



Horizons Active Preferred Share ETF
(HPR:TSX)



HORIZONS ETFs
by Mirae Asset

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Contents

MANAGEMENT REPORT OF FUND PERFORMANCE

Management Discussion of Fund Performance	5
Financial Highlights	10
Past Performance	13
Summary of Investment Portfolio	14

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

FINANCIAL STATEMENTS

Statements of Financial Position	17
Statements of Comprehensive Income	18
Statements of Changes in Financial Position	19
Statements of Cash Flows	20
Schedule of Investments	21
Notes to Financial Statements	30

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

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

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

Management Discussion of Fund Performance (continued)

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

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

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

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

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

Risk

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

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

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

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

- Stock market risk
- Specific issuer risk
- Legal and regulatory risk
- Market disruptions risk
- Cyber security risk
- Listed funds risk
- Reliance on historical data risk
- Corresponding net asset value risk
- Designated broker/dealer risk
- Cease trading of securities risk
- Exchange risk
- Early closing risk
- No assurance of meeting investment objectives
- Tax risk

Management Discussion of Fund Performance (continued)

- 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
 - Income trust investment risk
 - Foreign stock exchange risk
 - Call risk
 - Risk of difference between quoted and actionable market price
 - Liquidity risk

Results of Operations

For the period ended June 30, 2023, units of the ETF returned 0.71% when including distributions paid to unitholders. This compares to a return of 0.15% for the S&P/TSX Preferred Share Index (the "Index") for the same period.

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

General Market Review

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, and 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.

The fiscal situation remains challenging for the bond market with the deficit running at more than 7% of 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

Management Discussion of Fund Performance (continued)

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 twenty-five basis points 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

While fund flows during the first quarter were relatively supportive for preferred shares, the situation became more challenging during the second quarter (particularly in May) as investors were reluctant to add exposure to the asset class due to the potential dividend tax change for corporations that could occur later in 2023. The tone for the asset class ended up improving in June with interest rates increasing substantially.

During the first quarter, the fund was overweight position in fixed reset perpetual, hybrids/LRCN, and floating rate preferred shares. These were the main contributors to the fund's performance. HPR's underweight position in real estate was also an important positive contributor. The fund's security selection within the bank and insurance sectors reduced the performance of the portfolio.

During the second quarter, the fund's security selection within the Utility, Insurance, REITs, and Energy sectors was the main driver of outperformance. However, the overweight position in fixed-rate perpetual reduced performance of the portfolio.

Outlook

The labour market is not showing significant signs of cooling, consumers are continuing to spend, and inflation is not falling fast enough. The Bank of Canada hiked rates in June and the sub-advisor expects an additional hike this year. The base case remains a modest recession in the marketplace but continued rate hikes increases the probability of a hard landing. Monetary policy is restrictive, and the sub-advisor expects growth and inflation to fall over time. The Federal Reserve is also getting close to finishing its tightening campaign. The sub-advisor expects markets to be very volatile as participants determine when central banks will finish hiking rates and the timing of the first interest rate cut.

The average current yield of Canadian preferred shares remains attractive and could continue to increase over the next few years as fixed reset issues reset at a much higher 5-year interest rate. Volatility will remain important in 2023 as financial conditions continue to tighten. This volatility could be exacerbated with the flow of funds especially if the Federal government decides to change the tax treatment on dividends for corporations. In this environment, the sub-advisor believes the fixed reset issues that reset in 2024 and 2025 represent the best risk versus reward opportunities as the 5-year interest rate could be sticky over the next few years.

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 \$11,774,884. This compares to (\$183,860,003) for the six-month period ended June 30, 2022. The ETF incurred management, operating and transaction expenses of \$3,789,117 (2022 – \$5,609,488) of which \$136,870 (2022 – \$2,002) 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 \$30,699,048 to unitholders during the period (2022 – \$39,713,390).

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	\$ 7.50	9.75	8.16	8.14	8.36	9.66
Increase (decrease) from operations:						
Total revenue	0.23	0.43	0.42	0.44	0.44	0.43
Total expenses	(0.03)	(0.06)	(0.06)	(0.05)	(0.06)	(0.07)
Realized gains (losses) for the period	(0.10)	0.11	0.17	(0.52)	(0.37)	0.04
Unrealized gains (losses) for the period	(0.04)	(2.31)	1.41	0.51	0.15	(1.37)
Total increase (decrease) from operations ⁽²⁾	0.06	(1.83)	1.94	0.38	0.16	(0.97)
Distributions:						
From net investment income (excluding dividends)	(0.21)	–	–	–	–	–
From dividends	–	(0.38)	(0.33)	(0.38)	(0.38)	(0.34)
From net realized capital gains	–	(0.06)	(0.06)	–	–	(0.03)
From return of capital	–	–	–	(0.04)	(0.02)	–
Total distributions ⁽³⁾	(0.21)	(0.44)	(0.39)	(0.42)	(0.40)	(0.37)
Net assets, end of period ⁽⁴⁾	\$ 7.34	7.50	9.75	8.16	8.14	8.36

