



Horizons Active Preferred Share ETF
(HPR:TSX)



HORIZONS ETFs
by Mirae Asset

Innovation is our capital. Make it yours.
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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.

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MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Horizons Active Preferred Share ETF (“HPR” 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 or SEDAR at www.sedar.com.

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

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

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

HPR may also invest in preferred shares (including securities convertible to preferred shares) of companies located in the United States debt (including LRCNs and other debt-like securities) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

Management Discussion of Fund Performance (continued)

HPR may also invest in Canadian equity securities that have attractive dividend yields and Listed Funds that pay dividend income.

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

The Sub-Advisor may purchase securities of issuers that are related or connected to the Sub-Advisor. The Sub-Advisor may also rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the ETF's Independent Review Committee ("IRC") and is subject to certain other provisions of National Instrument 81-107 ("NI 81-107").

HPR may enter into securities lending transactions to the extent permitted by applicable securities laws. HPR may also invest in derivatives for currency hedging purposes only.

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

Risk

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

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

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

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

- Stock market risk
- Specific issuer risk
- Legal and regulatory risk
- Market disruptions risk
- Cyber security risk
- Listed Funds risk
- Reliance on historical data risk
- Corresponding net asset value risk
- Designated broker/dealer risk
- Cease trading of securities risk
- Exchange risk
- Early closing risk
- No assurance of meeting investment objectives
- Tax risk
- Securities lending, repurchase and reverse repurchase transaction risk
- Loss of limited liability
- Reliance on key personnel

Management Discussion of Fund Performance (continued)

- Distributions risk
 - Conflicts of interest
 - No ownership interest
 - Market for units
 - Redemption price
 - Net asset value fluctuation
 - Restrictions on certain unitholders
 - Highly volatile markets
 - No guaranteed return
- Derivatives and counterparty risk
 - Interest rate risk
 - Foreign currency risk
 - Credit risk
 - Income trust investment risk
 - Foreign stock exchange risk
 - Call risk
 - Risk of difference between quoted and actionable market price
 - Liquidity risk

Results of Operations

For the period ended December 31, 2022, units of the ETF returned -18.96% when including distributions paid to unitholders. This compares to a return of -18.08% for the S&P/TSX Preferred Share Index (the "Index") for the same period.

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

General Market Review

Risk assets were hit hard, and bond yields continued their upward movement in the first half of 2022 as markets adjusted to very hawkish central banks who needed to raise rates significantly to try to bring inflation back under control. At the beginning of the year, interest rates were already experiencing upward pressure as central banks had come to the realization that inflation, caused by pent-up demand and the on-going supply chain issues brought on by the COVID-19 pandemic, was more persistent than first thought.

Up to the point of the Russian invasion of Ukraine, the market was expecting both the U.S. Federal Reserve and the Bank of Canada to increase rates six times to 1.75%, essentially reversing the emergency stimulus put in place at the beginning of the COVID-19 pandemic. However, as the situation in Ukraine evolved, commodity prices spiked even higher and caused more supply chain issues putting further pressure on global inflation. The U.S. Federal Reserve set the tone by raising rates 125 basis points during second quarter of 2022.

The third quarter saw global bond yields increase significantly, especially at the front end of the curves as markets expected central banks would have to be even more aggressive to bring inflation back under control. The European Central Bank, the Bank of England, and the Bank of Australia to name a few, hiked rates 125, 100, and 150 basis points, respectively. In the U.S., core inflation measures were expected to ease but instead moved higher. As a result, the U.S. Federal Reserve raised rates 150 basis points to 3.25% and put the market on notice that more rate hikes were on the way but also said they would keep rates elevated for an extended period, which was at odds with the markets expectation of rate cuts in 2023.

Global rates continued to generally increase during the fourth quarter especially at the front end of the curves as government bond markets once again maintained their belief that central banks had more work to do to bring inflation back under control. In contrast, most risk assets performed well as expectations grew for a pause and an eventual pivot in monetary policy. U.S. core inflation has peaked and started to fall, but it is still elevated at 6%. As a result, the U.S. Federal

Management Discussion of Fund Performance (continued)

Reserve continued hiking, this time raising rates 125 basis points to 4.5% and signalled they were not done but will now also take into consideration the lags in monetary policy. Federal Open Market Committee participants now believe the medium U.S. Federal Reserve funds rate will reach 5.125% in 2023 and remain at this level at least until the end of the year as inflation is expected to be elevated at 3.5%. The U.S. Federal Reserve is now projecting to cut rates 100 basis points in both 2024 and 2025 when inflation finally returns to 2%. However, the market is currently looking for an effective peak of 5% mid-2023 and then for rate cuts to start in the fourth quarter of 2023.

The Bank of Canada increased its target for the overnight rate by 100 basis points to 4.25% over the last 3 months of the year, bringing cumulative rate hikes to 400 basis points for the year. Bond yields moved in the same direction as the central bank, but the curve continued to invert. 2-year Canada bond yields jumped 26 basis points to 4.05%, but 30-year Canada bond yields increased only 19 basis points to 3.28% as the long end is anticipating slower growth, lower inflation and interest rate cuts. Although there has been some improvement in inflation, it is still well above target, and as such the Bank of Canada is expected to continue to tighten monetary policy. The market has built in an overnight rate of 4.65% by mid-2023, or another 40 basis points of rate hikes and then it is looking for cuts to 4.25% before year end.

The Canadian preferred shares market underperformed in 2022 and continued to be volatile.

The negative flow of funds in the asset class was one of the main drivers of underperformance as well as the widening of credit spreads across most issuers. The weak credit tone, particularly for limited recourse capital notes and hybrids, continued to be the main factor impacting the market.

The floating rate preferred shares were again the best performer in 2022. Throughout the year, fixed reset issues underperformed, particularly issues with low- or mid-reset level and with reset date after 2024. Perpetual preferred shares were the biggest losers this year with interest rates rising sharply. From a sector perspective, issues in the Real Estate sector underperformed while names in the energy sector outperformed.

