



Horizons Emerging Markets Leaders ETF (HEMC: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.

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MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Emerging Markets Leaders ETF (“HEMC” 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 HEMC is to seek long-term capital growth by investing in equity securities of issuers that are: (i) in emerging markets; or (ii) tied economically to emerging markets, provided that the issuers in which Horizons HEMC invests are expected to be beneficiaries of the increasing consumption and growing purchasing power of individuals in the world’s emerging markets.

To achieve its investment objective, HEMC’s sub-advisor, Mirae Asset Global Investments (USA) LLC (“Mirae Asset USA” or, the “Sub-Advisor”), will invest a minimum of 80% of HEMC’s net asset value in equity securities of issuers that are: (i) in emerging markets; or (ii) tied economically to emerging markets, provided that the issuers in which HEMC invests are expected to be beneficiaries of the increasing consumption and growing purchasing power of individuals in the world’s emerging markets.

The Sub-Advisor will invest in issuers across a range of industry sectors that may benefit from increasing consumption in emerging markets. Such industries may include, but are not limited to, consumer staples, consumer discretionary, financial, information technology, healthcare and telecommunication services.

Management Discussion of Fund Performance (continued)

The Sub-Advisor may invest a significant portion of HEMC's assets in securities that are traded in local currencies other than U.S. dollar and Canadian dollar; therefore, HEMC may purchase foreign currencies to facilitate transactions in portfolio securities. HEMC will generally not hedge its foreign currency. However, the Sub-Advisor may, if it determines it would be in the best interests of HEMC to do so, hedge some or all of its United States dollar currency exposure back to the Canadian dollar.

HEMC may invest in securities of any market capitalization.

Please refer to the ETF's most recent prospectus for a complete description of HEMC'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

Management Discussion of Fund Performance (continued)

- No guaranteed return
 - Derivatives and counterparty risk
 - Foreign currency risk
 - Emerging markets risk
 - Income trust investment risk
 - Foreign stock exchange risk
- Short selling risk
 - Risk of difference between quoted and actionable market price
 - Complexity
 - Commodity price volatility risk

Results of Operations

For the period ended June 30, 2022, units of the ETF returned -24.03% when including distributions paid to unitholders. By comparison, the MSCI Emerging Markets Net Total Return Index (the “Index”) returned -16.17% for the same period, on a total return basis, in Canadian dollars.

The Index captures large and mid-cap representation across 25 Emerging Markets (EM) countries. With 1,420 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

General Market Review

Globally in the first half of the year, it was a struggle to manage headwinds in the form of a hawkish U.S. Federal Reserve, a stronger U.S. dollar (“USD”), COVID-19 -driven lockdowns across China, and commodity supply constraints from the war in Ukraine. However, emerging market equities have been relatively resilient. As of June 30th, 2022, the MSCI Emerging Markets index had fallen 16.12% (in CAD), compared to -18.56% for developed market equities and -27.97% for the NASDAQ. Emerging Asian markets fell 15.72% primarily driven by the lockdown in China and an expected slowdown in the U.S. and Europe dragging export-led markets in Taiwan and South Korea. Higher oil prices and inflation also had a negative impact on India. Latin America, Emerging Europe, the Middle East, and Africa fell 28.35%. Though Latin America and parts of Eastern Europe, Middle East, and Africa led global performance, the ex-Asia region was dragged by Russian assets leaving the benchmark marked at effectively zero. EM’s strong relative year-to-date performance is especially remarkable given the stronger USD, with the U.S. Dollar Index rising roughly 9.4% over the six-month period. Historically a 1% move in the USD translates into an inverse 4% swing in emerging markets. Markets outside of Asia, specifically, tend to carry great exposure, as four of the five largest countries in the region (by market capitalization) are exporters of commodities (whose prices have an inverse relationship with the USD).

