



Horizons Active Preferred Share ETF
(HPR: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 Preferred Share ETF (“HPR” 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 HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities, including limited resource capital notes (“LRCNs”), of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds, as they are defined in the ETF’s prospectus.

The ETF’s sub-advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental research to select the securities of companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, should be included in the ETF’s investment portfolio. An extensive credit analysis for each security as well as an assessment of each company’s risk profile is completed in order to confirm the selection and relative weight of each security held by the ETF. HPR invests primarily in the preferred shares, and securities convertible to preferred shares, of Canadian issuers whose debt, generally, at a minimum, has an investment grade rating at the time of purchase.

In anticipation of, or in response to, adverse conditions or for defensive purposes, HPR may temporarily hold a portion of its assets in cash, money market instruments, bonds or other debt securities generally not to exceed 20% of the ETF’s net assets.

Management Discussion of Fund Performance (continued)

The Sub-Advisor may purchase securities of issuers that are related or connected to the Sub-Advisor. The Sub-Advisor may also 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"). HPR may also invest in derivatives for currency hedging purposes only.

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

Risk

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

Risk ratings are determined based on the historical volatility of the ETF as measured by the standard deviation of its performance against its mean. The risk categorization of the ETF may change over time and historical volatility is not indicative of future volatility. Generally, a risk rating is assigned to the ETF based on a rolling 10-year standard deviation of its returns, the return of 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.

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

Management Discussion of Fund Performance (continued)

- Interest rate risk
 - Foreign currency risk
 - Credit risk
 - Income trust investment risk
- Foreign stock exchange 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 -10.98% when including distributions paid to unitholders. This compares to a return of -9.86% for the S&P/TSX Preferred Share Index™ (the “Index”) on a total return basis for the same period.

The Index is designed to track the performance of the Canadian preferred stock market. Preferred stocks pay dividends at a specified rate and receive preference over common stocks in terms of dividend payments and liquidation of assets.

General Market Review

Risk assets were hit hard, and bond yields continued upward movement in the first half of 2022 as markets adjusted to very hawkish central banks which now need to raise rates significantly to try to bring inflation back under control. At the beginning of the year, interest rates were already under upward pressure as central banks had 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 virus. Prior to the invasion of 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 higher causing more supply chain issues putting further pressure on global inflation. The Federal Reserve set the tone by raising rates 125 basis points during the second quarter. The market is also anticipating another 160 basis points (“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 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 two percent 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 gets 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.

The Canadian preferred share market underperformed in the first half of 2022 and continued to be volatile, an environment not seen since the first quarter of 2020. The jump in the 5-year Canada rate and redemptions of preferred shares were not enough to compensate for the deterioration of the credit environment, particularly for hybrids and LRCN whose credit spread widened 80-90 bps and 200 bps respectively over the first half of the year given market weakness.

Management Discussion of Fund Performance (continued)

The negative flow of funds exacerbated the weakness seen during the second quarter. The floating rate preferred shares were the best performers in the first half of the year, along with fixed reset issues with high reset levels and/or a floor. Fixed-rate perpetuals underperformed with longer interest rates increasing.

To begin the year, real estate and utilities outperformed other sectors in the index, while telecommunication, banks, and insurers underperformed. In the second quarter, real estate continued to outperform, and banks went from being a laggard in the first quarter to one of the leading sectors. Telecommunications, diversified financials, and energy all underperformed the broad market going into the second quarter.

Portfolio Review

The ETF's positioning in fixed-float resets and LRCN/hybrids was the primary driver of underperformance. The overweight position in fixed reset issues with mid/low reset level negatively impacted performance. The positioning in utilities, telecommunications, and Energy proved more difficult during the first half, while issues in real estate, insurance and diversified financials reduced some of the underperformance.

During the first half of the year, the allocation to expensive fixed-rate perpetuals was reduced and the allocation to banks fixed reset issues with low reset levels was increased. During the first quarter, the new TD Bank institutional preferred share was purchased and the hybrid and LRCN allocation was also increased mainly with the new Altagas, Algonquin Power & Utility and BMO issues. In the second quarter, latest LRCN issues were bought with attractive reset levels of Industrial Alliance, CIBC, Manulife and Scotiabank and have continued to reduce the fixed-rate perpetual position, particularly in May, when they were trading higher despite the higher yield environment.

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 this is expected to continue again into the third quarter. With inflation well above targets, the central banks have no choice but to tighten monetary policy. The Bank said 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. The subadvisor expects growth in other countries especially in Europe to be hit harder than North America.

The preferred share market should continue to be volatile in this environment. The higher 5-year Canada rate is a net positive for the asset class, particularly for the fixed reset issues that trade at discount. Fiera is expecting another \$3.5 billion of preferred shares redemptions (6.7% of the market) for the balance of the year which should help support the asset class. However, the rapid tightening of central banks will put some downside pressure on growth and increase the risk of a recession which could continue to put pressure on credit spreads. The hybrid and LRCN market could continue to be challenging and put more pressure on the preferred share market as there is an expectation of new Hybrid/LRCN issuances with important concessions. Flows of funds will continue to be an important driver of daily volatility and the possibility of net outflows over the coming quarters as investors are now able to buy bonds with attractive yields. In this challenging environment, banks fixed reset issues with low or mid reset levels are favoured. Outside banks, fixed reset issues with mid-reset levels should offer the best risk-reward opportunities.

