Interim Report | June 30, 2020

BetaPro NASDAQ-100® -2x Daily Bear ETF (HQD, HQD.U:TSX)

HORIZONS ETFs
by Mirae Asset

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A Message from the CEO

From the emergence of, and subsequent economic shutdown resulting from, the spread of COVID-19, to unprecedented negative oil prices, investors have had to navigate a complex and volatile marketplace in the first half of 2020. In late March and early April, there were very few options for investors to generate positive returns. Components of our suite of BetaPro ETFs were some of those options.

For investors in our BetaPro ETFs — which use a corporate class structure and are designed to provide market-savvy investors with leveraged, inverse and inverse-leveraged exposure to various indices or commodities on a daily basis — the significant market volatility has offered an opportunity for inverse market investors to potentially achieve positive returns.

As Canada's only provider of leveraged, inverse and inverse-leveraged ETF products, we were able to provide exposure to high-conviction, sophisticated traders' strategic daily investment decisions, whether it's on the world's largest index, the S&P 500®, commodities, like oil, gold and natural gas, or emerging thematic sectors like marijuana.

Take, for instance, Horizons ETFs' marijuana BetaPro ETFs. Introduced in May 2019, the BetaPro Marijuana Companies 2x Daily Bull ETF ("**HMJU**") and the BetaPro Marijuana Companies Inverse ETF ("**HMJI**") have become powerful marijuana investing tools for industry observers. In its first year, HMJI returned 52.81% for its investors. While HMJU returned -91.82% in its first year, the recent dissipation of negative performance in the sector saw the ETF return 35.29% in May 2020. These contrasting returns highlight how quickly market events can create opportunities for BetaPro investors.

Other recent market events have created investing challenges, like the 2020 global stock market crash. Investors using the BetaPro S&P 500® -2x Daily Bear ETF ("**HSD**") had the opportunity to generate strong returns during the 30% drop in the S&P 500® in March. Likewise, investors using the BetaPro S&P/TSX 60™ -2x Daily Bear ETF ("**HXD**") had the opportunity to generate returns during a corrective market event for most investors, with the S&P/TSX 60™ Index down more than 18% in the first quarter of 2020, on a total return basis.

At Horizons ETFs, we have four guiding principles: innovation, accessibility, liquidity and education as empowerment. Our BetaPro suite encapsulates all of these principles. They are innovative, easy to trade and provide unique investment access not found elsewhere in Canada. We continue to educate investors about how they can be used within their portfolios. We stand by our commitment to provide Canadian and international investors with these ETF tools that can be used in all market environments.

"Innovation is Our Capital," has long been our motto. We believe that has allowed us to be nimble enough to adapt quickly while anticipating what investors are looking for. While the road ahead is still uncertain, we feel confident in our ability to maintain our momentum. As always, we thank you for your continued support, and hope you're staying safe and healthy during this time.

Sincerely,

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

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for BetaPro NASDAQ-100® -2x Daily Bear ETF ("HQD" or the "ETF"), a corporate class of shares (a "Corporate Class") of Horizons ETF Corp. (the "Company") (see *Recent Developments* below), contains financial highlights and is included with the unaudited interim consolidated financial statements ("financial statements" or "interim financial statements") for the investment fund. You may request a copy of the investment fund'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, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager"), 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.

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 simplified 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 Strategy

HQD seeks **daily investment results**, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to two times (200%) the inverse (opposite) of the daily performance of the NASDAQ-100 Index® (the "Underlying Index", Bloomberg ticker: NDX). HQD is denominated in Canadian dollars. Any U.S. dollar gains or losses as a result of the ETF's investment will be hedged back to the Canadian dollar to the best of the ETF's ability.

If HQD is successful in meeting its investment objective, its net asset value should gain approximately two times as much on a given day, on a percentage basis, as the NASDAQ-100 Index® when this Underlying Index declines on that given day. Conversely, HQD's net asset value should lose approximately two times as much on a given day, on a percentage basis, as the NASDAQ-100 Index® when this Underlying Index rises on that given day.

HQD invests in financial instruments that have similar daily return characteristics as two times (200%) the inverse (opposite) of the daily performance of the NASDAQ-100 Index®. In order to achieve this objective, the total underlying notional value of these instruments will typically not exceed two times the total assets of the ETF. As such, HQD employs leverage. Assets not invested in financial instruments may be invested in debt instruments or money market instruments with a term not to exceed 365 days, or repurchase agreements with a term not to exceed 30 days.

Management Discussion of Fund Performance (continued)

Value of the Underlying Index

HQD typically uses the NASDAQ-100 Index® as determined at approximately 4:00 p.m. (EST) as the reference for its daily investment objective.

About the Underlying Index

The NASDAQ-100 Index® includes 100 of the largest non-financial domestic and international issuers listed on The NASDAQ Stock Market. This index is calculated under a modified capitalization-weighted methodology.

Risk

The ETF is very different from most other exchange-traded funds. The ETF uses leverage, and is riskier than funds that do not. The ETF does not and should not be expected to return twice the inverse return of the Underlying Index over any period of time other than **daily**. Investors should monitor their investment in the ETF as often as daily.

The ETF's returns over periods longer than one day will likely differ in amount and possibly direction from the inverse performance of the Underlying Index for the same period. This effect becomes more pronounced as the volatility of the Underlying Index increases.

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: high.

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 its 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.

Investments in the shares of the ETF are speculative, involve a high degree of risk and are suitable only for persons who are able to assume the risk of losing their entire investment. The Manager, as a summary for existing investors, is providing the list below of the risks to which an investment in the ETF may be subject. **Prospective investors should read the ETF's most recent prospectus and consider the full description of the risks contained therein before purchasing shares.**

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's most recent prospectus. A full description of each risk listed below may also be found in the most recent prospectus. The most recent prospectus is available at www.horizonsetfs.com or from www.sedar.com, or by calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

Management Discussion of Fund Performance (continued)

- Equity risk
- Leverage risk
- Long term performance risk
- Price volatility risk
- Historic volatility
- Aggressive investment technique risk
- Trading in derivatives is highly leveraged
- Corresponding net asset value risk
- Counterparty risk
- Inverse correlation risk
- Liquidity risk
- Market risk
- Early closing risk
- Market disruptions risk
- Share consolidation and share split risk
- Regulatory risk
- No assurance of meeting investment objective
- Tax risk
- Conflicts of interest
- Liability of shareholders
- Reliance on the manager
- Reverse repurchase transaction risk
- Designated broker/dealer risk
- Exchange risk
- Borrowing risk
- Changes to the Underlying Index
- Foreign exchange risk
- Exchange rate risk
- Securities lending risk
- Currency price fluctuations risk
- Fund corporation and multi-class/series structure risk
- Absence of an active market for the ETF Shares and lack of operating history risk

The degree of the price volatility risk will vary from period to period depending on the volatility of the Underlying Index. Please refer to the Results of Operations section for further discussion on the impact of price volatility on the performance of the ETF relative to its Underlying Index.

