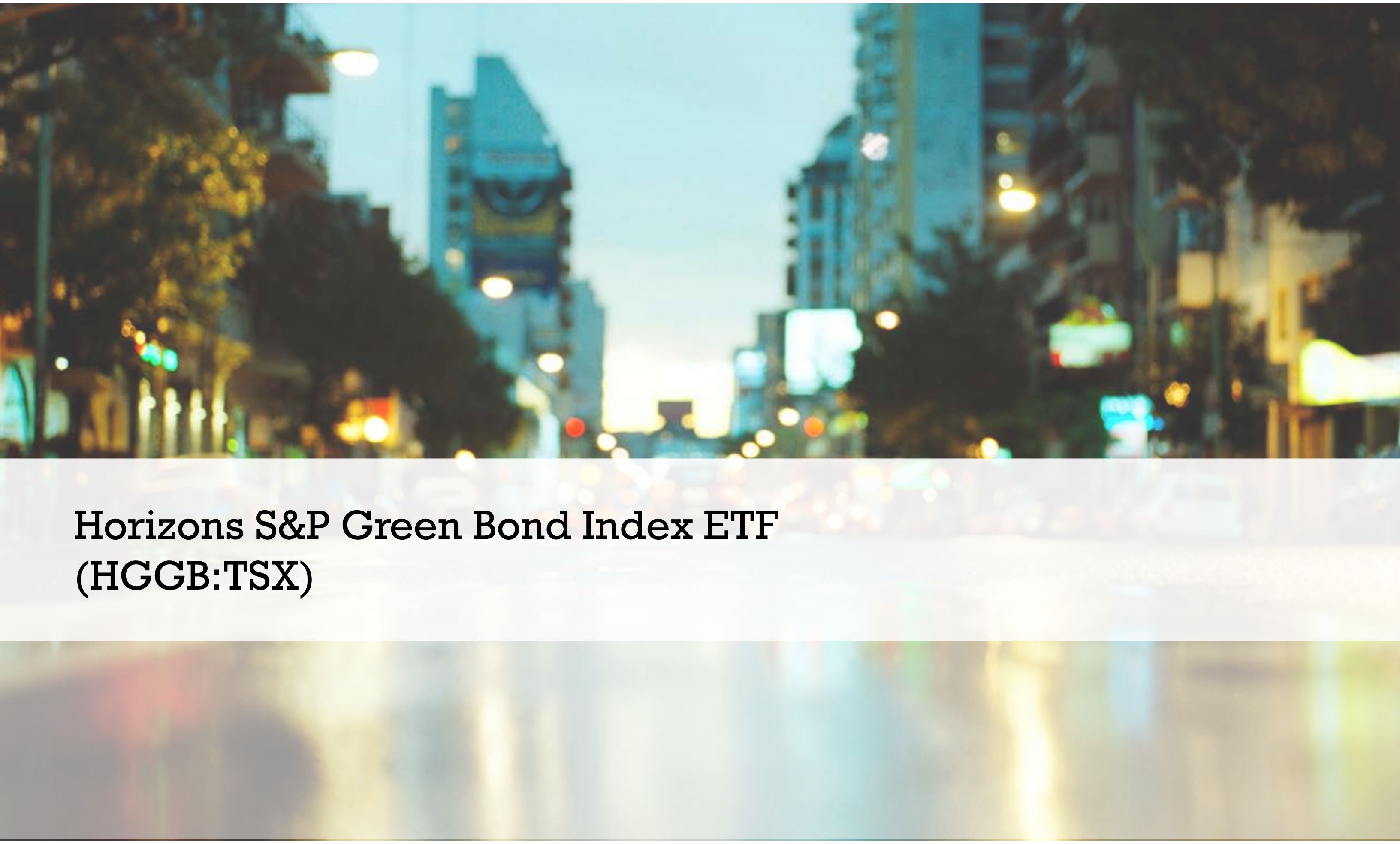
Annual Report | December 31, 2021



Horizons S&P Green Bond Index ETF (HGGB:TSX)

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Contents

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 S&P Green Bond Index ETF ("HGGB" 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

