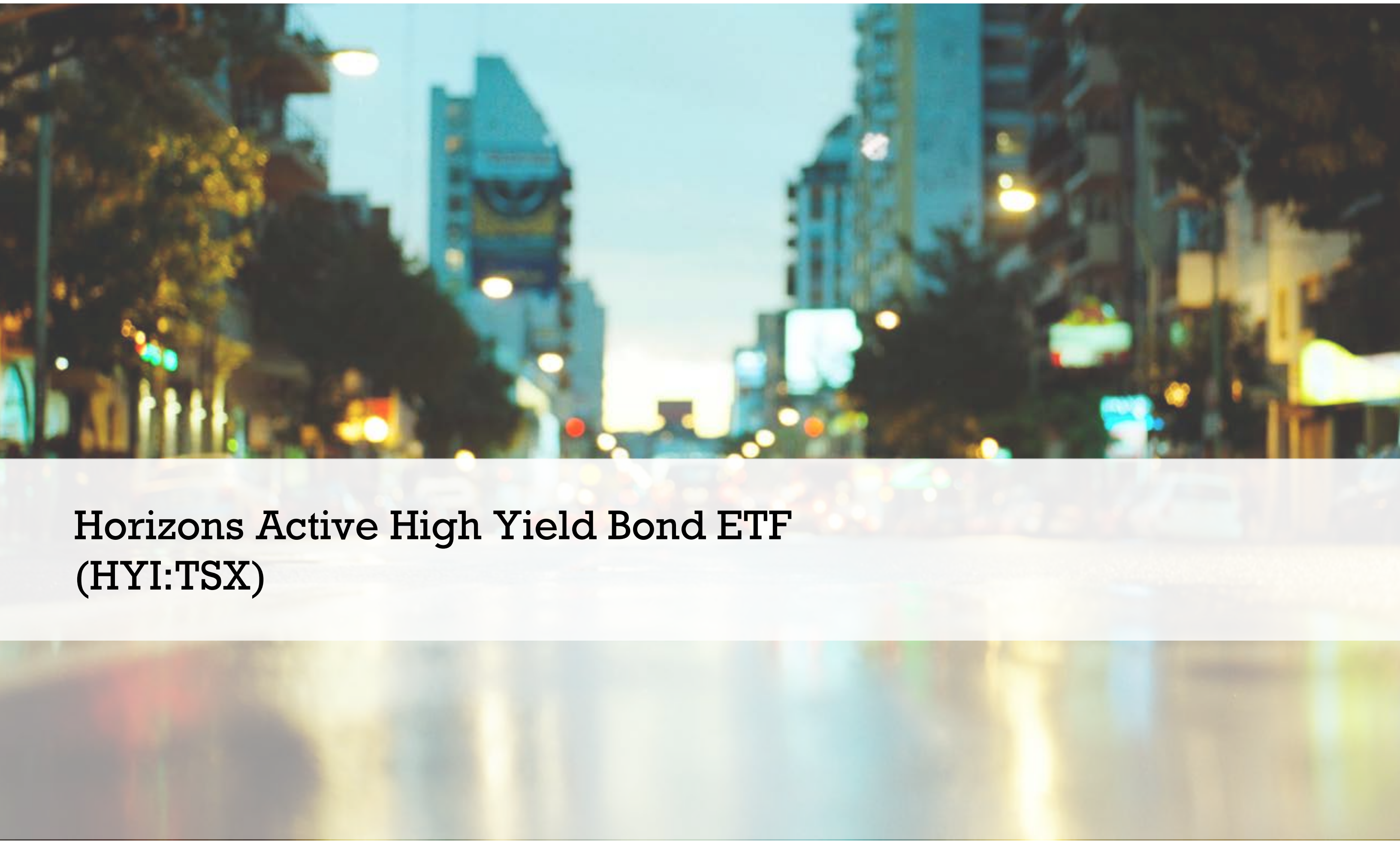
Interim Report | June 30, 2023



Horizons Active High Yield Bond ETF (HYI:TSX)

Innovation is our capital. Make it yours.

www.HorizonsETFs.com

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Contents

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.