Results of Operations

For the six-month period ended June 30, 2020, shares of the ETF returned -45.52%. This compares to a return of 16.89% for the Underlying Index for the same period. The above figures are adjusted for distributions, if any. **This ETF does not seek to meet its investment objective over any period other than daily, as the ETF is rebalanced daily to ensure an investor's risk is limited to the current value of their investment.**

The ETF's returns over periods longer than one day will likely differ in amount and possibly direction from the inverse performance of the Underlying Index for the same period. This effect becomes more pronounced as the volatility of the Underlying Index increases.

A perfect daily correlation of 200% of the daily inverse return of the Underlying Index would be a correlation of 1.0. The ETF has achieved a perfect daily correlation to its stated Underlying Index for the period ended June 30, 2020, of 1.0000.

The NASDAQ-100 Index® reflects the performance of the largest non-financial stocks on the NASDAQ Stock Exchange. For the six-month period ended June 30, 2020, the top performers in the Underlying Index were Zoom Video Communications Inc., Tesla Inc. and DocuSign Inc., gaining 272.63%, 158.12% and 132.37%, respectively. The worst performers in the Underlying Index for the period were Marriott International Inc., Western Digital Corp. and NetApp Inc., returning -43.39%, -30.44% and -28.72%, respectively.

Horizons Management does not endeavour to predict market direction, changes that may occur in global fiscal and monetary policies, the effect of additional geopolitical concerns or other unforeseen crises. Horizons Management and the ETF are agnostic as to their impact on global equity, fixed income, currency, and commodity markets generally, and

Management Discussion of Fund Performance (continued)

the U.S. equity market specifically. They are only of concern to the ETF in so much as there is some minimal risk that could affect its ability to meet its investment objective. Please refer to the risk factors section in the ETF's prospectus for more detailed information.

While the objective of the ETF is to seek **daily** investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to two times (200%) the daily inverse performance of the Underlying Index, when performance is measured over periods other than daily, the ETF may experience greater volatility than the Underlying Index or the securities comprising the Underlying Index due to the compounding effect inherent in seeking a multiple of the Underlying Index, and thus has the potential for greater losses.

When comparing the returns of the ETF and the Underlying Index over any period **other than daily**, the volatility of the Underlying Index is a significant factor as a result of the rebalancing process. The following table illustrates the impact of two factors, benchmark volatility and benchmark performance, on a leveraged fund's period performance. The table shows estimated fund returns for a number of combinations of benchmark performance and benchmark volatility over a one year period.

Assumptions used in the table include: a) no ETF expenses and b) borrowing/lending rates (to obtain leverage) of zero percent. If the ETF's expenses were included, the ETF's performance would be lower than shown.

One Year Benchmark Performance	-200% One Year Benchmark Performance	Benchmark Volatility			
		0%	25%	50%	75%
-40%	80%	177.8%	130.3%	31.2%	-48.6%
-20%	40%	56.3%	29.5%	-26.2%	-71.1%
0%	0%	0.0%	-17.1%	-52.8%	-81.5%
20%	-40%	-30.6%	-42.4%	-67.2%	-87.2%
40%	-80%	-49.0%	-57.7%	-75.9%	-90.6%

Per the above, it can be concluded that for any given benchmark return, increased volatility will negatively impact the relative period performance of the ETF to the Underlying Index.

The annualized volatility of each of the Underlying Index and the ETF was 34.17% and 66.90%, respectively, for the period ended June 30, 2020.

The ETF may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its forward agreement, which is rebalanced daily and is tied to the performance of the ETF's Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, or by purchase and redemption activity, as these transactions are taken into account during the daily rebalancing of the forward agreement.

Forward Agreements

In order to achieve its investment objective and leverage, the ETF has entered into multiple forward agreements (the "Forward Agreements") with one or more bank counterparties (each a "Counterparty"). The Forward Agreements provide both positive exposure to the Underlying Index and negative exposure to the Underlying Index. The ETF generally invests its assets in interest bearing accounts and/or short-term Canadian federal or provincial treasury bills to earn prevailing short-term market interest rates to serve as collateral for the Forward Agreements.

Management Discussion of Fund Performance (continued)

The Counterparty to any Forward Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and has a designated rating.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Counterparties are subject to the applicable short-term or long-term designated ratings restrictions listed above. The Counterparties to the ETF's Forward Agreements meet those designated ratings requirements.

Each Forward Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, the ETF has the ability to request the termination of its exposure under a Forward Agreement, in whole or in part, at any time.

Since the Forward Agreements, like most forward agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Counterparty is limited to the positive mark-to-market of the Forward Agreements entered into with that Counterparty, if any, which is calculated and accrued on a daily basis.

Leverage

The ETF measures leverage in terms of the total underlying notional value of the securities and/or financial derivative positions as a ratio of the total assets held by such ETF. The ETF is considered an "alternative mutual fund", as defined in amendments to National Instrument 81-102 ("NI 81- 102") which came into force on January 3, 2019, and, as such, is permitted to lever its assets: that is, the aggregate underlying market exposure of all derivatives held by the ETF calculated on a daily mark-to-market basis can exceed the ETF's cash and cash equivalents, including cash and securities held as margin on deposit to support the ETF's derivatives trading activities. The ETF will generally not use leverage in excess of 2.0 times its net asset value. If the ETF uses leverage in excess of 2.0 times its net asset value, it shall generally reduce its leverage to 2.0 times its net asset value within 10 business days.

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2020, and for the year ended December 31, 2019; the ETF's leverage at the end of those reporting periods; and, approximately what that leverage represents as a percentage of the ETF's net assets. Leverage is adjusted daily to be within limits set out in the prospectus.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2020	2.00:1	2.00:1	2.00:1	200%
December 31, 2019	2.00:1	2.00:1	2.00:1	200%

Management Discussion of Fund Performance (continued)

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.

