



**Horizons ReSolve Adaptive Asset Allocation ETF
(HRAA:TSX)**



HORIZONS ETFs
by Mirae Asset

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Contents

MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance	5
Financial Highlights	11
Past Performance	14
Summary of Investment Portfolio	16

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

INDEPENDENT AUDITOR'S REPORT

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statements of Financial Position	22
Consolidated Statements of Comprehensive Income	23
Consolidated Statements of Changes in Financial Position	24
Consolidated Statements of Cash Flows	25
Schedule of Investments	26
Notes to Consolidated Financial Statements - ETF Specific Information	30
Notes to Consolidated Financial Statements	34

A Message from the CEO

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

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

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

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

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

In another Canadian first, in May, we launched the Horizons Copper Producers Index ETF ("**COPP**"), providing exposure to companies involved in copper ore mining, one of the most in-demand metals today. Copper is a critical component of electrical infrastructure, electric vehicles, and equipment and has an important role in helping achieve a global low-carbon energy future.

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

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

At Horizons ETFs, "Innovation is Our Capital" has long been our motto, and we believe this has allowed us to be nimble enough to adapt while anticipating investor needs. No matter what is next on your horizon, we are confident that our suite of innovative ETFs will be able to help you reach your financial goals.

As always, we thank you for your continued support and hope you're staying safe and healthy.

Sincerely,



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

MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategy

HRAA seeks long-term capital appreciation by investing, directly or indirectly, in major global asset classes including but not limited to equity indexes, fixed income indexes, interest rates, commodities and currencies.

HRAA provides exposure to major global asset classes including equity indexes, fixed income indexes, interest rates, commodities and currencies. HRAA gains exposure to these asset classes by investing in derivatives and securities. Derivative instruments may include futures contracts and forward agreements.

HRAA may invest in instruments that provide exposure to both domestic and foreign markets, including emerging markets. HRAA will also hold a large portion of its assets in cash, money market mutual funds, U.S. treasury securities, or other cash equivalents, some or all of which will serve as margin or collateral for HRAA’s investments.

As part of its investment strategies, HRAA may obtain indirect exposure to digital assets, including cryptocurrencies such as, but not limited to, bitcoin or Ether, subject to a limit of 5% of HRAA’s last determined NAV at the time of acquiring such investments. HRAA’s exposure to digital assets may be obtained by (i) investing in investment funds, including mutual

Management Discussion of Fund Performance (continued)

funds, alternative mutual funds and non-redeemable investment funds, that are subject to NI 81-102, that invest directly or indirectly in such digital assets, or (ii) using or investing in derivatives and other financial instruments, including without limitation, futures contracts, options on futures contracts, forward contracts, swap agreements or any combination of the foregoing. In accordance with its policies, HRAA may deliver portfolio assets to its futures dealers that are members of relevant futures exchanges to secure its obligations under futures contracts. HRAA's strategy aims to achieve capital appreciation over the long-term.

Please refer to the ETF's most recent prospectus for a complete description of HRAA'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 its Underlying Index, or of an applicable proxy. In cases where the Manager believes that this methodology produces a result that is not indicative of the ETF's future volatility, the risk rating may be determined by the ETF's category. Risk ratings are not intended for use as a substitute for undertaking a proper and complete suitability or financial assessment by an investment advisor.

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

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

Management Discussion of Fund Performance (continued)

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| <ul style="list-style-type: none"> • Market disruptions risk • Derivative investments • Risk that ETF shares will trade at prices other than net asset value per ETF shares • Issuer concentration risk • Leverage risk • Foreign exchange rate risk • Counterparty risk • Liquidity risk • Borrowing risk • Tax-related risks • Exchange risk • Inability to achieve investment objective • Alternative mutual funds risk • Cyber security risk • Aggressive investment technique risk • Reliance on key personnel • Distribution risk • Significant redemptions • Price limit risk • Conflicts of interest • Business and regulatory risks of alternative investment strategies • Political, economic and social risk • Securities lending risk | <ul style="list-style-type: none"> • No ownership interest • Restrictions on certain shareholders • Redemption price • Fund corporation and multi-class/series structure risk • Fluctuations in NAV and market price of the ETF shares risk • Absence of an active market for the ETF shares and lack of operating historical risk • No guaranteed return • Digital asset investment risks • Digital asset futures risk • Fixed income risk and interest rate risk • Foreign exchange and market risk • General risks of equity investments • Income trust investments risks • Commodity risk • Exchange traded funds risk • Reliance on historical data risk • Highly volatile markets • High yield bond risk and risks of lower rated investments • Call risk • Risk of difference between quoted and actionable market price • Emerging market equities risk • Short selling risk |
|--|--|

Results of Operations

For the year ended December 31st, 2022, units of the ETF returned -1.82%. This compares to a return of 17.92% for the strategy's benchmark, comprised of the S&P Risk Parity Index – 8% Target Volatility and the S&P Systematic Global Macro Index for the same period.