Portfolio Review

2022 was a particularly difficult environment for the preferred shares asset class with interest rates rising globally with a credit environment that quickly deteriorated with inflationary pressures ramping up.

Over the first half of the year, the ETF reduced allocation to expensive fixed rate perpetuals and increased allocation into banks fixed reset issues with low reset levels. During the first quarter, the ETF bought the new Toronto Dominion Bank institutional preferred share and also increased hybrid and LRCN allocations, mainly with the new Altagas, Algonquin Power & Utility and Bank of Montreal issues. In the second quarter, the ETF bought the latest limited recourse capital note issues with attractive reset levels of Industrial Alliance, Canadian Imperial Bank of Commerce, Manulife and Scotiabank and have continued to reduce the ETF's fixed rate perpetual position, particularly in May, when they were trading higher despite the higher yield environment.

The second half of the year started with increasing the ETF's allocation into bank fixed resets with low-reset levels as well as buying institutional preferred shares of Toronto Dominion Bank, Canadian Imperial Bank of Commerce and the new Capital Power Hybrid issue while reducing weighting in utilities. During the last few months of the year, the ETF shifted gears and tactically increased positioning in fixed rate perpetuals, hybrids and limited recourse capital notes as that's where the Sub-Advisor saw more value, given the pull-back. The ETF also selectively increased allocation to some Bell Canada Enterprises fixed reset issues with a mid/low reset levels and funded most of these increases through a reduction in names such as Toronto Dominion Bank, Pembina and TC Energy.

Management Discussion of Fund Performance (continued)

During the year, while the ETF was overweight to floating preferred shares, hybrid and limited recourse capital note securities proved to be the main contributors to performance. The ETF's underweight positioning to the Real Estate sector was also a key driver of performance, given that Real Estate was one of the worst performing sectors during the year.

In terms of what weighed on performance, the overweight to perpetual preferred shares detracted quite a bit of value in the context of rising interest rates.

Outlook

Inflation will continue to be the key indicator for the direction of bond yields and credit tone. The Bank of Canada and the U.S. Federal Reserve were very aggressive in hiking rates in 2022, but the Sub-Advisor now expects this tightening cycle to end sometime during the first half of 2023. With the overnight rate in Canada at 4.25%, monetary policy is well into restrictive territory and it is expected to hurt domestic demand throughout the year. Inflation has moderated from the highs of last summer but remains well above 2%. Although the Sub-Advisor expects the Bank of Canada to stop hiking this year, they may have to keep rates elevated for a longer period of time before underlying inflation falls back to target. In Canada, the market expects the first interest rate cut to happen before the end of 2023, whereas the Sub-Advisor expects sticky inflation driven by a tight labor market to make this a 2024 story. Corporate spreads already reflect a base case of a modest recession and are well compensated for the expected volatility.

The Canadian preferred shares asset class has underperformed most North American asset classes in 2022. Most of the recent underperformance was driven by negative flows as hybrid and limited recourse capital note credit spreads and the 5-year Canada rate continued to be volatile in the fourth quarter but finished the year almost unchanged. The average yield of Canadian preferred shares is reaching attractive levels and has important upside over the next few years in this higher 5-year rate environment which should help stabilize the flow of funds.

Despite the expected volatility in 2023, the Sub-Advisor expects valuations for Canadian preferred shares are already pricing worse than a modest recession scenario. The Canadian preferred shares market should deliver at least the average yield in 2023. However, the equity environment, the hybrid and limited recourse capital note tone and the flow of funds should continue to be important drivers of daily volatility in 2023. In this environment, the Sub-Advisor expects it is too late to favor defensive preferred shares and therefore expects that fixed reset issues with low- and mid-reset levels should outperform.

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 (\$300,652,925). This compares to \$370,154,029 for the year ended December 31, 2021. The ETF incurred management, operating and transaction expenses of \$9,990,399 (2021 – \$11,955,105) of which \$13,476 (2021 – \$27,760) 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 \$74,512,192 to unitholders during the year (2021 – \$72,412,744).

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.

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 15) 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 for the past five fiscal years. 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 ⁽¹⁾	2022	2021	2020	2019	2018
Net assets, beginning of year	\$ 9.75	8.16	8.14	8.36	9.66
Increase (decrease) from operations:					
Total revenue	0.43	0.42	0.44	0.44	0.43
Total expenses	(0.06)	(0.06)	(0.05)	(0.06)	(0.07)
Realized gains (losses) for the year	0.11	0.17	(0.52)	(0.37)	0.04
Unrealized gains (losses) for the year	(2.31)	1.41	0.51	0.15	(1.37)
Total increase (decrease) from operations ⁽²⁾	(1.83)	1.94	0.38	0.16	(0.97)
Distributions:					
From dividends	(0.38)	(0.33)	(0.38)	(0.38)	(0.34)
From net realized capital gains	(0.06)	(0.06)	–	–	(0.03)
From return of capital	–	–	(0.04)	(0.02)	–
Total annual distributions ⁽³⁾	(0.44)	(0.39)	(0.42)	(0.40)	(0.37)
Net assets, end of year ⁽⁴⁾	\$ 7.50	9.75	8.16	8.14	8.36

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

Year ⁽¹⁾	2022	2021	2020	2019	2018
Total net asset value (000's)	\$1,107,087	1,871,153	1,398,529	1,411,437	1,576,544
Number of units outstanding (000's)	147,593	191,854	171,302	173,304	188,582
Management expense ratio ⁽²⁾	0.64%	0.64%	0.64%	0.64%	0.63%
Management expense ratio before waivers and absorptions ⁽³⁾	0.64%	0.65%	0.64%	0.64%	0.65%
Trading expense ratio ⁽⁴⁾	0.04%	0.05%	0.07%	0.06%	0.05%
Portfolio turnover rate ⁽⁵⁾	23.71%	56.49%	74.59%	85.37%	25.78%
Net asset value per unit, end of year	\$ 7.50	9.75	8.16	8.14	8.36
Closing market price	\$ 7.44	9.75	8.18	8.15	8.36

