



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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategy

HRAA’s investment objective is to seek long-term capital appreciation by investing, directly or indirectly, in major global asset classes including but not limited to equity indexes, fixed income indexes, interest rates, commodities and currencies.

The ETF gains exposure to these aforementioned asset classes by investing in derivatives and other securities. Derivative instruments may include futures contracts and forward agreements. The ETF may invest in instruments that provide exposure to both domestic and foreign markets, including emerging markets. The ETF also holds a large portion of its assets in cash, money market mutual funds, U.S. treasury securities, or other cash equivalents, some or all of which will serve as margin or collateral for the ETF’s investments.

As part of its investment strategies, the ETF may obtain indirect exposure to digital assets, including cryptocurrencies such as, but not limited to, Bitcoin or Ether, subject to a limit of 5% of the ETF’s last determined NAV at the time of acquiring such investments. The ETF’s exposure to digital assets may be obtained by (i) investing in investment funds, including mutual funds, alternative mutual funds and non-redeemable investment funds, that are subject to NI 81-102, that invest directly or indirectly in such digital assets, or (ii) using or investing in derivatives and other financial instruments, including without limitation, futures contracts, options on futures contracts, forward contracts, swap agreements or any combination of the foregoing. In accordance with its policies, the ETF may deliver portfolio assets to its futures dealers that are members of relevant futures exchanges to secure its obligations under futures contracts.

Management Discussion of Fund Performance (continued)

The ETF's sub-advisor, ReSolve Asset Management Inc. ("ReSolve Asset" or the "Sub-Advisor"), uses traditional quantitative methods as well as advanced machine learning tools to create a portfolio of instruments which emphasize a variety of characteristics such as, but not limited to, total return momentum, trends, seasonal patterns, carry measures, mean reversion, and others, while simultaneously maximizing diversification based on regularly updated estimates of volatility and correlations. The ETF takes long or short positions in asset classes such as equity index and fixed income asset classes, commodities, currencies, volatility indexes and other alternative asset classes.

The Sub-Advisor's trading systems determine asset allocations based on multi-factor quantitative market information and explicitly seek opportunities to reduce portfolio volatility through diversification. The trading systems analyze these factors over a broad time spectrum which may range from several days to multiple years. The Sub-Advisor analyzes a number of additional factors in determining how the asset classes are allocated in the portfolio including, but not limited to: intermediate-term profitability of an asset class or market, liquidity of a particular market, desired diversification among markets and asset classes, transaction costs, exchange regulations and depth of market. The allocations are reviewed daily, although changes may occur less frequently.

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

Risk

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

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

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

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

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|---|---|
| <ul style="list-style-type: none">• Market disruptions risk• Derivative investments• Risk that ETF shares will trade at prices other than net asset value per ETF shares• Issuer concentration risk• Leverage risk• Foreign exchange rate risk | <ul style="list-style-type: none">• Counterparty risk• Liquidity risk• Borrowing risk• Tax-related risks• Exchange risk• Inability to achieve investment objective• Alternative mutual funds risk |
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Management Discussion of Fund Performance (continued)

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| <ul style="list-style-type: none"> • Cyber security risk • Aggressive investment technique risk • Reliance on key personnel • Distribution risk • Significant redemptions • Price limit risk • Conflicts of interest • Business and regulatory risks of alternative investment strategies • Political, economic and social risk • Securities lending risk • No ownership interest • Restrictions on certain shareholders • Redemption price • Fund corporation and multi-class/series structure risk • Fluctuations in NAV and market price of the ETF shares risk • Absence of an active market for the ETF shares and lack of operating historical risk | <ul style="list-style-type: none"> • No guaranteed return • Digital asset investment risks • Digital asset futures risk • Fixed income risk and interest rate risk • Foreign exchange and market risk • General risks of equity investments • Income trust investments risks • Commodity risk • Exchange traded funds risk • Reliance on historical data risk • Highly volatile markets • High yield bond risk and risks of lower rated investments • Call risk • Risk of difference between quoted and actionable market price • Emerging market equities risk • Short selling risk |
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Results of Operations

For the year ended December 31, 2021, share of the ETF returned 8.10%. By comparison, the S&P Global Low Volatility Index (the "Index") returned 12.07% for the same period in Canadian dollars.

The S&P Global Low Volatility Index is designed to measure the 300 least volatile stocks in the S&P Global LargeMidCap Index, a sub-index of the S&P Global Broad Market Index.

The ETF's strategy combines a globally diversified and risk-balanced framework – commonly known as risk parity – with proprietary quantitative models that dynamically modify market exposures in response to complex relationships and patterns that emerge from a variety of data sources. The strategy also employs a dynamic tail protection, which can be a meaningful risk management tool during abrupt market dislocations, when a long volatility exposure may be one of a few profitable alternatives.

General Market Review

Investor sentiment and risk appetite continued to be dominated by the news flow surrounding the Covid-19 pandemic and its repercussions. The first half of 2021 saw renewed optimism with the successful rollout of vaccination campaigns – initially in the U.S. and U.K., followed by Europe – leading to a significant decrease in infection rates across western countries. The signing of a historic \$1.9 trillion stimulus package in the U.S., the size and scope of which go beyond any other fiscal outlay since the beginning of the pandemic, was the other major driver of the economic recovery.

Management Discussion of Fund Performance (continued)

The case for more persistent inflation gathered steam throughout the year. Data from the United Nations pointed to a whopping 31% rise in global food prices for the 12-month period ending July 2021. Driven largely by imports, food prices in the U.S. jumped by 8% over a similar period, while gas lines in Britain and other shortages in developed economies captured headlines across much of the world.

