



Horizons Silver ETF
(HUZ:TSX)



HORIZONS ETFs
by Mirae Asset

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A Message from the CEO

For many industries and sectors, the first half of 2020 has been a very challenging period. As COVID-19 spread across the world, many countries closed their borders, restricted business operations and issued work-from-home orders for those businesses still operating.

COVID-19 restrictions also impacted the investment fund industry as investor fears of a recession resulted in a mass sell-off in global equities and corporate bonds in March. Governments and global central banks responded with significant stimulus packages to keep businesses afloat and support the growing number of people out of work.

Amid the crisis, Horizons ETFs has managed to rise above the market turbulence. As at June 30, 2020, Horizons ETFs was the second-best selling firm in Canada for 2020 in terms of inflows, with over \$4.0 billion in net sales for the first six months of the year. With more than 90 ETFs listed in Canada, investors looked to our firm for innovative investment solutions to help manage this crisis and seek new investment opportunities.

In February, Horizons ETFs launched three new total return ETFs ("**TRI ETFs**"): the Horizons US Large Cap Index ETF ("**HULC**"), the Horizons S&P/TSX Capped Composite Index ETF ("**HXCN**") and the Horizons Cash Maximizer ETF ("**HSAV**"). HXCN received the most seed capital in Canadian history at \$1 billion and is the best-selling ETF in Canada for the first half of 2020.

The second-best selling ETF in Canada for the first six months of 2020 is another one of our products: the Horizons Cdn. Select Universe Bond ETF ("**HBB**"). Our suite of tax-efficient TRI ETFs, which are not expected to pay out distributions, seem to have become a key target for investors using the crisis as an opportunity to rebalance their portfolios.

We have observed several recent positive indicators that have strengthened our optimistic outlook for the rest of 2020. In the broader Canadian ETF industry, there are signs that activity may be picking up; for the month of May, we saw \$2.4 billion of net inflows into Canadian ETFs after a relatively quiet April, with all equity classes contributing, and a further \$4 billion of inflows for the month of June. We've also seen marijuana stocks more than double from their March lows in the U.S., despite COVID-19 restrictions and the fact that marijuana remains illegal federally. Currently, Horizons ETFs provides the only ETF focused on exposure to this sector that can provide diversified exposure across the United States ("**HMUS**").

At Horizons ETFs, "Innovation is Our Capital," has long been our motto, and we believe that has allowed us to be nimble enough to adapt quickly while anticipating what investors are looking for. While the road ahead is still uncertain, we feel confident in our ability to maintain our momentum.

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

Sincerely,



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

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Silver ETF (“HUZ” or the “ETF”), a corporate class of shares (a “Corporate Class”) of Horizons ETF Corp. (the “Company”) (see *Recent Developments* below), contains financial highlights and is included with the unaudited interim consolidated financial statements (“financial statements” or “interim financial statements”) for the investment fund. You may request a copy of the investment fund’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosures, at no cost, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

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

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

Management Discussion of Fund Performance

Investment Objective and Strategy

HUZ seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Solactive Silver Front Month MD Rolling Futures Index ER (the “Underlying Index”, Bloomberg ticker: SOLCSIER). HUZ is denominated in Canadian dollars. Any U.S. dollar gains or losses as a result of the ETF’s investment will be hedged back to the Canadian dollar to the best of its ability.

If HUZ is successful in meeting its investment objective, its net asset value should gain approximately as much on a given day, on a percentage basis, as its Underlying Index rises on that given day. Conversely, HUZ’s net asset value should lose approximately as much on a given day, on a percentage basis, as its Underlying Index declines on that given day.

HUZ invests in financial instruments that have similar return characteristics as the performance of its Underlying Index, which tracks a rolling position in the silver futures contract traded on the Chicago Mercantile Exchange (the “Referenced Futures Contract”) for a subsequent delivery month. In order to achieve this objective, the total underlying notional value of these instruments will typically not exceed one times the total assets of the ETF. Assets not invested in financial instruments may be invested in debt instruments or money market instruments with a term not to exceed 365 days, or reverse repurchase agreements with a term not to exceed 30 days.

