



**Horizons Intl Developed Markets Equity Index ETF
(HXDM, HXDM.U:TSX)**



HORIZONS ETFs
by Mirae Asset

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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategy

HXDM seeks to replicate, to the extent possible, the performance of the Horizons EAFE Futures Roll Index (Total Return) (the “Underlying Index”, Bloomberg ticker: CMDYHXDM), net of expenses. The Underlying Index is designed to measure the performance of large and mid-cap securities across 21 developed markets including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

To achieve the ETF’s investment objective and obtain direct or indirect exposure to securities of its Underlying Index’s constituent issuers, the ETF may use equity securities and derivatives, including swap agreements (see *Swap Agreements* below), provided that the use of such derivative instruments is in compliance with National Instrument 81-102 (“NI 81-102”) and is consistent with the investment objective of the ETF.

The ETF may also invest in and hold the securities of the issuers contained in its Underlying Index in substantially the same proportion as they are reflected in the Underlying Index or the ETF may invest in and hold index participation shares of exchange traded funds that are based on its Underlying Index. The ETF will remain fully invested in or exposed to the markets at all times. The ETF may also invest in futures contracts and forward agreements in order to provide market exposure for other cash held by the ETF and may also hold money market instruments, securities of money market funds or cash to meet its current obligations.

Management Discussion of Fund Performance (continued)

The Investment Manager does not invest the assets of the ETF on a discretionary basis or select securities based on the Investment Manager's view of the investment merit of a particular security or company, nor does it conduct conventional stock research or analysis, or forecast stock market movement or trends in managing the assets of the ETF.

About the Underlying Index

The Horizons EAFE Futures Roll Index (Total Return) is an index provided by Horizons Management that is designed to reflect the returns generated over time through long notional investments in a series of MSCI EAFE Index Futures that are in turn based on the performance of the MSCI EAFE Index. The MSCI EAFE Index Futures are listed on the Intercontinental Exchange. The Underlying Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, and excluding the U.S. and Canada. The Underlying Index encompasses a number of regions and market segments/sizes, and tracks a substantial portion of the free float-adjusted market capitalization in each of the 21 countries. As noted above, the Horizons EAFE Futures Roll Index (Total Return) is based in whole, or in part, on the MSCI EAFE Index Futures owned by ICE Data, LLP and its affiliates, and is used by Horizons Management with permission under license by ICE Data, LLP.

The notional portfolio of the Underlying Index is invested into the first nearby contract of the MSCI EAFE Index Futures, and then rolled into the next nearby contract over a four day period in each of March, June, September and December. The roll from the first nearby contract to the next nearby contract begins on the day that is the sixth trading day prior to the last trading day of the first nearby contract on the Intercontinental Exchange.

Risk

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

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

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

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

Management Discussion of Fund Performance (continued)

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| <ul style="list-style-type: none"> • General risks of investments • General risks of investing in an index fund and passive investment risk • Risk relating to index replication strategies • Calculation of index levels and termination of the Underlying Index • Derivatives investments • Risk that shares will trade at prices other than net asset value per share • Issuer concentration risk • International developed market risk • Currency price fluctuations • Foreign exchange rate risk • Foreign exchange and market risk • Counterparty risk • Index adjustments • Liquidity risk • Borrowing risk • Tax-related risks • Cease trading of securities risk • General risks of equity investments • Voting of index securities risk • Income trust investments risks | <ul style="list-style-type: none"> • Exchange risk • Inability to achieve investment objective • Market disruptions risk • Cyber security risk • Reliance on key personnel • Distribution risk • Significant redemptions • Price limit risk • Conflicts of interest • Business and regulatory risks of alternative investment strategies • Political, economic and social risk • Securities lending risk • No ownership interest • Restrictions on certain Shareholders • Redemption price • Fund corporation and multi-class/series structure risk • Fluctuations in NAV and market price of the ETF Shares risk • Absence of an active market for the ETF Shares and lack of operating history risk • No guaranteed return |
|--|---|

