Annual Report | December 31, 2020

Horizons Active Ultra-Short Term US Investment Grade Bond ETF

(formerly Horizons Active US Floating Rate Bond (USD) ETF)

(HUF.U, HUF:TSX)

HORIZONS ETFs
by Mirae Asset

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A Message from the CEO

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

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

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

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

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

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

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

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

Sincerely,

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

MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HUF.U is to generate income that is consistent with prevailing U.S. short-term corporate bond yields while reducing the potential effects of U.S. interest rate fluctuations on the ETF. HUF.U invests primarily in a portfolio of U.S. corporate debt (including debt-like securities) directly, and hedges the portfolio's U.S. interest rate risk by maintaining a portfolio duration that is not more than one year. HUF.U may also invest in U.S. government debt securities, as well as debt securities of non-U.S. companies. HUF.U may also invest in debt indirectly through investments in securities of other investment funds, including Listed Funds, as they are defined in the ETF's prospectus. HUF.U uses derivatives, including interest rate swaps, to deliver a floating rate of income.

The ETF's sub-advisor, Fiera Capital Corporation ("Fiera" or the "Sub-Advisor"), uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

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

Management Discussion of Fund Performance (continued)

HUF.U enters into interest rate swaps pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed-income securities in exchange for a floating rate of income, to maintain a portfolio duration that is not more than one year.

The Sub-Advisor may, from time to time, invest in U.S., Canadian and foreign government debt, Listed Funds, cash and cash equivalents which generally in aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HUF.U must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt securities rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt and debt-like securities will not exceed 5%, by value, of the securities held by HUF.U. The Sub-Advisor may sell short debt and debt-like securities it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

The Sub-Advisor of HUF.U may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HUF.U. The investment must also be approved by the ETF's Independent Review Committee ("IRC") and is subject to certain other provisions of National Instrument 81-107 ("NI 81-107").

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed-income related exchange traded funds including those managed by the Manager. HUF.U may also use both long and short derivative instruments, including future contracts and credit default swaps, to manage duration, credit exposure, portfolio yield and market risk.

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

Risk

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

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

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

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

Management Discussion of Fund Performance (continued)

- Stock market risk
- Specific issuer risk
- Legal and regulatory risk
- Market disruptions risk
- Cyber security risk
- Listed funds risk
- Reliance on historical data risk
- Corresponding net asset value risk
- Designated broker/dealer risk
- Cease trading of securities risk
- Exchange risk
- Early closing risk
- No assurance of meeting investment objective
- Tax risk
- Securities lending, repurchase and reverse repurchase transaction risk
- Loss of limited liability
- Reliance on key personnel
- Distributions risk
- Conflicts of interest
- No ownership interest
- Market for units
- Redemption price
- Net asset value fluctuation
- Restrictions on certain unitholders
- Highly volatile markets
- No guaranteed return
- Derivatives and counterparty risk
- Interest rate risk
- Foreign currency risk
- Credit risk
- Foreign stock exchange risk
- Short selling risk
- Foreign currency denomination risk
- Currency price fluctuation – dual currency ETF
- Call risk
- Risk of difference between quoted and actionable market price
- Liquidity risk

Results of Operations

For the year ended December 31, 2020, the U.S. dollar ("US$ units") units of the ETF returned 2.456% when including distributions paid to unitholders. This compares to a return of 0.98% for the London Interbank Offered Rate ("LIBOR"), for the same period.

The returns to unitholders holding Canadian dollar ("Cdn$ units") Class E units of the ETF would have been substantially similar to those of the unitholders holding US$ units when adjusted for the daily Canadian/U.S. dollar exchange rate. Cdn$ units are not a separate class of units of the ETF, but rather, represent the Canadian dollar value of the US$ units at the current day's Canada/U.S. exchange rate.

LIBOR is a benchmark rate that some of the world's leading banks charge each other for short-term loans. It serves as the first step to calculating interest rates on various loans throughout the world.

General Market Review

Bond markets were certainly impacted by the COVID-19 pandemic in 2020; however, they did perform well amid significant monetary easing. Corporate credit spreads widened dramatically in March 2020, as a broad global economic shutdown threatened corporate health, and liquidity seized up in a tumultuous market environment. These spreads returned relatively rapidly to near pre-pandemic levels, as quantitative easing programs helped support credit markets and market sentiment improved.

Management Discussion of Fund Performance (continued)

U.S. 10-year Treasury bond yields traded in a 141 basis point ("bps") range in 2020. Starting the year at 1.92%, they traded as low as 0.51% in August, as the spread of COVID-19 began the second wave in the U.S. There was uncertainty around the U.S. election and its outcome in November 2020, but markets generally took it in stride. The yield on the U.S. 10-year Treasury bond ended the year below 1%, at 0.91%.

Equity markets reached all-time highs and interest rates moved higher at the long end of the curve. With this positive sentiment towards risk assets and continued bond-buying by central banks, corporate bonds performed exceedingly well in the second quarter and beyond.

