



**Horizons Active Ultra-Short Term Investment Grade Bond ETF
(HFR:TSX)**



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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.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Active Ultra-Short Term Investment Grade Bond ETF (“HFR” or the “ETF”) contains financial highlights and is included with the unaudited interim financial statements for the investment fund. You may request a copy of the ETF’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the ETF’s manager, Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 55 University Avenue, Suite 800, Toronto ON, M5J 2H7, or by visiting our website at www.horizonsetfs.com or SEDAR+ at www.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 prospectus. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Manager does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HFR is to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of Canadian interest rate fluctuations on HFR. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly, and hedges the portfolio’s interest rate risk by maintaining a portfolio duration that is not more than one year. HFR may also invest directly in debt of U.S. companies, as well as indirectly through investments in securities of Listed Funds, as they are defined in the ETF’s prospectus. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

The Sub-Advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: in-depth fundamental credit research, view of market trends, analysis of the company’s competitive position, and review of the return relative to the company’s risk and general market conditions, to select securities for HFR.

HFR enters into interest rate swaps pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed-income securities in exchange for a floating rate of income to maintain a portfolio duration that is not more than one year.

Management Discussion of Fund Performance (continued)

The Sub-Advisor may, from time to time, invest in Canadian and foreign government debt, municipal bonds, Listed Funds, cash and cash equivalents which generally in the aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HFR must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt and debt-like securities rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt (including debt-like securities) will not exceed 5%, by value, of the securities held by HFR.

The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

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

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed-income related exchange traded funds including those managed by the Manager or its affiliates.

HFR may also use both long and short derivative instruments, including future contracts, to manage duration, credit exposure, portfolio yield and currency risk.

HFR may enter into securities lending transactions, repurchase and reverse repurchase transactions and interest rate derivatives, to the extent permitted by applicable securities laws, to earn additional income for HFR.

Please refer to the ETF's most recent prospectus for a complete description of HFR'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: low.

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

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

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

Management Discussion of Fund Performance (continued)

- Stock market risk
 - Specific issuer risk
 - Legal and regulatory risk
 - Market disruptions risk
 - Cyber security risk
 - Listed funds risk
 - Reliance on historical data risk
 - Corresponding net asset value risk
 - Designated broker/dealer risk
 - Cease trading of securities risk
 - Exchange risk
 - Early closing risk
 - No assurance of meeting investment objectives
 - Tax risk
 - Securities lending, repurchase and reverse repurchase transaction risk
 - Loss of limited liability
 - Reliance on key personnel
 - Distributions risk
- Conflicts of interest
 - No ownership interest
 - Market for units
 - Redemption price
 - Net asset value fluctuation
 - Restrictions on certain unitholders
 - Highly volatile markets
 - No guaranteed return
 - Derivatives and counterparty risk
 - Interest rate risk
 - Foreign currency risk
 - Credit risk
 - Foreign stock exchange risk
 - Short selling risk
 - Call risk
 - Risk of difference between quoted and actionable market price
 - Liquidity risk

Results of Operations

For the period ended June 30, 2023, units of the ETF returned 3.30% when including distributions paid to unitholders. This compares to Canadian 3-Month Treasury Bills yielding 2.15%, for the same period.

Canadian 3-Month Treasury Bills are short-term securities that the Canadian government sells as a way to help pay off its debt. They are generally considered the “risk-free” rate because they are fully backed by the Canadian government.

General Market Review

The new year got off to a roaring start on hopes for a soft landing for developed economies as inflationary pressures showed signs of abating and the U.S. Federal Reserve (Fed) downshifted its pace of tightening. Hopes for an imminent end to rate hikes and a dovish policy pivot were dashed in the wake of unrelenting signs of resilient growth, an overheated labour market, sticky inflation, and some hawkish central bank rhetoric that prompted a shift in investor expectations towards higher interest rates for longer. In March, the collapse of Silicon Valley Bank, Signature Bank, Credit Suisse and the fear of more contagion in the banking sector caused a powerful flight-to-quality bid into government bonds that brought back memories of the financial crisis in 2008. Governments and Central Banks moved very quickly to contain the situation. The Bank of Canada increased its target for the overnight rate in January by 25 basis points (bps) to 4.50%, bringing cumulative rate hikes to 425 bps for the cycle. At this time, the Bank also indicated they would pause to see the impact of the interest rate increases on the economy.

After decreasing for most of the first quarter, North American yields were much higher over the second quarter, especially at the front end of the curve. The quarter started with yields moving lower in the belief that the regional banking crisis would tighten lending standards, and that the Fed would pause after hiking in early May to assess the impact of the 500 bps of tightening. A series of events reversed the direction of the bond market, first, the U.S. debt ceiling was raised which removed a bid for US Treasuries.

Management Discussion of Fund Performance (continued)

The fiscal situation remains challenging for the bond market with the deficit running at more than 7% of gross domestic product (GDP) over the last year. Another factor putting upward pressure on yields was persistently high core inflation and growth continued to surprise to the upside. As expected, the Fed did not raise its policy rate in June after 10 consecutive rate hikes, but Chair Powell was adamant that they are not done, and more rate hikes will be needed this year to bring inflation back down to target. Investors are coming around to the idea that the expected economic slowdown will be delayed and that the Federal Open Market Committee (FOMC) will keep rates higher for longer. The Bank of Canada surprised investors and restarted its tightening campaign in June after a 5-month hiatus. The Bank increased rates by 25 bps to 4.75% on the back of strength in consumption and housing along with a tight labor market and sticky inflation. The previous 425 bps of rate hikes failed to put demand and supply into balance and to get inflation on a sustainable path to 2%. The market is also looking for at least one more interest rate increase later in the summer.

Portfolio Review

Overall, yield increases in the second quarter were a major contributor to the fund's outperformance over the past 6 months. Low total duration of the portfolio in the first half of the year limited interest rate movement impacts during the period. Corporate bonds yielding on average 5.81% provided stable carry once again in the first half of 2023 which also allowed benefits from spread compression during the period.

The fund took profits from several expensive corporate bonds that had performed well. The sub-advisor was also very selective in the primary market to take advantage of new issue concessions.

These new issuances provided an attractive breakeven framework in this environment. During the first half of the year, the fund's selection in Energy, Banks, and Real-Estate provided additional performance.

Outlook

Inflation will continue to be the key for the direction of bond yields and credit tone. The Bank of Canada and the U.S. Fed were very aggressive in hiking rates in 2022, but the Sub-Advisor expects this tightening cycle to end sometime during the first half of 2023. With the overnight rate in Canada at 4.25%, monetary policy is well into restrictive territory and is expected to hurt domestic demand throughout the year. Inflation has moderated from the highs of last summer but remains well above 2%. Although the Sub-Advisor expects the Bank of Canada to stop hiking this year, they may have kept rates elevated for a longer period of time before underlying inflation falls back to target.

Portfolio duration was approximately 0.72 years for the fund. The sub-advisor will continue to trade the portfolio as markets continue to be very volatile as participants try to determine when central banks will stop hiking and eventually drop interest rates. The yield at quarter end is approximately 6.26%, which makes it quite attractive as the peak of the interest hiking cycle is approached.