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MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Active High Yield Bond ETF ("HYI" 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

HYI's investment objectives are to provide unitholders with: (i) high total return income; and (ii) monthly distributions. HYI invests, directly or indirectly, primarily in high-yield debt securities of North American companies. HYI may also invest, directly or indirectly, in convertible debentures, preferred shares (including securities convertible into preferred shares) and mortgage back securities and other income generating debt (including debt-like securities).

The Sub-Advisor, DMAT Capital Management Inc. ("DMAT" or the "Sub-Advisor"), actively manages a portfolio consisting primarily of debt (including debt-like securities) of North American high yield issuers. HYI's portfolio seeks to be primarily exposed, directly or indirectly, to high yield fixed income securities at all times.

To achieve HYI's investment objectives, the ETF's Sub-Advisor uses fundamental credit research to select companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

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

Management Discussion of Fund Performance (continued)

The Sub-Advisor may, from time to time, invest the ETF in investment grade debt (including debt-like securities), convertible debentures, preferred shares (including securities convertible into preferred shares), mortgage back securities, Canadian and foreign government debt, Listed Funds, as they defined in the ETF's prospectus, cash and cash equivalents which, generally, in aggregate will not exceed 40% of the ETF's net assets. The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist HYI in meeting its investment objectives.

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

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

HYI may also use inverse exchange traded funds as well as both long and short derivative instruments, including future contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, market risk and currency risk.

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

Risk

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

Management Discussion of Fund Performance (continued)

- Exchange risk
- Early closing risk
- No assurance of meeting investment objectives
- Tax risk
- Securities lending, repurchase and reverse repurchase transaction risk
- Loss of limited liability
- Reliance on key personnel
- Distributions risk
- Conflicts of interest
- No ownership interest
- Market for units
- Redemption price
- Net asset value fluctuation
- Restrictions on certain unitholders
- Highly volatile markets
- No guaranteed return
- Derivatives and counterparty risk
- Interest rate risk
- Foreign currency risk
- Credit risk
- Foreign stock exchange risk
- Short selling risk
- High yield bond risk and risk of other lower rated investments
- Senior loan credit risk
- Senior loan risk
- Senior loan settlement risk
- Income risk
- Call risk
- Risk of difference between quoted and actionable market price
- Liquidity risk

Results of Operations

For the period ended June 30, 2023, units of the ETF returned 3.51% when including distributions paid to unitholders. This compares to a return of 5.46% for the Barclays Capital US High Yield Very Liquid Index (the "Index) for the same period.

General Market Review

The first half of 2023 has been volatile in credit markets as slowing growth combined with persistent inflationary pressures has kept Central Banks on edge. The collapse of two regional U.S. banks in the middle of March added to market stress as the reasons for their collapse weren't unique and only rapid intervention by the Federal Reserve prevented a much more drastic outcome. By the end of May, banking sector worries dissipated, and markets responded with an increased risk appetite. Equity markets recovered to their February highs and then sprinted higher in June. Credit spreads, likewise, recovered to near their tighter levels of early March.

Globally, Central Banks continued to tighten policy rates as inflation data remained elevated throughout the first half of the year. The Bank of Canada has moved its target rate from 4% to 4.5% and is widely expected to move another 0.25% in July, while the Federal Reserve in the U.S. has raised rates from 4.25% - 4.50% to 5% to 5.25% and is also widely expected to tighten again in July.

After climbing to just above 4% in early March the 10-year US Treasury rate rallied to 3.25% in early April before resuming its upward trajectory towards the end of June. Economic fundamentals turned mixed as the year progressed with manufacturing slowing markedly while the service sector remained stronger. Employment and inflation data has begun to soften but hasn't shown the sustained decline that Central Bankers say they're looking to see before ending their tightening campaigns.

