



Horizons Active A.I. Global Equity ETF
(MIND:TSX)



HORIZONS ETFs
by Mirae Asset

Innovation is our capital. Make it yours.
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A Message from the CEO

For many industries and sectors, the first half of 2020 has been a very challenging period. As COVID-19 spread across the world, many countries closed their borders, restricted business operations and issued work-from-home orders for those businesses still operating.

COVID-19 restrictions also impacted the investment fund industry as investor fears of a recession resulted in a mass sell-off in global equities and corporate bonds in March. Governments and global central banks responded with significant stimulus packages to keep businesses afloat and support the growing number of people out of work.

Amid the crisis, Horizons ETFs has managed to rise above the market turbulence. As at June 30, 2020, Horizons ETFs was the second-best selling firm in Canada for 2020 in terms of inflows, with over \$4.0 billion in net sales for the first six months of the year. With more than 90 ETFs listed in Canada, investors looked to our firm for innovative investment solutions to help manage this crisis and seek new investment opportunities.

In February, Horizons ETFs launched three new total return ETFs ("**TRI ETFs**"): the Horizons US Large Cap Index ETF ("**HULC**"), the Horizons S&P/TSX Capped Composite Index ETF ("**HXCN**") and the Horizons Cash Maximizer ETF ("**HSAV**"). HXCN received the most seed capital in Canadian history at \$1 billion and is the best-selling ETF in Canada for the first half of 2020.

The second-best selling ETF in Canada for the first six months of 2020 is another one of our products: the Horizons Cdn. Select Universe Bond ETF ("**HBB**"). Our suite of tax-efficient TRI ETFs, which are not expected to pay out distributions, seem to have become a key target for investors using the crisis as an opportunity to rebalance their portfolios.

We have observed several recent positive indicators that have strengthened our optimistic outlook for the rest of 2020. In the broader Canadian ETF industry, there are signs that activity may be picking up; for the month of May, we saw \$2.4 billion of net inflows into Canadian ETFs after a relatively quiet April, with all equity classes contributing, and a further \$4 billion of inflows for the month of June. We've also seen marijuana stocks more than double from their March lows in the U.S., despite COVID-19 restrictions and the fact that marijuana remains illegal federally. Currently, Horizons ETFs provides the only ETF focused on exposure to this sector that can provide diversified exposure across the United States ("**HMUS**").

At Horizons ETFs, "Innovation is Our Capital," has long been our motto, and we believe that has allowed us to be nimble enough to adapt quickly while anticipating what investors are looking for. While the road ahead is still uncertain, we feel confident in our ability to maintain our momentum.

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

Sincerely,



Steven J. Hawkins
President & CEO of Horizons ETFs Management (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Active A.I. Global Equity ETF (“MIND” 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.sedar.com.

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

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF’s 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 MIND is to seek long-term equity returns through investments in major global equity indices using a basket of primarily North American-listed exchange traded funds. The ETF allocates its equity index exposure using a proprietary artificial intelligence (“A.I.”) selection process that extracts patterns from analyzing data.

MIND seeks to harvest excess returns by optimally weighting regional investments as compared to each region’s existing market capitalization. An adaptive artificial intelligence system (the “A.I. System”) developed by the ETF’s portfolio sub-advisor, Castle Ridge Asset Management Limited (“Castle Ridge” or the “Sub-Advisor”), will overweight certain regions, countries, and indices that are expected to outperform and underweight, or not allocate to, certain regions, countries, and indices that are expected to underperform. The primary global regions being followed are North America, Europe, Asia Pacific and emerging markets. The A.I. System may also allocate up to 30% of the ETF’s portfolio to cash and cash equivalents.

MIND uses a fully systematic strategy based on A.I. algorithms to gather information and analyze enormous data sets. While traditional quantitative strategies are based on static manual programming functions, MIND takes advantage of a self-evolving A.I. which can detect complex patterns in global market data. These machine learning techniques mimic the brain by learning from experiences so that the computer is trained to recognize patterns and make decisions. A.I. is a completely autonomous technology in that it effectively teaches itself how to access and evaluate relevant information and to independently make better decisions based on its experience.

