



Horizons Carbon Credits ETF
(CARB:TSX)



HORIZONS ETFs
by Mirae Asset

Innovation is our capital. Make it yours.
www.HorizonsETFs.com

THIS PAGE IS INTENTIONALLY LEFT BLANK

Contents

MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance	7
Financial Highlights	11
Past Performance	14
Summary of Investment Portfolio	15

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

16

FINANCIAL STATEMENTS

Statements of Financial Position	17
Statements of Comprehensive Income	18
Statements of Changes in Financial Position	19
Statements of Cash Flows	20
Schedule of Investments	21
Notes to Financial Statements - ETF Specific Information	22
Notes to Financial Statements	26

THIS PAGE IS INTENTIONALLY LEFT BLANK

A Message from the CEO

Halfway into 2023, I am proud to highlight the successes that Horizons ETFs has achieved so far, within our business and for our investors. Throughout this year and beyond, Horizons ETFs is committed to helping Canadians navigate and harness the emerging trends shaping markets while delivering exceptional investment solutions and client experiences.

While global uncertainty and economic pressures have resulted in market volatility, Canada's ETF industry continues to grow. As at June 30, 2023, Canada's ETF industry has accumulated more than \$19 billion in year-to-date inflows.

At Horizons ETFs, our assets under management swelled from approximately \$23 billion at the end of 2022 to nearly \$26 billion as at June 30, 2023. We continue to solidify our position as one of Canada's leading ETF providers, with more than \$2 billion in ETF inflows this year – the highest dollar amount of inflows among the five largest ETF providers by assets under management.

We are also committed to continuing our longstanding commitment to bringing innovative ETFs to market. On April 12, 2023, we launched Canada's first ETFs that provide exclusive exposure to Canadian and U.S. 0-3 month Treasury Bills ("T-Bills"), respectively the Horizons 0-3 Month T-Bill ETF ("**CBIL**") and the Horizons 0-3 Month U.S. T-Bill ETF ("**UBIL.U**"). Recent economic uncertainty has spurred investor demand for "cash alternative" strategies that can provide the relative safety of traditional savings vehicles while generating income that outpaces inflation. With more than \$500 million in assets under management in these two funds, we are proud to have delivered ETF products resonating with so many Canadian investors.

In the coming months, we intend to launch several new and novel ETFs, offering investors more opportunities to gain and tailor their exposure to asset classes that we consider "Equity Essentials". We look forward to sharing more news on these exciting products, soon. 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.

At Horizons ETFs, we go beyond the ordinary asset management model by embracing innovation in everything that we do. From our roots as one of Canada's first ETF providers to our proud legacy of launching first-of-their-kind investment products, we are driven by boldness, vision, and a commitment to exceptional quality.

Thank you for your continued support as we work toward advancing the asset management industry toward a brighter horizon for all investors.

Sincerely,



Rohit Mehta
President & CEO of Horizons ETFs Management (Canada) Inc.

THIS PAGE IS INTENTIONALLY LEFT BLANK

MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

CARB seeks to replicate, to the extent possible and net of expenses, the performance of an index that seeks to provide exposure to investments in cap-and-trade carbon allowances. Currently, the ETF seeks to replicate the performance of the Horizons Carbon Credits Rolling Futures Index (Excess Return) (the “Underlying Index”, Bloomberg ticker: CARBCNER), net of expenses. CARB seeks to hedge any non-Canadian dollar portfolio exposure back to the Canadian dollar at all times. As a result, the returns of the ETF may differ from those of its Underlying Index, which does not include currency hedging.

In order to achieve its investment objective, the ETF may invest all or a portion of its portfolio in interest bearing accounts, T-Bills and/or other financial instruments, including without limitation, futures contracts, options on futures contracts, forward contracts, swap agreements (“Swaps”), options on indices, money market instruments or any combination of the foregoing (referred to as “Carbon Credit-Exposed Instruments”) that have similar return characteristics as the performance of the Underlying Index or certain Carbon Credit Futures selected by the Manager, provided that the use of such financial instruments is in compliance with NI 81-102 and is consistent with the investment objective of the ETF. Assets not invested in financial instruments may be invested in cash or cash equivalents, or reverse repurchase agreements with a term not to exceed 30 days. The ETF does not invest directly in physical carbon allowances/carbon credits.