Portfolio Review

The ETF’s stock selection in China and underweight in Poland contributed the most to performance, each adding roughly 25 bps. In China, the fund benefitted from its positions in BYD, Longi Green, and China Tourism Group. The fund was not invested in securities from Poland due to geopolitical concerns in the region and uncertainty in regulation around Swiss mortgages in the Polish banking system. On the negative side, the fund saw detractions from positioning in Russia and Argentina. In Russia, the fund carried an average 1.39% position (35 bps overweight) over the period; all of which was marked down to zero in early March as Russia invaded Ukraine. The ETF had a significant decline from stock selection in Argentina, where the ETF maintained a roughly 2.7% position in Mercado Libre, the leading e-commerce provider in Latin America. This security fell, along with other e-commerce and fintech plays around the world, as global interest rates rose and growth names suffered discounting long-term returns at higher costs of capital. From a sector perspective, the ETF benefitted from its underweight position in materials and information technology but lost performance from its exposure to consumer discretionary and consumer staples.

Management Discussion of Fund Performance (continued)

Outlook

Despite recent economic volatility and increased correlation amongst asset classes, emerging markets are relatively well-positioned for the second half of 2022. At roughly 1.39x book value, emerging markets trade roughly 38% below developed market peers and screen attractively from a valuation perspective. Broadly speaking, a potential correction in the U.S. Dollar stands as a key catalyst for the entire region. From a country perspective, China should have the largest impact on asset class performance. While most major economies are increasing interest rates, China's Central bank is easing monetary policy. The combination of dovish monetary policy, increased fiscal stimulus, easing regulatory rhetoric, and pent-up demand from the recent COVID-19 lockdowns could create a powerful backdrop for the second half of the year's performance. Outside of China, there are powerful tourist-based reopening plays in South East Asia and Greece. We believe that commodity markets will remain tight from supply restrictions and a continuation of a tight oil market bodes well for Saudi Arabia, the UAE, Brazil, Colombia, and Mexico. A stimulus-based recovery to the Chinese demand story would also serve as a powerful boost to South Africa and Latin America. An economic "soft landing" in the U.S. and Europe would serve as a key buffer for Mexico, Poland, the Czech Republic, and Greece. Quality names in the region remain overlooked and that global positioning is ripe for change. This could lead to inflows and a powerful swing for emerging markets – especially for names focused on quality growth. The ETF is slightly overweight China and Brazil with quality business models, as both countries trade at attractive valuations, yet face political uncertainty. The ETF continues to look for opportunities where prices have dislocated from fundamentals. In broad terms, the sub-advisor seeks companies offering above-average growth at an attractive valuation, with a preference for high earnings visibility, and proven cash flow generation potential.

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

The ETF effectively began operations on October 19, 2021. Therefore, the six-month period ended June 30, 2022, represents the first full interim reporting period for the ETF. 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 (\$638,643). The ETF incurred management, operating and transaction expenses of \$63,254 of which \$38,552 was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF did not make any distributions to unitholders during the period.

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.

Management Discussion of Fund Performance (continued)

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 14) 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 statement 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 October 19, 2021. 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
Net assets, beginning of period	\$ 9.20	10.00
Decrease from operations:		
Total revenue	0.10	0.11
Total expenses	(0.08)	(0.07)
Realized losses for the period	(0.71)	(0.09)
Unrealized losses for the period	(1.52)	(0.68)
Total decrease from operations ⁽²⁾	(2.21)	(0.73)
Distributions:		
From net investment income (excluding dividends)	–	(0.07)
Total distributions ⁽³⁾	–	(0.07)
Net assets, end of period ⁽⁴⁾	\$ 6.99	9.20

- This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
- 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.
- 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.
- 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
Total net asset value (000's)	\$ 2,097	2,760
Number of units outstanding (000's)	300	300
Management expense ratio ⁽²⁾⁽⁵⁾	1.02%	1.06%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.91%	0.95%
Management expense ratio before waivers and absorptions ⁽³⁾	4.33%	3.96%
Trading expense ratio ⁽⁴⁾⁽⁵⁾	0.85%	2.00%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.85%	2.00%
Portfolio turnover rate ⁽⁶⁾	35.00%	40.78%
Net asset value per unit, end of period	\$ 6.99	9.20
Closing market price	\$ 7.04	9.23

1. This information is provided as at June 30, 2022, and December 31, 2021.
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.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year.
6. 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 0.75%, 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.