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)	\$ 987,564	1,107,087	1,871,153	1,398,529	1,411,437	1,576,544
Number of units outstanding (000's)	134,466	147,593	191,854	171,302	173,304	188,582
Management expense ratio ⁽²⁾	0.62%	0.64%	0.64%	0.64%	0.64%	0.63%
Management expense ratio before waivers and absorptions ⁽³⁾	0.65%	0.64%	0.65%	0.64%	0.64%	0.65%
Trading expense ratio ⁽⁴⁾	0.04%	0.04%	0.05%	0.07%	0.06%	0.05%
Portfolio turnover rate ⁽⁵⁾	5.70%	23.71%	56.49%	74.59%	85.37%	25.78%
Net asset value per unit, end of period	\$ 7.34	7.50	9.75	8.16	8.14	8.36
Closing market price	\$7.29	7.44	9.75	8.18	8.15	8.36

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 0.55%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

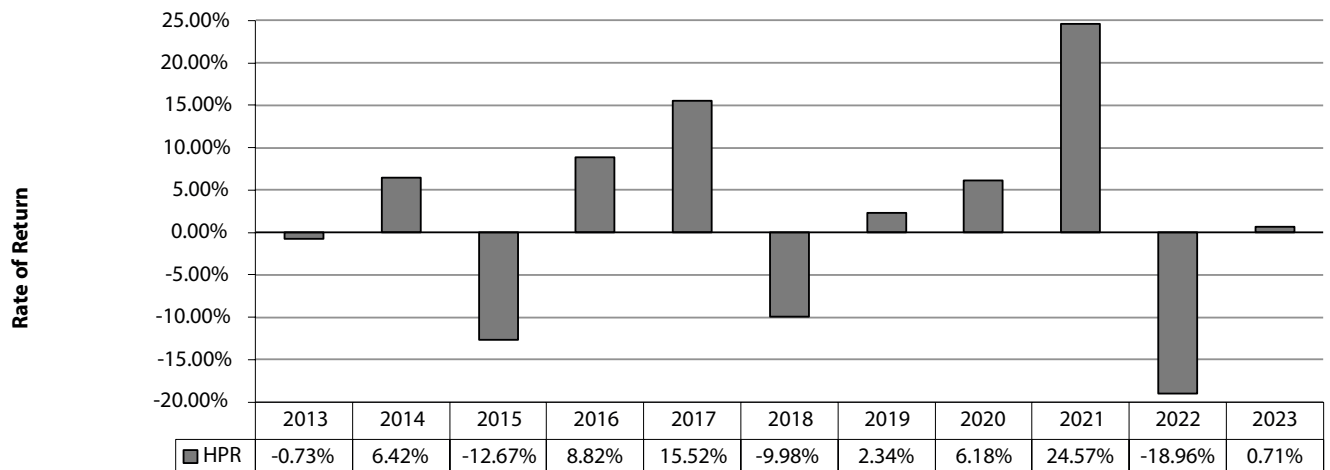
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
2%	90%	8%

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 November 22, 2010.

Summary of Investment Portfolio

As at June 30, 2023

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Canadian Preferred Securities	\$ 879,229,277	89.03%
Canadian Fixed Income Securities	102,604,558	10.39%
Currency Forward Hedge*	28,223	0.00%
Cash and Cash Equivalents	9,142,071	0.93%
Other Assets less Liabilities	(3,440,043)	-0.35%
	\$ 987,564,086	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 436,657,101	44.22%
Energy	227,525,053	23.04%
Utilities	131,785,721	13.34%
Corporate Bonds	102,604,558	10.39%
Communication Services	80,607,505	8.16%
Consumer Staples	1,805,715	0.18%
Industrials	848,182	0.09%
Currency Forward Hedge*	28,223	0.00%
Cash and Cash Equivalents	9,142,071	0.93%
Other Assets less Liabilities	(3,440,043)	-0.35%
	\$ 987,564,086	100.00%

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

Summary of Investment Portfolio (continued)

As at June 30, 2023

Top 25 Holdings*	% of ETF's Net Asset Value
Enbridge Inc.	9.50%
BCE Inc.	8.15%
Toronto-Dominion Bank (The)	7.54%
Great-West Lifeco Inc.	5.88%
Royal Bank of Canada	5.24%
Manulife Financial Corp.	5.17%
Canadian Imperial Bank of Commerce	4.95%
Bank of Montreal	4.83%
Pembina Pipeline Corp.	4.58%
TC Energy Corp.	4.51%
Brookfield Corp.	3.73%
Brookfield Renewable Power Preferred Equity Inc.	3.68%
Power Financial Corp.	3.31%
Canadian Utilities Ltd.	3.28%
Cenovus Energy Inc.	2.75%
AltaGas Ltd.	2.26%
Fortis Inc.	2.25%
National Bank of Canada	1.76%
Intact Financial Corp.	1.74%
Rogers Communications Inc.	1.68%
Brookfield Office Properties Inc.	1.65%
Brookfield Infrastructure Partners L.P.	1.42%
Sun Life Financial Inc.	1.31%
Emera Inc.	1.21%
Fairfax Financial Holdings Ltd.	1.10%