Management Discussion of Fund Performance (continued)

Please refer to the ETF's most recent prospectus for a complete description of MIND'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.sedar.com, or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

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|--|--|
| <ul style="list-style-type: none"> • Stock market risk • Specific issuer risk • Legal and regulatory risk • Exchange traded 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 • Market disruptions risk • No assurance of meeting investment objective • Tax risk • Securities lending, repurchase and reverse repurchase transaction risk • Loss of limited liability • Reliance on key personnel • Distributions risk • Conflicts of interest | <ul style="list-style-type: none"> • No ownership interest • Market for units • Redemption price • Net asset value fluctuation • Limited operating history • Restrictions on certain unitholders • Highly volatile markets • No guaranteed return • Derivatives and counterparty risk • Foreign currency risk • Emerging markets risk • Income trust investment risk • Foreign stock exchange risk • Call risk • Risk of difference between quoted and actionable market price • Complexity • Commodity price volatility risk • A.I. System risk |
|--|--|

Management Discussion of Fund Performance (continued)

Results of Operations

For the six-month period ended June 30, 2020, units of the ETF returned -14.92%. By comparison, the MSCI World Index (the "Index") returned -1.14% in Canadian dollar terms and -5.77% in U.S. dollar terms for the same period on a total return basis. The ETF may hedge all or a portion of the value of the ETF's non-Canadian dollar currency exposure (if any) back to the Canadian dollar at the discretion of the Sub-Advisor.

The Index is a broad global equity benchmark that represents large- and mid-cap equity performance across 23 developed market countries.

General Market Review

So far, 2020 has been nothing but extraordinary. From the eruption of the COVID-19 pandemic to unprecedented actions by the U.S. Federal Reserve (the "Fed") to save the economy, our understanding of the U.S. economy and financial markets has been altered forever. America's delirious "V-shaped" recovery that is continuously suspending economic gravity has created a euphoric investment climate in which the fear of missing out has reached its apex. Since March of this year, the stock market has staged a frantic reversal rally that has seen the NASDAQ®-100 and the S&P 500® indices reverse most of the March declines and returned to the all-time highs seen in February.

However, U.S. economic fundamentals continue to decline. The stock market rally belies the 49% gross domestic product decline in the first quarter, and the nearly 50 million Americans who have lost their jobs. Contrary to what stocks suggest, the 10-year U.S. Treasury bond yield, which is a better indicator of economic activities, is still below 1%. This tells us that difficult times, not a rampant recovery, are ahead of us. These low yields, in combination with rising commodities prices, are signaling that we're heading towards classic stagflation where economic growth slows down, and inflation increases.

Just like the 2001 technology bubble and the 2008 financial crisis, the U.S. continues to exhibit a pattern of denial. Instead of adjusting the economy's mode of operation and dealing with the realities of the underlying recession, the Fed has slashed interest rates to zero, printed US\$7 trillion of new money, bought ultra-risky junk bonds, purchased suspect mortgages, and brought back quantitative easing. All those actions, though, are just a liquidity backstop that does nothing to stimulate the real economy and only serves the purpose of propping up asset prices.

All of these actions could potentially have a devastating impact on the next decade of economic development. Once the stimulus wears off, the realization of a 20% unemployment rate and the collapse of at least one-third of small businesses will be a permanent scar on the face of corporate America. Close to 8 million Americans enrolled in the Pandemic Unemployment Assistance program with 39 weeks of benefits. They lost their income and added themselves to the already astonishing pool of 45 million unemployed citizens.

Cheap money, which is fueling retail speculation in the stock market, paired with declining economic growth, only inflates the equity market bubble further and increases the probability of a stock market crash. So far, the Fed and Wall Street firms have managed to prop up prices by pumping trillions into the financial system and manufacturing artificial earnings growth via share buybacks. This party, however, cannot last much longer.

Portfolio Review

The ETF started the year with a fully invested portfolio. As the market crashed in March, MIND began raising cash and shifting exposures. Investment in Europe went from a high of almost 35% in January and February to just over 10% by late April and early May. Asia-Pacific and emerging markets exposures were cut in half. Meanwhile, exposure to the U.S. markets and cash were brought to nearly their maximums.

Management Discussion of Fund Performance (continued)

Within the U.S. exposure, MIND was overweight the NASDAQ[®]-100 and Russell 2000 versus the S&P 500[®]. This proved to be the correct decision as both indices have outperformed the S&P 500[®] year-to-date. It was MIND's cash balances that have proven to be the largest drag on performance during the second quarter market surge. As discussed above, markets have rallied in the face of ever-increasing COVID-19 infection numbers and declining fundamentals, thanks to an unprecedented amount of global stimulus.