Management Discussion of Fund Performance (continued)

Value of the Underlying Index

HUZ's Underlying Index will use, in its closing calculation on any trading day, the closing price of its Referenced Futures Contract for a subsequent delivery month. The Referenced Futures Contract typically trades on the Chicago Mercantile Exchange until 1:25 p.m. (EST), and the closing price of the Referenced Futures Contract is typically not available until at least 15 minutes after the close of trading. The performance of the Underlying Index will be based on a rolling position of the Referenced Futures Contract for a subsequent delivery month. On a periodic basis, the Underlying Index rolls positions in a Referenced Futures Contract specifying delivery on a nearby date, which means the position must be sold, and a different position in a Referenced Futures Contract that has not yet reached the delivery period must be purchased.

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: high.

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

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

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

Management Discussion of Fund Performance (continued)

- Commodity risk
 - Spot v. futures risk
 - Concentration risk
 - Aggressive investment technique risk
 - Trading in derivatives is highly leveraged
 - Corresponding net asset value risk
 - Counterparty risk
 - Correlation risk
 - Liquidity risk
 - Market risk
 - Early closing risk
 - Market disruptions risk
 - Share consolidation and share split risk
 - Regulatory risk
 - Commodity market risk
 - No assurance of meeting investment objective
- Tax risk
 - Conflicts of interest
 - Price limit risk
 - Liability of shareholders
 - Reliance on the manager
 - Reverse repurchase transaction risk
 - Designated broker/dealer risk
 - Exchange risk
 - Borrowing risk
 - Changes to the Underlying Index
 - Foreign exchange risk
 - Exchange rate risk
 - Securities lending risk
 - Fund corporation and multi-class/series structure risk
 - Absence of an active market for the ETF Shares and lack of operating history risk
 - Contango and backwardation risk

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

Results of Operations

For the six-month period ended June 30, 2020, shares of the ETF returned 0.52%. This compares to a return of 1.53% for the Underlying Index for the same period. The above figures are adjusted for distributions, if any.

The continuous one-month silver futures contracts (“Silver Futures”) returned a modest 3.46% for the six-month period ended June 30, 2020. Volatility, as measured by annualized standard deviation, was 42.76% for the period, more than double the rate from 2019.

Global headlines in the first half of 2020 were dominated by the COVID-19 outbreak and the resulting economic downturn. As the virus took hold and economies shuttered in an attempt to prevent its spread, global unemployment figures spiked higher. In a short period, all of the job gains made since the 2008 global financial crisis disappeared in the span of a few short weeks in March and April. Seemingly overnight, a booming economy entered into a deep recession, with U.S. gross domestic product dropping 5.0% in the first quarter of 2020 after posting a gain of 2.1% in the fourth quarter of 2019.

Governments and central banks around the world reacted quickly, enacting vast fiscal stimulus plans and cutting overnight lending rates. The U.S. Federal Reserve (the “Fed”) lowered its federal funds rate by 50 basis points (“bps”) on March 3, 2020, and by an additional 100 bps on March 16, 2020. The Bank of Canada followed suit, lowering its policy rate by 50 bps three times in March from 1.75% to 0.25%.

Silver futures began the year at US\$17.92 per ounce (“/oz”) and proceeded to climb to its high for the first half of 2020 at US\$18.88/oz on February 24, 2020. As the worst of the equity market sell-off took hold over the next month, precious

Management Discussion of Fund Performance (continued)

metals were not immune. Silver is not only viewed as a precious metal, but is also used in a large number of industrial applications. As the economy cratered, perceived lack of demand for any production materials also had a dramatic effect on Silver Futures – selling off 37.83% from the February high to US\$11.74/oz on March 18, 2020.

Equity markets rallied in the second quarter once it became apparent that governments and global central banks were ready to backstop the economy by any means necessary. Drastic increases in the Fed's bond buying program flooded markets with liquidity, with a resulting upward effect on risk-assets. Additionally, a pledge to support both investment-grade and low-yield corporate debt served to further bolster investor confidence. In this environment, Silver Futures rallied 58.00% from the March 18, 2020, sell-off low to finish the first half of the year at US\$18.54/oz, not quite reaching the February high.

Horizons Management does not endeavour to predict market direction, changes that may occur in global fiscal and monetary policies, the effect of additional geopolitical concerns or other unforeseen crises. Horizons Management and the ETF are agnostic as to their impact on global equity, fixed income, currency, and commodity markets generally, and the silver futures market specifically. They are only of concern to the ETF in so much as there is some minimal risk that could affect its ability to meet its investment objective. Please refer to the risk factors section in the ETF's prospectus for more detailed information.