HGGB seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of global green-labeled bonds issued in U.S. dollars that are subject to stringent eligibility criteria to fund projects that have positive environmental or climate benefits. Currently, the ETF seeks to replicate the performance of the S&P Green Bond US Dollar Select Index (the "Underlying Index", Bloomberg ticker: SPGRUSST), net of expenses. The ETF seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

To achieve its investment objective, because of the practical difficulties and expense of purchasing securities of all of the constituent issuers of its Underlying Index (the "Constituent Issuers"), HGGB will employ a "stratified sampling" strategy. Under this stratified sampling strategy, HGGB will not hold securities of all of the Constituent Issuers, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the Constituent Issuers. HGGB generally will seek to track the performance of the Underlying Index by investing at least 90% the value of its portfolio in the Constituent Issuers, and in investments that have characteristics that are substantially similar to the characteristics of the Constituent Issuers. HGGB may invest up to 10% of its portfolio in bonds or bond exchange traded funds not included in the Underlying Index, but which the Manager believes will help HGGB track its Underlying Index, as well as other securities including cash and high-quality, liquid short-term instruments.

Management Discussion of Fund Performance (continued)

The S&P Green Bond U.S. Dollar Select Index, is a sub-index of the S&P Green Bond Index and is a market value-weighted index designed to measure the performance of green-labeled bonds issued globally in U.S. dollars. Bonds must be flagged as "green" by Climate Bonds Initiative (CBI) to be eligible for inclusion in the Underlying Index. For a bond to be flagged green the issuer must clearly indicate the bond's "green" label and the rationale behind it, such as the intended use of proceeds. CBI uses company disclosures to make the "green" determination. Such disclosures must be made in sources that are credible and related to the company, and may include a company's website, public filings, sustainability report, legal disclosures, and independent second opinions. These bonds carry the credit risk of the issuer, however, they differ from traditional bonds in that the proceeds from these bonds are earmarked for investments in projects that have environmental benefits.

The Underlying Index generally undergoes a rebalancing process once a month, with the intent of keeping the Underlying Index current. Each bond must have at least 12 months to final maturity at the time of issuance to be included, and have at least one month remaining until maturity at each rebalancing date. No bond matures in the Underlying Index.

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 to medium.

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

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

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

- Credit risk
- High yield bond risk and risks of other lower rated investments
- Interest rate risk
- Foreign securities risk
- Small and mid-capitalization risk
- Foreign stock exchange risk
- Specific issuer risk
- Market disruptions risk
- Cybersecurity risk
- Ethical investment risk
- Emerging markets risk
- Currency risk
- Hedging risk
- Currency price fluctuations
- Underlying Index risk
- Passive index risk
- Index replication risk

Management Discussion of Fund Performance (continued)

- Sampling risk
- Underlying investment funds risk
- General regulatory risk
- Reliance on historical data risk
- Liquidity risk
- Risk that units will trade at prices other than the net asset value per unit
- 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 related risks
- Risks relating to tax changes
- Securities lending, repurchase and reverse repurchase transaction risk
- Liability of unitholders
- Limited operating history
- Reliance on key personnel

Results of Operations

The ETF effectively began operations on June 1, 2021, at a net asset value ("NAV") of $25.00, and ended the period on December 31, 2021, at a NAV of $24.60. The ETF distributed approximately $0.32 per unit to unitholders during the period. By comparison, the S&P Green Bond US Dollar Select Index (the "Underlying Index") returned -0.28% for the same period, on a total return basis, in U.S. dollars.

The Underlying Index is a sub-index of the S&P Green Bond Index and is a market value-weighted index designed to measure the performance of green-labeled bonds issued globally in U.S. dollars. Bonds must be flagged as "green" by the Climate Bonds Initiative (CBI) to be eligible for inclusion in the Underlying Index.

General Market Review

Entering 2021, the new Biden administration introduced aggressive fiscal policies, while the U.S. Federal Reserve (the "Fed") maintained its quantitative easing ("QE") program. In the first quarter of 2021, the Democratic Party became the majority in the Senate and passed president Biden's $1.9 trillion economic stimulus plan. This drove U.S. government bond yields higher. The U.S. 10-year and 30-year Treasury yields rose 83 basis points ("bps") and 77 bps, respectively, while the yield on the 2-year Treasury Note climbed 4 bps, resulting in a drastic curve steepening.