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

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 \$14,403,940. This compares to (\$13,480,122) for the six-month period ended June 30, 2022. The ETF incurred management, operating and transaction expenses of \$1,007,533 (2022 – \$1,285,868) of which \$69,211 (2022 – \$61,742) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF distributed \$11,026,245 to unitholders during the period (2022 – \$5,047,172).

Management Discussion of Fund Performance (continued)**Presentation**

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

Recent Developments

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

Related Party Transactions

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

Manager, Trustee and Investment Manager

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF’s assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 12) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at 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 for the past five fiscal years. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Unit

Period ⁽¹⁾	2023	2022	2021	2020	2019	2018
Net assets, beginning of period	\$ 9.70	10.09	10.13	10.07	9.91	10.06
Increase (decrease) from operations:						
Total revenue	0.29	0.33	0.17	0.24	0.31	0.29
Total expenses	(0.02)	(0.04)	(0.05)	(0.05)	(0.05)	(0.05)
Realized gains (losses) for the period	0.05	(0.08)	0.03	–	(0.03)	(0.02)
Unrealized gains (losses) for the period	–	(0.30)	(0.07)	0.06	0.19	(0.13)
Total increase (decrease) from operations ⁽²⁾	0.32	(0.09)	0.08	0.25	0.42	0.09
Distributions:						
From net investment income (excluding dividends)	(0.27)	(0.28)	(0.11)	(0.18)	(0.26)	(0.23)
From net realized capital gains	–	–	(0.02)	–	–	–
From return of capital	–	(0.05)	–	(0.09)	–	–
Total distributions ⁽³⁾	(0.27)	(0.33)	(0.13)	(0.27)	(0.26)	(0.23)
Net assets, end of period ⁽⁴⁾	\$ 9.75	9.70	10.09	10.13	10.07	9.91

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

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

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

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

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2023	2022	2021	2020	2019	2018
Total net asset value (000's)	\$ 392,340	476,973	529,684	451,446	671,043	704,242
Number of units outstanding (000's)	40,239	49,164	52,508	44,544	66,617	71,031
Management expense ratio ⁽²⁾⁽⁵⁾	0.47%	0.46%	0.47%	0.47%	0.46%	0.46%
Management expense ratio before waivers and absorptions ⁽³⁾	0.50%	0.49%	0.49%	0.49%	0.48%	0.49%
Trading expense ratio ⁽⁴⁾⁽⁵⁾	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁶⁾	7.78%	41.22%	18.22%	11.97%	22.17%	10.35%
Net asset value per unit, end of period	\$ 9.75	9.70	10.09	10.13	10.07	9.91
Closing market price	\$ 9.75	9.68	10.08	10.15	10.08	9.92

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 period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period. Transaction costs related to the purchase and/or sale of fixed income securities are typically embedded in the price of those transactions and are therefore not included in the trading expense ratio.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.40%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

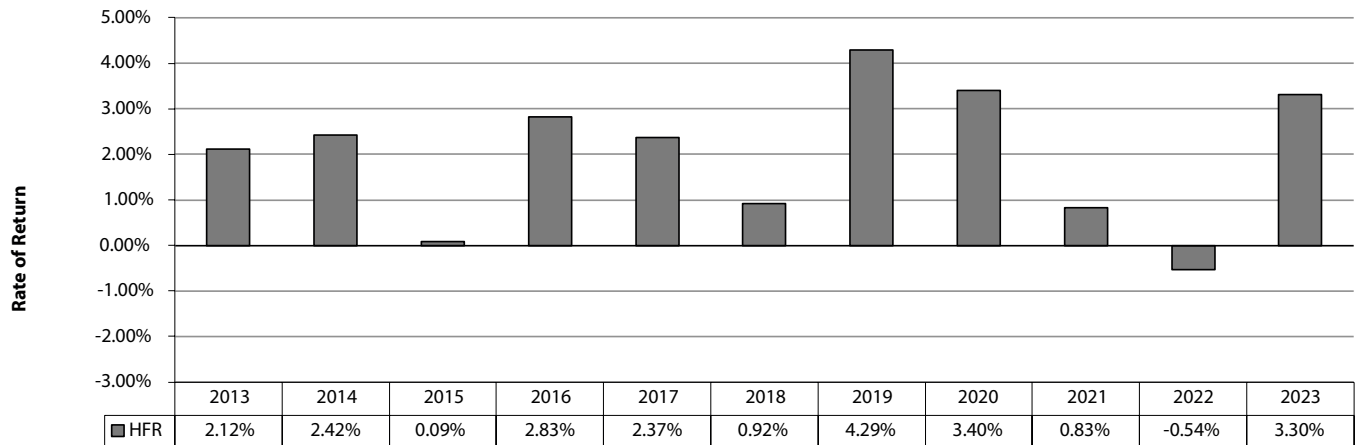
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
2%	90%	8%

Past Performance

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

Year-by-Year Returns

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



The ETF effectively began operations on December 12, 2010.

Summary of Investment Portfolio

As at June 30, 2023

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Canadian Fixed Income Securities	\$ 330,674,209	84.28%
U.S. Fixed Income Securities	39,144,472	9.98%
Global Fixed Income Securities	1,511,495	0.39%
Interest Rate Swaps*	13,433,700	3.42%
Currency Forward Hedge*	48,577	0.01%
Cash and Cash Equivalents	3,360,466	0.86%
Margin Deposits	403,610	0.10%
Other Assets less Liabilities	3,248,248	0.83%
Short Positions		
Futures Contracts–Interest Rate Hedge*	515,250	0.13%
	\$ 392,340,027	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Corporate Bonds	\$ 360,801,964	91.96%
Asset-Backed Securities	7,080,476	1.81%
Municipal Bonds	1,359,413	0.35%
Mortgage Backed Securities	901,702	0.23%
Provincial Bonds	710,272	0.18%
Convertible Bonds	476,349	0.12%
Interest Rate Swaps*	13,433,700	3.42%
Currency Forward Hedge*	48,577	0.01%
Cash and Cash Equivalents	3,360,466	0.86%
Margin Deposits	403,610	0.10%
Other Assets less Liabilities	3,248,248	0.83%
Short Positions		
Futures Contracts–Interest Rate Hedge*	515,250	0.13%
	\$ 392,340,027	100.00%

* Positions in forward, futures and interest rate swap 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 June 30, 2023

Top 25 Holdings*	% of ETF's Net Asset Value
Royal Bank of Canada	5.83%
Toronto-Dominion Bank (The)	5.40%
Bank of Montreal	5.13%
Canadian Imperial Bank of Commerce	4.77%
Fédération des caisses Desjardins du Québec	4.59%
Bank of Nova Scotia (The)	4.40%
Rogers Communications Inc.	4.05%
Manulife Financial Corp.	3.60%
Wells Fargo & Co.	3.32%
Pembina Pipeline Corp.	2.83%
Bank of America Corp.	2.81%
Inter Pipeline Ltd.	2.63%
Choice Properties REIT	2.56%
Sun Life Financial Inc.	2.05%
TransCanada PipeLines Ltd.	1.90%
Laurentian Bank of Canada	1.79%
RioCan REIT	1.78%
H&R REIT	1.76%
AltaGas Ltd.	1.74%
Enbridge Inc.	1.29%
General Motors Financial of Canada Ltd.	1.22%
Crombie REIT	1.17%
Goldman Sachs Group Inc. (The)	1.15%
Granite REIT Holdings L.P.	1.08%
Bell Canada	1.06%

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

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

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



Rohit Mehta
Director
Horizons ETFs Management (Canada) Inc.



