



**Horizons Active Ultra-Short Term Investment Grade Bond ETF
(HFR:TSX)**



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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.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Active Ultra-Short Term Investment Grade Bond ETF (“HFR” or the “ETF”) contains financial highlights and is included with the unaudited interim financial statements for the investment fund. You may request a copy of the ETF’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the ETF’s manager, Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 55 University Avenue, Suite 800, Toronto ON, M5J 2H7, or by visiting our website at www.horizonsetfs.com or SEDAR at www.sedar.com.

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HFR is to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of interest rate fluctuations on the ETF. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly and hedges the portfolio’s interest rate risk by maintaining a portfolio duration that is not more than one year. HFR may also invest directly in debt of U.S. companies, directly, as well as indirectly through investments in securities of Listed Funds, as they are defined in the ETF’s prospectus. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

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

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

Management Discussion of Fund Performance (continued)

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

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

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

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

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

Risk

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

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

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

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

Management Discussion of Fund Performance (continued)

- | | |
|---|---|
| <ul style="list-style-type: none"> • Stock market risk • Specific issuer risk • Legal and regulatory risk • Market disruptions risk • Cyber security risk • Listed Funds risk • Reliance on historical data risk • Corresponding net asset value risk • Designated broker/dealer risk • Cease trading of securities risk • Exchange risk • Early closing risk • No assurance of meeting investment objective • Tax risk • Securities lending, repurchase and reverse repurchase transaction risk • Loss of limited liability • Reliance on key personnel • Distributions risk | <ul style="list-style-type: none"> • Conflicts of interest • No ownership interest • Market for units • Redemption price • Net asset value fluctuation • Restrictions on certain unitholders • Highly volatile markets • No guaranteed return • Derivatives and counterparty risk • Interest rate risk • Foreign currency risk • Credit risk • Foreign stock exchange risk • Short selling risk • Call risk • Risk of difference between quoted and actionable market price • Liquidity risk |
|---|---|

Results of Operations

For the period ended June 30, 2022, units of the ETF returned -2.68% when including distributions paid to unitholders. This compares with Canadian 91-Day Treasury Bills yielding 0.19% and a yield of 0.44% for the 3-month Canadian Dealer Offered Rate (“CDOR”), for the same period.

91 Day Canadian Treasury Bills are short-term securities that the Canadian government sells as a way to help pay off its debt. They are generally considered the “risk free” rate because they are fully backed by the Canadian government. CDOR is a key industry-determined financial benchmark in Canada. CDOR is the rate at which contributors are willing to extend credit to corporate clients utilizing a bankers’ acceptance facility. The use of CDOR is expected to be discontinued by the end of June 2024.

General Market Review

Risk assets were hit hard, and bond yields continued their upward movement in the first half of 2022 as markets adjusted to very hawkish central banks that needed to raise rates significantly to try to bring inflation back under control. At the start of the year, interest rates were already under upward pressure as central banks realized that inflation was more persistent than first thought as a result of pent-up demand and the ongoing supply chain issues brought on by the coronavirus. Up to the point of invasion in Ukraine, the market was expecting both the Federal Reserve and the Bank of Canada to increase rates six times to 1.75%, essentially reversing the emergency stimulus put in place at the beginning of COVID-19. However, as the situation in Ukraine evolved, commodity prices spiked even higher and caused more supply chain issues putting further pressure on global inflation. The Federal Reserve set the tone by raising rates 125 basis points (“bps”) during the second quarter. The market is also anticipating another 160 bps of rate hikes before year-end. Higher rates, along with geopolitical risks and lockdowns in China, fueled fears of a global recession which weighed on

Management Discussion of Fund Performance (continued)

investor sentiment. So far, the selloff in equity and credit markets has been orderly in anticipation of very soft growth or a mild recession with no systematic issues. There is currently a tug-of-war underway between runaway inflation today, and slower economic growth down the road driven by higher interest rates. The key for investors will be how sensitive inflation is to this upcoming slowdown. The Fed Funds rate is currently 1.75% and is expected to peak at 3.50% early next year before falling below 3.00% by the end of 2023.

The Bank of Canada increased its target for the overnight rate by 25 basis points in the first quarter and by 100 basis points in the second quarter to 1.50%. Inflation, at 7.7%, is significantly above the bank's 2% target, largely caused by higher prices for food and energy. However, inflation continues to broaden with almost 70% of the categories that make up the CPI above 3%. The Canadian economy is expected to have performed well in the second quarter, when the data is published, led by strong consumer spending and exports. Job vacancies are high, labour shortages are prevalent, and wage growth is on the rise across many sectors. The Bank will move rates materially higher throughout the year to keep inflation expectations anchored. The market has built-in an overnight rate of 3.40% by the end of the year or another 190 basis points of rate hikes.

All these developments caused the two-year Canada yield to increase by 212 bps to 3.10% and for the yield curve to flatten. In this environment, short-term Provincial bond spreads, on average, increased 3 basis points to 30 bps, and short-term Corporate spreads widened by 58 bps to 147 bps.

Portfolio Review

The ETF was able to mitigate the rising trend in rates compared to typical short-term universe bond portfolios. The very low duration kept between zero and one year in the quarter did minimize capital loss due to rising rates as markets continued to price in the rate hike cycle. The ETF also benefitted from its high carry throughout the period, however, this was more than offset by widening credit spreads across the curve during the first half. Early in the year, sectors such as energy, pipelines, and higher-yielding financial names were key positive components of the ETF. During the second quarter, new issuances, particularly in the banks, provided an attractive breakeven framework in this environment with hefty concessions.

Outlook

Inflation will be the key to the direction of bond yields throughout the balance of the year. The Bank of Canada and the Federal Reserve were very aggressive in hiking rates in the second quarter, and the expectation is for this to continue into the third quarter. With inflation well above targets, the central banks have no choice but to tighten monetary policy. The Bank indicated their neutral level for their policy rate is somewhere between 2% and 3% and they need to be slightly above this rate to slow the economy to bring inflation back down towards their 2% target. With the market already pricing in an overnight rate between 3.25% and 3.50% by year-end and a level which is necessary to rein in inflation, the Sub-Advisor increased the duration of the ETF above its benchmark in June. However, the Sub-Advisor expects interest rate volatility to be elevated this year which will provide the ETF with trading opportunities to go both long and short the benchmark. Fiera expects growth in other countries especially in Europe to be hit harder than North America. The ETF increased its corporate exposure as spreads widened to reflect a significant slowdown in the economy. The ETF will continue to look for opportunities to increase the corporate weight if spreads widen more to reflect a recession or reduce the exposure if spreads tighten to represent a robust growth environment.

Management Discussion of Fund Performance (continued)

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

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 (\$13,480,122). This compares to \$3,600,539 for the six-month period ended June 30, 2021. The ETF incurred management, operating and transaction expenses of \$1,285,868 (2021 – \$1,229,598) of which \$61,742 (2021 – \$70,212) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF distributed \$5,047,172 to unitholders during the period (2021 – \$3,485,460).

Presentation

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

Recent Developments

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

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks has been taking place globally aimed at replacing some interbank offered rates (IBOR) with alternative nearly risk-free rates. The fund has exposure to the IBOR reform as it holds interest rate swap products with cash flows that reference the 3-month US Dollar (USD) London Inter-Bank Offered Rate (LIBOR) and the 3-month Canadian Dollar Offered Rate (CDOR). The 3-month USD LIBOR rate is slated to transition on June 30, 2023 and the Canadian Alternative Reference Rate Working Group has recommended to cease publication of all CDORs by the end of June 2024. The interest rate swaps held in the ETF adhere to the International Swaps and Derivatives Association 2020 IBOR Fallback Protocol and in the case where the ETF still holds unreformed contracts at the effective benchmark cessation date, the protocol's fallback rates will be used. As a result of these developments, the manager is continuing to monitor and assess options to transition any derivative contracts that reference IBOR cash flows to alternative nearly risk-free rates. There are potential risks related to this transition as a result of changes in the manager's internal operations, capabilities and systems (e.g. valuation models).

