



**Horizons North American Infrastructure Development Index ETF  
(BLDR:TSX)**



**HORIZONS** ETFs  
by Mirae Asset

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## A Message from the CEO

As we mark an end to 2022, it's a time to reflect on the year that was for us, our industry and our investors.

While global uncertainty and inflationary pressures resulted in market volatility, Canada's ETF industry continued to grow. As at year-end on December 31, 2022, Canada's ETF industry saw more than \$35 billion in year-to-date inflows.

At Horizons ETFs, our assets under management swelled from approximately \$20.7 billion at the beginning of 2022 to nearly \$23 billion as at December 31, 2022. We continue to solidify our position as one of Canada's top ETF providers, with more than \$4 billion in ETF inflows this year.

We are proud to continue our longstanding commitment to bringing innovative ETFs to market and serving investors' needs. This year alone we have launched five new ETFs.

In February, Horizons ETFs launched the Horizons Carbon Credits ETF ("**CARB**"). CARB is Canada's first ETF that provides exposure solely to carbon credits through the ownership of carbon credit futures: a nascent asset class, CARB, offers investors the potential to benefit from the growing global effort to regulate and reduce carbon emissions.

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.

In August, we launched the Horizons Canadian Utility Services High Dividend ETF ("**UTIL**"). With UTIL, investors can gain exposure to three major segments of the utility services sector: utilities, pipelines and communications. These segments have historically functioned as defensive industries, offering investors relative stability and consistent dividends, even during periods of volatility and bear markets.

Finally, in September, we expanded our BetaPro ETF suite with the launch of the BetaPro Equal Weight Canadian Bank 2x Daily Bull ETF ("**HBKU**") and the BetaPro Equal Weight Canadian Bank -2x Daily Bear ETF ("**HBKD**"), which offer leveraged and inverse leverage exposure to Canada's "Big Six" banks.

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 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,



Jasmit Bhandal  
Interim President & CEO of Horizons ETFs Management (Canada) Inc.

## MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Horizons North American Infrastructure Development Index ETF (“BLDR” or the “ETF”) contains financial highlights and is included with the audited annual 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](http://www.horizonsetfs.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF’s 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

BLDR seeks to replicate, to the extent possible, the performance of the Solactive North American Infrastructure Development Index, (the “Underlying Index”, Bloomberg ticker: SONABLDN), net of expenses. The Underlying Index is designed to provide exposure to the performance of North American, publicly listed companies generally engaged in the development and production of infrastructure product building materials and equipment, as well as the logistics, construction, and engineering services used for the development and maintenance of infrastructure projects. BLDR seeks to hedge any U.S. dollar portfolio exposure back to the Canadian dollar at all times.

To achieve its investment objective, BLDR invests and holds equity securities of the constituent issuers of the Underlying Index (the “Constituent Issuers”), in substantially the same proportion as its Underlying Index. BLDR may also invest in ADRs or GDRs representing equity securities of Constituent Issuers of its Underlying Index. To the extent permitted, the ETF will generally be fully invested in or exposed to its respective Underlying Index at all times.

As BLDR is seeking to replicate the performance of its respective Underlying Index, the Manager does not invest the assets of the ETFs on a discretionary basis or select securities based on the Manager’s view of the investment merit of a particular security or company, except to the extent it may select securities of issuers in the course of employing a stratified sampling strategy to seek to closely match the investment characteristics of an ETF’s portfolio with its Underlying Index.

## Management Discussion of Fund Performance (continued)

The Underlying Index is ordinarily rebalanced on a quarterly basis at the close of trading on each rebalancing date and reweighting date.