The U.S. bond market stabilized in the second and third quarters with improved supply-demand dynamics. At the September Federal Open Market Committee ("FOMC") meeting, the Fed pivoted to a very hawkish stance, much more concerned about inflation than before. The market was surprised by this shift in tone and expected the Fed to start tapering its asset purchase programs before the end of 2021. After September's FOMC meeting, U.S. Treasury yields rose again, though this time with a significant flattening of the curve. After Thanksgiving in the U.S., the emergence of the Omicron COVID-19 variant triggered risk-off sentiment and U.S. Treasury yields fell. That was short-lived however, and U.S. bonds sold off again into the end of the year on inflation fears and the Fed's hawkish stance.

Developed market green bonds experienced a benign year throughout 2021, benefiting from robust economic growth, improving corporate earnings, accommodative monetary policy, a hunt for yield, and increasing interest in ESG and green bonds. By contrast, emerging market green bonds struggled in the second half of the year over concerns about China's property market and the Fed's QE tapering.

Management Discussion of Fund Performance (continued)

Portfolio Review

The ETF launched at the beginning of June 2021. The ETF seeks to replicate the performance of the Underlying Index. However, early on, there were some discrepancies in country and sector weights relative to the Underlying Index due to the ETF's small size. The ETF benefited from a benign bond market and low volatility until the end of the third quarter. U.S. Treasury yields fell in June and July and stayed in a narrow range until September's FOMC meeting. Credit spreads also remained in a narrow range, exhibiting low volatility, in the second and third quarters.

In the fourth quarter, the ETF and bond market experienced increased volatility as a result of the more hawkish Fed stance, QE tapering, sustained inflation, the new Omicron variant, and the fear of China's property sector defaulting. Some big and small corporate bonds in China's property sector suffered from a liquidity crunch, and a few of them defaulted on their debt. Due to its small size at the time, the ETF was underweight China property-related credit, to the ETF's benefit. The ETF outperformed the Underlying Index in the fourth quarter, primarily due to this security selection.

Outlook

Green bonds benefited from robust economic growth, accommodative monetary policy, low volatility credit spread, and increasing interest in the asset class in 2021. However, some of these factors will fade away in 2022. Economic growth may decelerate with less fiscal spending and tightening monetary policy. The Fed has already begun QE tapering and is expected to raise the Fed funds rate several times in 2022. In that environment, U.S. Treasury yields at the long end of the curve would normally keep rising, reacting to these changes.

The U.S. fiscal deficit reduction and decelerating economic growth should prevent a sharp rise in U.S. treasury yields. Credit spreads are expected to keep benefiting from solid corporate fundamentals and increasing green bond demand. China's government has already started to ease its monetary policy to avoid a collapse in the property sector and support the economy, which should help the emerging market bond recovery.

The ETF looks to be well positioned in 2022 relative to other assets in the fixed income market, considering the ETF's low duration, high credit rating, and increasing interest in green bonds.

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

For the period from when the ETF effectively began operations on June 1, 2021 to December 31, 2021, the ETF generated gross comprehensive income from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of $7,874. The ETF incurred management, operating and transaction expenses of $72,704 of which $46,198 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 $81,088 to unitholders during the period.

Presentation

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

Management Discussion of Fund Performance (continued)

Recent Developments

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

Impact of COVID-19

The COVID-19 virus is an ongoing but fading risk to the global recovery and as such it continues to have an impact and is a risk in the markets in which the ETF operates. COVID variants are still causing economic uncertainty, and may impact estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements related to matters that are inherently uncertain. However, the Manager maintains detailed policies and internal controls that are intended to ensure that these estimates and judgements are well controlled, and that they are consistently applied from period to period. It is the Manager's opinion that any estimates and/or judgements used in the preparation of these financial statements are appropriate as at December 31, 2021 and for the period ended December 31, 2021.