The below chart provides information on the number of unreformed contracts still outstanding for the fund as at June 30, 2022 and December 31, 2021.

Asset Type	Benchmark before Reform	Benchmark after Reform	Number of Unreformed Contracts	
			June 30, 2022	December 31, 2021
Derivative	LIBOR	SOFR	1	1
Derivative	CDOR	CORRA	41	48

Related Party Transactions

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

Manager, Trustee and Investment Manager

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

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

Period ⁽¹⁾	2022	2021	2020	2019	2018	2017
Net assets, beginning of period	\$ 10.09	10.13	10.07	9.91	10.06	10.03
Increase (decrease) from operations:						
Total revenue	0.11	0.17	0.24	0.31	0.29	0.25
Total expenses	(0.02)	(0.05)	(0.05)	(0.05)	(0.05)	(0.05)
Realized gains (losses) for the period	–	0.03	–	(0.03)	(0.02)	0.01
Unrealized gains (losses) for the period	(0.36)	(0.07)	0.06	0.19	(0.13)	0.02
Total increase (decrease) from operations ⁽²⁾	(0.27)	0.08	0.25	0.42	0.09	0.23
Distributions:						
From net investment income (excluding dividends)	(0.10)	(0.11)	(0.18)	(0.26)	(0.23)	(0.20)
From net realized capital gains	–	(0.02)	–	–	–	(0.01)
From return of capital	–	–	(0.09)	–	–	–
Total distributions ⁽³⁾	(0.10)	(0.13)	(0.27)	(0.26)	(0.23)	(0.21)
Net assets, end of period ⁽⁴⁾	\$ 9.72	10.09	10.13	10.07	9.91	10.06

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

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

3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units. The characteristics of distributions, if any, are determined subsequent to the end of the ETF's tax year. Until such time, distributions are classified as from net investment income (excluding dividends) for reporting purposes.

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

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2022	2021	2020	2019	2018	2017
Total net asset value (000's)	\$ 470,013	529,684	451,446	671,043	704,242	419,357
Number of units outstanding (000's)	48,343	52,508	44,544	66,617	71,031	41,703
Management expense ratio ⁽²⁾	0.47%	0.47%	0.47%	0.46%	0.46%	0.46%
Management expense ratio before waivers and absorptions ⁽³⁾	0.49%	0.49%	0.49%	0.48%	0.49%	0.50%
Trading expense ratio ⁽⁴⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.01%
Portfolio turnover rate ⁽⁵⁾	19.79%	18.22%	11.97%	22.17%	10.35%	25.52%
Net asset value per unit, end of period	\$ 9.72	10.09	10.13	10.07	9.91	10.06
Closing market price	\$ 9.71	10.08	10.15	10.08	9.92	10.07

1. This information is provided as at June 30, 2022, and December 31 of the other years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. Transaction costs related to the purchase and/or sale of fixed income securities are typically embedded in the price of those transactions and are therefore not included in the trading expense ratio.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

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

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

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

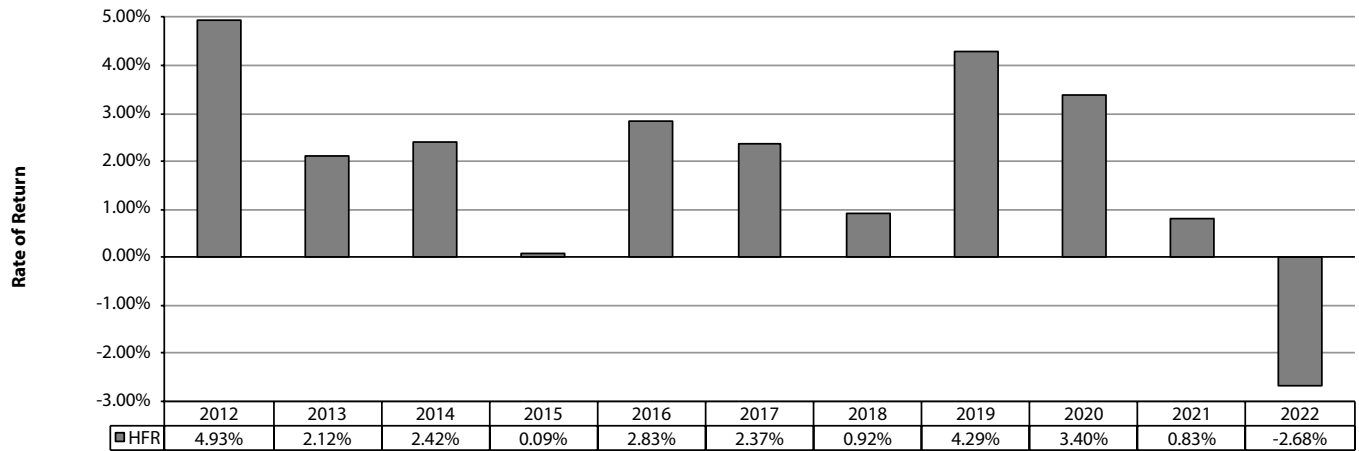
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
6%	89%	5%

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on December 12, 2010.

Summary of Investment Portfolio

As at June 30, 2022

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Canadian Fixed Income Securities	\$ 401,463,104	85.41%
U.S. Fixed Income Securities	49,973,584	10.63%
Global Fixed Income Securities	1,532,644	0.33%
Interest Rate Swaps*	14,558,518	3.10%
Currency Forward Hedge*	(146,001)	-0.03%
Cash and Cash Equivalents	300,195	0.06%
Margin Deposits	(254,373)	-0.05%
Other Assets less Liabilities	1,803,243	0.38%
Short Positions		
Futures Contracts–Interest Rate Hedge*	782,418	0.17%
	\$ 470,013,332	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Corporate Bonds	\$ 448,871,573	95.50%
Mortgage Backed Securities	1,714,248	0.36%
Municipal Bonds	1,503,603	0.32%
Provincial Bonds	879,908	0.19%
Interest Rate Swaps*	14,558,518	3.10%
Currency Forward Hedge*	(146,001)	-0.03%
Cash and Cash Equivalents	300,195	0.06%
Margin Deposits	(254,373)	-0.05%
Other Assets less Liabilities	1,803,243	0.38%
Short Positions		
Futures Contracts–Interest Rate Hedge*	782,418	0.17%
	\$ 470,013,332	100.00%

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

Summary of Investment Portfolio (continued)

As at June 30, 2022

Top 25 Holdings*	% of ETF's Net Asset Value
Bank of Nova Scotia (The)	6.12%
Toronto-Dominion Bank (The)	5.64%
Royal Bank of Canada	5.63%
Bank of Montreal	5.31%
Canadian Imperial Bank of Commerce	4.00%
Wells Fargo & Co.	3.98%
Federation des Caisses Desjardins du Québec	3.34%
Rogers Communications Inc.	3.03%
Bell Canada	2.77%
Inter Pipeline Ltd.	2.70%
Pembina Pipeline Corp.	2.64%
Manulife Financial Corp.	2.64%
Bank of America Corp.	2.63%
Choice Properties REIT	2.10%
Sun Life Financial Inc.	1.95%
TransCanada PipeLines Ltd.	1.91%
AltaGas Ltd.	1.85%
Laurentian Bank of Canada	1.51%
H&R REIT	1.45%
Canadian Western Bank	1.44%
SmartCentres REIT	1.37%
Brookfield Asset Management Inc.	1.18%
Ford Credit Canada Co.	1.15%
Morgan Stanley	1.12%
Alimentation Couche-Tard Inc.	1.09%

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

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Active Ultra-Short Term Investment Grade Bond ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board using information available and include certain amounts that are based on the Manager's best estimates and judgements.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager.



