



Horizons Active Ultra-Short Term Investment Grade Bond ETF
(Formerly Horizons Active Floating Rate Bond ETF)
(HFR: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.

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Horizons Active Ultra-Short Term Investment Grade Bond ETF (Formerly Horizons Active Floating Rate Bond ETF) (“HFR” 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 HFR is to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of interest rate fluctuations on the ETF. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly and hedges the portfolio’s interest rate risk by maintaining a portfolio duration that is not more than one year. HFR may also invest directly in debt of U.S. companies, directly, as well as indirectly through investments in securities of Listed Funds, as they are defined in the ETF’s prospectus. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

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

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

Management Discussion of Fund Performance (continued)

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

The Sub-Advisor may, from time to time, invest in Canadian and foreign government debt, municipal bonds, Listed Funds, cash and cash equivalents which generally in the aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HFR must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt and debt-like securities rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt (including debt-like securities) will not exceed 5%, by value, of the securities held by HFR.

The Sub-Advisor of HFR may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the ETF's Independent Review Committee ("IRC") and is subject to certain other provisions of National Instrument 81-107 ("NI 81-107"). The Sub-Advisor may sell short debt and debt-like securities it believes will underperform on a relative basis.

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed-income related exchange traded funds. HFR may also use both long and short derivative instruments, including future contracts, to manage duration, credit exposure, portfolio yield and currency risk.

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

Risk

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

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

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

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

Management Discussion of Fund Performance (continued)

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

Results of Operations

For the year ended December 31, 2021, units of the ETF returned 0.83% when including distributions paid to unitholders. This compares to the year-end yield of 0.45% for the 3-month Canadian Dealer Offered Rate (“CDOR”).

CDOR is a key industry-determined financial benchmark in Canada. CDOR is the rate at which contributors are willing to extend credit to corporate clients utilizing a bankers’ acceptance facility. The use of CDOR is expected to be discontinued in 2022 and the Canadian Overnight Repo Rate Average (CORRA) will become a key risk-free interest rate benchmark in Canada. CORRA is a robust, transaction-based benchmark that reflects billions of dollars in daily overnight repo transactions. It meets global benchmark standards and is similar to other global risk-free rates (RFRs).

General Market Review

Risk assets rose higher at the beginning of 2021, as vaccinations and re-openings, especially in the U.S., spurred economic activity. Conversely, bond markets reversed direction and sold off significantly after the U.S. approved a massive \$1.9 trillion fiscal package, forcing fixed-income investors to quickly adjust their expectations higher for both growth and inflation. Initially, the yield curve steepened, as central banks were in no hurry to take their foot off the gas pedal, but short-term rates later increased significantly, and the long end rallied causing the curve to flatten.

In the second half of 2021, risks assets paused and bond yields reversed course, moving marginally higher as inflationary pressures continued to cause uncertainty in markets. Supply shortages and the Delta COVID-19 variant slowed activity, but progress on vaccinations along with monetary and fiscal support helped economic activity expand and employment to strengthen. Another variant, Omicron, showed up late in the year. As the initial worry of renewed shutdowns rattled markets, early data showed that Omicron’s effects were not as severe as previously thought, and it wasn’t long before equity markets rallied.

Management Discussion of Fund Performance (continued)

Bonds continued to move in the opposite direction, as the front end of the yield curve moved materially higher in anticipation of interest rate hikes in 2022. The early thesis from central banks had been that the rise in inflation was completely transitory, caused by COVID-19 and creating supply chain disruptions and higher prices. The premise was that as economies re-opened, supply chain issues would dissipate, and inflation would decrease. Now there is an acknowledgement that the spike in inflation is not completely transitory, and it is time to remove some of the emergency stimulus before inflation expectations move permanently higher.

The Bank of Canada (“BoC”) became more hawkish in October when it ended its quantitative easing program and brought forward the projected timing of interest rate hikes. The BoC expects the output gap to close sometime between the second and third quarters of 2022, instead of later in the second half of 2022, as previously expected. By the end of September, the market had already been building in expectations of three rate hikes to 1%. After the BoC announcement, market participants moved those expectations to 1.50%.

All these developments caused the Government of Canada 10-year bond yield to shoot higher in 2021, from 0.68% at the end of 2020 to 1.42% by the end of 2021. As a result, we saw the yield curve steepen. In this environment, mid-term provincial bond spreads tightened by 6 basis points (“bps”) on average, to 62 bps, and mid-term corporate spreads tightened by 7 bps on average, to 116 bps.

Portfolio Review

The ETF benefitted from its high carry over the course of the year. Renewed risk appetite for credit products early in the year caused corporate spreads to tighten, boosting the ETF’s performance. However, there was some spread widening during the fourth quarter, which dragged on performance.

The ETF’s very low portfolio duration, kept between 0 and 1 year, minimized capital losses as rates rose. As fears over the Omicron variant picked up late in the fourth quarter, the reversal in rates slightly supported the ETF’s absolute performance.

Spread compensation was sufficient to offset the weaker market tone as we approached year-end and mitigate the negative move in spreads. The ETF’s selection in the real estate, financial, pipelines, and industrial sectors provided added value.

During the year, the ETF lowered its allocation to AAA-rated, AA-rated, and BBB-rated bonds in order to increase its allocation to single A-rated issues. Increased weightings to the financial, communications and industrial sectors came at the expense of the real estate and securitization sectors.

Outlook

Fiera’s outlook for global economic growth and inflation in 2022 remains positive. The Omicron variant is very contagious, hospitalizations are increasing, but this variant is considered less severe. Growth in the first quarter of 2022 is expected to be soft, but if the disruption from Omicron is not significant, we expect closures to be short-lived and for the economy to operate above potential for the balance of the year.

Fiscal spending, pent-up demand and modest accommodative monetary policy will be the drivers of the recovery. In Canada, we have recovered jobs lost since the start of the pandemic, while in the U.S., job gains have been strong, and the unemployment rate has declined substantially. Inflation is well above the target levels of central banks, and although we expect it to decline as economies re-open and supply chain issues correct, underlying demand still requires higher

Management Discussion of Fund Performance (continued)

interest rates to keep inflation expectations anchored. Although the terminal rate should be low during this cycle, it is expected that both the U.S. Federal Reserve and the BoC will hike rates multiple times in 2022, likely beginning in the second quarter. The ETF's portfolio is positioned for higher yields, but Fiera is expecting high levels of volatility in financial markets as they adjust to this new paradigm, which should provide trading opportunities.

The ETF continues to have a modest overweight in credit, which should perform well as the economy re-opens. Any bouts of wider spreads should present new entry points. The Sub-Advisor is being very selective, focusing on names that have value, while also actively looking to sell expensive credits.

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

For the year ended December 31, 2021, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$6,633,668. This compares to \$14,626,006 for the year ended December 31, 2020. The ETF incurred management, operating and transaction expenses of \$2,568,070 (2020 – \$2,433,784) of which \$131,848 (2020 – \$106,709) 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 \$6,642,646 to unitholders during the year (2020 – \$13,479,804).

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 2020, and for the years ended December 31, 2021 and 2020.

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks has been taking place globally aimed at replacing some interbank offered rates (IBOR) with alternative nearly risk-free rates. The ETF has exposure to the IBOR reform as it holds interest rate swap products with cash flows that reference the 3-month U.S. dollar (USD) London Inter-Bank Offered Rate

Management Discussion of Fund Performance (continued)

(LIBOR) and the 3-month CDOR. The 3-month USD LIBOR rate is slated to transition on June 30, 2023 and the Canadian Alternative Reference Rate Working Group has recommended to cease publication of all CDORs by the end of June 2024. As a result of these developments, the Manager has begun to monitor and assess options to transition any derivative contracts that reference IBOR cash flows to alternative nearly risk-free rates. There are potential risks related to this transition as a result of changes in the Manager's internal operations, capabilities and systems (e.g. valuation models).