Share Consolidation Transaction

The shares of the ETF were consolidated on a one-for-four basis effective March 23, 2020. All relevant share and per share historical data prior to March 23, 2020 has been adjusted to reflect the consolidation.

The Corporate Class Reorganization

On November 12, 2019, a meeting of unitholders of a number of pre-existing exchange traded mutual fund trusts (collectively the "ETF Trusts", individually the "ETF Trust") managed by Horizons Management approved a proposal to reorganize the ETF Trusts into a mutual fund corporate class structure (the "Reorganization").

The decision to propose the corporate class structure followed an extensive review by the Manager of the activities and tax positions of the relevant ETF Trusts, along with the proposed changes to the *Income Tax Act* (Canada) (the "Tax Act"), as a means to preserve the existing benefits offered by these ETF Trusts.

The Company effectively began operations on November 27, 2019, and units of each of these pre-existing ETF Trusts (the "ETF Units") were exchanged on a one-for-one basis for ETF Shares of the applicable corresponding Corporate Class of the Company, after the close of business on November 27, 2019, and November 29, 2019, as applicable. The investment objectives, investment strategies and fee structure of each reorganized ETF did not change as a result of the exchange of ETF Units into the corresponding ETF Shares.

The Reorganization was not expected to be a taxable event for Canadian resident holders of the ETF, provided that holders with ETF Units in taxable accounts prior to the Reorganization made a joint election with Horizons ETF Corp. under Section 85 of the Tax Act for the exchange of their ETF Units into the corresponding class of ETF Shares of Horizons ETF Corp., to occur on a tax-deferred basis.

Presentation

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

While the Company only effectively began operations after the completion of the Reorganization, it has received an exemption from its regulators so that each ETF may report information in its management report of fund performance and financial statements on a combined basis for both the pre- and post-Reorganization periods as though it were one continuous reporting entity.

Management Discussion of Fund Performance (continued)

Related Party Transactions

There were no related party portfolio transactions during the current reporting period. Certain services have been provided to the ETF by related parties, and those relationships are described below.

Manager and Investment Manager

The manager and investment manager of the Company and 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.

Any management fees paid to the Manager (described in detail on page 10) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2020, and December 31, 2019, are disclosed in the statements of financial position.

Financial Highlights

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

The ETF's Net Assets per Share

Period [1]		2020	2019	2018	2017	2016	2015
Net assets, beginning of period	$	16.30	32.76	36.88	67.12	83.40	112.00
Decrease from operations:							
Total revenue		0.09	0.44	0.52	0.44	0.56	0.68
Total expenses		(0.17)	(0.52)	(0.72)	(1.16)	(2.00)	(2.48)
Realized losses for the period		(4.55)	(11.00)	(5.80)	(27.88)	(11.16)	(21.84)
Unrealized gains (losses) for the period		(2.41)	(3.08)	5.92	1.04	(4.32)	(7.00)
Total decrease from operations [2]		(7.04)	(14.16)	(0.08)	(27.56)	(16.92)	(30.64)
Total distributions [3]		–	–	–	–	–	–
Net assets, end of period (Cdn$ Shares) [4]	$	8.88	16.30	32.76	36.88	67.12	83.40
Net assets, end of period (US$ Shares) [4]	$	6.54	12.56	–	–	–	–

1. This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
2. Net assets per share and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.
3. Distributions, if any, were paid in cash, reinvested in additional shares of the ETF, or both.
4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per share.

Financial Highlights (continued)

Ratios and Supplemental Data

Period [1]		2020	2019	2018	2017	2016	2015
Total net asset value (000's)	$	22,141	29,086	19,975	10,029	10,280	7,562
Number of shares outstanding (000's)		2,493	1,784	610	272	153	91
Management expense ratio [2]		1.54%	1.52%	1.52%	1.52%	1.51%	1.52%
Management expense ratio before waivers and absorptions [2]		1.86%	1.78%	1.99%	2.18%	2.19%	2.20%
Trading expense ratio [3]		1.03%	1.01%	1.02%	1.01%	1.02%	1.09%
Portfolio turnover rate [4]		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share, end of period (Cdn$ Shares)	$	8.88	16.30	32.76	36.88	67.12	83.40
Closing market price (Cdn$ Shares)	$	8.89	16.32	33.00	36.80	67.20	83.16
Net asset value per share, end of period (US$ Shares)	$	6.54	12.56	–	–	–	–
Closing market price (US$ Shares)	$	6.55	12.56	–	–	–	–

1. This information is provided as at June 30, 2020, and December 31 of the other years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, the Manager pays for such services to the ETF as portfolio advisor compensation, administration, service fees and marketing. 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.
3. The trading expense ratio represents total commissions, forward agreement fees and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
4. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. 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 a year. The higher an ETF's portfolio turnover rate in a year, 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 an ETF.

Financial Highlights (continued)

Management Fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 1.15%. Approximately 100% of management fees were used for investment management, other general administration and profit.

The ETF is also responsible for all of its operating expenses, unless waived or reimbursed by the Manager, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to shareholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; shareholder reports and servicing costs; registrar and transfer agent fees; costs of the independent review committee; income taxes; sales tax; brokerage expenses and commissions; and withholding taxes. The Manager bears the costs relating to the investment management, advertising, marketing, sponsorship and promotion of the ETF.

The Manager, at its discretion, has waived or absorbed, and may continue to 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.

Fees related to the operation of the Forward Agreements are not included in the management fees or other operating expenses of the ETF. Forward fees and applicable hedging costs related to the Forward Agreements, as described in the "Fees and Expenses" section of the ETF's prospectus, are incurred by way of a reduction in the forward price payable to the ETF by the Forward Counterparty. For the purposes of financial reporting, these expenses have been broken out and disclosed in "transaction costs" in the statements of comprehensive income and are included in the trading expense ratio in the management report of fund performance.

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.