High Yield spreads declined from +468bps to +455bps in the first half, and the absolute yield on the Bloomberg Barclays High Yield Index declined from 8.93% to 8.52%

Management Discussion of Fund Performance (continued)

Primary issuance in the U.S. high yield market rose to USD$95.6 billion in the first half from USD$71.0 billion in the same period last year. High Yield Funds and ETFs continued to see outflows, with a total of USD$11.2 billion leaving the market in the first two quarters.

Corporate earnings have help up so far this year, although pressure from rising costs (including interest rates) will make it more challenging over the next several quarters.

Portfolio Review

The portfolio continues to be defensively positioned, remaining better rated and shorter in maturity than its respective benchmark.

Telecom, broadcasting and automotive performed well, while pharmaceuticals, food & beverage and chemicals underperformed.

Several positions in the portfolio recovered from a difficult 2022 to lead performance this year; Community Health, Jaguar Land Rover and Norwegian Cruise Lines for example, while Cleveland Cliffs, Starwood and EQM Midstream were underperformers.

Outlook

The sub-advisor expects conditions to deteriorate over the next several quarters, although timing remains uncertain. The market consensus continues to call for a slowdown or a mild recession in the U.S. beginning later this year, although expectations for easing from the Federal Reserve have been pushed out into 2024. Earnings for the second quarter should show continued growth but guidance for the balance of the year will be examined closely for signs of weakening demand.

There are concerns that the potential for a more negative outcome for the economy isn't sufficiently priced into the consensus. Consumers are under increasing pressure and many of the COVID-era support programs have ended or are ending soon. Default rates have begun to move higher and are expected to increase as lower quality borrowers run into difficulty keeping up with interest payments that have doubled or even tripled in some cases on their floating-rate debt.

There continues to be volatility in markets as sentiment shifts and liquidity remains low and the sub-advisor expects the Fund to earn its running interest rate of nearly 7.5% annualized over the balance of the year.

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 $3,170,720. This compares to ($9,337,123) for the six-month period ended June 30, 2022. The ETF incurred management, operating and transaction expenses of $277,282 (2022 – $270,232) of which $36,380 (2022 – $34,215) 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 $2,185,149 to unitholders during the period (2022 – $2,276,340).

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 14) 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	$	7.54	9.22	9.15	9.70	9.05	10.09
Increase (decrease) from operations:							
Total revenue		0.18	0.39	0.42	0.58	0.66	0.69
Total expenses		(0.03)	(0.06)	(0.07)	(0.06)	(0.07)	(0.07)
Realized gains (losses) for the period		0.15	(0.83)	0.07	(0.40)	(0.11)	(0.31)
Unrealized gains (losses) for the period		0.03	(0.54)	0.05	(0.07)	0.81	(0.72)
Total increase (decrease) from operations (2)		0.33	(1.04)	0.47	0.05	1.29	(0.41)
Distributions:							
From net investment income (excluding dividends)		(0.26)	(0.36)	(0.36)	(0.54)	(0.59)	(0.62)
From net realized capital gains		–	–	(0.03)	–	–	–
From return of capital		–	(0.20)	–	(0.05)	–	–
Total distributions (3)		(0.26)	(0.56)	(0.39)	(0.59)	(0.59)	(0.62)
Net assets, end of period (4)	$	7.54	7.54	9.22	9.15	9.70	9.05

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)	$	64,344	102,944	75,433	80,895	103,471	119,243
Number of units outstanding (000's)		8,529	13,657	8,181	8,844	10,671	13,180
Management expense ratio [2][5]		0.71%	0.71%	0.71%	0.70%	0.71%	0.70%
Management expense ratio excluding proportion of expenses from underlying investment funds		0.71%	0.71%	0.70%	0.70%	0.71%	0.69%
Management expense ratio before waivers and absorptions [3]		0.81%	0.80%	0.79%	0.78%	0.76%	0.75%
Trading expense ratio [4][5]		0.00%	0.00%	0.01%	0.00%	0.01%	0.01%
Trading expense ratio excluding proportion of costs from underlying investment funds		0.00%	0.00%	0.01%	0.00%	0.01%	0.01%
Portfolio turnover rate [6]		43.67%	93.56%	152.47%	55.10%	41.59%	82.60%
Net asset value per unit, end of period	$	7.54	7.54	9.22	9.15	9.70	9.05
Closing market price	$	7.55	7.58	9.23	9.15	9.65	9.05

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 management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the period.
6. 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 0.60%, 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.