The below chart provides information on the number of unreformed contracts still outstanding for the ETF as at December 31, 2021.

Asset Type	Benchmark before Reform	Benchmark after Reform	Number of Unreformed Contracts
Derivative	LIBOR	SOFR	1
Derivative	CDOR	CORRA	48

ETF Name Change

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

Related Party Transactions

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

Manager, Trustee and Investment Manager

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 13) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2021 and 2020, are disclosed in the statements of financial position.

Financial Highlights

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

The ETF's Net Assets per Unit

Year ⁽¹⁾	2021	2020	2019	2018	2017
Net assets, beginning of year	\$ 10.13	10.07	9.91	10.06	10.03
Increase from operations:					
Total revenue	0.17	0.24	0.31	0.29	0.25
Total expenses	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Realized gains (losses) for the year	0.03	–	(0.03)	(0.02)	0.01
Unrealized gains (losses) for the year	(0.07)	0.06	0.19	(0.13)	0.02
Total increase from operations ⁽²⁾	0.08	0.25	0.42	0.09	0.23
Distributions:					
From net investment income (excluding dividends)	(0.11)	(0.18)	(0.26)	(0.23)	(0.20)
From net realized capital gains	(0.02)	–	–	–	(0.01)
From return of capital	–	(0.09)	–	–	–
Total annual distributions ⁽³⁾	(0.13)	(0.27)	(0.26)	(0.23)	(0.21)
Net assets, end of year ⁽⁴⁾	\$ 10.09	10.13	10.07	9.91	10.06

- 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

Year ⁽¹⁾	2021	2020	2019	2018	2017
Total net asset value (000's)	\$ 529,684	451,446	671,043	704,242	419,357
Number of units outstanding (000's)	52,508	44,544	66,617	71,031	41,703
Management expense ratio ⁽²⁾	0.47%	0.47%	0.46%	0.46%	0.46%
Management expense ratio before waivers and absorptions ⁽³⁾	0.49%	0.49%	0.48%	0.49%	0.50%
Trading expense ratio ⁽⁴⁾	0.00%	0.00%	0.00%	0.00%	0.01%
Portfolio turnover rate ⁽⁵⁾	18.22%	11.97%	22.17%	10.35%	25.52%
Net asset value per unit, end of year	\$ 10.09	10.13	10.07	9.91	10.06
Closing market price	\$ 10.08	10.15	10.08	9.92	10.07

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

Financial Highlights (continued)

Management Fees

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

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

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

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

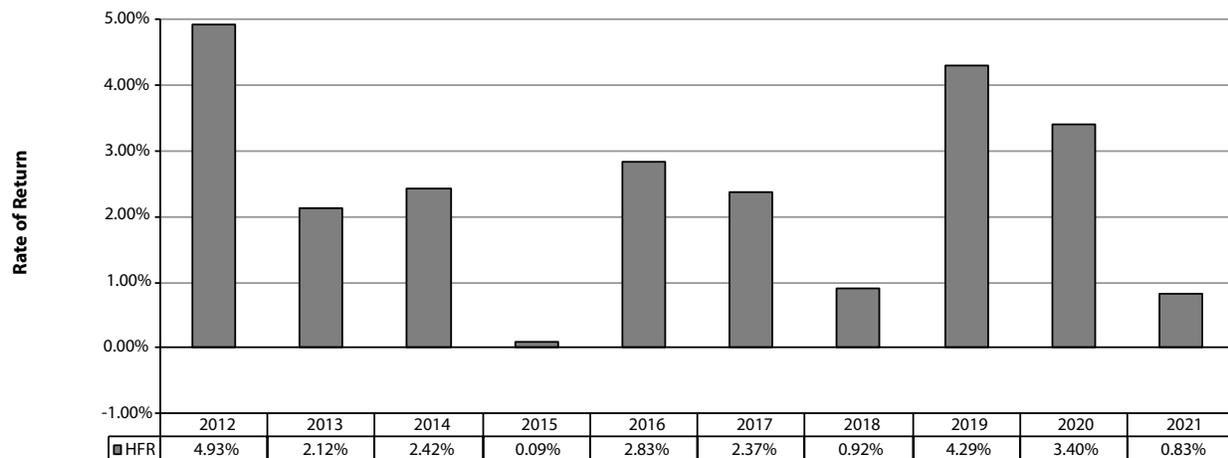
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
4%	90%	6%

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on December 12, 2010.

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.

	1 Year	3 Year	5 Year	10 Year	Since Inception
Horizons Active Ultra-Short Term Investment Grade Bond ETF	0.83%	2.83%	2.36%	2.43%	2.36%
3-Month CDOR	0.45%	1.21%	1.30%	1.23%	1.23%

The ETF effectively began operations on December 12, 2010.

Summary of Investment Portfolio

As at December 31, 2021

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Canadian Fixed Income Securities	\$ 462,109,162	87.24%
U.S. Fixed Income Securities	57,836,127	10.92%
Global Fixed Income Securities	1,663,772	0.32%
Currency Forward Hedge*	44,535	0.01%
Interest Rate Swaps*	(1,765,829)	-0.34%
Cash and Cash Equivalents	5,709,144	1.08%
Margin Deposits	2,215,243	0.42%
Other Assets less Liabilities	2,198,738	0.41%
Short Positions		
Futures Contracts–Interest Rate Hedge*	(326,760)	-0.06%
	\$ 529,684,132	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Corporate Bonds	\$ 516,239,392	97.47%
Mortgage Backed Securities	2,617,728	0.49%
Municipal Bonds	1,738,396	0.33%
Provincial Bonds	1,013,545	0.19%
Currency Forward Hedge*	44,535	0.01%
Interest Rate Swaps*	(1,765,829)	-0.34%
Cash and Cash Equivalents	5,709,144	1.08%
Margin Deposits	2,215,243	0.42%
Other Assets less Liabilities	2,198,738	0.41%
Short Positions		
Futures Contracts–Interest Rate Hedge*	(326,760)	-0.06%
	\$ 529,684,132	100.00%

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

Summary of Investment Portfolio (continued)

As at December 31, 2021

Top 25 Holdings*	% of ETF's Net Asset Value
Toronto-Dominion Bank (The)	5.50%
Royal Bank of Canada	5.47%
Canadian Imperial Bank of Commerce	5.44%
Bank of Nova Scotia (The)	4.67%
Bank of Montreal	3.82%
Wells Fargo & Co.	3.24%
Bell Canada	3.07%
Federation des Caisses Desjardins du Québec	2.72%
Pembina Pipeline Corp.	2.53%
Inter Pipeline Ltd.	2.53%
Manulife Financial Corp.	2.52%
Enbridge Inc.	2.14%
Bank of America Corp.	2.14%
Choice Properties REIT	2.11%
Sun Life Financial Inc.	1.95%
AltaGas Ltd.	1.94%
Rogers Communications Inc.	1.84%
TransCanada PipeLines Ltd.	1.62%
H&R REIT	1.59%
Loblaw Cos. Ltd.	1.52%
Ford Credit Canada Co.	1.43%
Canadian Natural Resources Ltd.	1.39%
Canadian Western Bank	1.37%
Metro Inc.	1.36%
Laurentian Bank of Canada	1.34%

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

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Horizons Active Ultra-Short Term Investment Grade Bond ETF (*Formerly Horizons Active Floating Rate Bond 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 Active Ultra-Short Term Investment Grade Bond ETF (Formerly Horizons Active Floating Rate Bond ETF) (the "ETF")

Opinion

We have audited the financial statements of the ETF, which comprise the statements of financial position as at December 31, 2021 and 2020, the statements of comprehensive income, changes in financial position and cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended 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