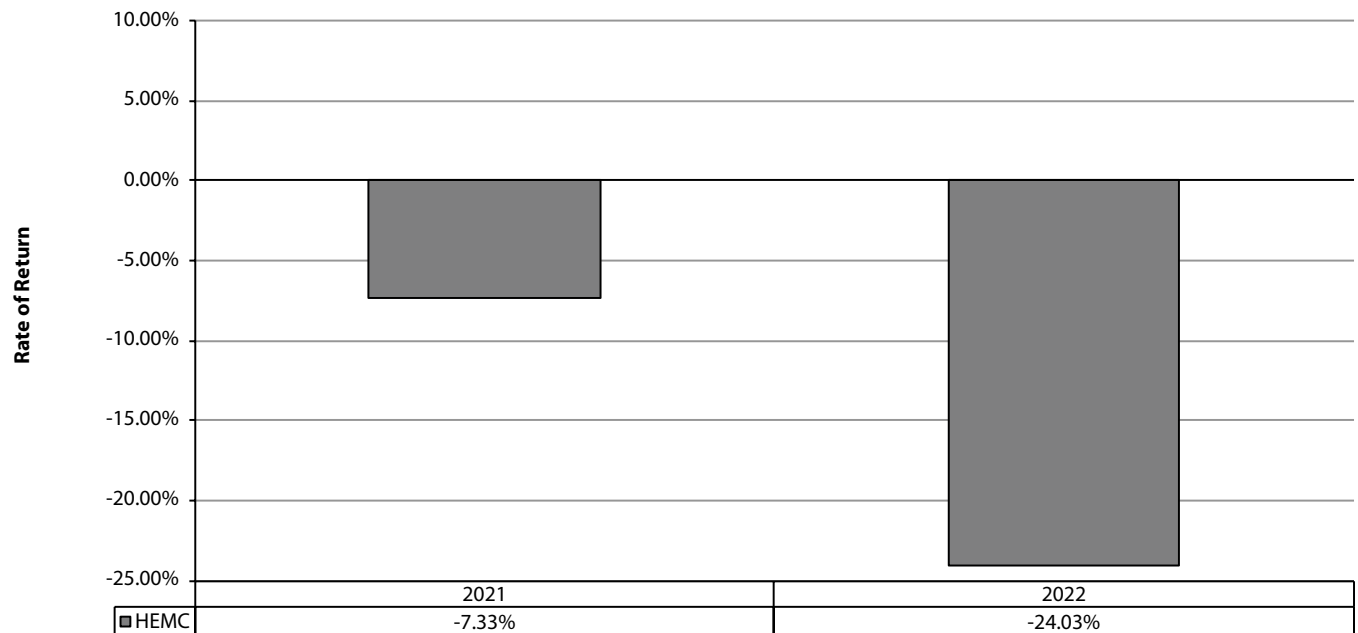
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

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 October 19, 2021.

Summary of Investment Portfolio

As at June 30, 2022

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
China Equities	\$ 760,121	36.25%
Global Equities	372,379	17.75%
South Korea Equities	243,176	11.60%
Taiwan Equities	181,884	8.67%
Brazil Equities	82,837	3.95%
Indonesia Equities	62,392	2.97%
Mexico Equities	52,314	2.49%
Argentina Equities	39,349	1.88%
South Africa Equities	37,503	1.79%
Colombia Equities	27,221	1.30%
Greece Equities	26,897	1.28%
United Kingdom Equities	26,154	1.25%
Kazakstan Equities	24,457	1.17%
Thailand Equities	21,714	1.04%
Global Preferred Securities	21,406	1.02%
Singapore Equities	19,249	0.92%
Luxembourg Equities	11,199	0.53%
United Arab Emirates Equities	8,283	0.39%
Cash and Cash Equivalents	71,607	3.41%
Other Assets less Liabilities	7,006	0.34%
	\$ 2,097,148	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Information Technology	\$ 412,091	19.65%
Global Broad Equity	372,379	17.75%
Consumer Discretionary	344,602	16.43%
Financials	324,112	15.45%
Consumer Staples	188,257	8.98%
Energy	128,783	6.15%
Communication Services	118,245	5.64%
Industrials	83,191	3.97%
Materials	29,208	1.39%
Health Care	17,667	0.84%
Cash and Cash Equivalents	71,607	3.41%
Other Assets less Liabilities	7,006	0.34%
	\$ 2,097,148	100.00%

Summary of Investment Portfolio (continued)