Results of Operations

For the six-month period ended June 30, 2022, the US\$ Shares of the ETF returned -18.99%. This compares to a return of -18.78% for the Underlying Index for the same period. The above figures are adjusted for distributions, if any. Generally, the difference in performance between the ETF and the Underlying Index is due to expenses payable by the ETF, which include management fees and swap fees plus applicable sales taxes. The net asset value of the ETF's Cdn\$ Shares are impacted by the daily Canadian/U.S. dollar exchange rate. Since the securities in the Underlying Index are traded in U.S. dollars and are unhedged, the Cdn\$ Shares of the ETF will be positively or negatively affected by an appreciation or depreciation of the U.S. dollar versus the Canadian dollar.

The Horizons EAFE Futures Roll Index is an index that is designed to reflect the returns generated over time through long notional investments in a series of MSCI EAFE Index Futures that are in turn based on the performance of the MSCI EAFE Index. The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. For the period ended June 30, 2022, the top performers in the MSCI EAFE Index were Rheinmetall AG, Tokyo Electric Power Company Holdings, Incorporated, and Mitsubishi Heavy Industries, Ltd., gaining 153.26%, 63.22% and 54.64%, respectively. The worst performers in the Underlying Index for the year were Kornit Digital Ltd., Sinch AB, and Just Eat Takeaway.com N.V., returning -78.81%, -74.18%, and -70.88%, respectively.

Management Discussion of Fund Performance (continued)

In respect to the day-to-day management of the ETF, Horizons Management does not endeavour to predict market direction, changes that may occur in global fiscal and monetary policies, the effect of additional geopolitical concerns or other unforeseen crises. Horizons Management and the ETF are agnostic as to their impact on global equity, fixed income, currency, and commodity markets generally, and the international equity market specifically. They are only of concern to the ETF in so much as there is some minimal risk that could affect its ability to meet its investment objective. Please refer to the risk factors section in the ETF's prospectus for more detailed information.

The ETF may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its swap which is marked-to-market daily and is tied to the performance of the ETF's Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, or by purchase and redemption activity, as these transactions are taken into account, as applicable, with adjustments to the notional value of the Swap.

The annualized volatility of each of the Underlying Index and the ETF was 18.59% and 16.29%, respectively, for the period ended June 30, 2022.

Swap Agreements

As a means to achieving its investment objective, the ETF has entered into one or more swap agreements (each a "Swap") with one or more bank counterparties (each a "Counterparty") to gain exposure to the Underlying Index. Each Swap is a total return swap under which the ETF pays the Counterparty a floating amount based upon prevailing short-term market interest rates computed upon an agreed notional amount and an equity amount based upon any decline in value of a notional investment in a notional number of shares the value of each of which will equal the value of the Underlying Index. In return, the Counterparty will pay the ETF an equity amount based upon any increase in value of the Underlying Index. The total return will be comprised of notional income which would be earned on a notional investment in the reference assets (which, by virtue of the operation of the Swap, will be notionally reinvested in further reference assets) plus any notional appreciation in the value of the Underlying Index or, as the case may be, minus any reduction in the value of the Underlying Index. The ETF also invests the net proceeds of share subscriptions in cash and/or short-term debt obligations to earn short-term market interest rates. The terms of each Swap require the ETF to pledge its cash and/or short-term debt obligations to the Counterparty to secure the payment of the ETF's payment obligations under the Swap. The income earned on the cash and/or short-term debt obligations is anticipated to be sufficient to fund the required floating payments by the ETF under the Swap. The ETF may replace a Counterparty or engage additional counterparties at any time.

The Counterparty may hedge its exposure under the Swap to index securities. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Swap.

In addition to assisting in the pursuit of the ETF's investment objective, total return swap agreements may be entered into as a substitute for investing directly in securities or to hedge a position.

Since Swaps, like most swap agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Counterparty is limited to the positive mark-to-market of the Swaps entered into with that Counterparty, if any, which is calculated and accrued on a daily basis.