### 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 to high.

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](http://www.horizonsetfs.com) or from [www.sedar.com](http://www.sedar.com), or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

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|---|---|
| <ul style="list-style-type: none"> <li>• Stock market risk</li> <li>• Specific issuer risk</li> <li>• Regulatory risk</li> <li>• Reliance on historical data risk</li> <li>• Liquidity risk</li> <li>• Risk that units will trade at prices other than net asset value per unit</li> <li>• Corresponding net asset value risk</li> <li>• Designated broker/dealer risk</li> <li>• Change in legislation</li> <li>• No ownership interest</li> <li>• Market for units</li> <li>• Cease trading or securities risk</li> <li>• Exchange risk</li> <li>• Early closing risk</li> <li>• Market disruptions risk</li> <li>• Cybersecurity risk</li> <li>• Risks relating to use of derivatives</li> <li>• No assurance of meeting investment objectives</li> <li>• No guaranteed return</li> <li>• Significant redemptions</li> </ul> | <ul style="list-style-type: none"> <li>• Conflicts of interest</li> <li>• Loss of limited liability</li> <li>• Currency risk</li> <li>• Tax related risks</li> <li>• Risks relating to tax changes</li> <li>• Securities lending, repurchase and reverse repurchase transaction risk</li> <li>• Reliance on key personnel</li> <li>• Sector concentration risk</li> <li>• Geographic risk</li> <li>• Emerging markets risk</li> <li>• Hedging risk</li> <li>• Underlying investment funds risk</li> <li>• Infrastructure development companies risk</li> <li>• Foreign Securities Risk</li> <li>• Foreign Stock Exchange Risk</li> <li>• Income Trust Investment Risk</li> <li>• Underlying Index Risk</li> <li>• Passive Index Risk</li> <li>• Stratified Sampling Risk</li> <li>• Index Replication Risk</li> </ul> |
|---|---|

## Management Discussion of Fund Performance (continued)

### Results of Operations

For the year ended December 31, 2022, units of the ETF returned -4.57%, when including distributions paid to unitholders, if any. By comparison, the Underlying Index returned -3.93% for the same period in U.S. dollar terms. The ETF seeks to hedge any U.S. dollar portfolio exposure back to the Canadian dollar at all times. Differences in performance between the ETF and the Underlying Index may arise due to expenses payable by the ETF, which include management fees plus applicable sales taxes; the foreign exchange rate differential between the rates used by the Underlying Index provider to calculate the value of the Underlying Index and the rates used by the ETF to value its portfolio securities; as well as the potential for tracking error arising from the physical index replication risk detailed in the ETF's prospectus.

The Underlying Index seeks to provide exposure to the performance of North American publicly listed companies generally engaged in the development and production of infrastructure project building materials and equipment, as well as the logistics, construction, and engineering services used for the development and maintenance of infrastructure projects.

For the year ended December 31, 2022, the top performers in the ETF's portfolio were Steel Dynamics, Inc., Valmont Industries, Inc., and Reliance Steel & Aluminum Co., returning 71.32%, 42.40%, and 35.88%, respectively. The worst performers in the Underlying Index for the year were Pool Corporation, Advanced Drainage Systems, Inc., and Cleveland-Cliffs Inc., returning -42.28%, -35.32%, and -20.84%, respectively.

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 North American Infrastructure sector 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.

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

For the year ended December 31, 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 (\$76,207). This compares to \$87,093 for the year ended December 31, 2021. The ETF incurred management, operating and transaction expenses of \$110,507 (2021 – \$23,932) of which \$85,488 (2021 – \$19,321) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF distributed \$12,644 to unitholders during the year (2021 – \$nil).

### 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.

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

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

**Related Party Transactions**

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

***Manager, Trustee and Investment Manager***

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 11) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2022 and 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 since it effectively began operations on October 26, 2021. This information is derived from the ETF's audited annual 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

Year/Period <sup>(1)</sup>	2022	2021
<b>Net assets, beginning of year/period</b>	\$ 25.82	25.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.37	0.07
Total expenses	(0.24)	(0.05)
Realized losses for the year/period	(1.68)	(0.66)
Unrealized gains for the year/period	0.59	1.46
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	(0.96)	0.82
<b>Distributions:</b>		
From net investment income (excluding dividends)	(0.04)	–
From dividends	(0.07)	–
<b>Total annual distributions <sup>(3)</sup></b>	(0.11)	–
<b>Net assets, end of year/period <sup>(4)</sup></b>	\$ 24.53	25.82