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 (\$183,860,003). This compares to \$270,568,460 for the six-month period ended June 30, 2021. The ETF incurred management, operating and transaction expenses of \$5,609,488 (2021 – \$5,685,434) of which \$2,002 (2021 – \$31,075) 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 \$39,713,390 to unitholders during the period (2021 – \$35,804,676).

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

There are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

Related Party Transactions

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

Manager, Trustee and Investment Manager

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 12) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the 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	\$ 9.75	8.16	8.14	8.36	9.66	8.70
Increase (decrease) from operations:						
Total revenue	0.21	0.42	0.44	0.44	0.43	0.42
Total expenses	(0.03)	(0.06)	(0.05)	(0.06)	(0.07)	(0.07)
Realized gains (losses) for the period	0.19	0.17	(0.52)	(0.37)	0.04	0.08
Unrealized gains (losses) for the period	(1.42)	1.41	0.51	0.15	(1.37)	0.85
Total increase (decrease) from operations ⁽²⁾	(1.05)	1.94	0.38	0.16	(0.97)	1.28
Distributions:						
From net investment income (excluding dividends)	(0.22)	–	–	–	–	–
From dividends	–	(0.33)	(0.38)	(0.38)	(0.34)	(0.32)
From net realized capital gains	–	(0.06)	–	–	(0.03)	(0.04)
From return of capital	–	–	(0.04)	(0.02)	–	(0.02)
Total distributions ⁽³⁾	(0.22)	(0.39)	(0.42)	(0.40)	(0.37)	(0.38)
Net assets, end of period ⁽⁴⁾	\$ 8.47	9.75	8.16	8.14	8.36	9.66

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)	\$1,382,639	1,871,153	1,398,529	1,411,437	1,576,544	1,538,245
Number of units outstanding (000's)	163,213	191,854	171,302	173,304	188,582	159,285
Management expense ratio ⁽²⁾	0.64%	0.64%	0.64%	0.64%	0.63%	0.65%
Management expense ratio before waivers and absorptions ⁽³⁾	0.64%	0.65%	0.64%	0.64%	0.65%	0.65%
Trading expense ratio ⁽⁴⁾	0.04%	0.05%	0.07%	0.06%	0.05%	0.07%
Portfolio turnover rate ⁽⁵⁾	13.38%	56.49%	74.59%	85.37%	25.78%	23.99%
Net asset value per unit, end of period	\$ 8.47	9.75	8.16	8.14	8.36	9.66
Closing market price	\$ 8.44	9.75	8.18	8.15	8.36	9.66

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 0.55%, 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.

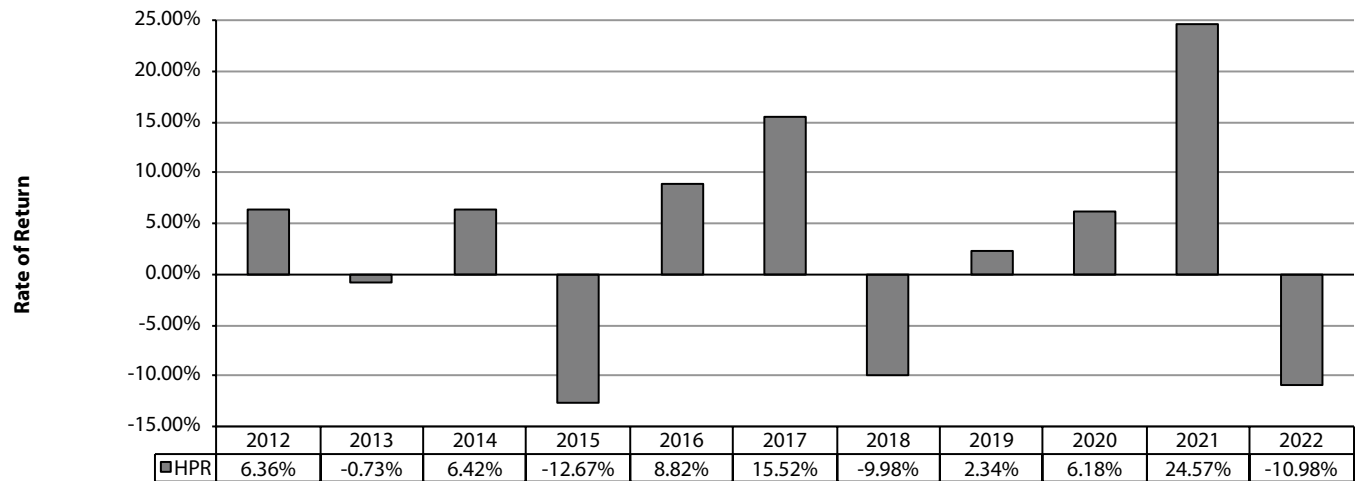
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
6%	94%	–

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 November 22, 2010.

