



**Horizons Emerging Markets Leaders ETF
(HEMC:TSX)**



HORIZONS ETFs
by Mirae Asset

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A Message from the CEO

After 2020's challenges and uncertainty, we have seen continued success in the global fight against the COVID-19 pandemic throughout 2021.

Despite the emergence of the new Omicron COVID-19 variant in the later part of 2021, across the world, vaccination rollouts are continuing, and there is growing optimism that a 'return to normal' is on the horizon. While we mourn the COVID-19 pandemic's toll at Horizons ETFs and reflect on its lessons, we continue to work diligently to best serve our investors and clients.

While the pandemic has impacted many businesses and sectors, Canada's ETF industry and the marketplace have shown few signs of slowing down. In 2021, Canada's ETF industry has seen more than \$52 billion of inflows – a new annual record.

Horizons ETFs is proud to continue our longstanding commitment to bringing innovative ETFs to market. In 2021, that commitment resulted in eighteen new ETF launches – another new record for Horizons ETFs. Ranging from first-in-the-world ETFs to expansions of our most popular mandates, we are proud of the innovation and access we've delivered to our investors in 2021.

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

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

In June, we launched the Horizons S&P Green Bond Index ETF ("**HGGB**"), Canada's first global green bond ETF. We also continued to expand our footprint within the growing renewable energy space by launching the Horizons Global Hydrogen Index ETF ("**HYDR**") and the Horizons Global Lithium Producers Index ETF ("**HLIT**"); respectively, Canada's first hydrogen and lithium ETFs – two crucial alternative energy sources that are helping to fuel our future.

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

In the final weeks of 2021, we also launched three ETFs designed to provide investors with exposure to emerging and essential future-forward technological themes: the Horizons Global Metaverse Index ETF ("**MTAV**"), the Horizons GX Cybersecurity Index ETF ("**HBUG**"), and the Horizons GX Telemedicine and Digital Health Index ETF ("**HDOC**").

In addition to this noteworthy growth in the size our ETF suite, now totaling 104 ETFs, we saw significant growth in our assets under management, from approximately \$16.5 billion at the start of the year to more than \$20.7 billion by its end. We continue to entrench our position as one of Canada's top ETF providers.

I am also proud to announce that we hosted the 10th edition of our Biggest Winner Trading Competition, which offers investors the chance to educate themselves about trading by managing a virtual ETF portfolio while competing for cash prizes in a risk-free environment. After more than a decade of the Biggest Winner, this event has become near and dear to my heart, as I believe it has for the thousands of participants, many of whom return each year to compete to become the Biggest Winner.

At Horizons ETFs, "Innovation is Our Capital" has long been our motto and it is what has driven us to remain nimble and to adapt quickly to what Canadian investors are looking for. With one of the largest and most diversified suites of ETFs in Canada, I believe that our ETFs empower investors to do the same: be nimble and adaptable, no matter the market conditions. While the road ahead is still uncertain, we remain confident in our ability to respond to your investment needs and believe there are brighter days on the horizon.

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

Sincerely,



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

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MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Horizons Emerging Markets Leaders ETF (“HEMC” 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 HEMC is to seek long-term capital growth by investing in equity securities of issuers that are: (i) in emerging markets; or (ii) tied economically to emerging markets.

To achieve its investment objective, HEMC’s sub-advisor, Mirae Asset Global Investments (USA) LLC (“Mirae Asset USA” or, the “Sub-Advisor”), will invest a minimum of 80% of HEMC’s net asset value in equity securities of issuers that are: (i) in emerging markets; or (ii) tied economically to emerging markets, provided that the issuers in which HEMC invests are expected to be beneficiaries of the increasing consumption and growing purchasing power of individuals in the world’s emerging markets.

The Sub-Advisor will invest in issuers across a range of industry sectors that may benefit from increasing consumption in emerging markets. Such industries may include, but are not limited to, consumer staples, consumer discretionary, financial, information technology, healthcare and telecommunication services.