The ETF's strategy combines a globally diversified and risk-balanced framework – commonly known as risk parity – with proprietary quantitative models that dynamically modify market exposures in response to complex relationships and patterns that emerge from a variety of data sources. The strategy also employs a dynamic tail protection, which can be a meaningful risk management tool during abrupt market dislocations, when a long volatility exposure may be one of a few profitable alternatives.

General Market Review

2022 was shaped by major paradigm shifts affecting the economy, finance, geopolitics, with effects likely to last several years. Led by the U.S. Federal Reserve, central banks around the world have begun to unwind their balance sheets and raise interest rates to fight inflationary pressures that reached multi-decade highs. Tightening liquidity led to the heaviest capital market losses since the 2007-2009 Great Financial Crisis, with an estimated US\$30 trillion wiped out across global stocks and bonds.

Management Discussion of Fund Performance (continued)

Global equities experienced huge losses, led by double-digit declines in major U.S. equities. Sovereigns had their worst year in living memory, with the longest duration bonds falling between 20% to 40% on both sides of the Atlantic. The U.S. dollar strengthened against major peers but depreciated against some important emerging market currencies. Industrial metals fell, though precious metals proved more resilient, helped by a large rebound in December. Most energies, grains, and several soft commodities saw enormous price increases on extremely volatile trading: heating oil and gasoil practically doubled, while crude oil, reformulated blendstock for oxygenate blending, corn, milling wheat, soybeans, and sugar rose by double-digits.

The first quarter was marked by the invasion of Ukraine by Russian forces in the final week of February, marking the start of the largest conflict in Europe in decades. The U.S. and NATO allies responded with tens of billions of dollars in military and economic aid, as well as the largest sanctions in history against the Russian regime, including the freezing of approximately two-thirds of Russia's central bank assets and cutting some banks' access to the international SWIFT system.

The first few months of the war had profound impacts on commodity prices, from energies to crops such as corn, soybeans and especially wheat, as much of the fighting has taken place in a region commonly referred to as Europe's breadbasket. In addition to worsening inflation across the globe, the conflict also continues to threaten the availability of fertilizers, with huge implications for food security, especially in poorer countries.

China's zero-COVID policy was another important variable, disrupting the supply of large amounts of export goods and drastically curbing demand from one of the largest consumer markets. Following the reappointment of Xi Jinping to an unprecedented third term as president and amid growing protests across many regions, the country began to relax restrictions and reopen its borders.

Portfolio Review

The ETF experienced two very distinct periods, with strong returns between January and June, driven by the alpha portion of the strategy, offset by a challenging second half of the year for both the alpha and beta sleeves.

Energies provided the best source of positive returns for the ETF, led by long positions in gasoline, heating oil, natural gas and diesel. Despite contributing negatively in the second semester, the ETF sidestepped the huge losses experienced in these markets via tight risk controls and agile portfolio rebalancing.

Metals also contributed to the ETF's performance, stemming primarily from short exposure to copper. Silver offered opportunities for profits from both long and short positions, while long platinum also contributed.

Grains were the other meaningful positive contributor to the ETF's performance, with longs in corn, bean oil and soybeans, and short wheat.

Softs were by far the largest detractors from the ETF's performance, with losses from long coffee and cocoa, short sugar, and long and short cotton.

Bonds also detracted from the ETF's performance, primarily from long exposure to the German sovereign complex, especially the long-duration Buxl, while short 5-year Treasuries offered important offsetting gains.

Equity indices also contributed negatively to the ETF's performance, primarily from long positions in the Japanese Nikkei, French CAC40 and Dutch AEX. Profitable shorts in the S&P500 and German DAX offered a partial counterbalance.

Management Discussion of Fund Performance (continued)

Currencies detracted from the ETF's performance in the second half of 2023 from short exposure to the Japanese Yen, Australian Dollar and Swiss Franc, though active trading in the Euro and long Kiwi Dollar provided some gains.

Outlook

The Bank of Japan's decision to widen the interest rate band under its yield curve control policy in December weighed on global markets and contributed to the cancellation of an equities 'Christmas rally', increasing the opportunity cost for one of the world's largest exporters of capital and further fueling a recent dynamic referred to by some as a 'reverse currency war'. The European Central Bank warned of 'significantly' more to come after raising interest rates once again in its latest meeting, likely setting the tone for 2023.

On the geopolitical front, a successful counteroffensive by Ukrainian forces recaptured large swathes of territory while raising fears that the conflict could escalate further. Deglobalization was one of the major themes of 2022, with several events compounding towards this dynamic: the weaponization of the U.S. dollar and other precedents set by sanctions; the U.S. decision to ban exports of advanced semiconductors and the technology to produce them to China; the 'reshoring' of critical supply-chains away from would-be adversaries; and the deterioration of U.S.-Saudi relationships, in particular.

A new global order seems to be emerging, where U.S. hegemony gives way to a more fractured, multi-polar world. This would have profound implications for growth, inflation, liquidity, and by extension asset prices worldwide. It is likely that traditional stock-bond portfolios, which have thrived beyond most investors' wildest dreams in the previous regime, will face great challenges in the coming years.