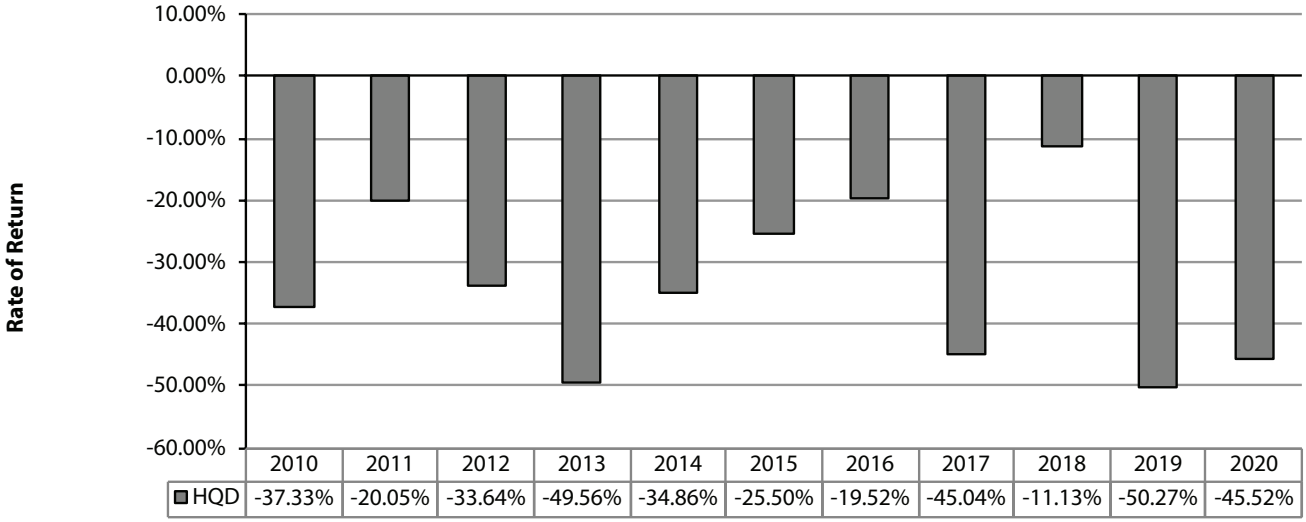
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
3%	71%	26%

Past Performance

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

Year-by-Year Returns

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



	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
HQD	-37.33%	-20.05%	-33.64%	-49.56%	-34.86%	-25.50%	-19.52%	-45.04%	-11.13%	-50.27%	-45.52%

The ETF effectively began operations on June 17, 2008.

This ETF does not seek to meet its investment objective over any period other than daily, as the ETF is rebalanced daily to ensure an investor's risk is limited to the current value of their investment.

The ETF's returns over periods longer than one day will likely differ in amount and possibly direction from the inverse performance of the Underlying Index for the same period. This effect becomes more pronounced as the volatility of the Underlying Index increases.

A perfect daily correlation of 200% of the daily inverse return of the Underlying Index would be a correlation of 1.0. The ETF has achieved a perfect daily correlation to its stated Underlying Index for the period ended June 30, 2020, of 1.0000.

Summary of Investment Portfolio

As at June 30, 2020

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Investments	$ (6,321,956)	-28.55%
Cash held for Collateral	27,907,900	126.04%
Cash - Other	571,163	2.58%
Other Assets less Liabilities	(15,641)	-0.07%
	$ 22,141,466	**100.00%**

Top Holdings	% of ETF's Net Asset Value
Cash held for Collateral	126.04%
Cash - Other	2.58%
Forward Agreements (net notional value US$32,620,027)	-28.55%

Top 25 Securities In the Underlying Index*—NASDAQ-100 Index®	% Weighting in Underlying Index
Apple Inc.	12.06%
Microsoft Corp.	11.77%
Amazon.com Inc.	10.50%
Facebook Inc.	4.16%
Alphabet Inc., Class 'A'	3.72%
Alphabet Inc., Class 'C'	3.62%
Intel Corp.	2.46%
NVIDIA Corp.	2.27%
Adobe Systems Inc.	2.04%
Paypal Holdings Inc.	1.99%
Tesla Inc.	1.95%
Netflix Inc.	1.95%
Cisco Systems Inc.	1.92%
PepsiCo Inc.	1.79%
Comcast Corp., Class 'A'	1.73%
Amgen Inc.	1.35%
Costco Wholesale Corp.	1.30%
T-Mobile US Inc.	1.25%
Broadcom Inc.	1.23%
Texas Instruments Inc.	1.13%
Charter Communications Inc., Class 'A'	1.02%
Qualcomm Inc.	1.00%
Gilead Sciences Inc.	0.94%
Starbucks Corp.	0.84%
Intuit Inc.	0.75%

*These positions represent the top 25 constituents of the Underlying Index. The ETF was exposed to two times the daily inverse performance of the Underlying Index through the Forward Agreements.

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 toll free 1-866-641-5739, or (416) 933-5745, by writing to us at Horizons ETFs Management (Canada) Inc., 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 consolidated financial statements ("financial statements") of BetaPro NASDAQ-100® -2x Daily Bear ETF (the "ETF") are the responsibility of the manager to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgements.

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

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

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

Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO SHAREHOLDERS

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

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

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

Consolidated Statements of Financial Position (unaudited)

As at June 30, 2020 and December 31, 2019

		2020		2019
Assets				
Cash held for collateral	$	27,907,900	$	30,490,213
Cash - other		571,163		667,171
Amounts receivable relating to accrued income		10,335		52,340
Derivative assets (note 3)		5,009,683		23,197
Total Assets		**33,499,081**		**31,232,921**
Liabilities				
Accrued management fees		21,058		37,428
Accrued operating expenses		4,918		7,219
Derivative liabilities (note 3)		11,331,639		2,102,506
Total Liabilities		**11,357,615**		**2,147,153**
Total net assets (note 2)	**$**	**22,141,466**	**$**	**29,085,768**
Number of redeemable shares outstanding (note 9)		2,493,188		1,784,438
Total net assets per share (Cdn$ Shares) (note 1)	$	8.88	$	16.30
Total net assets per share (US$ Shares) (note 1)	$	6.54	$	12.56

(See accompanying notes to financial statements)

Approved on behalf of the Board of Directors of Horizons ETF Corp.:

Steven J. Hawkins
Director

Kevin S. Beatson
Director

Consolidated Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2020	2019
Income		
Interest income for distribution purposes	$ 161,355	$ 226,397
Net realized loss on sale of investments and derivatives	(7,798,018)	(4,976,745)
Net change in unrealized depreciation of investments and derivatives	(4,125,511)	(3,545,376)
	(11,762,174)	**(8,295,724)**
Expenses (note 10)		
Management fees	144,164	134,743
Audit fees	3,569	3,711
Independent Review Committee fees	376	371
Custodial and fund valuation fees	19,227	18,935
Legal fees	5,736	–
Securityholder reporting costs	8,276	7,313
Administration fees	31,459	30,514
Transaction costs	117,136	107,468
	329,943	**303,055**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(36,807)	(34,856)
	293,136	**268,199**
Decrease in net assets for the period	**$ (12,055,310)**	**$ (8,563,923)**
Decrease in net assets per share	$ (7.04)	$ (9.75)

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

		2020		2019
Total net assets at the beginning of the period	$	29,085,768	$	19,974,685
Decrease in net assets		(12,055,310)		(8,563,923)
Redeemable share transactions				
Proceeds from the issuance of securities of the investment fund		56,104,778		38,675,262
Aggregate amounts paid on redemption of securities of the investment fund		(50,993,770)		(20,365,122)
Total net assets at the end of the period	**$**	**22,141,466**	**$**	**29,720,902**

(See accompanying notes to financial statements)

Consolidated Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

		2020		2019
Cash flows from operating activities:				
Decrease in net assets for the period	$	(12,055,310)	$	(8,563,923)
Adjustments for:				
Net realized loss on sale of investments and derivatives		7,798,018		4,976,745
Net change in unrealized depreciation of investments and derivatives		4,125,511		3,545,376
Purchase of investments		117,136		(4,309,045)
Proceeds from the sale of investments		(7,798,018)		(4,976,745)
Amounts receivable relating to accrued income		42,005		(9,670)
Accrued expenses		(18,671)		8,318
Net cash used in operating activities		**(7,789,329)**		**(9,328,944)**
Cash flows from financing activities:				
Amount received from the issuance of shares		56,104,778		43,181,907
Amount paid on redemptions of shares		(50,993,770)		(20,365,122)
Net cash from financing activities		**5,111,008**		**22,816,785**
Net increase (decrease) in cash for the period		(2,678,321)		13,487,841
Cash at beginning of period		31,157,384		17,827,401
Cash at end of period	**$**	**28,479,063**	**$**	**31,315,242**
Interest received	$	203,360	$	215,908
Total Cash are composed of				
Cash held for collateral	$	27,907,900	$	30,655,543
Cash - other		571,163		659,699
Cash at end of period	**$**	**28,479,063**	**$**	**31,315,242**

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2020

Security	Fair Value
FORWARD AGREEMENTS (-28.55%)	
Positive Exposure Forward Agreements (22.63%)	
NASDAQ-100 Index® Forward Agreement	
Payment Date October 15, 2024 (notional value US$10,009,709)	$ 5,006,690
NASDAQ-100 Index® Forward Agreement	
Payment Date April 9, 2025 (notional value US$6,517)	2,993
	5,009,683
Negative Exposure Forward Agreements (-51.18%)	
NASDAQ-100 Index® Forward Agreement	
Payment Date October 1, 2024 (notional value US$30,188,259)	(9,209,329)
NASDAQ-100 Index® Forward Agreement	
Payment Date April 9, 2025 (notional value US$12,447,994)	(2,122,310)
	(11,331,639)
TOTAL FORWARD AGREEMENTS	**(6,321,956)**
CASH HELD FOR COLLATERAL (126.04%)	**27,907,900**
TOTAL INVESTMENT PORTFOLIO (97.49%) (note 7)	**$ 21,585,944**
Cash - other (2.58%)	571,163
Other assets less liabilities (-0.07%)	(15,641)
TOTAL NET ASSETS (100.00%)	**$ 22,141,466**

(See accompanying notes to financial statements)

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited)

June 30, 2020

A. ETF INFORMATION (NOTE 1)

The following table lists specific information about the ETF, the tickers under which the Cdn$ Shares and US$ Shares (if applicable), as described in note 1, trade on the Toronto Stock Exchange (the "TSX"), the functional and presentation currency of the ETF in either Canadian ("CAD") or U.S. ("USD") dollars, and the effective start of operations of the pre-existing ETF Trust participating in the Reorganization described in note 1.

ETF Name	TSX Ticker(s)	Reporting Currency	Effective Start of Operations
BetaPro NASDAQ-100® -2x Daily Bear ETF	HQD, HQD.U	CAD	June 17, 2008

Investment Objective

HQD seeks **daily investment results**, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to two times (200%) the inverse (opposite) of the daily performance of the NASDAQ-100 Index® (the "Underlying Index", Bloomberg ticker: NDX). HQD is denominated in Canadian dollars. Any U.S. dollar gains or losses as a result of the ETF's investment will be hedged back to the Canadian dollar to the best of the ETF's ability.

If HQD is successful in meeting its investment objective, its net asset value should gain approximately two times as much on a given day, on a percentage basis, as the NASDAQ-100 Index® when this Underlying Index declines on that given day. Conversely, HQD's net asset value should lose approximately two times as much on a given day, on a percentage basis, as the NASDAQ-100 Index® when this Underlying Index rises on that given day.

Share Consolidation Transaction

The shares of the ETF were consolidated on a one-for-four basis effective March 23, 2020. All relevant share and per share historical data prior to March 23, 2020 has been adjusted to reflect the consolidation.

B. FINANCIAL INSTRUMENTS RISK (NOTE 5)

(a) Market risks

(i) Currency risk

The ETF, to the best of its ability, hedges all of its foreign currency exposure back to the Canadian dollar as part of any derivative agreement (see note 7) to limit the ETF's foreign currency exposure.

(ii) Interest rate risk

The ETF does not hold any long term debt instruments to which it would have interest rate risk exposure.

(iii) Market price risk

The ETF does not seek to meet its investment objective over any period other than daily, as the ETF is rebalanced daily to ensure an investor's risk is limited to the current value of their investment.

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

June 30, 2020

The ETF's returns over periods longer than one day will likely differ in amount and possibly direction from the inverse performance of the Underlying Index for the same period. This effect becomes more pronounced as the volatility of the Underlying Index increases.

The table below shows the estimated impact on the ETF of a 1% increase or decrease in the Underlying Index, based on daily historical correlation during the reporting period, 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. A perfect daily correlation of 200% of the daily inverse return of the Underlying Index would be a correlation of 1.0. The historical daily correlation may not be representative of future correlation.