The Sub-Advisor may invest a significant portion of HEMC’s assets in securities that are traded in local currencies other than U.S. dollar and Canadian dollar; therefore, HEMC may purchase foreign currencies to facilitate transactions in portfolio securities. HEMC will generally not hedge its foreign currency. However, the Sub-Advisor may, if it determines it would be in the best interests of HEMC to do so, hedge some or all of its United States dollar currency exposure back to the Canadian dollar.

Management Discussion of Fund Performance (continued)

HEMC may invest in securities of any market capitalization.

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

Risk

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

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

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

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

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| <ul style="list-style-type: none"> • 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 objectives • Tax risk • Securities lending, repurchase and reverse repurchase transaction risk • Loss of limited liability • Reliance on key personnel • Distributions risk | <ul style="list-style-type: none"> • Conflicts of interest • No ownership interest • Redemption price • Net asset value fluctuation • Limited operating history • Restrictions on certain unitholders • Highly volatile markets • No guaranteed return • Derivatives and counterparty risk • Foreign currency risk • Emerging markets risk • Income trust investment risk • Foreign stock exchange risk • Short selling risk • Currency price fluctuations • Risk of difference between quoted and actionable market price • Complexity • Commodity price volatility risk |
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Management Discussion of Fund Performance (continued)

Results of Operations

The ETF effectively began operations on October 19, 2021, at a net asset value (“NAV”) of \$10.00, and ended the period on December 31, 2021, at a NAV of \$9.20. By comparison, the MSCI Emerging Markets Net Total Return Index (the “Index”) returned -2.24% for the same period, on a total return basis, in Canadian dollars.

The Index captures large and mid-cap representation across 25 Emerging Markets (EM) countries. With 1,420 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

General Market Review

Emerging markets (“EM”) had a notable year in 2021. On the positive side, EM funds saw a significant period of inflows, attracting roughly U.S.\$100 billion during the year. Low interest rates, expensive valuations in developed markets, and significant lack of regional ownership brought interest into EM. Counterintuitively, EM equities delivered weak performance in 2021. The Index fell by -3.45% for the full year in 2021, in Canadian dollar terms, despite an improving global economy, significant liquidity support, and fairly cheap valuations.

The year started strong, with EM rallying over 4.42% for the first six months of 2021, marking five straight quarters of gains for the asset class, before seeing a significant drop in the third quarter and continued weakness in the fourth quarter. Weak EM performance stemmed from three main drivers. First, China, representing roughly 35% of the Index, fell over 22% as a result of an unexpected regulatory crackdown on the technology, education, and real estate sectors. Without China, EM actually would have risen roughly 9% in 2021. Second, U.S. dollar (“USD”) strength resulting from a hawkish turn by the U.S. Federal Reserve (the “Fed”), strong U.S. growth, and a COVID-driven flight to quality; and third, higher interest rates in various EM economies.

Overall, Mirae Asset USA grew more comfortable with the Chinese government’s policies and takes their “Common Prosperity” policy as an effort to grow the middle class, which should lead to future economic growth driven by private domestic consumption. We believe that both the Fed’s pivot and COVID-related flight to quality are priced into the USD and continue to believe in the long-term downward trajectory for the currency. When looking at interest rates, it was noted that many EM countries prudently raising rates well ahead of their developed market (“DM”) peers in order to curb inflation. This slowed domestic growth, while the U.S. continued to run on stimulus, but also gave these countries a lead in their monetary policy cycles. In many situations, it is likely EM countries will begin to speak about rate stability or cuts, just as DMs begin their rate-hiking cycles. There is now an attractive interest rate differential between EM and DM, which should keep EM currencies stable.

Portfolio Review

The primary driver of the ETF’s under-performance relative to the Index during the last two months of the year came from a violent correction in growth-based companies, as can be seen by the 15.04% correction in EM consumer discretionary securities over that period. This transition came from two sources: one, the hawkish pivot from the Fed; and two, the emergence of the Omicron COVID-19 variant.