1. This information is provided as at December 31 of the years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year. 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. Transaction costs related to the purchase and/or sale of fixed income securities are typically embedded in the price of those transactions and are therefore not included in the trading expense ratio.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.55%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

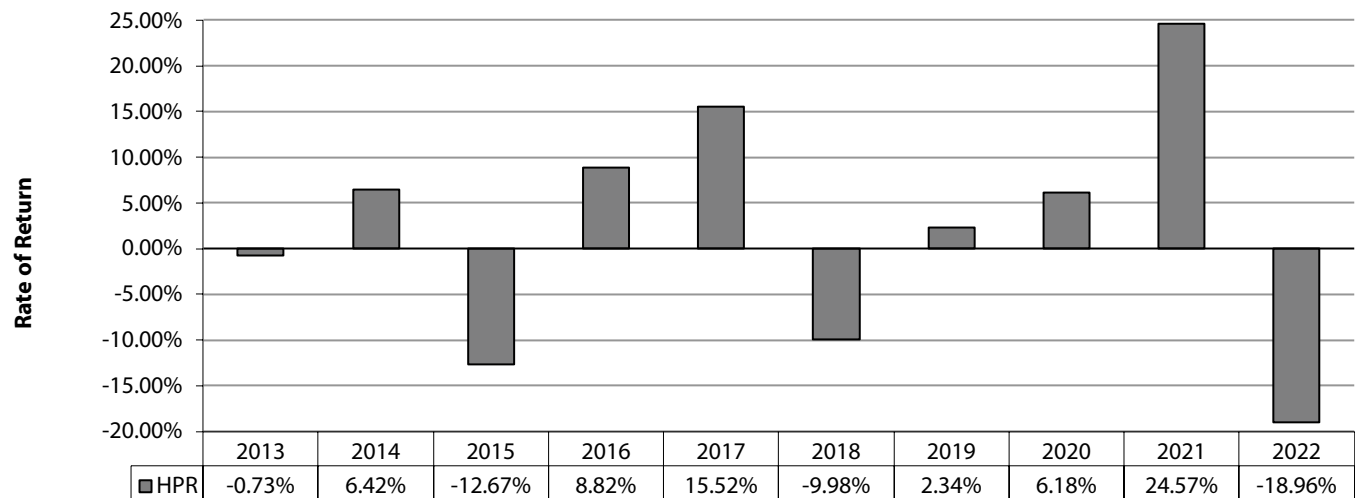
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
6%	89%	5%

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on November 22, 2010.

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.

	1 Year	3 Year	5 Year	10 Year	Since Inception
Horizons Active Preferred Share ETF	-18.96%	2.34%	-0.25%	1.37%	2.19%
S&P/TSX Preferred Share Index™	-18.08%	1.25%	-0.22%	0.61%	1.40%

The ETF effectively began operations on November 22, 2010.

Summary of Investment Portfolio

As at December 31, 2022

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Canadian Preferred Securities	\$ 1,004,526,863	90.74%
Canadian Fixed Income Securities	98,418,834	8.89%
Currency Forward Hedge*	10,621	0.00%
Cash and Cash Equivalents	6,190,592	0.56%
Other Assets less Liabilities	(2,059,966)	-0.19%
	\$ 1,107,086,944	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 498,778,355	45.05%
Energy	259,321,614	23.42%
Utilities	141,973,784	12.83%
Corporate Bonds	98,418,834	8.89%
Communication Services	94,637,210	8.55%
Industrials	5,478,093	0.50%
Consumer Staples	4,337,807	0.39%
Currency Forward Hedge*	10,621	0.00%
Cash and Cash Equivalents	6,190,592	0.56%
Other Assets less Liabilities	(2,059,966)	-0.19%
	\$ 1,107,086,944	100.00%

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

Summary of Investment Portfolio (continued)

As at December 31, 2022

Top 25 Holdings*	% of ETF's Net Asset Value
Enbridge Inc.	9.62%
BCE Inc.	8.55%
Toronto-Dominion Bank (The)	7.47%
Manulife Financial Corp.	5.42%
Great-West Lifeco Inc.	5.40%
Royal Bank of Canada	5.03%
Canadian Imperial Bank of Commerce	4.80%
Pembina Pipeline Corp.	4.77%
TC Energy Corp.	4.51%
Bank of Montreal	4.17%
Brookfield Corp.	4.04%
Brookfield Renewable Power Preferred Equity Inc.	3.33%
Power Financial Corp.	3.30%
Canadian Utilities Ltd.	3.25%
Cenovus Energy Inc.	2.89%
Brookfield Office Properties Inc.	2.21%
AltaGas Ltd.	2.13%
National Bank of Canada	1.97%
Fortis Inc.	1.96%
Intact Financial Corp.	1.52%
Rogers Communications Inc.	1.49%
Brookfield Infrastructure Partners L.P.	1.39%
Sun Life Financial Inc.	1.27%
Emera Inc.	1.23%
Fairfax Financial Holdings Ltd.	1.04%

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

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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



Jasmit Bhandal
Director
Horizons ETFs Management (Canada) Inc.



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Horizons Active Preferred Share 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 years then ended, 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 years then ended 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,

	2022	2021
Assets		
Cash and cash equivalents	\$ 6,190,592	\$ 38,128,787
Investments	1,102,945,697	1,843,487,377
Amounts receivable relating to accrued income	4,022,012	2,863,359
Amounts receivable relating to portfolio assets sold	231,550	30,737
Amounts receivable relating to securities issued	–	3,647,354
Derivative assets (note 3)	10,621	100,862
Total assets	1,113,400,472	1,888,258,476
Liabilities		
Accrued management fees	593,175	951,568
Accrued operating expenses	49,234	105,919
Amounts payable for portfolio assets purchased	208,687	9,767,374
Distribution payable	5,462,432	6,280,523
Total liabilities	6,313,528	17,105,384
Total net assets	\$ 1,107,086,944	\$ 1,871,153,092
Number of redeemable units outstanding (note 8)	147,593,415	191,854,352
Total net assets per unit	\$ 7.50	\$ 9.75