Summary of Investment Portfolio

As at June 30, 2022

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Canadian Preferred Securities	\$ 1,287,774,353	93.14%
Canadian Fixed Income Securities	90,691,928	6.56%
Currency Forward Hedge*	(406,969)	-0.03%
Cash and Cash Equivalents	13,559,374	0.98%
Other Assets less Liabilities	(8,979,626)	-0.65%
	\$ 1,382,639,060	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 633,551,031	45.82%
Energy	343,561,479	24.85%
Utilities	188,667,560	13.65%
Communication Services	106,014,218	7.67%
Corporate Bonds	90,691,928	6.56%
Industrials	8,203,997	0.59%
Consumer Staples	7,776,068	0.56%
Currency Forward Hedge*	(406,969)	-0.03%
Cash and Cash Equivalents	13,559,374	0.98%
Other Assets less Liabilities	(8,979,626)	-0.65%
	\$ 1,382,639,060	100.00%

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

Summary of Investment Portfolio (continued)

As at June 30, 2022

Top 25 Holdings*	% of ETF's Net Asset Value
Enbridge Inc.	9.73%
BCE Inc.	7.67%
Toronto-Dominion Bank (The)	7.30%
Manulife Financial Corp.	6.21%
Pembina Pipeline Corp.	5.08%
Great-West Lifeco Inc.	5.01%
TC Energy Corp.	4.82%
Royal Bank of Canada	4.73%
Canadian Imperial Bank of Commerce	4.38%
Brookfield Asset Management Inc.	4.33%
Bank of Montreal	4.02%
Brookfield Renewable Power Preferred Equity Inc.	3.31%
Canadian Utilities Ltd.	3.09%
Power Financial Corp.	3.02%
AltaGas Ltd.	3.01%
Cenovus Energy Inc.	2.62%
Brookfield Office Properties Inc.	2.45%
Fortis Inc.	2.13%
National Bank of Canada	2.10%
Intact Financial Corp.	1.65%
Brookfield Infrastructure Partners L.P.	1.61%
Emera Inc.	1.28%
Rogers Communications Inc.	1.20%
Sun Life Financial Inc.	1.13%
Fairfax Financial Holdings Ltd.	1.09%

* Note all of the Top 25 Holdings represent the aggregate debt and debt-like 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 Preferred Share 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	\$ 13,559,374	\$ 38,128,787
Investments	1,378,466,281	1,843,487,377
Amounts receivable relating to accrued income	2,755,495	2,863,359
Amounts receivable relating to portfolio assets sold	2,667,003	30,737
Amounts receivable relating to securities issued	–	3,647,354
Derivative assets (note 3)	–	100,862
Total assets	1,397,448,153	1,888,258,476
Liabilities		
Accrued management fees	740,606	951,568
Accrued operating expenses	17,729	105,919
Amounts payable relating to securities redeemed	212,742	–
Amounts payable for portfolio assets purchased	7,557,744	9,767,374
Distribution payable	5,873,303	6,280,523
Derivative liabilities (note 3)	406,969	–
Total liabilities	14,809,093	17,105,384
Total net assets (note 2)	\$ 1,382,639,060	\$ 1,871,153,092
Number of redeemable units outstanding (note 8)	163,212,992	191,854,352
Total net assets per unit	\$ 8.47	\$ 9.75

(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		
Dividend income	\$ 35,854,476	\$ 36,741,493
Interest income for distribution purposes	1,958,064	689,387
Securities lending income (note 7)	27,804	11,318
Net realized gain on sale of investments and derivatives	33,322,096	11,955,130
Net realized loss on foreign exchange	(21,281)	(31,460)
Net change in unrealized appreciation (depreciation) of investments and derivatives	(255,002,012)	221,202,065
Net change in unrealized appreciation of foreign exchange	850	527
	(183,860,003)	270,568,460
Expenses (note 9)		
Management fees	5,022,644	4,921,732
Audit fees	6,646	7,887
Independent Review Committee fees	141	576
Custodial and fund valuation fees	156,301	220,886
Legal fees	23,303	19,906
Securityholder reporting costs	37,478	27,424
Administration fees	16,566	16,152
Transaction costs	346,409	470,746
Other expenses	–	125
	5,609,488	5,685,434
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(2,002)	(31,075)
	5,607,486	5,654,359
Increase (decrease) in net assets for the period	\$ (189,467,489)	\$ 264,914,101
Increase (decrease) in net assets per unit	\$ (1.05)	\$ 1.47

(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	\$ 1,871,153,092	\$ 1,398,528,595
Increase (decrease) in net assets	(189,467,489)	264,914,101
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	24,042,207	183,754,905
Aggregate amounts paid on redemption of securities of the investment fund	(283,684,661)	(59,024,770)
Securities issued on reinvestment of distributions	309,301	237,946
Distributions:		
From net investment income	(39,713,390)	(35,804,676)
Total net assets at the end of the period	\$ 1,382,639,060	\$ 1,752,606,101

(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	\$ (189,467,489)	\$ 264,914,101
Adjustments for:		
Net realized gain on sale of investments and derivatives	(33,322,096)	(11,955,130)
Net realized gain on currency forward contracts	83,555	612,661
Net change in unrealized depreciation (appreciation) of investments and derivatives	255,002,012	(221,202,065)
Net change in unrealized appreciation of foreign exchange	(744)	(126)
Purchase of investments	(201,499,164)	(758,020,802)
Proceeds from the sale of investments	206,738,650	715,277,953
Amounts receivable relating to accrued income	107,864	(211,468)
Accrued expenses	(299,152)	172,902
Net cash from (used in) operating activities	37,343,436	(10,411,974)
Cash flows from financing activities:		
Amount received from the issuance of units	7,293,024	72,465,224
Amount paid on redemptions of units	(29,395,308)	(2,609,834)
Distributions paid to unitholders	(39,811,309)	(35,713,119)
Net cash from (used in) financing activities	(61,913,593)	34,142,271
Net increase (decrease) in cash and cash equivalents during the period	(24,570,157)	23,730,297
Effect of exchange rate fluctuations on cash and cash equivalents	744	126
Cash and cash equivalents at beginning of period	38,128,787	5,621,869
Cash and cash equivalents at end of period	\$ 13,559,374	\$ 29,352,292
Interest received, net of withholding taxes	\$ 1,412,304	\$ 698,455
Dividends received, net of withholding taxes	\$ 36,508,100	\$ 36,520,957