During this period, the U.S. Federal Open Market Committee (“FOMC”) dropped its language around maintaining an accommodative policy stance to keep inflation above 2%. Fed Chairman Jerome Powell also commented on a “real risk” that inflation may be more persistent than previously expected and that various indicators are implying a tight labor market. The Fed also doubled its taper pace, committing to reduce purchases of U.S. Treasuries by \$20 billion per month and mortgage-backed securities purchases by \$10 billion per month. This naturally led to higher treasury yields and investors raising their discount rates, which implies less value to future cash flows. This period also witnessed the growth of the Omicron variant, which led to a downgrade of growth expectations across some EM countries that still carry a “zero-COVID policy”.

Management Discussion of Fund Performance (continued)

Both the higher interest rate environment and the flight-to-quality stemming from COVID-19 led to the USD rallying by roughly 2% over a basket of other currencies during this period. Historically, a 1% stronger USD translates into a 4% weaker move in EM equities. This stems from two reasons: one, many EM countries and companies financing their dynamic growth prospects with USD-denominated debt; and two, the inverse relationship between the USD and commodity prices.

From a sector perspective, the largest detractions came from the ETF's positioning in the communication services sector. Stock selection in high growth, asset-light business models felt the brunt of the challenges to earnings-growth names. The largest contributions to relative performance came from the ETF's holdings in the energy and materials sectors, which fell roughly 6% and 5%, respectively, during the short period.

From a country perspective, the biggest detraction to performance came from stock selection in South Korea and Singapore. In both countries, the ETF owns asset-light names with strong prospects for long-term earnings, which sold off with the above headwinds. The biggest contributions to performance came from stock selection in South Africa.

Outlook

Entering 2022, there are several factors which should be beneficial to EM performance. First, vaccination rates in key EM countries, such as China, Taiwan, South Korea, and most of Latin America, are well ahead of those in the U.S. Second, Chinese regulations startled markets in 2021, but we believe similar rules are yet to come across U.S. and European markets. Finally, several EM central banks (Russia, Brazil, Chile, Colombia, Mexico, Peru, the Czech Republic, Hungary, Poland, Korea, and South Africa) began raising interest rates well ahead of the U.S. and Europe in 2021.

The performance spread between EM and U.S. equities has hit multi-decade highs. Global institutional investors are now over 800 basis points underweight EM equities, and the asset class appears ripe for new allocations. EM presents a notably different environment going into 2022 than it does for DM. While DM vaccination rates taper off, EM vaccination numbers continue to improve.

EM central banks are already in the second half of their rate hiking cycles, whereas the U.S. has not yet begun. Unlike U.S. equities, which have remained supported by easy fiscal and monetary policy, EM has had to stand on its own two feet. Though regulations hit many Chinese companies in 2021, fines have been manageable, and companies seem to be adapting quickly. U.S. companies could see future tax increases and new regulatory measures.

Even as many countries within EM face various headwinds, Mirae Asset USA is finding attractive opportunities within the asset class. The growth differential versus DM is increasing, return-on-equity ratios are converging, multiples remain suppressed, and allocators continue to look for opportunities outside of a concentrated U.S. market. Other anticipated key catalysts for EM performance in 2022 include inflation moderation, improving U.S./China relations, and a weaker USD. Structurally, the asset class looks attractive, as EM has benefited from a powerful consumer-driven domestic demand story. Cyclically, we believe EMs are coming out of the "hope" phase of the investment cycle and moving into "growth."

On a regional basis, Mirae Asset USA continues to favour a domestic secular driven growth story in China and companies that have benefited from the structural reforms in India. Current macroeconomic conditions lead us to remain optimistic on South Korea and Vietnam as we look ahead. We see Latin America and Eastern Europe, the Middle East, and Africa (EEMEA) as under-owned regions. The average global equity investor has approximately a 4% weighting to EM, and Asia represents roughly 80% of the asset class. This means the average investor has only around 1% allocated to Latin America and EEMEA combined. This underweighting creates a significant moment for stock pickers assessing overlooked and inefficient regions. There are particularly attractive opportunities in Greece, Mexico, Brazil, and Russia.