Statements of Financial Position

As at December 31,

	2021	2020
Assets		
Cash and cash equivalents	\$ 5,709,144	\$ 19,327,497
Investments	521,609,061	444,029,661
Margin deposits (note 11)	2,215,243	1,409,637
Amounts receivable relating to accrued income	2,049,330	1,761,765
Amounts receivable relating to securities issued	1,008,379	506,663
Derivative assets (note 3)	2,503,638	9,168
Total assets	535,094,795	467,044,391
Liabilities		
Accrued management fees	198,420	168,055
Accrued operating expenses	11,211	8,906
Distribution payable	649,340	934,819
Derivative liabilities (note 3)	4,551,692	14,486,475
Total liabilities	5,410,663	15,598,255
Total net assets (note 2)	\$ 529,684,132	\$ 451,446,136
Number of redeemable units outstanding (note 8)	52,508,399	44,544,010
Total net assets per unit	\$ 10.09	\$ 10.13

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Thomas Park
 Director

Statements of Comprehensive Income

For the Years Ended December 31,

	2021	2020
Income		
Interest income for distribution purposes	\$ 8,768,375	\$ 11,958,483
Securities lending income (note 7)	20,324	16,785
Net realized gain on sale of investments and derivatives	1,389,804	37,392
Net realized loss on foreign exchange	(52,440)	(6,383)
Net change in unrealized appreciation (depreciation) of investments and derivatives	(3,493,659)	2,619,619
Net change in unrealized appreciation of foreign exchange	1,264	110
	6,633,668	14,626,006
Expenses (note 9)		
Management fees	2,312,827	2,215,536
Audit fees	13,305	16,589
Independent Review Committee fees	911	726
Custodial and fund valuation fees	142,981	109,078
Legal fees	14,084	13,100
Securityholder reporting costs	34,407	49,338
Administration fees	27,757	26,941
Transaction costs	13,804	2,468
Other expenses	7,994	8
	2,568,070	2,433,784
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(131,848)	(106,709)
	2,436,222	2,327,075
Increase in net assets for the year	\$ 4,197,446	\$ 12,298,931
Increase in net assets per unit	\$ 0.08	\$ 0.25

(See accompanying notes to financial statements)

Statements of Changes in Financial Position

For the Years Ended December 31,

	2021		2020	
Total net assets at the beginning of the year	\$	451,446,136	\$	671,043,213
Increase in net assets		4,197,446		12,298,931
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		171,801,760		64,466,203
Aggregate amounts paid on redemption of securities of the investment fund		(91,264,299)		(283,148,287)
Securities issued on reinvestment of distributions		145,735		265,880
Distributions:				
From net investment income		(5,819,682)		(9,251,274)
From net realized capital gains		(822,964)		–
Return of capital		–		(4,228,530)
Total net assets at the end of the year	\$	529,684,132	\$	451,446,136

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2021	2020
Cash flows from operating activities:		
Increase in net assets for the year	\$ 4,197,446	\$ 12,298,931
Adjustments for:		
Net realized gain on sale of investments and derivatives	(1,389,804)	(37,392)
Net realized gain (loss) on currency forward contracts	(20,302)	311,349
Net change in unrealized depreciation (appreciation) of investments and derivatives	3,493,659	(2,619,619)
Net change in unrealized depreciation (appreciation) of foreign exchange	854	(653)
Purchase of investments	(189,467,771)	(64,985,114)
Proceeds from the sale of investments	97,941,117	213,731,373
Margin deposits	(805,606)	1,007,213
Amounts receivable relating to accrued income	(287,565)	3,164,319
Accrued expenses	32,670	(98,449)
Net cash from (used in) operating activities	(86,305,302)	162,771,958
Cash flows from financing activities:		
Amount received from the issuance of units	168,421,632	60,461,153
Amount paid on redemptions of units	(88,951,439)	(191,901,080)
Distributions paid to unitholders	(6,782,390)	(13,966,520)
Net cash from (used in) financing activities	72,687,803	(145,406,447)
Net increase (decrease) in cash and cash equivalents during the year	(13,617,499)	17,365,511
Effect of exchange rate fluctuations on cash and cash equivalents	(854)	653
Cash and cash equivalents at beginning of year	19,327,497	1,961,333
Cash and cash equivalents at end of year	\$ 5,709,144	\$ 19,327,497
Interest received, net of withholding taxes	\$ 8,480,810	\$ 15,122,802

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2021

Security	Par Value/ Contracts/ Notional		Average Cost		Fair Value
CANADIAN FIXED INCOME SECURITIES (87.24%)					
Corporate Bonds (86.23%)					
Alimentation Couche-Tard Inc., Callable, 3.06%, 2024/07/26	2,672,000	\$	2,626,609	\$	2,753,713
Alimentation Couche-Tard Inc., Series '5', Callable, 3.60%, 2025/06/02	2,801,000		2,818,051		2,946,247
Allied Properties REIT, Series 'C', Callable, 3.64%, 2025/04/21	125,000		133,106		130,488
Allied Properties REIT, Series 'E', Callable, 3.11%, 2027/04/08	2,202,000		2,184,615		2,264,430
AltaGas Ltd., Callable, 3.57%, 2023/06/12	2,900,000		2,985,962		2,969,548
AltaGas Ltd., Callable, 4.40%, 2024/03/15	4,000,000		4,113,382		4,198,119
AltaGas Ltd., Callable, 2.16%, 2025/06/10	587,000		587,000		587,691
AltaGas Ltd., Callable, 4.12%, 2026/04/07	345,000		363,844		369,551
AltaGas Ltd., Callable, 2.08%, 2028/05/30	2,255,000		2,255,000		2,180,067
Bank of Montreal, 2.85%, 2024/03/06	6,964,000		6,993,880		7,151,880
Bank of Montreal, 2.28%, 2024/07/29	5,993,000		5,990,467		6,085,556
Bank of Montreal, Callable, 2.37%, 2025/01/17	1,448,000		1,447,986		1,472,920
Bank of Montreal, Variable Rate, Callable, 2.88%, 2029/09/17	2,079,000		2,078,813		2,129,205
Bank of Montreal, Variable Rate, Callable, 3.80%, 2032/12/15	2,490,000		3,290,258		3,383,346
Bank of Nova Scotia (The), 2.38%, 2023/05/01	2,562,000		2,603,274		2,598,434
Bank of Nova Scotia (The), 2.49%, 2024/09/23	6,964,000		7,200,041		7,109,190
Bank of Nova Scotia (The), 2.16%, 2025/02/03	2,292,000		2,291,244		2,317,654
Bank of Nova Scotia (The), 1.85%, 2026/11/02	4,318,000		4,316,920		4,273,923
Bank of Nova Scotia (The), Variable Rate, Callable, 2.58%, 2027/03/30	441,000		435,439		442,963
Bank of Nova Scotia (The), Variable Rate, Callable, 3.89%, 2029/01/18	3,898,000		3,910,312		4,061,677
Bank of Nova Scotia (The), Variable Rate, Callable, 2.84%, 2029/07/03	3,810,000		3,853,673		3,894,011
Bell Canada, Series 'M-26', Callable, 3.35%, 2023/03/22	3,706,000		3,753,551		3,781,942
Bell Canada, Callable, 2.70%, 2024/02/27	4,300,000		4,174,320		4,389,738
Bell Canada, Callable, 1.65%, 2027/08/16	5,976,000		5,823,672		5,766,502
Bell Canada, Callable, 3.60%, 2027/09/29	2,200,000		2,402,884		2,342,451
BMW Canada Auto Trust, Class 'A3', Series '19-1', Callable, 2.35%, 2022/06/20	914,387		914,387		918,474
BMW Canada Auto Trust, Class 'A3', Series '21-1', Callable, 0.76%, 2025/12/20	387,000		387,000		381,573
BMW Canada Inc., Series 'X', 0.99%, 2025/01/14	951,000		950,886		930,267
Brookfield Asset Management Inc., Callable, 5.04%, 2024/03/08	5,500,000		5,926,264		5,847,663
Brookfield Renewable Partners ULC, Callable, 3.63%, 2027/01/15	2,000,000		2,028,540		2,129,689
Canadian Imperial Bank of Commerce, 2.43%, 2023/06/09	6,000,000		5,998,380		6,093,640
Canadian Imperial Bank of Commerce, 1.70%, 2026/07/15	2,783,000		2,786,002		2,743,939
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.45%, 2028/04/04	13,636,000		13,557,692		13,959,261
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.95%, 2029/06/19	4,811,000		4,928,151		4,927,072