Related Party Transactions

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

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 12) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statement of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2021 are disclosed in the statement of financial position.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance since it effectively began operations on June 1, 2021. This information is derived from the ETF's audited annual financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Unit

Period (1)		**2021**
Net assets, beginning of period	$	25.00
Decrease from operations:		
Total revenue		0.46
Total expenses		(0.11)
Realized losses for the period		(1.42)
Unrealized gains for the period		1.00
Total decrease from operations (2)		(0.07)
Distributions:		
From net investment income (excluding dividends)		(0.32)
Total annual distributions (3)		(0.32)
Net assets, end of period (4)	$	24.60

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

Financial Highlights (continued)

Ratios and Supplemental Data

Period [1]		2021
Total net asset value (000's)	$	6,150
Number of units outstanding (000's)		250
Management expense ratio [2]		0.32%
Management expense ratio before waivers and absorptions [3]		1.06%
Trading expense ratio [4]		0.03%
Portfolio turnover rate [5]		5.96%
Net asset value per unit, end of period	$	24.60
Closing market price	$	24.64

1. This information is provided as at December 31, 2021.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the period. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.45%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

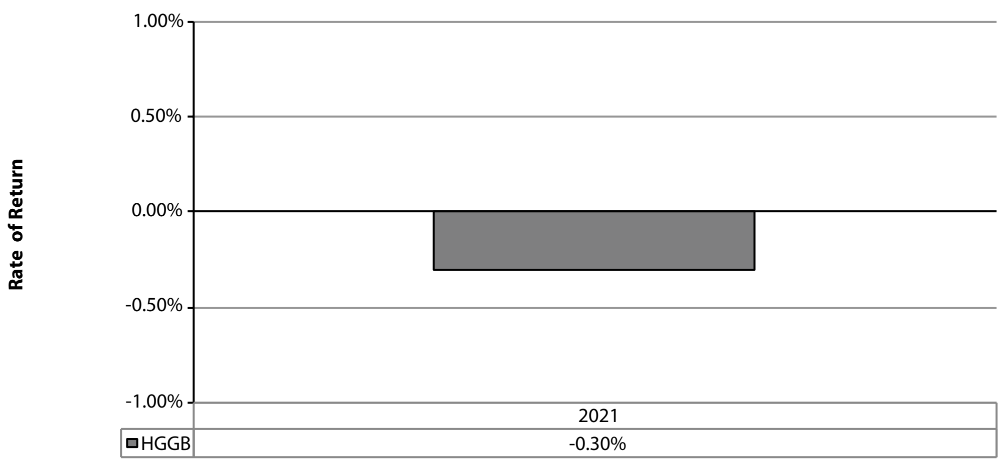
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on June 1, 2021.

Annual Compound Returns

The following table presents the ETF's total return for the period from inception to December 31, 2021, along with the ETF's applicable benchmark. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the ETF or future returns on investments in the ETF.

	Since Inception
Horizons S&P Green Bond Index ETF	-0.30%
S&P Green Bond US Dollar Select Index	-0.28%

The ETF effectively began operations on June 1, 2021.

Summary of Investment Portfolio

As at December 31, 2021

Asset Mix		Net Asset Value	% of ETF's Net Asset Value
Global Fixed Income Securities	$	3,503,158	56.96%
U.S. Fixed Income Securities		2,029,438	33.00%
Supranational Securities		516,837	8.40%
Currency Forward Hedge*		60,953	0.99%
Cash and Cash Equivalents		29,588	0.48%
Other Assets less Liabilities		10,332	0.17%
	$	**6,150,306**	**100.00%**

Sector Mix		Net Asset Value	% of ETF's Net Asset Value
Corporate Bonds	$	4,095,767	66.60%
Government Bonds		1,953,666	31.76%
Currency Forward Hedge*		60,953	0.99%
Cash and Cash Equivalents		29,588	0.48%
Other Assets less Liabilities		10,332	0.17%
	$	**6,150,306**	**100.00%**