As at June 30, 2022

Top 25 Holdings	% of ETF's Net Asset Value
iShares MSCI India ETF	12.42%
Tencent Holdings Ltd.	4.99%
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	4.64%
Alibaba Group Holding Ltd.	4.11%
China Tourism Group Duty Free Corp. Ltd.	4.06%
MediaTek Inc.	4.03%
iShares MSCI Saudi Arabia ETF	3.98%
Cash and Cash Equivalents	3.41%
BYD Co. Ltd.	3.07%
PT Bank Central Asia TBK	2.97%
NAVER Corp.	2.95%
China Merchants Bank Co. Ltd.	2.67%
Li Ning Co. Ltd.	2.56%
Foshan Haitian Flavouring & Food Co. Ltd.	2.46%
Contemporary Amperex Technology Co. Ltd.	2.45%
LG Household & Health Care Ltd.	2.41%
LONGi Green Energy Technology Co. Ltd.	2.40%
Kakao Corp.	2.25%
Shinhan Financial Group Co. Ltd.	2.10%
Samsung Electronics Co. Ltd.	1.89%
Midea Group Co. Ltd.	1.88%
MercadoLibre Inc.	1.88%
NetEase Inc.	1.69%
Xpeng Inc.	1.58%
Wal-Mart de Mexico SAB de CV	1.50%

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 Emerging Markets Leaders 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.

Statement of Financial Position (unaudited)

June 30, 2022, and December 31, 2021

	2022	2021
Assets		
Cash and cash equivalents	\$ 71,607	\$ 106,860
Investments	2,018,535	2,676,331
Amounts receivable relating to accrued income	8,998	1,685
Total assets	2,099,140	2,784,876
Liabilities		
Accrued management fees	1,481	2,014
Accrued operating expenses	511	2,734
Distribution payable	–	19,635
Total liabilities	1,992	24,383
Total net assets (note 2)	\$ 2,097,148	\$ 2,760,493
Number of redeemable units outstanding (note 8)	300,001	300,001
Total net assets per units	\$ 6.99	\$ 9.20

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Thomas Park
 Director

Statement of Comprehensive Income (unaudited)

For the Period Ended June 30, 2022

	2022
Income	
Dividend income	\$ 28,416
Interest income for distribution purposes	254
Securities lending income (note 7)	46
Net realized loss on sale of investments and derivatives	(213,782)
Net realized loss on foreign exchange	(358)
Net change in unrealized depreciation of investments and derivatives	(454,811)
Net change in unrealized appreciation of foreign exchange	1,592
	(638,643)
Expenses (note 9)	
Management fees	9,866
Audit fees	3,528
Independent Review Committee fees	131
Custodial and fund valuation fees	15,395
Legal fees	912
Securityholder reporting costs	6,045
Administration fees	13,207
Transaction costs	9,885
Withholding taxes	4,285
	63,254
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(38,552)
	24,702
Decrease in net assets for the period	\$ (663,345)
Decrease in net assets per unit	\$ (2.21)

(See accompanying notes to financial statements)

Statement of Changes in Financial Position (unaudited)

For the Period Ended June 30, 2022

	2022
Total net assets at the beginning of the period	\$ 2,760,493
Decrease in net assets	(663,345)
Total net assets at the end of the period	\$ 2,097,148

(See accompanying notes to financial statements)

Statement of Cash Flows (unaudited)

For the Period Ended June 30, 2022

	2022
Cash flows from operating activities:	
Decrease in net assets for the period	\$ (663,345)
Adjustments for:	
Net realized loss on sale of investments and derivatives	213,782
Net realized loss on currency forward contracts	(628)
Net change in unrealized depreciation of investments and derivatives	454,811
Net change in unrealized appreciation of foreign exchange	(1,644)
Purchase of investments	(813,520)
Proceeds from the sale of investments	803,351
Amounts receivable relating to accrued income	(7,313)
Accrued expenses	(2,756)
Net cash used in operating activities	(17,262)
Cash flows from financing activities:	
Distributions paid to unitholders	(19,635)
Net cash used in financing activities	(19,635)
Net decrease in cash and cash equivalents during the period	(36,897)
Effect of exchange rate fluctuations on cash and cash equivalents	1,644
Cash and cash equivalents at beginning of period	106,860
Cash and cash equivalents at end of period	\$ 71,607
Interest received, net of withholding taxes	\$ 254
Dividends received, net of withholding taxes	\$ 16,818