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

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)

June 30, 2023, and December 31, 2022

	2023	2022
Assets		
Cash and cash equivalents	\$ 3,360,466	\$ 4,774,049
Investments	371,330,176	451,235,272
Margin deposits (note 12)	403,610	1,025,633
Amounts receivable relating to accrued income	5,195,152	5,805,637
Amounts receivable relating to portfolio assets sold	–	644
Amounts receivable relating to securities issued	–	3,153,140
Derivative assets (note 3)	13,997,527	18,033,305
Total assets	394,286,931	484,027,680
Liabilities		
Accrued management fees	142,743	173,899
Accrued operating expenses	6,295	8,206
Amounts payable relating to securities redeemed	–	4,373
Amounts payable for portfolio assets purchased	–	4,802,344
Distribution payable	1,797,866	2,065,399
Total liabilities	1,946,904	7,054,221
Total net assets	\$ 392,340,027	\$ 476,973,459
Number of redeemable units outstanding (note 8)	40,238,724	49,163,953
Total net assets per unit	\$ 9.75	\$ 9.70

(See accompanying notes to financial statements)

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



Rohit Mehta
Director



Thomas Park
Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2023	2022
Income		
Interest income for distribution purposes	\$ 11,951,510	\$ 5,955,873
Securities lending income (note 7)	11,976	16,833
Net realized gain (loss) on sale of investments and derivatives	2,108,014	(105,533)
Net realized gain (loss) on foreign exchange	(4,332)	1,952
Net change in unrealized appreciation (depreciation) of investments and derivatives	337,879	(19,350,817)
Net change in unrealized appreciation (depreciation) of foreign exchange	(1,107)	1,570
	14,403,940	(13,480,122)
Expenses (note 9)		
Management fees	897,934	1,171,251
Audit fees	8,033	6,268
Independent Review Committee fees	127	141
Custodial and fund valuation fees	62,614	62,701
Legal fees	4,876	8,631
Securityholder reporting costs	17,237	18,888
Administration fees	15,925	15,741
Other expenses	787	2,247
	1,007,533	1,285,868
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(69,211)	(61,742)
	938,322	1,224,126
Increase (decrease) in net assets for the period	\$ 13,465,618	\$ (14,704,248)
Increase (decrease) in net assets per unit	\$ 0.32	\$ (0.27)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2023		2022	
Total net assets at the beginning of the period	\$	476,973,459	\$	529,684,132
Increase (decrease) in net assets		13,465,618		(14,704,248)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		25,445,124		58,194,528
Aggregate amounts paid on redemption of securities of the investment fund		(112,759,679)		(98,209,352)
Securities issued on reinvestment of distributions		241,750		95,444
Distributions:				
From net investment income		(11,026,245)		(5,047,172)
Total net assets at the end of the period	\$	392,340,027	\$	470,013,332

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	\$ 13,465,618	\$ (14,704,248)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(2,108,014)	105,533
Net realized gain on currency forward contracts	135,234	36,235
Net change in unrealized (appreciation) depreciation of investments and derivatives	(337,879)	19,350,817
Net change in unrealized appreciation of foreign exchange	(1,008)	(1,002)
Purchase of investments	(28,526,116)	(94,645,648)
Proceeds from the sale of investments	47,107,602	111,264,288
Margin deposits	622,023	2,469,616
Amounts receivable relating to accrued income	610,485	(910,464)
Accrued expenses	(33,067)	(23,875)
Net cash from operating activities	30,934,878	22,941,252
Cash flows from financing activities:		
Amount received from the issuance of units	22,096,579	53,181,223
Amount paid on redemptions of units	(43,394,020)	(76,887,121)
Distributions paid to unitholders	(11,052,028)	(4,645,305)
Net cash used in financing activities	(32,349,469)	(28,351,203)
Net decrease in cash and cash equivalents during the period	(1,414,591)	(5,409,951)
Effect of exchange rate fluctuations on cash and cash equivalents	1,008	1,002
Cash and cash equivalents at beginning of period	4,774,049	5,709,144
Cash and cash equivalents at end of period	\$ 3,360,466	\$ 300,195
Interest received, net of withholding taxes	\$ 12,550,318	\$ 5,045,409

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts		Average Cost		Fair Value
CANADIAN FIXED INCOME SECURITIES (84.28%)					
Corporate Bonds (81.59%)					
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	1,329,000	\$	1,329,000	\$	1,053,176
Alimentation Couche-Tard Inc., Callable, 3.06%, 2024/07/26	1,657,000		1,628,851		1,614,520
Allied Properties REIT, Series 'C', Callable, 3.64%, 2025/04/21	1,625,000		1,666,706		1,552,589
Allied Properties REIT, Series 'E', Callable, 3.11%, 2027/04/08	2,202,000		2,184,615		1,976,452
AltaGas Ltd., Callable, 4.40%, 2024/03/15	1,844,000		1,885,934		1,827,970
AltaGas Ltd., Callable, 2.16%, 2025/06/10	842,000		824,974		788,962
AltaGas Ltd., Callable, 4.12%, 2026/04/07	345,000		363,844		333,096
AltaGas Ltd., Callable, 3.98%, 2027/10/04	170,000		163,411		161,096
AltaGas Ltd., Callable, 2.08%, 2028/05/30	2,255,000		2,255,000		1,947,694
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	2,232,000		2,232,000		1,779,580
Bank of Montreal, Callable, 2.37%, 2025/01/17	604,000		594,390		574,281
Bank of Montreal, Callable, 1.55%, 2026/05/28	3,000,000		2,886,960		2,701,594
Bank of Montreal, Callable, 4.31%, 2027/06/01	2,845,000		2,845,000		2,754,534
Bank of Montreal, Callable, 4.71%, 2027/12/07	4,540,000		4,540,000		4,452,480
Bank of Montreal, Variable Rate, Callable, 2.88%, 2029/09/17	2,079,000		2,078,813		2,002,263
Bank of Montreal, Variable Rate, Callable, 2.08%, 2030/06/17	2,862,000		2,803,300		2,659,539
Bank of Montreal, Variable Rate, Callable, 6.53%, 2032/10/27	1,083,000		1,083,000		1,114,410
Bank of Montreal, Variable Rate, Callable, 3.80%, 2032/12/15	2,490,000		3,290,258		2,904,338
Bank of Montreal, Variable Rate, Callable, 7.33%, 2082/11/26	982,000		982,000		964,660
Bank of Nova Scotia (The), 2.49%, 2024/09/23	126,000		122,174		121,391
Bank of Nova Scotia (The), 5.50%, 2025/12/29	988,000		987,299		988,253
Bank of Nova Scotia (The), 1.85%, 2026/11/02	4,318,000		4,316,920		3,880,251
Bank of Nova Scotia (The), 2.95%, 2027/03/08	1,505,000		1,502,983		1,392,184
Bank of Nova Scotia (The), Variable Rate, Callable, 3.89%, 2029/01/18	3,898,000		3,910,312		3,862,757
Bank of Nova Scotia (The), Variable Rate, Callable, 2.84%, 2029/07/03	3,810,000		3,853,673		3,692,431
Bank of Nova Scotia (The), Variable Rate, Callable, 3.93%, 2032/05/03	2,535,000		2,534,848		2,369,479
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	1,051,000		1,051,000		1,019,411
Bell Canada, Callable, 3.60%, 2027/09/29	2,200,000		2,402,884		2,076,968
Bell Canada, Callable, 3.80%, 2028/08/21	2,200,000		2,040,346		2,081,674
Brookfield Asset Management Inc., Callable, 5.04%, 2024/03/08	1,225,000		1,267,499		1,220,617
Brookfield Renewable Partners ULC, Callable, 3.63%, 2027/01/15	2,000,000		2,028,540		1,885,426
Canadian Imperial Bank of Commerce, 3.29%, 2024/01/15	50,000		49,167		49,512
Canadian Imperial Bank of Commerce, 1.70%, 2026/07/15	900,000		900,971		810,462
Canadian Imperial Bank of Commerce, 2.25%, 2027/01/07	2,652,000		2,646,272		2,399,195
Canadian Imperial Bank of Commerce, Callable, 4.95%, 2027/06/29	2,169,000		2,165,681		2,146,934
Canadian Imperial Bank of Commerce, Callable, 5.05%, 2027/10/07	3,928,000		3,954,050		3,900,047
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.95%, 2029/06/19	4,811,000		4,928,151		4,673,390