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

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

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

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

**Financial Highlights** (continued)

**Ratios and Supplemental Data**

<b>Year/Period</b> <sup>(1)</sup>	<b>2022</b>	<b>2021</b>
Total net asset value (000's)	\$ 2,759	2,620
Number of units outstanding (000's)	113	102
Management expense ratio <sup>(2)(5)</sup>	0.71%	0.71%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.71%	0.70%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	4.08%	4.89%
Trading expense ratio <sup>(4)(5)</sup>	0.10%	0.13%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.10%	0.13%
Portfolio turnover rate <sup>(6)</sup>	14.53%	1.00%
Net asset value per unit, end of year/period	\$ 24.53	25.82
Closing market price	\$ 24.53	25.83

1. This information is provided as at December 31 of the year/period shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year/period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
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 year/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/period.
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.

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**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 0.60%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

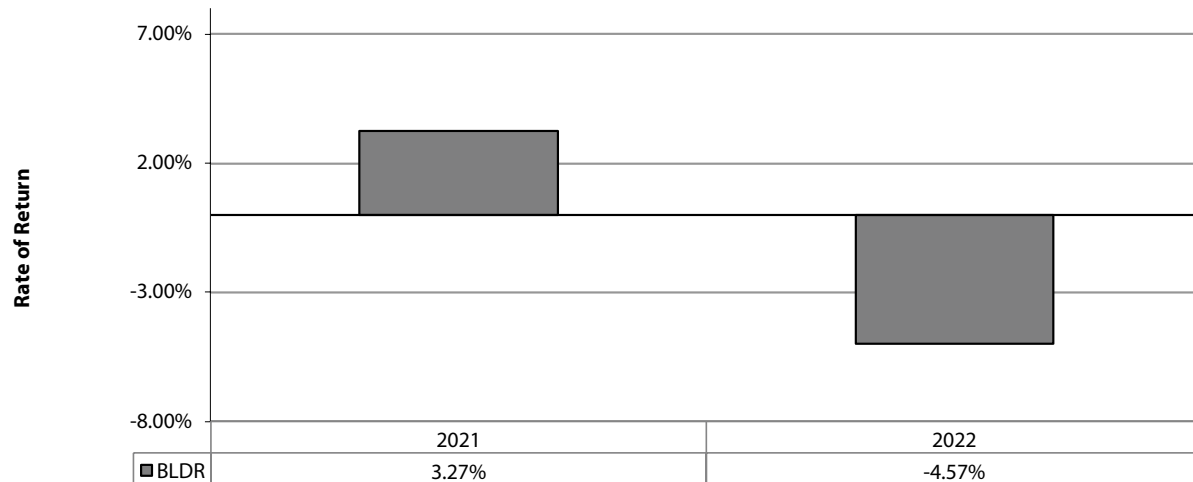
The Manager paid substantially more than 100% of the management fees it received from the ETF during the year towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

## 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 26, 2021.

**Past Performance** (continued)

**Annual Compound Returns**

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2022, along with a comparable market index. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the ETF or future returns on investments in the ETF.

	<b>1 Year</b>	<b>Since Inception</b>
Horizons North American Infrastructure Development Index ETF	-4.57%	-1.23%
The Solactive North American Infrastructure Development Index	-3.93%	-0.73%

The ETF effectively began operations on October 26, 2021.

## Summary of Investment Portfolio

As at December 31, 2022

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
U.S. Equities	\$ 2,226,433	80.69%
Canadian Equities	515,099	18.67%
Currency Forward Hedge*	18,664	0.68%
Cash and Cash Equivalents	12,591	0.46%
Other Assets less Liabilities	(13,619)	-0.50%
	<b>\$ 2,759,168</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Industrials	\$ 2,406,825	87.23%
Materials	290,123	10.51%
Consumer Discretionary	24,561	0.89%
Utilities	12,940	0.47%
Information Technology	4,569	0.17%
Energy	2,514	0.09%
Currency Forward Hedge*	18,664	0.68%
Cash and Cash Equivalents	12,591	0.46%
Other Assets less Liabilities	(13,619)	-0.50%
	<b>\$ 2,759,168</b>	<b>100.00%</b>