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



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

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.

Statements of Financial Position (unaudited)

June 30, 2022, and December 31, 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 300,195	\$ 5,709,144
Investments	452,969,332	521,609,061
Margin deposits (note 11)	–	2,215,243
Amounts receivable relating to accrued income	2,959,794	2,049,330
Amounts receivable relating to portfolio assets sold	492,342	–
Amounts receivable relating to securities issued	–	1,008,379
Derivative assets (note 3)	15,342,007	2,503,638
Total assets	472,063,670	535,094,795
Liabilities		
Accrued management fees	177,990	198,420
Accrued operating expenses	7,766	11,211
Margin deposits (note 11)	254,373	–
Amounts payable relating to securities redeemed	507,374	–
Distribution payable	955,763	649,340
Derivative liabilities (note 3)	147,072	4,551,692
Total liabilities	2,050,338	5,410,663
Total net assets (note 2)	\$ 470,013,332	\$ 529,684,132
Number of redeemable units outstanding (note 8)	48,343,057	52,508,399
Total net assets per unit	\$ 9.72	\$ 10.09

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
Director



 Thomas Park
Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2022	2021
Income		
Interest income for distribution purposes	\$ 5,955,873	\$ 4,126,025
Securities lending income (note 7)	16,833	9,810
Net realized gain (loss) on sale of investments and derivatives	(105,533)	1,458,801
Net realized gain (loss) on foreign exchange	1,952	(20,814)
Net change in unrealized depreciation of investments and derivatives	(19,350,817)	(1,976,462)
Net change in unrealized appreciation of foreign exchange	1,570	3,179
	(13,480,122)	3,600,539
Expenses (note 9)		
Management fees	1,171,251	1,098,353
Audit fees	6,268	6,792
Independent Review Committee fees	141	576
Custodial and fund valuation fees	62,701	72,852
Legal fees	8,631	7,077
Securityholder reporting costs	18,888	15,406
Administration fees	15,741	15,758
Transaction costs	–	8,899
Other expenses	2,247	3,885
	1,285,868	1,229,598
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(61,742)	(70,212)
	1,224,126	1,159,386
Increase (decrease) in net assets for the period	\$ (14,704,248)	\$ 2,441,153
Increase (decrease) in net assets per unit	\$ (0.27)	\$ 0.05

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2022		2021	
Total net assets at the beginning of the period	\$	529,684,132	\$	451,446,136
Increase (decrease) in net assets		(14,704,248)		2,441,153
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		58,194,528		107,890,751
Aggregate amounts paid on redemption of securities of the investment fund		(98,209,352)		(18,229,825)
Securities issued on reinvestment of distributions		95,444		84,208
Distributions:				
From net investment income		(5,047,172)		(3,485,460)
Total net assets at the end of the period	\$	470,013,332	\$	540,146,963

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	\$ (14,704,248)	\$ 2,441,153
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	105,533	(1,458,801)
Net realized gain on currency forward contracts	36,235	596,675
Net change in unrealized depreciation of investments and derivatives	19,350,817	1,976,462
Net change in unrealized appreciation of foreign exchange	(1,002)	(1,059)
Purchase of investments	(94,645,648)	(129,604,007)
Proceeds from the sale of investments	111,264,288	39,919,933
Margin deposits	2,469,616	(601,651)
Amounts receivable relating to accrued income	(910,464)	(376,099)
Accrued expenses	(23,875)	28,898
Net cash from (used in) operating activities	22,941,252	(87,078,496)
Cash flows from financing activities:		
Amount received from the issuance of units	53,181,223	102,431,021
Amount paid on redemptions of units	(76,887,121)	(17,269,642)
Distributions paid to unitholders	(4,645,305)	(3,821,464)
Net cash from (used in) financing activities	(28,351,203)	81,339,915
Net decrease in cash and cash equivalents during the period	(5,409,951)	(5,738,581)
Effect of exchange rate fluctuations on cash and cash equivalents	1,002	1,059
Cash and cash equivalents at beginning of period	5,709,144	19,327,497
Cash and cash equivalents at end of period	\$ 300,195	\$ 13,589,975

Interest received, net of withholding taxes	\$ 5,045,409	\$ 3,749,926
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(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
CANADIAN FIXED INCOME SECURITIES (85.41%)			
Corporate Bonds (84.54%)			
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	1,329,000	\$ 1,329,000	\$ 1,124,421
Alimentation Couche-Tard Inc., Callable, 3.06%, 2024/07/26	2,672,000	2,626,609	2,603,663
Alimentation Couche-Tard Inc., Series '5', Callable, 3.60%, 2025/06/02	2,622,000	2,648,083	2,558,327
Allied Properties REIT, Series 'C', Callable, 3.64%, 2025/04/21	1,625,000	1,666,706	1,571,298
Allied Properties REIT, Series 'E', Callable, 3.11%, 2027/04/08	2,202,000	2,184,615	2,009,266
AltaGas Ltd., Callable, 4.40%, 2024/03/15	4,000,000	4,113,382	4,000,682
AltaGas Ltd., Callable, 2.16%, 2025/06/10	587,000	587,000	546,972
AltaGas Ltd., Callable, 4.12%, 2026/04/07	345,000	363,844	337,293
AltaGas Ltd., Callable, 2.08%, 2028/05/30	2,255,000	2,255,000	1,911,619
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	2,232,000	2,232,000	1,895,841
Bank of Montreal, 2.85%, 2024/03/06	3,940,000	3,960,647	3,854,943
Bank of Montreal, 2.28%, 2024/07/29	6,929,000	6,905,014	6,653,446
Bank of Montreal, Callable, 2.37%, 2025/01/17	1,448,000	1,447,986	1,376,681
Bank of Montreal, Callable, 1.55%, 2026/05/28	3,000,000	2,886,960	2,683,721
Bank of Montreal, Callable, 4.31%, 2027/06/01	2,845,000	2,845,000	2,797,323
Bank of Montreal, Variable Rate, Callable, 2.88%, 2029/09/17	2,079,000	2,078,813	1,996,613
Bank of Montreal, Variable Rate, Callable, 2.08%, 2030/06/17	2,862,000	2,803,300	2,641,909
Bank of Montreal, Variable Rate, Callable, 3.80%, 2032/12/15	2,490,000	3,290,258	2,978,187
Bank of Nova Scotia (The), 2.49%, 2024/09/23	6,964,000	7,200,041	6,694,232
Bank of Nova Scotia (The), 1.95%, 2025/01/10	2,189,000	2,188,059	2,061,959
Bank of Nova Scotia (The), 2.16%, 2025/02/03	2,292,000	2,291,244	2,166,329
Bank of Nova Scotia (The), 1.85%, 2026/11/02	4,318,000	4,316,920	3,854,355
Bank of Nova Scotia (The), 2.95%, 2027/03/08	2,275,000	2,271,951	2,110,228
Bank of Nova Scotia (The), Variable Rate, Callable, 3.89%, 2029/01/18	3,898,000	3,910,312	3,852,429
Bank of Nova Scotia (The), Variable Rate, Callable, 2.84%, 2029/07/03	3,810,000	3,853,673	3,672,357
Bank of Nova Scotia (The), Variable Rate, Callable, 3.93%, 2032/05/03	2,535,000	2,534,848	2,397,730
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	1,983,000	1,983,000	1,994,240
Bell Canada, Callable, 2.70%, 2024/02/27	3,705,000	3,596,710	3,614,056
Bell Canada, Callable, 1.65%, 2027/08/16	8,476,000	8,173,922	7,315,803
Bell Canada, Callable, 3.60%, 2027/09/29	2,200,000	2,402,884	2,085,805
BMW Canada Auto Trust, Class 'A3', Series '21-1', Callable, 0.76%, 2025/12/20	387,000	387,000	368,755
BMW Canada Inc., Series 'X', 0.99%, 2025/01/14	951,000	950,886	875,190
Brookfield Asset Management Inc., Callable, 5.04%, 2024/03/08	5,500,000	5,926,264	5,552,734
Brookfield Renewable Partners ULC, Callable, 3.63%, 2027/01/15	2,000,000	2,028,540	1,919,264
Canadian Imperial Bank of Commerce, 2.75%, 2025/03/07	3,107,000	3,106,285	2,972,674
Canadian Imperial Bank of Commerce, 1.70%, 2026/07/15	2,783,000	2,786,002	2,488,122
Canadian Imperial Bank of Commerce, 2.25%, 2027/01/07	2,652,000	2,646,272	2,391,735