Management Discussion of Fund Performance (continued)

About the Underlying Index

The Horizons Carbon Credits Rolling Futures Index (Excess Return) is a proprietary index provided by the Manager and is designed to measure the performance of liquid carbon credit futures contracts listed on globally recognized developed market exchanges (the “Carbon Credit Futures”). The Underlying Index will hold a notional position of Carbon Credit Futures. It is initially comprised of, and calculated based on the daily returns of the settlement price of European Union Allowance (“EUA”) emission futures contracts as determined by the Manager. The settlement prices are generally determined at 11:15 am (EST).

Please refer to the ETF’s most recent prospectus for a complete description of CARB’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: high.

Risk ratings are determined based on the historical volatility of the ETF as measured by the standard deviation of its performance against its mean. The risk categorization of the ETF may change over time and historical volatility is not indicative of future volatility. Generally, a risk rating is assigned to the ETF based on a rolling 10-year standard deviation of its returns, the return of 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.sedarplus.ca, 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)

- | | |
|---|--|
| <ul style="list-style-type: none"> • Market disruptions risk • Counterparty risk • Liquidity risk • Borrowing risk • Exchange risk • Cyber security risk • Aggressive investment technique risk • Price limit risk • Conflicts of interest • Fund corporation and multi-class/series structure risk • Risk of suspended subscriptions • No assurance of meeting investment objective • Carbon risk • Carbon credit futures market is volatile and subject to market speculation • Carbon credit futures risk • Contango or backwardation risk • Market price vs. futures risk • Trading in derivatives is highly leveraged • Price volatility risk | <ul style="list-style-type: none"> • Exchange rate risk • Currency price fluctuation risk • No rights in respect of carbon credit futures included in the underlying index • Limited history of underlying index • Corresponding net asset value risk • Underlying index correlation risk • Tracking error risk • Market risk • Regulatory risk • Tax risk • Share consolidation and share split risk • Reliance on the manager • Designated broker/dealer risk • ETF shares may trade at prices other than net asset value • Changes to the underlying index • Foreign exchange risk • Absence of an active market for the ETF shares and lack of operating history risk |
|---|--|

Results of Operations

For the period ended June 30, 2023, units of the ETF returned 7.24%, when including distributions paid to unitholders. By comparison, the Horizons Carbon Credits Rolling Futures Index ER (“Underlying Index”) returned 6.09% for the same period.

The Underlying Index is a proprietary index provided by the Manager and is designed to measure the performance of liquid carbon credit futures contracts listed on globally recognized developed market exchanges. The Underlying Index is currently comprised of, and calculated based on the daily returns of the settlement price of European Union Allowance (“EUA”) emission futures contracts.

Horizons Management and the ETF are agnostic as to their impact on global equity, fixed income, currency and commodity markets generally, and on the carbon credit futures market specifically. They are only of concern to the ETF in so much as there is some minimal risk that could affect its ability to meet its investment objective. Please refer to the risk factors section in the ETF’s prospectus for more detailed information.

Horizons Management does not endeavour to predict market direction, changes that may occur in global fiscal and monetary policies, the effect of additional geopolitical concerns or other unforeseen crises.

Management Discussion of Fund Performance (continued)

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

For the six-month period ended June 30, 2023, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$529,600. This compares to \$89,963 for the period from when the ETF effectively began operations on February 9, 2022 to June 30, 2022. The ETF incurred management, operating and transaction expenses of \$98,180 (2022 - \$42,242) of which \$61,683 (2022 - \$19,311) 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 periods ended June 30, 2023 and 2022.