Management Discussion of Fund Performance (continued)

The ETF focuses on identifying companies with high-quality management teams and business models that are best placed to benefit from secular growth in domestic spending across emerging markets. The investment strategy utilizes a fundamental, bottom-up approach to invest in companies that may benefit from such enduring trends and which have shown to possess sustainable competitive advantages, including strong management, product differentiation, a dominant competitive position, pricing power, and balance sheet strength.

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

For the period from when the ETF effectively began operations on October 19, 2021 to December 31, 2021, the ETF generated gross comprehensive loss from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$198,031. The ETF incurred management, operating and transaction expenses of \$38,552 of which \$16,701 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 \$19,635 to unitholders during the period.

Presentation

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

Recent Developments

Other than indicated below, there are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

Impact of COVID-19

The COVID-19 virus is an ongoing but fading risk to the global recovery and as such it continues to have an impact and is a risk in the markets in which the ETF operates. COVID variants are still causing economic uncertainty, and may impact estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements related 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, 2021 and for the period ended December 31, 2021.

Related Party Transactions

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

Management Discussion of Fund Performance (continued)***Manager, Trustee and Investment Manager***

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 15) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statement of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2021, are disclosed in the statement 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 since it effectively began operations on October 19, 2021. 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

Period ⁽¹⁾	2021
Net assets, beginning of period	\$ 10.00
Decrease from operations:	
Total revenue	0.11
Total expenses	(0.07)
Realized losses for the period	(0.09)
Unrealized losses for the period	(0.68)
Total decrease from operations ⁽²⁾	(0.73)
Distributions:	
From net investment income (excluding dividends)	(0.07)
Total annual distributions ⁽³⁾	(0.07)
Net assets, end of period ⁽⁴⁾	\$ 9.20

- This information is derived from the ETF's audited annual financial statements.
- 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.
- 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.
- The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2021
Total net asset value (000's)	\$ 2,760
Number of units outstanding (000's)	300
Management expense ratio ⁽²⁾⁽⁵⁾	1.06%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.95%
Management expense ratio before waivers and absorptions ⁽³⁾	3.96%
Trading expense ratio ⁽⁴⁾⁽⁵⁾	2.00%
Trading expense ratio excluding proportion of costs from underlying investment funds	2.00%
Portfolio turnover rate ⁽⁶⁾	40.78%
Net asset value per unit, end of period	\$ 9.20
Closing market price	\$ 9.23

1. This information is provided as at December 31, 2021.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the period.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the period. 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 0.75%, 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.

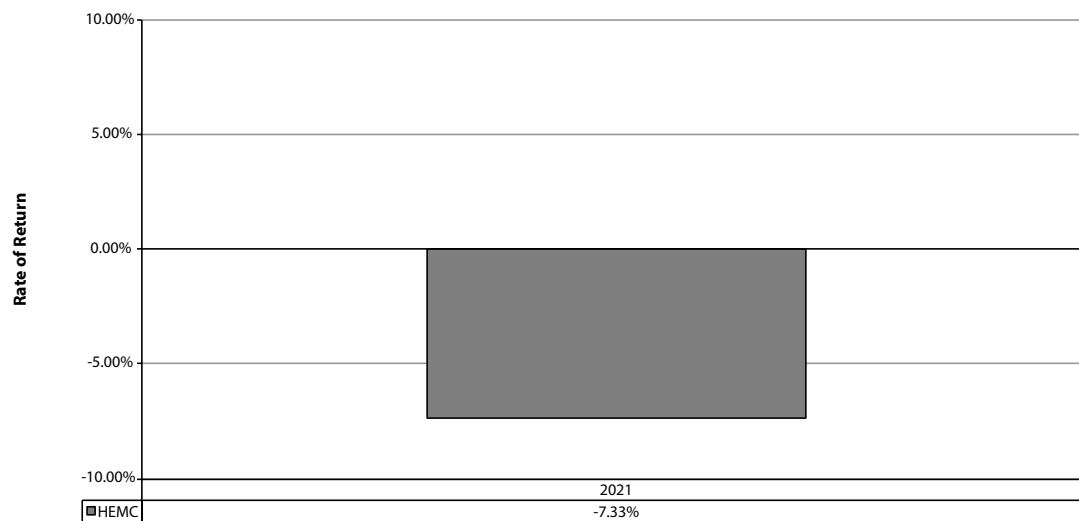
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

