



**Horizons Absolute Return Global Currency ETF  
(HARC:TSX)**



**HORIZONS** ETFs  
by Mirae Asset

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# Contents

## **MANAGEMENT REPORT OF FUND PERFORMANCE**

Management Discussion of Fund Performance .....	7
Financial Highlights .....	13
Past Performance .....	16
Summary of Investment Portfolio .....	17

## **MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING** .....

18

## **CONSOLIDATED FINANCIAL STATEMENTS**

Consolidated Statements of Financial Position .....	19
Consolidated Statements of Comprehensive Income .....	20
Consolidated Statements of Changes in Financial Position .....	21
Consolidated Statements of Cash Flows .....	22
Schedule of Investments .....	23
Notes to Consolidated Financial Statements - ETF Specific Information .....	26
Notes to Consolidated Financial Statements .....	31

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## A Message from the CEO

After the challenges of the last two years related to the COVID-19 pandemic, I am pleased a “return to normal” and a broader economic reopening have begun.

While global uncertainty and inflationary pressures have resulted in market volatility, Canada’s ETF industry continues to grow. As at May 31, 2022, Canada’s ETF industry has seen \$18 billion in year-to-date inflows.

At Horizons ETFs, our assets under management swelled from approximately \$17 billion at the end of 2020 to \$20.9 billion as at December 31, 2021. We continue to solidify our position as one of Canada’s top ETF providers, with approximately \$3 billion in ETF flows in the first half of this year. With several more innovative Horizons ETFs funds slated to launch this year, we are optimistic about further growth in the second half of 2022.

We are proud to continue our longstanding commitment to bringing innovative ETFs to market. This year alone we have launched two new, first-of-their-kind ETFs.

In February, Horizons ETFs launched the Horizons Carbon Credits ETF (“**CARB**”). CARB is Canada’s first ETF that provides exposure to investments in cap-and-trade carbon allowances: a nascent asset class, CARB, offers investors the potential to benefit from the growing global effort to regulate and restrict pollution.

In another Canadian first, in May, we launched the Horizons Copper Producers Index ETF (“**COPP**”), providing exposure to companies involved in copper ore mining, one of the most in-demand metals today. Copper is a critical component of electrical infrastructure, electric vehicles, and equipment and has an important role in helping achieve a global low-carbon energy future.

The addition of CARB and COPP to our product shelf strengthens our status as Canada’s leaders in commodity-focused funds. In addition to our longstanding funds that offer exposure to traditional commodities like crude oil and natural gas, last year, we introduced the first ETFs in Canada that offer exposure to three commodities that have the potential to fuel the future: uranium, lithium, and hydrogen. With market conditions in 2022 that have, so far, favoured energy and commodities, these ETFs can offer investors the potential to capture the current market’s momentum.

At Horizons ETFs, “Innovation is Our Capital,” has long been our motto, and we believe this has allowed us to be nimble enough to adapt while anticipating investor needs. No matter what is next on your investment horizon, we are confident that our suite of innovative ETFs will be able to help you reach your financial goals.

As always, we thank you for your continued support and hope you’re staying safe and healthy.

Sincerely,



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

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## MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Absolute Return Global Currency ETF (“HARC” 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 unaudited interim consolidated financial statements (“financial statements” or “interim financial statements”) for the investment fund. You may request a copy of the investment fund’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosures, at no cost, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at [www.horizonsetfs.com](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://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

HARC seeks to generate positive absolute returns through long and short exposure to selected global currencies. HARC will generally hold Canadian short-term fixed-income securities and will primarily use derivative instruments to gain its exposure to selected global currencies.

In order to achieve its investment objective, the ETF’s portfolio sub-advisor, CIBC Asset Management Inc. (“CIBC Asset” or the “Sub-Advisor”), selects currencies that are expected to strengthen or weaken on a relative basis using the Sub-Advisor’s proprietary active investment process that tracks more than thirty global currencies. The Sub-Advisor’s investment process employs both fundamental analysis and a factor based ranking model.

HARC obtains exposure to currencies primarily by entering into derivatives where the underlying interests are the currencies of two countries. In each derivative, the currency of one country (the “strong side currency”) is selected by the Sub-Advisor to outperform the currency of the other country (the “weak side currency”). HARC profits (or incurs a loss) from the derivative if, during the term of the derivative, the exchange rate between the two currencies changes such that the strong side currency increases (or decreases) in value relative to the weak side currency.

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## Management Discussion of Fund Performance (continued)

The Sub-Advisor studies a country's level of inflation, anticipated interest rate change, employment outlook, economic growth expectation, trade balance, government policy and central bank actions. The Sub-Advisor actively monitors interest rate and inflation differentials and uses, among other techniques, exchange rate analysis techniques such as interest rate parity and purchasing power parity to forecast currency values. The Sub-Advisor also conducts fundamental economic analysis of the currencies being considered for inclusion in HARC's portfolio, taking into account macro-economic variables and events that it judges to be important to a particular country.