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

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

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



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	\$ 9,142,071	\$ 6,190,592
Investments	981,833,835	1,102,945,697
Amounts receivable relating to accrued income	2,850,378	4,022,012
Amounts receivable relating to portfolio assets sold	2,918,862	231,550
Derivative assets (note 3)	28,223	10,621
Total assets	996,773,369	1,113,400,472
Liabilities		
Accrued management fees	511,379	593,175
Accrued operating expenses	70,637	49,234
Amounts payable relating to securities redeemed	3,111,140	–
Amounts payable for portfolio assets purchased	799,000	208,687
Distribution payable	4,717,127	5,462,432
Total liabilities	9,209,283	6,313,528
Total net assets	\$ 987,564,086	\$ 1,107,086,944
Number of redeemable units outstanding (note 8)	134,465,688	147,593,415
Total net assets per unit	\$ 7.34	\$ 7.50

(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		
Dividend income	\$ 29,603,040	\$ 35,854,476
Interest income for distribution purposes	3,515,676	1,958,064
Securities lending income (note 7)	26,796	27,804
Net realized gain (loss) on sale of investments and derivatives	(14,419,095)	33,322,096
Net realized loss on foreign exchange	(2,856)	(21,281)
Net change in unrealized depreciation of investments and derivatives	(6,948,304)	(255,002,012)
Net change in unrealized appreciation (depreciation) of foreign exchange	(373)	850
	11,774,884	(183,860,003)
Expenses (note 9)		
Management fees	3,361,927	5,022,644
Audit fees	8,032	6,646
Independent Review Committee fees	127	141
Custodial and fund valuation fees	141,403	156,301
Legal fees	12,999	23,303
Securityholder reporting costs	31,774	37,478
Administration fees	15,336	16,566
Transaction costs	216,537	346,409
Other expenses	982	–
	3,789,117	5,609,488
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(136,870)	(2,002)
	3,652,247	5,607,486
Increase (decrease) in net assets for the period	\$ 8,122,637	\$ (189,467,489)
Increase (decrease) in net assets per unit	\$ 0.06	\$ (1.05)

(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	\$ 1,107,086,944	\$ 1,871,153,092
Increase (decrease) in net assets	8,122,637	(189,467,489)
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	30,337,775	24,042,207
Aggregate amounts paid on redemption of securities of the investment fund	(127,530,915)	(283,684,661)
Securities issued on reinvestment of distributions	246,693	309,301
Distributions:		
From net investment income	(30,699,048)	(39,713,390)
Total net assets at the end of the period	\$ 987,564,086	\$ 1,382,639,060

(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	\$ 8,122,637	\$ (189,467,489)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	14,419,095	(33,322,096)
Net realized gain on currency forward contracts	95,120	83,555
Net change in unrealized depreciation of investments and derivatives	6,948,304	255,002,012
Net change in unrealized appreciation of foreign exchange	(37)	(744)
Purchase of investments	(32,891,920)	(201,499,164)
Proceeds from the sale of investments	46,216,831	206,738,650
Amounts receivable relating to accrued income	1,171,634	107,864
Accrued expenses	(60,393)	(299,152)
Net cash from operating activities	44,021,271	37,343,436
Cash flows from financing activities:		
Amount received from the issuance of units	1,831,207	7,293,024
Amount paid on redemptions of units	(11,703,376)	(29,395,308)
Distributions paid to unitholders	(31,197,660)	(39,811,309)
Net cash used in financing activities	(41,069,829)	(61,913,593)
Net increase (decrease) in cash and cash equivalents during the period	2,951,442	(24,570,157)
Effect of exchange rate fluctuations on cash and cash equivalents	37	744
Cash and cash equivalents at beginning of period	6,190,592	38,128,787
Cash and cash equivalents at end of period	\$ 9,142,071	\$ 13,559,374
Interest received, net of withholding taxes	\$ 3,583,481	\$ 1,412,304
Dividends received, net of withholding taxes	\$ 30,706,869	\$ 36,508,100