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
CANADIAN PREFERRED SECURITIES (93.14%)			
Financials (45.82%)			
Artis REIT, Preferred, Series 'A', Variable Rate, Perpetual	58,045	\$ 1,278,559	\$ 1,433,712
Artis REIT, Preferred, Series 'E', Variable Rate, Perpetual	137,968	2,593,273	3,107,039
Artis REIT, Preferred, Series 'I', Variable Rate, Perpetual	3,357	175,030	82,918
Bank of Montreal, Preferred, Class 'B', Series '27', Variable Rate, Convertible, Perpetual	463,694	9,422,957	10,289,370
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	1,300,227	27,069,294	27,564,812
Bank of Montreal, Preferred, Class 'B', Series '31', Variable Rate, Perpetual	348,403	7,437,693	7,535,957
Bank of Montreal, Preferred, Class 'B', Series '33', Variable Rate, Perpetual	268,006	5,899,646	5,788,930
Bank of Montreal, Preferred, Class 'B', Series '42', Variable Rate, Perpetual	161,657	3,766,308	4,049,508
Bank of Montreal, Preferred, Class 'B', Series '44', Variable Rate, Perpetual	18,000	457,200	435,600
Brookfield Asset Management Inc., Preferred, Class 'A', Series '4', Variable Rate, Perpetual	53,591	703,989	707,937
Brookfield Asset Management Inc., Preferred, Class 'A', Series '8', Variable Rate, Perpetual	142,524	2,352,506	2,622,442
Brookfield Asset Management Inc., Preferred, Class 'A', Series '17', 4.75%, Perpetual	46,320	970,127	919,452
Brookfield Asset Management Inc., Preferred, Class 'A', Series '18', 4.75%, Convertible, Perpetual	81,104	1,746,018	1,588,827
Brookfield Asset Management Inc., Preferred, Class 'A', Series '24', Variable Rate, Perpetual	267,511	5,009,275	4,593,164
Brookfield Asset Management Inc., Preferred, Class 'A', Series '26', Variable Rate, Convertible, Perpetual	200,732	3,652,256	3,508,795
Brookfield Asset Management Inc., Preferred, Class 'A', Series '30', Variable Rate, Convertible, Perpetual	296,154	6,193,251	6,965,542
Brookfield Asset Management Inc., Preferred, Class 'A', Series '32', Variable Rate, Convertible, Perpetual	197,775	4,363,686	4,396,538
Brookfield Asset Management Inc., Preferred, Class 'A', Series '34', Variable Rate, Perpetual	73,299	1,502,942	1,457,917
Brookfield Asset Management Inc., Preferred, Class 'A', Series '36', 4.85%, Perpetual	79,424	1,728,452	1,568,624
Brookfield Asset Management Inc., Preferred, Class 'A', Series '37', 4.90%, Perpetual	125,749	2,783,478	2,565,280
Brookfield Asset Management Inc., Preferred, Class 'A', Series '38', 4.40%, Perpetual	466,827	9,506,103	8,584,949
Brookfield Asset Management Inc., Preferred, Class 'A', Series '40', Variable Rate, Perpetual	516,045	10,482,651	10,398,307

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Brookfield Asset Management Inc., Preferred, Class 'A', Series '42', Variable Rate, Perpetual	535,178	10,920,902	10,114,864
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'N', Variable Rate, Perpetual	521,952	8,415,939	8,257,281
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual	378,150	6,384,855	6,107,122
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual	634,088	11,084,828	10,722,428
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'T', Variable Rate, Convertible, Perpetual	18,248	393,792	339,413
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual	390,583	7,119,009	6,600,853
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'CC', Variable Rate, Perpetual	1,000	19,778	25,000
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'EE', Variable Rate, Perpetual	29,898	486,517	635,631
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'GG', Variable Rate, Perpetual	44,325	898,034	1,012,826
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'II', Variable Rate, Perpetual	7,569	152,711	164,474
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual	910,441	18,590,380	19,392,393
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '41', Variable Rate, Perpetual	302,649	6,361,844	6,304,179
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual	1,079,467	22,974,638	22,992,647
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '45', Variable Rate, Perpetual	116,255	2,719,788	2,901,725
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '47', Variable Rate, Perpetual	83,913	1,773,078	1,956,851
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	61,424	1,360,870	1,286,833
Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	38,287	814,893	786,798
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Perpetual	2,000	26,200	31,500
Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	54,628	911,862	868,039
Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	375,106	6,414,680	6,455,574
Fairfax Financial Holdings Ltd., Preferred, Series 'K', 5.00%, Perpetual	150,470	3,255,919	3,122,252
Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	168,416	3,658,035	3,775,887
Great-West Lifeco Inc., Preferred, Series 'G', 5.20%, Perpetual	621,732	14,324,786	13,367,238
Great-West Lifeco Inc., Preferred, Series 'H', 4.85%, Perpetual	803,470	19,214,765	16,077,435