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Canadian Imperial Bank of Commerce, Callable, 4.95%, 2027/06/29	2,169,000	2,165,681	2,184,489
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.45%, 2028/04/04	830,000	825,234	824,926
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.95%, 2029/06/19	4,811,000	4,928,151	4,647,597
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 1.96%, 2031/04/21	1,100,000	1,099,637	984,217
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.20%, 2032/04/07	1,780,000	1,780,000	1,702,782
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	598,000	596,882	603,586
Canadian Natural Resources Ltd., Callable, 3.42%, 2026/12/01	350,000	372,732	335,645
Canadian Pacific Railway Co., Callable, 2.54%, 2028/02/28	1,206,000	1,205,879	1,079,141
Canadian Western Bank, 1.57%, 2023/09/14	2,960,000	2,985,995	2,865,801
Canadian Western Bank, Callable, 1.93%, 2026/04/16	4,330,000	4,339,642	3,910,119
Cards II Trust, 4.33%, 2025/05/15	2,372,000	2,372,000	2,366,167
Cenovus Energy Inc., Callable, 3.50%, 2028/02/07	1,479,000	1,462,687	1,386,619
Central 1 Credit Union, 2.58%, 2023/12/06	2,819,000	2,819,000	2,750,448
Central 1 Credit Union, 1.32%, 2026/01/29	1,323,000	1,323,000	1,181,430
CHIP Mortgage Trust, 1.74%, 2045/12/15	925,000	925,000	838,335
Choice Properties REIT, Series 'B', Callable, 4.90%, 2023/07/05	257,000	271,470	258,390
Choice Properties REIT, Series 'K', Callable, 3.56%, 2024/09/09	7,700,000	7,718,766	7,530,606
Choice Properties REIT, Series 'F', Callable, 4.06%, 2025/11/24	1,076,000	1,142,325	1,050,665
Choice Properties REIT, Series 'Q', Callable, 2.46%, 2026/11/30	900,000	900,000	814,146
Choice Properties REIT, Series 'L', Callable, 4.18%, 2028/03/08	250,000	278,792	238,743
Clover L.P., Series '1B', Sinkable, 4.22%, 2034/06/30	2,522,379	2,522,428	2,450,424
CNH Capital Canada Receivables Trust, Class 'A2', Series '19-1', Callable, 2.18%, 2025/11/17	318,897	318,897	316,269
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.00%, 2028/05/03	3,598,000	3,623,963	3,609,748
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.25%, 2030/10/29	450,000	450,000	448,624
Concentra Bank, 1.46%, 2024/05/17	925,000	925,000	874,032
Co-operators Financial Services Ltd., Callable, 3.33%, 2030/05/13	750,000	773,475	648,812
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	2,429,000	2,443,930	2,301,723
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	1,366,000	1,366,000	1,289,933
Crombie REIT, Series 'H', Callable, 2.69%, 2028/03/31	219,000	219,000	190,615
CT REIT, Series 'B', Callable, 3.53%, 2025/06/09	595,000	632,152	575,510
CT REIT, Series 'D', Callable, 3.29%, 2026/06/01	151,000	159,476	142,726
CT REIT, Callable, 3.03%, 2029/02/05	1,171,000	1,171,000	1,028,378
Daimler Canada Finance Inc., 2.57%, 2022/11/22	14,000	14,410	13,980
Daimler Canada Finance Inc., 1.65%, 2025/09/22	1,272,000	1,268,466	1,163,821

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Daimler Trucks Finance Canada Inc., 1.85%, 2023/12/15	2,132,000	2,131,659	2,055,041
Eagle Credit Card Trust, Series 'A', 2.22%, 2024/07/17	195,000	195,441	187,366
Eagle Credit Card Trust, Series 'A', 1.27%, 2025/07/17	414,000	414,000	377,241
Enbridge Inc., Callable, 3.20%, 2027/06/08	1,476,000	1,557,652	1,371,677
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,662,000	3,707,451	3,628,457
Enbridge Pipelines Inc., Callable, 3.45%, 2025/09/29	400,000	441,660	387,793
ENMAX Corp., Series '6', Callable, 3.33%, 2025/06/02	2,378,000	2,377,905	2,295,934
Federation des Caisses Desjardins du Québec, 2.42%, 2024/10/04	1,516,000	1,541,163	1,452,874
Federation des Caisses Desjardins du Québec, 4.41%, 2027/05/19	2,908,000	2,910,073	2,867,290
Federation des Caisses Desjardins du Québec, Floating Rate, Callable, 2.86%, 2030/05/26	10,103,000	10,377,068	9,522,600
Federation des Caisses Desjardins du Québec, Variable Rate, Callable, 1.99%, 2031/05/28	2,075,000	2,075,000	1,849,094
First Capital REIT, Series 'Q', Callable, 3.90%, 2023/10/30	586,000	593,131	577,472
First Capital REIT, Series 'R', Callable, 4.79%, 2024/08/30	1,100,000	1,170,268	1,090,107
First Capital REIT, Series 'S', Callable, 4.32%, 2025/07/31	1,351,000	1,404,040	1,308,193
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	465,000	465,000	423,264
Ford Auto Securitization Trust, Class 'A3', Series '20-A', Callable, 1.15%, 2025/11/15	74,000	74,207	70,573
Ford Credit Canada Co., 3.35%, 2022/09/19	1,459,000	1,459,000	1,457,657
Ford Credit Canada Co., 3.74%, 2023/05/08	2,419,000	2,419,000	2,387,516
Ford Credit Canada Co., 3.50%, 2023/11/30	884,000	888,420	859,580
Ford Credit Canada Co., 4.46%, 2024/11/13	750,000	794,287	727,418
General Motors Financial of Canada Ltd., Series '5', 3.25%, 2023/11/07	960,000	986,981	944,252
General Motors Financial of Canada Ltd., 1.70%, 2025/07/09	3,037,000	2,987,292	2,760,887
Genworth MI Canada Inc., Callable, 4.24%, 2024/04/01	1,160,000	1,165,138	1,152,188
Gibson Energy Inc., Callable, 2.45%, 2025/07/14	1,119,000	1,116,807	1,048,597
Glacier Credit Card Trust, Series '20', 1.39%, 2025/09/22	1,479,000	1,479,000	1,346,041
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	4,275,000	4,363,081	4,246,397
H&R REIT, Callable, 3.37%, 2024/01/30	6,981,000	6,961,095	6,831,119
HSBC Bank Canada, 3.40%, 2025/03/24	2,350,000	2,347,508	2,287,058
HSBC Bank Canada, 1.78%, 2026/05/20	1,604,000	1,600,127	1,448,086
Hyundai Capital Canada Inc., Series 'A', Callable, 2.01%, 2026/05/12	780,000	780,000	700,444
iA Financial Corp. Inc., Variable Rate, Callable, 3.07%, 2031/09/24	2,918,000	2,933,098	2,720,184
iA Financial Corp. Inc., Series '22-1', Variable Rate, Callable, 6.61%, 2082/06/30	665,000	665,000	658,090
Industrial Alliance Insurance and Financial Services Inc., Floating Rate, Callable, 3.30%, 2028/09/15	578,000	577,856	570,371
Inter Pipeline Ltd., Callable, 2.61%, 2023/09/13	5,932,000	5,795,985	5,798,703
Inter Pipeline Ltd., Callable, 2.73%, 2024/04/18	3,900,000	3,733,201	3,773,950