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 June 30, 2023 and December 31, 2022, are disclosed in the statements of financial position.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the current interim reporting period and since it effectively began operations on February 9, 2022. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Share

Period ⁽¹⁾	2023	2022
Net assets, beginning of period	\$ 9.00	–
Increase (decrease) from operations:		
Total revenue	0.15	0.13
Total expenses	(0.05)	(0.08)
Realized gains (losses) for the period	0.07	(1.49)
Unrealized gains for the period	0.50	0.50
Total increase (decrease) from operations ⁽²⁾	0.67	(0.94)
Total distributions ⁽³⁾	–	–
Net assets, end of period ⁽⁴⁾	\$ 9.65	9.00

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

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2023	2022
Total net asset value (000's)	\$ 6,998	6,750
Number of units outstanding (000's)	725	750
Management expense ratio ⁽²⁾⁽⁵⁾	0.93%	0.94%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.90%	0.89%
Management expense ratio before waivers and absorptions ⁽²⁾	2.71%	1.84%
Trading expense ratio ⁽³⁾⁽⁴⁾	0.14%	0.15%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.14%	0.15%
Portfolio turnover rate ⁽⁵⁾	97.79%	38.54%
Net asset value per unit, end of period	\$ 9.65	9.00
Closing market price	\$ 9.78	8.88

1. This information is provided as at June 30, 2023 and 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 periods. 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 periods.
4. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year/period. Any management fees rebated for the purpose of avoiding duplication of fees are deducted from the ETF's total expenses.
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 0.75%, plus applicable sales taxes, of the net asset value of the ETF's shares, calculated and accrued daily and payable monthly in arrears.

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

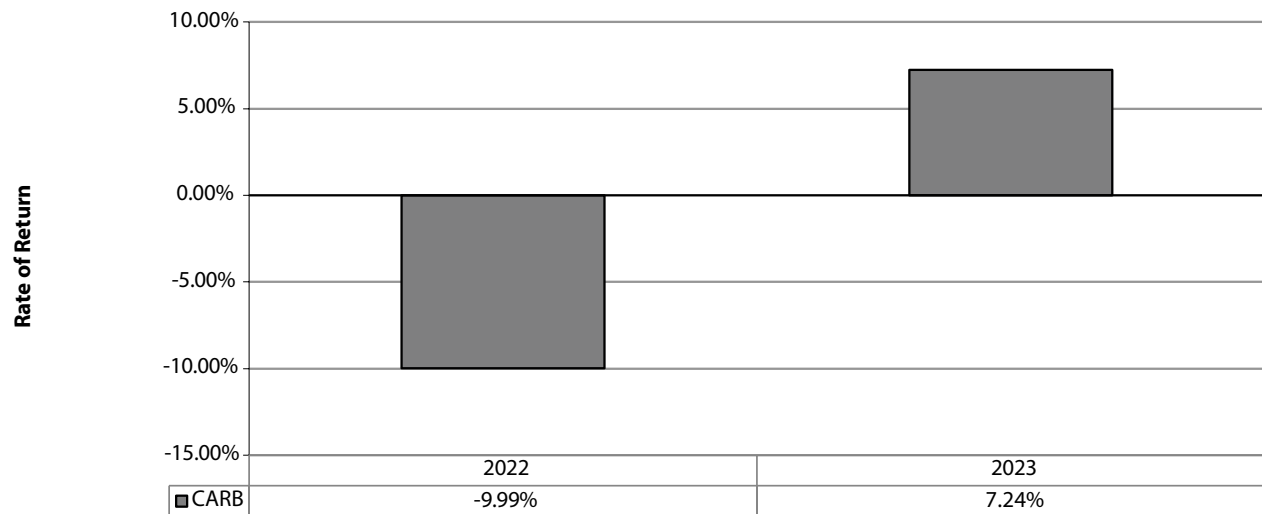
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

Past Performance

Commissions, management 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 February 9, 2022.

Summary of Investment Portfolio

As at June 30, 2023

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Futures Contracts–Interest Rate Hedge*	705,133	10.07%
Currency Forward Hedge*	(3,536)	-0.05%
Cash and Cash Equivalents	5,161,414	73.76%
Margin Deposits	1,123,239	16.05%
Other Assets less Liabilities	11,631	0.17%
	\$ 6,997,881	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Futures Contracts–Interest Rate Hedge*	705,133	10.07%
Currency Forward Hedge*	(3,536)	-0.05%
Cash and Cash Equivalents	5,161,414	73.76%
Margin Deposits	1,123,239	16.05%
Other Assets less Liabilities	11,631	0.17%
	\$ 6,997,881	100.00%

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

Top Holdings	% of ETF's Net Asset Value
EUA Futures**	10.07%
Cash and Cash Equivalents	73.76%

** 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 99.37% 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.sedarplus.ca.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements ("financial statements") of Horizons Carbon Credits 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.