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 1.96%, 2031/04/21	1,100,000	1,099,637	1,085,612
Canadian Natural Resources Ltd., 1.45%, 2023/11/16	901,000	901,710	898,068
Canadian Natural Resources Ltd., Callable, 3.55%, 2024/06/03	5,889,000	5,939,073	6,109,485
Canadian Natural Resources Ltd., Callable, 3.42%, 2026/12/01	350,000	372,732	366,773
Canadian Pacific Railway Co., Callable, 2.54%, 2028/02/28	1,206,000	1,205,879	1,226,507
Canadian Western Bank, 1.57%, 2023/09/14	2,960,000	2,985,995	2,963,798
Canadian Western Bank, Callable, 1.93%, 2026/04/16	4,330,000	4,339,642	4,292,251
Genovus Energy Inc., Callable, 3.50%, 2028/02/07	1,479,000	1,462,687	1,548,645
Central 1 Credit Union, 2.58%, 2023/12/06	2,819,000	2,819,000	2,875,014
Central 1 Credit Union, 1.32%, 2026/01/29	1,323,000	1,323,000	1,288,228
CHIP Mortgage Trust, 1.74%, 2045/12/15	925,000	925,000	914,628
Choice Properties REIT, Series 'G', Callable, 3.20%, 2023/03/07	800,000	800,000	815,352
Choice Properties REIT, Series 'B', Callable, 4.90%, 2023/07/05	1,501,000	1,598,929	1,564,034
Choice Properties REIT, Series 'K', Callable, 3.56%, 2024/09/09	6,200,000	6,180,291	6,456,927
Choice Properties REIT, Series 'F', Callable, 4.06%, 2025/11/24	1,076,000	1,142,325	1,148,763
Choice Properties REIT, Series 'Q', Callable, 2.46%, 2026/11/30	900,000	900,000	907,863
Choice Properties REIT, Series 'L', Callable, 4.18%, 2028/03/08	250,000	278,792	273,344
Clover L.P., Series '1B', Sinkable, 4.22%, 2034/06/30	2,664,367	2,664,418	2,855,541
CNH Capital Canada Receivables Trust, Class 'A2', Series '18-1', Callable, 2.75%, 2024/08/15	347,747	347,747	347,978
CNH Capital Canada Receivables Trust, Class 'A2', Series '19-1', Restricted, Callable, 2.18%, 2025/11/17	501,293	501,293	505,864
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.00%, 2028/05/03	3,598,000	3,623,963	3,748,561
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.25%, 2030/10/29	450,000	450,000	493,239
Cominar REIT, Series '10', 4.25%, 2023/05/23	1,300,000	1,281,007	1,333,251
Concentra Bank, 1.46%, 2024/05/17	925,000	925,000	916,985
Co-operators Financial Services Ltd., Callable, 3.33%, 2030/05/13	750,000	773,475	764,098
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	2,429,000	2,443,930	2,551,677
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	1,366,000	1,366,000	1,454,463
Crombie REIT, Series 'H', Callable, 2.69%, 2028/03/31	219,000	219,000	218,692
CT REIT, Series 'B', Callable, 3.53%, 2025/06/09	595,000	632,152	621,532
CT REIT, Series 'D', Callable, 3.29%, 2026/06/01	151,000	159,476	157,035
Daimler Canada Finance Inc., 2.57%, 2022/11/22	14,000	14,410	14,185
Daimler Canada Finance Inc., 2.54%, 2023/08/21	202,000	209,236	205,522
Daimler Canada Finance Inc., 2.97%, 2024/03/13	322,000	338,796	331,156
Daimler Canada Finance Inc., 1.65%, 2025/09/22	1,209,000	1,207,150	1,197,037
Daimler Trucks Finance Canada Inc., 1.85%, 2023/12/15	2,132,000	2,131,659	2,138,963
Eagle Credit Card Trust, Series 'A', 2.22%, 2024/07/17	195,000	195,441	197,942

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Eagle Credit Card Trust, Series 'A', 1.27%, 2025/07/17	414,000	414,000	407,161
Emera Inc., 2.90%, 2023/06/16	1,347,000	1,372,536	1,373,780
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.66%, 2028/03/15	1,380,000	1,400,197	1,415,835
Enbridge Inc., Series '10', 3.94%, 2023/01/13	1,012,000	1,040,103	1,039,345
Enbridge Inc., Callable, 3.94%, 2023/06/30	4,500,000	4,644,476	4,634,478
Enbridge Inc., Callable, 3.20%, 2027/06/08	1,476,000	1,557,652	1,534,075
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,662,000	3,707,451	4,150,337
Enbridge Pipelines Inc., Callable, 3.45%, 2025/09/29	400,000	441,660	420,524
ENMAX Corp., Series '6', Callable, 3.33%, 2025/06/02	2,378,000	2,377,905	2,471,207
Federation des Caisses Desjardins du Québec, 2.42%, 2024/10/04	1,960,000	1,994,994	1,995,905
Federation des Caisses Desjardins du Québec, Floating Rate, Callable, 2.86%, 2030/05/26	10,103,000	10,377,068	10,327,882
Federation des Caisses Desjardins du Québec, Variable Rate, Callable, 1.99%, 2031/05/28	2,075,000	2,075,000	2,046,817
First Capital REIT, Series 'Q', Callable, 3.90%, 2023/10/30	586,000	593,131	605,937
First Capital REIT, Series 'R', Callable, 4.79%, 2024/08/30	1,100,000	1,170,268	1,170,842
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	465,000	465,000	478,009
Ford Auto Securitization Trust, Class 'A3', Series '19-A', Callable, 2.55%, 2024/09/15	1,350,000	1,350,000	1,366,062
Ford Auto Securitization Trust, Class 'A3', Series '19-B', Callable, 2.47%, 2025/02/15	2,325,000	2,325,000	2,359,064
Ford Auto Securitization Trust, Class 'A3', Series '20-A', Callable, 1.15%, 2025/11/15	74,000	74,207	73,252
Ford Credit Canada Co., 2.71%, 2022/02/23	2,798,000	2,749,042	2,803,352
Ford Credit Canada Co., 3.35%, 2022/09/19	1,459,000	1,459,000	1,471,773
Ford Credit Canada Co., 3.74%, 2023/05/08	2,419,000	2,419,000	2,463,281
Ford Credit Canada Co., 4.46%, 2024/11/13	750,000	794,287	781,306
General Motors Financial of Canada Ltd., Series '5', 3.25%, 2023/11/07	960,000	986,980	985,896
General Motors Financial of Canada Ltd., 1.70%, 2025/07/09	1,639,000	1,642,248	1,614,314
Genworth MI Canada Inc., Callable, 4.24%, 2024/04/01	1,160,000	1,165,137	1,214,845
Gibson Energy Inc., Callable, 2.45%, 2025/07/14	1,119,000	1,116,807	1,131,797
Glacier Credit Card Trust, Series '20', 1.39%, 2025/09/22	1,479,000	1,479,000	1,456,403
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	4,275,000	4,363,081	4,441,400
H&R REIT, Series 'O', Callable, 3.42%, 2023/01/23	1,195,000	1,226,142	1,218,321
H&R REIT, Callable, 3.37%, 2024/01/30	6,981,000	6,961,095	7,178,153
Honda Canada Finance Inc., 2.54%, 2023/03/01	2,448,000	2,448,000	2,486,018
Honda Canada Finance Inc., 1.71%, 2026/09/28	619,000	619,000	609,031
HSBC Bank Canada, 3.25%, 2023/09/15	2,480,000	2,480,017	2,556,480
HSBC Bank Canada, 1.78%, 2026/05/20	2,048,000	2,048,000	2,031,824