Though the U.S. Federal Reserve (the “Fed”) had been trying to ignite inflation since 2009, it began to indicate discomfort as inflation readings remained higher than expected throughout the second half of 2021. Aside from supply-demand mismatches, the major inflationary thrust was exacerbated by expansionary fiscal policy directed at the population at large. Stubbornly low labor participation was another important variable, which appears to be swinging the bargaining pendulum away from capital in the form of higher wages. In mid-December, the Federal Open Market Committee (“FOMC”) voted to accelerate the pace of asset purchase tapering and signaled that as many as three interest rate hikes may be warranted in 2022.

Commodities were the best performing asset-class in 2021, led by the incredible rally in the energy sector, where the prices of U.K. natural gas rose four-fold, carbon emissions doubled, and crude oil and distillates increased between 50 and 80 percent, approximately. While copper and other base metals enjoyed double-digit gains, precious metals, including gold, silver, platinum and palladium, were down for the year.

Agricultural commodities also saw huge gains, led by oils (palm, canola and bean), along with coffee, corn, cotton, sugar and wheat. Global equities experienced another strong year, led by U.S., European and Canadian stocks. Japanese shares had modest gains, while Chinese indices suffered from government intervention and were broadly down. Government bonds were largely in negative territory in the wake of rising inflation, while the U.S. dollar strengthened against most major and emerging market currencies.

Portfolio Review

The ETF concluded its first full calendar year with a solid performance. More importantly, it displayed the diverse set of return streams that it seeks to provide.

Equity indices were the largest contributors to the ETF’s performance, with gains stemming from long positions in the NASDAQ 100, S&P/TSX 60, S&P 500, the Australian S&P/ASX 200, and the Nikkei 225, along with several European markets, including the British FTSE 100 and the French CAC 40.

Energies added considerable returns to the portfolio, with long positions in crude oil, gasoline, heating oil, carbon credits and natural gas futures. The strategy was agile in reducing exposure and avoiding the brunt of a November selloff.

Metals benefitted primarily from long exposure to copper. Platinum was another important source of returns, with active trading and profitable long and short positions that flipped several times throughout the year.

Grains and soft commodities also derived important contributions from long positions in cotton, corn and milling wheat. It is worth further highlighting cocoa, soybeans and soymeal, which added positive returns both on the long and short side.

Currencies were by far the largest detractors from performance, mostly from longs in the Swiss franc, Japanese yen, and the Canadian dollar.

Bonds suffered from offside long exposure in U.K. Gilts, German Buxl and Canadian 10-year Treasury Bond futures, while profiting from a long position in the U.S. 30-year Treasuries.

Management Discussion of Fund Performance (continued)

Outlook

For the past decade, investors have shifted focus from the macroeconomic data itself, to an emphasis on how that data might affect Fed policy. Apart from the Fed's recent promise to "remove the party's punch bowl" sooner than expected, most other central banks have indicated loose monetary conditions may continue for the foreseeable future. Even though markets are once again throwing a tantrum given the more hawkish tone in recently released FOMC minutes, there are reasons to doubt whether the Fed may be willing, or perhaps even able, to follow through. For one, higher inflation for a prolonged period would eventually erode, in real terms, part of the enormous debt pile that has dragged on growth for years. This suggests that, despite tough rhetoric, inflation might in fact be a feature, and not a bug, of the current policy agenda.

Further, the apparent demise of U.S. president Biden's "Build Back Better" fiscal package removes an important tailwind for the economy just as the effects of Covid-relief legislation begin to fade. Recent evidence points to a slowdown in activity, not only in the U.S. but also in much of the world. The Chinese economy is particularly concerning given recent draconian lockdown measures in some regions, not to mention the yet unknown knock-on effects of the likely collapse of its largest real-estate developer. Investors should expect no respite from the heightened uncertainty they've had to endure in the last few years.

Other Operating Items and Changes in Net Assets Attributable to Holders of ETF Shares

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 \$6,596,974. This compares to \$3,133,783 for the period from when the ETF effectively began operations on July 29, 2020 to December 31, 2020. The ETF incurred management, operating and transaction expenses of \$1,553,815 (2020 – \$761,183) of which \$79,252 (2020 – \$6,483) 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 did not make any distributions to shareholders during the years ended December 31, 2021 and 2020.

Leverage

The aggregate market exposure of all instruments held directly or indirectly by HRAA, calculated daily on a mark-to-market basis, can exceed HRAA's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HRAA divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the year ended December 31, 2021 and for the period ended December 31, 2020; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
December 31, 2021	1.14:1	2.91:1	1.16:1	116%
December 31, 2020	\$nil	2.89:1	2.82:1	282%

Management Discussion of Fund Performance (continued)

Recent Developments

Other than indicated below, there have been no recent market developments of particular note, aside from the normal fluctuations of the markets, that are expected to have an undue influence on the portfolio 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 year ended December 31, 2021 and for the period ended December 31, 2020.

The Corporate Class Merger

On July 14, 2020, a meeting of unitholders of a pre-existing ETF approved a proposal to proceed with a merger (the "Merger") of that ETF, structured at the time as a trust (the "ETF Trust"), into Horizons ReSolve Adaptive Asset Allocation ETF, a new class of shares (the "Continuing Corporate Class ETF") of Horizons ETF Corp. ("Horizons MFC"), a multi-class mutual fund corporation managed by the Manager.

The decision to propose the Merger followed an extensive review by the Manager of the activities and tax positions of the ETF Trust, along with the proposed changes to the Income Tax Act (Canada) (the "Tax Act") contained in the 2019 Federal Budget, as a means to preserve the existing benefits offered by the ETF Trust.