Management Discussion of Fund Performance (continued)

Recent Developments

Other than indicated below, there have been no recent market developments of particular note, aside from the normal fluctuations of the markets, that are expected to have an undue influence on the portfolio of the ETF when compared to its benchmark.

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks has been taking place globally aimed at replacing interbank offered rates (IBOR) with alternative nearly risk-free rates. The ETF has exposure to the IBOR reform as it holds swap and banking contracts with cash flows that references the 1-month US Dollar (USD) London Inter-Bank Offered Rate (LIBOR). The 1-month USD LIBOR rate is slated to transition on June 30, 2023. As a result of this development, the ETF transitioned from using the 1-month USD LIBOR rate to the 1-month USD secured overnight financing rate (SOFR) on December 15, 2021. The manager has overseen the transition away from IBORs in coordination with its counterparties and administrators. There were potential risks related to this transition as a result of changes in the manager's internal operations, capabilities and systems (e.g. valuation models).

As at June 30, 2022, and December 31, 2021, the ETF did not hold any unreformed contracts.

Presentation

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

While the Company only effectively began operations after the completion of a reorganization in 2019, it has received an exemption from its regulators so that each ETF may report information in its management report of fund performance and financial statements on a combined basis for both the pre- and post-reorganization periods as though it were one continuous reporting entity.

Related Party Transactions

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

Manager and Investment Manager

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

Any management fees paid to the Manager (described in detail on page 11) are related party transactions, as the Manager is considered to be a related party to the ETF. The management fees are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2022, and December 31, 2021, are disclosed in the statements of financial position.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the current interim reporting period and since it effectively began operations on September 26, 2017. This information is derived from the ETF's annual audited financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Share

Year ⁽¹⁾	2022	2021	2020	2019	2018	2017
Net assets, beginning of period	\$ 31.96	28.83	27.15	22.33	26.12	25.00
Increase (decrease) from operations:						
Total revenue	0.01	–	–	0.04	0.04	0.02
Total expenses	(0.07)	(0.16)	(0.12)	(0.12)	(0.13)	(0.03)
Realized gains (losses) for the period	(0.14)	4.72	(5.29)	1.68	1.54	–
Unrealized gains (losses) for the period	(5.82)	(1.54)	10.93	3.49	(5.50)	1.11
Total increase (decrease) from operations ⁽²⁾	(6.02)	3.02	5.52	5.09	(4.05)	1.10
Total distributions ⁽³⁾	–	–	–	–	–	–
Net assets, end of period (US\$ Shares) ⁽⁴⁾	\$ 25.89	31.96	28.83	27.15	22.33	26.12
Net assets, end of period (Cdn\$ Shares) ⁽⁴⁾	\$ 33.32	40.42	36.70	35.26	30.48	32.84

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

Financial Highlights (continued)

Ratios and Supplemental Data

Year ⁽¹⁾	2022	2021	2020	2019	2018	2017
Total net asset value (000's)	\$ 234,217	227,812	569,390	102,401	93,942	41,174
Number of shares outstanding (000's)	9,048	7,129	19,751	3,771	4,208	1,576
Management expense ratio ⁽²⁾	0.22%	0.22%	0.22%	0.22%	0.23%	0.23%
Management expense ratio before waivers and absorptions ⁽²⁾	0.22%	0.22%	0.22%	0.22%	0.23%	0.23%
Trading expense ratio ⁽³⁾	0.30%	0.29%	0.27%	0.27%	0.29%	0.23%
Portfolio turnover rate ⁽⁴⁾	3.84%	10.93%	97.28%	167.83%	40.00%	0.00%
Net asset value per share, end of period (US\$ Shares)	\$ 25.89	31.96	28.83	27.15	22.33	26.12
Closing market price (US\$ Shares)	\$ 25.85	31.98	28.82	27.17	22.35	26.14
Net asset value per share, end of period (Cdn\$ Shares)	\$ 33.32	40.42	36.70	35.26	30.48	32.84
Closing market price (Cdn\$ Shares)	\$ 33.34	40.45	36.72	35.27	30.48	32.83

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. The constating documents of the ETF require that the Manager pay all the expenses of the ETF other than the management fee and any sales taxes on the management fee.
3. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
4. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of a year. The higher an ETF's portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

Management Fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.20%. Approximately 100% of management fees were used for management, investment management, operating costs of the ETF, other general administration and profit.