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Hydro One Inc., 0.71%, 2023/01/16	1,164,000	1,163,767	1,159,758
Hyundai Capital Canada Inc., Series 'A', Callable, 2.01%, 2026/05/12	780,000	780,000	772,945
iA Financial Corp. Inc., Variable Rate, Callable, 3.07%, 2031/09/24	2,918,000	2,933,098	3,030,168
Industrial Alliance Insurance and Financial Services Inc., Floating Rate, Callable, 3.30%, 2028/09/15	578,000	577,856	594,264
Intact Financial Corp., Restricted, 1.21%, 2024/05/20	911,000	911,000	902,397
Inter Pipeline Ltd., Callable, 2.61%, 2023/09/13	5,932,000	5,795,985	6,008,030
Inter Pipeline Ltd., Callable, 2.73%, 2024/04/18	3,900,000	3,733,201	3,954,617
Inter Pipeline Ltd., Callable, 3.17%, 2025/03/24	1,800,000	1,761,300	1,844,286
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	1,455,000	1,455,000	1,570,910
John Deere Financial Inc., 1.09%, 2024/07/17	1,105,000	1,104,878	1,091,465
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	1,581,000	1,594,185	1,740,159
Laurentian Bank of Canada, 3.00%, 2022/09/12	77,000	79,465	78,108
Laurentian Bank of Canada, 3.45%, 2023/06/27	57,000	60,036	58,672
Laurentian Bank of Canada, 1.15%, 2024/06/03	2,397,000	2,398,623	2,362,395
Laurentian Bank of Canada, 1.95%, 2025/03/17	1,453,000	1,451,155	1,450,374
Laurentian Bank of Canada, Series 'CBL1', 1.60%, 2026/05/06	417,000	417,000	414,022
Laurentian Bank of Canada, Variable Rate, Callable, 4.25%, 2027/06/22	2,703,000	2,725,645	2,743,350
Loblaw Cos. Ltd., Callable, 4.86%, 2023/09/12	5,399,000	5,823,260	5,661,829
Loblaw Cos. Ltd., Callable, 3.92%, 2024/06/10	982,000	982,000	1,032,175
Loblaw Cos. Ltd., Callable, 4.49%, 2028/12/11	1,205,000	1,399,032	1,359,970
Manufacturers Life Insurance Co. (The), Variable Rate, Callable, 3.18%, 2027/11/22	1,320,000	1,353,990	1,343,678
Manulife Bank of Canada, 2.38%, 2024/11/19	255,000	257,756	260,072
Manulife Financial Corp., Variable Rate, Callable, 3.05%, 2029/08/20	4,059,000	4,115,919	4,185,427
Manulife Financial Corp., Variable Rate, Callable, 2.24%, 2030/05/12	3,036,000	3,066,280	3,062,627
Manulife Financial Corp., Variable Rate, Callable, 4.06%, 2032/02/24	4,465,000	5,596,702	6,084,744
MCAP Commercial L.P., 3.74%, 2025/08/25	516,000	516,000	533,522
MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	1,029,000	1,029,000	1,039,464
Metro Inc., Callable, 2.68%, 2022/12/05	3,919,000	3,884,402	3,973,145
Metro Inc., Series 'J', Restricted, 1.92%, 2024/12/02	779,000	779,000	782,755
Metro Inc., Callable, 3.39%, 2027/12/06	2,300,000	2,488,531	2,439,777
National Bank of Canada, 2.98%, 2024/03/04	2,260,000	2,283,504	2,327,184
National Bank of Canada, 2.55%, 2024/07/12	64,000	64,406	65,379
National Bank of Canada, 2.58%, 2025/02/03	550,000	585,173	562,915
National Bank of Canada, Variable Rate, Callable, 1.57%, 2026/08/18	2,000,000	1,999,980	1,978,691
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'M', Callable, 2.00%, 2026/12/01	3,197,000	3,190,990	3,170,237

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'J', Callable, 2.80%, 2027/06/01	105,000	109,016	107,812
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'F', Callable, 4.25%, 2029/06/01	200,000	227,486	223,111
PACCAR Financial Ltd., 0.99%, 2024/05/14	776,000	776,000	764,655
Parkland Corp., Callable, 3.88%, 2026/06/16	722,000	722,000	718,841
Pembina Pipeline Corp., 2.56%, 2023/06/01	1,040,000	1,073,580	1,054,491
Pembina Pipeline Corp., Callable, 2.99%, 2024/01/22	11,125,000	10,876,170	11,373,995
Pembina Pipeline Corp., Callable, 3.71%, 2026/08/11	95,000	99,981	100,316
Pembina Pipeline Corp., Variable Rate, Callable, 4.80%, 2081/01/25	868,000	868,000	855,896
Reliance L.P., Callable, 3.84%, 2025/03/15	78,000	80,317	81,841
Reliance L.P., Callable, 3.75%, 2026/03/15	1,144,000	1,140,293	1,206,462
Reliance L.P., Callable, 2.68%, 2027/12/01	846,000	855,858	849,460
Reliance L.P., Callable, 2.67%, 2028/08/01	1,279,000	1,286,939	1,278,021
RioCan REIT, Series 'AA', Callable, 3.21%, 2023/09/29	1,779,000	1,786,998	1,821,888
RioCan REIT, Series 'W', 3.29%, 2024/02/12	2,356,000	2,339,799	2,424,076
RioCan REIT, Series 'AE', Restricted, Callable, 2.83%, 2028/11/08	1,248,000	1,248,000	1,258,076
Rogers Communications Inc., Callable, 4.00%, 2024/03/13	65,000	69,774	67,793
Rogers Communications Inc., Callable, 3.65%, 2027/03/31	5,853,000	6,287,852	6,162,550
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	3,478,000	3,478,000	3,530,262
Royal Bank of Canada, 3.30%, 2023/09/26	2,817,000	3,016,951	2,907,601
Royal Bank of Canada, 2.35%, 2024/07/02	5,794,000	5,793,990	5,894,360
Royal Bank of Canada, 1.59%, 2026/05/04	2,632,000	2,633,711	2,592,313
Royal Bank of Canada, 2.33%, 2027/01/28	3,627,000	3,627,000	3,668,951
Royal Bank of Canada, Variable Rate, Callable, 2.74%, 2029/07/25	4,532,000	4,553,010	4,624,913
Royal Bank of Canada, Variable Rate, Callable, 2.88%, 2029/12/23	4,062,000	4,147,425	4,162,311
Royal Bank of Canada, Variable Rate, Callable, 2.14%, 2031/11/03	3,056,000	3,055,236	3,029,932
Royal Bank of Canada, Variable Rate, Callable, 1.67%, 2033/01/28	2,236,000	2,236,000	2,138,759
Shaw Communications Inc., Callable, 4.35%, 2024/01/31	2,000,000	2,093,000	2,093,766
Sienna Senior Living Inc., Series 'A', Callable, 3.11%, 2024/11/04	1,874,000	1,874,000	1,922,107
Sienna Senior Living Inc., Series 'B', Callable, 3.45%, 2026/02/27	138,000	137,983	143,360
Sienna Senior Living Inc., Series 'C', Restricted, Callable, 2.82%, 2027/03/31	631,000	630,710	637,907
SmartCentres REIT, Series 'I', Callable, 3.99%, 2023/05/30	3,140,000	3,223,997	3,243,749
SmartCentres REIT, Series 'O', Callable, 2.99%, 2024/08/28	2,300,000	2,291,840	2,358,592
SmartCentres REIT, Series 'Y', Callable, 2.31%, 2028/12/18	1,300,000	1,300,689	1,259,760
Summit Industrial Income REIT, Series 'A', Callable, 2.15%, 2025/09/17	517,000	516,804	517,293
Sun Life Financial Inc., Variable Rate, Callable, 3.05%, 2028/09/19	1,300,000	1,341,549	1,332,819
Sun Life Financial Inc., Variable Rate, Callable, 2.46%, 2031/11/18	500,000	500,180	505,922