Rohit Mehta
Director
Horizons ETFs Management (Canada) Inc.



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO SHAREHOLDERS

The Auditor of the ETF has not reviewed these Financial Statements.

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

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

Statements of Financial Position (unaudited)

As at June 30, 2023, and December 31, 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 5,161,414	\$ 4,377,163
Margin deposits (note 11)	1,123,239	2,037,816
Amounts receivable relating to accrued income	16,254	15,286
Amounts receivable related to underlying investment fund's fee rebates	400	–
Derivative assets (note 3)	707,259	336,679
Total assets	7,008,566	6,766,944
Liabilities		
Accrued management fees	4,729	4,887
Accrued operating expenses	294	930
Derivative liabilities (note 3)	5,662	10,782
Total liabilities	10,685	16,599
Total net assets	\$ 6,997,881	\$ 6,750,345
Number of redeemable units outstanding (note 8)	725,000	750,000
Total net assets per unit	\$ 9.65	\$ 9.00

(See accompanying notes to financial statements)

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



 Rohit Mehta
 Director



 Jasmit Bhandal
 Director

Statements of Comprehensive Income (unaudited)

 For the Period from Inception on February 7, 2022 to June 30, 2022 and
 For the Period Ended June 30, 2023

	2023	2022
Income		
Dividend income	\$ 970	\$ –
Interest income for distribution purposes	106,095	12,506
Management fees reimbursements (note 9)	980	–
Net realized gain (loss) on sale of investments and derivatives	35,223	(43,206)
Net realized gain on foreign exchange	16,121	2,693
Net change in unrealized appreciation of investments and derivatives	375,568	114,978
Net change in unrealized appreciation (depreciation) of foreign exchange	(5,357)	2,992
	529,600	89,963
Expenses (note 9)		
Management fees	29,629	18,873
Audit fees	14,497	1,071
Independent Review Committee fees	127	–
Custodial and fund valuation fees	13,984	10,288
Legal fees	11,300	172
Securityholder reporting costs	6,432	5,994
Administration fees	17,187	2,830
Transaction costs	4,994	3,014
Other expenses	30	–
	98,180	42,242
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(61,683)	(19,311)
	36,497	22,931
Increase in net assets for the period	\$ 493,103	\$ 67,032
Increase in net assets per unit	\$ 0.67	\$ 0.11

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

	2023		2022	
Total net assets at the beginning of the period	\$	6,750,345	\$	–
Increase in net assets		493,103		67,032
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		–		9,173,859
Aggregate amounts paid on redemption of securities of the investment fund		(245,567)		(1,771,561)
Total net assets at the end of the period	\$	6,997,881	\$	7,469,330

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

 For the Period from Inception on February 7, 2022 to June 30, 2022 and
 For the Period Ended June 30, 2023

	2023	2022
Cash flows from operating activities:		
Increase in net assets for the period	\$ 493,103	\$ 67,032
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(35,223)	43,206
Net realized loss on currency forward contracts	(22,920)	(26,024)
Net change in unrealized appreciation of investments and derivatives	(375,568)	(114,978)
Net change in unrealized (appreciation) depreciation of foreign exchange	5,357	(3,142)
Purchase of investments	215	(448,572)
Proceeds from the sale of investments	57,796	296,911
Margin deposits	914,577	(1,240,380)
Amounts receivable relating to accrued income	(968)	(4,316)
Other receivables	(400)	–
Accrued expenses	(794)	5,509
Net cash from (used in) operating activities	1,035,175	(1,424,754)
Cash flows from financing activities:		
Amount received from the issuance of units	–	9,173,859
Amount paid on redemptions of units	(245,567)	(1,771,561)
Net cash from (used in) financing activities	(245,567)	7,402,298
Net increase in cash and cash equivalents during the period	789,608	5,977,544
Effect of exchange rate fluctuations on cash and cash equivalents	(5,357)	3,142
Cash and cash equivalents at beginning of period	4,377,163	–
Cash and cash equivalents at end of period	\$ 5,161,414	\$ 5,980,686
Interest received, net of withholding taxes	\$ 106,097	\$ 8,190