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

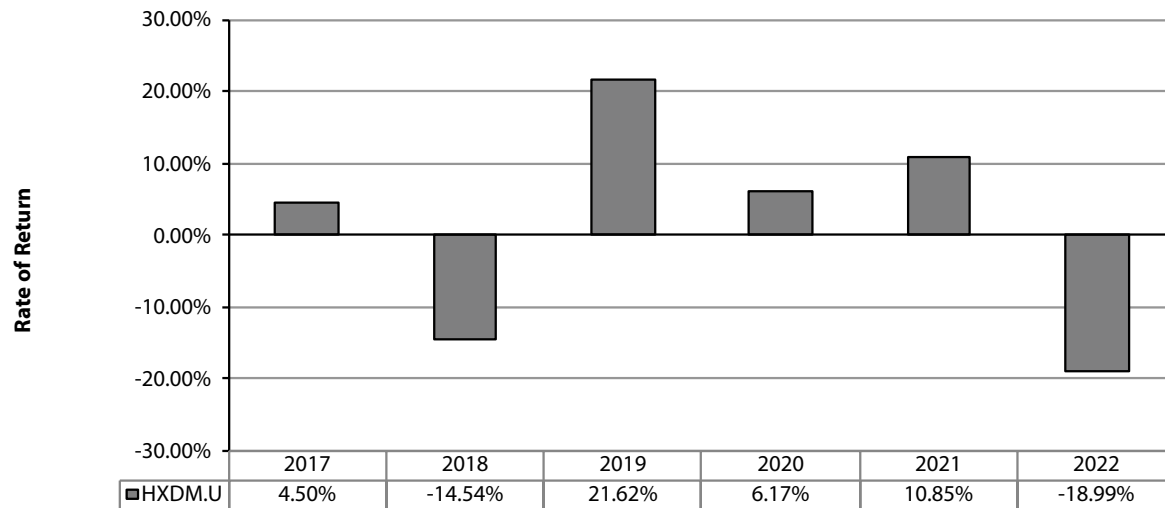
The constating documents of the ETF require that the Manager pay all the expenses of the ETF other than the management fee and any sales taxes on the management fee and any swap fees as may be applicable. As a result, the ETF does not have any other expenses.

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on September 26, 2017. Only the performance of the US\$ Shares is displayed above, as the US\$ Shares seek to achieve the primary investment objective of the ETF. The returns to shareholders holding Cdn\$ Shares would have been substantially similar to those of the shareholders holding US\$ Shares when adjusted for the daily Canadian/U.S. dollar exchange rate.

Summary of Investment Portfolio

As at June 30, 2022

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
International Equity Exposure through Index Swaps	\$ 233,928,934	99.88%
Cash - Other	198,800	0.08%
Other Assets less Liabilities	88,991	0.04%
	\$ 234,216,725	100.00%

Top Holdings	% of ETF's Net Asset Value
Cash held for Collateral	84.22%
Fair Value of Index Swaps (notional value US\$197,422,541) ⁽¹⁾	15.66%
Cash - Other	0.08%

Top 25 Securities In the MSCI EAFE Index*	% Weighting
Nestle SA	2.40%
Roche Holding AG	1.71%
AstraZeneca PLC	1.49%
Shell PLC	1.44%
ASML Holding NV	1.42%
Novo Nordisk A/S, Class 'B'	1.36%
Novartis AG	1.35%
LVMH Moet Hennessy Louis Vuitton SE	1.23%
Toyota Motor Corp.	1.20%
BHP Group Ltd.	1.05%
HSBC Holdings PLC	0.96%
AIA Group Ltd.	0.96%
TotalEnergies	0.95%
Unilever PLC	0.85%
Sanofi SA	0.84%
GSK PLC	0.80%
Commonwealth Bank of Australia	0.78%
Sony Corp.	0.75%
Diageo PLC	0.73%
SAP SE	0.69%
British American Tobacco PLC	0.68%
BP PLC	0.67%
CSL Ltd.	0.65%
L'Oreal SA	0.61%
Allianz SE	0.57%