Please refer to the ETF's most recent prospectus for a complete description of HARC'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](http://www.horizonsetfs.com) or from [www.sedar.com](http://www.sedar.com), or by calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

## Management Discussion of Fund Performance (continued)

- |  |  |
|--|--|
| <ul style="list-style-type: none"> <li>• Market disruptions risk</li> <li>• Derivative investments</li> <li>• Risk that ETF shares will trade at prices other than net asset value per ETF shares</li> <li>• Issuer concentration risk</li> <li>• Leverage risk</li> <li>• Foreign exchange rate risk</li> <li>• Counterparty risk</li> <li>• Liquidity risk</li> <li>• Borrowing risk</li> <li>• Tax-related risks</li> <li>• Exchange risk</li> <li>• Inability to achieve investment objective</li> <li>• Alternative mutual funds risk</li> <li>• Cyber security risk</li> <li>• Aggressive investment technique risk</li> <li>• Reliance on key personnel</li> <li>• Distribution risk</li> </ul> | <ul style="list-style-type: none"> <li>• Significant redemptions</li> <li>• Price limit risk</li> <li>• Conflicts of interest</li> <li>• Business and regulatory risks of alternative investment strategies</li> <li>• Political, economic and social risk</li> <li>• Securities lending risk</li> <li>• No ownership interest</li> <li>• Restrictions on certain shareholders</li> <li>• Redemption price</li> <li>• Fund corporation and multi-class/series structure risk</li> <li>• Fluctuations in NAV and market price of the ETF shares risk</li> <li>• Absence of an active market for the ETF shares and lack of operating historical risk</li> <li>• No guaranteed return</li> <li>• Foreign security risk</li> <li>• Currency fund risk</li> <li>• Use of options risk</li> </ul> |
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## Results of Operations

For the period ended June 30, 2022, shares of the ETF returned -3.34%. By comparison, a basket of global currencies had the following returns versus the Canadian dollar (“CAD”) for the same period: U.S. dollar (“USD”) 1.87%, Japanese yen (“JPY”) -13.63%, Euro currency (“EUR”) -6.10%, Brazilian real (“BRL”) 7.93% and Russian ruble (RUB) 41.17%.

### **General Market Review**

The first half of 2022 was dominated by several inter-related themes: the conflict in Ukraine; a broadening of inflation risks; and central bank policy tightening. The net result has been heightened market volatility, substantial price corrections across all public markets, and increasing evidence of a growth slowdown.

Global growth is expected to slow further over the next few quarters as a whole, to a rate below its long-term trend. Concurrently, growth leadership is rotating to the service sector and away from manufacturing as the impact of COVID-19 stimulus spending continues to wane. Policy actions of central banks around the world, including the U.S. Federal Reserve (Fed), are expected to be a primary driver of this continued growth slowdown. Financial conditions have tightened, including a sharp rise in mortgage rates in the U.S. and Canada that will likely dampen housing market activity. The Fed, in particular, has signaled its intention to sustain tighter conditions for an extended period in order to tame inflation. At 40-year highs, headline inflation is well above rates previously expected due to a mix of binding supply constraints and excessive demand, including for labour. The Sub-Advisor expects inflation to moderate in the coming months. However, it will likely remain well above central bank target rates for the foreseeable future.

Risks to this economic outlook remain pronounced and skewed to the downside. The Fed has made clear its readiness to tighten policy as much as is necessary to ensure long-term inflation expectations remain anchored to its 2% inflation

## Management Discussion of Fund Performance (continued)

target. This has raised the risk of a hard economic landing, especially if inflation remains stickier than expected in the remainder of 2022. Adding to downside growth risks elsewhere in the global economy, the Ukraine conflict, associated risks to energy supply, and high inflation have compromised the strength of the expected Euro growth recovery; high inflation likely means the European Central Bank will have to be relatively aggressive in tightening policy despite significant risks to growth. Chinese growth has continued to disappoint in response to previous regulatory clampdowns and a zero-tolerance COVID-19 policy. Stimulative policy actions are now being implemented by the Chinese authorities in an effort to counter this weakness. These initiatives will likely provide some support to growth, but an expected weakening in U.S. demand for Chinese exports, as well as COVID-19 policy, weak housing demand, and local government fiscal concerns are expected to be important headwinds.

### **Portfolio Review**

Performance in the first half of 2022 was negative. The ETF encompassed four broad themes. First, in the face of heightened risks to economic outlook and market risk sentiment, the level of active risk was reduced during the first half of the year. A focus on relative positioning that neutralizes underlying beta exposures has increased and reduced exposure to directional positions and the economic cycle. Pro-cycle positions that were closed towards the end of the first half include longs in the Brazilian real (BRL) and Norwegian krone (NOK), both of which were funded with a short in the Euro (EUR); BRL was also funded by a short in the Australian dollar (AUD). The ETF also opened and then closed a long Canadian dollar (CAD) position during the first half, funded by shorts in the U.S. dollar (USD) and EUR.