Other Operating Items and Changes in Net Assets Attributable to Holders of ETF Shares

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 (\$4,889,036). This compares to \$6,596,974 for the year ended December 31, 2021. The ETF incurred management, operating and transaction expenses of \$2,603,535 (2021 – \$1,553,815) of which \$67,308 (2021 – \$79,252) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager. The ETF did not make any distributions to shareholders during the years ended December 31, 2022 and 2021.

Leverage

The aggregate market exposure of all instruments held directly or indirectly by HRAA, calculated daily on a mark-to-market basis, can exceed HRAA's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HRAA divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the years ended December 31, 2022 and 2021; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Management Discussion of Fund Performance (continued)

Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
December 31, 2022	0.82:1	2.16:1	1.80:1	180%
December 31, 2021	1.14:1	2.91:1	1.16:1	116%

Recent Developments

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

Presentation

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

Related Party Transactions

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

Manager and Investment Manager

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

Any management fees paid to the Manager (described in detail on page 13) are related party transactions, as the Manager is considered to be a related party to the ETF. The management fees are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2022 and 2021, are disclosed in the statements of financial position.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance since it effectively began operations on July 29, 2020. This information is derived from the ETF's audited annual financial statements and the current 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 Share

Year ⁽¹⁾	2022	2021	2020
Net assets, beginning of year	\$ 11.23	10.38	10.04
Increase (decrease) from operations:			
Total revenue	0.17	–	–
Total expenses	(0.25)	(0.24)	(0.11)
Realized gains (losses) for the year	(0.53)	1.26	0.17
Unrealized gains (losses) for the year	(0.12)	(0.18)	0.30
Total increase (decrease) from operations ⁽²⁾	(0.73)	0.84	0.36
Total annual distributions ⁽³⁾	–	–	–
Net assets, end of year ⁽⁴⁾	\$ 11.02	11.23	10.38

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

Financial Highlights (continued)

Ratios and Supplemental Data

Year ⁽¹⁾	2022	2021	2020
Total net asset value (000's)	\$ 114,945	73,568	72,954
Number of shares outstanding (000's)	10,428	6,553	7,026
Management expense ratio ⁽²⁾⁽⁴⁾	1.88%	1.94%	2.18%
Management expense ratio excluding proportion of expenses from underlying investment funds	1.84%	1.87%	2.13%
Management expense ratio excluding performance fees ⁽²⁾	1.00%	1.04%	1.08%
Management expense ratio excluding performance fees and proportion of expenses from underlying investment funds	1.00%	0.97%	1.03%
Management expense ratio before waivers and absorptions ⁽²⁾	1.93%	2.05%	2.20%
Trading expense ratio ⁽³⁾⁽⁴⁾	0.28%	0.35%	0.55%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.28%	0.35%	0.55%
Portfolio turnover rate ⁽⁵⁾	0.00%	0.00%	0.00%
Net asset value per share, end of year	\$ 11.02	11.23	10.38
Closing market price	\$ 11.03	11.25	10.25

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 years. 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. 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.
3. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the years.
4. The ETF's management expense ratio (MER) and trading expense ratio (TER) include and estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the years.
5. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of a year. The higher an ETF's portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

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 shareholders 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 shareholders 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 shares of the ETF; and dealing and communicating with shareholders 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 0.85%, plus applicable sales taxes, of the net asset value of the ETF's shares, 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%	88%	6%

Performance Fees

The ETF shall pay to the Manager a Performance Fee, if any, equal to 15% of the amount by which the performance of the ETF, at any date on which the Performance Fee is payable, (i) exceeds the greater of: (a) the initial net asset value per ETF Share; and (b) the highest net asset value per ETF Share previously utilized for the purposes of calculating a Performance Fee that was paid (the "High Water Mark") and (ii) is greater than an annualized return of 3%.

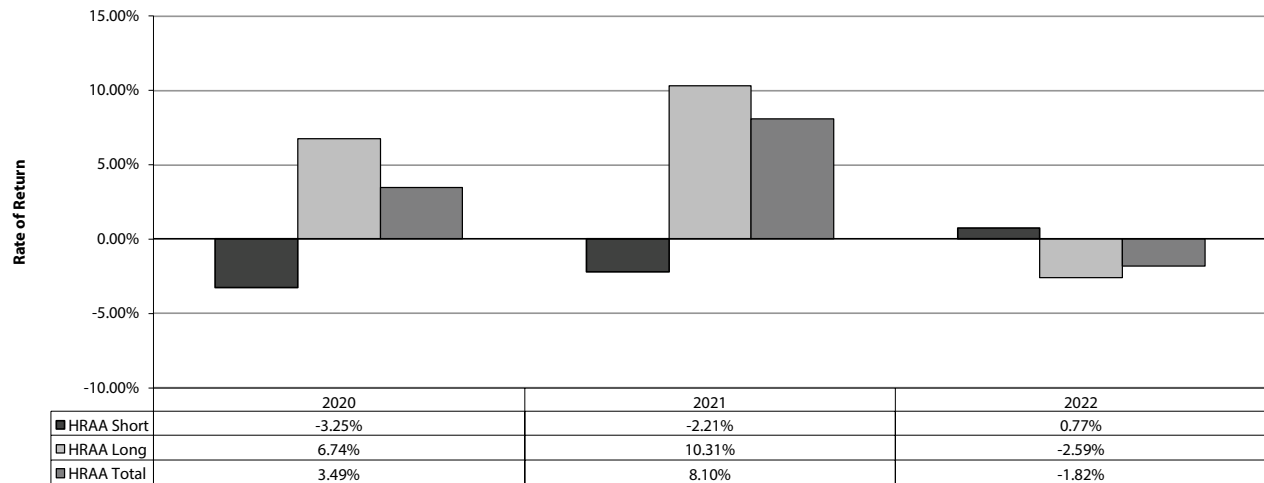
The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$1,051,188 in performance fees for the year ended December 31, 2022 (2021 - \$598,649), and is disclosed in the statement of comprehensive income. Performance fees payable to the Manager as at December 31, 2022, were \$nil (2021 - \$117,612) and are included in accrued operating expenses on the statements of financial position, where applicable.