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Inter Pipeline Ltd., Callable, 3.17%, 2025/03/24	1,800,000	1,761,300	1,719,812
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	1,455,000	1,455,000	1,388,537
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	1,581,000	1,594,185	1,526,421
Laurentian Bank of Canada, 1.15%, 2024/06/03	2,530,000	2,528,566	2,374,324
Laurentian Bank of Canada, 1.95%, 2025/03/17	1,453,000	1,451,155	1,351,283
Laurentian Bank of Canada, 4.60%, 2025/09/02	1,067,000	1,067,320	1,060,193
Laurentian Bank of Canada, Variable Rate, Callable, 5.10%, 2032/06/15	2,349,000	2,349,188	2,249,848
Loblaw Cos. Ltd., Callable, 3.92%, 2024/06/10	982,000	982,000	975,726
Loblaw Cos. Ltd., Callable, 4.49%, 2028/12/11	2,513,000	2,830,298	2,473,283
Manulife Bank of Canada, 2.38%, 2024/11/19	107,000	108,003	102,462
Manulife Bank of Canada, 2.86%, 2027/02/16	2,034,000	2,034,000	1,891,730
Manulife Financial Corp., Variable Rate, Callable, 3.05%, 2029/08/20	3,043,000	3,086,882	2,948,460
Manulife Financial Corp., Variable Rate, Callable, 2.24%, 2030/05/12	3,036,000	3,066,280	2,839,584
Manulife Financial Corp., Variable Rate, Callable, 4.06%, 2032/02/24	4,465,000	5,596,702	5,326,283
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	1,297,000	1,297,000	1,310,131
MCAP Commercial L.P., 3.74%, 2025/08/25	516,000	516,000	493,075
MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	1,029,000	1,029,000	922,950
Metro Inc., Series 'J', 1.92%, 2024/12/02	367,000	367,000	347,534
Metro Inc., Callable, 3.39%, 2027/12/06	2,300,000	2,488,531	2,162,609
National Bank of Canada, 2.98%, 2024/03/04	854,000	863,908	836,962
National Bank of Canada, 2.55%, 2024/07/12	64,000	64,406	61,813
National Bank of Canada, 2.58%, 2025/02/03	1,365,000	1,379,879	1,303,105
National Bank of Canada, Variable Rate, Callable, 1.57%, 2026/08/18	2,000,000	1,999,980	1,827,948
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'M', Callable, 2.00%, 2026/12/01	3,197,000	3,190,990	2,887,804
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'J', Callable, 2.80%, 2027/06/01	105,000	109,016	97,210
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'F', Callable, 4.25%, 2029/06/01	200,000	227,486	193,944
Parkland Corp., Callable, 3.88%, 2026/06/16	722,000	722,000	642,580
Pembina Pipeline Corp., Callable, 2.99%, 2024/01/22	11,125,000	10,876,170	10,871,023
Pembina Pipeline Corp., Series '5', Callable, 3.54%, 2025/02/03	769,000	786,564	748,313
Pembina Pipeline Corp., Callable, 3.71%, 2026/08/11	95,000	99,981	90,955
Pembina Pipeline Corp., Variable Rate, Callable, 4.80%, 2081/01/25	868,000	868,000	725,685
Reliance L.P., Callable, 3.84%, 2025/03/15	78,000	80,317	76,059
Reliance L.P., Callable, 3.75%, 2026/03/15	1,144,000	1,140,293	1,097,910
Reliance L.P., Callable, 2.68%, 2027/12/01	846,000	855,858	747,270
Reliance L.P., Callable, 2.67%, 2028/08/01	1,279,000	1,286,939	1,107,088
RioCan REIT, Series 'AA', Callable, 3.21%, 2023/09/29	1,779,000	1,786,998	1,750,613

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
RioCan REIT, Series 'W', 3.29%, 2024/02/12	2,356,000	2,339,799	2,305,022
RioCan REIT, Series 'AE', Callable, 2.83%, 2028/11/08	1,248,000	1,248,000	1,074,452
Rogers Communications Inc., Callable, 4.00%, 2024/03/13	65,000	69,774	64,703
Rogers Communications Inc., Restricted, 3.10%, 2025/04/15	3,967,000	3,963,985	3,815,736
Rogers Communications Inc., Callable, 3.65%, 2027/03/31	5,853,000	6,287,852	5,568,280
Rogers Communications Inc., Restricted, Callable, 3.75%, 2029/04/15	1,800,000	1,798,038	1,676,501
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	3,478,000	3,478,000	3,164,791
Royal Bank of Canada, 2.35%, 2024/07/02	5,794,000	5,793,990	5,584,376
Royal Bank of Canada, 3.37%, 2025/03/24	1,081,000	1,081,000	1,045,822
Royal Bank of Canada, 1.59%, 2026/05/04	2,632,000	2,633,711	2,363,518
Royal Bank of Canada, 2.33%, 2027/01/28	3,627,000	3,627,000	3,285,248
Royal Bank of Canada, Variable Rate, Callable, 2.74%, 2029/07/25	4,532,000	4,553,010	4,355,864
Royal Bank of Canada, Variable Rate, Callable, 2.88%, 2029/12/23	4,062,000	4,147,425	3,880,214
Royal Bank of Canada, Variable Rate, Callable, 2.14%, 2031/11/03	3,056,000	3,055,236	2,710,505
Royal Bank of Canada, Variable Rate, Callable, 2.94%, 2032/05/03	1,437,000	1,436,684	1,303,236
Royal Bank of Canada, Variable Rate, Callable, 1.67%, 2033/01/28	2,236,000	2,236,000	1,856,621
Shaw Communications Inc., Callable, 4.35%, 2024/01/31	2,000,000	2,093,000	1,997,474
Sienna Senior Living Inc., Series 'A', Callable, 3.11%, 2024/11/04	1,874,000	1,874,000	1,802,117
Sienna Senior Living Inc., Series 'B', Callable, 3.45%, 2026/02/27	138,000	137,983	130,534
Sienna Senior Living Inc., Series 'C', Callable, 2.82%, 2027/03/31	631,000	630,710	569,280
SmartCentres REIT, Series 'I', Callable, 3.99%, 2023/05/30	3,140,000	3,223,997	3,128,809
SmartCentres REIT, Series 'O', Callable, 2.99%, 2024/08/28	2,300,000	2,291,840	2,220,425
SmartCentres REIT, Series 'Y', Callable, 2.31%, 2028/12/18	1,300,000	1,300,689	1,082,612
Summit Industrial Income REIT, Series 'A', Callable, 2.15%, 2025/09/17	517,000	516,804	476,088
Sun Life Financial Inc., Variable Rate, Callable, 3.05%, 2028/09/19	1,300,000	1,341,549	1,278,368
Sun Life Financial Inc., Variable Rate, Callable, 2.46%, 2031/11/18	500,000	500,180	453,689
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	4,233,000	4,320,140	3,824,183
Sun Life Financial Inc., Variable Rate, Callable, 2.80%, 2033/11/21	4,116,000	4,115,218	3,622,529
Suncor Energy Inc., Callable, 3.00%, 2026/09/14	1,322,000	1,393,335	1,253,200
Superior Plus L.P., Callable, 4.25%, 2028/05/18	1,664,000	1,664,000	1,458,080
TELUS Corp., Callable, 3.75%, 2026/03/10	3,596,000	3,777,952	3,497,186
TELUS Corp., Callable, 3.63%, 2028/03/01	500,000	542,540	470,730
Teranet Holdings L.P., Series '20', Callable, 3.54%, 2025/06/11	904,000	904,000	877,579
Toronto Hospital, Series 'DOM1', 5.64%, 2022/12/08	99,726	102,663	100,663
Toronto-Dominion Bank (The), 2.85%, 2024/03/08	1,625,000	1,627,412	1,590,125
Toronto-Dominion Bank (The), 2.50%, 2024/12/02	4,664,000	4,664,002	4,466,828
Toronto-Dominion Bank (The), 1.94%, 2025/03/13	3,300,000	3,431,274	3,095,036
Toronto-Dominion Bank (The), 1.13%, 2025/12/09	1,875,000	1,875,000	1,677,291
Toronto-Dominion Bank (The), 2.26%, 2027/01/07	1,903,000	1,903,000	1,720,307