Second, the year began with long exposure to the Russian ruble (RUB). This position was expressed versus the Japanese yen (JPY) and was motivated by a fundamentals-based appraisal of expected returns using an integration of quantitative models and qualitative analysis. The magnitude of the RUB position, as well as its contribution to the ETF's risk, was reduced early in the year, before the increase in geopolitical risk. The Sub-Advisor was surprised by the unprecedented range and severity of sanctions imposed by G10 governments on Russia, as well as the unprecedented exodus of Western corporations from the Russian economy. The remaining RUB/JPY position was removed from the portfolio at the beginning of March.

Third, notwithstanding the de-risking of the ETF noted above, exposure was retained to fundamentally attractive currencies that exhibit relatively attractive long-term valuations and, often, relatively attractive interest rate carry. This group includes the Chilean peso (CLP), Indian rupee (INR), Indonesian rupiah (IDR), and Malaysian ringgit (MYR). The sizes of INR, IDR, and CLP longs were trimmed towards the end of the quarter, as part of the broad ETF risk reduction. Also, switched was part of the CLP funding from USD to AUD. The ETF was also long CLP against the Chinese renminbi (CNH), which is likely to remain weak in the face of continued growth disappointments.

The long MYR position was added in June, and is funded by a short Israeli shekel (ILS) exposure. Energy is expected to remain a key support to MYR, for which long-term valuation appears particularly attractive. ILS is positively correlated to the performance of the Nasdaq index, which is expected to remain under pressure in the near term. In addition, Bank of Israel policy action, thus far, has appeared timid in the face of rising inflation. ILS also screens as one of the most expensive currencies in our investment universe.

The ETF's remaining long INR position is paired against the Taiwan dollar (TWD). This pairing minimizes equity and commodity betas; both are oil importers, for instance. It also maximizes available carry; INR has a relatively high interest rate, and TWD rates remain negative.

Fourth, a net short USD position was retained. Importantly, though, with market uncertainty and growth risks high, and Fed messaging remaining hawkish, USD shorts have been selective rather than broad-based. They currently include positions against CLP, as discussed above, and IDR. The ETF also has a USD short against JPY, which has depreciated

## Management Discussion of Fund Performance (continued)

sharply in 2022 concurrent to the rise in U.S. Treasury (UST) yields. JPY now screens as significantly undervalued, and short JPY positioning appears relatively stretched. With UST yields likely near a local peak, continued market stress is expected to be helpful to a partial recovery in JPY. The ETF also opened a long JPY position against EUR towards the end of the first half. EUR appears particularly vulnerable to downside growth risks, for instance, related to potential significant energy supply disruptions.

### Outlook

Heightened macro and geopolitical risks suggest a continued cautious stance on strategy risk and positioning for the foreseeable future, and a focus on managing the ETF through current events. But market volatility and dislocation also present opportunities. The Sub-Advisor will look to position the ETF to benefit from these opportunities and will look to increase strategy risk as geopolitical risk and market uncertainty fade.

As market conditions normalize USD is likely to be vulnerable to a more general correction lower; in particular, it continues to screen as overvalued relative to long-term fundamentals. However, this observation is not actionable until Fed policy inflects away from its current aggressive posture.

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

For the six-month period ended June 30, 2022, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of (\$1,539,805). This compares to \$994,942 for the six-month period ended June 30, 2021. The ETF incurred management, operating and transaction expenses of \$275,212 (2021 – \$273,422) of which \$16,627 (2021 – \$14,693) 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 periods ended June 30, 2022 and 2021.

### Leverage

The aggregate market exposure of all instruments held directly or indirectly by HARC, calculated daily on a mark-to-market basis, can exceed HARC'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 HARC 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 period ended June 30, 2022 and for the year ended December 31, 2021; 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 a end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2022	1.04:1	1.79:1	1.01:1	101%
December 31, 2021	1.19:1	2.50:1	1.41:1	141%

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**Management Discussion of Fund Performance** (continued)**Recent Developments**

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 when compared to its benchmark.

**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.

**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 June 30, 2022, and December 31, 2021, are disclosed in the statements of financial position.

## Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the current interim reporting period and since it effectively began operations on January 16, 2017. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

### The ETF's Net Assets per Share

Period <sup>(1)</sup>	2022	2021	2020	2019	2018	2017
<b>Net assets, beginning of period</b>	\$ 22.21	21.66	21.71	20.23	21.05	20.00
<b>Increase (decrease) from operations:</b>						
Total revenue	0.01	0.01	0.11	0.34	0.28	0.19
Total expenses	(0.11)	(0.24)	(0.29)	(0.31)	(0.28)	(0.31)
Realized gains (losses) for the period	(0.36)	1.11	(0.38)	0.72	(0.57)	1.27
Unrealized gains (losses) for the period	(0.33)	(0.33)	0.90	0.75	(0.25)	(0.15)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.79)</b>	<b>0.55</b>	<b>0.34</b>	<b>1.50</b>	<b>(0.82)</b>	<b>1.00</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	–	–	–	–	–	(0.96)
<b>Total distributions <sup>(3)</sup></b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>(0.96)</b>
<b>Net assets, end of period <sup>(4)</sup></b>	<b>\$ 21.46</b>	<b>22.21</b>	<b>21.66</b>	<b>21.71</b>	<b>20.23</b>	<b>21.05</b>

1. This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.

2. Net assets per share and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.

3. Distributions, if any, were paid in cash, reinvested in additional shares of the ETF, or both.

4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per share.