The approved Merger took place at the close of business on July 29, 2020, and units of the ETF Trust (the "ETF Units") were exchanged on a one-for-one basis for ETF Shares of the Horizons ReSolve Adaptive Asset Allocation ETF Corporate Class of Horizons MFC. With the Merger, the ETF Shareholders became subject to the investment objective and fee structure of Horizons ReSolve Adaptive Asset Allocation ETF.

The Merger is not expected to be a taxable event for Canadian resident holders of the ETF, provided that holders with ETF Units that were in an unrealized gain position and were held in taxable accounts prior to the Merger make a joint election with Horizons ETF Corp. under Section 85 of the Tax Act for the exchange of their ETF Units into the corresponding class of ETF Shares of Horizons ETF Corp., to occur on a tax-deferred basis.

For more information about making a joint election as indicated above, investors should refer to our website disclosure on this which can be found at: <https://www.horizonsetfs.com/section-85-election>

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 shares as reported under IFRS.

Management Discussion of Fund Performance (continued)

Related Party Transactions

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

Manager and Investment Manager

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

Any management fees paid to the Manager (described in detail on page 15) are related party transactions, as the Manager is considered to be a related party to the ETF. The management fees 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 since it effectively began operations on July 29, 2020. This information is derived from the ETF's audited annual financial statements and the current 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 Share

Year/Period ⁽¹⁾	2021	2020
Net assets, beginning of year/period	\$ 10.38	10.04
Increase from operations:		
Total expenses	(0.24)	(0.11)
Realized gains for the year/period	1.26	0.17
Unrealized gains (losses) for the year/period	(0.18)	0.30
Total increase from operations ⁽²⁾	0.84	0.36
Total annual distributions ⁽³⁾	–	–
Net assets, end of year/period ⁽⁴⁾	\$ 11.23	10.38

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

Financial Highlights (continued)

Ratios and Supplemental Data

Year/Period ⁽¹⁾	2021	2020
Total net asset value (000's)	\$ 73,568	72,954
Number of shares outstanding (000's)	6,553	7,026
Management expense ratio ⁽²⁾⁽⁴⁾	1.94%	2.18%
Management expense ratio excluding proportion of expenses from underlying investment funds	1.87%	2.13%
Management expense ratio excluding performance fees ⁽²⁾	1.04%	1.08%
Management expense ratio excluding performance fees and proportion of expenses from underlying investment funds	0.97%	1.03%
Management expense ratio before waivers and absorptions ⁽²⁾	2.05%	2.20%
Trading expense ratio ⁽³⁾⁽⁴⁾	0.35%	0.55%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.35%	0.55%
Portfolio turnover rate ⁽⁵⁾	0.00%	0.00%
Net asset value per share, end of year/period	\$ 11.23	10.38
Closing market price	\$ 11.25	10.25

1. This information is provided as at December 31 of the years/period 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/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. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
3. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year/period.
4. The ETF's management expense ratio (MER) and trading expense ratio (TER) include and estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year/period.
5. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of a year. The higher an ETF's portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

Financial Highlights (continued)

Management Fees

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 shareholders 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 shareholders 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 shares of the ETF; and dealing and communicating with shareholders 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 0.85%, plus applicable sales taxes, of the net asset value of the ETF's shares, 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%	83%	13%

Performance Fees

The ETF shall pay to the Manager a Performance Fee, if any, equal to 15% of the amount by which the performance of the ETF, at any date on which the Performance Fee is payable, (i) exceeds the greater of: (a) the initial net asset value per ETF Share; and (b) the highest net asset value per ETF Share previously utilized for the purposes of calculating a Performance Fee that was paid (the "High Water Mark") and (ii) is greater than an annualized return of 3%.

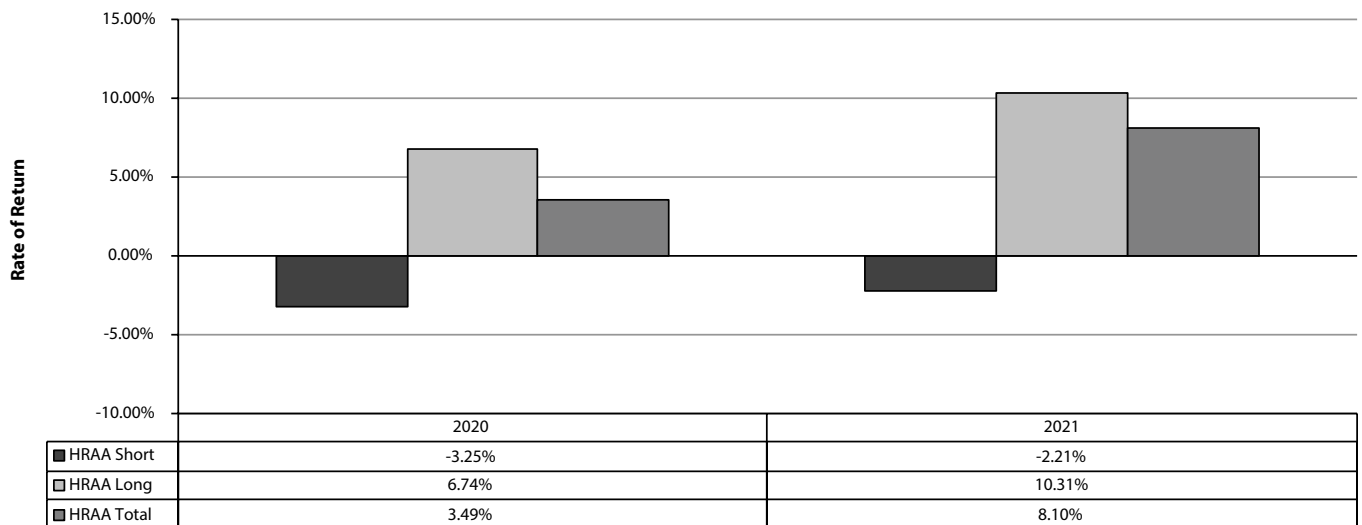
The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$598,649 in performance fees for the year ended December 31, 2021 (December 31, 2020 - \$309,040), and is disclosed in the statement of comprehensive income. Performance fees payable to the Manager as at December 31, 2021, were \$117,612 (December 31, 2020 - \$nil) and are included in accrued operating expenses on the statements of financial position, where applicable.