Portfolio Review

The ETF's overall outperformance was mainly a result of security selection within corporate bonds and the portfolio's higher carry. An overweight allocation to the energy sector was also very beneficial. During 2020, the ETF progressively increased its exposure to the banking sector, focusing on the three-year and five-year maturities at the expense of shorter-term securities.

Outlook

The impact of COVID-19 continues to be the focus for financial markets. The sharp acceleration in cases towards the end of 2020 and into 2021 will likely hurt growth as economies once again temporarily shut down in an attempt to slow transmission of the virus. Although growth in the first quarter of 2021 is expected to be soft, there are some reasons for optimism. Vaccination programs are underway, governments continue to provide support to individuals and companies, countries will eventually reopen their economies and growth will pick up significantly.

Central banks are widely expected to keep short-term rates low, though expectations for a stronger economy, and the corresponding rise in inflation expectations, will put some pressure on the long end of the yield curve. The ETF's portfolio has been positioned to benefit from both higher yields and a steeper curve. In general, credit is expected to perform well with low government yields, supportive central banks and an improving economy. However, Fiera will continue to realize profits in the portfolio on positions deemed to be expensive, while focusing attention on issuers where spreads are still trading above pre-pandemic levels.

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

For the year ended December 31, 2020, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of $664,475. This compares to $1,994,016 for the year ended December 31, 2019. The ETF incurred management, operating and transaction expenses of $174,007 (2019 – $202,007) of which $56,151 (2019 – $55,262) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF distributed $637,778 to unitholders during the year (2019 – $942,282).

Presentation

The attached financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets in the financial statements and/or management report of fund performance is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

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.

Impact of COVID-19

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

ETF Name Change

Effective at the close of business on January 24, 2020, the Manager changed the name of the ETF to the Horizons Active Ultra-Short Term US Investment Grade Bond ETF from the Horizons Active US Floating Rate Bond (USD) ETF in order to more accurately reflect the underlying investment strategy of the ETF. In addition, the investment objective was amended so that the maximum duration of the ETF's portfolio is limited to one year, rather than two years. There was no change to the management fee as a result of these changes.

Related Party Transactions

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

Manager, Trustee and Investment Manager

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 8) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2020 and 2019, are disclosed in the statements of financial position.

Financial Highlights

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

The ETF's Net Assets per Unit

Year [1]		**2020**	**2019**	**2018**	**2017**	**2016**
Net assets, beginning of year	$	10.14	9.86	10.15	10.03	9.93
Increase from operations:						
Total revenue		0.22	0.36	0.31	0.22	0.19
Total expenses		(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Realized gains (losses) for the year		(0.06)	0.07	(0.01)	(0.09)	(0.29)
Unrealized gains (losses) for the year		0.11	0.23	(0.15)	0.19	0.39
Total increase from operations [2]		0.22	0.61	0.10	0.27	0.24
Distributions:						
From net investment income (excluding dividends)		(0.15)	(0.31)	(0.34)	(0.17)	(0.15)
From net realized capital gains		(0.10)	–	–	–	–
Total annual distributions [3]		(0.25)	(0.31)	(0.34)	(0.17)	(0.15)
Net assets, end of period (US$ units) [4]	$	10.13	10.14	9.86	10.15	10.03
Net assets, end of period (Cdn$ units) [4]	$	12.89	13.17	13.45	12.75	13.47

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

Financial Highlights (continued)

Ratios and Supplemental Data

Year [1]		2020	2019	2018	2017	2016
Total net asset value (000's)	$	24,308	28,392	34,987	41,858	27,341
Number of units outstanding (000's)		2,401	2,800	3,550	4,125	2,725
Management expense ratio [2]		0.46%	0.47%	0.46%	0.46%	0.46%
Management expense ratio before waivers and absorptions [3]		0.69%	0.65%	0.58%	0.60%	0.66%
Trading expense ratio [4]		0.00%	0.01%	0.01%	0.01%	0.01%
Portfolio turnover rate [5]		12.26%	11.76%	62.64%	44.10%	16.28%
Net asset value per unit, end of year (US$ units)	$	10.13	10.14	9.86	10.15	10.03
Closing market price (US$ units)	$	10.16	10.14	9.87	10.15	10.04
Net asset value per unit, end of year (Cdn$ units)	$	12.89	13.17	13.45	12.75	13.47
Closing market price (Cdn$ units)	$	12.89	13.18	13.45	12.73	13.46

1. This information is provided as at December 31 of the years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year. Transaction costs related to the purchase and/or sale of fixed income securities are typically imbedded in the price of those transactions and are therefore not included in the trading expense ratio.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.40%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