**Financial Highlights** (continued)

**Ratios and Supplemental Data**

<b>Period</b> <sup>(1)</sup>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>
Total net asset value (000's)	\$ 46,510	56,450	33,406	11,223	9,449	7,777
Number of shares outstanding (000's)	2,167	2,542	1,542	517	467	370
Management expense ratio <sup>(2)(5)</sup>	1.07%	1.07%	1.23%	1.09%	1.09%	1.09%
Management expense ratio excluding proportion of expenses from underlying investment funds	1.00%	0.99%	1.19%	1.09%	1.09%	1.09%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	1.14%	1.13%	1.46%	1.85%	1.93%	3.20%
Trading expense ratio <sup>(4)(5)</sup>	0.05%	0.09%	0.20%	0.36%	0.28%	0.45%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.05%	0.09%	0.20%	0.36%	0.28%	0.45%
Portfolio turnover rate <sup>(6)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share, end of period	\$ 21.46	22.21	21.66	21.71	20.23	21.05
Closing market price	\$ 21.48	22.21	21.63	21.67	20.34	21.15

1. This information is provided as at June 30, 2022, and December 31 of the year/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. 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 period.

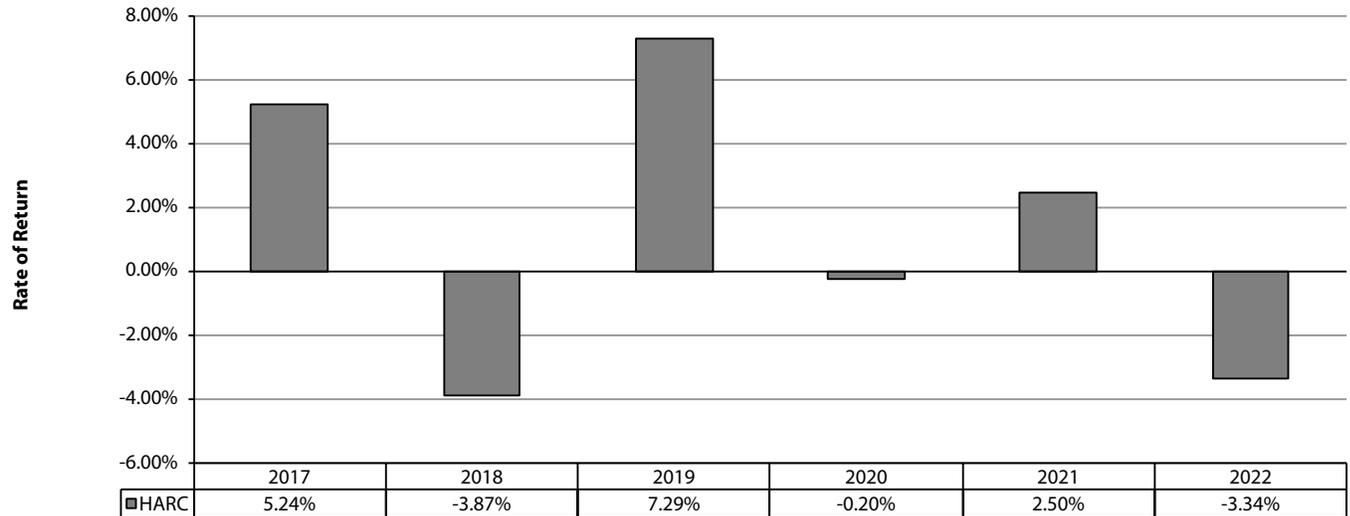
<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
6%	87%	7%

## 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 January 16, 2017.

## Summary of Investment Portfolio

As at June 30, 2022

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
<b>Long Exposure</b>		
Currency Forward Contracts–Speculative*	\$ 23,127,695	49.73%
Cash and Cash Equivalents	47,271,682	101.63%
Other Assets less Liabilities	(29,914)	-0.06%
<b>Short Exposure</b>		
Currency Forward Contracts–Speculative*	(23,859,036)	-51.30%
	<b>\$ 46,510,427</b>	<b>100.00%</b>

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

Top Forward Currency Exposure **	% of ETF's Net Asset Value
<b>Long Exposure</b>	
Indian Rupee	14.93%
Japanese Yen	13.08%
Chile Peso	7.91%
Malaysian Ringgit	7.89%
Indonesian Rupiah	5.92%
<b>Short Exposure</b>	
Canadian Dollars	-0.10%
Chinese Yuan Renminbi	-3.14%
Israeli Shekel	-4.06%
Australian Dollars	-4.93%
Hong Kong Dollars	-6.00%
United States Dollars	-6.19%
Euro	-7.91%
Taiwan Dollars	-18.97%

\*\* All forward contracts are speculative in nature. Positions in forward contracts are disclosed in terms of their fair value. Aggregate exposure of forward contracts equals 101.03% of the ETFs 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](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

### **MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim consolidated financial statements ("financial statements") of Horizons Absolute Return Global Currency 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.