Past Performance

Commissions, management fee, 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 share 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 shares of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional shares. The amount of the reinvested taxable distributions is added to the adjusted cost base of the shares that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

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



The ETF effectively began operations on July 29, 2020.

Past Performance (continued)

Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the period 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	Since Inception
Horizons ReSolve Adaptive Asset Allocation ETF	8.10%	8.19%
Long	10.31%	12.01%
Short	-2.21%	-3.81%
S&P Global Low Volatility Index	12.07%	10.54%

The ETF effectively began operations on July 29, 2020.

Summary of Investment Portfolio

As at December 31, 2021

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Futures Contracts–Commodity Speculative*	\$ 352,510	0.48%
Futures Contracts–Index Speculative*	421,275	0.58%
Futures Contracts–Currency Speculative*	48,496	0.07%
Futures Contracts–Treasury Bond Speculative*	(220,574)	-0.30%
Cash and Cash Equivalents	62,821,538	85.39%
Margin Deposits	10,433,022	14.18%
Other Assets less Liabilities	(183,769)	-0.25%
Short Positions		
Futures Contracts–Currency Speculative*	375	0.00%
Futures Contracts–Index Speculative*	(5,242)	-0.01%
Futures Contracts–Commodity Speculative*	(99,649)	-0.14%
	\$ 73,567,982	100.00%

*Positions in futures 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
Long Positions	
Cash and Cash Equivalents	85.39%
Euro-Bobl Futures	9.39%
Long Gilt Futures	7.27%
U.S. 10-Year Treasury Bond Futures	5.61%
Copper Futures	5.37%
Gold 100oz. Futures	5.35%
Euro-Buxl® Futures	4.05%
U.S. 20-Year Treasury Bond Futures	3.86%
Canadian 10-Year Treasury Bond Futures	3.49%
S&P/TSX 60 Index Futures	3.48%
FTSE/MIB Index Futures	3.47%
Amsterdam Exchanges Index Futures	3.12%
CAC 40 10 Index Futures	3.08%
Euro-OAT Futures	2.87%
Soybean Futures	2.65%
U.S. 5-Year Treasury Bond Futures	2.50%
Brent Crude Futures	2.41%
Corn Futures	2.35%
British Pound Currency Futures	2.33%
EURO STOXX® 50 Index Futures	2.27%
Nikkei 225 Index Futures	2.23%
Crude Oil Futures	2.20%
FTSE 100 Index Futures	2.05%
New Zealand Dollar Currency Futures	2.00%
Low Sulphur Gas Oil Futures	1.83%

** All futures positions are speculative in nature. Positions in futures contracts are disclosed in terms of their notional exposure. Aggregate notional exposure of futures contracts equals 115.93% of the ETF's NAV.

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent interim and annual reports are available at no cost by calling toll free 1-866-641-5739, or (416) 933-5745, by writing to us at Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, or 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 consolidated financial statements ("financial statements") of Horizons ReSolve Adaptive Asset Allocation ETF (the "ETF") are the responsibility of the manager to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards 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 by the Board of Directors of Horizons ETF Corp., and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of shareholders. 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 Shareholders of Horizons ReSolve Adaptive Asset Allocation ETF (the "ETF")

Opinion

We have audited the consolidated financial statements of the ETF, which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in financial position and cash flows for the year ended December 31, 2021 and for the period from inception on July 20, 2020, to December 31, 2020, and notes to the consolidated 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 year ended December 31, 2021 and for the period from inception on July 20, 2020, to December 31, 2020, 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

Consolidated Statements of Financial Position

As at December 31,

	2021	2020
Assets		
Cash and cash equivalents	\$ 62,821,538	\$ 61,203,255
Margin deposits (note 12)	10,433,022	10,178,154
Derivative assets (note 3)	1,027,625	2,074,404
Total assets	74,282,185	73,455,813
Liabilities		
Accrued management fees	60,471	57,780
Accrued operating expenses	123,298	315,854
Derivative liabilities (note 3)	530,434	128,457
Total liabilities	714,203	502,091
Total net assets (note 2)	\$ 73,567,982	\$ 72,953,722
Number of redeemable shares outstanding (note 9)	6,553,129	7,025,901
Total net assets per share	\$ 11.23	\$ 10.38

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Kevin S. Beatson
 Director

Consolidated Statements of Comprehensive Income

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

	2021	2020
Income		
Dividend income	\$ (22)	\$ –
Interest income for distribution purposes	8	–
Securities lending income (note 7)	17,671	3,305
Net realized gain on sale of investments and derivatives	7,645,492	1,113,472
Net realized gain on foreign exchange	49,440	12,028
Net change in unrealized appreciation (depreciation) of investments and derivatives	(1,450,262)	1,948,944
Net change in unrealized appreciation of foreign exchange	334,647	56,034
	6,596,974	3,133,783
Expenses (note 10)		
Management fees	622,351	263,446
Performance fees	598,649	309,040
Audit fees	17,870	6,192
Independent Review Committee fees	912	350
Custodial and fund valuation fees	31,127	13,171
Legal fees	8,166	605
Securityholder reporting costs	12,327	129
Administration fees	22,944	11,069
Transaction costs	231,432	155,827
Withholding taxes	(1,290)	–
Other expenses	9,327	1,354
	1,553,815	761,183
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(79,252)	(6,483)
	1,474,563	754,700
Increase in net assets for the year/period	\$ 5,122,411	\$ 2,379,083
Increase in net assets per share	\$ 0.84	\$ 0.36