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 period shown. In percentage terms, the chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



The ETF effectively began operations on October 19, 2021.

Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2021, 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.

	Since Inception
Horizons Emerging Markets Leaders ETF	-7.33%
MSCI Emerging Markets Total Return Index	-2.24%

The ETF effectively began operations on October 19, 2021.

Summary of Investment Portfolio

As at December 31, 2021

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
China Equities	\$ 980,566	35.52%
Global Equities	485,103	17.57%
South Korea Equities	347,418	12.59%
Taiwan Equities	201,649	7.31%
Argentina Equities	109,162	3.95%
Mexico Equities	93,982	3.41%
Indonesia Equities	87,855	3.18%
Netherlands Equities	71,270	2.58%
Singapore Equities	48,107	1.74%
Russia Equities	47,711	1.73%
South Africa Equities	44,243	1.60%
Cyprus Equities	37,331	1.35%
Thailand Equities	33,512	1.21%
Greece Equities	28,849	1.05%
Kazakstan Equities	27,133	0.98%
Colombia Equities	18,432	0.67%
United Arab Emirates Equities	14,008	0.51%
Cash and Cash Equivalents	106,860	3.87%
Other Assets less Liabilities	(22,698)	-0.82%
	\$ 2,760,493	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Information Technology	\$ 548,974	19.89%
Global Broad Equity	485,103	17.57%
Financials	482,433	17.47%
Consumer Discretionary	395,747	14.33%
Consumer Staples	293,558	10.64%
Industrials	169,178	6.13%
Communication Services	164,462	5.96%
Energy	69,147	2.51%
Health Care	67,729	2.45%
Cash and Cash Equivalents	106,860	3.87%
Other Assets less Liabilities	(22,698)	-0.82%
	\$ 2,760,493	100.00%

Summary of Investment Portfolio (continued)

As at December 31, 2021

Top 25 Holdings	% of ETF's Net Asset Value
iShares MSCI India ETF	12.39%
Tencent Holdings Ltd.	5.64%
Alibaba Group Holding Ltd.	4.75%
MercadoLibre Inc.	3.95%
MediaTek Inc.	3.94%
Cash and Cash Equivalents	3.87%
Franklin FTSE Brazil ETF	3.49%
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	3.37%
NAVER Corp.	3.36%
PT Bank Central Asia TBK	3.18%
Li Ning Co. Ltd.	3.01%
Kakao Corp.	2.60%
Shinhan Financial Group Co. Ltd.	2.48%
BYD Co. Ltd.	2.35%
Midea Group Co. Ltd.	2.34%
LG Household & Health Care Ltd.	2.33%
China Tourism Group Duty Free Corp. Ltd.	2.21%
China Merchants Bank Co. Ltd.	2.13%
Foshan Haitian Flavouring & Food Co. Ltd.	2.04%
Xpeng Inc.	1.97%
JD.com Inc.	1.85%
KakaoBank Corp.	1.82%
Sea Ltd., ADR	1.74%
Sberbank of Russia PJSC, ADR	1.73%
Wal-Mart de Mexico SAB de CV	1.71%

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 Emerging Markets Leaders 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 as issued by the International Accounting Standards Board 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 Emerging Markets Leaders ETF (the "ETF")