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 1.96%, 2031/04/21	1,100,000	1,099,637	986,954
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.20%, 2032/04/07	1,780,000	1,780,000	1,681,763
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 5.33%, 2033/01/20	1,223,000	1,222,890	1,198,797
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	873,000	870,507	848,238
Canadian Pacific Railway Co., Callable, 2.54%, 2028/02/28	1,206,000	1,205,879	1,092,006
Canadian Western Bank, Callable, 1.93%, 2026/04/16	4,306,000	4,304,510	3,877,664
Cenovus Energy Inc., Callable, 3.50%, 2028/02/07	1,479,000	1,462,687	1,387,538
Central 1 Credit Union, 2.58%, 2023/12/06	2,819,000	2,819,000	2,783,337
Central 1 Credit Union, 1.32%, 2026/01/29	1,323,000	1,323,000	1,177,560
CHIP Mortgage Trust, 1.74%, 2045/12/15	925,000	925,000	830,874
Choice Properties REIT, Series 'K', Callable, 3.56%, 2024/09/09	7,660,000	7,673,474	7,465,342
Choice Properties REIT, Series 'F', Callable, 4.06%, 2025/11/24	1,435,000	1,492,636	1,386,757
Choice Properties REIT, Series 'Q', Callable, 2.46%, 2026/11/30	900,000	900,000	819,038
Choice Properties REIT, Series 'L', Callable, 4.18%, 2028/03/08	250,000	278,792	237,375
Choice Properties REIT, Series 'M', Callable, 3.53%, 2029/06/11	180,000	165,163	163,899
Clover L.P., Series '1B', Sinkable, 4.22%, 2034/06/30	2,268,982	2,269,026	2,140,482
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.25%, 2030/10/29	450,000	450,000	424,790
Concentra Bank, 1.46%, 2024/05/17	925,000	925,000	886,709
Co-operators Financial Services Ltd., Callable, 3.33%, 2030/05/13	750,000	773,475	637,063
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	2,429,000	2,443,930	2,278,767
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	1,366,000	1,366,000	1,276,872
Crombie REIT, Series 'H', Callable, 2.69%, 2028/03/31	219,000	219,000	191,397
Crombie REIT, Callable, 5.24%, 2029/09/28	854,000	854,000	833,220
CT REIT, Series 'B', Callable, 3.53%, 2025/06/09	595,000	632,152	568,885
CT REIT, Series 'D', Callable, 3.29%, 2026/06/01	151,000	159,476	141,203
CT REIT, Callable, 3.03%, 2029/02/05	1,171,000	1,171,000	1,027,302
Daimler Canada Finance Inc., 1.65%, 2025/09/22	522,000	520,550	482,731
Daimler Trucks Finance Canada Inc., 1.85%, 2023/12/15	1,458,000	1,452,193	1,435,150
Enbridge Inc., Callable, 3.20%, 2027/06/08	1,658,000	1,728,372	1,545,191
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,662,000	3,707,451	3,538,237
ENMAX Corp., Series '6', Callable, 3.33%, 2025/06/02	2,378,000	2,377,905	2,266,266
Fédération des caisses Desjardins du Québec, 2.42%, 2024/10/04	1,550,000	1,496,777	1,490,166
Fédération des caisses Desjardins du Québec, 4.41%, 2027/05/19	2,908,000	2,910,073	2,823,898
Fédération des caisses Desjardins du Québec, Floating Rate, Callable, 2.86%, 2030/05/26	10,103,000	10,377,068	9,534,482
Fédération des caisses Desjardins du Québec, Variable Rate, Callable, 1.99%, 2031/05/28	2,075,000	2,075,000	1,854,030