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

	2021		2020	
Total net assets at the beginning of the year/period	\$	72,953,722	\$	–
Increase in net assets		5,122,411		2,379,083
Redeemable share transactions				
Proceeds from the issuance of securities of the investment fund		17,954,399		75,596,485
Aggregate amounts paid on redemption of securities of the investment fund		(22,462,550)		(5,021,846)
Total net assets at the end of the year/period	\$	73,567,982	\$	72,953,722

(See accompanying notes to financial statements)

Consolidated Statements of Cash Flows

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

	2021	2020
Cash flows from operating activities:		
Increase in net assets for the year/period	\$ 5,122,411	\$ 2,379,083
Adjustments for:		
Net realized gain on sale of investments and derivatives	(7,645,492)	(1,113,472)
Net realized loss on currency forward contracts	(1,150)	(769)
Net change in unrealized depreciation (appreciation) of investments and derivatives	1,450,262	(1,948,944)
Net change in unrealized appreciation of foreign exchange	(77)	(56,034)
Purchase of investments	251	1,249
Proceeds from the sale of investments	7,644,885	1,115,989
Margin deposits	(254,868)	(10,178,154)
Accrued expenses	(189,865)	373,634
Net cash from (used in) operating activities	6,126,357	(9,427,418)
Cash flows from financing activities:		
Amount received from the issuance of shares	17,954,399	75,596,485
Amount paid on redemptions of shares	(22,462,550)	(5,021,846)
Net cash from (used in) financing activities	(4,508,151)	70,574,639
Net increase in cash and cash equivalents during the year/period	1,618,206	61,147,221
Effect of exchange rate fluctuations on cash and cash equivalents	77	56,034
Cash and cash equivalents at beginning of year/period	61,203,255	–
Cash and cash equivalents at end of year/period	\$ 62,821,538	\$ 61,203,255
Interest received, net of withholding taxes	\$ 8	\$ –
Dividends received, net of withholding taxes	\$ 1,268	\$ –

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2021

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (0.68%)			
Commodity Futures (0.34%)			
Long Positions (0.48%)			
Brent Crude Futures March 2022 at US\$77.78. Notional Value US\$1,400,040	18	\$ –	\$ 22,592
Cocoa Futures March 2022 at US\$2,520.00. Notional Value US\$302,400	12	–	6,818
Coffee 'C' Futures March 2022 at US\$226.10. Notional Value US\$932,663	11	–	(65,746)
Copper Futures March 2022 at US\$446.35. Notional Value US\$3,124,450	28	–	94,792
Corn Futures March 2022 at US\$593.25. Notional Value US\$1,364,475	46	–	(1,138)
Cotton Futures March 2022 at US\$112.60. Notional Value US\$1,013,400	18	–	69,319
Crude Oil Futures January 2022 at US\$75.21. Notional Value US\$1,278,570	17	–	87,446
Gasoline Futures January 2022 at US\$222.46. Notional Value US\$840,899	9	–	53,845
Gold 100oz. Futures February 2022 at US\$1,828.60. Notional Value US\$3,108,620	17	–	342
Hard Red Winter Wheat Futures March 2022 at US\$801.50. Notional Value US\$200,375	5	–	(5,534)
Low Sulphur Gas Oil Futures February 2022 at US\$666.25. Notional Value US\$1,066,000	16	–	51,989
Milling Wheat #2 Futures March 2022 at EUR€278.50. Notional Value EUR€724,100	52	–	(39,982)
NY Harbor ULSD Futures January 2022 at US\$232.53. Notional Value US\$878,963	9	–	80,648
Platinum Futures April 2022 at US\$966.20. Notional Value US\$289,860	6	–	(1,847)
Soybean Futures March 2022 at US\$1,339.25. Notional Value US\$1,540,138	23	–	(25,252)
Soybean Meal Futures March 2022 at US\$399.10. Notional Value US\$518,830	13	–	41,554
Sugar Futures February 2022 at US\$18.88. Notional Value US\$190,310	9	–	(2,663)
Wheat Futures March 2022 at US\$770.75. Notional Value US\$462,450	12	–	(14,673)
		–	352,510
Short Positions (-0.14%)			
Cattle Feeder Futures March 2022 at US\$169.95. Notional Value (US\$679,800)	(8)	–	(43,198)
Lean Hog Futures February 2022 at US\$81.48. Notional Value (US\$97,770)	(3)	–	(2,846)

Schedule of Investments (continued)