(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 Years Ended December 31,

	2022	2021
Income		
Dividend income	\$ 67,406,431	\$ 75,442,151
Interest income for distribution purposes	5,222,621	1,505,291
Securities lending income (note 7)	68,190	27,605
Net realized gain on sale of investments and derivatives	18,783,192	31,832,828
Net realized loss on foreign exchange	(1,585)	(64,519)
Net change in unrealized appreciation (depreciation) of investments and derivatives	(392,132,859)	261,411,141
Net change in unrealized appreciation (depreciation) of foreign exchange	1,085	(468)
	(300,652,925)	370,154,029
Expenses (note 9)		
Management fees	8,956,319	10,526,883
Audit fees	12,292	14,800
Independent Review Committee fees	447	911
Custodial and fund valuation fees	260,961	432,158
Legal fees	29,065	39,743
Securityholder reporting costs	71,385	70,711
Administration fees	27,402	29,296
Transaction costs	632,528	840,030
Other expenses	–	573
	9,990,399	11,955,105
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(13,476)	(27,760)
	9,976,923	11,927,345
Increase (decrease) in net assets for the year	\$ (310,629,848)	\$ 358,226,684
Increase (decrease) in net assets per unit	\$ (1.83)	\$ 1.94

(See accompanying notes to financial statements)

Statements of Changes in Financial Position

For the Years Ended December 31,

	2022		2021	
Total net assets at the beginning of the year	\$	1,871,153,092	\$	1,398,528,595
Increase (decrease) in net assets		(310,629,848)		358,226,684
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		94,045,775		301,587,981
Aggregate amounts paid on redemption of securities of the investment fund		(473,588,420)		(115,256,650)
Securities issued on reinvestment of distributions		618,537		479,226
Distributions:				
From net investment income		(64,002,552)		(60,455,698)
From net realized capital gains		(10,509,640)		(11,957,046)
Total net assets at the end of the year	\$	1,107,086,944	\$	1,871,153,092

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2022	2021
Cash flows from operating activities:		
Increase (decrease) in net assets for the year	\$ (310,629,848)	\$ 358,226,684
Adjustments for:		
Net realized gain on sale of investments and derivatives	(18,783,192)	(31,832,828)
Net realized loss on currency forward contracts	(993,862)	(59,341)
Net change in unrealized depreciation (appreciation) of investments and derivatives	392,132,859	(261,411,141)
Net change in unrealized depreciation (appreciation) of foreign exchange	(931)	963
Purchase of investments	(285,500,196)	(961,261,519)
Proceeds from the sale of investments	284,457,513	859,877,714
Amounts receivable relating to accrued income	(1,158,653)	(544,979)
Accrued expenses	(415,078)	290,384
Net cash from (used in) operating activities	59,108,612	(36,714,063)
Cash flows from financing activities:		
Amount received from the issuance of units	27,326,080	147,478,003
Amount paid on redemptions of units	(43,662,072)	(6,505,806)
Distributions paid to unitholders	(74,711,746)	(71,750,253)
Net cash from (used in) financing activities	(91,047,738)	69,221,944
Net increase (decrease) in cash and cash equivalents during the year	(31,939,126)	32,507,881
Effect of exchange rate fluctuations on cash and cash equivalents	931	(963)
Cash and cash equivalents at beginning of year	38,128,787	5,621,869
Cash and cash equivalents at end of year	\$ 6,190,592	\$ 38,128,787
Interest received, net of withholding taxes	\$ 4,198,674	\$ 1,357,676
Dividends received, net of withholding taxes	\$ 67,271,725	\$ 75,044,787

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
CANADIAN PREFERRED SECURITIES (90.74%)			
Financials (45.05%)			
Artis REIT, Preferred, Series 'E', Variable Rate, Perpetual	94,225	\$ 1,771,070	\$ 2,127,600
Artis REIT, Preferred, Series 'I', Variable Rate, Perpetual	2,989	155,872	73,559
Bank of Montreal, Preferred, Class 'B', Series '27', Variable Rate, Convertible, Perpetual	436,114	8,851,439	7,784,635
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	1,422,165	29,711,101	24,887,888
Bank of Montreal, Preferred, Class 'B', Series '31', Variable Rate, Perpetual	353,843	7,499,766	6,236,483
Bank of Montreal, Preferred, Class 'B', Series '33', Variable Rate, Perpetual	285,778	6,193,359	5,078,275
Bank of Montreal, Preferred, Class 'B', Series '44', Variable Rate, Perpetual	6,300	160,020	129,969
Brookfield Corp., Preferred, Class 'A'	53,591	703,989	688,644
Brookfield Corp., Preferred, Series '17', 4.75%, Perpetual	12,225	256,040	223,106
Brookfield Corp., Preferred, Series '18', 4.75%, Perpetual	55,109	1,186,394	992,513
Brookfield Corp., Preferred, Series '24', Variable Rate, Perpetual	239,301	4,457,747	3,493,795
Brookfield Corp., Preferred, Series '26', Variable Rate, Perpetual	161,304	2,920,428	2,314,712
Brookfield Corp., Preferred, Series '30', Variable Rate, Perpetual	221,020	4,626,835	4,729,828
Brookfield Corp., Preferred, Series '32', Variable Rate, Perpetual	158,422	3,489,364	2,891,202
Brookfield Corp., Preferred, Series '34', Variable Rate, Perpetual	63,845	1,295,574	1,035,566
Brookfield Corp., Preferred, Class 'A', Series '36', 4.85%, Perpetual	47,578	1,032,656	862,113
Brookfield Corp., Preferred, Class 'A', Series '37', 4.90%, Perpetual	94,064	2,078,626	1,735,481
Brookfield Corp., Preferred, Class 'A', Series '38', Variable Rate, Perpetual	434,967	8,792,029	6,311,371
Brookfield Corp., Preferred, Class 'A', Series '40', Variable Rate, Perpetual	481,541	9,755,052	8,306,582
Brookfield Corp., Preferred, Class 'A', Series '42', Variable Rate, Perpetual	558,588	11,169,676	8,727,938
Brookfield Corp., Preferred, Series '51', 6.45%, Perpetual	142,524	1,777,777	2,371,599
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'N', Variable Rate, Perpetual	468,356	7,526,345	5,976,223
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual	315,103	5,305,549	4,272,797
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual	575,876	10,037,283	8,151,525
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'T', Variable Rate, Convertible, Perpetual	18,248	393,792	293,702
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual	338,224	6,145,274	4,738,518
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'CC', Variable Rate, Perpetual	1,000	19,778	22,150