⁽¹⁾ The fair value of index swap(s) represents the amount receivable/(payable) from/(to) the counterparty of the ETF's total return swap agreement(s) as at the date of this report.

*These positions represent the top 25 constituents of the Underlying Index. The ETF is exposed to the performance of the Underlying Index on a total return basis through a total return swap agreement.

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim consolidated financial statements ("financial statements") of Horizons Intl Developed Markets Equity Index ETF (the "ETF") are the responsibility of the manager to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board using information available and include certain amounts that are based on the Manager's best estimates and judgements.

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

These financial statements have been approved by the Board of Directors of the Manager and by the Board of Directors of Horizons ETF Corp.



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



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO SHAREHOLDERS

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

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

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

Consolidated Statements of Financial Position (unaudited)

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

	2022	2021
Assets		
Cash held for collateral	\$ 197,264,603	\$ 140,530,968
Cash - other	198,800	224,512
Amounts receivable relating to accrued income	80,552	5,624
Amounts receivable relating to securities issued	52,285	–
Derivative assets (note 7)	36,664,331	87,109,951
Total Assets	234,260,571	227,871,055
Liabilities		
Accrued management fees	43,846	59,527
Total Liabilities	43,846	59,527
Total net assets (note 2)	\$ 234,216,725	\$ 227,811,528
Number of redeemable shares outstanding (note 9)	9,047,920	7,128,980
Total net assets per share (US\$ Shares) (note 1)	\$ 25.89	\$ 31.96
Total net assets per share (Cdn\$ Shares) (note 1)	\$ 33.32	\$ 40.42

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Kevin S. Beatson
 Director

Consolidated Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2022	2021
Income		
Interest income for distribution purposes	\$ 75,665	\$ (25,692)
Net realized loss on sale of investments and derivatives	(1,182,580)	–
Net realized loss on foreign exchange	(239)	–
Net change in unrealized appreciation (depreciation) of investments and derivatives	(50,445,620)	56,383,887
	(51,552,774)	56,358,195
Expenses (note 10)		
Management fees	274,850	680,795
Custodial and fund valuation fees	75	–
Transaction costs	373,464	913,935
	648,389	1,594,730
Increase (decrease) in net assets for the period	\$ (52,201,163)	\$ 54,763,465
Increase (decrease) in net assets per share	\$ (6.02)	\$ 2.69

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2022		2021	
Total net assets at the beginning of the period	\$	227,811,528	\$	569,389,743
Increase (decrease) in net assets		(52,201,163)		54,763,465
Redeemable share transactions				
Proceeds from the issuance of securities of the investment fund		67,036,761		48,725,062
Aggregate amounts paid on redemption of securities of the investment fund		(8,430,401)		–
Total net assets at the end of the period	\$	234,216,725	\$	672,878,270

(See accompanying notes to financial statements)

Consolidated 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	\$ (52,201,163)	\$ 54,763,465
Adjustments for:		
Net realized loss on sale of investments and derivatives	1,182,580	–
Net change in unrealized depreciation (appreciation) of investments and derivatives	50,445,620	(56,383,887)
Proceeds from the sale of investments	(1,182,580)	–
Amounts receivable relating to accrued income	(74,928)	25,465
Accrued expenses	(15,681)	17,533
Net cash used in operating activities	(1,846,152)	(1,577,424)
Cash flows from financing activities:		
Amount received from the issuance of shares	66,984,476	37,601,659
Amount paid on redemptions of shares	(8,430,401)	–
Net cash from financing activities	58,554,075	37,601,659
Net increase in cash for the period	56,707,923	36,024,235
Cash at beginning of period	140,755,480	452,525,819
Cash at end of period	\$ 197,463,403	\$ 488,550,054
Interest received (paid)	\$ 737	\$ (227)
Total Cash are composed of		
Cash held for collateral	\$ 197,264,603	\$ 488,039,264
Cash - other	198,800	510,790
Cash at end of period	\$ 197,463,403	\$ 488,550,054