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	4,233,000	4,320,140	4,307,180
Sun Life Financial Inc., Variable Rate, Callable, 2.80%, 2033/11/21	4,116,000	4,115,218	4,209,296
Suncor Energy Inc., Callable, 3.00%, 2026/09/14	1,322,000	1,393,335	1,369,179
Superior Plus L.P., Callable, 4.25%, 2028/05/18	1,664,000	1,664,000	1,677,867
TELUS Corp., Series 'CJ', Callable, 3.35%, 2023/03/15	4,000,000	4,052,376	4,076,434
TELUS Corp., Callable, 3.75%, 2026/03/10	778,000	855,038	825,996
TELUS Corp., Callable, 3.63%, 2028/03/01	500,000	542,540	533,519
Teranet Holdings L.P., Callable, 3.65%, 2022/11/18	3,450,000	3,527,862	3,516,319
Teranet Holdings L.P., Series '20', Callable, 3.54%, 2025/06/11	904,000	904,000	945,304
Toronto Hospital, Series 'DOM1', 5.64%, 2022/12/08	196,717	202,511	202,070
Toronto-Dominion Bank (The), 3.01%, 2023/05/30	7,085,000	7,085,058	7,266,172
Toronto-Dominion Bank (The), 2.85%, 2024/03/08	2,291,000	2,291,000	2,354,662
Toronto-Dominion Bank (The), 2.50%, 2024/12/02	4,664,000	4,664,002	4,764,930
Toronto-Dominion Bank (The), 1.94%, 2025/03/13	3,300,000	3,431,274	3,315,257
Toronto-Dominion Bank (The), 1.13%, 2025/12/09	1,875,000	1,875,000	1,823,179
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.59%, 2028/09/14	3,240,000	3,240,034	3,345,189
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.22%, 2029/07/25	3,024,000	3,046,758	3,122,293
Toronto-Dominion Bank (The), Floating Rate, Callable, 3.06%, 2032/01/26	3,063,000	3,121,477	3,167,267
Toyota Credit Canada Inc., 2.35%, 2022/07/18	64,000	64,209	64,589
Toyota Credit Canada Inc., 1.27%, 2024/07/22	936,000	935,972	927,623
Toyota Credit Canada Inc., 2.31%, 2024/10/23	1,088,000	1,095,793	1,106,417
TransCanada PipeLines Ltd., Callable, 3.69%, 2023/07/19	430,000	441,984	442,511
TransCanada PipeLines Ltd., Callable, 3.30%, 2025/07/17	165,000	170,899	172,057
TransCanada PipeLines Ltd., 7.31%, 2027/01/15	348,000	436,302	419,449
TransCanada PipeLines Ltd., Callable, 3.80%, 2027/04/05	7,110,000	7,835,603	7,598,665
Ventas Canada Finance Ltd., Series 'E', Callable, 2.80%, 2024/04/12	167,000	174,191	170,554
Ventas Canada Finance Ltd., Series 'G', Callable, 2.45%, 2027/01/04	2,264,000	2,259,223	2,276,914
Videotron Ltd., Callable, 3.63%, 2028/06/15	1,573,000	1,568,340	1,548,586
		451,180,330	456,739,493
Mortgage Backed Securities (0.49%)			
Classic RMBS Trust, Class 'A', Series '21-1', Callable, 1.43%, 2051/11/15	933,240	933,240	929,197
Classic RMBS Trust, Class 'A', Series '21-2', Variable Rate, Callable, 1.53%, 2052/03/15	1,073,682	1,073,682	1,067,814
Real Estate Asset Liquidity Trust, Class 'A1', Series '17', Callable, 2.87%, 2022/06/12	137,157	137,157	137,835
Real Estate Asset Liquidity Trust, Class 'A2', Series '17', Callable, 3.64%, 2027/06/12	462,000	461,993	482,882
		2,606,072	2,617,728

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Municipal Bonds (0.33%)			
Aéroports de Montréal, Callable, 6.95%, 2032/04/16	1,147,857	1,463,797	1,429,698
Edmonton Regional Airport Authority, Callable, 7.21%, 2030/11/01	255,231	306,606	308,698
		1,770,403	1,738,396
Provincial Bonds (0.19%)			
New Brunswick F-M Project Co. Inc., Sinkable, Callable, 6.47%, 2027/11/30	886,844	1,043,869	1,013,545
TOTAL CANADIAN FIXED INCOME SECURITIES		456,600,674	462,109,162
U.S. FIXED INCOME SECURITIES (10.92%)			
Corporate Bonds (10.92%)			
AT&T Inc., Callable, 2.85%, 2024/05/25	3,556,000	3,485,500	3,641,433
AT&T Inc., Callable, 4.00%, 2025/11/25	1,871,000	1,944,556	2,000,228
Bank of America Corp., Variable Rate, Callable, 3.30%, 2024/04/24	3,150,000	3,159,537	3,227,584
Bank of America Corp., Variable Rate, Callable, 2.93%, 2025/04/25	2,960,000	2,972,469	3,040,402
Bank of America Corp., Variable Rate, Callable, 3.41%, 2025/09/20	580,000	591,994	603,556
Bank of America Corp., Variable Rate, Callable, 1.98%, 2027/09/15	2,025,000	2,031,714	2,003,509
Bank of America Corp., Variable Rate, Callable, 2.60%, 2029/04/04	2,446,000	2,446,000	2,471,223
Citigroup Inc., 4.09%, 2025/06/09	3,844,000	3,945,679	4,091,431
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 3.31%, 2025/10/31	598,000	598,000	620,385
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.60%, 2027/11/30	1,373,000	1,373,000	1,390,605
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.01%, 2029/02/28	3,117,000	3,117,000	3,038,542
JPMorgan Chase & Co., Floating Rate, Callable, 1.90%, 2028/03/05	4,139,000	4,139,998	4,072,565
Molson Coors International L.P., Callable, 2.84%, 2023/07/15	3,540,000	3,539,327	3,601,507
Morgan Stanley, 3.00%, 2024/02/07	4,768,000	4,819,891	4,903,940
Morgan Stanley, Variable Rate, Callable, 1.78%, 2027/08/04	2,047,000	2,047,000	2,006,408
Wells Fargo & Co., 2.51%, 2023/10/27	1,972,000	2,017,920	2,006,689
Wells Fargo & Co., Callable, 3.18%, 2024/02/08	864,000	864,000	890,506
Wells Fargo & Co., 3.87%, 2025/05/21	5,720,000	5,906,069	6,046,120
Wells Fargo & Co., Variable Rate, Callable, 2.57%, 2026/05/01	2,754,000	2,796,993	2,801,198
Wells Fargo & Co., 2.98%, 2026/05/19	3,261,000	3,496,247	3,372,432
Wells Fargo & Co., 2.49%, 2027/02/18	1,986,000	2,030,284	2,005,864
		57,323,178	57,836,127
TOTAL U.S. FIXED INCOME SECURITIES		57,323,178	57,836,127