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Toronto-Dominion Bank (The), 4.21%, 2027/06/01	1,941,000	1,941,000	1,901,861
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.59%, 2028/09/14	3,240,000	3,240,034	3,204,125
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.22%, 2029/07/25	3,024,000	3,046,758	2,934,877
Toronto-Dominion Bank (The), Floating Rate, Callable, 3.06%, 2032/01/26	3,063,000	3,121,477	2,809,807
Toronto-Dominion Bank (The), 2.67%, 2033/04/06	3,292,000	3,281,631	3,119,405
Toyota Credit Canada Inc., 2.31%, 2024/10/23	422,000	424,458	403,787
Toyota Credit Canada Inc., 2.73%, 2025/08/25	1,430,000	1,429,757	1,360,680
TransCanada PipeLines Ltd., Callable, 3.30%, 2025/07/17	165,000	170,899	159,542
TransCanada PipeLines Ltd., Callable, 4.35%, 2026/05/12	1,676,000	1,675,581	1,662,893
TransCanada PipeLines Ltd., 7.31%, 2027/01/15	348,000	436,302	375,878
TransCanada PipeLines Ltd., Callable, 3.80%, 2027/04/05	7,110,000	7,835,603	6,815,199
Ventas Canada Finance Ltd., Series 'E', Callable, 2.80%, 2024/04/12	167,000	174,191	162,056
Ventas Canada Finance Ltd., Series 'G', Callable, 2.45%, 2027/01/04	2,264,000	2,259,223	2,040,740
Videotron Ltd., Callable, 3.63%, 2028/06/15	1,573,000	1,568,340	1,313,783
		423,201,935	397,365,345
Mortgage Backed Securities (0.36%)			
Classic RMBS Trust, Class 'A', Series '21-1', Callable, 1.43%, 2051/11/15	596,894	596,894	575,246
Classic RMBS Trust, Class 'A', Series '21-2', Variable Rate, Callable, 1.53%, 2052/03/15	741,748	741,748	709,312
Real Estate Asset Liquidity Trust, Class 'A2', Series '17', Callable, 3.64%, 2052/11/12	442,940	442,933	429,690
		1,781,575	1,714,248
Municipal Bonds (0.32%)			
Aéroports de Montréal, Callable, 6.95%, 2032/04/16	1,116,785	1,424,172	1,237,125
Edmonton Regional Airport Authority, Callable, 7.21%, 2030/11/01	245,728	295,191	266,478
		1,719,363	1,503,603
Provincial Bonds (0.19%)			
New Brunswick F-M Project Co. Inc., Sinkable, Callable, 6.47%, 2027/11/30	825,185	971,293	879,908
TOTAL CANADIAN FIXED INCOME SECURITIES		427,674,166	401,463,104
U.S. FIXED INCOME SECURITIES (10.63%)			
Corporate Bonds (10.63%)			
AT&T Inc., Callable, 4.00%, 2025/11/25	1,871,000	1,944,556	1,842,166
Bank of America Corp., Variable Rate, Callable, 2.93%, 2025/04/25	2,442,000	2,453,720	2,377,172
Bank of America Corp., Variable Rate, Callable, 3.41%, 2025/09/20	580,000	591,994	565,977
Bank of America Corp., Variable Rate, Callable, 1.98%, 2027/09/15	4,705,000	4,617,914	4,189,558

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Bank of America Corp., Variable Rate, Callable, 3.62%, 2028/03/16	3,230,000	3,230,000	3,047,961
Bank of America Corp., Variable Rate, Callable, 2.60%, 2029/04/04	2,446,000	2,446,000	2,142,160
Citigroup Inc., 4.09%, 2025/06/09	3,844,000	3,945,680	3,761,835
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 3.31%, 2025/10/31	598,000	598,000	580,336
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.60%, 2027/11/30	1,373,000	1,373,000	1,244,432
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.01%, 2029/02/28	3,117,000	3,117,000	2,646,031
JPMorgan Chase & Co., Floating Rate, Callable, 1.90%, 2028/03/05	4,139,000	4,139,998	3,631,505
Morgan Stanley, 3.00%, 2024/02/07	2,326,000	2,353,289	2,276,091
Morgan Stanley, Variable Rate, Callable, 1.78%, 2027/08/04	3,367,000	3,309,936	2,987,233
Wells Fargo & Co., 2.51%, 2023/10/27	1,972,000	2,017,920	1,927,610
Wells Fargo & Co., Callable, 3.18%, 2024/02/08	864,000	864,000	847,836
Wells Fargo & Co., 3.87%, 2025/05/21	5,720,000	5,906,069	5,568,660
Wells Fargo & Co., Variable Rate, Callable, 4.17%, 2026/04/28	2,426,000	2,426,000	2,389,195
Wells Fargo & Co., Variable Rate, Callable, 2.57%, 2026/05/01	2,162,000	2,192,841	2,039,090
Wells Fargo & Co., 2.98%, 2026/05/19	3,261,000	3,496,247	3,061,270
Wells Fargo & Co., 2.49%, 2027/02/18	3,156,000	3,179,599	2,847,466
		54,203,763	49,973,584
TOTAL U.S. FIXED INCOME SECURITIES		54,203,763	49,973,584
GLOBAL FIXED INCOME SECURITIES (0.33%)			
Corporate Bonds (0.33%)			
National Australia Bank Ltd., Variable Rate, Callable, 3.52%, 2030/06/12	1,611,000	1,684,191	1,532,644
		1,684,191	1,532,644
TOTAL GLOBAL FIXED INCOME SECURITIES		1,684,191	1,532,644
DERIVATIVES (3.24%)			
Interest Rate Swaps (3.10%)			
Receive Floating Interest Rate 1.340%, Pay Fixed Interest Rate 1.800%, 2022/07/05, C\$	6,000,000	–	(371)
Receive Floating Interest Rate 1.442%, Pay Fixed Interest Rate 1.772%, 2022/07/12, C\$	7,000,000	–	(700)
Receive Floating Interest Rate 1.900%, Pay Fixed Interest Rate 2.012%, 2022/11/06, C\$	10,000,000	–	24,758
Receive Floating Interest Rate 2.055%, Pay Fixed Interest Rate 2.422%, 2023/02/23, C\$	11,000,000	–	52,009
Receive Floating Interest Rate 2.102%, Pay Fixed Interest Rate 2.414%, 2023/02/28, C\$	10,000,000	–	50,074