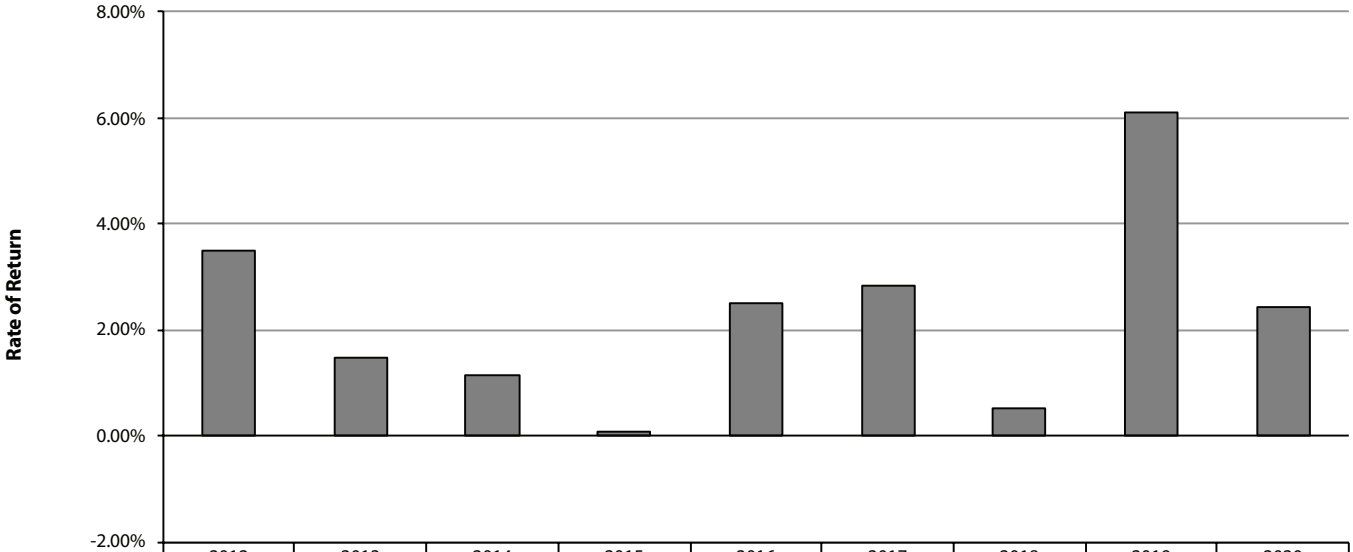
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
4%	45%	51%

Past Performance

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

Year-by-Year Returns

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



	2012	2013	2014	2015	2016	2017	2018	2019	2020
HUF.U	3.51%	1.50%	1.15%	0.07%	2.50%	2.82%	0.52%	6.12%	2.45%

The ETF effectively began operations on February 14, 2012. Only the performance of the US$ units is displayed above, as the US$ units seek to achieve the primary investment objective of the ETF. The returns to unitholders holding Cdn$ units would have been substantially similar to those of the unitholders holding US$ units when adjusted for the daily Canadian/U.S. dollar exchange rate.

Past Performance (continued)

Annual Compound Returns

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

	1 Year	3 Year	5 Year	Since Inception
Horizons Active US Floating Rate Bond (USD) ETF	2.45%	3.00%	2.86%	2.31%
3-Month LIBOR	0.98%	1.89%	1.51%	0.98%

The ETF effectively began operations on February 14, 2012. Only the performance of the US$ units is displayed above, as the US$ units seek to achieve the primary investment objective of the ETF. The returns to unitholders holding Cdn$ units would have been substantially similar to those of the unitholders holding US$ units when adjusted for the daily Canadian/U.S. dollar exchange rate.

Summary of Investment Portfolio

As at December 31, 2020

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
U.S. Bonds–U.S. dollar denominated	$ 12,040,923	49.54%
Canadian Bonds–Canadian dollar denominated	6,049,400	24.89%
Canadian Bonds–U.S. dollar denominated	3,677,716	15.13%
U.S. Bonds–Canadian dollar denominated	582,430	2.39%
Global Bonds–Canadian dollar denominated	75,552	0.31%
Currency Forward Hedge*	(10,605)	-0.04%
Interest Rate Swaps*	(1,004,063)	-4.14%
Cash and Cash Equivalents	2,645,449	10.88%
Margin Deposits	190,535	0.78%
Other Assets less Liabilities	60,912	0.26%
	$ 24,308,249	**100.00%**

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Corporate Bonds	$ 22,426,021	92.26%
Currency Forward Hedge*	(10,605)	-0.04%
Interest Rate Swaps*	(1,004,063)	-4.14%
Cash and Cash Equivalents	2,645,449	10.88%
Margin Deposits	190,535	0.78%
Other Assets less Liabilities	60,912	0.26%
	$ 24,308,249	**100.00%**

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

Summary of Investment Portfolio (continued)

As at December 31, 2020

Top 25 Holdings*	% of ETF's Net Asset Value
Cash and Cash Equivalents	10.88%
Bank of America Corp.	6.16%
Morgan Stanley	6.11%
JPMorgan Chase & Co.	6.00%
Wells Fargo & Co.	5.98%
Manulife Financial Corp.	5.41%
Bank of Montreal	5.34%
Citigroup Inc.	5.01%
Goldman Sachs Group Inc. (The)	4.27%
General Motors Financial Co. Inc.	2.66%
Kinder Morgan Energy Partners L.P.	2.30%
Duke Energy Corp.	2.27%
Brookfield Finance Inc. (BFIN)	2.26%
Welltower Inc.	2.24%
UnitedHealth Group Inc.	2.22%
Starbucks Corp.	2.17%
Husky Energy Inc.	2.12%
Choice Properties REIT	2.12%
Ford Credit Canada Co.	1.75%
Cominar REIT	1.63%
H&R REIT	1.52%
Granite REIT Holdings L.P.	1.40%
SmartCentres REIT	1.36%
Ford Motor Credit Co. LLC	1.27%
Canadian Western Bank	1.17%

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

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Horizons Active Ultra-Short Term US Investment Grade Bond ETF *(formerly Horizons Active US Floating Rate Bond (USD) ETF)* (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgements.