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Great-West Lifeco Inc., Preferred, Series 'I', 4.50%, Perpetual	526,289	13,027,428	9,967,914
Great-West Lifeco Inc., Preferred, Series 'L', 5.65%, Perpetual	191,255	4,683,703	4,416,078
Great-West Lifeco Inc., Preferred, Series 'M', 5.80%, Perpetual	126,831	3,191,670	2,980,528
Great-West Lifeco Inc., Preferred, Series 'N', Variable Rate, Perpetual	61,882	966,636	860,160
Great-West Lifeco Inc., Preferred, Series 'P', 5.40%, Perpetual	385,230	9,604,808	8,598,334
Great-West Lifeco Inc., Preferred, Series 'Q', 5.15%, Perpetual	320,816	7,700,458	6,772,426
Great-West Lifeco Inc., Preferred, Series 'R', 4.80%, Perpetual	61,178	1,447,917	1,197,253
Great-West Lifeco Inc., Preferred, Series 'S', 5.25%, Perpetual	132,587	3,181,864	2,862,553
Great-West Lifeco Inc., Preferred, Series 'T', 5.15%, Perpetual	43,405	1,014,854	940,152
Great-West Lifeco Inc., Preferred, Series 'Y', 4.50%, Perpetual	55,907	1,397,676	1,050,493
Industrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'I', Variable Rate, Perpetual	49,649	1,086,857	1,195,548
Intact Financial Corp., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	2,000	42,400	38,880
Intact Financial Corp., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	585,102	11,747,305	11,467,999
Intact Financial Corp., Preferred, Class 'A', Series '5', 5.20%, Perpetual	56,198	1,379,941	1,261,364
Intact Financial Corp., Preferred, Class 'A', Series '6', 5.30%, Perpetual	120,552	2,935,254	2,748,586
Intact Financial Corp., Preferred, Class 'A', Series '7', Variable Rate, Convertible, Perpetual	264,702	6,295,960	5,992,853
Intact Financial Corp., Preferred, Class 'A', Series '9', 5.40%, Perpetual	4,412	110,799	100,594
Intact Financial Corp., Preferred, Class 'A', Series '11', 5.25%, Perpetual	55,735	1,393,375	1,260,726
Laurentian Bank of Canada, Preferred, Class 'A', Series '13', Variable Rate, Perpetual	65,587	1,344,115	1,259,926
Manulife Financial Corp., Preferred, Class 'A', Series '2', 4.65%, Perpetual	478,997	11,241,394	9,555,990
Manulife Financial Corp., Preferred, Class 'A', Series '3', 4.50%, Perpetual	161,407	3,694,437	3,100,628
Manulife Financial Corp., Preferred, Class '1', Series '3', Variable Rate, Convertible, Perpetual	4,500	75,600	65,745
Manulife Financial Corp., Preferred, Class '1', Series '9', Variable Rate, Convertible, Perpetual	394,728	8,512,697	9,773,465
Manulife Financial Corp., Preferred, Class '1', Series '11', Variable Rate, Perpetual	481,416	10,687,556	11,342,161
Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	131,324	3,100,331	2,788,009
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	585,883	12,102,236	11,055,612
Manulife Financial Corp., Preferred, Class '1', Series '17', Variable Rate, Perpetual	602,385	12,730,469	12,053,724
Manulife Financial Corp., Preferred, Class '1', Series '19', Variable Rate, Perpetual	401,341	8,300,269	7,669,627

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	244,480	5,896,066	5,649,933
National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	254,275	5,078,578	5,484,712
National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	322,677	6,309,168	6,772,990
National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	332,418	7,675,237	8,343,692
National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual	276,419	5,680,857	6,523,488
National Bank of Canada, Preferred, Series '42', Variable Rate, Perpetual	27,712	549,965	669,245
Power Corp. of Canada, Preferred, Series 'A', 5.60%, Perpetual	47,504	1,176,258	1,099,718
Power Corp. of Canada, Preferred, Series 'B', 5.35%, Perpetual	160,184	3,872,081	3,527,252
Power Corp. of Canada, Preferred, Series 'G', 5.60%, Perpetual	113,543	2,857,089	2,651,229
Power Financial Corp., Preferred, Series 'D', 5.50%, Perpetual	80,820	1,989,281	1,850,778
Power Financial Corp., Preferred, Series 'E', 5.25%, Perpetual	100,375	2,434,499	2,160,070
Power Financial Corp., Preferred, Series 'F', 5.90%, Perpetual	87,482	2,148,636	2,121,438
Power Financial Corp., Preferred, Series 'H', 5.75%, Perpetual	173,529	4,192,819	4,152,549
Power Financial Corp., Preferred, Series 'K', 4.95%, Perpetual	418,372	9,656,203	8,497,135
Power Financial Corp., Preferred, Series 'L', 5.10%, Perpetual	114,386	2,718,603	2,391,811
Power Financial Corp., Preferred, Series 'O', 5.80%, Perpetual	154,772	3,951,260	3,712,980
Power Financial Corp., Preferred, Series 'P', Variable Rate, Perpetual	310,986	4,754,370	4,527,956
Power Financial Corp., Preferred, Series 'R', 5.50%, Perpetual	288,859	7,179,128	6,528,213
Power Financial Corp., Preferred, Series 'S', 4.80%, Perpetual	188,346	4,077,276	3,738,668
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	39,815	929,176	811,430
Power Financial Corp., Preferred, Series 'V', 5.15%, Perpetual	61,433	1,418,827	1,323,881
Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	381,391	8,904,704	8,035,908
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	139,890	3,220,016	2,972,663
Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual	1,126,091	24,300,064	24,323,566
Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual	786,612	16,616,249	16,416,592
Sun Life Financial Inc., Preferred, Class 'A', Series '3', 4.45%, Perpetual	40,120	955,161	779,130
Sun Life Financial Inc., Preferred, Class 'A', Series '4', 4.45%, Perpetual	278,066	6,642,919	5,377,796
Sun Life Financial Inc., Preferred, Class 'A', Series '5', 4.50%, Perpetual	216,782	5,151,418	4,339,976
Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Perpetual	288,789	5,569,785	5,059,583
Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Convertible, Perpetual	904,739	19,913,207	19,080,946
Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	1,259,215	26,720,808	26,355,370
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	816,271	17,282,134	17,141,691