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Receive Floating Interest Rate 1.150%, Pay Fixed Interest Rate 2.451%, 2023/03/27, C\$	5,000,000	–	32,608
Receive Floating Interest Rate 1.555%, Pay Fixed Interest Rate 2.558%, 2023/04/19, C\$	5,000,000	–	30,526
Receive Floating Interest Rate 1.733%, Pay Fixed Interest Rate 2.558%, 2023/04/26, C\$	7,000,000	–	43,613
Receive Floating Interest Rate 1.847%, Pay Fixed Interest Rate 2.535%, 2023/05/03, C\$	5,000,000	–	32,655
Receive Floating Interest Rate 2.075%, Pay Fixed Interest Rate 2.573%, 2023/05/25, C\$	21,000,000	–	141,187
Receive Floating Interest Rate 2.075%, Pay Fixed Interest Rate 2.575%, 2023/05/25, C\$	7,000,000	–	46,908
Receive Floating Interest Rate 2.130%, Pay Fixed Interest Rate 2.510%, 2023/05/30, C\$	5,000,000	–	37,201
Receive Floating Interest Rate 1.095%, Pay Fixed Interest Rate 2.469%, 2023/06/18, C\$	8,000,000	–	71,409
Receive Floating Interest Rate 1.495%, Pay Fixed Interest Rate 1.009%, 2023/07/13, C\$	5,000,000	–	123,241
Receive Floating Interest Rate 1.555%, Pay Fixed Interest Rate 2.412%, 2023/07/19, C\$	7,000,000	–	73,284
Receive Floating Interest Rate 1.011%, Pay Fixed Interest Rate 2.549%, 2023/09/07, C\$	10,000,000	–	102,226
Receive Floating Interest Rate 2.130%, Pay Fixed Interest Rate 2.055%, 2023/11/30, C\$	10,000,000	–	192,630
Receive Floating Interest Rate 1.900%, Pay Fixed Interest Rate 2.220%, 2024/02/07, C\$	10,000,000	–	197,386
Receive Floating Interest Rate 1.122%, Pay Fixed Interest Rate 0.930%, 2024/03/22, C\$	20,000,000	–	868,019
Receive Floating Interest Rate 1.555%, Pay Fixed Interest Rate 2.588%, 2024/04/19, C\$	11,000,000	–	177,968
Receive Floating Interest Rate 1.940%, Pay Fixed Interest Rate 2.649%, 2024/05/13, C\$	10,000,000	–	152,772
Receive Floating Interest Rate 1.995%, Pay Fixed Interest Rate 1.458%, 2024/05/17, C\$	5,000,000	–	184,844
Receive Floating Interest Rate 2.075%, Pay Fixed Interest Rate 2.608%, 2024/05/25, C\$	12,000,000	–	195,469
Receive Floating Interest Rate 2.102%, Pay Fixed Interest Rate 1.840%, 2024/05/28, C\$	5,000,000	–	152,424
Receive Floating Interest Rate 1.005%, Pay Fixed Interest Rate 2.552%, 2024/06/05, C\$	6,000,000	–	105,191
Receive Floating Interest Rate 1.377%, Pay Fixed Interest Rate 2.463%, 2024/07/06, C\$	7,000,000	–	146,208
Receive Floating Interest Rate 1.517%, Pay Fixed Interest Rate 2.445%, 2024/07/17, C\$	7,000,000	–	147,803

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Receive Floating Interest Rate 1.541%, Pay Fixed Interest Rate 1.742%, 2024/07/18, C\$	10,000,000	–	349,934
Receive Floating Interest Rate 1.095%, Pay Fixed Interest Rate 1.760%, 2024/09/20, C\$	10,000,000	–	374,660
Receive Floating Interest Rate 1.967%, Pay Fixed Interest Rate 1.815%, 2024/11/14, C\$	10,000,000	–	382,428
Receive Floating Interest Rate 1.662%, Pay Fixed Interest Rate 1.843%, 2025/01/22, C\$	14,000,000	–	570,465
Receive Floating Interest Rate 1.662%, Pay Fixed Interest Rate 1.150%, 2025/07/22, C\$	15,000,000	–	1,020,377
Receive Floating Interest Rate 1.517%, Pay Fixed Interest Rate 2.801%, 2025/10/17, C\$	3,000,000	–	64,688
Receive Floating Interest Rate 1.095%, Pay Fixed Interest Rate 0.870%, 2025/12/18, C\$	13,000,000	–	1,110,982
Receive Floating Interest Rate 1.733%, Pay Fixed Interest Rate 0.871%, 2026/01/26, C\$	10,000,000	–	877,010
Receive Floating Interest Rate 2.055%, Pay Fixed Interest Rate 1.148%, 2026/02/23, C\$	5,000,000	–	398,043
Receive Floating Interest Rate 0.885%, Pay Fixed Interest Rate 1.875%, 2026/11/19, C\$	14,000,000	–	905,828
Receive Floating Interest Rate 1.878%, Pay Fixed Interest Rate 1.519%, 2027/05/05, C\$	18,000,000	–	1,561,795
Receive Floating Interest Rate 1.900%, Pay Fixed Interest Rate 1.473%, 2027/05/07, C\$	16,000,000	–	1,422,665
Receive Floating Interest Rate 1.371%, Pay Fixed Interest Rate 2.979%, 2027/05/09, US\$	3,800,000	–	8,514
Receive Floating Interest Rate 0.958%, Pay Fixed Interest Rate 1.824%, 2027/11/30, C\$	10,000,000	–	813,724
Receive Floating Interest Rate 1.425%, Pay Fixed Interest Rate 2.563%, 2028/04/09, C\$	3,500,000	–	171,018
Receive Floating Interest Rate 1.555%, Pay Fixed Interest Rate 1.408%, 2028/07/19, C\$	10,000,000	–	1,145,045
		–	14,558,518
Treasury Bond Futures (0.17%)			
Short Positions (0.17%)			
Canadian 5-Year Treasury Bond Futures September 2022 at C\$112.89. Notional Value (C\$24,158,460)	(214)	–	457,960
Canadian 10-Year Treasury Bond Futures September 2022 at C\$123.99. Notional Value (C\$10,415,160)	(84)	–	324,458
		–	782,418

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Currency Forwards (-0.03%)			
Currency forward contract to buy US\$125,000 for C\$162,428 maturing September 21, 2022		–	(1,551)
Currency forward contract to buy C\$9,093,744 for US\$7,178,000 maturing September 21, 2022		–	(144,450)
		–	(146,001)
TOTAL DERIVATIVES		–	15,194,935
TOTAL INVESTMENT PORTFOLIO (99.61%)		\$ 483,562,120	\$ 468,164,267
Cash and cash equivalents (0.06%)			300,195
Margin deposits (-0.05%)			(254,373)
Other assets less liabilities (0.38%)			1,803,243
TOTAL NET ASSETS (100.00%)			\$ 470,013,332