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts		Average Cost		Fair Value
CANADIAN PREFERRED SECURITIES (89.03%)					
Financials (44.22%)					
Artis REIT, Preferred, Series 'E', Variable Rate, Perpetual	82,783	\$	1,557,317	\$	1,428,007
Artis REIT, Preferred, Series 'I', Variable Rate, Perpetual	17,171		452,048		329,512
Bank of Montreal, Preferred, Class 'B', Series '27', Variable Rate, Convertible, Perpetual	295,785		5,994,976		5,300,467
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	1,363,316		28,357,531		23,353,603
Bank of Montreal, Preferred, Class 'B', Series '31', Variable Rate, Perpetual	249,942		5,271,000		4,249,014
Bank of Montreal, Preferred, Class 'B', Series '33', Variable Rate, Perpetual	305,288		6,493,032		5,534,871
Bank of Montreal, Preferred, Class 'B', Series '44', Variable Rate, Perpetual	1,453		36,906		31,167
Brookfield Corp., Preferred, Class 'A'	53,420		701,743		625,014
Brookfield Corp., Preferred, Series '17', 4.75%, Perpetual	501		10,493		8,682
Brookfield Corp., Preferred, Series '18', 4.75%, Perpetual	38,018		818,457		656,191
Brookfield Corp., Preferred, Series '24', Variable Rate, Perpetual	217,951		4,038,313		2,855,158
Brookfield Corp., Preferred, Series '26', Variable Rate, Perpetual	141,175		2,540,750		1,946,803
Brookfield Corp., Preferred, Series '30', Variable Rate, Perpetual	134,591		2,820,065		2,570,688
Brookfield Corp., Preferred, Series '32', Variable Rate, Perpetual	128,297		2,798,561		2,463,302
Brookfield Corp., Preferred, Series '34', Variable Rate, Perpetual	49,337		988,699		809,620
Brookfield Corp., Preferred, Class 'A', Series '36', 4.85%, Perpetual	29,527		640,868		513,475
Brookfield Corp., Preferred, Class 'A', Series '37', 4.90%, Perpetual	73,453		1,623,164		1,294,976
Brookfield Corp., Preferred, Class 'A', Series '38', Variable Rate, Perpetual	418,024		8,326,730		6,075,979
Brookfield Corp., Preferred, Class 'A', Series '40', Variable Rate, Perpetual	453,644		9,164,967		7,126,747
Brookfield Corp., Preferred, Class 'A', Series '42', Variable Rate, Perpetual	528,067		10,521,480		7,715,059
Brookfield Corp., Preferred, Series '51', 6.45%, Perpetual	142,068		1,772,089		2,156,592
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'N', Variable Rate, Perpetual	423,390		6,781,866		4,149,222
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual	266,555		4,475,014		2,836,145
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual	525,456		9,127,990		5,596,106
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'T', Variable Rate, Convertible, Perpetual	18,248		393,792		251,275
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual	278,896		5,049,872		3,009,288
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'CC', Variable Rate, Perpetual	1,000		19,778		16,740

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'EE', Variable Rate, Perpetual	22,169	360,746	284,650
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'GG', Variable Rate, Perpetual	3,860	78,204	57,282
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '51', Variable Rate, Perpetual	6,923	168,975	166,567
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual	805,797	16,442,019	14,101,448
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '41', Variable Rate, Perpetual	259,665	5,387,461	4,346,792
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual	1,035,009	21,793,908	18,521,486
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	98,719	2,094,393	1,658,479
Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	43,672	915,533	782,384
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Perpetual	2,000	26,200	28,500
Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	64,737	1,064,277	945,808
Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	390,021	6,651,082	6,084,328
Fairfax Financial Holdings Ltd., Preferred, Series 'K', 5.00%, Perpetual	48,628	1,050,058	866,065
Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	103,221	2,238,801	2,064,420
Great-West Lifeco Inc., Preferred, Series 'G', 5.20%, Perpetual	618,435	14,058,291	11,954,349
Great-West Lifeco Inc., Preferred, Series 'H', 4.85%, Perpetual	840,025	19,534,193	15,221,253
Great-West Lifeco Inc., Preferred, Series 'I', 4.50%, Perpetual	416,580	10,205,069	7,173,508
Great-West Lifeco Inc., Preferred, Series 'L', 5.65%, Perpetual	137,991	3,356,483	2,856,414
Great-West Lifeco Inc., Preferred, Series 'M', 5.80%, Perpetual	31,670	795,172	690,406
Great-West Lifeco Inc., Preferred, Series 'N', Variable Rate, Perpetual	83,116	1,230,159	1,018,171
Great-West Lifeco Inc., Preferred, Series 'P', 5.40%, Perpetual	365,246	8,966,811	7,264,743
Great-West Lifeco Inc., Preferred, Series 'Q', 5.15%, Perpetual	316,411	7,450,371	6,011,809
Great-West Lifeco Inc., Preferred, Series 'R', 4.80%, Perpetual	58,998	1,347,114	1,057,834
Great-West Lifeco Inc., Preferred, Series 'S', 5.25%, Perpetual	182,503	4,109,608	3,524,133
Great-West Lifeco Inc., Preferred, Series 'T', 5.15%, Perpetual	60,611	1,347,734	1,184,945
Intact Financial Corp., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	495,662	9,914,496	8,674,085
Intact Financial Corp., Preferred, Class 'A', Series '5', 5.20%, Perpetual	17,555	431,062	358,122
Intact Financial Corp., Preferred, Class 'A', Series '6', 5.30%, Perpetual	84,471	2,046,000	1,778,537
Intact Financial Corp., Preferred, Class 'A', Series '7', Variable Rate, Convertible, Perpetual	156,978	3,599,766	3,272,991
Intact Financial Corp., Preferred, Class 'A', Series '9', 5.40%, Perpetual	5,978	146,471	129,185
Intact Financial Corp., Preferred, Class 'A', Series '11', 5.25%, Perpetual	30,260	751,232	622,751