Past Performance

Commissions, management fee, 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 share 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 shares of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional shares. The amount of the reinvested taxable distributions is added to the adjusted cost base of the shares that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

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



The ETF effectively began operations on July 29, 2020.

Past Performance (continued)

Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the period 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	Since Inception
Horizons ReSolve Adaptive Asset Allocation ETF	-1.82%	3.95%
Long	-2.59%	5.90%
Short	0.77%	-1.95%
S&P Risk Parity Index – 8% Target Volatility (34%)	-6.54%	3.13%
S&P Systematic Global Macro Index (66%)	30.51%	20.27%
Composite Index	17.92%	14.44%

The ETF effectively began operations on July 29, 2020.

Summary of Investment Portfolio

As at December 31, 2022

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Futures Contracts–Commodity Speculative*	\$ 502,071	0.44%
Futures Contracts–Currency Speculative*	40,914	0.04%
Futures Contracts–Treasury Bond Speculative*	(649,021)	-0.57%
Futures Contracts–Index Speculative*	(752,424)	-0.65%
Cash and Cash Equivalents	104,512,754	90.92%
Margin Deposits	10,359,606	9.01%
Other Assets less Liabilities	409,503	0.36%
Short Positions		
Futures Contracts–Treasury Bond Speculative*	493,653	0.43%
Futures Contracts–Commodity Speculative*	106,418	0.09%
Futures Contracts–Index Speculative*	92,680	0.08%
Futures Contracts–Currency Speculative*	(171,195)	-0.15%
	\$ 114,944,959	100.00%

*Positions in futures 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
Long Positions	
Cash and Cash Equivalents	90.92%
Sugar #11 Futures	15.68%
Milling Wheat #2 Futures	11.80%
New Zealand Dollar Currency Futures	9.86%
Euro Currency Futures	9.66%
Long Gilt Futures	6.97%
Nikkei 225 Index Futures	5.31%
Soybean Futures	3.95%
EURO STOXX® 50 Index Futures	3.72%
SPI 200 Index Futures	3.50%
Silver Futures	3.40%
CAC 40 10 Index Futures	3.18%
TOPIX Index Futures	3.06%
Corn Futures	3.04%
IBEX 35 Index Futures	2.89%
FTSE/MIB Index Futures	2.54%
Gasoline Futures	2.45%
FTSE 100 Index Futures	2.45%
Canadian 10-Year Treasury Bond Futures	2.13%
Soybean Meal Futures	2.11%
Euro-Buxl® Futures	1.88%
Euro-Bund Futures	1.68%
Low Sulphur Gas Oil Futures	1.60%
Brent Crude Futures	1.42%
Hang Seng Index Futures	1.35%

** All futures positions are speculative in nature. Positions in futures contracts are disclosed in terms of their notional exposure. Aggregate notional exposure of futures contracts equals 180.37% of the ETF's NAV.

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

These financial statements have been approved by the Board of Directors of the Manager and by the Board of Directors of Horizons ETF Corp., and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of shareholders. 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 Shareholders of Horizons ReSolve Adaptive Asset Allocation ETF (the "ETF")

Opinion

We have audited the consolidated financial statements of the ETF, which comprise the consolidated statements of financial position as at December 31, 2022 and December 31, 2021, the consolidated statements of comprehensive income, changes in financial position and cash flows for the years then ended, and notes to the consolidated 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 consolidated financial position of the ETF as at December 31, 2022 and December 31, 2021, and its consolidated financial performance and its consolidated 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

Consolidated Statements of Financial Position

As at December 31,

	2022	2021
Assets		
Cash and cash equivalents	\$ 104,512,754	\$ 62,821,538
Margin deposits (note 12)	10,359,606	10,433,022
Amounts receivable relating to accrued income	510,407	–
Derivative assets (note 3)	1,713,443	1,027,625
Total assets	117,096,210	74,282,185
Liabilities		
Accrued management fees	97,649	60,471
Accrued operating expenses	3,255	123,298
Derivative liabilities (note 3)	2,050,347	530,434
Total liabilities	2,151,251	714,203
Total net assets	\$ 114,944,959	\$ 73,567,982
Number of redeemable shares outstanding (note 9)	10,428,129	6,553,129
Total net assets per share	\$ 11.02	\$ 11.23