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

**Summary of Investment Portfolio** (continued)

As at December 31, 2022

<b>Top 25 Holdings</b>	<b>% of ETF's Net Asset Value</b>
Deere & Co.	10.39%
Union Pacific Corp.	10.02%
Caterpillar Inc.	9.63%
Canadian National Railway Co.	8.02%
Canadian Pacific Railway Ltd.	6.92%
CSX Corp.	4.96%
Emerson Electric Co.	4.36%
Norfolk Southern Corp.	4.34%
Parker Hannifin Corp.	2.87%
Nucor Corp.	2.62%
W.W. Grainger Inc.	2.16%
Fastenal Co.	2.08%
United Rentals Inc.	1.88%
Vulcan Materials Co.	1.79%
Martin Marietta Materials Inc.	1.61%
Ingersoll Rand Inc.	1.61%
Quanta Services Inc.	1.58%
Dover Corp.	1.45%
Wabtec Corp.	1.39%
WSP Global Inc.	1.37%
Ilex Corp.	1.33%
Steel Dynamics Inc.	1.30%
Jacobs Solutions Inc.	1.17%
Reliance Steel & Aluminum Co.	0.96%
Carlisle Cos. Inc.	0.91%

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](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

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

The accompanying audited annual financial statements of Horizons North American Infrastructure Development Index 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 and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of unitholders. The independent auditor's report outlines the scope of their audit and their opinion on the financial statements.



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Jasmit Bhandal  
Director  
Horizons ETFs Management (Canada) Inc.



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Thomas Park  
Director  
Horizons ETFs Management (Canada) Inc.



## INDEPENDENT AUDITOR'S REPORT

### To the Unitholders of Horizons North American Infrastructure Development Index ETF (the "ETF")

#### **Opinion**

We have audited the financial statements of the ETF, which comprise the statements of financial position as at December 31, 2022 and December 31, 2021, the statements of comprehensive income, changes in financial position and cash flows for the year ended December 31, 2022 and for the period from inception on October 19, 2021 to December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2022 and December 31, 2021, and its financial performance and its cash flows for the year ended December 31, 2022 and for the period from inception on October 19, 2021 to December 31, 2021, in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

#### **Basis for Opinion**

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's report.

We are independent of the ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Other Information**

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditor's report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditor's report.

We have nothing to report in this regard.

***Responsibilities of Management and Those Charged with Governance for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ETF's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ETF's financial reporting process.

***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the ETF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants, Licensed Public Accountants  
The engagement partner on the audit resulting in this auditor's report is Ziad Said.  
Toronto, Canada  
March 10, 2023

**Statements of Financial Position**

As at December 31,

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 12,591	\$ 8,857
Investments	2,741,532	2,592,429
Amounts receivable relating to accrued income	1,747	1,433
Derivative assets (note 3)	18,664	19,903
<b>Total assets</b>	<b>2,774,534</b>	<b>2,622,622</b>
<b>Liabilities</b>		
Accrued management fees	1,584	1,470
Accrued operating expenses	1,138	657
Distribution payable	12,644	–
<b>Total liabilities</b>	<b>15,366</b>	<b>2,127</b>
<b>Total net assets</b>	<b>\$ 2,759,168</b>	<b>\$ 2,620,495</b>
Number of redeemable units outstanding (note 8)	112,501	101,501
Total net assets per unit	\$ 24.53	\$ 25.82

(See accompanying notes to financial statements)