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	1,011,683	22,285,591	21,842,236
Toronto-Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual	456,045	10,134,465	9,736,561
Toronto-Dominion Bank (The), Preferred, Series '16', Variable Rate, Perpetual	41,542	852,591	1,038,135
Toronto-Dominion Bank (The), Preferred, Series '18', Variable Rate, Perpetual	14,763	337,259	355,788
Toronto-Dominion Bank (The), Preferred, Series '20', Variable Rate, Perpetual	43,901	1,084,688	1,047,478
Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual	50,010	1,234,054	1,266,253
		656,121,296	633,551,031
Energy (24.85%)			
AltaGas Ltd., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	730,320	12,576,278	12,072,190
AltaGas Ltd., Preferred, Series 'B', Floating Rate, Convertible, Perpetual	36,493	708,566	655,049
AltaGas Ltd., Preferred, Series 'C', 4.40%, Convertible, Perpetual	450,803	12,708,164	14,129,663
AltaGas Ltd., Preferred, Series 'G', Variable Rate, Perpetual	555,273	11,650,737	10,705,663
Cenovus Energy Inc., Preferred, Series '1', Variable Rate, Perpetual	138,712	2,011,530	2,109,810
Cenovus Energy Inc., Preferred, Series '3', Variable Rate, Perpetual	521,063	10,376,474	11,213,276
Cenovus Energy Inc., Preferred, Series '5', Variable Rate, Perpetual	530,673	10,588,839	11,780,941
Cenovus Energy Inc., Preferred, Series '7', Variable Rate, Perpetual	531,570	10,514,152	11,168,286
Enbridge Inc., Preferred, Series 'A', 5.50%, Perpetual	41,859	999,310	948,106
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	659,837	9,634,267	12,477,518
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	363,944	6,331,875	6,740,243
Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	339,556	6,240,671	6,390,444
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	330,911	8,885,878	10,350,552
Enbridge Inc., Preferred, Series 'N', Variable Rate, Perpetual	70,581	1,318,735	1,362,213
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	653,932	11,155,601	11,554,978
Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	912,281	15,722,633	15,745,970
Enbridge Inc., Preferred, Series '1', Variable Rate, Perpetual	3,069	91,156	93,822
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,801,831	29,920,178	29,946,431
Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	79,708	1,424,717	1,421,194
Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	279,356	4,858,396	4,888,730
Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	948,941	16,870,388	16,568,510
Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	572,948	9,312,067	9,453,642
Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual	303,827	4,942,408	5,028,337
Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	127,817	2,327,678	2,556,340

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Pembina Pipeline Corp., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	59,026	862,357	1,217,706
Pembina Pipeline Corp., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	673,879	13,599,540	13,639,311
Pembina Pipeline Corp., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	910,317	19,536,782	19,617,331
Pembina Pipeline Corp., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	360,053	6,671,880	8,238,013
Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual	193,196	3,624,901	4,109,279
Pembina Pipeline Corp., Preferred, Class 'A', Series '19', Variable Rate, Perpetual	386,670	8,473,709	9,017,144
Pembina Pipeline Corp., Preferred, Class 'A', Series '21', Variable Rate, Perpetual	12,823	326,218	309,932
Pembina Pipeline Corp., Preferred, Class 'A', Series '23', Variable Rate, Perpetual	209,201	4,770,966	5,156,805
Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	260,495	6,056,739	6,330,028
TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	628,403	10,805,579	10,085,868
TC Energy Corp., Preferred, Series '2', Floating Rate, Convertible, Perpetual	22,993	389,065	383,983
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	125,460	1,880,590	1,602,124
TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	787,649	11,290,261	10,641,138
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	596,091	11,525,794	11,093,254
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	847,928	15,750,232	15,423,810
TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual	851,786	16,941,752	17,333,845
		333,677,063	343,561,479
Utilities (13.65%)			
Algonquin Power & Utilities Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	49,085	1,071,215	1,109,321
Algonquin Power & Utilities Corp., Preferred, Series 'D', Variable Rate, Perpetual	96,799	1,937,825	2,309,624
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	556,878	11,496,099	11,493,962
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	46,705	1,136,567	1,168,092
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	151,865	3,844,883	3,543,011
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '11*', Variable Rate, Perpetual	258,990	6,335,399	6,034,467