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'EE', Variable Rate, Perpetual	22,226	361,674	383,398
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'GG', Variable Rate, Perpetual	28,581	579,057	549,898
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'II', Variable Rate, Perpetual	347	7,001	6,472
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '51', Variable Rate, Perpetual	2,418	58,785	58,552
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual	904,611	18,494,287	15,839,739
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '41', Variable Rate, Perpetual	297,632	6,209,493	5,134,152
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual	1,082,030	22,818,953	20,158,219
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '47', Variable Rate, Perpetual	1,840	38,866	38,916
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	95,239	2,030,967	1,666,683
ECN Capital Corp., Preferred, Series 'C', Variable Rate, Perpetual	12,500	284,335	290,625
EQB Inc., Preferred, Series '3', Variable Rate, Perpetual	500	11,505	11,625
Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	40,209	849,207	700,843
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Perpetual	2,000	26,200	26,900
Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	61,721	1,018,156	839,406
Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	384,083	6,556,128	5,607,612
Fairfax Financial Holdings Ltd., Preferred, Series 'K', 5.00%, Perpetual	96,653	2,087,096	1,788,080
Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	129,104	2,800,561	2,562,714
Great-West Lifeco Inc., Preferred, Series 'G', 5.20%, Perpetual	641,874	14,617,737	12,786,130
Great-West Lifeco Inc., Preferred, Series 'H', 4.85%, Perpetual	808,871	19,101,939	14,988,380
Great-West Lifeco Inc., Preferred, Series 'I', 4.50%, Perpetual	449,082	11,071,059	7,926,297
Great-West Lifeco Inc., Preferred, Series 'L', 5.65%, Perpetual	167,341	4,070,392	3,639,667
Great-West Lifeco Inc., Preferred, Series 'M', 5.80%, Perpetual	59,998	1,506,435	1,367,954
Great-West Lifeco Inc., Preferred, Series 'N', Variable Rate, Perpetual	61,882	966,636	750,010
Great-West Lifeco Inc., Preferred, Series 'P', 5.40%, Perpetual	377,781	9,332,221	7,804,955
Great-West Lifeco Inc., Preferred, Series 'Q', 5.15%, Perpetual	312,937	7,393,849	6,205,541
Great-West Lifeco Inc., Preferred, Series 'R', 4.80%, Perpetual	51,996	1,208,184	961,926
Great-West Lifeco Inc., Preferred, Series 'S', 5.25%, Perpetual	130,264	3,024,508	2,631,333
Great-West Lifeco Inc., Preferred, Series 'T', 5.15%, Perpetual	30,801	720,158	610,630
Industrial Alliance Insurance and Financial Services Inc., Preferred, Class 'A', Series 'I', Variable Rate, Perpetual	171,877	3,654,120	3,691,918

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Intact Financial Corp., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	2,000	42,400	34,680
Intact Financial Corp., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	531,618	10,649,263	8,782,329
Intact Financial Corp., Preferred, Class 'A', Series '5', 5.20%, Perpetual	33,041	811,320	677,340
Intact Financial Corp., Preferred, Class 'A', Series '6', 5.30%, Perpetual	99,985	2,422,295	2,127,181
Intact Financial Corp., Preferred, Class 'A', Series '7', Variable Rate, Convertible, Perpetual	232,531	5,498,991	4,583,186
Intact Financial Corp., Preferred, Class 'A', Series '9', 5.40%, Perpetual	5,978	146,471	131,516
Intact Financial Corp., Preferred, Class 'A', Series '11', 5.25%, Perpetual	29,955	744,935	651,072
Laurentian Bank of Canada, Preferred, Class 'A', Series '13', Variable Rate, Perpetual	121,466	2,240,597	1,937,383
Manulife Financial Corp., Preferred, Class 'A', Series '2', 4.65%, Perpetual	438,084	10,220,621	8,244,741
Manulife Financial Corp., Preferred, Class 'A', Series '3', 4.50%, Perpetual	152,954	3,474,038	2,753,172
Manulife Financial Corp., Preferred, Class '1', Series '3', Variable Rate, Convertible, Perpetual	4,500	75,600	57,150
Manulife Financial Corp., Preferred, Class '1', Series '9', Variable Rate, Convertible, Perpetual	109,430	2,362,892	2,455,609
Manulife Financial Corp., Preferred, Class '1', Series '11', Variable Rate, Perpetual	396,517	8,788,478	7,831,211
Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	109,321	2,546,386	1,874,855
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	578,164	11,894,036	9,522,361
Manulife Financial Corp., Preferred, Class '1', Series '17', Variable Rate, Perpetual	612,507	12,834,475	10,424,869
Manulife Financial Corp., Preferred, Class '1', Series '19', Variable Rate, Perpetual	422,415	8,606,938	7,117,693
Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	136,012	3,278,619	2,577,427
National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	241,260	4,795,337	4,333,030
National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	397,065	7,869,851	6,690,545
National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	15,645	388,473	401,294
National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual	157,429	3,243,317	3,194,234
Power Corp. of Canada, Preferred, Series 'A', 5.60%, Perpetual	41,406	1,009,010	891,057
Power Corp. of Canada, Preferred, Series 'B', 5.35%, Perpetual	153,196	3,655,039	3,148,178
Power Corp. of Canada, Preferred, Series 'C', 5.80%, Perpetual	2,600	59,722	59,020
Power Corp. of Canada, Preferred, Series 'G', 5.60%, Perpetual	102,767	2,563,395	2,215,657