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



 Jasmit Bhandal  
Director



 Thomas Park  
Director

## Statements of Comprehensive Income

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>Income</b>		
Dividend income	\$ 38,631	\$ 6,705
Securities lending income (note 8)	7	–
Net realized loss on sale of investments and derivatives	(177,248)	(61,822)
Net realized loss on foreign exchange	(188)	(4,738)
Net change in unrealized appreciation of investments and derivatives	62,576	146,964
Net change in unrealized appreciation (depreciation) of foreign exchange	15	(16)
	<b>(76,207)</b>	<b>87,093</b>
<b>Expenses (note 9)</b>		
Management fees	16,919	3,128
Audit fees	7,209	–
Independent Review Committee fees	420	–
Custodial and fund valuation fees	27,968	4,661
Legal fees	2,096	–
Securityholder reporting costs	11,626	8,626
Administration fees	37,107	6,155
Transaction costs	2,532	618
Withholding taxes	4,608	744
Other expenses	22	–
	<b>110,507</b>	<b>23,932</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(85,488)	(19,321)
	<b>25,019</b>	<b>4,611</b>
<b>Increase (decrease) in net assets for the year/period</b>	<b>\$ (101,226)</b>	<b>\$ 82,482</b>
Increase (decrease) in net assets per unit	\$ (0.96)	\$ 0.82

(See accompanying notes to financial statements)

## Statements of Changes in Financial Position

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

	<b>2022</b>		<b>2021</b>	
<b>Total net assets at the beginning of the year/period</b>	\$	2,620,495	\$	–
<b>Increase (decrease) in net assets</b>		(101,226)		82,482
<b>Redeemable unit transactions</b>				
Proceeds from the issuance of securities of the investment fund		252,543		2,538,013
Distributions:				
From net investment income		(12,610)		–
Return of capital		(34)		–
<b>Total net assets at the end of the year/period</b>	<b>\$</b>	<b>2,759,168</b>	<b>\$</b>	<b>2,620,495</b>

(See accompanying notes to financial statements)

## Statements of Cash Flows

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets for the year/period	\$ (101,226)	\$ 82,482
Adjustments for:		
Net realized loss on sale of investments and derivatives	177,248	61,822
Net realized loss on currency forward contracts	(152,238)	(63,200)
Net change in unrealized appreciation of investments and derivatives	(62,576)	(146,964)
Net change in unrealized depreciation (appreciation) of foreign exchange	(10)	10
Purchase of investments	(478,542)	(2,489,244)
Proceeds from the sale of investments	368,244	25,254
Amounts receivable relating to accrued income	(314)	(1,433)
Accrued expenses	595	2,127
<b>Net cash used in operating activities</b>	<b>(248,819)</b>	<b>(2,529,146)</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	252,543	2,538,013
<b>Net cash from financing activities</b>	<b>252,543</b>	<b>2,538,013</b>
<b>Net increase in cash and cash equivalents during the year/period</b>	<b>3,724</b>	<b>8,867</b>
Effect of exchange rate fluctuations on cash and cash equivalents	10	(10)
<b>Cash and cash equivalents at beginning of year/period</b>	<b>8,857</b>	<b>–</b>
<b>Cash and cash equivalents at end of year/period</b>	<b>\$ 12,591</b>	<b>\$ 8,857</b>

Dividends received, net of withholding taxes	\$ 33,709	\$ 4,528
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(See accompanying notes to financial statements)