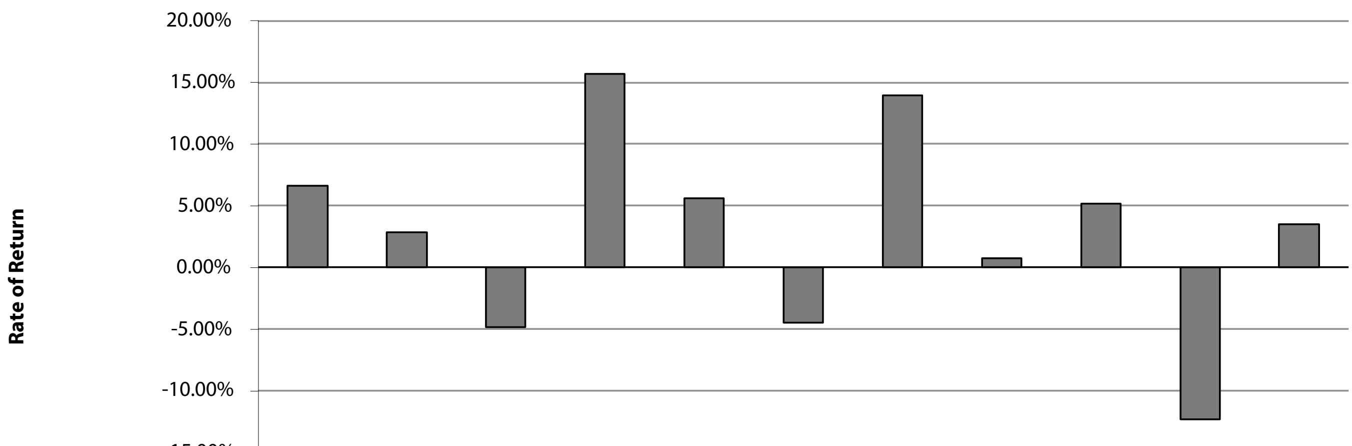
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
2%	82%	16%

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.



	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
HYI	6.64%	2.83%	-4.83%	15.66%	5.60%	-4.50%	13.96%	0.78%	5.18%	-12.33%	3.51%

The ETF effectively began operations on February 14, 2012.

Summary of Investment Portfolio

As at June 30, 2023

Asset Mix		Net Asset Value	% of ETF's Net Asset Value
U.S. Fixed Income Securities	$	43,400,022	67.45%
Canadian Fixed Income Securities		10,976,463	17.06%
Global Fixed Income Securities		4,176,766	6.49%
U.S. Equities		44,127	0.07%
Credit Default Swaps*		2,727,733	4.24%
Currency Forward Hedge*		639,820	0.99%
Cash and Cash Equivalents		1,338,668	2.08%
Other Assets less Liabilities		1,040,721	1.62%
	$	**64,344,320**	**100.00%**

Sector Mix		Net Asset Value	% of ETF's Net Asset Value
Corporate Bonds	$	54,722,136	85.05%
Government Bonds		3,831,115	5.95%
Communication Services		44,127	0.07%
Credit Default Swaps*		2,727,733	4.24%
Currency Forward Hedge*		639,820	0.99%
Cash and Cash Equivalents		1,338,668	2.08%
Other Assets less Liabilities		1,040,721	1.62%
	$	**64,344,320**	**100.00%**

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

Summary of Investment Portfolio (continued)