*Positions in forward 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**
Fannie Mae	6.63%
European Investment Bank	6.32%
Cooperatieve Rabobank UA	4.99%
Klabin Austria GmbH	4.74%
ING Groep NV	4.58%
Inversiones CMPC SA	4.54%
Consorcio Transmantaro SA	4.53%
Perusahaan Penerbit SBSN Indonesia III	4.42%
State Bank of India of London	4.33%
Pattern Energy Operations L.P. / Pattern Energy Operations Inc.	4.27%
Korea Electric Power Corp.	4.25%
Host Hotels & Resorts L.P.	4.20%
China Development Bank	4.18%
Industrial & Commercial Bank of China Ltd. of Luxembourg	4.17%
Arab Republic of Egypt	4.16%
Bank of China Ltd. of Paris	4.10%
Hong Kong Special Administrative Region	3.97%
MidAmerican Energy Co.	2.55%
DTE Electric Co.	2.23%
Northern States Power Co. of Minnesota	2.20%
Boston Properties L.P.	2.19%
Welltower Inc.	2.15%
HAT Holdings I LLC / HAT Holdings II LLC	2.14%
International Finance Corp.	2.08%
Toyota Motor Credit Corp.	2.07%

* 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 S&P Green Bond Index 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 S&P Green Bond Index ETF (the "ETF")

Opinion

We have audited the financial statements of the ETF, which comprise the statement of financial position as at December 31, 2021, the statements of comprehensive income, changes in financial position and cash flows for the period from inception on May 21, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2021 and its financial performance and its cash flows for the period from inception on May 21, 2021 to December 31, 2021, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

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

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

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

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

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

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

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

KPMG LLP

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

Statement of Financial Position

As at December 31, 2021

		2021
Assets		
Cash and cash equivalents	$	29,588
Investments		6,049,433
Amounts receivable relating to accrued income		45,923
Derivative assets (note 3)		60,953
Total assets		**6,185,897**
Liabilities		
Accrued management fees		2,461
Accrued operating expenses		1,110
Distribution payable		32,020
Total liabilities		**35,591**
Total net assets (note 2)	**$**	**6,150,306**
Number of redeemable units outstanding (note 8)		250,001
Total net assets per unit	$	24.60

(See accompanying notes to financial statements)

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

Steven J. Hawkins
Director

Thomas Park
Director

Statement of Comprehensive Income

For the Period from Inception on May 21, 2021 to December 31, 2021

		2021
Income		
Interest income for distribution purposes	$	115,187
Net realized loss on sale of investments and derivatives		(357,162)
Net realized gain on foreign exchange		2,411
Net change in unrealized appreciation of investments and derivatives		247,916
Net change in unrealized depreciation of foreign exchange		(478)
		7,874
Expenses (note 9)		
Management fees		18,250
Audit fees		10,110
Independent Review Committee fees		335
Custodial and fund valuation fees		16,736
Legal fees		595
Securityholder reporting costs		9,442
Administration fees		10,600
Transaction costs		1,800
Withholding taxes		4,817
Other expenses		19
		72,704
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(46,198)
		26,506
Decrease in net assets for the period	**$**	**(18,632)**
Decrease in net assets per unit	$	(0.07)

(See accompanying notes to financial statements)

Statement of Changes in Financial Position

For the Period from Inception on May 21, 2021 to December 31, 2021

		2021
Total net assets at the beginning of the period	$	–
Decrease in net assets		(18,632)
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund		6,250,026
Distributions:		
From net investment income		(81,088)
Total net assets at the end of the period	**$**	**6,150,306**

(See accompanying notes to financial statements)

Statement of Cash Flows

For the Period from Inception on May 21, 2021 to December 31, 2021

		2021
Cash flows from operating activities:		
Decrease in net assets for the period	$	(18,632)
Adjustments for:		
Net realized loss on sale of investments and derivatives		357,162
Net realized loss on currency forward contracts		(370,508)
Net change in unrealized appreciation of investments and derivatives		(247,916)
Net change in unrealized depreciation of foreign exchange		535
Purchase of investments		(6,216,506)
Proceeds from the sale of investments		367,382
Amounts receivable relating to accrued income		(45,923)
Accrued expenses		3,571
Net cash used in operating activities		**(6,170,835)**
Cash flows from financing activities:		
Amount received from the issuance of units		6,250,026
Distributions paid to unitholders		(49,068)
Net cash from financing activities		**6,200,958**
Net increase in cash and cash equivalents during the period		30,123
Effect of exchange rate fluctuations on cash and cash equivalents		(535)
Cash and cash equivalents at beginning of period		–
Cash and cash equivalents at end of period	**$**	**29,588**