## Schedule of Investments

As at December 31, 2022

Security	Shares/ Contracts	Average Cost	Fair Value
<b>U.S. Equities (80.69%)</b>			
<b>Industrials (69.11%)</b>			
AECOM	212	\$ 18,150	\$ 24,379
AGCO Corp.	117	18,470	21,971
Atkore Inc.	68	9,537	10,443
Builders FirstSource Inc.	242	17,618	21,259
Carlisle Cos. Inc.	79	22,542	25,207
Caterpillar Inc.	819	202,964	265,654
CSX Corp.	3,264	144,195	136,915
Deere & Co.	494	213,291	286,787
Dover Corp.	218	44,959	39,969
Dycom Industries Inc.	44	4,572	5,576
EMCOR Group Inc.	74	10,859	14,840
Emerson Electric Co.	924	110,967	120,180
Fastenal Co.	895	62,070	57,344
Graco Inc.	255	23,813	23,223
Ilex Corp.	119	32,290	36,790
Ingersoll Rand Inc.	627	41,943	44,358
Jacobs Solutions Inc.	199	34,085	32,352
MasTec Inc.	118	12,532	13,633
Norfolk Southern Corp.	359	126,684	119,781
Owens Corning	150	16,818	17,325
Parker Hannifin Corp.	201	75,948	79,197
Quanta Services Inc.	226	33,643	43,606
Ryder System Inc.	77	8,684	8,713
Tetra Tech Inc.	84	17,566	16,513
Union Pacific Corp.	986	293,359	276,448
United Rentals Inc.	108	47,621	51,974
Valmont Industries Inc.	33	13,961	14,775
W.W. Grainger Inc.	79	42,690	59,500
Wabtec Corp.	283	32,126	38,245
		1,733,957	1,906,957
<b>Materials (10.05%)</b>			
Advanced Drainage Systems Inc.	126	16,977	13,984
Alcoa Corp.	286	17,672	17,608
Cleveland-Cliffs Inc.	783	19,024	17,080
Martin Marietta Materials Inc.	97	46,921	44,388
Nucor Corp.	406	56,959	72,459



**Schedule of Investments** (continued)

As at December 31, 2022

<b>Security</b>	<b>Shares/ Contracts</b>	<b>Average Cost</b>	<b>Fair Value</b>
Reliance Steel & Aluminum Co.	97	18,487	26,588
Steel Dynamics Inc.	272	22,969	35,982
Vulcan Materials Co.	208	48,717	49,317
		247,726	277,406
<b>Consumer Discretionary (0.89%)</b>			
Pool Corp.	60	37,329	24,561
<b>Utilities (0.47%)</b>			
MDU Resources Group Inc.	315	12,637	12,940
<b>Information Technology (0.17%)</b>			
Verra Mobility Corp.	244	5,207	4,569
<b>TOTAL U.S. EQUITIES</b>		<b>2,036,856</b>	<b>2,226,433</b>
<b>Canadian Equities (18.67%)</b>			
<b>Industrials (18.12%)</b>			
Canadian National Railway Co.	1,375	227,148	221,155
Canadian Pacific Railway Ltd.	1,892	177,144	190,997
Ritchie Bros. Auctioneers Inc.	214	17,976	16,737
Stantec Inc.	210	14,309	13,625
Toromont Industries Ltd.	166	18,234	16,220
Westshore Terminals Investment Corp.	146	3,798	3,275
WSP Global Inc.	241	40,858	37,859
		499,467	499,868
<b>Materials (0.46%)</b>			
Stelco Holdings Inc.	148	6,512	6,555
Stella-Jones Inc.	127	5,775	6,162
		12,287	12,717
<b>Energy (0.09%)</b>			
Denison Mines Corp.	1,622	2,644	2,514
<b>TOTAL CANADIAN EQUITIES</b>		<b>514,398</b>	<b>515,099</b>
<b>DERIVATIVES (0.68%)</b>			
<b>Currency Forwards (0.68%)</b>			
Currency forward contract to buy C\$2,319,990 for US\$1,700,000 maturing February 9, 2023		–	18,664
<b>TOTAL DERIVATIVES</b>		<b>–</b>	<b>18,664</b>

**Schedule of Investments** (continued)

As at December 31, 2022

<b>Security</b>	<b>Shares/ Contracts</b>	<b>Average Cost</b>	<b>Fair Value</b>
Transaction Costs		(598)	
<b>TOTAL INVESTMENT PORTFOLIO (100.04%)</b>		<b>\$ 2,550,656</b>	<b>\$ 2,760,196</b>
<b>Cash and cash equivalents (0.46%)</b>			12,591
<b>Other assets less liabilities (-0.50%)</b>			(13,619)
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 2,759,168</b>

(See accompanying notes to financial statements)

## Notes to Financial Statements

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

### 1. REPORTING ENTITY

Horizons North American Infrastructure Development Index ETF (“BLDR” 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 26, 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 BLDR. 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.