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2023

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (10.02%)			
Commodity Futures (10.07%)			
Long Positions (10.07%)			
EUA Futures December 2023 at EUR€89.08. Notional Value EUR€4,810,320	54	\$ –	\$ 705,133
Currency Forwards (-0.05%)			
Currency forward contract to buy EUR€465,000 for C\$671,301 maturing August 8, 2023		–	1,730
Currency forward contract to buy C\$1,355,270 for EUR€940,000 maturing August 8, 2023		–	(5,266)
		–	(3,536)
TOTAL DERIVATIVES		–	701,597
Transaction Costs		(215)	
TOTAL INVESTMENT PORTFOLIO (10.02%)		\$ (215)	\$ 701,597
Cash and cash equivalents (73.76%)			5,161,414
Margin deposits (16.05%)			1,123,239
Other assets less liabilities (0.17%)			11,631
TOTAL NET ASSETS (100.00%)			\$ 6,997,881

(See accompanying notes to financial statements)

Notes to Financial Statements - ETF Specific Information (unaudited)

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

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 Carbon Credits ETF	CARB	CAD	February 9, 2022

Investment Objective

CARB seeks to replicate, to the extent possible and net of expenses, the performance of an index that seeks to provide exposure to investments in cap-and-trade carbon allowances. Currently, the ETF seeks to replicate the performance of the Horizons Carbon Credits Rolling Futures Index (Excess Return) (the "Underlying Index", Bloomberg ticker: CARBCNER), net of expenses.

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

The following tables indicate the foreign currencies to which the ETF had significant exposure as at June 30, 2023 and December 31, 2022, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

June 30, 2023	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Euro Currency	1,238	(688)	550	6
Total	1,238	(688)	550	6
As % of Net Asset Value	17.7%	-9.8%	7.9%	0.1%

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)
Euro Currency	808	(370)	438	4
U.S. Dollar	81	–	81	1
Total	889	(370)	519	5
As % of Net Asset Value	13.2%	-5.5%	7.7%	0.1%

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

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

(ii) Interest rate risk

As at June 30, 2023 and December 31, 2022, 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 Underlying Index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material.

Underlying Index	June 30, 2023	December 31, 2022
Horizons Carbon Credits Rolling Futures Index (Excess Return)	\$69,548	\$66,985

(b) Credit risk

As at June 30, 2023 and December 31, 2022, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

C. FAIR VALUE MEASUREMENT (NOTE 6)

The following is a summary of the inputs used as at June 30, 2023, and December 31, 2022, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2023			December 31, 2022		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Exchange Traded Funds	–	–	–	–	–	–
Futures	705,133	–	–	334,563	–	–
Currency Forward Contracts	–	2,126	–	–	2,116	–
Total Financial Assets	705,133	2,126	–	4,386,993	2,116	–
Financial Liabilities						
Currency Forward Contracts	–	(5,662)	–	–	(10,782)	–
Total Financial Liabilities	–	(5,662)	–	–	(10,782)	–
Net Financial Assets and Liabilities	705,133	(3,536)	–	4,386,993	(8,666)	–

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the year or period shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2023, and for the year ended December 31, 2022.

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

For the Period from Inception on February 7, 2022 to June 30, 2022 and
 For the Period Ended June 30, 2023

D. SECURITIES LENDING (NOTE 7)

As at June 30, 2023 and December 31, 2022, the ETF was not participating in any securities lending transactions. The ETF did not earn any income from securities lending transactions for the periods ended June 30, 2023 and 2022.