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

These financial statements have been approved by the Board of Directors of the Manager and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of unitholders. The independent auditors' report outlines the scope of their audit and their opinion on the financial statements.

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

Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Horizons Active Ultra-Short Term US Investment Grade Bond ETF *(formerly Horizons Active US Floating Rate Bond (USD) ETF)* (the "ETF")

Opinion

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

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

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the ETF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

KPMG LLP

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

Statements of Financial Position

As at December 31,

		2020		2019
Assets				
Cash and cash equivalents	$	2,645,449	$	614,186
Investments		22,426,021		28,057,542
Margin deposits (note 11)		190,535		186,398
Amounts receivable relating to accrued income		119,932		230,332
Derivative assets (note 3)		271		41,500
Total assets		**25,382,208**		**29,129,958**
Liabilities				
Accrued management fees		8,717		10,490
Accrued operating expenses		1,066		1,659
Distribution payable		49,237		78,608
Derivative liabilities (note 3)		1,014,939		647,133
Total liabilities		**1,073,959**		**737,890**
Total net assets (note 2)	**$**	**24,308,249**	**$**	**28,392,068**
Number of redeemable units outstanding (note 8)		2,400,628		2,800,433
Total net assets per unit (US$ units) (note 1)	$	10.13	$	10.14
Total net assets per unit (Cdn$ units) (note 1)	$	12.89	$	13.17

(See accompanying notes to financial statements)

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

Steven J. Hawkins
Director

Thomas Park
Director

Statements of Comprehensive Income

For the Years Ended December 31,

		2020		2019
Income				
Interest income for distribution purposes	$	557,760	$	1,084,652
Securities lending income (note 7)		1,261		1,326
Net realized gain (loss) on sale of investments and derivatives		(247,748)		144,688
Net realized gain on foreign exchange		100,253		56,676
Net change in unrealized appreciation of investments and derivatives		253,407		681,198
Net change in unrealized appreciation (depreciation) of foreign exchange		(458)		25,476
		664,475		**1,994,016**
Expenses (note 9)				
Management fees		109,343		132,556
Audit fees		9,166		8,426
Independent Review Committee fees		541		582
Custodial and fund valuation fees		24,029		25,400
Legal fees		1,127		516
Securityholder reporting costs		10,574		10,153
Administration fees		19,163		19,887
Transaction costs		–		2,288
Withholding taxes		–		1,542
Other expenses		64		657
		174,007		**202,007**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(56,151)		(55,262)
		117,856		**146,745**
Increase in net assets for the year	**$**	**546,619**	**$**	**1,847,271**
Increase in net assets per unit	$	0.22	$	0.61

(See accompanying notes to financial statements)

Statements of Changes in Financial Position

For the Years Ended December 31,

		2020		2019
Total net assets at the beginning of the year	$	28,392,068	$	34,987,448
Increase in net assets		546,619		1,847,271
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		5,971,482		6,290,246
Aggregate amounts paid on redemption of securities of the investment fund		(9,966,109)		(13,793,876)
Securities issued on reinvestment of distributions		1,967		3,261
Distributions:				
From net investment income		(380,857)		(941,559)
From net realized capital gains		(256,921)		(723)
Total net assets at the end of the year	**$**	**24,308,249**	**$**	**28,392,068**

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

		2020		2019
Cash flows from operating activities:				
Increase in net assets for the year	$	546,619	$	1,847,271
Adjustments for:				
Net realized loss (gain) on sale of investments and derivatives		247,748		(144,688)
Net realized gain (loss) on currency forward contracts		(390,770)		65,137
Net change in unrealized appreciation of investments and derivatives		(253,407)		(681,198)
Net change in unrealized appreciation of foreign exchange		(3,790)		(9,234)
Purchase of investments		(2,984,080)		(4,716,922)
Proceeds from the sale of investments		9,421,065		12,229,352
Margin deposits		(4,137)		(11,153)
Amounts receivable relating to accrued income		110,400		78,934
Accrued expenses		(2,366)		(3,875)
Net cash from operating activities		**6,687,282**		**8,653,624**
Cash flows from financing activities:				
Amount received from the issuance of units		5,971,482		6,290,246
Amount paid on redemptions of units		(9,966,109)		(13,793,876)
Distributions paid to unitholders		(665,182)		(1,277,835)
Net cash used in financing activities		**(4,659,809)**		**(8,781,465)**
Net increase (decrease) in cash and cash equivalents during the year		2,027,473		(127,841)
Effect of exchange rate fluctuations on cash and cash equivalents		3,790		9,234
Cash and cash equivalents at beginning of year		614,186		732,793
Cash and cash equivalents at end of year	**$**	**2,645,449**	**$**	**614,186**