BLDR seeks to replicate, to the extent possible, the performance of the Solactive North American Infrastructure Development Index, (the “Underlying Index”, Bloomberg ticker: SONABLDN), net of expenses. The Underlying Index is designed to provide exposure to the performance of North American, publicly listed companies generally engaged in the development and production of infrastructure product building materials and equipment, as well as the logistics, construction, and engineering services used for the development and maintenance of infrastructure projects. BLDR seeks to hedge any U.S. dollar portfolio exposure back to the Canadian dollar at all times.

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.

### 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 March 10, 2023, by the Board of Directors of the Manager.

#### *(ii) Basis of measurement*

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

#### *(iii) Functional and presentation currency*

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

## Notes to Financial Statements (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Financial instruments

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

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

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

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

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

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

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

##### (ii) Fair value measurement

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

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

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

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

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

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

***(iii) Offsetting***

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

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

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

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

**Forward foreign exchange contracts**

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

**Redeemable units**

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

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

**(b) Investment income**

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

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

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

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

**(c) Foreign currency**

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

**(d) Cost basis**

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

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

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

**(f) Unitholder transactions**

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

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

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

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

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

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

**(i) Transaction costs**

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

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

**5. FINANCIAL INSTRUMENTS RISK**

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

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

**(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** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

**(i) Currency risk**

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

**(ii) Interest rate risk**

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

As at December 31, 2022 and 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	December 31, 2022	December 31, 2021
Solactive North American Infrastructure Development Index	\$27,497	\$26,049

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



**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

**(c) Liquidity risk**

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

**6. FAIR VALUE MEASUREMENT**

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 December 31, 2022 and 2021, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2022			December 31, 2021		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Equities	2,741,532	–	–	2,592,429	–	–
Currency Forward Contracts	–	18,664	–	–	19,903	–
<b>Total Financial Assets</b>	<b>2,741,532</b>	<b>18,664</b>	–	<b>2,592,429</b>	<b>19,903</b>	–
<b>Net Financial Assets and Liabilities</b>	<b>2,741,532</b>	<b>18,664</b>	–	<b>2,592,429</b>	<b>19,903</b>	–

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the year/period shown. In addition, there were no investments or transactions classified in Level 3 for the year ended December 31, 2022 and for the period 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

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

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 year is disclosed in the ETF's statements of comprehensive income.

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

<b>As at</b>	<b>Securities Loaned</b>	<b>Collateral Received</b>
December 31, 2022	\$43,124	\$45,280
December 31, 2021	–	–

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the year ended December 31, 2022 and for the period ended December 31, 2021. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

<b>For the year/period ended</b>	<b>December 31, 2022</b>	<b>% of Gross Income</b>	<b>December 31, 2021</b>	<b>% of Gross Income</b>
Gross securities lending income	\$12		–	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(5)	41.67%	–	–
<b>Net securities lending income paid to the ETF</b>	<b>\$7</b>	<b>58.33%</b>	–	–

**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.

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

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

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

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

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

For the year ended December 31, 2022 and for the period ended December 31, 2021, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Year/Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2022	101,501	11,000	–	112,501	105,404
2021	–	101,501	–	101,501	100,270

## 9. EXPENSES

### Management fees

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

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.60%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

**Other expenses**

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

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

**10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS**

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

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

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the year ended December 31, 2022 and for the period ended December 31, 2021, were as follow:

<b>Year/Period Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
December 31, 2022	\$204	\$nil	\$nil
December 31, 2021	\$18	\$nil	\$nil

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

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

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

**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, 2022, 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
\$109,126	–	–

**13. OFFSETTING OF FINANCIAL INSTRUMENTS**

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

Financial Assets and Liabilities as at December 31, 2022	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	18,664	–	18,664	–	–	18,664
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	19,903	–	19,903	–	–	19,903
Derivative liabilities	–	–	–	–	–	–

**Notes to Financial Statements** (continued)

For the Year Ended December 31, 2022 and

For the Period from Inception on October 19, 2021 to December 31, 2021

**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 December 31, 2022 and 2021, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

Manager

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