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Power Financial Corp., Preferred, Series 'D', 5.50%, Perpetual	60,481	1,481,243	1,300,039
Power Financial Corp., Preferred, Series 'E', 5.25%, Perpetual	88,281	2,128,239	1,826,534
Power Financial Corp., Preferred, Series 'F', 5.90%, Perpetual	61,064	1,499,785	1,395,923
Power Financial Corp., Preferred, Series 'H', 5.75%, Perpetual	152,956	3,693,641	3,438,451
Power Financial Corp., Preferred, Series 'K', 4.95%, Perpetual	410,197	9,439,714	7,875,782
Power Financial Corp., Preferred, Series 'L', 5.10%, Perpetual	145,570	3,256,710	2,876,463
Power Financial Corp., Preferred, Series 'O', 5.80%, Perpetual	127,725	3,260,763	2,867,426
Power Financial Corp., Preferred, Series 'P', Variable Rate, Perpetual	346,347	5,195,752	4,381,290
Power Financial Corp., Preferred, Series 'R', 5.50%, Perpetual	274,093	6,788,973	5,860,108
Power Financial Corp., Preferred, Series 'S', 4.80%, Perpetual	178,616	3,846,554	3,356,195
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	20,317	463,647	363,674
Power Financial Corp., Preferred, Series 'V', 5.15%, Perpetual	45,304	1,043,060	908,345
Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	433,365	9,942,465	7,666,227
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	126,255	2,859,111	2,222,088
Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual	1,119,134	23,946,716	20,871,849
Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual	768,329	16,077,092	13,868,338
Sagen MI Canada Inc., Preferred, Series '1', 5.40%, Perpetual	2,000	40,200	36,600
Sun Life Financial Inc., Preferred, Class 'A', Series '3', 4.45%, Perpetual	29,227	661,219	536,608
Sun Life Financial Inc., Preferred, Class 'A', Series '4', 4.45%, Perpetual	302,898	6,921,912	5,494,570
Sun Life Financial Inc., Preferred, Class 'A', Series '5', 4.50%, Perpetual	194,843	4,582,618	3,565,627
Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Perpetual	297,276	5,503,349	4,479,949
Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Convertible, Perpetual	901,374	19,704,985	15,593,770
Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	1,214,680	25,714,555	21,171,872
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	737,232	15,569,180	12,790,975
Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	949,871	20,884,373	18,057,048
Toronto-Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual	425,668	9,398,461	8,138,772
Toronto-Dominion Bank (The), Preferred, Series '16', Variable Rate, Perpetual	10,081	206,898	249,505
Toronto-Dominion Bank (The), Preferred, Series '18', Variable Rate, Perpetual	14,763	337,259	321,095
Toronto-Dominion Bank (The), Preferred, Series '20', Variable Rate, Perpetual	28,552	675,503	579,035
Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual	19,611	482,026	481,058
		594,040,846	498,778,355

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Energy (23.42%)			
AltaGas Ltd., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	691,576	11,826,731	10,097,010
AltaGas Ltd., Preferred, Series 'B', Floating Rate, Convertible, Perpetual	36,493	708,566	624,578
AltaGas Ltd., Preferred, Series 'G', Variable Rate, Perpetual	502,654	10,501,683	8,846,710
Cenovus Energy Inc., Preferred, Series '1', Variable Rate, Perpetual	117,858	1,709,625	1,648,833
Cenovus Energy Inc., Preferred, Series '3', Variable Rate, Perpetual	440,851	8,784,788	8,777,343
Cenovus Energy Inc., Preferred, Series '5', Variable Rate, Perpetual	494,368	9,880,381	10,510,264
Cenovus Energy Inc., Preferred, Series '7', Variable Rate, Perpetual	552,658	10,928,018	11,053,160
Enbridge Inc., Preferred, Series 'A', 5.50%, Perpetual	8,171	195,068	174,206
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	488,515	7,152,451	8,417,113
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	346,142	6,039,020	6,012,487
Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	310,179	5,697,459	5,331,977
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	268,696	7,225,188	6,992,512
Enbridge Inc., Preferred, Series 'N', Variable Rate, Perpetual	5,927	110,756	103,130
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	571,172	9,737,535	8,910,283
Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	827,813	14,255,106	12,640,704
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,566,330	25,981,206	23,009,388
Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	63,268	1,130,865	987,613
Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	271,150	4,694,880	4,208,248
Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	861,047	15,270,219	12,932,926
Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	593,827	9,591,897	8,758,948
Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual	448,018	7,052,031	6,541,063
Pembina Pipeline Corp., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	3,472	59,133	58,764
Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	134,968	2,455,625	2,213,475
Pembina Pipeline Corp., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	9,523	139,129	164,272
Pembina Pipeline Corp., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	646,492	12,900,850	10,958,039
Pembina Pipeline Corp., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	915,082	19,421,256	17,743,440
Pembina Pipeline Corp., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	273,468	5,075,773	5,395,524
Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual	149,401	2,807,359	2,610,782
Pembina Pipeline Corp., Preferred, Class 'A', Series '19', Variable Rate, Perpetual	382,273	8,381,745	8,348,842
Pembina Pipeline Corp., Preferred, Class 'A', Series '21', Variable Rate, Perpetual	12,823	326,218	296,340