As at December 31, 2021

Security	Contracts	Average Cost	Fair Value
Live Cattle Futures February 2022 at US\$139.70. Notional Value (US\$1,005,840)	(18)	–	(25,261)
Natural Gas Futures January 2022 at US\$3.73. Notional Value (US\$522,200)	(14)	–	6,654
Silver Futures March 2022 at US\$23.35. Notional Value (US\$817,320)	(7)	–	(33,199)
Soybean Oil Futures March 2022 at US\$56.53. Notional Value (US\$67,836)	(2)	–	(1,799)
		–	(99,649)
Index Futures (0.57%)			
Long Positions (0.58%)			
Amsterdam Exchanges Index Futures January 2022 at EUR€797.69. Notional Value EUR€1,595,380	10	–	60,817
CAC 40 10 Index Futures January 2022 at EUR€7,143.00. Notional Value EUR€1,571,460	22	–	63,302
DAX® Index Futures March 2022 at EUR€15,856.00. Notional Value EUR€792,800	2	–	27,435
E-mini Russell 2000 Index Futures March 2022 at US\$2,242.80. Notional Value US\$336,420	3	–	7,368
EURO STOXX® 50 Index Futures March 2022 at EUR€4,287.50. Notional Value EUR€1,157,625	27	–	49,296
FTSE 100 Index Futures March 2022 at GB£7,324.00. Notional Value GB£878,880	12	–	32,309
FTSE China A50 Index Futures January 2022 at US\$15,699.00. Notional Value US\$596,562	38	–	(9,261)
FTSE/MIB Index Futures March 2022 at EUR€27,248.00. Notional Value EUR€1,771,120	13	–	47,229
Hang Seng Index Futures January 2022 at HK\$23,451.00. Notional Value HK\$4,690,200	4	–	5,426
IBEX 35 Index Futures January 2022 at EUR€8,684.40. Notional Value EUR€434,220	5	–	26,830
NASDAQ 100 E-mini Index Futures March 2022 at US\$16,320.75. Notional Value US\$652,830	2	–	14,307
New Zealand Dollar Currency Futures March 2022 at US\$68.44. Notional Value US\$1,163,395	17	–	15,262
Nikkei 225 Index Futures March 2022 at US\$28,880.00. Notional Value US\$1,299,600	9	–	22,990
S&P/TSX 60 Index Futures March 2022 at C\$1,280.90. Notional Value C\$2,561,800	10	–	50,882
SPI 200 Index Futures March 2022 at AU\$7,347. Notional Value AU\$1,102,050	6	–	14,219
VSTOXX® Index Futures February 2022 at EUR€21.65. Notional Value EUR€67,115	31	–	(7,136)
		–	421,275

Schedule of Investments (continued)

As at December 31, 2021

Security	Contracts	Average Cost	Fair Value
Short Positions (-0.01%)			
European Carbon Allowance EUA Physical Futures December 2022 at EUR€80.65. Notional Value (EUR€80,650)	(1)	–	(5,242)
Currency Futures (0.07%)			
Long Positions (0.07%)			
British Pound Currency Futures March 2022 at US\$135.31. Notional Value US\$1,353,100	16	–	30,445
Canadian Dollar Currency Futures March 2022 at US\$79.05. Notional Value US\$790,500	10	–	16,027
Swiss Franc Currency Futures March 2022 at US\$109.92. Notional Value US\$137,400	1	–	2,024
		–	48,496
Short Positions (0.00%)			
Australian Dollar Currency Futures March 2022 at US\$72.78. Notional Value (US\$582,240)	(8)	–	(17,437)
Euro Currency Futures March 2022 at US\$1.14. Notional Value (US\$855,188)	(6)	–	(6,934)
Japanese Yen Currency Futures March 2022 at US\$86.98. Notional Value (US\$1,304,700)	(12)	–	24,746
		–	375
Treasury Bond Futures (-0.30%)			
Long Positions (-0.30%)			
Canadian 10-Year Treasury Bond Futures March 2022 at C\$142.62. Notional Value C\$2,567,160	18	–	(5,340)
Euro-BOBL March 2022 at EUR€133.24. Notional Value EUR€4,796,640	36	–	(18,751)
Euro-Buxl® Futures March 2022 at EUR€206.74. Notional Value EUR€2,067,400	10	–	(61,811)
Euro-OAT Futures March 2022 at EUR€163.15. Notional Value EUR€1,468,350	9	–	(36,753)
Long Gilt Futures March 2022 at GB£124.90. Notional Value GB£3,122,500	25	–	(76,020)
U.S. 10-Year Treasury Bond Futures March 2022 at US\$130.47. Notional Value US\$3,261,719	25	–	(6,562)
U.S. 20-Year Treasury Bond Futures March 2022 at US\$160.44. Notional Value US\$2,246,125	14	–	(16,049)
U.S. 5-Year Treasury Bond Futures March 2022 at US\$120.98. Notional Value US\$1,451,719	12	–	712
		–	(220,574)
TOTAL DERIVATIVES		–	497,191

Schedule of Investments (continued)

As at December 31, 2021

Security	Contracts	Average Cost	Fair Value
TOTAL INVESTMENT PORTFOLIO (0.68%)	\$	-	\$ 497,191
Cash and cash equivalents (85.39%)			62,821,538
Margin deposits (14.18%)			10,433,022
Other assets less liabilities (-0.25%)			(183,769)
TOTAL NET ASSETS (100.00%)			\$ 73,567,982

(See accompanying notes to financial statements)

Notes to Consolidated Financial Statements – ETF Specific Information

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

A. ETF INFORMATION (NOTE 1)

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

ETF Name	TSX Ticker(s)	Reporting Currency	Effective Start of Operations
Horizons ReSolve Adaptive Asset Allocation ETF	HRAA	CAD	July 29, 2020

Investment Objective

HRAA’s investment objective is to seek long-term capital appreciation by investing, directly or indirectly, in major global asset classes including but not limited to equity indexes, fixed income indexes, interest rates, commodities and currencies.