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



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Thomas Park  
Director  
Horizons ETFs Management (Canada) Inc.

### **NOTICE TO SHAREHOLDERS**

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

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

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

**Consolidated Statements of Financial Position** (unaudited)

As at June 30, 2022, and December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 47,271,682	\$ 56,376,342
Amounts receivable relating to accrued income	8,871	306
Amounts receivable relating to portfolio assets sold	–	544,409
Derivative assets (note 3)	1,410,151	1,532,646
<b>Total assets</b>	<b>48,690,704</b>	<b>58,453,703</b>
<b>Liabilities</b>		
Accrued management fees	34,834	43,446
Accrued operating expenses	3,951	11,007
Amounts payable relating to securities redeemed	–	555,482
Derivative liabilities (note 3)	2,141,492	1,393,953
<b>Total liabilities</b>	<b>2,180,277</b>	<b>2,003,888</b>
<b>Total net assets (note 2)</b>	<b>\$ 46,510,427</b>	<b>\$ 56,449,815</b>
Number of redeemable shares outstanding (note 9)	2,167,000	2,542,000
Total net assets per share	\$ 21.46	\$ 22.21

(See accompanying notes to financial statements)

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



 Steven J. Hawkins  
 Director



 Kevin S. Beatson  
 Director

**Consolidated Statements of Comprehensive Income** (unaudited)

For the Periods Ended June 30,

	<b>2022</b>	<b>2021</b>
<b>Income</b>		
Interest income for distribution purposes	\$ 20,218	\$ 2,552
Securities lending income (note 7)	2,372	8,182
Net realized gain (loss) on sale of investments and derivatives	(954,265)	2,776,905
Net realized gain (loss) on foreign exchange	122,294	(42,383)
Net change in unrealized depreciation of investments and derivatives	(869,150)	(1,895,677)
Net change in unrealized appreciation of foreign exchange	138,726	145,363
	<b>(1,539,805)</b>	<b>994,942</b>
<b>Expenses (note 10)</b>		
Management fees	222,006	208,774
Audit fees	6,811	6,676
Independent Review Committee fees	141	576
Custodial and fund valuation fees	14,005	14,005
Legal fees	1,076	1,297
Securityholder reporting costs	6,507	6,800
Administration fees	13,165	7,202
Transaction costs	11,501	28,092
	<b>275,212</b>	<b>273,422</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(16,627)	(14,693)
	<b>258,585</b>	<b>258,729</b>
<b>Increase (decrease) in net assets for the period</b>	<b>\$ (1,798,390)</b>	<b>\$ 736,213</b>
Increase (decrease) in net assets per share	\$ (0.79)	\$ 0.34

(See accompanying notes to financial statements)

**Consolidated Statements of Changes in Financial Position** (unaudited)

For the Periods Ended June 30,

	<b>2022</b>		<b>2021</b>	
<b>Total net assets at the beginning of the period</b>	\$	56,449,815	\$	33,406,254
<b>Increase (decrease) in net assets</b>		(1,798,390)		736,213
<b>Redeemable share transactions</b>				
Proceeds from the issuance of securities of the investment fund		3,261,059		22,908,275
Aggregate amounts paid on redemption of securities of the investment fund		(11,402,057)		(3,840,333)
<b>Total net assets at the end of the period</b>	<b>\$</b>	<b>46,510,427</b>	<b>\$</b>	<b>53,210,409</b>

(See accompanying notes to financial statements)

**Consolidated Statements of Cash Flows** (unaudited)

For the Periods Ended June 30,

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets for the period	\$ (1,798,390)	\$ 736,213
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	954,265	(2,776,905)
Net realized gain (loss) on currency forward contracts	(953,816)	2,776,717
Net change in unrealized depreciation of investments and derivatives	869,150	1,895,677
Net change in unrealized appreciation of foreign exchange	(138,726)	(145,363)
Purchase of investments	160	(1,057,478)
Proceeds from the sale of investments	544,684	93
Amounts receivable relating to accrued income	(8,565)	932
Accrued expenses	(15,668)	13,127
<b>Net cash from (used in) operating activities</b>	<b>(546,906)</b>	<b>1,443,013</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of shares	3,261,059	22,908,275
Amount paid on redemptions of shares	(11,957,539)	(3,840,333)
<b>Net cash from (used in) financing activities</b>	<b>(8,696,480)</b>	<b>19,067,942</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(9,243,386)</b>	<b>20,510,955</b>
Effect of exchange rate fluctuations on cash and cash equivalents	138,726	145,363
<b>Cash and cash equivalents at beginning of period</b>	<b>56,376,342</b>	<b>33,272,436</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 47,271,682</b>	<b>\$ 53,928,754</b>
Interest received, net of withholding taxes	\$ 11,653	\$ 3,484