As at June 30, 2023

Top 25 Holdings*	% of ETF's Net Asset Value
Cleveland-Cliffs Inc.	5.96%
United States Treasury Bond	5.95%
Tenet Healthcare Corp.	5.48%
Univision Communications Inc.	4.04%
AmeriGas Partners L.P. / AmeriGas Finance Corp.	3.98%
TransDigm Inc.	3.89%
CommScope Finance LLC	3.69%
Ford Credit Canada Co.	3.11%
Delta Air Lines Inc.	2.78%
Teva Pharmaceutical Finance Netherlands III BV	2.58%
Starwood Property Trust Inc.	2.51%
Ford Motor Credit Co. LLC	2.30%
Iron Mountain Inc.	2.21%
Rain CII Carbon LLC / CII Carbon Corp.	2.19%
General Motors Financial Co. Inc.	2.18%
Triumph Group Inc.	2.10%
Sprint Corp.	2.07%
Caesars Entertainment Inc.	2.05%
American Airlines Inc.	2.05%
VICI Properties L.P. / VICI Note Co. Inc.	2.05%
Baytex Energy Corp.	2.01%
First Quantum Minerals Ltd.	2.01%
NCL Corp. Ltd.	2.01%
American Airlines Inc. / AAdvantage Loyalty IP Ltd.	2.00%
Jaguar Land Rover Automotive PLC	1.90%

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

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

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

Rohit Mehta Director Horizons ETFs Management (Canada) Inc.	Thomas Park Director Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

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

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

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

Statements of Financial Position (unaudited)

June 30, 2023, and December 31, 2022

		2023		2022
Assets				
Cash and cash equivalents	$	1,338,668	$	9,692,609
Investments		58,597,378		92,064,978
Amounts receivable relating to accrued income		909,429		1,348,447
Amounts receivable relating to portfolio assets sold		1,101,039		53,244
Amounts receivable relating to securities issued		–		1,318,116
Derivative assets (note 3)		3,367,553		3,652,473
Total assets		**65,314,067**		**108,129,867**
Liabilities				
Accrued management fees		35,703		51,137
Accrued operating expenses		2,145		4,426
Amounts payable relating to securities redeemed		566,222		–
Amounts payable for portfolio assets purchased		–		4,475,565
Distribution payable		365,677		618,706
Derivative liabilities (note 3)		–		36,145
Total liabilities		**969,747**		**5,185,979**
Total net assets	**$**	**64,344,320**	**$**	**102,943,888**
Number of redeemable units outstanding (note 8)		8,529,169		13,657,371
Total net assets per unit	$	7.54	$	7.54

(See accompanying notes to financial statements)

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

Rohit Mehta
Director

Thomas Park
Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2023	2022
Income		
Interest income for distribution purposes	$ 1,623,862	$ 1,562,367
Securities lending income (note 7)	16,330	14,907
Net realized gain (loss) on sale of investments and derivatives	1,298,915	(787,049)
Net realized gain on foreign exchange	14,216	94,582
Net change in unrealized appreciation (depreciation) of investments and derivatives	227,587	(10,302,744)
Net change in unrealized appreciation (depreciation) of foreign exchange	(10,190)	80,814
	3,170,720	**(9,337,123)**
Expenses (note 9)		
Management fees	227,200	222,448
Audit fees	8,033	6,132
Independent Review Committee fees	127	141
Custodial and fund valuation fees	15,813	15,577
Legal fees	795	1,994
Securityholder reporting costs	9,923	8,748
Administration fees	15,340	15,192
Transaction costs	–	–
Other expenses	51	–
	277,282	**270,232**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(36,380)	(34,215)
	240,902	**236,017**
Increase (decrease) in net assets for the period	**$ 2,929,818**	**$ (9,573,140)**
Increase (decrease) in net assets per unit	$ 0.33	$ (1.21)

(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	$	102,943,888	$	75,433,079
Increase (decrease) in net assets		2,929,818		(9,573,140)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		5,879,536		5,265,023
Aggregate amounts paid on redemption of securities of the investment fund		(45,290,670)		(5,293,215)
Securities issued on reinvestment of distributions		66,897		64,712
Distributions:				
From net investment income		(2,185,149)		(2,276,340)
Total net assets at the end of the period	**$**	**64,344,320**	**$**	**63,620,119**