Opinion

We have audited the financial statements of the ETF, which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in financial position and cash flows for the period from inception on September 7, 2021 to December 31, 2021, 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, 2021, and its financial performance and its cash flows for the period from inception on September 7, 2021 to December 31, 2021, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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) as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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



Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Ziad Said.
Toronto, Canada
March 11, 2022

Statement of Financial Position

As at December 31, 2021

	2021
Assets	
Cash and cash equivalents	\$ 106,860
Investments	2,676,331
Amounts receivable relating to accrued income	1,685
Total assets	2,784,876
Liabilities	
Accrued management fees	2,014
Accrued operating expenses	2,734
Distribution payable	19,635
Total liabilities	24,383
Total net assets (note 2)	\$ 2,760,493
Number of redeemable units outstanding (note 8)	300,001
Total net assets per units	\$ 9.20

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Thomas Park
 Director

Statement of Comprehensive Income

For the Period from Inception on September 7, 2021 to December 31, 2021

	2021
Income	
Dividend income	\$ 33,474
Net realized loss on sale of investments and derivatives	(30,164)
Net realized gain on foreign exchange	2,418
Net change in unrealized depreciation of investments and derivatives	(202,638)
Net change in unrealized depreciation of foreign exchange	(1,121)
	(198,031)
Expenses (note 9)	
Management fees	4,884
Custodial and fund valuation fees	5,649
Securityholder reporting costs	8,483
Administration fees	2,898
Transaction costs	11,529
Withholding taxes	4,830
Other expenses	279
	38,552
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(16,701)
	21,851
Decrease in net assets for the period	\$ (219,882)
Decrease in net assets per unit	\$ (0.73)

(See accompanying notes to financial statements)

Statement of Changes in Financial Position

For the Period from Inception on September 7, 2021 to December 31, 2021

	2021
Total net assets at the beginning of the period	\$ -
Decrease in net assets	(219,882)
Redeemable unit transactions	
Proceeds from the issuance of securities of the investment fund	3,000,010
Distributions:	
From net investment income	(19,635)
Total net assets at the end of the period	\$ 2,760,493

(See accompanying notes to financial statements)

Statement of Cash Flows

For the Period from Inception on September 7, 2021 to December 31, 2021

	2021
Cash flows from operating activities:	
Decrease in net assets for the period	\$ (219,882)
Adjustments for:	
Net realized loss on sale of investments and derivatives	30,164
Net realized loss on currency forward contracts	(2,787)
Net change in unrealized depreciation of investments and derivatives	202,638
Net change in unrealized depreciation of foreign exchange	1,103
Purchase of investments	(4,021,929)
Proceeds from the sale of investments	1,115,583
Amounts receivable relating to accrued income	(1,685)
Accrued expenses	4,748
Net cash used in operating activities	(2,892,047)
Cash flows from financing activities:	
Amount received from the issuance of units	3,000,010
Net cash from financing activities	3,000,010
Net increase in cash and cash equivalents during the period	107,963
Effect of exchange rate fluctuations on cash and cash equivalents	(1,103)
Cash and cash equivalents at beginning of period	-
Cash and cash equivalents at end of period	\$ 106,860

Dividends received, net of withholding taxes	\$ 26,959
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(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2021