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	207,748	4,834,218	5,066,974
TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	253,123	4,352,526	3,445,004
TC Energy Corp., Preferred, Series '2', Floating Rate, Convertible, Perpetual	22,993	389,065	340,296
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	369,292	4,589,774	4,080,677
TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	744,226	10,626,574	8,491,619
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	557,587	10,681,779	8,553,385
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	802,124	14,826,710	12,031,860
TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual	802,469	15,864,846	12,943,825
		286,206,053	259,321,614
Utilities (12.83%)			
Algonquin Power & Utilities Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	49,085	1,071,215	908,073
Algonquin Power & Utilities Corp., Preferred, Series 'D', Variable Rate, Perpetual	74,712	1,484,881	1,397,114
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	586,002	11,951,325	9,962,034
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	45,812	1,154,598	916,240
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '11*', Variable Rate, Perpetual	234,779	5,725,942	4,505,409
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	47,700	1,141,299	1,105,686
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	33,071	786,508	786,759
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	981,373	17,818,533	13,837,359
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '2', Variable Rate, Convertible, Perpetual	138,813	2,636,445	2,357,045
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	769,349	15,244,350	12,371,132
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '6', 5.00%, Perpetual	457,217	9,965,568	8,339,638
Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual	494,960	9,879,087	9,490,858
Canadian Utilities Ltd., Preferred, Series 'AA', 4.90%, Perpetual	306,830	7,140,290	5,964,775
Canadian Utilities Ltd., Preferred, Series 'BB', 4.90%, Perpetual	258,816	5,947,076	4,995,149
Canadian Utilities Ltd., Preferred, Series 'CC', 4.50%, Perpetual	191,029	4,470,731	3,447,118
Canadian Utilities Ltd., Preferred, Series 'DD', 4.50%, Perpetual	561,279	11,819,413	10,074,958

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Canadian Utilities Ltd., Preferred, Series 'EE', 5.25%, Perpetual	8,148	195,124	171,027
Canadian Utilities Ltd., Preferred, Series 'HH', 4.75%, Perpetual	92,895	1,765,692	1,716,235
Capital Power Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	58,539	800,871	768,617
Capital Power Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	33,433	672,661	715,466
Capital Power Corp., Preferred, Series '5', Variable Rate, Perpetual	49,970	944,458	1,039,376
CU Inc., Preferred, Series '1', 4.60%, Perpetual	260,690	5,789,576	4,727,613
Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	260,257	4,106,428	3,448,405
Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	191,223	3,895,696	3,585,431
Emera Inc., Preferred, Series 'F', Variable Rate, Perpetual	258,438	5,144,817	4,458,056
Emera Inc., Preferred, Series 'L', 4.60%, Perpetual	128,532	3,201,773	2,216,534
Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	229,268	4,531,935	3,952,580
Fortis Inc., Preferred, Series 'H', 4.25%, Perpetual	14,518	230,899	180,967
Fortis Inc., Preferred, Series 'J', 4.75%, Perpetual	14,626	313,037	277,163
Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	107,396	2,012,442	1,685,043
Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual	924,874	18,879,662	15,491,640
TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	254,191	3,967,138	4,842,339
TransAlta Corp., Preferred, Series 'E', 5.00%, Perpetual	80,196	1,370,453	1,781,153
TransAlta Corp., Preferred, Series 'G', Variable Rate, Perpetual	22,337	387,842	456,792
		166,447,765	141,973,784
Communication Services (8.55%)			
BCE Inc., Preferred, Series 'R', Variable Rate, Perpetual	365,241	6,454,224	5,606,449
BCE Inc., Preferred, Series 'Y', Variable Rate, Perpetual	446,185	8,565,828	8,080,410
BCE Inc., Preferred, Series 'Z', Variable Rate, Perpetual	290,789	4,751,343	5,379,596
BCE Inc., Preferred, Series 'AA', Variable Rate, Perpetual	832,848	14,126,362	14,566,512
BCE Inc., Preferred, Series 'AB', Variable Rate, Perpetual	285,795	5,352,808	5,190,037
BCE Inc., Preferred, Series 'AC', Variable Rate, Perpetual	9,941	182,800	181,572
BCE Inc., Preferred, Series 'AD', Variable Rate, Perpetual	477,422	8,287,935	8,741,597
BCE Inc., Preferred, Series 'AE', Variable Rate, Perpetual	132,069	2,548,377	2,395,732
BCE Inc., Preferred, Series 'AF', Variable Rate, Perpetual	504,388	8,715,152	8,385,451
BCE Inc., Preferred, Series 'AG', Variable Rate, Perpetual	405,888	6,518,224	6,132,968
BCE Inc., Preferred, Series 'AH', Variable Rate, Perpetual	142,745	2,954,409	2,626,508
BCE Inc., Preferred, Series 'AI', Variable Rate, Perpetual	763,330	12,324,894	11,602,616
BCE Inc., Preferred, Series 'AJ', Floating Rate, Convertible, Perpetual	28,516	578,011	516,995
BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	430,576	6,325,076	6,045,287
BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual	626,489	9,702,805	9,121,680
BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	4,000	68,000	63,800
		97,456,248	94,637,210

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Industrials (0.50%)			
Element Fleet Management Corp., Preferred, Series 'C', Variable Rate, Perpetual	1,000	24,000	24,100
Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual	226,683	5,525,223	5,453,993
		5,549,223	5,478,093
Consumer Staples (0.39%)			
George Weston Ltd., Preferred, Series 'III', 5.20%, Perpetual	54,417	1,323,638	1,084,531
George Weston Ltd., Preferred, Series 'IV', 5.20%, Perpetual	79,818	1,943,436	1,606,736
George Weston Ltd., Preferred, Series 'V', 4.75%, Perpetual	8,400	155,148	159,180
Loblaws Cos. Ltd., Preferred, Series 'B', 5.30%, Perpetual	66,638	1,670,892	1,487,360
		5,093,114	4,337,807
TOTAL CANADIAN PREFERRED SECURITIES		1,154,793,249	1,004,526,863
CANADIAN FIXED INCOME SECURITIES (8.89%)			
Corporate Bonds (8.89%)			
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	8,196,000	8,167,650	6,407,240
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	4,940,000	4,940,000	4,029,961
Bank of Montreal, Variable Rate, Perpetual, 7.37%, 2027/11/26	2,104,000	2,130,035	2,127,718
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	2,599,000	2,599,000	2,540,233
Canadian Imperial Bank of Commerce, Variable Rate, Perpetual, 7.37%, 2027/09/28	6,850,000	6,850,000	6,892,025
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.00%, 2082/01/28	200,000	185,000	157,860
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	5,129,000	5,119,409	5,035,370
Capital Power Corp., Variable Rate, Callable, 7.95%, 2082/09/09	3,155,000	3,155,000	3,114,278
Enbridge Inc., Variable Rate, Callable, 6.00%, 2077/01/15	345,000	366,015	430,285
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	1,185,000	1,185,000	1,140,222
Gibson Energy Inc., Series '20-A', Variable Rate, Callable, 5.25%, 2080/12/22	3,584,000	3,629,920	3,054,175
iA Financial Corp. Inc., Series '22-1', Variable Rate, Callable, 6.61%, 2082/06/30	3,958,000	3,958,000	3,821,865
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	7,429,000	7,487,882	7,119,030
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	5,625,000	5,625,000	5,328,028
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	7,252,000	7,252,000	7,144,381
National Bank of Canada, Series '1', Variable Rate, Callable, 4.30%, 2080/11/15	1,275,000	1,266,075	1,151,871
National Bank of Canada, Variable Rate, Callable, 7.50%, 2082/11/16	6,152,000	6,152,000	6,089,071