E. REDEEMABLE SHARES (NOTE 8)

For the periods ended June 30, 2023 and 2022, the number of ETF Shares issued by subscription, the number of ETF Shares redeemed, the total and average number of ETF Shares outstanding was as follows:

Period	Beginning Shares Outstanding	Shares Issued	Shares Redeemed	Ending Shares Outstanding	Average Shares Outstanding
2023	750,000	–	(25,000)	725,000	737,293
2022	–	950,000	(200,000)	750,000	627,465

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 periods ended June 30, 2023 and 2022, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2023	\$418	\$nil	\$nil
June 30, 2022	\$790	\$nil	\$nil

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

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

G. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 13)

The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2023, and December 31, 2022. The “Net” column displays what the net impact would be on the ETF’s statements of financial position if all amounts were set-off.

Financial Assets and Liabilities as at June 30, 2023	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	2,126	–	2,126	(2,126)	–	–
Derivative liabilities	(5,662)	–	(5,662)	2,126	–	(3,536)

Financial Assets and Liabilities as at December 31, 2022	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	2,116	–	2,116	(2,116)	–	–
Derivative liabilities	(10,782)	–	(10,782)	2,116	–	(8,666)

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

As at June 30, 2023, and December 31, 2022, the ETF had material investments in the subsidiaries (Sub), associates (Assoc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at June 30, 2023	Place of Business	Type	Ownership %	Carrying Amount
Horizons 0-3 Month T-Bill ETF	Canada	SE	1.28%	\$4,300,000

Investee ETF as at December 31, 2022	Place of Business	Type	Ownership %	Carrying Amount
Horizons High Interest Savings ETF	Canada	SE	0.28%	\$4,052,430

Notes to Financial Statements (unaudited)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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 financial statements (the “financial statements”) as at June 30, 2023, and December 31, 2022 and for the periods ended June 30, 2023 and 2022, 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 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 August 11, 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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

(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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

(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 Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

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

The aggregate closing market value of securities loaned and collateral received, if any, as at June 30, 2023, and December 31, 2022, and a reconciliation of the securities lending income for the periods ended June 30, 2023 and 2022, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

8. REDEEMABLE SHARES

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

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

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

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

Notes to Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and
For the Period Ended June 30, 2023

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.

9. 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 ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.75%, plus applicable sales taxes, of the net asset value of the ETF's shares, calculated and accrued daily and payable monthly in arrears.

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

Other expenses

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

Notes to Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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.

Management fee reimbursements

Where the ETF holds other exchange traded funds offered for sale by the Manager or its affiliates, the ETF may be reimbursed by such ETFs it has invested in for any management fees charged by those ETFs that would be considered as duplicating the management fees of the ETF.

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

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 June 30, 2023, and December 31, 2022, 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.

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

11. 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 June 30, 2023 and December 31, 2022 is as follows:

As at	Collateral Held With FCMs
June 30, 2023	\$1,123,239
December 31, 2022	\$2,037,816

Notes to Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

12. 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.

13. 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).

Notes to Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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

14. 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.

15. 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.

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.

Notes to Financial Statements (unaudited) (continued)

For the Period from Inception on February 7, 2022 to June 30, 2022 and

For the Period Ended June 30, 2023

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.

Manager

Horizons ETFs Management (Canada) Inc.

55 University Avenue, Suite 800

Toronto, Ontario

M5J 2H7

Tel: 416-933-5745

Fax: 416-777-5181

Toll Free: 1-866-641-5739

info@horizonsetfs.com

www.horizonsetfs.com

Auditors

KPMG LLP

Bay Adelaide Centre

333 Bay Street, Suite 4600

Toronto, Ontario

M5H 2S5

Custodian

CIBC Mellon Trust Company

1 York Street, Suite 900

Toronto, Ontario

M5J 0B6

Registrar and Transfer Agent

TSX Trust Company

100 Adelaide Street West, Suite 301

Toronto, Ontario

M5H 4H1

Innovation is our capital. Make it yours.

Horizons Exchange Traded Funds | 55 University Avenue, Suite 800 | Toronto, Ontario, M5J 2H7

T 416 933 5745 | **TF** 1 866 641 5739 | **w** horizonsetfs.com



HORIZONS ETFs
by Mirae Asset