(See accompanying notes to financial statements)



 Jasmit Bhandal
 Director



 Kevin S. Beatson
 Director

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

Consolidated Statements of Comprehensive Income

For the Years Ended December 31,

	2022	2021
Income		
Dividend income	\$ –	\$ (22)
Interest income for distribution purposes	1,762,563	8
Securities lending income (note 7)	14,814	17,671
Net realized gain (loss) on sale of investments and derivatives	(6,170,331)	7,645,492
Net realized gain (loss) on foreign exchange	730,782	49,440
Net change in unrealized depreciation of investments and derivatives	(835,586)	(1,450,262)
Net change in unrealized appreciation of foreign exchange	(391,278)	334,647
	(4,889,036)	6,596,974
Expenses (note 10)		
Management fees	1,114,668	622,351
Performance fees	1,051,188	598,649
Audit fees	13,503	17,870
Independent Review Committee fees	447	912
Custodial and fund valuation fees	38,121	31,127
Legal fees	2,460	8,166
Securityholder reporting costs	14,107	12,327
Administration fees	22,580	22,944
Transaction costs	339,288	231,432
Withholding taxes	–	(1,290)
Other expenses	7,173	9,327
	2,603,535	1,553,815
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(67,308)	(79,252)
	2,536,227	1,474,563
Increase (decrease) in net assets for the year	\$ (7,425,263)	\$ 5,122,411
Increase (decrease) in net assets per share	\$ (0.73)	\$ 0.84

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position

For the Years Ended December 31,

	2022		2021	
Total net assets at the beginning of the year	\$	73,567,982	\$	72,953,722
Increase (decrease) in net assets		(7,425,263)		5,122,411
Redeemable share transactions				
Proceeds from the issuance of securities of the investment fund		87,421,338		17,954,399
Aggregate amounts paid on redemption of securities of the investment fund		(38,619,098)		(22,462,550)
Total net assets at the end of the year	\$	114,944,959	\$	73,567,982

(See accompanying notes to financial statements)

Consolidated 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	\$ (7,425,263)	\$ 5,122,411
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	6,170,331	(7,645,492)
Net realized gain (loss) on currency forward contracts	38,962	(1,150)
Net change in unrealized depreciation of investments and derivatives	835,586	1,450,262
Net change in unrealized appreciation of foreign exchange	391,278	(77)
Purchase of investments	295	251
Proceeds from the sale of investments	(6,211,078)	7,644,885
Margin deposits	73,415	(254,868)
Amounts receivable relating to accrued income	(510,407)	–
Accrued expenses	(82,865)	(189,865)
Net cash from (used in) operating activities	(6,719,746)	6,126,357
Cash flows from financing activities:		
Amount received from the issuance of shares	87,421,338	17,954,399
Amount paid on redemptions of shares	(38,619,098)	(22,462,550)
Net cash from (used in) financing activities	48,802,240	(4,508,151)
Net increase (decrease) in cash and cash equivalents during the year	42,082,494	1,618,206
Effect of exchange rate fluctuations on cash and cash equivalents	(391,278)	77
Cash and cash equivalents at beginning of year	62,821,538	61,203,255
Cash and cash equivalents at end of year	\$ 104,512,754	\$ 62,821,538
Interest received, net of withholding taxes	\$ 1,252,156	\$ 8
Dividends received, net of withholding taxes	\$ –	\$ 1,268

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2022

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (-0.29%)			
Commodity Futures (0.53%)			
Long Positions (0.44%)			
Brent Crude Futures March 2023 at US\$85.91. Notional Value US\$1,202,740	14	\$ -	\$ 47,268
Coffee 'C' Futures March 2023 at US\$167.30. Notional Value US\$62,738	1	-	(2,539)
Corn Futures March 2023 at US\$678.50. Notional Value US\$2,578,300	76	-	151,326
Crude Oil Futures January 2023 at US\$80.26. Notional Value US\$963,120	12	-	13,581
Gasoline Futures February 2023 at US\$247.83. Notional Value US\$2,081,772	20	-	243,094
Low Sulphur Gas Oil Futures February 2023 at US\$906.00. Notional Value US\$1,359,000	15	-	(40,959)
Milling Wheat #2 Futures March 2023 at EUR€309.25. Notional Value EUR€9,354,812	605	-	(136,261)
NY Harbor ULSD Futures February 2023 at US\$329.50. Notional Value US\$553,560	4	-	24,721
Silver Futures March 2023 at US\$24.04. Notional Value US\$2,884,800	24	-	7,786
Soybean Futures March 2023 at US\$1,524.00. Notional Value US\$3,352,800	44	-	79,040
Soybean Meal Futures March 2023 at US\$471.00. Notional Value US\$1,789,800	38	-	88,673
Sugar #11 Futures March 2023 at US\$20.04. Notional Value US\$13,309,766	593	-	26,341
		-	502,071
Short Positions (0.09%)			
Cocoa Futures March 2023 at US\$2,600.00. Notional Value (US\$936,000)	(36)	-	(5,876)
Copper Futures March 2023 at US\$381.05. Notional Value (US\$762,100)	(8)	-	5,754
Cotton Futures March 2023 at US\$83.37. Notional Value (US\$458,535)	(11)	-	1,110
EUA Futures December 2023 at EUR€83.97. Notional Value (EUR€923,670)	(11)	-	91,804
Gold 100oz. Futures February 2023 at US\$1,826.20. Notional Value (US\$1,095,720)	(6)	-	(7,298)
Hard Red Winter Wheat Futures March 2023 at US\$888.00. Notional Value (US\$1,287,600)	(29)	-	(32,394)