The annualized volatility of each of the Underlying Index and the ETF was 35.69% and 35.57%, respectively, for the period ended June 30, 2020.

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

Forward Agreements

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

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

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

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

Management Discussion of Fund Performance (continued)

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

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

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

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.

The Corporate Class Reorganization

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

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

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

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

Presentation

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

Management Discussion of Fund Performance (continued)

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

Related Party Transactions

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

Manager and Investment Manager

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

Any management fees paid to the Manager (described in detail on page 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 in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2020, and December 31, 2019, are disclosed in the statements of financial position.

Financial Highlights

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

The ETF's Net Assets per Share

Period ⁽¹⁾	2020	2019	2018	2017	2016	2015
Net assets, beginning of period	\$ 9.32	8.33	9.49	9.15	8.22	9.58
Increase (decrease) from operations:						
Total revenue	0.06	0.16	0.15	0.08	0.06	0.07
Total expenses	(0.05)	(0.10)	(0.10)	(0.11)	(0.12)	(0.11)
Realized gains (losses) for the period	(0.27)	0.60	(1.47)	0.74	(0.74)	(0.07)
Unrealized gains (losses) for the period	0.20	(0.38)	0.45	0.85	0.51	(0.83)
Total increase (decrease) from operations ⁽²⁾	(0.06)	0.28	(0.97)	1.56	(0.29)	(0.94)
Total distributions ⁽³⁾	–	–	–	–	–	–
Net assets, end of period ⁽⁴⁾	\$ 9.37	9.32	8.33	9.49	9.15	8.22

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

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2020	2019	2018	2017	2016	2015
Total net asset value (000's)	\$ 15,500	19,100	24,572	16,994	8,003	5,135
Number of shares outstanding (000's)	1,655	2,050	2,950	1,790	875	625
Management expense ratio ⁽²⁾	0.79%	0.79%	0.75%	0.76%	0.75%	0.74%
Management expense ratio before waivers and absorptions ⁽²⁾	1.30%	1.39%	1.18%	1.60%	1.26%	1.10%
Trading expense ratio ⁽³⁾	0.41%	0.40%	0.41%	0.40%	0.41%	0.41%
Portfolio turnover rate ⁽⁴⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share, end of period	\$ 9.37	9.32	8.33	9.49	9.15	8.22
Closing market price	\$ 9.33	9.31	8.33	9.46	9.13	8.23

1. This information is provided as at June 30, 2020, and December 31 of the other years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, the Manager pays for such services to the ETF as portfolio advisor compensation, administration, service fees and marketing. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
3. The trading expense ratio represents total commissions, forward agreement fees and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
4. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of a year. The higher an ETF's portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

Financial Highlights (continued)

Management Fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.65%. Approximately 100% of management fees were used for investment management, other general administration and profit.

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

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

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

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

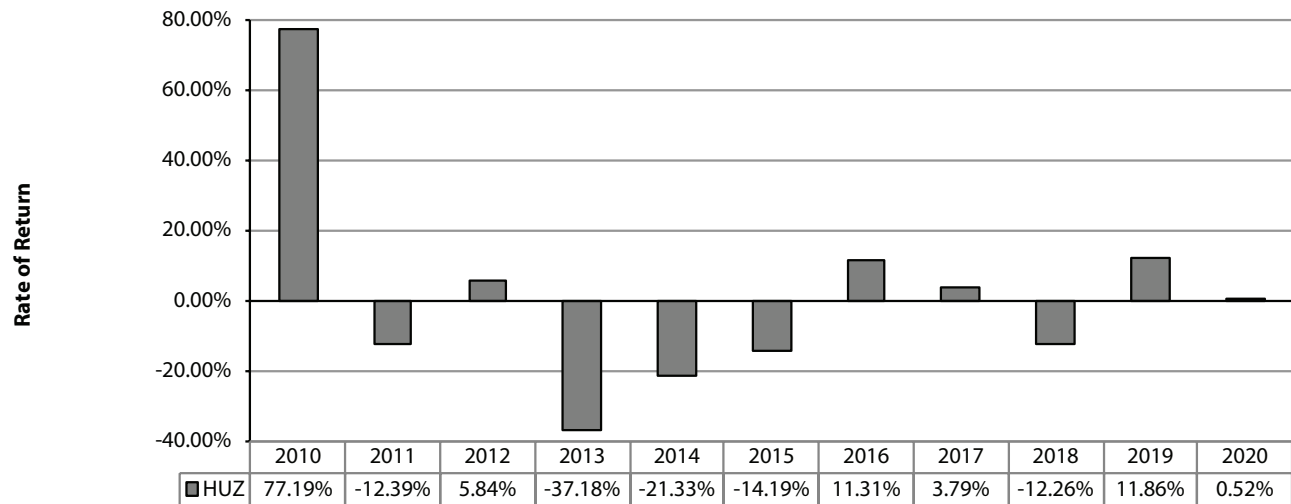
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
3%	25%	72%

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on June 24, 2009.