B. FINANCIAL INSTRUMENTS RISK (NOTE 5)

(a) Market risks

(i) Currency risk

The following table indicates the foreign currencies to which the ETF had significant exposure as at December 31, 2021 and 2020, in Canadian dollar terms and the potential impact on the ETF’s net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

December 31, 2021	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Australian Dollar	5	–	5	–
British Pound	(37)	–	(37)	–
Euro Currency	(120)	–	(120)	(1)
Hong Kong Dollar	(19)	–	(19)	–
U.S. Dollar	(89)	–	(89)	(1)
Total	(260)	–	(260)	(2)
As % of Net Asset Value	-0.4%	0.0%	-0.4%	0.0%

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

December 31, 2020	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Australian Dollar	(11)	–	(11)	–
British Pound	(33)	–	(33)	–
Euro Currency	(12)	–	(12)	–
Hong Kong Dollar	70	–	70	1
U.S. Dollar	356	–	356	4
Total	370	–	370	5
As % of Net Asset Value	0.5%	0.0%	0.5%	0.0%

(ii) Interest rate risk

As at December 31, 2021 and 2020, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) Market price risk

The table below shows the estimated impact on the ETF of a 1% increase or decrease in the Underlying Index, based on 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.

Comparative Index	December 31, 2021	December 31, 2020
S&P Global Low Volatility Index	\$350,168	\$790,760

(b) Credit risk

As at December 31, 2021 and 2020, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

C. FAIR VALUE MEASUREMENT (NOTE 6)

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						
Futures	1,027,625	–	–	2,074,404	–	–
Total Financial Assets	1,027,625	–	–	2,074,404	–	–
Financial Liabilities						
Futures	(530,434)	–	–	(128,457)	–	–
Total Financial Liabilities	(530,434)	–	–	(128,457)	–	–
Net Financial Assets and Liabilities	497,191	–	–	1,945,947	–	–

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 year or period shown. In addition, there were no investments or transactions classified in Level 3 for the year ended December 31, 2021, and for the period ended December 31, 2020.

D. SECURITIES LENDING (NOTE 7)

As at December 31, 2021 and 2020, the ETF was not participating in any securities lending transactions.

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the year ended December 31, 2021 and for the period ended December 31, 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 year/period ended	December 31, 2021	% of Gross Income	December 31, 2020	% of Gross Income
Gross securities lending income	\$29,451		5,651	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(11,780)	40.00%	(2,346)	41.51%
Net securities lending income paid to the ETF	\$17,671	60.00%	3,305	58.49%

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

E. REDEEMABLE SHARES (NOTE 9)

For the year ended December 31, 2021, and for the period ended December 31, 2020, the number of ETF Shares issued by subscription, the number of ETF Shares redeemed, the total and average number of ETF Shares outstanding was as follows:

Year/Period	Beginning Shares Outstanding	Shares Issued	Shares Redeemed	Ending Shares Outstanding	Average Shares Outstanding
2021	7,025,901	1,602,228	(2,075,000)	6,553,129	6,094,839
2020	–	7,525,901	(500,000)	7,025,901	6,673,643

F. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS (NOTE 11)

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 year ended December 31, 2021, and for the period ended December 31, 2020, were as follow:

Year/Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2021	\$214,543	\$nil	\$nil
December 31, 2020	\$147,284	\$nil	\$nil

G. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 15)

As at December 31, 2021 and 2020, the ETF did not have any financial instruments eligible for offsetting.

H. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (NOTE 16)

As at December 31, 2021, and 2020, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at December 31, 2021	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	4.00%	\$60,855,000

Investee ETF as at December 31, 2020	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	4.98%	\$50,380,000

Notes to Consolidated Financial Statements

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

1. REPORTING ENTITY

Horizons ETF Corp. (the “Company”) is a mutual fund corporation established on October 10, 2019, under the federal laws of Canada. The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, non-voting classes of shares (each, a “Corporate Class” or “ETF”), issuable in an unlimited number of series, and one class of voting shares designated as “Class J Shares”. Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. These consolidated financial statements (the “financial statements”) as at December 31, 2021 and 2020, and for the year ended December 31, 2021 and for the period ended December 31, 2020, comprise the Company and its wholly-owned entities and are presented on the basis outlined below. ETF-specific information and the investment objectives for each ETF in the Company are disclosed in the ETF-specific notes information to the consolidated financial statements of each ETF. Each ETF is a separate Corporate Class and currently consists of a single series of exchange traded fund shares (“ETF Shares”) of the applicable Corporate Class of the Company.

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

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

ETF Merger

Horizons Morningstar Hedge Fund Index ETF (“HHF”) merged into the Horizons ReSolve Adaptive Asset Allocation ETF (“HRAA”) on December 3, 2021.

The Corporate Class Merger

On July 14, 2020, a meeting of unitholders of a pre-existing ETF approved a proposal to proceed with a merger (the “Merger”) of that ETF, structured at the time as a trust (the “ETF Trust”), into Horizons ReSolve Adaptive Asset Allocation ETF, a new class of shares (the “Continuing Corporate Class ETF”) of Horizons ETF Corp. (“Horizons MFC”), a multi-class mutual fund corporation managed by the Manager.

The decision to propose the Merger followed an extensive review by the Manager of the activities and tax positions of the ETF Trust, along with the proposed changes to the Income Tax Act (Canada) (the “Tax Act”) contained in the 2019 Federal Budget, as a means to preserve the existing benefits offered by the ETF Trust.

The approved Merger took place at the close of business on July 29, 2020, and units of the ETF Trust (the “ETF Units”) were exchanged on a one-for-one basis for ETF Shares of the Horizons ReSolve Adaptive Asset Allocation ETF Corporate Class of Horizons MFC. With the Merger, the ETF Shareholders became subject to the investment objective and fee structure of Horizons ReSolve Adaptive Asset Allocation ETF.

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

The Merger is not expected to be a taxable event for Canadian resident holders of the ETF, provided that holders with ETF Units that were in an unrealized gain position and were held in taxable accounts prior to the Merger make a joint election with Horizons ETF Corp. under Section 85 of the Tax Act for the exchange of their ETF Units into the corresponding class of ETF Shares of Horizons ETF Corp., to occur on a tax-deferred basis.