Schedule of Investments (continued)

As at December 31, 2022

Security	Contracts	Average Cost	Fair Value
Natural Gas Futures February 2023 at US\$4.47. Notional Value (US\$1,163,500)	(26)	–	201,123
Platinum Futures April 2023 at US\$1,082.90. Notional Value (US\$866,320)	(16)	–	(83,609)
Soybean Oil Futures March 2023 at US\$64.07. Notional Value (US\$1,114,818)	(29)	–	21,935
Wheat Futures March 2023 at US\$792.00. Notional Value (US\$2,574,000)	(65)	–	(86,131)
		–	106,418
Currency Futures (-0.11%)			
Long Positions (0.04%)			
Canadian Dollar Currency Futures March 2023 at US\$73.92. Notional Value US\$739,200	10	–	4,021
Euro Currency Futures March 2023 at US\$1.08. Notional Value US\$8,199,925	61	–	78,887
New Zealand Dollar Currency Futures March 2023 at US\$63.44. Notional Value US\$8,374,080	132	–	(41,994)
		–	40,914
Short Positions (-0.15%)			
Australian Dollar Currency Futures March 2023 at US\$68.28. Notional Value (US\$5,531,085)	(81)	–	(38,512)
British Pound Currency Futures March 2023 at US\$120.84. Notional Value (US\$4,531,500)	(60)	–	(6,101)
Japanese Yen Currency Futures March 2023 at US\$77.07. Notional Value (US\$3,275,475)	(34)	–	(93,426)
Swiss Franc Currency Futures March 2023 at US\$109.02. Notional Value (US\$8,176,500)	(60)	–	(33,156)
		–	(171,195)
Treasury Bond Futures (-0.14%)			
Long Positions (-0.57%)			
Canadian 10-Year Treasury Bond Futures March 2023 at C\$122.55. Notional Value C\$2,451,000	20	–	(27,340)
Euro-Bund Futures March 2023 at EUR€132.93. Notional Value EUR€1,329,300	10	–	(135,388)
Euro-Buxl® Futures March 2023 at EUR€135.24. Notional Value EUR€1,487,640	11	–	(147,142)
Euro-OAT Futures March 2023 at EUR€127.30. Notional Value EUR€636,500	5	–	(56,338)
Long Gilt Futures March 2023			

Schedule of Investments (continued)

As at December 31, 2022

Security	Contracts	Average Cost	Fair Value
at GB£99.90. Notional Value GB£4,895,100	49	–	(239,612)
U.S. 30-Year Treasury Bond Futures March 2023			
at US\$125.34. Notional Value US\$877,406	7	–	(43,201)
		–	(649,021)
Short Positions (0.43%)			
Euro-BOBL March 2023			
at EUR€115.75. Notional Value (EUR€10,417,500)	(90)	–	426,048
U.S. 10-Year Treasury Bond Futures March 2023			
at US\$112.30. Notional Value (US\$2,358,234)	(21)	–	6,284
U.S. 5-Year Treasury Bond Futures March 2023			
at US\$107.93. Notional Value (US\$5,720,273)	(53)	–	61,321
		–	493,653
Index Futures (-0.57%)			
Long Positions (-0.65%)			
Amsterdam Exchanges Index Futures January 2023			
at EUR€689.65. Notional Value EUR€551,720	4	–	(11,189)
CAC 40 10 Index Futures January 2023			
at EUR€6,470.50. Notional Value EUR€2,523,495	39	–	(27,756)
DAX® Index Futures March 2023			
at EUR€13,988.00. Notional Value EUR€699,400	2	–	(5,943)
EURO STOXX® 50 Index Futures March 2023			
at EUR€3,785.00. Notional Value EUR€2,952,300	78	–	(170,137)
FTSE 100 Index Futures March 2023			
at GB£7,466.00. Notional Value GB£1,717,180	23	–	(11,859)
FTSE China A50 Index Futures January 2023			
at US\$13,084.00. Notional Value US\$785,040	60	–	16,928
FTSE/MIB Index Futures March 2023			
at EUR€23,708.00. Notional Value EUR€2,015,180	17	–	(22,096)
Hang Seng Index Futures January 2023			
at HK\$19,915.00. Notional Value HK\$8,961,750	9	–	19,385
IBEX 35 Index Futures January 2023			
at EUR€8,194.30. Notional Value EUR€2,294,404	28	–	(30,750)
Nikkei 225 Index Futures March 2023			
at US\$25,770.00. Notional Value US\$4,509,750	35	–	(440,321)
S&P 500 E-Mini Index Futures March 2023			
at US\$3,861.00. Notional Value US\$772,200	4	–	4,333
SPI 200 Index Futures March 2023			
at AU\$6,992.00. Notional Value AU\$4,370,000	25	–	(27,057)
TOPIX Index Futures March 2023			
at JPY¥1,891.50. Notional Value JPY¥340,470,000	18	–	(45,962)