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2022

Security	Contracts	Average Cost	Fair Value
<b>DERIVATIVES (-1.57%)</b>			
<b>Currency Forwards (-1.57%)</b>			
Currency forward contract to buy US\$3,065,222 for MYR 13,500,000 maturing July 12, 2022	\$	–	\$ 2,399
Currency forward contract to buy MYR 13,500,000 for US\$3,078,671 maturing July 12, 2022		–	(19,710)
Currency forward contract to buy MXN 71,190,000 for C\$4,380,313 maturing July 13, 2022		–	169,765
Currency forward contract to buy C\$4,499,947 for MXN 71,190,000 maturing July 13, 2022		–	(50,130)
Currency forward contract to buy C\$15,526,369 for EUR€11,320,000 maturing July 14, 2022		–	247,047
Currency forward contract to buy C\$2,224,691 for PLN 7,830,000 maturing July 14, 2022		–	(21,364)
Currency forward contract to buy PLN 7,830,000 for C\$2,292,893 maturing July 14, 2022		–	(46,838)
Currency forward contract to buy EUR€8,595,000 for C\$11,671,124 maturing July 14, 2022		–	(69,907)
Currency forward contract to buy US\$16,605,000 for C\$21,172,501 maturing July 19, 2022		–	201,881
Currency forward contract to buy C\$15,200,254 for US\$11,875,000 maturing July 19, 2022		–	(85,551)
Currency forward contract to buy C\$2,762,470 for HUF 785,420,000 maturing July 21, 2022		–	97,271
Currency forward contract to buy HUF 785,420,000 for C\$2,817,434 maturing July 21, 2022		–	(152,234)
Currency forward contract to buy US\$2,175,778 for CLP 1,861,755,000 maturing July 26, 2022		–	202,017
Currency forward contract to buy C\$1,817,188 for NOK 14,065,000 maturing July 26, 2022		–	(21,683)
Currency forward contract to buy NOK 14,065,000 for C\$1,991,487 maturing July 26, 2022		–	(152,616)
Currency forward contract to buy CLP 4,497,945,000 for US\$5,364,283 maturing July 26, 2022		–	(626,660)
Currency forward contract to buy US\$7,252,843 for TWD 212,675,000 maturing August 10, 2022		–	105,666
Currency forward contract to buy TWD 9,430,000 for US\$320,136 maturing August 10, 2022		–	(2,813)
Currency forward contract to buy CHF 2,610,000 for C\$3,388,153 maturing August 31, 2022		–	144,973

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2022

Security	Contracts	Average Cost	Fair Value
Currency forward contract to buy C\$3,359,314 for GB£2,125,000 maturing August 31, 2022		–	26,370
Currency forward contract to buy C\$116,572 for JPY¥12,095,000 maturing August 31, 2022		–	1,388
Currency forward contract to buy C\$3,524,503 for CHF 2,610,000 maturing August 31, 2022		–	(8,623)
Currency forward contract to buy GB£2,125,000 for C\$3,388,886 maturing August 31, 2022		–	(55,942)
Currency forward contract to buy JPY¥650,835,000 for C\$6,416,600 maturing August 31, 2022		–	(218,532)
Currency forward contract to buy C\$1,931,545 for ILS 5,110,000 maturing September 1, 2022		–	40,968
Currency forward contract to buy US\$2,769,819 for BRL 14,500,000 maturing September 6, 2022		–	65,933
Currency forward contract to buy BRL 14,500,000 for US\$2,958,580 maturing September 6, 2022		–	(308,869)
Currency forward contract to buy US\$125,048 for INR 9,845,000 maturing September 8, 2022		–	1,475
Currency forward contract to buy HKD 595,000 for C\$98,251 maturing September 8, 2022		–	(463)
Currency forward contract to buy C\$1,433,340 for CNH 7,600,000 maturing September 8, 2022		–	(27,333)
Currency forward contract to buy C\$2,835,970 for HKD 17,585,000 maturing September 8, 2022		–	(54,126)
Currency forward contract to buy INR 438,435,000 for US\$5,599,068 maturing September 8, 2022		–	(104,603)
Currency forward contract to buy C\$4,232,639 for AU\$4,700,000 maturing September 15, 2022		–	54,747
Currency forward contract to buy AU\$2,120,000 for C\$1,893,277 maturing September 15, 2022		–	(8,781)
Currency forward contract to buy US\$1,560,525 for IDR 23,215,855,000 maturing September 23, 2022		–	16,362
Currency forward contract to buy IDR 55,321,565,000 for US\$3,741,989 maturing September 23, 2022		–	(69,081)
Currency forward contract to buy MYR 12,580,000 for US\$2,853,255 maturing October 12, 2022		–	(3,744)
		–	(731,341)
<b>TOTAL DERIVATIVES</b>		–	<b>(731,341)</b>