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Fédération des caisses Desjardins du Québec, Variable Rate, Callable, 5.04%, 2032/08/23	2,370,000	2,370,000	2,300,825
First Capital REIT, Series 'Q', Callable, 3.90%, 2023/10/30	586,000	593,131	582,687
First Capital REIT, Series 'R', Callable, 4.79%, 2024/08/30	1,100,000	1,170,268	1,077,739
First Capital REIT, Series 'S', Callable, 4.32%, 2025/07/31	1,351,000	1,404,040	1,299,035
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	465,000	465,000	422,318
Ford Credit Canada Co., 3.50%, 2023/11/30	884,000	888,420	873,153
Ford Credit Canada Co., 4.46%, 2024/11/13	750,000	794,287	729,699
Ford Credit Canada Co., 6.78%, 2025/09/15	1,144,000	1,144,000	1,141,736
Ford Credit Canada Co., 7.00%, 2026/02/10	1,336,000	1,335,853	1,332,243
General Motors Financial of Canada Ltd., Series '5', 3.25%, 2023/11/07	960,000	986,981	952,821
General Motors Financial of Canada Ltd., 1.70%, 2025/07/09	3,037,000	2,987,292	2,793,721
General Motors Financial of Canada Ltd., Callable, 5.20%, 2028/02/09	1,108,000	1,106,316	1,080,198
Gibson Energy Inc., Callable, 2.45%, 2025/07/14	1,119,000	1,116,807	1,049,034
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	4,251,000	4,335,529	4,219,906
H&R REIT, Callable, 3.37%, 2024/01/30	6,981,000	6,961,095	6,887,409
Hyundai Capital Canada Inc., Series 'A', Callable, 2.01%, 2026/05/12	780,000	780,000	704,610
iA Financial Corp. Inc., Variable Rate, Callable, 3.07%, 2031/09/24	2,918,000	2,933,098	2,692,374
iA Financial Corp. Inc., Variable Rate, Callable, 5.69%, 2033/06/20	1,034,000	1,034,000	1,036,377
iA Financial Corp. Inc., Series '22-1', Variable Rate, Callable, 6.61%, 2082/06/30	113,000	113,000	109,195
Independent Order of Foresters (The), Series '20-1', Variable Rate, Callable, 2.89%, 2035/10/15	236,000	196,871	193,040
Industrial Alliance Insurance and Financial Services Inc., Floating Rate, Callable, 3.30%, 2028/09/15	578,000	577,856	575,526
Intact Financial Corp., Variable Rate, Callable, 7.34%, 2083/06/30	529,000	529,000	525,034
Inter Pipeline Ltd., Callable, 2.61%, 2023/09/13	1,285,000	1,261,121	1,277,955
Inter Pipeline Ltd., Callable, 2.73%, 2024/04/18	3,900,000	3,733,201	3,810,313
Inter Pipeline Ltd., Callable, 3.17%, 2025/03/24	1,800,000	1,761,300	1,722,477
Inter Pipeline Ltd., Callable, 5.76%, 2028/02/17	1,269,000	1,268,898	1,274,921
Inter Pipeline Ltd., Callable, 5.71%, 2030/05/29	861,000	861,000	862,970
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	1,455,000	1,455,000	1,366,020
Keyera Corp., Convertible Bonds, Floating Rate, Callable, 6.88%, 2079/06/13	1,581,000	1,594,185	1,484,206
Laurentian Bank of Canada, 1.15%, 2024/06/03	2,530,000	2,528,566	2,422,959
Laurentian Bank of Canada, 1.95%, 2025/03/17	1,453,000	1,451,155	1,358,409
Laurentian Bank of Canada, 4.60%, 2025/09/02	1,067,000	1,067,320	1,036,963
Laurentian Bank of Canada, Variable Rate, Callable, 5.10%, 2032/06/15	2,349,000	2,349,188	2,200,148
Loblaw Cos. Ltd., Callable, 4.49%, 2028/12/11	2,513,000	2,830,298	2,465,969

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Loblaws Cos. Ltd., Callable, 6.50%, 2029/01/22	382,000	414,466	406,151
Manulife Bank of Canada, 2.38%, 2024/11/19	31,000	29,662	29,657
Manulife Bank of Canada, 2.86%, 2027/02/16	2,034,000	2,034,000	1,877,917
Manulife Financial Corp., Variable Rate, Callable, 3.05%, 2029/08/20	2,647,000	2,561,306	2,563,509
Manulife Financial Corp., Variable Rate, Callable, 2.24%, 2030/05/12	3,036,000	3,066,280	2,849,521
Manulife Financial Corp., Variable Rate, Callable, 4.06%, 2032/02/24	4,465,000	5,596,702	5,510,810
Manulife Financial Corp., Variable Rate, Callable, 5.41%, 2033/03/10	1,997,000	1,997,000	1,981,205
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	1,297,000	1,297,000	1,257,694
MCAP Commercial L.P., 3.74%, 2025/08/25	516,000	516,000	483,132
MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	1,029,000	1,029,000	900,960
Metro Inc., Callable, 3.39%, 2027/12/06	894,000	967,281	840,153
National Bank of Canada, 2.98%, 2024/03/04	183,000	181,282	179,995
National Bank of Canada, 2.55%, 2024/07/12	64,000	64,406	62,044
National Bank of Canada, 2.58%, 2025/02/03	120,000	121,308	114,478
National Bank of Canada, Variable Rate, Callable, 1.57%, 2026/08/18	162,000	160,911	149,277
National Bank of Canada, Variable Rate, Callable, 7.50%, 2082/11/16	1,371,000	1,371,000	1,344,395
National Bank Of Canada, 5.22%, 2028/06/14	1,936,000	1,936,000	1,938,237
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'F', Callable, 4.25%, 2029/06/01	200,000	227,486	194,592
Parkland Corp., Callable, 3.88%, 2026/06/16	722,000	722,000	670,242
Pembina Pipeline Corp., Callable, 2.99%, 2024/01/22	9,705,000	9,490,772	9,574,540
Pembina Pipeline Corp., Series '5', Callable, 3.54%, 2025/02/03	769,000	786,564	744,537
Pembina Pipeline Corp., Callable, 3.71%, 2026/08/11	95,000	99,981	90,606
Pembina Pipeline Corp., Variable Rate, Callable, 4.80%, 2081/01/25	868,000	868,000	708,904
Reliance L.P., Callable, 3.84%, 2025/03/15	78,000	80,317	75,309
Reliance L.P., Callable, 3.75%, 2026/03/15	1,144,000	1,140,293	1,086,356
Reliance L.P., Callable, 2.68%, 2027/12/01	846,000	855,858	749,073
Reliance L.P., Callable, 2.67%, 2028/08/01	1,279,000	1,286,939	1,113,602
RioCan REIT, Series 'AA', Callable, 3.21%, 2023/09/29	1,759,000	1,764,940	1,749,004
RioCan REIT, Series 'W', 3.29%, 2024/02/12	2,356,000	2,339,799	2,319,624
RioCan REIT, Callable, 5.61%, 2027/10/06	840,000	839,933	829,052
RioCan REIT, Series 'AE', Callable, 2.83%, 2028/11/08	1,248,000	1,248,000	1,073,242
RioCan REIT, Callable, 5.96%, 2029/10/01	1,004,000	1,003,659	1,008,185
Rogers Communications Inc., Callable, 4.35%, 2024/01/31	2,000,000	2,093,000	1,987,560
Rogers Communications Inc., Callable, 4.00%, 2024/03/13	65,000	69,774	64,281
Rogers Communications Inc., Restricted, 3.10%, 2025/04/15	3,512,000	3,496,118	3,358,950
Rogers Communications Inc., Callable, 3.65%, 2027/03/31	5,958,000	6,388,239	5,599,313
Rogers Communications Inc., Restricted, Callable, 3.75%, 2029/04/15	1,800,000	1,798,038	1,663,537
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	3,478,000	3,478,000	3,163,644
Royal Bank of Canada, 2.35%, 2024/07/02	1,440,000	1,385,928	1,395,561