Schedule of Investments (continued)

As at December 31, 2022

Security	Contracts	Average Cost	Fair Value
		–	(752,424)
Short Positions (0.08%)			
NASDAQ 100 E-mini Index Futures March 2023 at US\$11,022.25. Notional Value (US\$3,306,675)	(15)	–	29,998
S&P/TSX 60 Index Futures March 2023 at C\$1,169.90. Notional Value (C\$1,871,840)	(8)	–	62,682
		–	92,680
TOTAL DERIVATIVES		–	(336,904)
TOTAL LONG POSITION		–	(858,460)
TOTAL SHORT POSITION		–	521,556
TOTAL INVESTMENT PORTFOLIO (-0.29%)		\$ –	\$ (336,904)
Cash and cash equivalents (90.92%)			104,512,754
Margin deposits (9.01%)			10,359,606
Other assets less liabilities (0.36%)			409,503
TOTAL NET ASSETS (100.00%)			\$ 114,944,959

(See accompanying notes to financial statements)

Notes to Consolidated Financial Statements - ETF Specific Information

For the Years Ended December 31, 2022 and 2021

A. ETF INFORMATION (NOTE 1)

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

ETF Name	TSX Ticker(s)	Reporting Currency	Effective Start of Operations
Horizons ReSolve Adaptive Asset Allocation ETF	HRAA	CAD	July 29, 2020

Investment Objective

HRAA seeks long-term capital appreciation by investing, directly or indirectly, in major global asset classes including but not limited to equity indexes, fixed income indexes, interest rates, commodities and currencies.

B. FINANCIAL INSTRUMENTS RISK (NOTE 5)

(a) Market risks

(i) *Currency risk*

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

December 31, 2022	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Australian Dollar	(54)	-	(54)	(1)
British Pound	(89)	-	(89)	(1)
Euro Currency	(418)	-	(418)	(4)
Hong Kong Dollar	35	-	35	-
Japanese Yen	(105)	-	(105)	-
U.S. Dollar	93	-	93	1
Total	(538)	-	(538)	(5)
As % of Net Asset Value	-0.5%	0.0%	-0.5%	0.0%

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

For the Years Ended December 31, 2022 and 2021

December 31, 2021	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Australian Dollar	5	-	5	-
British Pound	(37)	-	(37)	-
Euro Currency	(120)	-	(120)	(1)
Hong Kong Dollar	(19)	-	(19)	-
U.S. Dollar	(89)	-	(89)	(1)
Total	(260)	-	(260)	(2)
As % of Net Asset Value	-0.4%	0.0%	-0.4%	0.0%

(ii) Interest rate risk

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

(iii) Market price risk

The table below shows the estimated impact on the ETF of a 1% increase or decrease in the 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.

Comparative Index	December 31, 2022	December 31, 2021
S&P Global Low Volatility Index	\$419,003	\$350,168

(b) Credit risk

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

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

For the Years Ended December 31, 2022 and 2021

C. FAIR VALUE MEASUREMENT (NOTE 6)

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						
Futures	1,713,443	–	–	1,027,625	–	–
Total Financial Assets	1,713,443	–	–	1,027,625	–	–
Financial Liabilities						
Futures	(2,050,347)	–	–	(530,434)	–	–
Total Financial Liabilities	(2,050,347)	–	–	(530,434)	–	–
Net Financial Assets and Liabilities	(336,904)	–	–	497,191	–	–

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.

D. SECURITIES LENDING (NOTE 7)

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	\$48,570,854	\$51,042,190
December 31, 2021	–	–

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the 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	\$24,687		\$29,451	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(9,873)	40.00%	(11,780)	40.00%
Net securities lending income paid to the ETF	\$14,814	60.00%	\$17,671	60.00%

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

For the Years Ended December 31, 2022 and 2021

E. REDEEMABLE SHARES (NOTE 8)

For the years ended December 31, 2022 and 2021, the number of ETF Shares issued by subscription, the number of ETF Shares redeemed, the total and average number of ETF Shares outstanding was as follows:

Year	Beginning Shares Outstanding	Shares Issued	Shares Redeemed	Ending Shares Outstanding	Average Shares Outstanding
2022	6,553,129	7,275,000	(3,400,000)	10,428,129	10,243,608
2021	7,025,901	1,602,228	(2,075,000)	6,553,129	6,094,839

F. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS (NOTE 10)

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	\$2,090	\$nil	\$nil
December 31, 2021	\$214,543	\$nil	\$nil

G. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 13)

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

H. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (NOTE 14)

As at December 31, 2022, and 2021, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee Fund as at December 31, 2021	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	4.00%	\$60,855,000

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2022 and 2021

1. REPORTING ENTITY

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

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

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

Investment Objective

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

2. BASIS OF PREPARATION

(i) Statement of compliance

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

These financial statements were authorized for issue on March 10, 2023, by the Board of Directors of the Company.