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2022

Security	Notional Value (US\$)	Fair Value
INDEX SWAPS (15.65%)		
Horizons EAFE Futures Roll Index Swaps, Payment Date November 3, 2026	\$ 197,422,541	\$ 36,664,331
TOTAL INDEX SWAPS		36,664,331
CASH HELD FOR COLLATERAL (84.22%)		197,264,603
TOTAL INVESTMENT PORTFOLIO (99.87%) (note 7)		\$ 233,928,934
Cash - other (0.09%)		198,800
Other assets less liabilities (0.04%)		88,991
TOTAL NET ASSETS (100.00%)		\$ 234,216,725

(See accompanying notes to financial statements)

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

June 30, 2022

A. ETF INFORMATION (NOTE 1)

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

ETF Name	TSX Ticker(s)	Reporting Currency	Effective Start of Operations
Horizons Intl Developed Markets Equity Index ETF	HXDM, HXDM.U	USD	September 26, 2017

Investment Objective

HXDM seeks to replicate, to the extent possible, the performance of the Horizons EAFE Futures Roll Index (Total Return) (the "Underlying Index", Bloomberg ticker: CMDYHXDM), net of expenses. The Underlying Index is designed to measure the performance of large and mid-cap securities across 21 developed markets including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

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

The ETF has no exposure to foreign currencies.

(ii) Interest rate risk

The ETF does not hold any long term debt instruments to which it would have interest rate risk exposure.

(iii) Market price risk

For the six month period ended June 30, 2022, the US\$ Shares of the ETF returned -18.99%. This compares to a return of -18.78% for the Underlying Index for the same period. The above figures are adjusted for distributions, if any.

Generally, the difference in performance between the ETF and the Underlying Index is due to expenses payable by the ETF, which include management fees and swap fees plus applicable sales taxes. The net asset value of the ETF's Cdn\$ Shares are impacted by the daily Canadian/U.S. dollar exchange rate. Since the securities in the Underlying Index are traded in U.S. dollars and are unhedged, the Cdn\$ Shares of the ETF will be positively or negatively affected by an appreciation or depreciation of the U.S. dollar versus the Canadian dollar.

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

June 30, 2022

The table below shows the estimated impact on the ETF of a 1% increase or decrease in the Underlying Index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Underlying Index	June 30, 2022	December 31, 2021
Horizons EAFE Futures Roll Index (Total Return)	\$2,342,166	\$2,278,114

(b) Credit risk

The table below shows the notional exposure of the ETF to Derivative Agreements (as described in note 7) as at June 30, 2022, and December 31, 2021. In addition, designated ratings for any Counterparties at each reporting date are presented, as is the credit risk exposure (see note 5) of derivative assets as shown in the statements of financial position.

As at	Counter-party ⁽¹⁾	Notional Exposure	Credit Risk	DBRS Rating	Fitch Rating	Moody's Rating	S&P Rating
June 30, 2022	NBC	US\$197,422,541	\$36,664,331	AA	AA-	Aa3	A
Dec. 31, 2021	NBC	US\$140,643,483	\$87,109,949	AA (low)	A+	Aa3	A

⁽¹⁾ NBC refers to National Bank of Canada

C. FAIR VALUE MEASUREMENT (NOTE 6)

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

	June 30, 2022			December 31, 2021		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Swaps	-	36,664,331	-	-	87,109,951	-
Total Financial Assets	-	36,664,331	-	-	87,109,951	-
Total Financial Liabilities	-	-	-	-	-	-
Net Financial Assets & Liabilities	-	36,664,331	-	-	87,109,951	-

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.