Interest received, net of withholding taxes	$	64,447

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
GLOBAL FIXED INCOME SECURITIES (56.96%)			
Corporate Bonds (40.23%)			
Bank of China Ltd. of Paris, 0.95%, 2023/09/21	200,000	$ 243,110	$ 252,501
Consorcio Transmantaro SA, Sinkable, 4.70%, 2034/04/16	200,000	264,945	278,338
Cooperatieve Rabobank UA, Variable Rate, Callable, 1.11%, 2027/02/24	250,000	298,782	307,168
Industrial & Commercial Bank of China Ltd. of Luxembourg, 2.88%, 2022/10/12	200,000	249,026	256,373
ING Groep NV, 4.63%, 2026/01/06	200,000	276,783	281,498
Inversiones CMPC SA, 4.38%, 2027/04/04	200,000	268,591	279,174
Klabin Austria GmbH, Callable, 7.00%, 2049/04/03	200,000	302,391	291,613
Korea Electric Power Corp., 2.50%, 2024/06/24	200,000	255,691	261,582
State Bank of India of London, 4.50%, 2023/09/28	200,000	260,044	266,069
		2,419,363	2,474,316
Government Bonds (16.73%)			
Arab Republic of Egypt, 5.25%, 2025/10/06	200,000	257,838	255,803
China Development Bank, 2.75%, 2022/11/16	200,000	249,733	256,912
Hong Kong Special Administrative Region, 1.38%, 2031/02/02	200,000	232,451	244,521
Perusahaan Penerbit SBSN Indonesia III, 3.90%, 2024/08/20	200,000	263,798	271,606
		1,003,820	1,028,842
TOTAL GLOBAL FIXED INCOME SECURITIES		**3,423,183**	**3,503,158**
U.S. FIXED INCOME SECURITIES (33.00%)			
Corporate Bonds (26.37%)			
Apple Inc., Callable, 3.00%, 2027/06/20	20,000	26,635	27,142
Boston Properties L.P., Callable, 3.40%, 2029/06/21	100,000	129,248	134,515
DTE Electric Co., Series 'B', Callable, 3.25%, 2051/04/01	100,000	124,112	136,890
HAT Holdings I LLC / HAT Holdings II LLC, Callable, 6.00%, 2025/04/15	100,000	128,091	131,681
Host Hotels & Resorts L.P., Series 'H', Callable, 3.38%, 2029/12/15	200,000	246,413	258,367
MidAmerican Energy Co., Callable, 4.25%, 2049/07/15	100,000	145,787	157,024
Northern States Power Co. of Minnesota, Callable, 3.20%, 2052/04/01	100,000	124,788	135,049
Pattern Energy Operations L.P. / Pattern Energy Operations Inc., Callable, 4.50%, 2028/08/15	200,000	247,654	262,872
Toyota Motor Credit Corp., 2.15%, 2030/02/13	100,000	121,815	127,026
Verizon Communications Inc., Callable, 1.50%, 2030/09/18	100,000	113,443	118,926
Welltower Inc., Callable, 2.70%, 2027/02/15	100,000	128,254	131,959
		1,536,240	1,621,451

Schedule of Investments (continued)

As at December 31, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
Government Bonds (6.63%)			
Fannie Mae, Class 'A2', Series '19-M1', Variable Rate, 3.55%, 2028/09/25	100,000	138,172	141,178
Fannie Mae, Class 'A2', Series '19-M22', 2.52%, 2029/08/25	200,000	259,245	266,809
		397,417	407,987
TOTAL U.S. FIXED INCOME SECURITIES		**1,933,657**	**2,029,438**
SUPRANATIONAL SECURITIES (8.40%)			
Government Bonds (8.40%)			
European Investment Bank, 2.88%, 2025/06/13	290,000	381,608	388,696
International Finance Corp., 2.00%, 2022/10/24	100,000	124,022	128,141
		505,630	516,837
TOTAL SUPRANATIONAL SECURITIES		**505,630**	**516,837**
DERIVATIVES (0.99%)			
Currency Forwards (0.99%)			
Currency forward contract to buy C$6,259,260 for US$4,900,000 maturing January 13, 2022		–	60,953
TOTAL DERIVATIVES		**–**	**60,953**
TOTAL INVESTMENT PORTFOLIO (99.35%)		**$ 5,862,470**	**$ 6,110,386**
Cash and cash equivalents (0.48%)			29,588
Other assets less liabilities (0.17%)			10,332
TOTAL NET ASSETS (100.00%)			**$ 6,150,306**