The ETF is rebalanced daily to ensure an investor's risk is limited to the current value of their investment.

A perfect daily correlation of 100% of the daily return of the Underlying Index would be a correlation of 1.0. The ETF has achieved a perfect daily correlation to its stated Underlying Index for the period ended June 30, 2020, of 1.0000.

Summary of Investment Portfolio

As at June 30, 2020

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Investments	\$ 967,163	6.24%
Cash held for Collateral	14,203,569	91.64%
Cash - Other	335,547	2.16%
Other Assets less Liabilities	(6,768)	-0.04%
	\$ 15,499,511	100.00%

Top Holdings	% of ETF's Net Asset Value
Cash held for Collateral	91.64%
Forward Agreements (net notional value US\$11,389,999)	6.24%
Cash - Other	2.16%

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements ("financial statements") of Horizons Silver ETF (the "ETF") are the responsibility of the manager to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgements.

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

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



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



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO SHAREHOLDERS

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

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

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

Consolidated Statements of Financial Position (unaudited)

As at June 30, 2020 and December 31, 2019

	2020	2019
Assets		
Cash held for collateral	\$ 14,203,569	\$ 18,052,804
Cash - other	335,547	385,494
Amounts receivable relating to accrued income	3,531	19,565
Derivative assets (note 3)	974,443	657,678
Total Assets	15,517,090	19,115,541
Liabilities		
Accrued management fees	9,408	8,439
Accrued operating expenses	891	799
Derivative liabilities (note 3)	7,280	6,298
Total Liabilities	17,579	15,536
Total net assets (note 2)	\$ 15,499,511	\$ 19,100,005
Number of redeemable shares outstanding (note 9)	1,655,000	2,050,000
Total net assets per share (Cdn\$ Shares) (note 1)	\$ 9.37	\$ 9.32

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Kevin S. Beatson
 Director

Consolidated Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2020	2019
Income		
Interest income for distribution purposes	\$ 103,101	\$ 145,100
Net realized gain (loss) on sale of investments and derivatives	(460,003)	315,321
Net change in unrealized appreciation (depreciation) of investments and derivatives	346,000	(1,139,623)
	(10,902)	(679,202)
Expenses (note 10)		
Management fees	53,405	52,242
Audit fees	3,506	3,698
Independent Review Committee fees	376	371
Custodial and fund valuation fees	15,787	18,684
Legal fees	2,868	–
Securityholder reporting costs	7,104	7,335
Administration fees	13,786	14,397
Transaction costs	30,217	29,124
	127,049	125,851
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(38,366)	(39,536)
	88,683	86,315
Decrease in net assets for the period	\$ (99,585)	\$ (765,517)
Decrease in net assets per share	\$ (0.06)	\$ (0.43)

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2020	2019
Total net assets at the beginning of the period	\$ 19,100,005	\$ 24,571,582
Decrease in net assets	(99,585)	(765,517)
Redeemable share transactions		
Proceeds from the issuance of securities of the investment fund	4,220,142	2,174,301
Aggregate amounts paid on redemption of securities of the investment fund	(7,721,051)	(19,670,601)
Total net assets at the end of the period	\$ 15,499,511	\$ 6,309,765

(See accompanying notes to financial statements)

Consolidated Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2020	2019
Cash flows from operating activities:		
Decrease in net assets for the period	\$ (99,585)	\$ (765,517)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	460,003	(315,321)
Net change in unrealized depreciation (appreciation) of investments and derivatives	(346,000)	1,139,623
Purchase of investments	30,217	108,389
Proceeds from the sale of investments	(460,003)	315,321
Amounts receivable relating to accrued income	16,034	15,224
Accrued expenses	1,061	(8,888)
Net cash from (used in) operating activities	(398,273)	488,831
Cash flows from financing activities:		
Amount received from the issuance of shares	4,220,142	2,093,418
Amount paid on redemptions of shares	(7,721,051)	(19,670,601)
Net cash used in financing activities	(3,500,909)	(17,577,183)
Net decrease in cash for the period	(3,899,182)	(17,088,352)
Cash at beginning of period	18,438,298	23,320,879
Cash at end of period	\$ 14,539,116	\$ 6,232,527
Interest received	\$ 119,135	\$ 160,208
Total Cash are composed of		
Cash held for collateral	\$ 14,203,569	\$ 6,054,531
Cash - other	335,547	177,996
Cash at end of period	\$ 14,539,116	\$ 6,232,527