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	212,361	5,080,504	5,393,969
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '13', Variable Rate, Perpetual	12,902	328,473	305,261
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	42,996	1,022,549	1,081,779
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	1,020,718	18,698,723	17,382,828
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '2', Variable Rate, Convertible, Perpetual	138,813	2,636,445	2,531,255
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	778,496	15,694,281	15,204,027
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '6', 5.00%, Perpetual	537,832	11,860,219	10,595,291
Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual	694,541	13,856,077	15,252,120
Canadian Utilities Ltd., Preferred, Series 'AA', 4.90%, Perpetual	327,962	7,699,809	6,854,406
Canadian Utilities Ltd., Preferred, Series 'BB', 4.90%, Perpetual	274,682	6,389,758	5,644,715
Canadian Utilities Ltd., Preferred, Series 'CC', 4.50%, Perpetual	211,534	4,999,091	4,085,779
Canadian Utilities Ltd., Preferred, Series 'DD', 4.50%, Perpetual	475,411	10,449,149	9,032,809
Canadian Utilities Ltd., Preferred, Series 'EE', 5.25%, Perpetual	72,514	1,736,531	1,614,162
Canadian Utilities Ltd., Preferred, Series 'HH', 4.75%, Perpetual	16,800	363,237	333,480
Capital Power Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	58,539	800,871	883,939
Capital Power Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	61,109	1,229,494	1,353,564
Capital Power Corp., Preferred, Series '5', Variable Rate, Perpetual	78,275	1,479,437	1,729,878
Capital Power Corp., Preferred, Series '9', Variable Rate, Perpetual	51,033	1,288,375	1,280,928
CU Inc., Preferred, Series '1', 4.60%, Perpetual	272,043	6,258,768	5,239,548
Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	259,609	4,109,393	3,977,210
Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	219,776	4,486,832	4,747,162
Emera Inc., Preferred, Series 'F', Variable Rate, Perpetual	258,955	5,247,604	5,210,175
Emera Inc., Preferred, Series 'L', 4.60%, Perpetual	194,624	4,865,618	3,719,265
Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	285,971	5,669,510	5,776,614
Fortis Inc., Preferred, Series 'H', 4.25%, Perpetual	14,518	230,899	215,738
Fortis Inc., Preferred, Series 'J', 4.75%, Perpetual	70,875	1,601,880	1,442,306
Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	135,209	2,555,134	2,554,098
Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual	961,288	19,726,621	19,514,146
TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	261,891	4,084,580	5,607,086
TransAlta Corp., Preferred, Series 'E', 5.00%, Perpetual	162,158	2,771,095	3,948,547
TransAlta Corp., Preferred, Series 'G', Variable Rate, Perpetual	22,337	387,842	496,998
		193,430,787	188,667,560

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Communication Services (7.67%)			
BCE Inc., Preferred, Series 'R', Variable Rate, Perpetual	353,683	6,354,551	5,531,602
BCE Inc., Preferred, Series 'T', Variable Rate, Perpetual	188,194	3,088,481	3,711,186
BCE Inc., Preferred, Series 'Y', Variable Rate, Perpetual	458,057	8,817,092	8,680,180
BCE Inc., Preferred, Series 'Z', Variable Rate, Perpetual	282,593	4,599,315	5,391,875
BCE Inc., Preferred, Series 'AA', Variable Rate, Perpetual	880,463	14,725,403	16,834,453
BCE Inc., Preferred, Series 'AB', Variable Rate, Perpetual	399,087	7,460,139	7,582,653
BCE Inc., Preferred, Series 'AC', Variable Rate, Perpetual	1,870	36,922	35,567
BCE Inc., Preferred, Series 'AD', Variable Rate, Perpetual	461,019	7,988,956	8,727,090
BCE Inc., Preferred, Series 'AE', Variable Rate, Perpetual	193,784	3,744,381	3,652,828
BCE Inc., Preferred, Series 'AF', Variable Rate, Perpetual	520,371	9,008,408	8,981,604
BCE Inc., Preferred, Series 'AG', Variable Rate, Perpetual	449,308	7,225,234	7,143,997
BCE Inc., Preferred, Series 'AH', Variable Rate, Perpetual	204,460	4,243,868	3,872,472
BCE Inc., Preferred, Series 'AI', Variable Rate, Perpetual	807,572	13,048,612	12,800,016
BCE Inc., Preferred, Series 'AJ', Floating Rate, Convertible, Perpetual	95,190	1,929,472	1,808,610
BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	440,136	6,474,037	6,646,054
BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual	294,638	4,849,825	4,614,031
		103,594,696	106,014,218
Industrials (0.59%)			
Element Fleet Management Corp., Preferred, Series 'A', Variable Rate, Perpetual	13,407	349,775	333,834
Element Fleet Management Corp., Preferred, Series 'C', Variable Rate, Perpetual	9,997	258,510	247,526
Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual	306,130	7,460,310	7,622,637
		8,068,595	8,203,997
Consumer Staples (0.56%)			
George Weston Ltd., Preferred, Series 'III', 5.20%, Perpetual	109,164	2,655,304	2,335,018
George Weston Ltd., Preferred, Series 'IV', 5.20%, Perpetual	133,936	3,261,121	2,879,624
Loblaws Cos. Ltd., Preferred, Series 'B', 5.30%, Perpetual	108,535	2,725,603	2,561,426
		8,642,028	7,776,068
TOTAL CANADIAN PREFERRED SECURITIES		1,303,534,465	1,287,774,353
CANADIAN FIXED INCOME SECURITIES (6.56%)			
Corporate Bonds (6.56%)			
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	8,196,000	8,167,650	6,934,353
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	4,940,000	4,940,000	4,195,991
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	2,999,000	2,999,000	3,015,999
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.00%, 2082/01/28	200,000	185,000	173,913