(ii) Basis of measurement

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

Notes to Consolidated 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 payment of principal and interest, and business model tests.

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

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

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

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

(ii) Fair value measurement

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

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

Notes to Consolidated 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 shareholders.

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

(iii) Offsetting

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

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

(iv) Specific instruments

Cash

Cash consists of cash on deposit.

Redeemable shares

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

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

Futures contracts

Futures contracts are valued at the current market value thereof on the Valuation Date. The value of these futures 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 futures contracts are closed out or mature, realized gains or losses on futures contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

Derivative agreements

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

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

(b) Investment income

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

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

Income from securities lending, if any, is included in “Securities lending income” on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 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, if any, are translated into the ETF’s reporting currency using the exchange rate prevailing on the trade date. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated at the year-end exchange rate. Foreign exchange gains and losses, if any, are presented as “Net realized gain (loss) on foreign exchange”, except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within “Net realized gain (loss) on sale of investments and derivatives” and “Net change in unrealized appreciation (depreciation) of investments and derivatives” in the statements of comprehensive income.

(d) Cost basis

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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

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

(f) Shareholder transactions

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

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

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

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risks

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

(i) *Currency risk*

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

(ii) *Interest rate risk*

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

(iii) *Market price risk*

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

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

(b) Credit risk

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

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

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102").

(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

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

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

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

7. SECURITIES LENDING

In order to generate additional returns, the ETF is authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with NI 81-102. Under a securities lending agreement, the borrower must pay the ETF a negotiated securities lending fee, provide compensation to the ETF equal to any distributions received by the borrower on the securities borrowed, and the ETF must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the ETF may be exposed to the risk of loss should a

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. Revenue, if any, earned on securities lending transactions during the period is disclosed in the ETF's statements of comprehensive income.

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

8. LEVERAGE

The aggregate market exposure of all instruments held directly or indirectly by HRAA, calculated daily on a mark-to-market basis, can exceed HRAA's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HRAA divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the years ended December 31, 2022 and 2021; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
December 31, 2022	0.82:1	2.16:1	1.80:1	180%
December 31, 2021	1.14:1	2.91:1	1.16:1	116%

9. REDEEMABLE SHARES

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

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

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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

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

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

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

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

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

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 shareholders 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 shareholders 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 shares of the ETF; and dealing and communicating with shareholders 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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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 0.85%, plus applicable sales taxes, of the net asset value of the ETF's shares, 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%	88%	6%

Performance Fees

The ETF shall pay to the Manager a Performance Fee, if any, equal to 15% of the amount by which the performance of the ETF, at any date on which the Performance Fee is payable, (i) exceeds the greater of: (a) the initial net asset value per ETF Share; and (b) the highest net asset value per ETF Share previously utilized for the purposes of calculating a Performance Fee that was paid (the "High Water Mark") and (ii) is greater than an annualized return of 3%.

The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$1,051,188 in performance fees for the year ended December 31, 2022 (2021 - \$598,649), and is disclosed in the statement of comprehensive income. Performance fees payable to the Manager as at December 31, 2022, were \$nil (2021 - \$117,612) and are included in accrued operating expenses on the statements of financial position, where applicable.

11. 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.

In addition to the information contained in note F of the ETF-specific notes information, 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. The management fees payable by the ETF as at December 31, 2022 and 2021, are disclosed in the statements of financial position.

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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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.

12. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

The ETF may maintain accounts with Futures Commission Merchants ("FCMs") to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the ETF held at the FCMs. Collateral held with FCMs is included as part of "Margin deposits" in the statements of financial position. The collateral held with FCMs as at December 31, 2022 and 2021 is as follows:

As at	Collateral Held With FCMs
December 31, 2022	\$10,359,606
December 31, 2021	\$10,433,022

13. INCOME TAX

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

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

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

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

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

14. TAX LOSSES CARRIED FORWARD

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

As at December 31, 2022, the Company and its wholly-owned entities had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$1,326,394,679	\$126,121	2028
	\$1,961,149	2029
	\$5,668,871	2030
	\$3,237,571	2031
	\$3,138,653	2032
	\$153,021,428	2033
	\$230,454,838	2034
	\$447,405,094	2035
	\$74,326,117	2036
	\$266,066,173	2037
	\$118,767,474	2038
	\$191,271,535	2039
	\$1,379,820,461	2040

15. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. Amounts eligible for offset, if any, are disclosed in note G of the ETF-specific notes information.

16. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in shares or 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 share or units to investors.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2022 and 2021

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, listed in the schedule of investments, and further detailed in note H of the ETF-specific notes information.

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