Interest received, net of withholding taxes	$	668,160	$	1,162,044

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
U.S. DOLLAR DENOMINATED (64.67%)			
U.S. Bonds (49.54%)			
Bank of America Corp., Variable Rate, Callable, 3.55%, 2024/03/05	1,400,000	$ 1,384,089	$ 1,496,078
Citigroup Inc., Variable Rate, Callable, 4.04%, 2024/06/01	800,000	800,000	870,338
CVS Health Corp., Callable, 3.70%, 2023/03/09	96,000	95,140	102,734
Duke Energy Corp., Callable, 3.75%, 2024/04/15	500,000	519,535	550,723
Ford Motor Credit Co. LLC, Callable, 3.81%, 2024/01/09	300,000	297,936	307,875
General Motors Financial Co. Inc., Callable, 4.15%, 2023/06/19	600,000	599,112	645,713
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.91%, 2023/07/24	1,000,000	966,137	1,038,957
JPMorgan Chase & Co., Variable Rate, Callable, 2.78%, 2023/04/25	900,000	883,222	929,461
JPMorgan Chase & Co., Variable Rate, Callable, 2.08%, 2026/04/22	500,000	500,000	528,499
Kinder Morgan Energy Partners L.P., Callable, 4.25%, 2024/09/01	500,000	514,880	558,949
Kroger Co. (The), Callable, 3.30%, 2021/01/15	200,000	201,222	200,161
McDonald's Corp., 2.63%, 2022/01/15	181,000	177,756	185,394
Morgan Stanley, 3.13%, 2023/01/23	900,000	879,255	950,118
Morgan Stanley, Variable Rate, Callable, 2.72%, 2025/07/22	500,000	500,000	535,061
Starbucks Corp., Callable, 3.10%, 2023/03/01	500,000	499,120	528,335
UnitedHealth Group Inc., 3.50%, 2023/06/15	500,000	499,750	539,964
Ventas Realty L.P., Callable, 3.10%, 2023/01/15	71,000	72,099	74,555
Wells Fargo & Co., Callable, 3.07%, 2023/01/24	900,000	904,882	925,832
Wells Fargo & Co., Variable Rate, Callable, 2.19%, 2026/04/30	500,000	500,000	526,988
Welltower Inc., Callable, 3.63%, 2024/03/15	500,000	519,045	545,188
		11,313,180	12,040,923
Canadian Bonds (15.13%)			
Bank of Montreal, Variable Rate, Callable, 4.34%, 2028/10/05	1,000,000	989,650	1,094,905
Bank of Montreal, Variable Rate, Callable, 3.80%, 2032/12/15	180,000	180,000	204,175
Brookfield Finance Inc. (BFIN), Callable, 4.00%, 2024/04/01	500,000	498,710	549,405
Husky Energy Inc., Callable, 3.95%, 2022/04/15	500,000	507,500	515,351
Manulife Financial Corp., Variable Rate, Callable, 4.06%, 2032/02/24	1,200,000	1,147,728	1,313,880
		3,323,588	3,677,716
TOTAL U.S. DOLLAR DENOMINATED BONDS		**14,636,768**	**15,718,639**
CANADIAN DOLLAR DENOMINATED (27.59%)			
Canadian Bonds (24.89%)			
Alimentation Couche-Tard Inc., Series '5', Callable, 3.60%, 2025/06/02	265,000	209,423	229,436
AltaGas Ltd., 2.61%, 2022/12/16	46,000	34,899	37,461
AltaGas Ltd., Callable, 2.08%, 2028/05/30	160,000	123,096	127,611
Canadian Natural Resources Ltd., 1.45%, 2023/11/16	144,000	109,531	114,676

Schedule of Investments (continued)