D. SECURITIES LENDING (NOTE 8)

As at June 30, 2022, and December 31, 2021, the ETF was not participating in any securities lending transactions. The ETF did not earn any income from securities lending transactions for the periods ended June 30, 2022 and 2021.

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

June 30, 2022

E. REDEEMABLE SHARES (NOTE 9)

For the periods ended June 30, 2022 and 2021, the number of ETF Shares issued by subscription, the number of ETF Shares redeemed, the total and average number of ETF Shares outstanding was as follows:

Period	Beginning Shares Outstanding	Shares Issued	Shares Redeemed	Ending Shares Outstanding	Average Shares Outstanding
2022	7,128,980	2,218,940	(300,000)	9,047,920	8,672,496
2021	19,750,670	1,585,190	–	21,335,860	20,329,540

F. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 13)

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 Instruments” may include non-cash collateral pledged by the ETF.

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	36,664,331	–	36,664,331	–	–	36,664,331
Derivative liabilities	–	–	–	–	–	–

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	87,109,951	–	87,109,951	–	–	87,109,951
Derivative liabilities	–	–	–	–	–	–

Notes to Consolidated Financial Statements (unaudited)

June 30, 2022

1. REPORTING ENTITY

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

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

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

Reporting Periods

While the Company only effectively began operations after the completion of a reorganization in 2019, it has received an exemption from its regulators so that each Corporate Class may report information in its financial statements on a combined basis for both the pre- and post-reorganization periods as though it were one continuous reporting entity for comparative purposes. Post-reorganization, all of the ETF Trusts are wholly-owned by the Company. These financial statements are presented on a consolidated basis for each individual ETF and the corresponding ETF Trusts.

Investment Objective

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

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

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

(ii) Basis of measurement

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

(ii) Fair value measurement

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

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

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

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

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

(iii) Offsetting

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

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

(iv) Specific instruments**Cash**

Cash consists of cash on deposit. Cash held for collateral consists of cash posted as collateral to the derivative agreements as described in note 7.

Redeemable shares

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

Derivative agreements

In order to achieve its investment objective, the ETF may enter into derivative agreements (the “Derivative Agreements”) (see note 7) with one or more bank counterparties (each a “Counterparty”). The value of these derivative agreements is the gain or loss that would be realized if, on the Valuation Date, the agreements were to be closed out. That value is recorded as a derivative asset and/or derivative liability in the statements of financial position and included in the net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income.

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

(b) Investment income

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

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

Income from securities lending, if any, is included in “Securities lending income” on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 8).

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

(c) Foreign currency

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

(d) Cost basis

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

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

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

(f) Shareholder transactions

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

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

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

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risks

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

(i) Currency risk

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

(ii) Interest rate risk

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

Interest Rate Benchmark Reform

A fundamental reform of major interest rate benchmarks has been taking place globally aimed at replacing interbank offered rates (IBOR) with alternative nearly risk-free rates. The ETF has exposure to the IBOR reform as it holds swap and banking contracts with cash flows that references the 1-month US Dollar (USD) London Inter-Bank Offered Rate (LIBOR). The 1-month USD LIBOR rate is slated to transition on June 30, 2023. As a result of this development, the ETF transitioned from using the 1-month USD LIBOR rate to the 1-month USD secured overnight financing rate (SOFR) on December 15, 2021. The manager has overseen the transition away from IBORs in coordination with its counterparties and administrators. There were potential risks related to this transition as a result of changes in the manager's internal operations, capabilities and systems (e.g. valuation models).

As at June 30, 2022, and December 31, 2021, the ETF did not hold any unreformed contracts.

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

(iii) Market price risk

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

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

(b) Credit risk

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

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

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102"), see note 7. Collateral for any Derivative Agreements is received in the form of cash and is reflected as "Cash held for collateral" on the statements of financial position.