For more information about making a joint election as indicated above, investors should refer to our website disclosure on this which can be found at: <https://www.horizonsetfs.com/section-85-election>

Reporting Periods

The ETF is reporting information in its financial statements as at December 31, 2021 and 2020. Post-Merger, the ETF Trust is wholly-owned by the Company. These financial statements are presented on a consolidated basis for the individual ETF and the corresponding ETF Trust.

Investment Objective

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

2. BASIS OF PREPARATION

(i) Statement of compliance

The ETF's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") 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 shares as reported under IFRS.

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

(ii) Basis of measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

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 payment of principal and interest, and business model tests.

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

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

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

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

(ii) Fair value measurement

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

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

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

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

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

(iii) Offsetting

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

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

(iv) Specific instruments

Cash

Cash consists of cash on deposit.

Redeemable shares

The Company has made significant judgments when determining the classification of each ETF's redeemable securities as financial liabilities in accordance with IAS 32 – Financial Instruments – Presentation (“IAS 32”).

Each ETF's redeemable shares are classes in the Company. The classes will not participate pro rata in the residual net assets of the Company in the event of the Company's liquidation and they do not have identical features. Consequently, each ETF's outstanding redeemable shares are classified as financial liabilities in accordance with the requirements of IAS 32.

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.

Derivative agreements

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

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

(b) Investment income

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

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

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

(d) Cost basis

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

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

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

(f) Shareholder transactions

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

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

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

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

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

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, fees incurred in conjunction with the ETF's derivative agreements, levies by regulatory agencies and securities exchanges, and 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 year ended December 31, 2021 and for the period ended December 31, 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.

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

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

(a) Market risks

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

(i) Currency risk

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

(ii) Interest rate risk

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

(iii) Market price risk

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

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

(b) Credit risk

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

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

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

(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

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

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

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

7. SECURITIES LENDING

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

The aggregate closing market value of securities loaned and collateral received, if any, as at December 31, 2021 and 2020, and a reconciliation of the securities lending income for the year ended December 31, 2021 and for the period ended December 31, 2020, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

8. LEVERAGE

The aggregate market exposure of all instruments held directly or indirectly by HRAA, calculated daily on a mark-to-market basis, can exceed HRAA's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HRAA divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the year ended December 31, 2021 and for the period ended December 31, 2020; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
December 31, 2021	1.14:1	2.91:1	1.16:1	116%
December 31, 2020	\$nil	2.89:1	2.82:1	282%

9. REDEEMABLE SHARES

The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, non-voting Corporate Classes, issuable in an unlimited number of series, including the ETF Shares, and one class of voting shares designated as "Class J Shares". Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. Each ETF of the Company is a separate Corporate Class.

Each ETF Share entitles the owner to one vote at meetings of shareholders of the applicable Corporate Class to which they are entitled to vote. Each shareholder is entitled to participate equally with all other shares of the same Corporate Class or series of Corporate Class with respect to all payments made to shareholders, other than management fee rebates, including dividends and distributions and, on liquidation, to participate equally in the net assets of the applicable Corporate Class remaining after satisfaction of any outstanding liabilities that are attributable to ETF Shares of the Corporate Class.

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

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

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

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

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

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

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

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 shareholders 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 shareholders 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 shares of the ETF; and dealing and communicating with shareholders 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 0.85%, plus applicable sales taxes, of the net asset value of the ETF's shares, 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.

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

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 shareholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; shareholder reports and servicing costs; registrar and transfer agent fees; costs 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.

Performance Fees

The ETF shall pay to the Manager a Performance Fee, if any, equal to 15% of the amount by which the performance of the ETF, at any date on which the Performance Fee is payable, (i) exceeds the greater of: (a) the initial net asset value per ETF Share; and (b) the highest net asset value per ETF Share previously utilized for the purposes of calculating a Performance Fee that was paid (the "High Water Mark") and (ii) is greater than an annualized return of 3%.

The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$598,649 in performance fees for the year ended December 31, 2021 (December 31, 2020 - \$309,040), and is disclosed in the statement of comprehensive income. Performance fees payable to the Manager as at December 31, 2021, were \$117,612 (December 31, 2020 - \$nil) and are included in accrued operating expenses on the statements of financial position, where applicable.

11. 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.

In addition to the information contained in note F of the ETF-specific notes information, the management fees paid to the Manager described in note 10 are related party transactions, as the Manager is considered to be a related party to the ETF. The management fees payable by the ETF as at December 31, 2021 and 2020, are disclosed in the statements of financial position.

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 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.

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

12. 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	\$10,433,022
December 31, 2020	\$10,178,154

13. INCOME TAX

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

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

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

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

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

14. TAX LOSSES CARRIED FORWARD

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

As at December 31, 2021, the Company and its wholly-owned entities had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$1,326,394,679	\$126,121	2028
	\$1,961,149	2029
	\$5,668,871	2030
	\$3,237,571	2031
	\$3,138,653	2032
	\$153,021,428	2033
	\$230,454,838	2034
	\$447,405,094	2035
	\$74,326,117	2036
	\$266,066,173	2037
	\$118,767,474	2038
	\$191,271,535	2039
	\$1,903,168,633	2040

15. OFFSETTING OF FINANCIAL INSTRUMENTS

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

Notes to Consolidated Financial Statements (continued)

For the Year Ended December 31, 2021 and

For the Period from Inception on July 20, 2020 to December 31, 2020

16. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in shares or 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 share or 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, listed in the schedule of investments, and further detailed in note H of the ETF-specific notes information.

Manager

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