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Royal Bank of Canada, 5.24%, 2026/11/02	1,175,000	1,176,179	1,174,859
Royal Bank of Canada, 2.33%, 2027/01/28	3,627,000	3,627,000	3,290,524
Royal Bank of Canada, 4.64%, 2028/01/17	2,000,000	2,003,300	1,957,712
Royal Bank of Canada, Variable Rate, Callable, 2.74%, 2029/07/25	4,532,000	4,553,010	4,380,413
Royal Bank of Canada, Variable Rate, Callable, 2.88%, 2029/12/23	4,062,000	4,147,425	3,882,948
Royal Bank of Canada, 5.23%, 2030/06/24	840,000	840,000	845,895
Royal Bank of Canada, Variable Rate, Callable, 2.14%, 2031/11/03	3,056,000	3,055,236	2,716,909
Royal Bank of Canada, Variable Rate, Callable, 2.94%, 2032/05/03	1,437,000	1,436,684	1,295,225
Royal Bank of Canada, Variable Rate, Callable, 1.67%, 2033/01/28	2,236,000	2,236,000	1,872,957
Sienna Senior Living Inc., Series 'A', Callable, 3.11%, 2024/11/04	1,874,000	1,874,000	1,788,729
Sienna Senior Living Inc., Series 'B', Callable, 3.45%, 2026/02/27	138,000	137,983	127,880
Sienna Senior Living Inc., Series 'C', Callable, 2.82%, 2027/03/31	631,000	630,710	560,655
SmartCentres REIT, Series 'O', Callable, 2.99%, 2024/08/28	2,300,000	2,291,840	2,217,680
SmartCentres REIT, Series 'Y', Callable, 2.31%, 2028/12/18	1,840,000	1,765,100	1,538,407
Sun Life Financial Inc., Variable Rate, Callable, 3.05%, 2028/09/19	200,000	206,392	199,014
Sun Life Financial Inc., Variable Rate, Callable, 2.46%, 2031/11/18	500,000	500,180	452,358
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	4,233,000	4,320,140	3,812,355
Sun Life Financial Inc., Variable Rate, Callable, 2.80%, 2033/11/21	4,116,000	4,115,218	3,609,309
Superior Plus L.P., Callable, 4.25%, 2028/05/18	1,664,000	1,664,000	1,482,693
TELUS Corp., Callable, 3.75%, 2026/03/10	898,000	930,327	862,495
TELUS Corp., Callable, 3.63%, 2028/03/01	500,000	542,540	469,759
Teranet Holdings L.P., Series '20', Callable, 3.54%, 2025/06/11	904,000	904,000	863,755
Toronto-Dominion Bank (The), 2.50%, 2024/12/02	296,000	293,870	283,496
Toronto-Dominion Bank (The), 1.94%, 2025/03/13	3,300,000	3,431,274	3,109,262
Toronto-Dominion Bank (The), 4.21%, 2027/06/01	1,941,000	1,941,000	1,874,914
Toronto-Dominion Bank (The), 5.38%, 2027/10/21	1,997,000	1,997,000	2,011,988
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.22%, 2029/07/25	3,024,000	3,046,758	2,937,234
Toronto-Dominion Bank (The), 4.68%, 2029/08/01	4,800,000	4,800,000	4,709,669
Toronto-Dominion Bank (The), Floating Rate, Callable, 3.06%, 2032/01/26	3,063,000	3,121,477	2,796,754
Toronto-Dominion Bank (The), 2.67%, 2033/04/06	2,834,000	2,825,073	2,672,578
Toronto-Dominion Bank (The), Variable Rate, Callable, 7.28%, 2082/10/31	827,000	827,000	812,270
Toyota Credit Canada Inc., 2.31%, 2024/10/23	80,000	76,553	76,820
TransCanada PipeLines Ltd., Callable, 4.35%, 2026/05/12	314,000	312,755	305,881
TransCanada PipeLines Ltd., 7.31%, 2027/01/15	348,000	436,302	364,136
TransCanada PipeLines Ltd., Callable, 3.80%, 2027/04/05	7,110,000	7,835,603	6,770,181
Ventas Canada Finance Ltd., Series 'G', Callable, 2.45%, 2027/01/04	2,264,000	2,259,223	2,030,843
Videotron Ltd., Callable, 3.63%, 2028/06/15	1,573,000	1,568,340	1,369,002
		340,253,259	320,145,997

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Asset-Backed Securities (1.81%)			
BMW Canada Auto Trust, Class 'A3', Series '23-1', Callable, 5.43%, 2028/01/20	296,000	296,000	294,322
Cards II Trust, 4.33%, 2025/05/15	2,372,000	2,372,000	2,317,231
CNH Capital Canada Receivables Trust, Class 'A2', Series '23-1', Variable Rate, Callable, 4.99%, 2029/10/15	887,000	887,000	873,396
Eagle Credit Card Trust, Series 'A', 2.22%, 2024/07/17	195,000	195,441	188,248
Eagle Credit Card Trust, Series 'A', 1.27%, 2025/07/17	414,000	414,000	379,928
Eagle Credit Card Trust, Series 'A', 5.13%, 2028/06/17	808,000	808,000	806,646
Ford Auto Securitization Trust, Class 'A3', Series '20-A', Callable, 1.15%, 2025/11/15	73,825	74,032	71,612
Glacier Credit Card Trust, Series '20', 1.39%, 2025/09/22	1,239,000	1,217,829	1,131,755
GMF Canada Leasing Trust, Class 'A3', Series '23-1', Callable, 5.71%, 2028/05/23	1,020,000	1,020,000	1,017,338
		7,284,302	7,080,476
Mortgage Backed Securities (0.23%)			
Classic RMBS Trust, Class 'A', Series '21-1', Callable, 1.43%, 2051/11/15	264,219	264,219	254,631
Classic RMBS Trust, Class 'A', Series '21-2', Variable Rate, Callable, 1.53%, 2052/03/15	398,390	398,390	375,256
Real Estate Asset Liquidity Trust, Class 'A2', Series '17', Callable, 3.64%, 2052/11/12	286,271	286,267	271,815
		948,876	901,702
Municipal Bonds (0.35%)			
Aéroports de Montréal, Callable, 6.95%, 2032/04/16	1,048,467	1,337,050	1,124,896
Edmonton Regional Airport Authority, Callable, 7.21%, 2030/11/01	225,457	270,840	234,517
		1,607,890	1,359,413
Provincial Bonds (0.18%)			
New Brunswick F-M Project Co. Inc., Sinkable, Callable, 6.47%, 2027/11/30	695,818	819,020	710,272
Convertible Bonds (0.12%)			
Dream Summit Industrial L.P., Series 'A', Callable, 2.15%, 2025/09/17	517,000	476,467	476,349
TOTAL CANADIAN FIXED INCOME SECURITIES		351,389,814	330,674,209
U.S. FIXED INCOME SECURITIES (9.98%)			
Corporate Bonds (9.98%)			
Bank of America Corp., Variable Rate, Callable, 2.93%, 2025/04/25	804,000	794,436	786,239
Bank of America Corp., Variable Rate, Callable, 3.41%, 2025/09/20	580,000	591,994	563,156
Bank of America Corp., Variable Rate, Callable, 1.98%, 2027/09/15	4,705,000	4,617,914	4,216,447
Bank of America Corp., Variable Rate, Callable, 3.62%, 2028/03/16	3,545,000	3,528,841	3,318,396