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
GLOBAL FIXED INCOME SECURITIES (0.32%)			
Corporate Bonds (0.32%)			
National Australia Bank Ltd., Variable Rate, Callable, 3.52%, 2030/06/12	1,611,000	1,684,191	1,663,772
TOTAL GLOBAL FIXED INCOME SECURITIES		1,684,191	1,663,772
DERIVATIVES (-0.39%)			
Currency Forwards (0.01%)			
Currency forward contract to buy C\$9,125,614 for US\$7,178,000 maturing March 16, 2022		–	44,535
Treasury Bond Futures (-0.06%)			
Short Positions (-0.06%)			
Canadian 10-Year Treasury Bond Futures March 2022 at C\$142.62. Notional Value (C\$11,980,080)	(84)	–	(326,760)
Interest Rate Swaps (-0.34%)			
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.595%, 2022/02/24, C\$	8,000,000	–	(25,373)
Receive Floating Interest Rate 0.502%, Pay Fixed Interest Rate 1.540%, 2022/03/20, C\$	5,000,000	–	(11,349)
Receive Floating Interest Rate 0.507%, Pay Fixed Interest Rate 1.434%, 2022/03/28, C\$	4,000,000	–	(8,816)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 1.371%, 2022/04/24, C\$	8,000,000	–	(20,328)
Receive Floating Interest Rate 0.480%, Pay Fixed Interest Rate 1.344%, 2022/05/02, C\$	15,000,000	–	(38,152)
Receive Floating Interest Rate 0.500%, Pay Fixed Interest Rate 2.479%, 2022/06/07, C\$	10,000,000	–	(78,305)
Receive Floating Interest Rate 0.453%, Pay Fixed Interest Rate 1.800%, 2022/07/05, C\$	6,000,000	–	(32,499)
Receive Floating Interest Rate 0.455%, Pay Fixed Interest Rate 1.772%, 2022/07/12, C\$	7,000,000	–	(37,799)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.012%, 2022/11/06, C\$	10,000,000	–	(86,397)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.422%, 2023/02/23, C\$	11,000,000	–	(157,477)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.414%, 2023/02/28, C\$	10,000,000	–	(142,892)
Receive Floating Interest Rate 0.507%, Pay Fixed Interest Rate 2.451%, 2023/03/27, C\$	5,000,000	–	(75,801)

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 2.558%, 2023/04/19, C\$	5,000,000	–	(84,402)
Receive Floating Interest Rate 0.460%, Pay Fixed Interest Rate 2.558%, 2023/04/26, C\$	7,000,000	–	(119,066)
Receive Floating Interest Rate 0.480%, Pay Fixed Interest Rate 2.535%, 2023/05/03, C\$	5,000,000	–	(84,078)
Receive Floating Interest Rate 0.490%, Pay Fixed Interest Rate 2.573%, 2023/05/25, C\$	21,000,000	–	(371,233)
Receive Floating Interest Rate 0.490%, Pay Fixed Interest Rate 2.575%, 2023/05/25, C\$	7,000,000	–	(123,987)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.510%, 2023/05/30, C\$	5,000,000	–	(84,503)
Receive Floating Interest Rate 0.502%, Pay Fixed Interest Rate 2.469%, 2023/06/18, C\$	8,000,000	–	(132,537)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 1.009%, 2023/07/13, C\$	5,000,000	–	26,463
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 2.412%, 2023/07/19, C\$	7,000,000	–	(112,536)
Receive Floating Interest Rate 0.500%, Pay Fixed Interest Rate 2.549%, 2023/09/07, C\$	10,000,000	–	(188,521)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.055%, 2023/11/30, C\$	10,000,000	–	(104,687)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.220%, 2024/02/07, C\$	10,000,000	–	(133,688)
Receive Floating Interest Rate 0.505%, Pay Fixed Interest Rate 0.930%, 2024/03/22, C\$	20,000,000	–	301,111
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 2.588%, 2024/04/19, C\$	11,000,000	–	(237,036)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 2.649%, 2024/05/13, C\$	10,000,000	–	(232,487)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.458%, 2024/05/17, C\$	5,000,000	–	22,804
Receive Floating Interest Rate 0.490%, Pay Fixed Interest Rate 2.608%, 2024/05/25, C\$	12,000,000	–	(269,775)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.840%, 2024/05/28, C\$	5,000,000	–	(21,531)
Receive Floating Interest Rate 0.497%, Pay Fixed Interest Rate 2.552%, 2024/06/05, C\$	6,000,000	–	(127,721)
Receive Floating Interest Rate 0.453%, Pay Fixed Interest Rate 2.463%, 2024/07/06, C\$	7,000,000	–	(136,252)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 2.445%, 2024/07/17, C\$	7,000,000	–	(133,966)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 1.742%, 2024/07/18, C\$	10,000,000	–	(15,554)

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts/ Notional	Average Cost	Fair Value
Receive Floating Interest Rate 0.502%, Pay Fixed Interest Rate 1.760%, 2024/09/20, C\$	10,000,000	–	(15,153)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.815%, 2024/11/14, C\$	10,000,000	–	(26,476)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 1.843%, 2025/01/22, C\$	14,000,000	–	(42,525)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 1.150%, 2025/07/22, C\$	15,000,000	–	327,239
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 2.801%, 2025/10/17, C\$	3,000,000	–	(111,779)
Receive Floating Interest Rate 0.502%, Pay Fixed Interest Rate 0.870%, 2025/12/18, C\$	13,000,000	–	464,469
Receive Floating Interest Rate 0.460%, Pay Fixed Interest Rate 0.871%, 2026/01/26, C\$	10,000,000	–	367,089
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.148%, 2026/02/23, C\$	5,000,000	–	131,280
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.875%, 2026/11/19, C\$	14,000,000	–	(44,464)
Receive Floating Interest Rate 0.483%, Pay Fixed Interest Rate 1.519%, 2027/05/05, C\$	18,000,000	–	272,043
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.473%, 2027/05/07, C\$	16,000,000	–	279,885
Receive Floating Interest Rate 0.143%, Pay Fixed Interest Rate 2.979%, 2027/05/09, US\$	3,800,000	–	(399,897)
Receive Floating Interest Rate 0.488%, Pay Fixed Interest Rate 1.824%, 2027/11/30, C\$	10,000,000	–	(2,199)
Receive Floating Interest Rate 0.455%, Pay Fixed Interest Rate 2.563%, 2028/04/09, C\$	3,500,000	–	(153,691)
Receive Floating Interest Rate 0.457%, Pay Fixed Interest Rate 1.408%, 2028/07/19, C\$	10,000,000	–	266,720
		–	(1,765,829)
TOTAL DERIVATIVES		–	(2,048,054)
TOTAL INVESTMENT PORTFOLIO (98.09%)		\$ 515,608,043	\$ 519,561,007
Cash and cash equivalents (1.08%)			5,709,144
Margin deposits (0.42%)			2,215,243
Other assets less liabilities (0.41%)			2,198,738
TOTAL NET ASSETS (100.00%)			\$ 529,684,132

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2021 and 2020

1. REPORTING ENTITY

Horizons Active Ultra-Short Term Investment Grade Bond ETF (*Formerly Horizons Active Floating Rate Bond ETF*) (“HFR” 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 December 12, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HFR. 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 HFR is to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of interest rate fluctuations on the ETF. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly and hedges the portfolio’s interest rate risk by maintaining a portfolio duration that is not more than one year. HFR may also invest directly in debt of U.S. companies, directly, as well as indirectly through investments in securities of Listed Funds, as they are defined in the ETF’s prospectus. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

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

ETF Name Change

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

2. BASIS OF PREPARATION

(i) Statement of compliance

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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

(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 all periods presented in these financial statements.