Underlying Index	June 30, 2020	December 31, 2019
NASDAQ-100 Index®	$221,408	$290,820
Daily Correlation	1.0000	0.9999

(iv) Price volatility risk

When comparing the returns of the ETF and the Underlying Index over any period **other than daily**, the volatility of the Underlying Index is a significant factor as a result of the rebalancing process. The following table illustrates the impact of two factors, benchmark volatility and benchmark performance, on a leveraged fund's period performance. The table shows estimated fund returns for a number of combinations of benchmark performance and benchmark volatility over a one year period.

Assumptions used in the table include: a) no ETF expenses and b) borrowing/lending rates (to obtain leverage) of zero percent. If the ETF's expenses were included, the ETF's performance would be lower than shown.

One Year Benchmark Performance	-200% One Year Benchmark Performance	Benchmark Volatility			
		0%	25%	50%	75%
-40%	80%	177.8%	130.3%	31.2%	-48.6%
-20%	40%	56.3%	29.5%	-26.2%	-71.1%
0%	0%	0.0%	-17.1%	-52.8%	-81.5%
20%	-40%	-30.6%	-42.4%	-67.2%	-87.2%
40%	-80%	-49.0%	-57.7%	-75.9%	-90.6%

The annualized volatility of each of the Underlying Index and the ETF for the period ended June 30, 2020, and for the year ended December 31, 2019, were as follows:

	Underlying Index	ETF
June 30, 2020	34.17%	66.90%
December 31, 2019	18.00%	35.55%

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

June 30, 2020

(b) Credit risk

The table below shows the notional exposure of the ETF to Derivative Agreements (as described in note 7) as at June 30, 2020, and December 31, 2019, as measured by the Net Notional Exposure. In addition, designated ratings for any Counterparties at each reporting date are presented, as is the credit risk exposure (see note 5) of derivative assets as shown in the statements of financial position.

As at	Counter-party [1] [2]	Notional Exposure	Credit Risk	DBRS Rating	Fitch Rating	Moody's Rating	S&P Rating
June 30, 2020	NBC	US$20,178,550	$5,006,690	AA (low)	A+	Aa3	A
June 30, 2020	CIBC	$12,441,477	$2,993	AA	AA-	Aa2	A+
Dec. 31, 2019	NBC	US$44,795,576	$23,197	AA (low)	A+	Aa3	A

[1] NBC refers to National Bank of Canada
[2] CIBC refers to Canadian Imperial Bank of Commerce

(c) Leverage risk

The ETF measures leverage in terms of the total underlying notional value of the securities and/or financial derivative positions as a ratio of the total assets held by such ETF. The ETF is considered an "alternative mutual fund", as defined in amendments to National Instrument 81-102 ("NI 81- 102") which came into force on January 3, 2019, and, as such, is permitted to lever its assets: that is, the aggregate underlying market exposure of all derivatives held by the ETF calculated on a daily mark-to-market basis can exceed the ETF's cash and cash equivalents, including cash and securities held as margin on deposit to support the ETF's derivatives trading activities. The ETF will generally not use leverage in excess of 2.0 times its net asset value. If the ETF uses leverage in excess of 2.0 times its net asset value, it shall generally reduce its leverage to 2.0 times its net asset value within 10 business days.

The following table discloses the minimum and maximum leverage levels for the ETF period ended June 30, 2020, and for the year ended December 31, 2019; the ETF's leverage at the end of those reporting periods; and, approximately what that leverage represents as a percentage of the ETF's net assets. Leverage is adjusted daily to be within limits set out in the prospectus.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2020	2.00:1	2.00:1	2.00:1	200%
December 31, 2019	2.00:1	2.00:1	2.00:1	200%

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

June 30, 2020

C. FAIR VALUE MEASUREMENT (NOTE 6)

The following is a summary of the inputs used as at June 30, 2020, and December 31, 2019, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2020			December 31, 2019		
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets						
Forward Agreements	–	5,009,683	–	–	23,197	–
Total Financial Assets	**–**	**5,009,683**	**–**	**–**	**23,197**	**–**
Financial Liabilities						
Forward Agreements	–	(11,331,639)	–	–	(2,102,506)	–
Total Financial Liabilities	**–**	**(11,331,639)**	**–**	**–**	**(2,102,506)**	**–**
Net Financial Assets & Liabilities	**–**	**(6,321,956)**	**–**	**–**	**(2,079,309)**	**–**

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

D. SECURITIES LENDING (NOTE 8)

As at June 30, 2020, and December 31, 2019, the ETF was not participating in any securities lending transactions. The ETF did not earn any income from securities lending transactions for the periods ended June 30, 2020 and 2019.

E. REDEEMABLE SHARES/UNITS (NOTE 9)

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

Period	Beginning Shares/ Units Outstanding	Shares/Units Issued	Shares/Units Redeemed	Ending Shares/ Units Outstanding	Average Shares/ Units Outstanding
2020	1,784,438	4,021,250	(3,312,500)	2,493,188	1,712,336
2019	609,438	1,593,750	(831,250)	1,371,938	878,188

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

June 30, 2020

F. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 13)

The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2020, and December 31, 2019. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off. "Financial Instruments" may include non-cash collateral pledged by the ETF.

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at June 30, 2020	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	5,009,683	–	5,009,683	(5,009,683)	–	–
Derivative liabilities	(11,331,639)	–	(11,331,639)	5,009,683	6,321,956	–

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at December 31, 2019	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	23,197	–	23,197	(23,197)	–	–
Derivative liabilities	(2,102,506)	–	(2,102,506)	23,197	2,079,309	–

Notes to Consolidated Financial Statements (unaudited)

June 30, 2020

1. REPORTING ENTITY

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

Each ETF is offered for sale on a continuous basis by the Company's prospectus in ETF Shares which trade on the Toronto Stock Exchange ("TSX") in Canadian dollars ("Cdn$ Shares") and, where applicable, in U.S. dollars ("US$ Shares"). Subscriptions for US$ Shares can be made in either U.S. or Canadian dollars. An investor may buy or sell shares of the ETF on the TSX through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade shares of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling shares.

Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager" or the "Investment Manager") is the manager and investment manager of the Company and of each Corporate Class. The Investment Manager is responsible for implementing each ETF's investment strategies. The address of the Company's registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The Corporate Class Reorganization

On November 12, 2019, a meeting of unitholders of a number of pre-existing exchange traded mutual fund trusts (collectively the "ETF Trusts", individually the "ETF Trust") managed by Horizons Management approved a proposal to reorganize the ETF Trusts into a mutual fund corporate class structure (the "Reorganization").

The decision to propose the corporate class structure followed an extensive review by the Manager of the activities and tax positions of the relevant ETF Trusts, along with the proposed changes to the *Income Tax Act* (Canada) (the "Tax Act"), as a means to preserve the existing benefits offered by these ETF Trusts.

The Company effectively began operations on November 27, 2019, and units of each of these pre-existing ETF Trusts (the "ETF Units") were exchanged on a one-for-one basis for ETF Shares of the applicable corresponding Corporate Class of the Company, after the close of business on November 27, 2019, and November 29, 2019, as applicable. The investment objectives, investment strategies and fee structure of each reorganized ETF did not change as a result of the exchange of ETF Units into the corresponding ETF Shares.

The Reorganization was not expected to be a taxable event for Canadian resident holders of the ETF, provided that holders with ETF Units in taxable accounts prior to the Reorganization made a joint election with Horizons ETF Corp. under Section 85 of the Tax Act for the exchange of their ETF Units into the corresponding class of ETF Shares of Horizons ETF Corp., to occur on a tax-deferred basis.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Reporting Periods

While the Company only effectively began operations after the completion of the Reorganization, it has received an exemption from its regulators so that each Corporate Class may report information in its financial statements on a combined basis for both the pre- and post-Reorganization periods as though it were one continuous reporting entity for comparative purposes. Post-Reorganization, all of the ETF Trusts are wholly-owned by the Company. These financial statements are presented on a consolidated basis for each individual ETF and the corresponding ETF Trusts.

Investment Objective

The purpose of each ETF is to invest the net assets attributable to that ETF in accordance with its investment objectives, as defined in the Company's prospectus. The investment objective for each ETF is set out in note A in the ETF-specific notes information.

2. BASIS OF PREPARATION

(i) Statement of compliance

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

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

(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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

IFRS 9 requires assets to be classified based on the ETF's business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial

assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss ("FVTPL"). IFRS9 requires classification of debt instruments, if any, based solely on payment of principal and interest, 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 valuation date, as defined in the ETF's prospectus ("Valuation Date") and based on external pricing sources to the extent possible. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their closing sale price. However, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. Short-term investments, including notes and money market instruments, are valued at amortized cost which approximates fair value.

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(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

Cash consists of cash on deposit. Cash held for collateral consists of cash posted as collateral to the derivative agreements as described in note 7.

Redeemable shares

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

Derivative agreements

In order to achieve its investment objective, the ETF may enter into derivative agreements (the "Derivative Agreements") (see note 7) with one or more bank counterparties (each a "Counterparty"). The value of these derivative agreements is the gain or loss that would be realized if, on the Valuation Date, the agreements were to be closed out. That value is recorded as a derivative asset and/or derivative liability in the statements of financial position and included in the net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income.

When these derivative contracts are closed out or mature, realized gains or losses on the derivative agreements are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives.

(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, if any, represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income, if any, is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs, if any, is recognized when earned.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

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 8).

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, if any, 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, if any, are presented as "Net realized gain (loss) on foreign exchange", except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within "Net realized gain (loss) on sale of investments and derivatives" and "Net change in unrealized appreciation (depreciation) of investments and derivatives" in the statements of comprehensive income.

(d) Cost basis

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

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

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

(f) Shareholder transactions

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5. FINANCIAL INSTRUMENTS RISK

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

Please refer to the Company's most recent prospectus for a complete discussion of the risks attributed to an investment in the shares of the ETF. Significant financial instrument risks that are relevant to the ETF are discussed below and an analysis of how they are managed is included in note B of the ETF-specific notes information.

(a) Market risks

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings.

(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.

(iii) Market price risk

Other market price 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 ETF does not seek to meet its investment objective over any period other than daily, as the ETF is rebalanced daily to ensure an investor's risk is limited to the current value of their investment.

The ETF's returns over periods longer than one day will likely differ in amount and possibly direction from the inverse performance of the Underlying Index for the same period. This effect becomes more pronounced as the volatility of the Underlying Index increases.

(iv) Price volatility risk

While the objective of the ETF is to seek **daily** investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to two times (200%) the daily inverse performance of the Underlying Index, when performance is measured over periods other than daily, the ETF may experience greater volatility than its Underlying Index or the securities comprising the Underlying Index due to the compounding effect inherent in seeking a multiple of the Underlying Index, and thus has the potential for greater losses.

(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, including any positive mark-to-market of the ETF's Derivative Agreement(s). This amount is included in "Derivative assets" (if any) in the statements of financial position. The credit risk related to any one Derivative Agreement is concentrated in the Counterparty to that particular Derivative Agreement.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102"), see note 7.

(c) Leverage risk

Leverage offers a means of magnifying market movements into larger changes in an investment's value and provides greater investment exposure than an unleveraged investment. Leverage should cause an ETF to lose more money in market environments adverse to its daily investment objective than an ETF that does not employ leverage.

Using leverage involves special risks and should be considered to be speculative. Leverage exists when an ETF achieves the right to a return on a capital base that exceeds the amount the ETF has invested. An ETF using leverage creates the potential for greater gains to its shareholders during favourable market conditions and the risk of magnified losses during adverse market conditions. Leverage should increase the volatility of the net asset value of the ETF. Leverage may involve the creation of a liability that does not entail any interest costs or the creation of a liability that requires the ETF to pay interest, which decreases the ETF's total return to its shareholders. If the ETF achieves its investment objective, during adverse market conditions, shareholders of the ETF may experience a loss greater than they would have incurred had the ETF not been leveraged.

The ETF employs absolute leverage that will generally not exceed 2.0 times the net asset value of the ETF and that leverage is **rebalanced daily** in order to ensure each shareholder's risk is limited to the capital invested.

(d) 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 may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its Derivative Agreements, which are rebalanced daily, and is tied to the performance of the Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, purchases or redemptions as these transactions are taken into account during the daily rebalancing of the Derivative Agreements. Generally, liabilities of the ETF are due within 90 days.