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Bank of America Corp., Variable Rate, Callable, 2.60%, 2029/04/04	2,446,000	2,446,000	2,161,459
Citigroup Inc., 4.09%, 2025/06/09	3,844,000	3,945,680	3,710,329
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 3.31%, 2025/10/31	598,000	598,000	577,753
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.60%, 2027/11/30	1,373,000	1,373,000	1,245,358
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.01%, 2029/02/28	3,117,000	3,117,000	2,678,781
JPMorgan Chase & Co., Floating Rate, Callable, 1.90%, 2028/03/05	4,139,000	4,139,998	3,643,628
Morgan Stanley, 3.00%, 2024/02/07	228,000	223,235	224,756
Morgan Stanley, Variable Rate, Callable, 1.78%, 2027/08/04	3,367,000	3,309,936	3,004,239
Wells Fargo & Co., Callable, 3.18%, 2024/02/08	234,000	229,532	230,711
Wells Fargo & Co., 3.87%, 2025/05/21	5,720,000	5,906,069	5,502,228
Wells Fargo & Co., Variable Rate, Callable, 4.17%, 2026/04/28	1,490,000	1,478,058	1,444,562
Wells Fargo & Co., Variable Rate, Callable, 2.57%, 2026/05/01	446,000	431,234	419,832
Wells Fargo & Co., 2.98%, 2026/05/19	2,761,000	2,960,177	2,569,340
Wells Fargo & Co., 2.49%, 2027/02/18	3,156,000	3,179,599	2,847,258
		42,870,703	39,144,472
TOTAL U.S. FIXED INCOME SECURITIES		42,870,703	39,144,472
GLOBAL FIXED INCOME SECURITIES (0.39%)			
Corporate Bonds (0.39%)			
National Australia Bank Ltd., Variable Rate, Callable, 3.52%, 2030/06/12	1,611,000	1,684,191	1,511,495
		1,684,191	1,511,495
DERIVATIVES (3.56%)			
Interest Rate Swaps (3.42%)			
Receive Floating Interest Rate 5.053%, Pay Fixed Interest Rate 1.009%, 2023/07/13, C\$	5,000,000	–	7,142
Receive Floating Interest Rate 5.050%, Pay Fixed Interest Rate 2.412%, 2023/07/19, C\$	7,000,000	–	9,611
Receive Floating Interest Rate 5.233%, Pay Fixed Interest Rate 2.549%, 2023/09/07, C\$	10,000,000	–	50,777
Receive Floating Interest Rate 5.065%, Pay Fixed Interest Rate 2.055%, 2023/11/30, C\$	10,000,000	–	135,344
Receive Floating Interest Rate 5.030%, Pay Fixed Interest Rate 2.220%, 2024/02/07, C\$	10,000,000	–	191,065
Receive Floating Interest Rate 5.050%, Pay Fixed Interest Rate 2.588%, 2024/04/19, C\$	11,000,000	–	249,619

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Receive Floating Interest Rate 5.027%, Pay Fixed Interest Rate 2.649%, 2024/05/13, C\$	10,000,000	–	236,836
Receive Floating Interest Rate 5.035%, Pay Fixed Interest Rate 1.458%, 2024/05/17, C\$	5,000,000	–	170,433
Receive Floating Interest Rate 5.057%, Pay Fixed Interest Rate 1.840%, 2024/05/28, C\$	5,000,000	–	158,951
Receive Floating Interest Rate 5.118%, Pay Fixed Interest Rate 2.552%, 2024/06/05, C\$	6,000,000	–	156,827
Receive Floating Interest Rate 5.045%, Pay Fixed Interest Rate 2.463%, 2024/07/06, C\$	7,000,000	–	208,862
Receive Floating Interest Rate 5.050%, Pay Fixed Interest Rate 1.742%, 2024/07/18, C\$	10,000,000	–	377,321
Receive Floating Interest Rate 5.025%, Pay Fixed Interest Rate 1.815%, 2024/11/14, C\$	10,000,000	–	466,100
Receive Floating Interest Rate 5.045%, Pay Fixed Interest Rate 1.843%, 2025/01/22, C\$	14,000,000	–	721,363
Receive Floating Interest Rate 5.045%, Pay Fixed Interest Rate 1.150%, 2025/07/22, C\$	15,000,000	–	1,148,903
Receive Floating Interest Rate 5.043%, Pay Fixed Interest Rate 2.801%, 2025/10/17, C\$	3,000,000	–	142,560
Receive Floating Interest Rate 5.043%, Pay Fixed Interest Rate 1.148%, 2026/02/23, C\$	5,000,000	–	454,495
Receive Floating Interest Rate 5.038%, Pay Fixed Interest Rate 1.875%, 2026/11/19, C\$	14,000,000	–	1,159,705
Receive Floating Interest Rate 5.025%, Pay Fixed Interest Rate 1.519%, 2027/05/05, C\$	18,000,000	–	1,805,154
Receive Floating Interest Rate 5.030%, Pay Fixed Interest Rate 1.473%, 2027/05/07, C\$	16,000,000	–	1,631,526
Receive Floating Interest Rate 5.339%, Pay Fixed Interest Rate 2.979%, 2027/05/09, US\$	3,800,000	–	254,817
Receive Floating Interest Rate 5.025%, Pay Fixed Interest Rate 3.235%, 2027/08/05, C\$	15,000,000	–	598,685
Receive Floating Interest Rate 5.065%, Pay Fixed Interest Rate 1.824%, 2027/11/30, C\$	10,000,000	–	954,107
Receive Floating Interest Rate 5.053%, Pay Fixed Interest Rate 2.563%, 2028/04/09, C\$	3,500,000	–	237,451
Receive Floating Interest Rate 5.050%, Pay Fixed Interest Rate 1.408%, 2028/07/19, C\$	10,000,000	–	1,210,237
Receive Floating Interest Rate 5.265%, Pay Fixed Interest Rate 3.258%, 2029/03/14, C\$	8,000,000	–	298,120
Receive Floating Interest Rate 5.025%, Pay Fixed Interest Rate 3.210%, 2029/08/12, C\$	10,000,000	–	397,689
		–	13,433,700

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Notional/ Contracts	Average Cost	Fair Value
Treasury Bond Futures (0.13%)			
Short Positions (0.13%)			
Canadian 10-Year Treasury Bond Futures September 2023 at C\$122.53. Notional Value (C\$2,818,190)	(23)	–	25,300
Canadian 5-Year Treasury Bond Futures September 2023 at C\$110.15. Notional Value (C\$33,595,750)	(305)	–	489,950
		–	515,250
Currency Forwards (0.01%)			
Currency forward contract to buy C\$9,080,085 for US\$6,825,900 maturing September 20, 2023		–	48,577
TOTAL DERIVATIVES		–	13,997,527
TOTAL INVESTMENT PORTFOLIO (98.21%)		\$ 395,944,708	\$ 385,327,703
Cash and cash equivalents (0.86%)			3,360,466
Margin deposits (0.10%)			403,610
Other assets less liabilities (0.83%)			3,248,248
TOTAL NET ASSETS (100.00%)			\$ 392,340,027

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2023

1. REPORTING ENTITY

Horizons Active Ultra-Short Term Investment Grade Bond ETF (“HFR” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on December 12, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

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

The investment objective of HFR is to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of Canadian interest rate fluctuations on HFR. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly, and hedges the portfolio’s interest rate risk by maintaining a portfolio duration that is not more than one year. HFR may also invest directly in debt of U.S. companies, as well as indirectly through investments in securities of Listed Funds, as they are defined in the ETF’s prospectus. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

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

2. BASIS OF PREPARATION***(i) Statement of compliance***

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

These financial statements were authorized for issue on August 11, 2023, by the Board of Directors of the Manager.