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2022

Security	Shares	Average Cost	Fair Value
GLOBAL EQUITIES (95.23%)			
China (36.25%)			
Alibaba Group Holding Ltd.	4,700	\$ 119,871	\$ 86,274
BYD Co. Ltd., Class 'H'	1,250	56,036	64,386
China Merchants Bank Co. Ltd., Class 'H'	6,500	65,126	55,979
China Tourism Group Duty Free Corp. Ltd.	1,900	86,055	85,098
Contemporary Amperex Technology Co. Ltd.	500	52,319	51,340
Foshan Haitian Flavouring & Food Co. Ltd.	2,970	60,568	51,603
Li Ning Co. Ltd.	4,500	65,480	53,666
LONGi Green Energy Technology Co. Ltd.	3,920	46,059	50,222
Midea Group Co. Ltd.	3,400	46,026	39,481
NetEase Inc.	1,500	37,700	35,458
Proya Cosmetics Co. Ltd.	980	27,628	31,126
Tencent Holdings Ltd.	1,800	140,536	104,645
WuXi Biologics (Cayman) Inc.	1,500	14,212	17,667
Xpeng Inc.	1,600	46,078	33,176
		863,694	760,121
Global Broad Equity (17.75%)			
iShares MSCI India ETF	5,140	319,199	260,546
iShares MSCI Saudi Arabia ETF	1,565	90,095	83,399
VanEck Vectors Vietnam ETF	1,534	35,861	28,434
		445,155	372,379
South Korea (11.60%)			
Kakao Corp.	680	87,309	47,122
LG Household & Health Care Ltd.	75	84,525	50,560
NAVER Corp.	260	111,289	61,862
Samsung Electronics Co. Ltd.	700	55,694	39,556
Shinhan Financial Group Co. Ltd.	1,200	48,047	44,076
		386,864	243,176
Taiwan (8.67%)			
MediaTek Inc.	3,000	145,006	84,548
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	925	135,167	97,336
		280,173	181,884
Brazil (3.95%)			
Locaweb Servicos de Internet SA	6,700	13,713	9,261
Lojas Renner SA	2,400	13,367	13,352
NU Holdings Ltd. of the Cayman Islands	1,034	7,814	4,978
Raia Drogasil SA	2,900	14,007	13,695
Rumo SA	5,600	20,746	21,996
Suzano SA	1,600	22,472	19,555
		92,119	82,837

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares	Average Cost	Fair Value
Indonesia (2.97%)			
PT Bank Central Asia TBK	99,600	65,618	62,392
Mexico (2.49%)			
Grupo Financiero Banorte SAB de CV	2,900	24,481	20,865
Wal-Mart de Mexico SAB de CV, Series 'V'	7,100	30,656	31,449
		55,137	52,314
Argentina (1.88%)			
MercadoLibre Inc.	48	80,694	39,349
South Africa (1.79%)			
Clicks Group Ltd.	400	9,575	8,650
FirstRand Ltd.	1,900	9,492	9,376
Mr. Price Group Ltd.	700	12,288	9,824
Sibanye Stillwater Ltd.	3,000	16,343	9,653
		47,698	37,503
Colombia (1.30%)			
Frontera Energy Corp.	2,630	23,879	27,221
Greece (1.28%)			
Alpha Bank SA	23,966	38,195	26,897
United Kingdom (1.25%)			
Standard Chartered PLC	2,700	24,684	26,154
Kazakstan (1.17%)			
Halyk Savings Bank of Kazakhstan JSC, GDR	1,900	42,658	24,457
Thailand (1.04%)			
Airports of Thailand PCL	8,400	20,665	21,714
Singapore (0.92%)			
DBS Group Holdings Ltd.	700	20,487	19,249
Luxembourg (0.53%)			
Globant SA	50	11,052	11,199
United Arab Emirates (0.39%)			
Network International Holdings PLC	2,800	16,503	8,283

Schedule of Investments (unaudited) (continued)