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

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

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

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

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

(ii) Fair value measurement

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

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

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

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

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

(iii) Offsetting

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

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

(iv) Specific instruments**Cash and cash equivalents**

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

Forward foreign exchange contracts

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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

Interest rate swaps

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

Futures contracts

Futures contracts are valued at the current market value thereof on the Valuation Date. The value of these futures contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be closed out and recorded as derivative assets and/or liabilities in the statements of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income. When the futures contracts are closed out or mature, realized gains or losses on futures contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives.

Redeemable units

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

(b) Investment income

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 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 7).

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

(c) Foreign currency

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

(d) Cost basis

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

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

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

(f) Unitholder transactions

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

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

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

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 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, levies by regulatory agencies and securities exchanges, and any applicable transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The 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 2020, and for the years ended December 31, 2021 and 2020.

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

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risk

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at December 31, 2021 and 2020, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

(ii) Interest rate risk

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

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

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
December 31, 2021						
Investments	17,845	218,302	89,309	204,329	–	529,785
Interest Rate Swaps	(908)	(3,716)	887	118	–	(3,619)
December 31, 2020						
Investments	51,905	119,607	163,012	129,556	–	464,080
Interest Rate Swaps	(398)	(7,316)	(7,006)	(1,156)	–	(15,876)

The percentage of the ETF's net assets exposed to interest rate risk as at December 31, 2021, was 99.3% (December 31, 2020 – 99.3%). The amount by which the net assets of the ETF would have increased or decreased, as at December 31, 2021, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$3,699,283 (December 31, 2020 – \$1,986,856). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks has been taking place globally aimed at replacing some interbank offered rates (IBOR) with alternative nearly risk-free rates. The ETF has exposure to the IBOR reform as it holds interest rate swap products with cash flows that reference the 3-month U.S. dollar (USD) London Inter-Bank Offered Rate (LIBOR) and the 3-month Canadian Dollar Offered Rate (CDOR). The 3-month USD LIBOR rate is slated to transition on June 30, 2023 and the Canadian Alternative Reference Rate Working Group has recommended to cease publication of all CDORs by the end of June 2024. As a result of these developments, the Manager has begun to monitor and assess

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

options to transition any derivative contracts that reference IBOR cash flows to alternative nearly risk-free rates. There are potential risks related to this transition as a result of changes in the Manager's internal operations, capabilities and systems (e.g. valuation models).

The below chart provides information on the number of unreformed contracts still outstanding for the ETF as at December 31, 2021.

Asset Type	Benchmark before Reform	Benchmark after Reform	Number of Unreformed Contracts
Derivative	LIBOR	SOFR	1
Derivative	CDOR	CORRA	48

(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	December 31, 2020
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$1,133,212	\$931,961

(b) Credit risk

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Analysis of credit quality

The ETF's credit risk exposure by designated rating of the invested portfolio as at December 31, 2021 and 2020, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2021	December 31, 2020
AAA	3.1%	9.2%
AA	2.7%	4.1%
A	30.8%	24.2%
BBB	59.0%	58.0%
BB	3.7%	3.8%
Total	99.3%	99.3%

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of December 31, 2021, was 5.5% (December 31, 2020 – 6.5%) of the net assets of the ETF.

(c) Liquidity risk

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

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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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 and 2020, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2021			December 31, 2020		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Short-Term Investments	–	–	–	–	8,222,216	–
Bonds	–	518,991,333	–	–	433,523,699	–
Mortgage Backed Securities	–	2,617,728	–	–	2,283,746	–
Currency Forward Contracts	–	44,535	–	–	9,168	–
Interest Rate Swaps	–	2,459,103	–	–	–	–
Total Financial Assets	–	524,112,699	–	–	444,038,829	–
Financial Liabilities						
Futures	(326,760)	–	–	(68,000)	–	–
Interest Rate Swaps	–	(4,224,932)	–	–	(14,418,475)	–
Total Financial Liabilities	(326,760)	(4,224,932)	–	(68,000)	(14,418,475)	–
Net Financial Assets and Liabilities	(326,760)	519,887,767	–	(68,000)	429,620,354	–

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

7. SECURITIES LENDING

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

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

As at	Securities Loaned	Collateral Received
December 31, 2021	\$33,858,681	\$35,577,365
December 31, 2020	\$15,864,391	\$16,661,623

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2021 and 2020. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the years ended	December 31, 2021	% of Gross Income	December 31, 2020	% of Gross Income
Gross securities lending income	\$33,863		\$25,771	
Withholding taxes	–	–	(777)	3.02%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(13,539)	39.98%	(8,209)	31.85%
Net securities lending income paid to the ETF	\$20,324	60.02%	\$16,785	65.13%

8. REDEEMABLE UNITS

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

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

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

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

The ETF is required to distribute any net income and capital gains that it has earned in the year. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and these distributions are either paid in cash

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

or reinvested by unitholders into additional units of the ETF. Net realized capital gains, if any, are typically distributed in December of each year to unitholders. The annual capital gains distributions are not paid in cash but rather, are reinvested and reported as taxable distributions and used to increase each unitholder's adjusted cost base for the ETF. Distributions paid to holders of redeemable units are recognized in the statements of changes in financial position.

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

For the years ended December 31, 2021 and 2020, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2021	44,544,010	16,989,389	(9,025,000)	52,508,399	51,395,442
2020	66,617,254	6,426,756	(28,500,000)	44,544,010	50,028,320

9. EXPENSES
Management fees

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

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

Other expenses

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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.

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the years ended December 31, 2021 and 2020, were as follow:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2021	\$2,399	\$nil	\$nil
December 31, 2020	\$2,468	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at December 31, 2021 and 2020, are disclosed in the statements of financial position.

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

11. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

The ETF may maintain accounts with Futures Commission Merchants ("FCMs") to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the ETF held at the FCMs. Collateral held with FCMs is included as part of "Margin deposits" in the statements of financial position. The collateral held with FCMs as at December 31, 2021 and 2020, is as follows:

As at	Collateral Held With FCMs
December 31, 2021	\$2,215,243
December 31, 2020	\$1,409,637

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

12. INCOME TAX

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

13. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried 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
\$4,089,535	–	–

14. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at December 31, 2021 and 2020. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Financial Assets and Liabilities as at December 31, 2021						
Derivative assets - currency forwards	44,535	–	44,535	–	–	44,535
Derivative assets - interest rate swaps	2,459,103	–	2,459,103	(2,459,103)	–	–
Total derivative assets	2,503,638	–	2,503,638	(2,459,103)	–	44,535
Derivative liabilities - currency forwards	–	–	–	–	–	–
Derivative liabilities - interest rate swaps	(4,224,932)	–	(4,224,932)	2,459,103	–	(1,765,829)
Total derivative liabilities	(4,224,932)	–	(4,224,932)	2,459,103	–	(1,765,829)

Notes to Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

Financial Assets and Liabilities as at December 31, 2020	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	9,168	-	9,168	-	-	9,168
Derivative assets - interest rate swaps	-	-	-	-	-	-
Total derivative assets	9,168	-	9,168	-	-	9,168
Derivative liabilities - currency forwards	-	-	-	-	-	-
Derivative liabilities - interest rate swaps	(14,418,475)	-	(14,418,475)	-	-	(14,418,475)
Total derivative liabilities	(14,418,475)	-	(14,418,475)	-	-	(14,418,475)

15. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at December 31, 2021 and 2020, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

Manager

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