As at December 31, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Canadian Western Bank, 2.74%, 2022/06/16	351,000	265,156	284,258
Choice Properties L.P., Series '10', Callable, 3.60%, 2022/09/20	300,000	235,176	245,586
Choice Properties REIT, Series 'K', Callable, 3.56%, 2024/09/09	500,000	382,930	426,089
Choice Properties REIT, Series 'F', Callable, 4.06%, 2025/11/24	101,000	78,907	88,870
Classic RMBS Trust, Class 'A', Series '19-1', Callable, 3.01%, 2026/08/15	88,569	66,721	70,934
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.00%, 2028/05/03	244,000	189,419	204,523
Cominar REIT, Series '8', 4.25%, 2021/12/08	149,000	131,081	118,419
Cominar REIT, Series '10', 4.25%, 2023/05/23	350,000	270,414	278,004
Crombie REIT, 3.96%, 2021/06/01	141,000	109,201	112,275
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	101,000	76,284	87,001
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	54,000	41,032	47,342
Crombie REIT, Series 'H', Restricted, Callable, 2.69%, 2028/03/31	11,000	8,293	8,962
Daimler Canada Finance Inc., 1.65%, 2025/09/22	63,000	47,730	50,463
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.66%, 2028/03/15	177,000	145,320	146,838
Enbridge Inc., Callable, 2.44%, 2025/06/02	89,000	63,886	73,703
ENMAX Corp., Series '6', Callable, 3.33%, 2025/06/02	130,000	98,451	110,652
Federation des Caisses Desjardins du Québec, Variable Rate, Callable, 2.86%, 2030/05/26	200,000	143,637	167,253
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	105,000	80,401	87,337
Ford Credit Canada Co., 2.77%, 2022/06/22	540,000	378,006	424,564
Gibson Energy Inc., Callable, 2.45%, 2025/07/14	59,000	43,509	48,176
Glacier Credit Card Trust, Series '2020', 1.39%, 2025/09/22	77,000	58,398	61,292
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	400,000	308,912	339,837
H&R REIT, Series 'O', Callable, 3.42%, 2023/01/23	60,000	48,313	48,669
H&R REIT, Callable, 3.37%, 2024/01/30	394,000	296,234	321,532
Inter Pipeline Ltd., Callable, 2.73%, 2024/04/18	125,000	93,527	102,289
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	83,000	62,056	68,465
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	63,000	47,420	53,681
Laurentian Bank of Canada, Variable Rate, Callable, 4.25%, 2027/06/22	270,000	203,359	218,322
Loblaw Cos. Ltd., Callable, 4.86%, 2023/09/12	170,000	140,611	146,832
Loblaw Cos. Ltd., Restricted, Callable, 3.92%, 2024/06/10	50,000	37,646	43,197
MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	55,000	42,041	43,922
Real Estate Asset Liquidity Trust, Class 'A1', Series '2017', Callable, 2.87%, 2022/06/12	21,843	17,223	17,501
Real Estate Asset Liquidity Trust, Class 'A2', Series '2017', Callable, 3.64%, 2027/06/12	58,000	45,732	49,174
Reliance L.P., 4.08%, 2021/08/02	122,000	112,796	97,539
Reliance L.P., Callable, 2.68%, 2027/12/01	30,000	22,479	24,777
Sienna Senior Living Inc., Series 'B', Restricted, Callable, 3.45%, 2026/02/27	58,000	43,999	47,149

Schedule of Investments (continued)

As at December 31, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
SmartCentres REIT, Callable, 3.73%, 2022/07/22	200,000	186,394	164,553
SmartCentres REIT, Series 'O', Callable, 2.99%, 2024/08/28	200,000	147,436	165,969
Summit Industrial Income REIT, Series 'A', Callable, 2.15%, 2025/09/17	27,000	20,479	21,726
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	100,000	70,650	84,331
Superior Plus L.P., Callable, 5.25%, 2024/02/27	114,000	92,809	92,582
Teranet Holdings L.P., Callable, 3.65%, 2022/11/18	300,000	235,814	245,628
		5,666,831	6,049,400
U.S. Bonds (2.39%)			
Citigroup Inc., 4.09%, 2025/06/09	400,000	330,501	348,499
Molson Coors International L.P., Callable, 2.84%, 2023/07/15	285,000	218,492	233,931
		548,993	582,430
Global Bonds (0.31%)			
National Australia Bank Ltd., Variable Rate, Callable, 3.52%, 2030/06/12	90,000	71,258	75,552
TOTAL CANADIAN DOLLAR DENOMINATED BONDS		**6,287,082**	**6,707,382**
DERIVATIVES (-4.18%)			
Currency Forwards (-0.04%)			
Currency forward contract to buy C$503,042 for US$395,000 maturing March 17, 2021		–	271
Currency forward contract to buy US$8,584,623 for C$10,939,068 maturing March 17, 2021		–	(10,876)
		–	(10,605)
Interest Rate Swaps (-4.14%)			
Receive Floating Interest Rate 0.218%, Pay Fixed Interest Rate 1.210%, 2021/04/18, US$	600,000	–	(1,769)
Receive Floating Interest Rate 0.213%, Pay Fixed Interest Rate 2.127%, 2021/05/19, US$	700,000	–	(5,141)
Receive Floating Interest Rate 0.238%, Pay Fixed Interest Rate 2.102%, 2022/03/22, US$	1,000,000	–	(23,404)
Receive Floating Interest Rate 0.234%, Pay Fixed Interest Rate 2.065%, 2022/04/04, US$	700,000	–	(16,501)
Receive Floating Interest Rate 0.234%, Pay Fixed Interest Rate 2.360%, 2022/07/05, US$	800,000	–	(26,604)
Receive Floating Interest Rate 0.209%, Pay Fixed Interest Rate 1.900%, 2022/07/21, US$	500,000	–	(13,315)
Receive Floating Interest Rate 0.227%, Pay Fixed Interest Rate 2.760%, 2023/03/02, US$	1,000,000	–	(55,667)
Receive Floating Interest Rate 0.490%, Pay Fixed Interest Rate 2.573%, 2023/05/25, C$	2,700,000	–	(103,750)