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2022

<b>Security</b>	<b>Contracts</b>	<b>Average Cost</b>	<b>Fair Value</b>
<b>TOTAL INVESTMENT PORTFOLIO (-1.57%) (note 8)</b>	<b>\$</b>	<b>-</b>	<b>\$ (731,341)</b>
<b>Cash and cash equivalents - other (101.63%)</b>			47,271,682
<b>Other assets less liabilities (-0.06%)</b>			(29,914)
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 46,510,427</b>

(See accompanying notes to financial statements)

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

For the Periods Ended June 30, 2022 and 2021

**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 Absolute Return Global Currency ETF	HARC	CAD	January 16, 2017

**Investment Objective**

HARC seeks to generate positive absolute returns through long and short exposure to selected global currencies. HARC will generally hold Canadian short-term fixed-income securities and will primarily use derivative instruments to gain its exposure to selected global currencies.

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

The following tables indicate the foreign currencies to which the ETF had significant exposure as at June 30, 2022, and December 31 2021, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

June 30, 2022	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	-	(2,293)	(2,293)	(23)
Chilean Peso	-	3,680	3,680	37
Chinese Yuen	-	(1,461)	(1,461)	(15)
Euro Currency	-	(3,678)	(3,678)	(37)
Hong Kong Dollar	-	(2,792)	(2,792)	(28)
Indian Rupee	-	6,942	6,942	69
Indonesian Rupiah	-	2,755	2,755	28
Japanese Yen	-	6,083	6,083	61
Malaysian Ringgit	-	3,668	3,668	37
New Taiwan Dollar	-	(8,821)	(8,821)	(88)
New Israeli Shequel	-	(1,891)	(1,891)	(19)
U.S. Dollar	690	(2,877)	(2,187)	(22)
Total	690	(685)	5	0
As % of Net Asset Value	1.5%	-1.5%	0.0%	0.0%

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

For the Periods Ended June 30, 2022 and 2021

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	-	(2,822)	(2,822)	(28)
Brazilian Real	-	3,383	3,383	34
Chilean Peso	-	401	401	4
Czech Koruna	-	3,540	3,540	35
Euro Currency	-	(14,599)	(14,599)	(146)
Hong Kong Dollar	-	(3,379)	(3,379)	(34)
Indian Rupee	-	7,952	7,952	80
Indonesian Rupiah	-	5,642	5,642	56
Japanese Yen	-	(6,664)	(6,664)	(67)
Mexican Peso	-	5,088	5,088	51
New Taiwan Dollar	-	(13,824)	(13,824)	(138)
Norwegian Krone	-	2,287	2,287	23
Russian Ruble	-	8,248	8,248	82
U.S. Dollar	1,928	(1,744)	184	2
Total	1,928	(6,491)	(4,563)	(46)
As % of Net Asset Value	3.4%	-11.5%	-8.1%	-0.1%

**(ii) Interest rate risk**

As at June 30, 2022, and December 31 2021, 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 a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Comparative Index	June 30, 2022	December 31, 2021
MSCI World Index	\$262,828	\$346,324

**(b) Credit risk**

As at June 30, 2022, and December 31 2021, 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** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

**C. FAIR VALUE MEASUREMENT (NOTE 6)**

The following is a summary of the inputs used as at June 30, 2022, and December 31, 2021, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2022			December 31, 2021		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Exchange Traded Funds	–	–	–	–	–	–
Currency Forward Contracts	–	1,410,151	–	–	1,532,646	–
<b>Total Financial Assets</b>	–	<b>1,410,151</b>	–	–	<b>1,532,646</b>	–
<b>Financial Liabilities</b>						
Currency Forward Contracts	–	(2,141,492)	–	–	(1,393,953)	–
<b>Total Financial Liabilities</b>	–	<b>(2,141,492)</b>	–	–	<b>(1,393,953)</b>	–
<b>Net Financial Assets and Liabilities</b>	–	<b>(731,341)</b>	–	–	<b>138,693</b>	–

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 period ended June 30, 2022, and for the year ended December 31, 2021.

**D. SECURITIES LENDING (NOTE 7)**

The aggregate closing market value of securities loaned and collateral received as at June 30, 2022, and December 31, 2021, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2022	\$1,642,295	\$1,725,416
December 31, 2021	\$1,849,593	\$1,942,197

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

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

For the Periods Ended June 30, 2022 and 2021

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the periods ended June 30, 2022 and 2021. 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.