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2020

Security	Fair Value
FORWARD AGREEMENTS (6.24%)	
Positive Exposure Forward Agreements (6.29%)	
Silver Forward Agreement	
Payment Date October 21, 2021 (notional value US\$1,731,658)	\$ 295,527
Silver Forward Agreement	
Payment Date October 1, 2024 (notional value US\$9,759,370)	678,916
	<u>974,443</u>
Negative Exposure Forward Agreements (-0.05%)	
Silver Forward Agreement	
Payment Date October 21, 2021 (notional value US\$3,458)	(668)
Silver Forward Agreement	
Payment Date October 15, 2024 (notional value US\$97,571)	(6,612)
	<u>(7,280)</u>
TOTAL FORWARD AGREEMENTS	<u>967,163</u>
CASH HELD FOR COLLATERAL (91.64%)	<u>14,203,569</u>
TOTAL INVESTMENT PORTFOLIO (97.88%) (note 7)	<u>\$ 15,170,732</u>
Cash - other (2.16%)	335,547
Other assets less liabilities (-0.04%)	(6,768)
TOTAL NET ASSETS (100.00%)	<u>\$ 15,499,511</u>

(See accompanying notes to financial statements)

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

June 30, 2020

A. ETF INFORMATION (NOTE 1)

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

ETF Name	TSX Ticker(s)	Reporting Currency	Effective Start of Operations
Horizons Silver ETF	HUZ	CAD	June 24, 2009

Investment Objective

HUZ seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Solactive Silver Front Month MD Rolling Futures Index ER (the "Underlying Index", Bloomberg ticker: SOLCSIER). HUZ is denominated in Canadian dollars. Any U.S. dollar gains or losses as a result of the ETF's investment will be hedged back to the Canadian dollar to the best of its ability.

If HUZ is successful in meeting its investment objective, its net asset value should gain approximately as much on a given day, on a percentage basis, as its Underlying Index rises on that given day. Conversely, HUZ's net asset value should lose approximately as much on a given day, on a percentage basis, as its Underlying Index declines on that given day.

B. FINANCIAL INSTRUMENTS RISK (NOTE 5)
(a) Market risks
(i) Currency risk

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

(ii) Interest rate risk

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

(iii) Market price risk

The table below shows the estimated impact on the ETF of a 1% increase or decrease in the Underlying Index, based on daily historical correlation during the reporting period, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. A perfect daily correlation of 100% of the daily return of the Underlying Index would be a correlation of 1.0. The historical daily correlation may not be representative of future correlation.

Underlying Index	June 30, 2020	December 31, 2019
Solactive Silver Front Month MD Rolling Futures Index ER	\$154,990	\$190,997
Daily Correlation	1.0000	1.0000

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

June 30, 2020

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

	Underlying Index	ETF
June 30, 2020	35.69%	35.57%
December 31, 2019	19.96%	19.22%

(b) Credit risk

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

As at	Counterparty ⁽¹⁾⁽²⁾	Notional Exposure	Credit Risk	DBRS Rating	Fitch Rating	Moody's Rating	S&P Rating
June 30, 2020	NBC	US\$9,661,799	\$678,916	AA (low)	A+	Aa3	A
June 30, 2020	CIBC	US\$1,728,200	\$295,527	AA	AA-	Aa2	A+
Dec. 31, 2019	NBC	US\$14,728,567	\$657,678	AA (low)	A+	Aa3	A

⁽¹⁾ NBC refers to National Bank of Canada

⁽²⁾ CIBC refers to Canadian Imperial Bank of Commerce

C. FAIR VALUE MEASUREMENT (NOTE 6)

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

	June 30, 2020			December 31, 2019		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Forward Agreements	–	974,443	–	–	657,678	–
Total Financial Assets	–	974,443	–	–	657,678	–
Financial Liabilities						
Forward Agreements	–	(7,280)	–	–	(6,298)	–
Total Financial Liabilities	–	(7,280)	–	–	(6,298)	–
Net Financial Assets & Liabilities	–	967,163	–	–	651,380	–