(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 may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its Derivative Agreements, which are tied to the performance of the ETF's Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, purchases or redemptions as these transactions are taken into account, as applicable, with adjustments to the notional value of the Derivative Agreements. Generally, liabilities of the ETF are due within 90 days.

6. FAIR VALUE MEASUREMENT

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

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

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

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

7. DERIVATIVE AGREEMENTS AND COLLATERAL PLEDGED**(a) Swap Agreements**

In order to achieve its investment objective, the type of Derivative Agreements the ETF has entered into are total return swap agreements (each a "Swap" or "Swap Agreement") with one or more bank Counterparties to gain exposure to the Underlying Index. Under the terms of each Swap, the ETF pays the Counterparty a floating amount based upon prevailing short-term market interest rates computed upon an agreed notional amount and an equity amount based upon any decline in value of a notional investment in a notional number of shares the value of each of which will equal the value of the Underlying Index. In return, the Counterparty will pay the ETF an equity amount based upon any increase in value of the Underlying Index. The total return will be comprised of notional income which would be earned on a notional investment in the reference assets (which, by virtue of the operation of the Swap, will be notionally reinvested in further reference assets) plus any notional appreciation in the value of the Underlying Index or, as the case may be, minus any reduction in the value of the Underlying Index. The ETF also invests the net proceeds of share subscriptions in cash and/or short-term debt obligations to earn short-term market interest rates. The terms of each Swap require the ETF to pledge its cash and/or short-term debt obligations to the Counterparty to secure the payment of the ETF's payment obligations under the Swap. The income earned on the cash and/or short-term debt obligations is anticipated to be sufficient to fund the required floating payments by the ETF under the Swap. The ETF may replace a Counterparty or engage additional counterparties at any time.

The Counterparty may hedge its exposure under the Swap to index securities. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of the Swap.

In addition to assisting in the pursuit of the ETF's investment objective, total return swap agreements may be entered into as a substitute for investing directly in securities or to hedge a position.

Since the Swaps, like most swap agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Counterparty is limited to the positive mark-to-market value of the Swaps entered into with that Counterparty, if any, which is calculated and accrued on a daily basis.

(b) Counterparty Restrictions

The Counterparty to any Derivative Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and has a designated rating. The ETF's exposure to Derivative Agreements by Counterparty is disclosed in the credit risk section of note B of the ETF-specific notes information.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(Low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Notes to Consolidated Financial Statements (unaudited) (continued)

June 30, 2022

Counterparties are subject to the applicable short-term or long-term designated ratings restrictions listed above. The Counterparties to the ETF's Derivative Agreements meet those designated ratings requirements.

Each Derivative Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, the ETF has the ability to request the termination of its exposure under its Derivative Agreements, in whole or in part, at any time.

8. SECURITIES LENDING

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

The aggregate closing market value of securities loaned and collateral received, if any, as at June 30, 2022, and December 31, 2021, and a reconciliation of the securities lending income for the periods ended June 30, 2022 and 2021, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

9. REDEEMABLE SHARES

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

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

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

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

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PNS or a whole multiple PNS in exchange for securities and cash in the applicable currency equal to the net asset value of that number of ETF Shares in such currency following the receipt of the redemption request, provided that a securities redemption may be subject to redemption charges at the sole discretion of the Manager.

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

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

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

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

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

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.20%. Approximately 100% of management fees were used for management, investment management, operating costs of the ETF, other general administration and profit.

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

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

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

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11. INCOME TAX

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

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

To the extent that the Company earns net income (other than dividends from taxable Canadian corporations and certain taxable capital gains and after available deductions), including in respect of derivative transactions (including in respect of the ETF’s Derivative Agreements described in note 7), interest and income paid or made payable to it by a trust resident in Canada, the Company will be subject to income tax on such net income and no refund will be available in respect thereof.

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

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

12. TAX LOSSES CARRIED FORWARD

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

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June 30, 2022

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

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

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. Amounts eligible for offset, if any, are disclosed in note F of the ETF-specific notes information.

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