Schedule of Investments (continued)

As at December 31, 2020

Security	Par Value/ Contracts/Notional	Average Cost	Fair Value
Receive Floating Interest Rate 0.230%, Pay Fixed Interest Rate 2.900%, 2023/06/07, US$	2,800,000	–	(183,611)
Receive Floating Interest Rate 0.236%, Pay Fixed Interest Rate 2.955%, 2023/06/18, US$	1,500,000	–	(101,652)
Receive Floating Interest Rate 0.483%, Pay Fixed Interest Rate 1.589%, 2023/06/20, C$	1,500,000	–	(30,608)
Receive Floating Interest Rate 0.219%, Pay Fixed Interest Rate 2.350%, 2024/03/10, US$	500,000	–	(33,442)
Receive Floating Interest Rate 0.480%, Pay Fixed Interest Rate 1.655%, 2024/03/24, C$	1,000,000	–	(26,067)
Receive Floating Interest Rate 0.221%, Pay Fixed Interest Rate 2.155%, 2024/05/12, US$	1,000,000	–	(63,481)
Receive Floating Interest Rate 0.213%, Pay Fixed Interest Rate 1.608%, 2024/11/19, US$	1,100,000	–	(55,205)
Receive Floating Interest Rate 0.209%, Pay Fixed Interest Rate 1.592%, 2025/01/23, US$	500,000	–	(25,589)
Receive Floating Interest Rate 0.489%, Pay Fixed Interest Rate 2.459%, 2025/03/14, C$	1,000,000	–	(56,800)
Receive Floating Interest Rate 0.205%, Pay Fixed Interest Rate 2.979%, 2027/05/09, US$	1,200,000	–	(181,457)
		–	(1,004,063)
TOTAL DERIVATIVES		**–**	**(1,014,668)**
TOTAL INVESTMENT PORTFOLIO (88.08%)		**$ 20,923,850**	**$ 21,411,353**
Cash and cash equivalents (10.88%)			2,645,449
Margin deposits (0.78%)			190,535
Other assets less liabilities (0.26%)			60,912
TOTAL NET ASSETS (100.00%)			**$ 24,308,249**

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2020 and 2019

1. REPORTING ENTITY

Horizons Active Ultra-Short Term US Investment Grade Bond ETF *(formerly Horizons Active US Floating Rate Bond (USD) ETF)* ("HUF.U" or the "ETF") is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on February 14, 2012. The address of the ETF's registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class E units ("Class E") which trade on the Toronto Stock Exchange ("TSX") in U.S. dollars ("US$ units") and in Canadian dollars ("Cdn$ units") under the symbols HUF.U and HUF, respectively. Cdn$ units are not a separate class of units of the ETF, but rather, represent the Canadian dollar value of the US$ units at the current day's Canada/U.S. exchange rate. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

The investment objective of HUF.U is to generate income that is consistent with prevailing U.S. short-term corporate bond yields while reducing the potential effects of U.S. interest rate fluctuations on the ETF. HUF.U invests primarily in a portfolio of U.S. corporate debt (including debt-like securities) directly, and hedges the portfolio's U.S. interest rate risk by maintaining a portfolio duration that is not more than one year. HUF.U may also invest in U.S. government debt securities, as well as debt securities of non-U.S. companies. HUF.U may also invest in debt indirectly through investments in securities of other investment funds, including Listed Funds, as they are defined in the ETF's prospectus. HUF.U uses derivatives, including interest rate swaps, to deliver a floating rate of income.

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

ETF Name Change

Effective at the close of business on January 24, 2020, the Manager changed the name of the ETF to the Horizons Active Ultra-Short Term US Investment Grade Bond ETF from the Horizons Active US Floating Rate Bond (USD) ETF in order to more accurately reflect the underlying investment strategy of the ETF. In addition, the investment objective was amended so that the maximum duration of the ETF's portfolio is limited to one year, rather than two years. There was no change to the management fee as a result of these changes.

2. BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

These financial statements were authorized for issue on March 12, 2021, by the Board of Directors of the Manager.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

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

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

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

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

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

(ii) Fair value measurement

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

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

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

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

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

(iii) Offsetting

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

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

(iv) Specific instruments

Cash and cash equivalents

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

Forward foreign exchange contracts

Forward foreign exchange contracts, if any, are valued at the current market value thereof on the Valuation Date. The value of these forward contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be

closed out and recorded as derivative assets and/or liabilities in the statements of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The U.S. dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Interest rate swaps

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

Redeemable units

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

(b) Investment income

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

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

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

(c) Foreign currency

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

(d) Cost basis

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

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

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

(f) Unitholder transactions

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

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

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

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the U.S. dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at December 31, 2020 and 2019, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