As at June 30, 2022

Security	Shares	Average Cost	Fair Value
Cyprus (0.00%)			
TCS Group Holdings PLC	500	51,540	–
Netherlands (0.00%)			
X5 Retail Group NV, GDR	1,250	45,130	–
Yandex NV, Class 'A'	300	28,651	–
		73,781	–
Russia (0.00%)			
Ozon Holdings PLC, ADR	300	7,566	–
Rosneft Oil Co., GDR	1,400	12,063	–
		19,629	–
TOTAL GLOBAL EQUITIES		2,660,225	1,997,129
GLOBAL PREFERRED SECURITIES (1.02%)			
Brazil (1.02%)			
Banco Bradesco SA, Preferred	5,060	21,330	21,406
TOTAL GLOBAL PREFERRED SECURITIES		21,330	21,406
Transaction Costs		(5,571)	
TOTAL INVESTMENT PORTFOLIO (96.25%)		\$ 2,675,984	\$ 2,018,535
Cash and cash equivalents (3.41%)			71,607
Other assets less liabilities (0.34%)			7,006
TOTAL NET ASSETS (100.00%)			\$ 2,097,148

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2022

1. REPORTING ENTITY

Horizons Emerging Markets Leaders ETF (“HEMC” 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 October 19, 2021. 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 A units (“Class A”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HEMC. 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 HEMC is to seek long-term capital growth by investing in equity securities of issuers that are: (i) in emerging markets; or (ii) tied economically to emerging markets.

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 Mirae Asset Global Investments (USA) LLC. (“Mirae Asset USA” 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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 statement 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.

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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 statement 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 statement 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.

(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 statement 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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 statement 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 statement 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 statement 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 statement 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 statement 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 statement 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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 statement 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.

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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

June 30, 2022	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Chinese Yuan	309	–	309	3
Hong Kong Dollar	477	–	477	5
Indian Rupee	261	–	261	3
Korean Won	244	–	244	2
U.S. Dollar	271	–	271	3
Other Currencies *	504	–	504	5
Total	2,066	–	2,066	21
As % of Net Asset Value	98.5%	0.0%	98.5%	1.0%

December 31, 2021	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Chinese Yuan	344	–	344	3
Hong Kong Dollar	637	–	637	6
Indian Rupee	342	–	342	3
Korean Won	348	–	348	3
U.S. Dollar	502	–	502	5
Other Currencies *	556	–	556	6
Total	2,729	–	2,729	26
As % of Net Asset Value	98.9%	0.0%	98.9%	0.9%

* The ETF has exposure to several other foreign currencies through its portfolio holdings, none of which represent more than 5% of the ETF's net assets. A 1% increase or decrease in any one those currencies relative to the Canadian dollar would have an immaterial impact on the ETF.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

(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.

As at June 30, 2022, and December 31, 2021, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) 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
MSCI Emerging Market Index	\$1,089	(\$1,894)

(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.

As at June 30, 2022, and December 31, 2021, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(c) Liquidity risk

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

6. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2022, and December 31, 2021, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2022			December 31, 2021		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Equities	1,646,156	–	–	2,191,228	–	–
Exchange Traded Funds	372,379	–	–	485,103	–	–
Total Financial Assets	2,018,535	–	–	2,676,331	–	–
Total Financial Assets	–	–	–	–	–	–
Net Financial Assets and Liabilities	2,018,535	–	–	2,676,331	–	–

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 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 statement of comprehensive income.

As at June 30, 2022, and December 31, 2021, the ETF was not participating in any securities lending transactions.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

The table below presents a reconciliation of the securities lending income as presented in the statement of comprehensive income for the period ended June 30, 2022. 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 period ended	June 30, 2022	% of Gross Income
Gross securities lending income	\$78	
Withholding taxes	(2)	2.56%
Lending Agents' fees:		
Canadian Imperial Bank of Commerce	(30)	38.47%
Net securities lending income paid to the ETF	\$46	58.97%

8. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class A 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.

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 statement of changes in financial position.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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 period ended June 30, 2022, 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	300,001	–	–	300,001	300,001

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.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.75%, 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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 period ended June 30, 2022, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2022	\$3,560	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statement 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.

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
\$14,367	–	–

Notes to Financial Statements (unaudited) (continued)

June 30, 2022

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

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 material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at June 30, 2022	Place of Business	Type	Ownership %	Carrying Amount
iShares MSCI India ETF	U.S.	SE	0.01%	\$260,546

Investee ETF as at December 31, 2021	Place of Business	Type	Ownership %	Carrying Amount
iShares MSCI India ETF	U.S.	SE	0.00%	\$342,039

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