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

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

June 30, 2020

D. SECURITIES LENDING (NOTE 8)

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

E. REDEEMABLE SHARES/UNITS (NOTE 9)

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

Period	Beginning Shares/ Units Outstanding	Shares/Units Issued	Shares/Units Redeemed	Ending Shares/ Units Outstanding	Average Shares/ Units Outstanding
2020	2,050,000	520,000	(915,000)	1,655,000	1,717,143
2019	2,950,000	260,000	(2,430,000)	780,000	1,780,221

F. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 13)

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

Financial Assets and Liabilities as at June 30, 2020	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	974,443	–	974,443	(7,280)	–	967,163
Derivative liabilities	(7,280)	–	(7,280)	7,280	–	–

Financial Assets and Liabilities as at December 31, 2019	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	657,678	–	657,678	(6,298)	–	651,380
Derivative liabilities	(6,298)	–	(6,298)	6,298	–	–

Notes to Consolidated Financial Statements (unaudited)

June 30, 2020

1. REPORTING ENTITY

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

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

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

The Corporate Class Reorganization

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

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Reporting Periods

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

Investment Objective

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

2. BASIS OF PREPARATION***(i) Statement of compliance***

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

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

(ii) Basis of measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments***(i) Recognition, initial measurement and classification***

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss ("FVTPL"). IFRS9 requires classification of debt instruments, if any, based solely on payment of principal and interest, and business model tests.

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

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

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

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

(ii) Fair value measurement

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

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

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(iii) Offsetting

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

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

(iv) Specific instruments**Cash**

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

Redeemable shares

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

Derivative agreements

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

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

(b) Investment income

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

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.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Income from securities lending, if any, is included in "Securities lending income" on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 8).

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

(c) Foreign currency

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

(d) Cost basis

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

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

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

(f) Shareholder transactions

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

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

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risks

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

(i) Currency risk

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

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature.

(iii) Market price risk

Other market price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

The ETF is subject to other market risks that will affect the value of its investments, including general economic and market conditions, as well as developments that impact specific economic sectors, industries or companies. The ETF will normally lose value on days when the index, security, currency or commodity comprising its Underlying Index declines. The ETF intends to remain fully invested regardless of market conditions.

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables.

The ETF's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the statements of financial position, including any positive mark-to-market of the ETF's Derivative Agreement(s). This amount is included in "Derivative assets" (if any) in the statements of financial position. The credit risk related to any one Derivative Agreement is concentrated in the Counterparty to that particular Derivative Agreement.

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

(c) Liquidity risk

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its Derivative Agreements, which are rebalanced daily, and is tied to the performance of the Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, purchases or redemptions as these transactions are taken into account during the daily rebalancing of the Derivative Agreements. Generally, liabilities of the ETF are due within 90 days.

6. FAIR VALUE MEASUREMENT

IFRS 13, Fair Value Measurement ("IFRS 13") requires a classification of fair value measurements of the ETF's investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2020

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The fair value hierarchy classification of the ETF's assets and liabilities and additional disclosures relating to transfers between levels is included in note C in the ETF-specific notes information.

7. DERIVATIVE AGREEMENTS AND COLLATERAL PLEDGED**(a) Forward Agreements**

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

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

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

(b) Counterparty Restrictions

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

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

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

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

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

8. SECURITIES LENDING

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

The aggregate closing market value of securities loaned and collateral received, if any, as at June 30, 2020, and December 31, 2019, and a reconciliation of the securities lending income for the periods ended June 30, 2020 and 2019, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

9. REDEEMABLE SHARES

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

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

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

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of that number of ETF Shares in such currency following the receipt of the redemption request, provided that a securities redemption may be subject to redemption charges at the sole discretion of the Manager.

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

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

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

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

10. EXPENSES AND OTHER RELATED PARTY TRANSACTIONS**Management fees**

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.65%.

Other expenses

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

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

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

Other related party transactions

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

11. INCOME TAX

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

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

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

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

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

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

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12. TAX LOSSES CARRIED FORWARD

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

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

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

13. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Amounts eligible for offset, if any, are disclosed in note F of the ETF-specific notes information.

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