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Laurentian Bank of Canada, Preferred, Class 'A', Series '13', Variable Rate, Perpetual	121,086	2,233,587	1,858,670
Manulife Financial Corp., Preferred, Class 'A', Series '2', 4.65%, Perpetual	398,808	9,281,726	7,186,520
Manulife Financial Corp., Preferred, Class 'A', Series '3', 4.50%, Perpetual	159,865	3,607,583	2,808,828
Manulife Financial Corp., Preferred, Class '1', Series '3', Variable Rate, Convertible, Perpetual	4,500	75,600	56,925
Manulife Financial Corp., Preferred, Class '1', Series '11', Variable Rate, Perpetual	217,786	4,825,375	4,464,613
Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	122,658	2,698,860	2,330,502
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	567,396	11,630,659	10,003,191
Manulife Financial Corp., Preferred, Class '1', Series '17', Variable Rate, Perpetual	617,709	12,842,324	10,433,105
Manulife Financial Corp., Preferred, Class '1', Series '19', Variable Rate, Perpetual	518,049	10,215,510	8,542,628
Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	70,698	1,681,997	1,403,355
National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	204,759	4,060,150	3,638,567
National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	389,953	7,697,401	6,512,215
National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	1,127	28,609	28,389
National Bank of Canada, Preferred, Series '40', Variable Rate, Perpetual	621	12,774	12,625
Power Corp. of Canada, Preferred, Series 'A', 5.60%, Perpetual	29,187	711,249	604,171
Power Corp. of Canada, Preferred, Series 'B', 5.35%, Perpetual	141,647	3,369,479	2,831,524
Power Corp. of Canada, Preferred, Series 'C', 5.80%, Perpetual	2,600	59,722	56,680
Power Corp. of Canada, Preferred, Series 'G', 5.60%, Perpetual	96,220	2,389,889	1,988,867
Power Financial Corp., Preferred, Series 'D', 5.50%, Perpetual	42,917	1,051,081	879,799
Power Financial Corp., Preferred, Series 'E', 5.25%, Perpetual	93,564	2,240,225	1,841,340
Power Financial Corp., Preferred, Series 'F', 5.90%, Perpetual	32,717	803,558	717,811
Power Financial Corp., Preferred, Series 'H', 5.75%, Perpetual	135,749	3,278,119	2,898,241
Power Financial Corp., Preferred, Series 'K', 4.95%, Perpetual	415,808	9,549,029	7,677,895
Power Financial Corp., Preferred, Series 'L', 5.10%, Perpetual	150,779	3,364,312	2,882,894
Power Financial Corp., Preferred, Series 'O', 5.80%, Perpetual	98,508	2,514,866	2,113,982
Power Financial Corp., Preferred, Series 'P', Variable Rate, Perpetual	358,064	5,347,379	4,583,219
Power Financial Corp., Preferred, Series 'R', 5.50%, Perpetual	255,184	6,320,618	5,172,580
Power Financial Corp., Preferred, Series 'S', 4.80%, Perpetual	176,446	3,789,101	3,193,673
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	2,076	44,297	37,991

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Power Financial Corp., Preferred, Series 'V', 5.15%, Perpetual	45,171	1,039,998	866,832
Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	381,067	8,710,949	6,661,051
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	85,535	1,920,876	1,478,900
Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual	1,036,110	22,133,601	19,002,257
Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual	800,136	16,459,693	13,922,366
Sun Life Financial Inc., Preferred, Class 'A', Series '3', 4.45%, Perpetual	21,192	467,642	378,277
Sun Life Financial Inc., Preferred, Class 'A', Series '4', 4.45%, Perpetual	290,886	6,627,199	5,186,497
Sun Life Financial Inc., Preferred, Class 'A', Series '5', 4.50%, Perpetual	184,494	4,317,817	3,337,496
Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Perpetual	270,170	4,983,887	4,039,042
Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Convertible, Perpetual	814,773	17,772,171	13,981,505
Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	1,127,957	23,845,398	19,491,097
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	680,920	14,207,120	11,759,488
Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	903,643	19,795,717	16,491,485
Toronto-Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual	412,322	9,002,341	7,623,834
Toronto-Dominion Bank (The), Preferred, Series '20', Variable Rate, Perpetual	448	10,599	9,941
Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual	2,558	62,739	61,085
		535,422,016	436,657,101
Energy (23.04%)			
AltaGas Ltd., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	661,360	11,246,636	9,867,491
AltaGas Ltd., Preferred, Series 'B', Floating Rate, Convertible, Perpetual	36,379	706,352	621,353
AltaGas Ltd., Preferred, Series 'G', Variable Rate, Perpetual	460,162	9,586,539	7,937,795
Cenovus Energy Inc., Preferred, Series '1', Variable Rate, Perpetual	96,478	1,399,490	1,281,228
Cenovus Energy Inc., Preferred, Series '3', Variable Rate, Perpetual	382,263	7,617,312	7,052,752
Cenovus Energy Inc., Preferred, Series '5', Variable Rate, Perpetual	457,339	9,154,982	8,776,335
Cenovus Energy Inc., Preferred, Series '7', Variable Rate, Perpetual	533,524	10,564,392	10,030,251
Enbridge Inc., Preferred, Series 'A', 5.50%, Perpetual	538	12,857	11,599
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	333,033	4,876,006	5,415,117
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	239,510	4,186,717	4,016,583
Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	138,152	2,538,024	2,390,030
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	99,225	2,668,147	2,529,066
Enbridge Inc., Preferred, Series 'N', Variable Rate, Perpetual	1,283	23,985	22,761
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	506,940	8,639,846	8,161,734