Security	Shares	Average Cost	Fair Value
GLOBAL EQUITIES (96.95%)			
China (35.52%)			
Alibaba Group Holding Ltd.	6,800	\$ 173,431	\$ 131,161
BYD Co. Ltd., Class 'H'	1,500	67,243	64,873
China Merchants Bank Co. Ltd., Class 'H'	6,000	61,691	58,936
China Tourism Group Duty Free Corp. Ltd.	1,400	68,304	60,966
Contemporary Amperex Technology Co. Ltd.	200	25,771	23,341
Foshan Haitian Flavouring & Food Co. Ltd.	2,700	60,569	56,327
JD.com Inc., Class 'A'	1,150	59,259	51,117
Jiangsu Hengrui Medicine Co. Ltd.	3,000	29,195	30,194
Li Ning Co. Ltd.	6,000	87,306	83,075
LONGi Green Energy Technology Co. Ltd.	1,600	29,426	27,374
Midea Group Co. Ltd.	4,400	59,563	64,458
Proya Cosmetics Co. Ltd.	1,000	39,468	41,344
Shanghai International Airport Co. Ltd.	4,300	42,475	39,847
Tencent Holdings Ltd.	2,100	166,895	155,618
WuXi Biologics (Cayman) Inc.	2,500	39,669	37,535
Xpeng Inc.	1,800	54,050	54,400
		1,064,315	980,566
Global Broad Equity (17.57%)			
Franklin FTSE Brazil ETF	4,340	105,243	96,512
iShares MSCI India ETF	5,900	367,389	342,039
iShares MSCI Saudi Arabia ETF	900	48,549	46,552
		521,181	485,103
South Korea (12.59%)			
Kakao Corp.	600	81,828	71,827
KakaoBank Corp.	800	55,806	50,226
LG Household & Health Care Ltd.	55	72,344	64,202
NAVER Corp.	230	100,798	92,635
Shinhan Financial Group Co. Ltd.	1,750	70,068	68,528
		380,844	347,418
Taiwan (7.31%)			
MediaTek Inc.	2,000	94,209	108,815
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	610	86,998	92,834
		181,207	201,649
Argentina (3.95%)			
MercadoLibre Inc.	64	113,430	109,162

Schedule of Investments (continued)

As at December 31, 2021

Security	Shares	Average Cost	Fair Value
Mexico (3.41%)			
Grupo Financiero Banorte SAB de CV	5,700	48,117	46,894
Wal-Mart de Mexico SAB de CV, Series 'V'	10,000	43,056	47,088
		91,173	93,982
Indonesia (3.18%)			
PT Bank Central Asia TBK	135,600	89,336	87,855
Netherlands (2.58%)			
X5 Retail Group NV, GDR	1,100	40,006	36,832
Yandex NV, Class 'A'	450	42,977	34,438
		82,983	71,270
Singapore (1.74%)			
Sea Ltd., ADR	170	76,980	48,107
Russia (1.73%)			
Sberbank of Russia PJSC, ADR	2,350	61,014	47,711
South Africa (1.60%)			
Clicks Group Ltd.	600	14,362	15,028
FirstRand Ltd.	3,100	15,488	14,962
Mr. Price Group Ltd.	900	15,798	14,253
		45,648	44,243
Cyprus (1.35%)			
TCS Group Holdings PLC	350	47,517	37,331
Thailand (1.21%)			
CP ALL PCL	15,000	36,377	33,512
Greece (1.05%)			
Alpha Bank SA	18,600	29,518	28,849
Kazakstan (0.98%)			
Halyk Savings Bank of Kazakhstan JSC, GDR	1,300	29,763	27,133
Colombia (0.67%)			
Frontera Energy Corp.	1,800	16,153	18,432

Schedule of Investments (continued)

As at December 31, 2021

Security	Shares	Average Cost	Fair Value
United Arab Emirates (0.51%)			
Network International Holdings PLC	2,800	16,503	14,008
TOTAL GLOBAL EQUITIES		2,883,942	2,676,331
Transaction Costs		(4,973)	
TOTAL INVESTMENT PORTFOLIO (96.95%)		\$ 2,878,969	\$ 2,676,331
Cash and cash equivalents (3.87%)			106,860
Other assets less liabilities (-0.82%)			(22,698)
TOTAL NET ASSETS (100.00%)			\$ 2,760,493

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Period from Inception on September 7, 2021 to December 31, 2021

1. REPORTING ENTITY

Horizons Emerging Markets Leaders ETF (“HEMC” 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 October 19, 2021. 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 A units (“Class A”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HEMC. 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 HEMC is to seek long-term capital growth by investing in equity securities of issuers that are: (i) in emerging markets; or (ii) tied economically to emerging markets.

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 Mirae Asset Global Investments (USA) LLC. (“Mirae Asset USA” or the “Sub-Advisor”), to act as the sub-advisor to the ETF.