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Period from Inception on May 21, 2021 to December 31, 2021

1. REPORTING ENTITY

Horizons S&P Green Bond Index ETF ("HGGB" 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 June 1, 2021. The address of the ETF's registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class A units ("Class A") which trade on the Toronto Stock Exchange ("TSX") under the symbol HGGB. 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.

HGGB seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of global green-labeled bonds issued in U.S. dollars that are subject to stringent eligibility criteria to fund projects that have positive environmental or climate benefits. Currently, the ETF seeks to replicate the performance of the S&P Green Bond US Dollar Select Index (the "Underlying Index", Bloomberg ticker: SPGRUSST), net of expenses. The ETF seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

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.

2. BASIS OF PREPARATION

(i) Statement of compliance

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

These financial statements were authorized for issue on March 11, 2022, by the Board of Directors of the Manager.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period 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 statement of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

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

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

(ii) Fair value measurement

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

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

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

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

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

(iii) Offsetting

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

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

(iv) Specific instruments

Cash and cash equivalents

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

Forward foreign exchange contracts

Forward foreign exchange contracts, if any, are valued at the current market value thereof on the Valuation Date. The value of these forward contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be closed out and recorded as derivative assets and/or liabilities in the statement of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statement of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statement of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable units

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

(b) Investment income

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

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

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

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

(c) Foreign currency

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

(d) Cost basis

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

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

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

(f) Unitholder transactions

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

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

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

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The COVID-19 virus is an ongoing but fading risk to the global recovery and as such it continues to have an impact and is a risk in the markets in which the ETF operates. COVID variants are still causing economic uncertainty, and may impact estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements related to matters that are inherently uncertain. However, the Manager maintains detailed policies and internal controls that are intended to ensure that these estimates and judgements are well controlled, and that they are consistently applied from period to period. It is the Manager's opinion that any estimates and/or judgements used in the preparation of these financial statements are appropriate as at December 31, 2021 and for the period ended December 31, 2021.

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

5. FINANCIAL INSTRUMENTS RISK

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the 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 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:

Investments	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	644	1,059	1,069	3,323	–	6,095

The percentage of the ETF's net assets exposed to interest rate risk as at December 31, 2021, was 99.1%. 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 $303,157. The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

(iii) Other market risk

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

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
S&P Green Bond U.S. Dollar Select Index	$44,451

(b) Credit risk

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

Analysis of credit quality

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

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)
	December 31, 2021
AAA	8.4%
AA	15.3%
A	31.4%
BBB	28.5%
BB	11.3%
B	4.2%
Total	**99.1%**

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 6.6% 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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

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.

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at December 31, 2021, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2021		
	Level 1 ($)	**Level 2 ($)**	**Level 3 ($)**
Financial Assets			
Bonds	–	6,049,433	–
Currency Forward Contracts	–	60,953	–
Total Financial Assets	**–**	**6,110,386**	**–**
Total Financial Liabilities	**–**	**–**	**–**
Net Financial Assets and Liabilities	**–**	**6,110,386**	**–**

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

7. SECURITIES LENDING

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

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

8. REDEEMABLE UNITS

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

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

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

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

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

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

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

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2021	–	250,001	–	250,001	250,001

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

9. EXPENSES

Management fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.45%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

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

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

Notes to Financial Statements (continued)
For the Period from Inception on May 21, 2021 to December 31, 2021

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

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2021	$nil	$nil	$nil

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

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

11. INCOME TAX

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

12. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forward may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2021, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
$95,288	–	–

13. OFFSETTING OF FINANCIAL INSTRUMENTS

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

Notes to Financial Statements (continued)

For the Period from Inception on May 21, 2021 to December 31, 2021

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at December 31, 2021	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	60,953	–	60,953	–	–	60,953
Derivative liabilities	–	–	–	–	–	–

14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

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

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