(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	$	2,929,818	$	(9,573,140)
Adjustments for:				
Net realized (gain) loss on sale of investments and derivatives		(1,298,915)		787,049
Net realized gain on currency forward contracts		1,367,460		904,019
Net change in unrealized (appreciation) depreciation of investments and derivatives		(227,587)		10,302,744
Net change in unrealized appreciation of foreign exchange		(6,095)		(77,903)
Purchase of investments		(29,474,270)		(25,440,521)
Proceeds from the sale of investments		57,826,327		28,097,022
Amounts receivable relating to accrued income		439,018		110,473
Accrued expenses		(17,715)		(8,524)
Net cash from operating activities		**31,538,041**		**5,101,219**
Cash flows from financing activities:				
Amount received from the issuance of units		7,197,652		5,265,023
Amount paid on redemptions of units		(44,724,448)		(5,292,178)
Distributions paid to unitholders		(2,371,281)		(2,176,316)
Net cash used in financing activities		**(39,898,077)**		**(2,203,471)**
Net increase (decrease) in cash and cash equivalents during the period		(8,360,036)		2,897,748
Effect of exchange rate fluctuations on cash and cash equivalents		6,095		77,903
Cash and cash equivalents at beginning of period		9,692,609		3,956,178
Cash and cash equivalents at end of period	**$**	**1,338,668**	**$**	**6,931,829**
Interest received, net of withholding taxes	$	1,960,284	$	1,672,840

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2023

Security	Par Value/ Shares/ Notional/ Contracts		Average Cost		Fair Value
U.S. FIXED INCOME SECURITIES (67.45%)					
Corporate Bonds (61.50%)					
American Airlines Inc., Callable, 7.25%, 2028/02/15	1,000,000	$	1,351,477	$	1,318,319
American Airlines Inc. / AAdvantage Loyalty IP Ltd., Sinkable, 5.75%, 2029/04/20	1,000,000		1,311,611		1,287,682
AmeriGas Partners L.P. / AmeriGas Finance Corp., Callable, 5.50%, 2025/05/20	2,000,000		2,650,257		2,560,461
Caesars Entertainment Inc., Callable, 6.25%, 2025/07/01	1,000,000		1,274,477		1,319,695
CHS / Community Health Systems Inc., Callable, 6.88%, 2029/04/15	1,000,000		800,037		834,235
Cleveland-Cliffs Inc., Callable, 6.75%, 2030/04/15	3,000,000		4,041,000		3,834,222
CommScope Finance LLC, Callable, 6.00%, 2026/03/01	1,922,000		2,524,533		2,376,215
Delta Air Lines Inc., Callable, 3.75%, 2029/10/28	1,500,000		1,853,452		1,788,810
EnLink Midstream Partners L.P., Callable, 4.40%, 2024/04/01	786,000		1,030,016		1,017,477
Ford Motor Credit Co. LLC, Callable, 3.82%, 2027/11/02	1,249,000		1,571,724		1,480,407
General Motors Financial Co. Inc., Series 'C', Variable Rate, Perpetual, 5.70%, 2030/09/30	1,200,000		1,619,517		1,401,469
Hilcorp Energy I L.P. / Hilcorp Finance Co., Callable, 5.75%, 2029/02/01	1,000,000		1,281,141		1,200,820
Iron Mountain Inc., Callable, 4.88%, 2029/09/15	1,200,000		1,627,612		1,424,356
Kerr-McGee Corp., 6.95%, 2024/07/01	660,000		906,774		869,015
Match Group Holdings II LLC, Callable, 4.63%, 2028/06/01	500,000		703,025		609,113
MicroStrategy Inc., Callable, 6.13%, 2028/06/15	500,000		645,667		594,482
Rain CII Carbon LLC / CII Carbon Corp., Callable, 7.25%, 2025/04/01	1,096,000		1,458,359		1,410,691
Sprint Corp., 7.88%, 2023/09/15	1,000,000		1,347,510		1,329,119
Starwood Property Trust Inc., Callable, 3.75%, 2024/12/31	1,300,000		1,608,580		1,616,149
Tenet Healthcare Corp., Callable, 4.88%, 2026/01/01	1,000,000		1,270,150		1,291,548
Tenet Healthcare Corp., Callable, 6.13%, 2028/10/01	1,750,000		2,335,687		2,234,065
TransDigm Inc., Callable, 5.50%, 2027/11/15	2,000,000		2,502,395		2,502,083
Triumph Group Inc., Callable, 9.00%, 2028/03/15	1,000,000		1,361,450		1,354,183
Univision Communications Inc., Callable, 5.13%, 2025/02/15	2,000,000		2,610,901		2,596,669
VICI Properties L.P. / VICI Note Co. Inc., Callable, 5.63%, 2024/05/01	1,000,000		1,273,630		1,317,622
			40,960,982		39,568,907
Government Bonds (5.95%)					
United States Treasury Bond, 3.38%, 2033/05/15	3,000,000		3,943,828		3,831,115
TOTAL U.S. FIXED INCOME SECURITIES			**44,904,810**		**43,400,022**