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	761,898	13,114,026	11,725,610
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,467,949	24,327,361	21,696,286
Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	63,078	1,127,469	1,019,341
Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	284,274	4,910,739	4,332,336
Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	807,392	14,286,839	11,997,845
Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	806,066	12,578,249	11,284,924
Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual	546,458	8,516,699	7,595,766
Pembina Pipeline Corp., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	9,949	177,416	174,605
Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	141,136	2,541,192	2,385,198
Pembina Pipeline Corp., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	19,909	348,041	354,181
Pembina Pipeline Corp., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	572,509	11,424,507	9,555,175
Pembina Pipeline Corp., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	871,402	18,499,527	16,669,920
Pembina Pipeline Corp., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	153,752	2,853,753	3,047,365
Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual	131,632	2,460,110	2,348,315
Pembina Pipeline Corp., Preferred, Class 'A', Series '19', Variable Rate, Perpetual	381,931	8,386,295	8,043,467
Pembina Pipeline Corp., Preferred, Class 'A', Series '21', Variable Rate, Perpetual	9,156	232,930	187,423
Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	107,942	2,514,860	2,347,739
TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	74,661	1,283,818	1,020,616
TC Energy Corp., Preferred, Series '2', Floating Rate, Convertible, Perpetual	15,936	269,653	231,072
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	378,052	4,691,692	3,943,082
TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	728,210	10,286,736	7,820,975
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	512,600	9,768,421	7,837,654
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	784,148	14,337,459	11,566,183
TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual	750,054	14,777,389	12,225,880
		256,936,466	227,525,053

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Utilities (13.34%)			
Algonquin Power & Utilities Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	42,052	917,729	841,040
Algonquin Power & Utilities Corp., Preferred, Series 'D', Variable Rate, Perpetual	80,381	1,599,243	1,590,338
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	563,105	11,393,156	9,682,590
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	7,900	173,307	169,297
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	1,696	31,838	34,700
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '11*', Variable Rate, Perpetual	215,540	5,224,696	4,181,476
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	21,171	504,881	451,577
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	31,971	760,348	704,641
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	931,757	16,838,774	13,985,673
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '2', Variable Rate, Convertible, Perpetual	137,013	2,602,258	2,263,455
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	711,169	14,036,317	12,054,315
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '6', 5.00%, Perpetual	480,057	10,281,080	8,040,955
Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual	391,957	7,824,601	6,949,398
Canadian Utilities Ltd., Preferred, Series 'AA', 4.90%, Perpetual	294,586	6,834,382	5,567,675
Canadian Utilities Ltd., Preferred, Series 'BB', 4.90%, Perpetual	246,724	5,650,324	4,591,534
Canadian Utilities Ltd., Preferred, Series 'CC', 4.50%, Perpetual	177,555	4,121,007	3,071,702
Canadian Utilities Ltd., Preferred, Series 'DD', 4.50%, Perpetual	546,589	11,492,407	9,434,126
Canadian Utilities Ltd., Preferred, Series 'EE', 5.25%, Perpetual	2,214	53,019	44,966
Canadian Utilities Ltd., Preferred, Series 'FF', Variable Rate, Perpetual	78	1,745	1,765
Canadian Utilities Ltd., Preferred, Series 'HH', 4.75%, Perpetual	153,235	2,929,384	2,785,046
Capital Power Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	58,349	798,272	746,867
Capital Power Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	627	12,646	13,054
Capital Power Corp., Preferred, Series '5', Variable Rate, Perpetual	5,520	104,317	113,988
CU Inc., Preferred, Series '1', 4.60%, Perpetual	267,847	5,861,233	4,613,665
Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	265,666	4,180,037	3,587,819
Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	157,858	3,213,959	3,166,631
Emera Inc., Preferred, Series 'F', Variable Rate, Perpetual	204,037	4,052,269	3,519,638
Emera Inc., Preferred, Series 'L', 4.60%, Perpetual	100,581	2,505,505	1,719,935