Schedule of Investments (continued)

As at December 31, 2022

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	18,300,000	18,300,000	16,534,751
Royal Bank of Canada, Series 'BT', Variable Rate, Perpetual, 4.20%, 2027/02/24	14,306,000	14,307,861	11,110,855
Toronto-Dominion Bank (The), Series '27', Variable Rate, Perpetual, 5.75%, 2027/10/01	2,936,000	2,936,000	2,607,805
Toronto-Dominion Bank (The), Series '28', Variable Rate, Perpetual, 7.23%, 2027/10/01	2,077,000	2,077,000	2,086,806
Toronto-Dominion Bank (The), Variable Rate, Callable, 7.28%, 2082/10/31	498,000	498,000	495,004
		108,186,847	98,418,834
TOTAL CANADIAN FIXED INCOME SECURITIES		108,186,847	98,418,834
DERIVATIVES (0.00%)			
Currency Forwards (0.00%)			
Currency forward contract to buy C\$8,294,596 for US\$6,121,473 maturing March 15, 2023		-	10,621
TOTAL DERIVATIVES		-	10,621
Transaction Costs		(873,156)	
TOTAL INVESTMENT PORTFOLIO (99.63%)		\$1,262,106,940	\$1,102,956,318
Cash and cash equivalents (0.56%)			6,190,592
Other assets less liabilities (-0.19%)			(2,059,966)
TOTAL NET ASSETS (100.00%)			\$1,107,086,944

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2022 and 2021

1. REPORTING ENTITY

Horizons Active Preferred Share ETF (“HPR” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on November 22, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

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

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

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

2. BASIS OF PREPARATION

(i) Statement of compliance

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

These financial statements were authorized for issue on 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 Years Ended December 31, 2022 and 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 Years Ended December 31, 2022 and 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 Years Ended December 31, 2022 and 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 Years Ended December 31, 2022 and 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at 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.

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

Investments	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
December 31, 2022						
Investments	5,040	–	–	99,793	1,007,172	1,112,005
December 31, 2021						
Investments	29,270	–	–	55,403	1,790,946	1,875,619

The percentage of the ETF's net assets exposed to interest rate risk as at December 31, 2022, was 100.4% (December 31, 2021 – 100.2%). The amount by which the net assets of the ETF would have increased or decreased, as at December 31, 2022, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$54,231,788 (December 31, 2021 – \$79,157,151). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

(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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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
S&P/TSX Preferred Share Index™	\$10,829,794	\$18,310,109

(b) Credit risk

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

Analysis of credit quality

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

Canadian Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2022	December 31, 2021
P-1 - Best credit	-	1.0%
P-2 - Second best credit	0.5%	55.3%
P-3 - Third best credit	8.5%	34.0%
Total	9.0%	90.3%
U.S. Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2022	December 31, 2021
AAA	0.5%	1.6%
A	10.9%	-
BBB	64.4%	3.0%
BB	15.0%	5.3%
CCC	0.6%	-
Total	91.4%	9.9%

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of December 31, 2022, was 9.6% (December 31, 2021 – 9.7%) of the net assets of the ETF.

(c) Liquidity risk

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

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 (\$)
Financial Assets						
Bonds	–	98,418,834	–	–	55,052,446	–
Equities	1,004,526,863	–	–	1,788,434,931	–	–
Currency Forward Contracts	–	10,621	–	–	100,862	–
Total Financial Assets	1,004,526,863	98,429,455	–	1,788,434,931	55,153,308	–
Total Financial Liabilities	–	–	–	–	–	–
Net Financial Assets and Liabilities	1,004,526,863	98,429,455	–	1,788,494,931	55,153,308	–

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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 years shown. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2022 and 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 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:

As at	Securities Loaned	Collateral Received
December 31, 2022	\$13,739,172	\$14,482,090
December 31, 2021	\$12,154,554	\$12,793,716

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

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

For the years ended	December 31, 2022	% of Gross Income	December 31, 2021	% of Gross Income
Gross securities lending income	\$127,619		\$49,192	
Withholding taxes	(13,993)	10.96%	(3,217)	6.54%
Lending Agents’ fees:				
Canadian Imperial Bank of Commerce	(45,436)	35.60%	(18,370)	37.34%
Net securities lending income paid to the ETF	\$68,190	53.43%	\$27,605	56.12%

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

8. REDEEMABLE UNITS

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

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

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

Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2022	191,854,352	11,473,802	(55,734,739)	147,593,415	169,556,216
2021	171,302,082	32,751,470	(12,199,200)	191,854,352	184,620,339

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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 0.55%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

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

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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 years ended December 31, 2022 and 2021, were as follow:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2022	\$354,509	\$26,381	\$nil
December 31, 2021	\$462,330	\$27,588	\$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.

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
\$46,482,002	–	–

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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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	10,621	–	10,621	–	–	10,621
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	100,862	–	100,862	–	–	100,862
Derivative liabilities	–	–	–	–	–	–

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.

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