211,468)	666,233
Accrued expenses	172,902	(173,115)
Net cash from (used in) operating activities	(10,411,974)	57,311,767
Cash flows from financing activities:		
Amount received from the issuance of units	72,465,224	2,046,411
Amount paid on redemptions of units	(2,609,834)	(22,427,567)
Distributions paid to unitholders	(35,713,119)	(32,963,165)
Net cash from (used in) financing activities	34,142,271	(53,344,321)
Net increase in cash and cash equivalents during the period	23,730,297	3,967,446
Effect of exchange rate fluctuations on cash and cash equivalents	126	6
Cash and cash equivalents at beginning of period	5,621,869	5,836,866
Cash and cash equivalents at end of period	\$ 29,352,292	\$ 9,804,318
Interest received, net of withholding taxes	\$ 698,455	\$ 825,823
Dividends received, net of withholding taxes	\$ 36,520,957	\$ 35,957,007



Schedule of Investments (unaudited)

	Shares/ Par Value/	Average	Fair
Security	Contracts	Cost	Value
CANADIAN PREFERRED SECURITIES (97.43%)			
Financials (54.14%)			
Artis REIT, Preferred, Series 'A', Variable Rate, Perpetual	73,324	\$ 1,585,135	\$ 1,796,438
Artis REIT, Preferred, Series 'E', Variable Rate, Perpetual	143,538	2,669,355	3,373,143
Artis REIT, Preferred, Series 'l', Variable Rate, Perpetual	132,131	2,931,758	3,369,341
Bank of Montreal, Preferred, Class 'B', Series '27', Variable Rate, Convertible, Perpetual	420,828	8,329,701	9,998,873
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	950,793	19,525,217	22,153,477
Bank of Montreal, Preferred, Class 'B', Series '31', Variable Rate, Perpetual	179,876	3,786,258	4,272,055
Bank of Montreal, Preferred, Class 'B', Series '33', Variable Rate, Perpetual	350,740	7,722,877	8,424,775
Bank of Montreal, Preferred, Class 'B', Series '38', Variable Rate, Perpetual	293,017	7,405,771	7,474,864
Bank of Montreal, Preferred, Class 'B', Series '40', Variable Rate, Perpetual	757,832	17,509,525	19,286,824
Bank of Montreal, Preferred, Class 'B', Series '42', Variable Rate, Perpetual	488,019	11,333,068	12,454,245
Bank of Nova Scotia (The), Preferred, Series '38', Variable Rate, Perpetual	298,366	7,556,501	7,665,023
Brookfield Asset Management Inc., Preferred, Class 'A', Series '4', Variable Rate, Perpetual	53,591	703,989	707,401
Brookfield Asset Management Inc., Preferred, Class 'A', Series '8', Variable Rate, Perpetual	16,578	287,688	286,799
Brookfield Asset Management Inc., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	126,000	2,065,422	2,176,650
Brookfield Asset Management Inc., Preferred, Class 'A', Series '17', 4.75%, Perpetual	54,961	1,150,985	1,363,033
Brookfield Asset Management Inc., Preferred, Class 'A', Series '18', 4.75%, Convertible, Perpetual	70,234	1,469,772	1,737,589
Brookfield Asset Management Inc., Preferred, Class 'A', Series '24', Variable Rate, Perpetual	185,098	3,383,587	3,572,391
Brookfield Asset Management Inc., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	22,792	446,532	439,886
Brookfield Asset Management Inc., Preferred, Class 'A', Series '26', Variable Rate, Convertible, Perpetual	277,962	4,943,489	5,439,716
Brookfield Asset Management Inc., Preferred, Class 'A', Series '30', Variable Rate, Convertible, Perpetual	273,201	5,515,095	6,556,824
Brookfield Asset Management Inc., Preferred, Class 'A', Series '32', Variable Rate, Convertible, Perpetual	261,128	5,747,547	6,397,636
Brookfield Asset Management Inc., Preferred, Class 'A', Series '34', Variable Rate, Perpetual	115,504	2,352,835	2,633,491



Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Brookfield Asset Management Inc., Preferred, Class 'A', Series '36', 4.85%, Perpetual	111,364	2,409,999	2,770,736
Brookfield Asset Management Inc., Preferred, Class 'A', Series '37', 4.90%, Perpetual	157,906	3,483,507	3,941,334
Brookfield Asset Management Inc., Preferred, Class 'A', Series '38', 4.40%, Perpetual	354,321	6,978,890	7,462,000
Brookfield Asset Management Inc., Preferred, Class 'A', Series '40', Variable Rate, Perpetual	464,278	9,104,635	11,035,888
Brookfield Asset Management Inc., Preferred, Class 'A', Series '42', Variable Rate, Perpetual	509,140	10,176,166	11,638,940
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'N', Variable Rate, Perpetual	625,854	10,043,319	11,659,660
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual	446,134	7,459,097	8,369,474
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual	606,755	10,431,964	12,253,417
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'S', Floating Rate, Perpetual	62,063	1,173,484	1,247,156
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'T', 4.60%, Perpetual	47,338	739,092	1,013,033
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual	370,959	6,653,357	7,686,270
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'CC', Variable Rate, Perpetual	1,000	19,778	25,850
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'EE', Variable Rate, Perpetual	49,180	800,089	1,204,910
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'GG', Variable Rate, Perpetual	76,000	1,539,643	1,797,400
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'II', Variable Rate, Perpetual	7,569	152,711	177,115
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual	815,319	16,210,600	19,045,852
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '41', Variable Rate, Perpetual	321,305	6,596,567	7,586,011
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual	1,168,102	24,502,840	27,695,698
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '45', Variable Rate, Perpetual	1,981,495	46,225,450	50,230,898
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '47', Variable Rate, Perpetual	70,515	1,339,217	1,738,195
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	23,041	474,420	558,744
Canadian Western Bank, Preferred, Series '7', Variable Rate, Perpetual Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate,	208	5,298	5,275
Convertible	18,312	334,152	423,007



ecurity	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Perpetual	2,000	26,200	32,960
Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	32,948	539,508	579,555
Fairfax Financial Holdings Ltd., Preferred, Series 'l', Variable Rate, Convertible, Perpetual	379,747	6,411,842	7,249,370
Fairfax Financial Holdings Ltd., Preferred, Series 'K', 5.00%, Perpetual	113,858	2,182,932	2,698,435
Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	230,322	4,979,120	5,861,695
Great–West Lifeco Inc., Preferred, Series 'G', 5.20%, Perpetual	648,308	15,058,033	16,538,337
Great–West Lifeco Inc., Preferred, Series 'H', 4.85%, Perpetual	685,271	16,196,657	17,193,449
Great–West Lifeco Inc., Preferred, Series 'I', 4.50%, Perpetual	149,978	3,440,435	3,723,954
Great–West Lifeco Inc., Preferred, Series 'L', 5.65%, Perpetual	227,847	5,582,841	5,888,706
Great–West Lifeco Inc., Preferred, Series 'M', 5.80%, Perpetual	195,642	4,920,618	5,082,779
Great–West Lifeco Inc., Preferred, Series 'N', Variable Rate, Perpetual	9,409	165,420	150,638
Great–West Lifeco Inc., Preferred, Series 'P', 5.40%, Perpetual	384,694	9,574,208	9,902,024
Great–West Lifeco Inc., Preferred, Series 'Q', 5.15%, Perpetual	403,526	9,676,400	10,330,266
Great–West Lifeco Inc., Preferred, Series 'R', 4.80%, Perpetual	44,483	1,021,315	1,124,975
Great–West Lifeco Inc., Preferred, Series 'S', 5.25%, Perpetual	192,607	4,622,395	5,187,870
Great–West Lifeco Inc., Preferred, Series 'T', 5.15%, Perpetual	97,880	2,288,375	2,598,714
ndustrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'G', Variable Rate, Convertible, Perpetual	677,762	14,353,664	16,672,945
ndustrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'I', Variable Rate, Perpetual	36,982	780,569	932,131
Intact Financial Corp., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	642,708	12,549,777	15,874,888
Intact Financial Corp., Preferred, Class 'A', Series '5', 5.20%, Perpetual	78,228	1,920,799	2,052,703
ntact Financial Corp., Preferred, Class 'A', Series '6', 5.30%, Perpetual	115,210	2,795,355	3,035,783
ntact Financial Corp., Preferred, Class 'A', Series '7', Variable Rate, Convertible, Perpetual	170,637	3,946,454	4,351,244
Intact Financial Corp., Preferred, Class 'A', Series '9', 5.40%, Perpetual	3,800	95,788	103,474
Laurentian Bank of Canada, Preferred, Class 'A', Series '13', Variable Rate, Perpetual	51,145	1,044,080	1,148,205
Manulife Financial Corp., Preferred, Class 'A', Series '2', 4.65%, Perpetual	369,099	8,353,381	9,242,239
Manulife Financial Corp., Preferred, Class 'A', Series '3', 4.50%, Perpetual	294,281	6,462,322	7,357,025
Manulife Financial Corp., Preferred, Class '1', Series '3', Variable Rate, Convertible, Perpetual	4,500	75,600	81,000
Manulife Financial Corp., Preferred, Class '1', Series '5', Variable Rate, Convertible, Perpetual	532,034	10,783,515	13,247,647
Manulife Financial Corp., Preferred, Class '1', Series '7', Variable Rate, Perpetual	578,436	11,989,795	14,761,687



Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Manulife Financial Corp., Preferred, Class '1', Series '9', Variable Rate,			
Convertible, Perpetual	451,863	9,584,261	11,273,982
Manulife Financial Corp., Preferred, Class '1', Series '11', Variable Rate, Perpetual	481,001	10,491,432	12,029,835
Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	134,977	3,170,170	3,221,901
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	581,778	11,817,044	13,380,894
Manulife Financial Corp., Preferred, Class '1', Series '17', Variable Rate, Perpetual	583,581	12,181,175	13,743,333
Manulife Financial Corp., Preferred, Class '1', Series '19', Variable Rate, Perpetual	349,889	7,141,955	8,253,882
Manulife Financial Corp., Preferred, Class '1', Series '23', Variable Rate, Perpetual	687,467	16,237,714	17,571,657
Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	264,192	6,282,894	6,602,158
National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	521,219	10,207,010	12,717,744
National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	328,229	6,316,715	7,772,463
National Bank of Canada, Preferred, Series '36', Variable Rate, Perpetual	336,356	8,518,593	8,506,443
National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	737,154	16,965,878	19,055,431
National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual	285,311	5,685,644	7,081,419
National Bank of Canada, Preferred, Series '42', Variable Rate, Perpetual	46,994	932,495	1,199,287
Power Corp. of Canada, Preferred, Series 'A', 5.60%, Perpetual	46,604	1,153,710	1,195,393
Power Corp. of Canada, Preferred, Series 'B', 5.35%, Perpetual	216,910	5,224,252	5,526,867
Power Corp. of Canada, Preferred, Series 'G', 5.60%, Perpetual	129,272	3,250,882	3,328,754
Power Financial Corp., Preferred, Series 'D', 5.50%, Perpetual	79,320	1,952,663	2,070,252
Power Financial Corp., Preferred, Series 'E', 5.25%, Perpetual	138,269	3,353,471	3,553,513
Power Financial Corp., Preferred, Series 'F', 5.90%, Perpetual	87,515	2,149,407	2,273,640
Power Financial Corp., Preferred, Series 'H', 5.75%, Perpetual	146,211	3,497,665	3,786,865
Power Financial Corp., Preferred, Series 'K', 4.95%, Perpetual	410,958	9,416,122	10,409,566
Power Financial Corp., Preferred, Series 'L', 5.10%, Perpetual	150,707	3,579,624	3,817,408
Power Financial Corp., Preferred, Series 'O', 5.80%, Perpetual	185,493	4,735,549	4,835,803
Power Financial Corp., Preferred, Series 'P', Variable Rate, Perpetual	305,430	4,636,778	5,024,323
Power Financial Corp., Preferred, Series 'R', 5.50%, Perpetual	297,106	7,417,353	7,730,698
Power Financial Corp., Preferred, Series 'S', 4.80%, Perpetual	219,183	4,712,271	5,558,481
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	61,389	1,427,203	1,443,869
Power Financial Corp., Preferred, Series 'V', 5.15%, Perpetual	60,502	1,396,981	1,582,127



Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	182,835	4,281,022	4,316,734
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	22,094	506,534	523,186
Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual	1,261,768	27,139,702	30,231,961
Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual	882,430	18,523,366	20,913,591
Royal Bank of Canada, Preferred, Series 'BI', 4.90%, Perpetual	819	21,102	21,544
Sun Life Financial Inc., Preferred, Class 'A', Series '1', 4.75%, Perpetual	752,379	17,124,093	18,922,332
Sun Life Financial Inc., Preferred, Class 'A', Series '2', 4.80%, Perpetual	653,316	14,919,904	16,457,030
Sun Life Financial Inc., Preferred, Class 'A', Series '3', 4.45%, Perpetual	166,539	3,925,037	4,178,464
Sun Life Financial Inc., Preferred, Class 'A', Series '4', 4.45%, Perpetual	249,919	5,746,436	6,305,456
Sun Life Financial Inc., Preferred, Class 'A', Series '5', 4.50%, Perpetual	234,468	5,290,782	5,892,181
Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Perpetual	278,919	5,146,325	6,532,283
Sun Life Financial Inc., Preferred, Class 'A', Series '11QR', Floating Rate, Perpetual	5,700	113,735	132,097
Sun Life Financial Inc., Preferred, Class 'A', Series '12R', Variable Rate, Perpetual	803,345	16,599,753	20,180,026
Toronto–Dominion Bank (The), Preferred, Series '1', Variable Rate, Convertible, Perpetual	281,635	5,866,141	6,609,973
Toronto–Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	1,012,155	20,899,964	23,917,223
Toronto–Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	622,259	12,843,527	14,747,538
Toronto–Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	1,218,490	26,758,010	29,243,760
Toronto–Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual	581,394	12,872,281	13,988,340
Toronto–Dominion Bank (The), Preferred, Series '14', Variable Rate, Perpetual	304,561	7,642,601	7,735,849
Toronto–Dominion Bank (The), Preferred, Series '16', Variable Rate, Perpetual	40,299	821,272	1,035,684
Toronto–Dominion Bank (The), Preferred, Series '18', Variable Rate, Perpetual	28,600	604,562	721,864
Toronto–Dominion Bank (The), Preferred, Series '22', Variable Rate, Perpetual	15,600	328,380	414,180
Toronto–Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual	262,123	6,467,888	7,074,700
Energy (23.48%)		844,993,108	948,796,019
AltaGas Ltd., Preferred, Series 'A', Variable Rate, Convertible,			
Perpetual	739,053	12,517,821	14,086,350
AltaGas Ltd., Preferred, Series 'C', 4.40%, Convertible, Perpetual	370,600	9,998,687	10,906,055
AltaGas Ltd., Preferred, Series 'G', Variable Rate, Perpetual	510,372	10,220,037	11,559,926
AltaGas Ltd., Preferred, Series 'K', Variable Rate, Perpetual	431,873	10,224,030	10,947,980



Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Cenovus Energy Inc., Preferred, Series '1', Variable Rate, Perpetual	231,416	3,337,060	3,540,665
Cenovus Energy Inc., Preferred, Series '3', Variable Rate, Perpetual	619,549	12,118,982	13,630,078
Cenovus Energy Inc., Preferred, Series '5', Variable Rate, Perpetual	540,340	10,528,891	12,568,308
Cenovus Energy Inc., Preferred, Series '7', Variable Rate, Perpetual	414,941	7,625,527	9,190,943
Enbridge Inc., Preferred, Series 'A', 5.50%, Perpetual	98,153	2,343,154	2,507,809
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	795,919	11,344,375	13,801,235
Enbridge Inc., Preferred, Series 'C', Floating Rate, Perpetual	9,172	133,709	157,667
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	388,186	6,639,495	7,057,221
Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	430,167	7,878,661	8,138,760
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	148,480	3,648,258	3,927,751
Enbridge Inc., Preferred, Series 'N', Variable Rate, Perpetual	329,135	6,148,889	6,655,110
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	948,017	16,018,035	17,604,676
Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	961,907	16,465,294	17,574,041
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,813,936	29,762,071	32,034,110
Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	121,033	2,163,168	2,286,313
Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	351,323	6,066,026	6,784,047
Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	837,866	14,537,872	15,718,366
Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	596,620	9,538,250	10,667,566
Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual	364,540	5,890,624	6,525,266
Enbridge Inc., Preferred, Series '19', Variable Rate, Convertible, Perpetual	554,119	12,599,492	14,035,834
Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	94,399	1,664,533	1,962,555
Pembina Pipeline Corp., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	89,071	1,210,622	2,030,819
Pembina Pipeline Corp., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	643,126	12,756,961	14,213,085
Pembina Pipeline Corp., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	968,622	20,388,317	24,506,137
Pembina Pipeline Corp., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	358,469	6,268,188	7,794,908
Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual	221,008	4,087,235	5,193,688
Pembina Pipeline Corp., Preferred, Class 'A', Series '19', Variable Rate, Perpetual	389,344	8,303,775	9,865,977
Pembina Pipeline Corp., Preferred, Class 'A', Series '23', Variable Rate, Perpetual	265,376	6,027,522	6,897,122
Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	313,334	7,230,994	8,162,351
TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	796,151	13,643,350	14,959,677



Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	65,410	1,058,638	886,960
TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	522,432	7,600,729	7,878,275
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	534,832	10,173,076	11,001,494
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	598,825	10,636,751	12,293,877
TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual	788,471	15,229,991	18,686,763
TC Energy Corp., Preferred, Series '15', Variable Rate, Perpetual	522,421	12,928,001 366,957,091	13,332,184 411,571,949
Utilities (12.63%)		300,737,071	עדע,ו וע,ווד
Algonquin Power & Utilities Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	49,103	1,071,529	1,227,575
Algonquin Power & Utilities Corp., Preferred, Series 'D', Variable Rate, Perpetual	162,462	3,215,783	4,199,643
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	525,856	10,556,485	11,926,414
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	41,219	992,986	1,113,119
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	280,332	6,568,624	7,067,170
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	1,500	31,437	38,377
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '11', Variable Rate, Perpetual	77,389	1,690,665	1,965,681
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	342,030	7,812,904	9,063,795
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	161,868	3,701,021	4,127,634
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '11', Variable Rate, Perpetual	142,319	2,871,854	3,622,018
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '13', Variable Rate, Perpetual	2	38	51
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	18,033	382,783	477,514
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	959,508	17,316,039	19,439,632
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '2', Variable Rate, Convertible, Perpetual	27,300	499,087	536,445
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	696,696	13,727,416	16,037,942
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '5', 5.59%, Perpetual	58,364	1,335,508	1,482,446



Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class			
'A', Series '6', 5.00%, Perpetual	615,816	13,326,219	15,364,609
Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual	635,287	12,370,210	13,868,315
Canadian Utilities Ltd., Preferred, Series 'AA', 4.90%, Perpetual	365,763	8,544,097	9,275,750
Canadian Utilities Ltd., Preferred, Series 'BB', 4.90%, Perpetual	236,032	5,433,981	6,016,456
Canadian Utilities Ltd., Preferred, Series 'CC', 4.50%, Perpetual	92,213	1,945,821	2,304,403
Canadian Utilities Ltd., Preferred, Series 'DD', 4.50%, Perpetual	461,351	9,917,082	11,487,640
Canadian Utilities Ltd., Preferred, Series 'EE', 5.25%, Perpetual	146,562	3,509,664	3,805,482
Capital Power Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	58,560	801,070	902,410
Capital Power Corp., Preferred, Series '3', Variable Rate, Convertible,			
Perpetual	61,131	1,229,782	1,509,936
Capital Power Corp., Preferred, Series '5', Variable Rate, Perpetual	67,904	1,224,119	1,623,585
Capital Power Corp., Preferred, Series '9', Variable Rate, Perpetual	3,500	84,664	90,300
CU Inc., Preferred, Series '1', 4.60%, Perpetual	236,565	5,190,676	5,885,737
Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	291,682	4,597,704	4,941,093
Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	238,673	4,776,640	5,644,616
Emera Inc., Preferred, Series 'E', 4.50%, Perpetual	2,200	45,405	54,736
Emera Inc., Preferred, Series 'F', Variable Rate, Perpetual	265,454	5,236,786	6,227,551
Fortis Inc., Preferred, Series 'F', 4.90%, Perpetual	2,967	70,366	75,302
Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	380,002	7,504,076	8,139,643
Fortis Inc., Preferred, Series 'H', 4.25%, Perpetual	14,521	230,940	221,445
Fortis Inc., Preferred, Series 'J', 4.75%, Perpetual	155,156	3,496,927	3,917,689
Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	186,757	3,516,393	3,895,751
Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual	841,591	16,884,670	18,674,904
TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	270,601	4,196,229	5,038,591
TransAlta Corp., Preferred, Series 'E', 5.00%, Perpetual	162,221	2,771,603	3,565,617
TransAlta Corp., Preferred, Series 'G', Variable Rate, Perpetual	22,337	387,842	531,621
Westcoast Energy Inc., Preferred, Series '12', Variable Rate, Perpetual	234,925	5,876,597	5,952,999
	-	194,943,722	221,341,637
Communication Services (6.01%)			
BCE Inc., Preferred, Series 'R', Variable Rate, Perpetual	232,155	3,846,508	4,236,829
BCE Inc., Preferred, Series 'S', Variable Rate, Perpetual	70,472	1,206,084	1,284,704
BCE Inc., Preferred, Series 'T', Variable Rate, Perpetual	990,314	15,605,965	18,162,359
BCE Inc., Preferred, Series 'Y', Variable Rate, Perpetual	186,692	3,403,023	3,392,194
BCE Inc., Preferred, Series 'Z', Variable Rate, Perpetual	286,531	4,596,742	5,323,746
BCE Inc., Preferred, Series 'AA', Variable Rate, Perpetual	784,431	12,624,906	14,574,728
BCE Inc., Preferred, Series 'AB', Variable Rate, Perpetual	236,487	4,295,760	4,301,698
BCE Inc., Preferred, Series 'AD', Variable Rate, Perpetual	139,706	1,607,105	2,544,046
BCE Inc., Preferred, Series 'AE', Variable Rate, Perpetual	29,816	455,459	542,353
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Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
BCE Inc., Preferred, Series 'AF', Variable Rate, Perpetual	680,424	11,676,147	13,445,178
BCE Inc., Preferred, Series 'AG', Variable Rate, Perpetual	558,672	8,711,582	10,335,432
BCE Inc., Preferred, Series 'AH', Variable Rate, Perpetual	568	9,402	10,366
BCE Inc., Preferred, Series 'AI', Variable Rate, Perpetual	569,899	8,087,647	10,446,249
BCE Inc., Preferred, Series 'AJ', Variable Rate, Perpetual	83,555	1,394,305	1,532,816
BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	376,609	5,170,229	6,684,810
BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	127,888	2,206,378	2,252,108
BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual	323,165	5,234,329	5,894,530
BCE Inc., Preferred, Series 'AO', Variable Rate, Perpetual	16,000	274,560	397,600
		90,406,131	105,361,746
Consumer Staples (0.69%)			
George Weston Ltd., Preferred, Series 'III', 5.20%, Perpetual	149,225	3,621,030	3,785,838
George Weston Ltd., Preferred, Series 'IV', 5.20%, Perpetual	174,006	4,228,705	4,419,752
Loblaw Cos. Ltd., Preferred, Series 'B', 5.30%, Perpetual	148,870	3,731,277	3,922,725
		11,581,012	12,128,315
Industrials (0.51%)			
Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual	339,024	8,209,463	8,729,868
Element Fleet Management Corp., Preferred, Series 'l', Variable Rate,			
Perpetual	6,075	128,078	155,520
		8,337,541	8,885,388
TOTAL CANADIAN PREFERRED SECURITIES		1,517,218,605	1,708,085,054
CANADIAN FIXED INCOME SECURITIES (1.10%)			
Corporate Bonds (1.10%)			
Bank of Nova Scotia (The), Series '1', Variable Rate, Callable, 3.70%, 2081/07/27	1,750,000	1,750,000	1,753,021
Enbridge Inc., Variable Rate, Callable, 6.00%, 2077/01/15	345,000	366,015	474,705
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,000,000	3,000,000	3,408,206
Inter Pipeline Ltd., Series '19–A', Variable Rate, Callable, 6.88%, 2079/03/26	6,649,000	6,649,000	7,411,600
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	5,625,000	5,625,000	6,246,336
Reyera corp., Floating Rate, Callable, 0.0070, 207 5700, 13	3,023,000	17,390,015	19,293,868
		17,390,013	13,233,000
TOTAL CANADIAN FIXED INCOME SECURITIES		17,390,015	19,293,868



As at June 30, 2021

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
DERIVATIVES (-0.02%)			
Currency Forwards (-0.02%)			
Currency forward contract to buy C\$13,180,684 for US\$10,904,473 maturing September 15, 2021			(336,937)
TOTAL DERIVATIVES			(336,937)
Transaction Costs		(339,797)	
TOTAL INVESTMENT PORTFOLIO (98.54%)		\$1,534,268,823	\$1,727,041,985
Cash and cash equivalents (1.67%)			29,352,292
Other assets less liabilities (-0.21%)			(3,788,176)
TOTAL NET ASSETS (100.00%)			\$1,752,606,101



Notes to Financial Statements (unaudited)

June 30, 2021

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") as issued by the International Accounting Standards Board. Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

These financial statements were authorized for issue on August 13, 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.



June 30, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

IFRS 9 requires financial 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.