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	294,571	5,673,718	5,464,292
Fortis Inc., Preferred, Series 'H', 4.25%, Perpetual	14,480	230,294	182,231
Fortis Inc., Preferred, Series 'J', 4.75%, Perpetual	3,326	70,930	63,360
Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	117,979	2,141,883	1,945,474
Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual	878,176	17,861,505	14,533,813
TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	241,131	3,763,311	4,354,826
TransAlta Corp., Preferred, Series 'E', 5.00%, Perpetual	42,313	723,084	884,765
TransAlta Corp., Preferred, Series 'G', Variable Rate, Perpetual	22,337	387,842	429,094
		154,851,301	131,785,721
Communication Services (8.16%)			
BCE Inc., Preferred, Series 'R', Variable Rate, Perpetual	404,105	7,049,907	6,097,944
BCE Inc., Preferred, Series 'Y', Variable Rate, Perpetual	318,482	6,108,980	5,716,752
BCE Inc., Preferred, Series 'Z', Variable Rate, Perpetual	980	16,463	17,640
BCE Inc., Preferred, Series 'AA', Variable Rate, Perpetual	641,138	10,891,038	11,117,333
BCE Inc., Preferred, Series 'AB', Variable Rate, Perpetual	236,714	4,433,544	4,263,219
BCE Inc., Preferred, Series 'AC', Variable Rate, Perpetual	106	1,960	1,882
BCE Inc., Preferred, Series 'AD', Variable Rate, Perpetual	504,067	8,784,445	9,113,531
BCE Inc., Preferred, Series 'AE', Variable Rate, Perpetual	57,161	1,102,967	1,028,898
BCE Inc., Preferred, Series 'AF', Variable Rate, Perpetual	479,656	8,276,423	7,765,631
BCE Inc., Preferred, Series 'AG', Variable Rate, Perpetual	416,603	6,686,231	6,269,875
BCE Inc., Preferred, Series 'AH', Variable Rate, Perpetual	71,057	1,470,761	1,276,184
BCE Inc., Preferred, Series 'AI', Variable Rate, Perpetual	796,810	12,831,246	11,569,681
BCE Inc., Preferred, Series 'AJ', Floating Rate, Convertible, Perpetual	7,615	154,354	138,593
BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	472,265	6,942,037	6,805,339
BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	4,000	68,000	63,600
BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual	641,192	9,923,639	9,361,403
		84,741,995	80,607,505
Consumer Staples (0.18%)			
George Weston Ltd., Preferred, Series 'III', 5.20%, Perpetual	9,169	223,027	179,804
George Weston Ltd., Preferred, Series 'IV', 5.20%, Perpetual	35,155	855,966	687,983
George Weston Ltd., Preferred, Series 'V', 4.75%, Perpetual	8,381	154,797	150,858
Loblaw Cos. Ltd., Preferred, Series 'B', 5.30%, Perpetual	36,969	926,966	787,070
		2,160,756	1,805,715
Industrials (0.09%)			
Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual	34,409	838,693	848,182
TOTAL CANADIAN PREFERRED SECURITIES		1,034,951,227	879,229,277

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
CANADIAN FIXED INCOME SECURITIES (10.39%)			
Corporate Bonds (10.39%)			
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	8,196,000	8,167,650	6,494,979
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	4,940,000	4,940,000	3,938,677
Bank of Montreal, Variable Rate, Perpetual, 7.37%, 2027/11/26	2,104,000	2,130,035	2,069,194
Bank of Montreal, Variable Rate, Perpetual, 7.06%, 2028/04/26	7,381,000	7,381,000	7,180,429
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	2,599,000	2,599,000	2,520,884
Canadian Imperial Bank of Commerce, Variable Rate, Perpetual, 7.37%, 2027/09/28	6,850,000	6,850,000	6,723,926
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.00%, 2082/01/28	200,000	185,000	155,660
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	5,129,000	5,119,409	4,983,520
Capital Power Corp., Variable Rate, Callable, 7.95%, 2082/09/09	3,155,000	3,155,000	3,090,845
Enbridge Inc., Convertible Bonds, Variable Rate, Callable, 6.00%, 2077/01/15	345,000	366,015	424,735
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	1,185,000	1,185,000	1,144,951
Gibson Energy Inc., Convertible Bonds, Series '20-A', Variable Rate, Callable, 5.25%, 2080/12/22	3,584,000	3,629,920	2,970,044
Gibson Energy Inc., Variable Rate, Callable, 8.70%, 2083/07/12	799,000	799,000	805,167
iA Financial Corp. Inc., Series '22-1', Variable Rate, Callable, 6.61%, 2082/06/30	2,188,000	2,188,000	2,114,330
Intact Financial Corp., Variable Rate, Callable, 7.34%, 2083/06/30	2,361,000	2,361,000	2,343,298
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	7,429,000	7,487,882	6,974,683
Keyera Corp., Convertible Bonds, Floating Rate, Callable, 6.88%, 2079/06/13	5,625,000	5,625,000	5,280,620
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	3,962,000	3,962,000	3,841,930
National Bank of Canada, Series '1', Variable Rate, Callable, 4.30%, 2080/11/15	1,275,000	1,266,075	1,164,710
National Bank of Canada, Variable Rate, Callable, 7.50%, 2082/11/16	6,152,000	6,152,000	6,032,618
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	18,243,000	18,243,000	16,594,123
Royal Bank of Canada, Series 'BT', Variable Rate, Perpetual, 4.20%, 2027/02/24	14,306,000	14,307,861	10,738,613
Toronto-Dominion Bank (The), Series '27', Variable Rate, Perpetual, 5.75%, 2027/10/01	2,936,000	2,936,000	2,487,353
Toronto-Dominion Bank (The), Series '28', Variable Rate, Perpetual, 7.23%, 2027/10/01	2,077,000	2,077,000	2,040,139
Toronto-Dominion Bank (The), Variable Rate, Callable, 7.28%, 2082/10/31	498,000	498,000	489,130
		113,610,847	102,604,558
TOTAL CANADIAN FIXED INCOME SECURITIES		113,610,847	102,604,558