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2022

1. REPORTING ENTITY

Horizons Active Ultra-Short Term Investment Grade Bond ETF (“HFR” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on December 12, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HFR. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

The investment objective of HFR is to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of interest rate fluctuations on the ETF. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly and hedges the portfolio’s interest rate risk by maintaining a portfolio duration that is not more than one year. HFR may also invest directly in debt of U.S. companies, directly, as well as indirectly through investments in securities of Listed Funds, as they are defined in the ETF’s prospectus. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

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

2. BASIS OF PREPARATION***(i) Statement of compliance***

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

These financial statements were authorized for issue on August 12, 2022, by the Board of Directors of the Manager.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

(ii) Fair value measurement

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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

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

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

(iii) Offsetting

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

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

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

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

Forward foreign exchange contracts

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

Interest rate swaps

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

Futures contracts

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

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

Redeemable units

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

(b) Investment income

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

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

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

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

(c) Foreign currency

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(d) Cost basis

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

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

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

(f) Unitholder transactions

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

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

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

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at June 30, 2022, and December 31, 2021, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

(ii) Interest rate risk

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

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

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
June 30, 2022						
Investments	7,377	167,679	113,454	168,247	–	456,757
Interest Rate Swaps	1,145	4,153	7,372	2,099	–	14,769
December 31, 2021						

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Investments	17,845	218,302	89,309	204,329	–	529,785
Interest Rate Swaps	(908)	(3,716)	887	118	–	(3,619)

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2022, was 100.3% (December 31, 2021 – 99.3%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 2022, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$3,664,714 (December 31, 2021 – \$3,699,283). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks has been taking place globally aimed at replacing some interbank offered rates (IBOR) with alternative nearly risk-free rates. The fund has exposure to the IBOR reform as it holds interest rate swap products with cash flows that reference the 3-month US Dollar (USD) London Inter-Bank Offered Rate (LIBOR) and the 3-month Canadian Dollar Offered Rate (CDOR). The 3-month USD LIBOR rate is slated to transition on June 30, 2023 and the Canadian Alternative Reference Rate Working Group has recommended to cease publication of all CDORs by the end of June 2024. The interest rate swaps held in the ETF adhere to the International Swaps and Derivatives Association 2020 IBOR Fallback Protocol and in the case where the ETF still holds unreformed contracts at the effective benchmark cessation date, the protocol's fallback rates will be used. As a result of these developments, the manager is continuing to monitor and assess options to transition any derivative contracts that reference IBOR cash flows to alternative nearly risk-free rates. There are potential risks related to this transition as a result of changes in the manager's internal operations, capabilities and systems (e.g. valuation models).

The below chart provides information on the number of unreformed contracts still outstanding for the fund as at June 30, 2022 and December 31, 2021.

Asset Type	Benchmark before Reform	Benchmark after Reform	Number of Unreformed Contracts	
			June 30, 2022	December 31, 2021
Derivative	LIBOR	SOFR	1	1
Derivative	CDOR	CORRA	41	48

(iii) Other market risk

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

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

Comparative Index	June 30, 2022	December 31, 2021
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$1,117,072	\$1,133,212

(b) Credit risk

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

Analysis of credit quality

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2022, and December 31, 2021, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2022	December 31, 2021
AAA	1.7%	3.1%
AA	0.5%	2.7%
A	40.3%	30.8%
BBB	54.0%	59.0%
BB	3.8%	3.7%
Total	100.3%	99.3%

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2022, was 6.1% (December 31, 2021 – 5.5%) of the net assets of the ETF.

(c) Liquidity risk

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

6. FAIR VALUE MEASUREMENT

Below is a classification of fair value measurements of the ETF's investments based on a three level fair value hierarchy and a reconciliation of transactions and transfers within that hierarchy. The hierarchy of fair valuation inputs is summarized as follows:

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at 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 (\$)
Financial Assets						
Bonds	–	451,255,084	–	–	518,991,333	–
Mortgage Backed Securities	–	1,714,248	–	–	2,617,728	–
Futures	782,418	–	–	–	–	–
Currency Forward Contracts	–	–	–	–	44,535	–
Interest Rate Swaps	–	14,559,589	–	–	2,459,103	–
Total Financial Assets	782,418	467,528,921	–	–	524,112,699	–
Financial Liabilities						
Futures	–	–	–	(326,760)	–	–
Currency Forward Contracts	–	(146,001)	–	–	–	–
Interest Rate Swaps	–	(1,071)	–	–	(4,224,932)	–
Total Financial Liabilities	–	(147,072)	–	(326,760)	(4,224,932)	–
Net Financial Assets and Liabilities	782,418	467,381,849	–	(326,760)	519,887,767	–

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 period or year 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.

7. SECURITIES LENDING

In order to generate additional returns, the ETF is authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with National Instrument 81-102 – *Investment Funds* ("NI 81-102"). Under a securities lending agreement, the borrower must pay the ETF a negotiated securities lending fee, provide compensation to the ETF equal to any distributions received by the borrower on the securities borrowed, and the ETF must receive an acceptable

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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 as at June 30, 2022, and December 31, 2021, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2022	\$31,471,419	\$33,122,776
December 31, 2021	\$33,858,681	\$35,577,365

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the 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.

For the periods ended	June 30, 2022	% of Gross Income	June 30, 2021	% of Gross Income
Gross securities lending income	\$28,047		\$16,346	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(11,214)	39.98%	(6,536)	39.99%
Net securities lending income paid to the ETF	\$16,833	60.02%	\$9,810	60.01%

8. REDEEMABLE UNITS

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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

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

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

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

For the periods ended June 30, 2022 and 2021, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2022	52,508,399	5,834,658	(10,000,000)	48,343,057	53,617,383
2021	44,544,010	10,658,304	(1,800,000)	53,402,314	49,186,839

9. EXPENSES
Management fees

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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

Other expenses

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

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the periods ended June 30, 2022 and 2021, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2022	\$3,193	\$nil	\$nil
June 30, 2021	\$1,279	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2022, and December 31, 2021, are disclosed in the statements of financial position.

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

11. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

The ETF may maintain accounts with Futures Commission Merchants (“FCMs”) to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the ETF held at the FCMs. Collateral held with FCMs is included as part of “Margin deposits” in the statements of financial position. The collateral held with FCMs as at June 30, 2022, and December 31, 2021, is as follows:

As at	Collateral Held With FCMs
June 30, 2022	–
December 31, 2021	\$2,215,243

12. INCOME TAX

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

13. TAX LOSSES CARRIED FORWARD

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

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$4,089,535	–	–

14. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2022, and December 31, 2021. The “Net” column displays what the net impact would be on the ETF’s statements of financial position if all amounts were set-off.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

Financial Assets and Liabilities as at June 30, 2022	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	-	-	-	-	-	-
Derivative assets - interest rate swaps	14,559,589	-	14,559,589	(1,071)	-	14,558,518
Total derivative assets	14,559,589	-	14,559,589	(1,071)	-	14,558,518
Derivative liabilities - currency forwards	(146,001)	-	(146,001)	-	-	(146,001)
Derivative liabilities - interest rate swaps	(1,071)	-	(1,071)	1,071	-	-
Total derivative liabilities	(147,072)	-	(147,072)	1,071	-	(146,001)

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

15. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2022, and December 31, 2021, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

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