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

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

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

(iii) Offsetting

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

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

(iv) Specific instruments

Cash and cash equivalents

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

Forward foreign exchange contracts

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

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.



June 30, 2021

(b) Investment income

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

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

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

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

(c) Foreign currency

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

(d) Cost basis

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

(e) Increase (decrease) in net assets attributable to holders of redeemable units per unit

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

(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.



June 30, 2021

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

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

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

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

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and 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 June 30, 2021, and December 31, 2020, and for the periods ended June 30, 2021 and 2020.

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.



June 30, 2021

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.

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at June 30, 2021, and December 31, 2020, 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 June 30, 2021, approximately 99.7% (December 31, 2020 - 100.4%) 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 June 30, 2021, 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 \$63,103,163 (December 31, 2020 - \$68,715,281).

(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.



June 30, 2021

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

Comparative Index	June 30, 2021	December 31, 2020
S&P/TSX Preferred Share Index™	\$17,156,522	\$13,699,185

(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 minimize 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 June 30, 2021, and December 31, 2020, is listed as follows:

Canadian Securities by Credit Rating	Percentage of Net Asset Value (%)		
	June 30, 2021	December 31, 2020	
P-1 - Best credit	1.0%	_	
P-2 - Second best credit	58.9%	62.5%	
P-3 - Third best credit	35.0%	31.2%	
Total	94.9%	93.7%	
U.S. Securities by Credit Rating	Percentage of Net Asset Value (%)		
	June 30, 2021	December 31, 2020	
AAA	1.0%	0.6%	
BBB	2.0%	2.5%	
BB	1.7%	3.6%	
Total	4.7%	6.7%	

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2021, was 9.7% (December 31, 2020 – 8.9%) of the net assets of the ETF.



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(c) Liquidity risk

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

6. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2021, and December 31, 2020, in valuing the ETF's investments and derivatives carried at fair values:

	Ju	ıne 30, 2021		December 31, 2020			
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	
Financial Assets							
Short-Term Investments	-	-	-	_	9,047,944	_	
Bonds	-	19,293,868	-	_	20,023,544	_	
Equities	1,708,085,054	-	-	1,373,408,502	_	_	
Currency Forward Contracts	-	-	-	_	16,840	_	
Total Financial Assets	1,708,085,054	19,293,868	-	1,373,408,502	29,088,328	-	
Financial Liabilities							
Currency Forward Contracts	_	(336,937)	-	_	(266)	_	
Total Financial Liabilities	_	(336,937)	_	_	(266)	_	
Net Financial Assets and Liabilities	1,708,085,054	18,956,931	-	1,373,408,502	29,088,062	-	

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or year shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2021, and for the year ended December 31, 2020.



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7. SECURITIES LENDING

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

The aggregate closing market value of securities loaned and collateral received as at June 30, 2021, and December 31, 2020, was as follows:

As at	Securities Loaned	Collateral Received		
June 30, 2021	\$5,503,944	\$5,808,039		
December 31, 2020	\$4,741,375	\$4,991,628		

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the periods ended June 30, 2021 and 2020. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the periods ended	June 30, 2021	% of Gross Income	June 30, 2020	% of Gross Income
Gross securities lending income	\$19,967		\$11,968	
Withholding taxes	(1,123)	5.62%	_	-
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(7,526)	37.69%	(3,581)	29.92%
Net securities lending income paid to the ETF	\$11,318	56.69%	\$8,387	70.08%

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.



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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) cutoff time.

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

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

For the periods ended June 30, 2021 and 2020, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2021	171,302,082	20,508,234	(6,375,000)	185,435,316	180,379,243
2020	173,303,797	21,158,870	(36,675,000)	157,787,667	162,467,520

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



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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.

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the periods ended June 30, 2021 and 2020, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2021	\$234,079	\$13,571	\$nil
June 30, 2020	\$269,097	\$29,218	\$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



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paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2021, and December 31, 2020, 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 June 30, 2021, and December 31, 2020. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

	Amounts Offset (\$)		Amounts N	Net (\$)		
Financial Assets and Liabilities as at June 30, 2021	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	_	_	_	_	_	-
Derivative liabilities	(336,937)	_	(336,937)	_	-	(336,937)



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	Amounts Offset (\$)			Amounts N	Net (\$)	
Financial Assets and Liabilities as at December 31, 2020	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	_	-

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 June 30, 2021 and December 31, 2020, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

Manager

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