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Shares/ Notional/ Contracts	Average Cost	Fair Value
CANADIAN FIXED INCOME SECURITIES (17.06%)			
Corporate Bonds (17.06%)			
1375209 BC Ltd., Callable, 9.00%, 2028/01/30	337,000	964,928	447,760
AutoCanada Inc., Callable, 5.75%, 2029/02/07	1,000,000	1,000,000	841,667
Bausch Health Cos. Inc., 11.00%, 2028/09/30	599,000	1,392,720	563,403
Bausch Health Cos. Inc., Callable, 14.00%, 2030/10/15	119,000	187,872	94,587
Baytex Energy Corp., Callable, 8.50%, 2030/04/30	1,000,000	1,336,027	1,295,050
First Quantum Minerals Ltd., Callable, 6.88%, 2027/10/15	1,000,000	1,222,925	1,294,301
Ford Credit Canada Co., 7.00%, 2026/02/10	1,000,000	996,250	997,188
Ford Credit Canada Co., 7.38%, 2026/05/12	1,000,000	1,000,000	1,003,701
goeasy Ltd., Callable, 4.38%, 2026/05/01	1,000,000	1,250,200	1,209,550
Keyera Corp., Convertible Bonds, Floating Rate, Callable, 6.88%, 2079/06/13	1,005,605	1,012,663	944,039
NOVA Chemicals Corp., Callable, 4.88%, 2024/06/01	910,000	1,153,366	1,178,856
Telesat Canada / Telesat LLC, Callable, 6.50%, 2027/10/15	250,000	203,040	134,805
Videotron Ltd., Callable, 4.50%, 2030/01/15	1,113,000	1,081,439	971,556
		12,801,430	10,976,463
TOTAL CANADIAN FIXED INCOME SECURITIES		**12,801,430**	**10,976,463**
GLOBAL FIXED INCOME SECURITIES (6.49%)			
Netherlands (2.58%)			
Teva Pharmaceutical Finance Netherlands III BV, 3.15%, 2026/10/01	1,400,000	1,620,016	1,661,389
Bermuda (2.01%)			
NCL Corp. Ltd., Callable, 5.88%, 2027/02/15	1,000,000	1,272,350	1,291,121
United Kingdom (1.90%)			
Jaguar Land Rover Automotive PLC, Callable, 5.88%, 2028/01/15	1,000,000	1,233,708	1,224,256
TOTAL GLOBAL FIXED INCOME SECURITIES		**4,126,074**	**4,176,766**
U.S. EQUITIES (0.07%)			
Communication Services (0.07%)			
iHeartMedia Inc., Warrants	9,151	200,170	44,127
TOTAL U.S. EQUITIES		**200,170**	**44,127**

Schedule of Investments (unaudited) (continued)