6. FAIR VALUE MEASUREMENT

IFRS 13, Fair Value Measurement ("IFRS 13") requires 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 fair value hierarchy classification of the ETF's assets and liabilities and additional disclosures relating to transfers between levels is included in note C in the ETF-specific notes information.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

7. DERIVATIVE AGREEMENTS AND COLLATERAL PLEDGED

(a) Forward Agreements

In order to achieve its investment objective, the type of Derivative Agreements the ETF has entered into are forward agreements (the "Forward Agreements") with one or more bank Counterparties. The Forward Agreements provide both positive exposure to the Underlying Index and negative exposure to the Underlying Index. The ETF seeks to achieve its investment objective through the net exposure (the "Net Notional Exposure") of these Forward Agreements. The ETF generally invests its assets in interest bearing accounts and/or short-term Canadian federal or provincial treasury bills ("T-Bills") to earn prevailing short-term market interest rates.

Each Forward Agreement with a Counterparty in which the ETF is provided with exposure that corresponds positively with the exposure to the Underlying Index requires the ETF to pay the Counterparty an agreed notional amount. In return, the Counterparty pays the ETF the value of the notional investment, plus an amount based upon any increase or decline in the Underlying Index. Each Forward Agreement with a Counterparty in which the ETF is provided with exposure that corresponds negatively with the exposure to the Underlying Index requires the Counterparty to pay the ETF an agreed notional amount. In return, the ETF pays the Counterparty the value of the notional investment, plus an amount based upon any increase or decline in the Underlying Index. The ETF also invests the net proceeds of share subscriptions in interest bearing accounts and T-Bills to earn short-term money-market interest rates. The terms of the Forward Agreements requires the ETF, for any applicable Counterparty, to pledge substantially all of its respective interest bearing account and T-Bills to the Counterparty to secure the payment of the ETF's payment obligations under the Forward Agreements. The ETF has the ability to replace Counterparties or engage additional Counterparties at any time.

Since the Forward Agreements, like most forward agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Counterparty is limited to the positive mark-to-market of the Forward Agreements entered into with that Counterparty, if any, which is calculated and accrued on a daily basis.

(b) Counterparty Restrictions

The Counterparty to any Derivative Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and has a designated rating. The ETF's exposure to Derivative Agreements by Counterparty is disclosed in the credit risk section of note B of the ETF-specific notes information.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Counterparties are subject to the applicable short-term or long-term designated ratings restrictions listed above. The Counterparties to the ETF's Derivative Agreements meet those designated ratings requirements.

Each Derivative Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, the ETF has the ability to request the termination of its exposure under its Derivative Agreements, in whole or in part, at any time.

8. 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 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, if any, as at June 30, 2020, and December 31, 2019, and a reconciliation of the securities lending income for the periods ended June 30, 2020 and 2019, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

9. REDEEMABLE SHARES

The ETF is authorized to issue an unlimited number of non-cumulative, redeemable ETF Shares, each of which represents an equal, undivided interest in the net assets of the ETF. Each share entitles the owner to one vote at meetings of shareholders. Each share is entitled to participate equally with all other shares with respect to all payments made to shareholders, 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 shares of that class of the ETF. All shares will be fully paid and non-assessable, with no liability for future assessments, when issued and will not be transferable except by operation of law.

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

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

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

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

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

A summary table of the number of shares and/or units issued by subscription, the number of shares and/or units redeemed, the total and average number of shares and/or units outstanding during the relevant reporting periods is disclosed in note E of the ETF-specific notes information.

10. EXPENSES AND OTHER RELATED PARTY TRANSACTIONS

Management fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 1.15%.

Other expenses

The ETF is also responsible for all of its operating expenses, unless waived or reimbursed by the Manager, including but not limited to: audit fees; custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to shareholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; shareholder reports and servicing costs; registrar and transfer agent fees; costs of the independent review committee; income taxes; sales tax; brokerage expenses and commissions; and withholding taxes. The Manager bears the costs relating to the investment management, advertising, marketing, sponsorship and promotion of the ETF.

The Manager, at its discretion, has waived or absorbed, and may continue to waive and/or absorb, a portion of the fees and/or expenses otherwise payable by the ETF. These waivers or absorptions are disclosed in the statements of comprehensive income. 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.

Fees related to the operation of the Forward Agreements are not included in the management fees or other operating expenses of the ETF. Forward fees and applicable hedging costs related to the Forward Agreements, as described in the

"Fees and Expenses" section of the ETF's prospectus, are incurred by way of a reduction in the forward price payable to the ETF by the Counterparty. For the purposes of financial reporting, these expenses have been broken out and disclosed in "transaction costs" in the statements of comprehensive income and are included in the trading expense ratio in the management report of fund performance.

Other related party transactions

The management fees paid to the Manager and fees paid to the Independent Review Committee ("IRC") are considered related party transactions, as the Manager and IRC are related parties to the ETF. Both the management fees and fees paid to the IRC are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2020, and December 31, 2019, are disclosed in the statements of financial position.

11. INCOME TAX

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

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

To the extent that the Company earns net income (other than dividends from taxable Canadian corporations and certain taxable capital gains and after available deductions), including in respect of derivative transactions (including in respect of the ETF's Derivative Agreements described in note 7), interest and income paid or made payable to it by a trust resident in Canada, the Company will be subject to income tax on such net income and no refund will be available in respect thereof.

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

12. TAX LOSSES CARRIED FORWARD

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

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

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

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. Amounts eligible for offset, if any, are disclosed in note F of the ETF-specific notes information.

Manager
Horizons ETFs Management (Canada) Inc.
55 University Avenue, Suite 800
Toronto, Ontario
M5J 2H7
Tel: 416-933-5745
Fax: 416-777-5181
Toll Free: 1-866-641-5739
info@horizonsetfs.com
www.horizonsetfs.com

Auditors
KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, Ontario
M5H 2S5

Custodian
CIBC Mellon Trust Company
1 York Street, Suite 900
Toronto, Ontario
M5J 0B6

Registrar and Transfer Agent
TSX Trust Company
100 Adelaide Street West, Suite 301
Toronto, Ontario
M5H 4H1

Innovation is our capital. Make it yours.

Horizons Exchange Traded Funds | 55 University Avenue, Suite 800 | Toronto, Ontario, M5J 2H7
T 416 933 5745 | **TF** 1 866 641 5739 | **w** horizonsetfs.com

HORIZONS ETFs
by Mirae Asset