(ii) Interest rate risk

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

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

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	($000's)	($000's)	($000's)	($000's)	($000's)	($000's)
December 31, 2020						
Investments	2,164	9,090	7,665	5,322	–	24,241
Interest Rate Swaps	(10)	(595)	(278)	(186)	–	(1,069)
December 31, 2019						
Investments	2,496	3,680	16,544	5,975	–	28,695
Interest Rate Swaps	–	(39)	(242)	(115)	–	(396)

The percentage of the ETF's net assets exposed to interest rate risk as at December 31, 2020, was 95.3% (December 31, 2019 – 99.7%). The amount by which the net assets of the ETF would have increased or decreased, as at December 31, 2020, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was $94,949 (December 31, 2019 – $154,149). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

(iii) Other market risk

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

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

Comparative Index	December 31, 2020	December 31, 2019
ICE BofA Merrill Lynch Canada Corporate Bond Index	$31,938	$27,074

Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

(b) Credit risk

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

Analysis of credit quality

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

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2020	**December 31, 2019**
AAA	7.5%	6.5%
A	20.0%	27.2%
BBB	61.3%	62.8%
BB	6.5%	3.2%
Total	**95.3%**	**99.7%**

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of December 31, 2020, was 6.2% (December 31, 2019 – 6.1%) of the net assets of the ETF.

(c) Liquidity risk

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

6. FAIR VALUE MEASUREMENT

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

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

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

	December 31, 2020			December 31, 2019		
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**	**Level 1 ($)**	**Level 2 ($)**	**Level 3 ($)**
Financial Assets						
Short-Term Investments	–	–	–	–	1,244,588	–
Bonds	–	22,426,021	–	–	26,812,954	–
Currency Forward Contracts	–	271	–	–	1,891	–
Interest Rate Swaps	–	–	–	–	39,609	–
Total Financial Assets	**–**	**22,426,292**	**–**	**–**	**28,099,042**	**–**
Financial Liabilities						
Currency Forward Contracts	–	(10,876)	–	–	(215,804)	–
Interest Rate Swaps	–	(1,004,063)	–	–	(431,329)	–
Total Financial Liabilities	**–**	**(1,014,939)**	**–**	**–**	**(647,133)**	**–**
Net Financial Assets and Liabilities	**–**	**21,411,353**	**–**	**–**	**27,451,909**	**–**

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

7. SECURITIES LENDING

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

collateral is insufficient to reconstitute the portfolio of loaned securities. Revenue, if any, earned on securities lending transactions during the year is disclosed in the ETF's statements of comprehensive income.

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

As at	Securities Loaned	Collateral Received
December 31, 2020	$55,508	$58,370
December 31, 2019	$8,432,199	$8,897,446

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2020 and 2019. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the years ended	December 31, 2020	% of Gross Income	December 31, 2019	% of Gross Income
Gross securities lending income	$1,901		$2,271	
Withholding taxes	(3)	0.16%	(381)	16.78%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(637)	33.51%	(564)	24.83%
Net securities lending income paid to the ETF	**$1,261**	**66.33%**	**$1,326**	**58.39%**

8. REDEEMABLE UNITS

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

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

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

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

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

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

For the years ended December 31, 2020 and 2019, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2020	2,800,433	600,195	(1,000,000)	2,400,628	2,539,140
2019	3,550,113	625,320	(1,375,000)	2,800,433	3,047,829

9. EXPENSES

Management fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.40%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

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

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the years ended December 31, 2020 and 2019, were as follow:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2020	$nil	$nil	$nil
December 31, 2019	$nil	$nil	$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at December 31, 2020 and 2019, are disclosed in the statements of financial position.

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

11. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

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

As at	Collateral Held With FCMs
December 31, 2020	$190,535
December 31, 2019	$186,398

12. INCOME TAX

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

13. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forwards may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. Tax losses carried forward are disclosed in Canadian dollars regardless of the reporting currency of the ETF. As at December 31, 2020, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
$545,281	–	–

14. OFFSETTING OF FINANCIAL INSTRUMENTS

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2020 and 2019

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at December 31, 2020	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	271	–	271	–	–	271
Derivative assets - interest rate swaps	–	–	–	–	–	–
Total derivative assets	**271**	**–**	**271**	**–**	**–**	**271**
Derivative liabilities - currency forwards	(10,876)	–	(10,876)	–	–	(10,876)
Derivative liabilities - interest rate swaps	(1,004,063)	–	(1,004,063)	–	–	(1,004,063)
Total derivative liabilities	**(1,014,939)**	**–**	**(1,014,939)**	**–**	**–**	**(1,014,939)**

	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 - currency forwards	1,891	–	1,891	–	–	1,891
Derivative assets - interest rate swaps	39,609	–	39,609	(39,609)	–	–
Total derivative assets	**41,500**	**–**	**41,500**	**(39,609)**	**–**	**1,891**
Derivative liabilities - currency forwards	(215,804)	–	(215,804)	–	–	(215,804)
Derivative liabilities - interest rate swaps	(431,329)	–	(431,329)	39,609	–	(391,720)
Total derivative liabilities	**(647,133)**	**–**	**(647,133)**	**39,609**	**–**	**(607,524)**

15. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

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

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