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Shares/ Par Value/ Contracts	Average Cost	Fair Value
DERIVATIVES (0.00%)			
Currency Forwards (0.00%)			
Currency forward contract to buy C\$5,255,078 for US\$3,950,473 maturing September 20, 2023		–	28,114
Currency forward contract to buy US\$214,000 for C\$283,040 maturing September 20, 2023		–	109
		–	28,223
TOTAL DERIVATIVES		–	28,223
Transaction Costs		(601,090)	
TOTAL INVESTMENT PORTFOLIO (99.42%)		\$1,147,960,984	\$ 981,862,058
Cash and cash equivalents (0.93%)			9,142,071
Other assets less liabilities (-0.35%)			(3,440,043)
TOTAL NET ASSETS (100.00%)			\$ 987,564,086

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2023

1. REPORTING ENTITY

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

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

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

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

2. BASIS OF PREPARATION

(i) Statement of compliance

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

These financial statements were authorized for issue on 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.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

(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.

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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

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

(iii) Offsetting

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

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

(iv) Specific instruments

Cash and cash equivalents

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

Forward foreign exchange contracts

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

Redeemable units

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

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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.

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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

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

(i) Transaction costs

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

5. FINANCIAL INSTRUMENTS RISK

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

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

(a) Market risk

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

(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	9,149	–	–	103,896	880,770	993,815
December 31, 2022	5,040	–	–	99,793	1,007,172	1,112,005

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2023, was 100.6% (December 31, 2022 – 100.4%). 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 \$45,271,128 (December 31, 2022 – \$54,231,788). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

(iii) Other market risk

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

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
S&P/TSX Preferred Share Index™	\$9,653,894	\$10,829,794

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables. The ETF's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the statements of financial position. 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:

Canadian Preferred Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2023	December 31, 2022
P-2 - Second best credit	92.7%	0.5%
P-3 - Third best credit	5.9%	8.5%
Total	98.6%	9.0%
U.S Preferred Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2023	December 31, 2022
AAA	0.9%	0.5%
A	–	10.9%
BBB	–	64.4%
BB	1.1%	15.0%
CCC	–	0.6%
Total	2.0%	91.4%

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 9.6% (December 31, 2022 – 9.6%) of the net assets of the ETF.

(c) Liquidity risk

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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	–	102,604,558	–	–	98,418,834	–
Equities	879,229,277	–	–	1,004,526,863	–	–
Currency Forward Contracts	–	28,223	–	–	10,621	–
Total Financial Assets	879,229,277	102,632,781	–	1,004,526,863	98,429,455	–
Total Financial Liabilities	–	–	–	–	–	–
Net Financial Assets and Liabilities	879,229,277	102,632,781	–	1,004,526,863	98,429,455	–

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.

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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	\$10,586,221	\$11,146,112
December 31, 2022	\$13,739,172	\$14,482,090

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	\$54,024		\$48,430	
Withholding taxes	(9,370)	17.34%	(2,104)	4.34%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(17,858)	33.06%	(18,522)	38.24%
Net securities lending income paid to the ETF	\$26,796	49.60%	\$27,804	57.42%

8. REDEEMABLE UNITS

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

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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	147,593,415	3,872,273	(17,000,000)	134,465,688	145,173,228
2022	191,854,352	2,608,640	(31,250,000)	163,212,992	179,785,142

9. EXPENSES

Management fees

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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	\$88,925	\$9,314	\$nil
June 30, 2022	\$241,150	\$17,507	\$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.

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

11. INCOME TAX

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

12. TAX LOSSES CARRIED FORWARD

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

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$46,482,002	–	–

13. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2023, and December 31, 2022. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

Financial Assets and Liabilities as at June 30, 2023	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	28,223	–	28,223	–	–	28,223
Derivative liabilities	–	–	–	–	–	–

Financial Assets and Liabilities as at December 31, 2022	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	10,621	–	10,621	–	–	10,621
Derivative liabilities	–	–	–	–	–	–

14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF qualifies as an investment entity under IFRS 10 - *Consolidated*

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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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