<b>For the periods ended</b>	<b>June 30, 2022</b>	<b>% of Gross Income</b>	<b>June 30, 2021</b>	<b>% of Gross Income</b>
Gross securities lending income	\$3,953		\$13,636	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(1,581)	39.99%	(5,454)	40.00%
<b>Net securities lending income paid to the ETF</b>	<b>\$2,372</b>	<b>60.01%</b>	<b>\$8,182</b>	<b>60.00%</b>

**E. REDEEMABLE SHARES (NOTE 8)**

For the periods ended June 30, 2022 and 2021, 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:

<b>Period</b>	<b>Beginning Units Outstanding</b>	<b>Units Issued</b>	<b>Units Redeemed</b>	<b>Ending Units Outstanding</b>	<b>Average Units Outstanding</b>
2022	2,542,000	150,000	(525,000)	2,167,000	2,288,547
2021	1,542,000	1,050,000	(175,000)	2,417,000	2,144,762

**F. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS (NOTE 10)**

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 periods ended June 30, 2022 and 2021, were as follow:

<b>Period Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
June 30, 2022	\$435	\$nil	\$nil
June 30, 2021	\$686	\$nil	\$nil

**G. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 13)**

As at June 30, 2022, and December 31, 2021, the ETF did not have any financial instruments eligible for offsetting.

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

For the Periods Ended June 30, 2022 and 2021

**H. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (NOTE 14)**

As at June 30, 2022, and December 31, 2021, the ETF had material investments in the subsidiaries (Sub), associates (Assoc) and unconsolidated structured entities (SE) listed below:

<b>Investee ETF as at June 30, 2022</b>	<b>Place of Business</b>	<b>Type</b>	<b>Ownership %</b>	<b>Carrying Amount</b>
Horizons Cash Maximizer ETF	Canada	SE	1.95%	\$40,114,794
Horizons High Interest Savings ETF	Canada	SE	1.43%	\$3,193,689

<b>Investee ETF as at December 31, 2021</b>	<b>Place of Business</b>	<b>Type</b>	<b>Ownership %</b>	<b>Carrying Amount</b>
Horizons Cash Maximizer ETF	Canada	SE	3.36%	\$51,058,461

## Notes to Consolidated Financial Statements (unaudited)

For the Periods Ended June 30, 2022 and 2021

### 1. REPORTING ENTITY

Horizons ETF Corp. (the “Company”) is a mutual fund corporation established on October 10, 2019, under the federal laws of Canada. The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, non-voting classes of shares (each, a “Corporate Class” or “ETF”), issuable in an unlimited number of series, and one class of voting shares designated as “Class J Shares”. Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. These consolidated financial statements (the “financial statements”) as at June 30, 2022, and December 31, 2021, and for the periods ended June 30, 2022 and 2021, 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.

#### **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 August 12, 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.

## Notes to Consolidated Financial Statements (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Financial instruments

##### *(i) Recognition, initial measurement and classification*

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

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

## Notes to Consolidated Financial Statements (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

Investments held that are not traded in an active market, including some derivative financial instruments, are valued using observable market inputs where possible, on such basis and in such manner as established by the Manager. Derivative financial instruments are recorded in the 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.

### ***(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.

#### **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** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

**(b) Investment income**

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the 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** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

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

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

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

**5. FINANCIAL INSTRUMENTS RISK**

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

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

**Notes to Consolidated Financial Statements** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

**(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.

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").

**Notes to Consolidated Financial Statements** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

**(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 June 30, 2022, and December 31, 2021, and a reconciliation of the securities lending income for the periods ended June 30, 2022 and 2021, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

**8. LEVERAGE**

The aggregate market exposure of all instruments held directly or indirectly by HARC, calculated daily on a mark-to-market basis, can exceed HARC'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 HARC divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

**Notes to Consolidated Financial Statements** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2022 and for the year ended December 31, 2021; 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 a end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2022	1.04:1	1.79:1	1.01:1	101%
December 31, 2021	1.19:1	2.50:1	1.41:1	141%

**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.

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

## Notes to Consolidated Financial Statements (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

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

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.85%. Approximately 100% of management fees were used for management, investment management, operating costs of the ETF, other general administration and profit.

From the management fee, the Manager has paid substantially all of the costs and expenses relating to the operation of the business and affairs of the ETF including investment management, administration, legal, accounting, custody, audit, registrar and transfer agency fees, and applicable sales taxes as well as expenses associated with advertising, marketing, sponsoring and promoting the sale of securities of the ETF.

The ETF's constating documents require that the Manager pay all the expenses of the ETF other than the management fees and sales tax on the management fee as may be applicable. As a result, the ETF does not have any other expenses.

The management fees paid to the Manager are considered related party transactions, as the Manager is a related party to the ETF. The management fees paid to the Manager are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2022, and December 31, 2021, are disclosed in the statements of financial position.

### 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.

**Notes to Consolidated Financial Statements** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

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 9 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 June 30, 2022, and December 31, 2021, 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.

**12. 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** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

**13. 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

**14. OFFSETTING OF FINANCIAL INSTRUMENTS**

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

**15. 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.

**Notes to Consolidated Financial Statements** (unaudited) (continued)

For the Periods Ended June 30, 2022 and 2021

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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