As at June 30, 2023

Security	Par Value/ Shares/ Notional/ Contracts	Average Cost	Fair Value
DERIVATIVES (5.23%)			
Credit Default Swaps (4.24%)			
Receive on Default Event of Markit CDX.NA.HY39-5Y 12/20/2027, Pay 5.00%, Quarterly	4,950,000	1,110,338	967,837
Receive on Default Event of Markit CDX.NA.HY40-5Y 06/20/2028, Pay 5.00%, Quarterly	8,000,000	1,949,293	1,759,896
		3,059,631	2,727,733
Currency Forwards (0.99%)			
Currency forward contract to buy C$58,261,725 for US$43,500,000 maturing July 10, 2023		–	639,820
TOTAL DERIVATIVES		**–**	**3,367,553**
Transaction Costs		(376)	
TOTAL INVESTMENT PORTFOLIO (96.30%)		**$ 65,091,739**	**$ 61,964,931**
Cash and cash equivalents (2.08%)			1,338,668
Other assets less liabilities (1.62%)			1,040,721
TOTAL NET ASSETS (100.00%)			**$ 64,344,320**

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2023

1. REPORTING ENTITY

Horizons Active High Yield Bond ETF ("HYI" 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 February 14, 2012. 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 HYI. 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.

HYI's investment objectives are to provide unitholders with: (i) high total return income; and (ii) monthly distributions. HYI invests, directly or indirectly, primarily in high-yield debt securities of North American companies. HYI may also invest, directly or indirectly, in convertible debentures, preferred shares (including securities convertible into preferred shares) and mortgage back securities and other income generating debt (including debt-like securities).

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 DMAT Capital Management Inc. ("DMAT" 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.

(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	4,903	17,553	14,138	22,868	–	59,462
December 31, 2022	12,363	40,398	17,836	22,723	–	93,320

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2023, was 92.4% (December 31, 2022 – 90.7%). 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 $1,718,450 (December 31, 2022 – $2,277,020). 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
Barclays Capital US High Yield Very Liquid Index	$554,929	$898,549

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:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2023	**December 31, 2022**
AAA	6.0%	2.7%
BBB	4.2%	3.3%
BB	44.6%	55.2%
B	32.9%	28.2%
CCC	4.5%	0.9%
D	0.2%	–
Unrated	–	0.4%
Total	**92.4%**	**90.7%**

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 6.0% (December 31, 2022 – 5.0%) of the net assets of the ETF.

(c) Liquidity risk

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

Notes to Financial Statements (unaudited) (continued)
June 30, 2023

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	–	58,553,251	–	–	91,989,024	–
Equities	–	44,127	–	–	75,954	–
Currency Forward Contracts	–	639,820	–	–	705,892	–
Credit Default Swaps	–	2,727,733	–	–	2,946,581	–
Total Financial Assets	**–**	**61,964,931**	**–**	**–**	**95,717,451**	**–**
Financial Liabilities						
Currency Forward Contracts	–	–	–	–	(36,145)	–
Total Financial Liabilities	**–**	**–**	**–**	**–**	**(36,145)**	**–**
Net Financial Assets and Liabilities	**–**	**61,964,931**	**–**	**–**	**95,681,306**	**–**

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.

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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	$6,449,568	$6,782,794
December 31, 2022	$3,323,742	$3,510,004

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	$38,213		$30,326	
Withholding taxes	(10,996)	28.78%	(5,481)	18.07%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(10,887)	28.49%	(9,938)	32.77%
Net securities lending income paid to the ETF	**$16,330**	**42.73%**	**$14,907**	**49.16%**

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	13,657,371	783,798	(5,912,000)	8,529,169	9,012,200
2022	8,181,287	657,550	(600,000)	8,238,837	7,887,082

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 0.60%, 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	$514	$nil	$nil
June 30, 2022	$nil	$nil	$nil

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

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
$11,251,377	–	–

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.

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at June 30, 2023	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	639,820	–	639,820	–	–	639,820
Derivative liabilities - currency forwards	–	–	–	–	–	–

	Amounts Offset ($)			Amounts Not Offset ($)		Net ($)
Financial Assets and Liabilities as at December 31, 2022	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets - currency forwards	705,892	–	705,892	(36,145)	–	669,747
Derivative liabilities - currency forwards	(36,145)	–	(36,145)	36,145	–	–

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2023

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

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

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

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