2. BASIS OF PREPARATION

(i) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

These financial statements were authorized for issue on March 11, 2022, 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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

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

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

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

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

Financial assets and financial liabilities at FVTPL are initially recognized on the trade date, at fair value (see below), with transaction costs recognized in the statement 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 statement of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also, the summary of fair value measurements in note 6.

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

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 statement 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 statement of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statement 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 statement of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable units

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

(b) Investment income

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

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

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 statement 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 statement 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 statement of comprehensive income.

(c) Foreign currency

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

(f) Unitholder transactions

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

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

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

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

(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 statement 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 COVID-19 virus is an ongoing but fading risk to the global recovery and as such it continues to have an impact and is a risk in the markets in which the ETF operates. COVID variants are still causing economic uncertainty, and may impact estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements related 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, 2021 and for the period ended December 31, 2021.

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

5. FINANCIAL INSTRUMENTS RISK

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

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

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. The following tables indicate the foreign currencies to which the ETF had significant exposure as at December 31, 2021, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

December 31, 2021	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Chinese Yuan	344	–	344	3
Hong Kong Dollar	637	–	637	6
Indian Rupee	342	–	342	3
Korean Won	348	–	348	3
U.S. Dollar	502	–	502	5
Other Currencies*	556	–	556	6
Total	2,729	–	2,729	26
As % of Net Asset Value	98.9%	0.0%	98.9%	0.9%

* The ETF has exposure to several other foreign currencies through its portfolio holdings, none of which represent more than 5% of the ETF's net assets. A 1% increase or decrease in any one those currencies relative to the Canadian dollar would have an immaterial impact on the ETF.

(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.

As at December 31, 2021, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

(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, 2021
MSCI Emerging Market Index	(\$1,894)

(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 statement of financial position. The ETF's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the ETF's prospectus and, when necessary, receiving acceptable collateral.

As at December 31, 2021, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(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 Period from Inception on September 7, 2021 to December 31, 2021

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, 2021, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2021		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets			
Equities	2,191,228	–	–
Exchange Traded Funds	485,103	–	–
Total Financial Assets	2,676,331	–	–
Total Financial Liabilities	–	–	–
Net Financial Assets and Liabilities	2,676,331	–	–

There were no investments or transactions classified in Level 3 for the period ended December 31, 2021.

7. SECURITIES LENDING

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

As at December 31, 2021, the ETF was not participating in any securities lending transactions. For the period ended December 31, 2021, the ETF did not earn any income from securities lending transactions.

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

8. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class A 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 period. 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 statement 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 period ended December 31, 2021, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2021	–	300,001	–	300,001	300,001

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

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 0.75%, 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; withholding taxes; and fees payable to service providers in connection with regulatory compliance and tax matters in foreign jurisdictions.

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

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 period ended December 31, 2021, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2021	\$8,929	\$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 statement of comprehensive income. The management fees payable by the ETF as at December 31, 2021, are disclosed in the statement of financial position.

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

11. INCOME TAX

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

12. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forward may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2021, 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
\$14,367	–	–

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 statement 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. As at December 31, 2021, the ETF did not have any financial instruments eligible for offsetting.

Notes to Financial Statements (continued)

For the Period from Inception on September 7, 2021 to December 31, 2021

14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statement of financial position and listed in the schedule of investments. As at December 31, 2021, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at December 31, 2021	Place of Business	Type	Ownership %	Carrying Amount
iShares MSCI India ETF	U.S.	SE	0.00%	\$342,039

15. SUBSEQUENT EVENTS

As a result of the military invasion of Ukraine in late February 2022, trading halts were imposed on Russian exposed securities along with wide-ranging economic sanctions from across the globe against Russia. The valuation of emerging market securities held in ETF will experience continued volatility due to the geopolitical risks unfolding during the year. The Manager is continuing to use internal risk management controls to manage and control market risk exposure on the ETF.

Manager

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