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	6,829,000	6,816,230	6,892,796
Enbridge Inc., Variable Rate, Callable, 6.00%, 2077/01/15	345,000	366,015	412,133
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	1,185,000	1,185,000	1,174,146
Gibson Energy Inc., Series '20-A', Variable Rate, Callable, 5.25%, 2080/12/22	3,584,000	3,629,920	3,123,733
iA Financial Corp. Inc., Series '22-1', Variable Rate, Callable, 6.61%, 2082/06/30	5,158,000	5,158,000	5,104,403
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	7,429,000	7,487,882	7,089,653
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	5,625,000	5,625,000	5,430,814
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	12,802,000	12,802,000	12,931,612
National Bank of Canada, Series '1', Variable Rate, Callable, 4.30%, 2080/11/15	1,275,000	1,266,075	1,184,890
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	18,300,000	18,300,000	16,652,007
Royal Bank of Canada, Series 'BT', Variable Rate, Perpetual, 4.20%, 2027/02/24	15,650,000	15,652,036	13,500,300
Toronto-Dominion Bank (The), Series '27', Variable Rate, Perpetual, 5.75%, 2027/10/01	3,000,000	3,000,000	2,875,185
		97,579,808	90,691,928
TOTAL CANADIAN FIXED INCOME SECURITIES		97,579,808	90,691,928
DERIVATIVES (-0.03%)			
Currency Forwards (-0.03%)			
Currency forward contract to buy US\$50,000 for C\$64,785 maturing September 21, 2022		-	(434)
Currency forward contract to buy C\$25,593,065 for US\$20,201,473 maturing September 21, 2022		-	(406,535)
		-	(406,969)
TOTAL DERIVATIVES		-	(406,969)
Transaction Costs		(1,035,187)	
TOTAL INVESTMENT PORTFOLIO (99.67%)		\$1,400,079,086	\$1,378,059,312
Cash and cash equivalents (0.98%)			13,559,374
Other assets less liabilities (-0.65%)			(8,979,626)
TOTAL NET ASSETS (100.00%)			\$1,382,639,060

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2022

1. REPORTING ENTITY

Horizons Active Preferred Share ETF (“HPR” 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 November 22, 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 HPR. 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 HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities, including limited resource capital notes (“LRCNs”), of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds, as they are defined in the ETF’s prospectus.

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.

Redeemable units

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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.

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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.

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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 majority of the ETF's assets and liabilities are non-interest bearing. However, in general, preferred shares tend to react to changes in the prevailing level of long-term interest rates in a similar manner as bonds. For example, if interest rates fall, preferred share prices tend to rise, and vice versa. As at June 30, 2022, approximately 100.5% (December 31, 2021 - 100.2%) of the ETF's net assets were directly or indirectly exposed to interest rate risk. 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 \$72,028,610 (December 31, 2021 - \$79,157,151).

(iii) Other market risk

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

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

Comparative Index	June 30, 2022	December 31, 2021
S&P/TSX Preferred Share Index™	\$13,531,845	\$18,310,109

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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:

Canadian Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2022	December 31, 2021
P-1 - Best credit	0.1%	1.0%
P-2 - Second best credit	53.3%	55.3%
P-3 - Third best credit	35.4%	34.0%
Total	88.8%	90.3%
U.S. Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2022	December 31, 2021
AAA	0.6%	1.6%
BBB	5.0%	3.0%
BB	6.1%	5.3%
Total	11.7%	9.9%

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 9.7% (December 31, 2021 – 8.9%) 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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

90 days. Liquidity risk is managed by investing the majority of the ETF's assets in investments that are traded in an active market and can be readily disposed. The ETF aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the ETF is considered minimal.

6. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at 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	–	90,691,928	–	–	55,052,446	–
Equities	1,287,774,353	–	–	1,788,434,931	–	–
Currency Forward Contracts	–	–	–	–	100,862	–
Total Financial Assets	1,287,774,353	90,691,928	–	1,788,434,931	55,153,308	–
Financial Liabilities						
Currency Forward Contracts	–	(406,969)	–	–	–	–
Total Financial Liabilities	–	(406,969)	–	–	–	–
Net Financial Assets and Liabilities	1,287,774,353	90,284,959	–	1,788,434,931	55,153,308	–

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 form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the ETF

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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	\$14,335,827	\$15,080,076
December 31, 2021	\$12,154,554	\$12,793,716

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	\$48,430		\$19,967	
Withholding taxes	(2,104)	4.34%	(1,123)	5.62%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(18,522)	38.24%	(7,526)	37.69%
Net securities lending income paid to the ETF	\$27,804	57.42%	\$11,318	56.69%

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.

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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	191,854,352	2,608,640	(31,250,000)	163,212,992	179,785,142
2021	171,302,082	20,508,234	(6,375,000)	185,435,316	180,379,243

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.

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June 30, 2022

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.55%, 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	\$241,150	\$17,507	\$nil
June 30, 2021	\$234,079	\$13,571	\$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. 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.

12. TAX LOSSES CARRIED FORWARD

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

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$49,237,918	–	–

13. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the 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.

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	–	–	–	–	–	–
Derivative liabilities	(406,969)	–	(406,969)	–	–	(406,969)

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	100,862	–	100,862	–	–	100,862
Derivative liabilities	–	–	–	–	–	–

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the 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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