(ii) Basis of measurement

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

(iii) Functional and presentation currency

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

Notes to Financial Statements (unaudited) (continued)

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 payments of principal and interests, and business model tests.

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

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

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

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

(ii) Fair value measurement

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

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

Notes to Financial Statements (unaudited) (continued)

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 unitholders.

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

(iii) Offsetting

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

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

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

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

Forward foreign exchange contracts

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

Interest rate swaps

Interest rate swaps, if any, are valued at the current market value thereof on the Valuation Date. The value of these interest rate swaps 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, plus any amounts relating to accrued income, if applicable, in the statements of financial position, and as a net change in unrealized appreciation (depreciation) of investments and derivatives and interest income for distribution purposes, if applicable, in the statements of comprehensive income. When the interest rate swaps are closed out or mature, realized gains or losses on interest rate swaps are recognized and are included in the statements of comprehensive income.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

Redeemable units

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

(b) Investment income

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

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

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

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

(c) Foreign currency

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

(d) Cost basis

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

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

(f) Unitholder transactions

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

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

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

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5. FINANCIAL INSTRUMENTS RISK

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at June 30, 2023, and December 31, 2022, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

(ii) Interest rate risk

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

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

Investments	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
June 30, 2023						
Investments	49,224	82,876	102,768	142,871	–	377,739
Interest Rate Swaps	2,410	4,334	7,050	2,181	–	15,975
December 31, 2022						
Investments	33,652	144,210	115,480	165,929	–	459,271
Interest Rate Swaps	2,216	8,780	7,356	1,739	–	20,091

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2023, was 100.4% (December 31, 2022 – 100.5%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 2023, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$2,752,190 (December 31, 2022 – \$3,141,194). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Manager has implemented internal risk management controls on the ETF which are intended to limit the loss on its trading activities.

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

Comparative Index	June 30, 2023	December 31, 2022
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$996,365	\$1,274,824

(b) Credit risk

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

Analysis of credit quality

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2023, and December 31, 2022, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2023	December 31, 2022
AAA	3.1%	2.3%
A	37.7%	42.4%
BBB	54.3%	51.8%
BB	5.3%	4.0%
Total	100.4%	100.5%

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2023, was 5.8% (December 31, 2022 – 6.8%) of the net assets of the ETF.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

(c) Liquidity risk

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

6. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at 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						
Bonds	–	370,428,474	–	–	450,058,062	–
Mortgage Backed Securities	–	901,702	–	–	1,177,210	–
Futures	515,250	–	–	491,617	–	–
Currency Forward Contracts	–	48,577	–	–	5,192	–
Interest Rate Swaps	–	13,433,700	–	–	17,536,496	–
Total Financial Assets	515,250	384,812,453	–	491,617	468,776,960	–
Total Financial Liabilities	–	–	–	–	–	–
Net Financial Assets and Liabilities	515,250	384,812,453	–	491,617	468,776,960	–

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

7. SECURITIES LENDING

In order to generate additional returns, the ETF is authorized to enter into securities lending agreements with borrowers deemed acceptable in accordance with National Instrument 81-102 – *Investment Funds* (“NI 81-102”). Under a securities lending agreement, the borrower must pay the ETF a negotiated securities lending fee, provide compensation to the ETF equal to any distributions received by the borrower on the securities borrowed, and the ETF must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. Revenue, if any, earned on securities lending transactions during the period is disclosed in the ETF’s statements of comprehensive income.

The aggregate closing market value of securities loaned and collateral received as at June 30, 2023, and December 31, 2022, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2023	\$31,443,128	\$33,054,374
December 31, 2022	\$52,919,041	\$55,657,958

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 periods ended June 30, 2023 and 2022. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the periods ended	June 30, 2023	% of Gross Income	June 30, 2022	% of Gross Income
Gross securities lending income	\$19,951		\$28,047	
Lending Agents’ fees:				
Canadian Imperial Bank of Commerce	(7,975)	39.97%	(11,214)	39.98%
Net securities lending income paid to the ETF	\$11,976	60.03%	\$16,833	60.02%

8. REDEEMABLE UNITS

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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

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

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

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

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

For the periods ended June 30, 2023 and 2022, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2023	49,163,953	2,624,771	(11,550,000)	40,238,724	41,613,404
2022	52,508,399	5,834,658	(10,000,000)	48,343,057	53,617,383

9. EXPENSES
Management fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

transactions in units of the ETF; and dealing and communicating with unitholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.40%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

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

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

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 follows:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2023	\$nil	\$nil	\$nil
June 30, 2022	\$3,193	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2023, and December 31, 2022 are disclosed in the statements of financial position.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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	\$403,610
December 31, 2022	\$1,025,633

12. INCOME TAX

The ETF has qualified as a mutual fund trust under the *Income Tax Act* (Canada) (the "Tax Act") and accordingly, is not taxed on the portion of taxable income that is paid or allocated to unitholders. As well, tax refunds (based on redemptions and realized and unrealized gains during the year) may be available that would make it possible to retain some net capital gains in the ETF without incurring any income taxes.

13. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forward may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2022, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$5,828,344	–	–

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. 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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 - currency forwards	48,577	–	48,577	–	–	48,577
Derivative assets - interest rate swaps	13,433,700	–	13,433,700	–	–	13,433,700
Total derivative assets	13,482,277	–	13,482,277	–	–	13,482,277

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 - currency forwards	5,192	–	5,192	–	–	5,192
Derivative assets - interest rate swaps	17,536,496	–	17,536,496	–	–	17,536,496
Total derivative assets	17,541,688	–	17,541,688	–	–	17,541,688

15. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in units of other ETFs as part of its investment strategies (“Investee ETF(s)”). The nature and purpose of these Investee ETFs generally, is to manage assets on behalf of third party investors in accordance with their investment objectives, and are financed through the issue of units to investors.

In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF qualifies as an investment entity under IFRS 10 - *Consolidated Financial Statements*, and therefore accounts for investments it controls at fair value through profit and loss. The ETF’s primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the ETF’s prospectus to meet those objectives. The ETF also measures and evaluates the performance of any Investee ETFs on a fair value basis.

Investee ETFs over which the ETF has control or significant influence are categorized as subsidiaries and associates, respectively. All other Investee ETFs are categorized as unconsolidated structured entities. Investee ETFs may be managed by the Manager, its affiliates, or by third-party managers.

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2023, and December 31, 2022, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

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