Outlook

In February and March of 2020, W.A.L.L.A.C.E., the name of the A.I. System which creates the ETF's portfolio, started to sense the shifts in market data patterns, explicitly paying attention to increased levels of market velocity and the volatility of the changes in market sentiment. Those new market behavior patterns led to evolutionary changes in the A.I. System's core models and produced new types of investment portfolios beginning in March and April of 2020.

Those shifts in the A.I. System's "thinking" were primarily related to the increased sensitivity of its decision models to changes in the relative levels of short-term implied volatility and its divergence from the realized volatility measures. Coupled with the increased sensitivity of its decisions to various parameters of market sentiment, W.A.L.L.A.C.E.'s investment models evolved to navigate extremely turbulent market conditions safely. Although the subsequent pandemic relief rally in the second quarter erased the ETF's outperformance versus the Index from early in the year, we cannot forget that the A.I. System acted exceptionally well by decisively protecting its assets and efficiently using its limited portfolio rebalancing. With these developments, we expect it to be outperforming the Index again in the near future.

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

For the six-month period ended June 30, 2020, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of (\$1,094,204). This compares to \$1,029,128 for the six-month period ended June 30, 2019. The ETF incurred management, operating and transaction expenses of \$88,220 (2019 – \$112,031) of which \$51,067 (2019 – \$45,937) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF did not make any distributions to unitholders during the periods ended June 30, 2020 and 2019.

Presentation

The attached financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). 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.

Management Discussion of Fund Performance (continued)

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 8) 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, 2020, and December 31, 2019, are disclosed in the statements of financial position.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance since it effectively began operations on October 31, 2017. 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

| <i>Period</i> ⁽¹⁾ | | 2020 | 2019 | 2018 | 2017 |
|---|----|-------------|-------------|-------------|-------------|
| Net assets, beginning of period | \$ | 26.74 | 23.44 | 25.01 | 25.00 |
| Increase (decrease) from operations: | | | | | |
| Total revenue | | 0.11 | 0.41 | 0.28 | 0.16 |
| Total expenses | | (0.14) | (0.29) | (0.24) | (0.08) |
| Realized gains (losses) for the period | | (3.86) | 1.73 | (1.10) | – |
| Unrealized gains (losses) for the period | | (0.33) | 1.57 | (0.61) | (0.17) |
| Total increase (decrease) from operations ⁽²⁾ | | (4.22) | 3.42 | (1.67) | (0.09) |
| Distributions: | | | | | |
| From net investment income (excluding dividends) | | – | (0.22) | (0.03) | (0.10) |
| From net realized capital gains | | – | (0.24) | – | (0.03) |
| Total distributions ⁽³⁾ | | – | (0.46) | (0.03) | (0.13) |
| Net assets, end of period ⁽⁴⁾ | \$ | 22.76 | 26.74 | 23.44 | 25.01 |

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

| <i>Period</i> ⁽¹⁾ | 2020 | 2019 | 2018 | 2017 |
|--|-------------|-------------|-------------|-------------|
| Total net asset value (000's) | \$ 5,691 | 7,354 | 11,136 | 11,255 |
| Number of units outstanding (000's) | 250 | 275 | 475 | 450 |
| Management expense ratio ⁽²⁾⁽⁵⁾ | 0.97% | 0.94% | 0.91% | 0.98% |
| Management expense ratio excluding proportion of expenses from underlying investment funds | 0.66% | 0.66% | 0.65% | 0.65% |
| Management expense ratio before waivers and absorptions ⁽³⁾ | 2.61% | 1.75% | 1.42% | 2.11% |
| Trading expense ratio ⁽⁴⁾⁽⁵⁾ | 0.52% | 0.31% | 0.28% | 0.30% |
| Trading expense ratio excluding proportion of costs from underlying investment funds | 0.45% | 0.21% | 0.17% | 0.19% |
| Portfolio turnover rate ⁽⁶⁾ | 268.82% | 329.40% | 218.92% | 33.91% |
| Net asset value per unit, end of period | \$ 22.76 | 26.74 | 23.44 | 25.01 |
| Closing market price | \$ 22.79 | 26.72 | 23.48 | 25.05 |

1. This information is provided as at June 30, 2020, and December 31 of the other 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, 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.
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 year.
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 0.55%, 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.

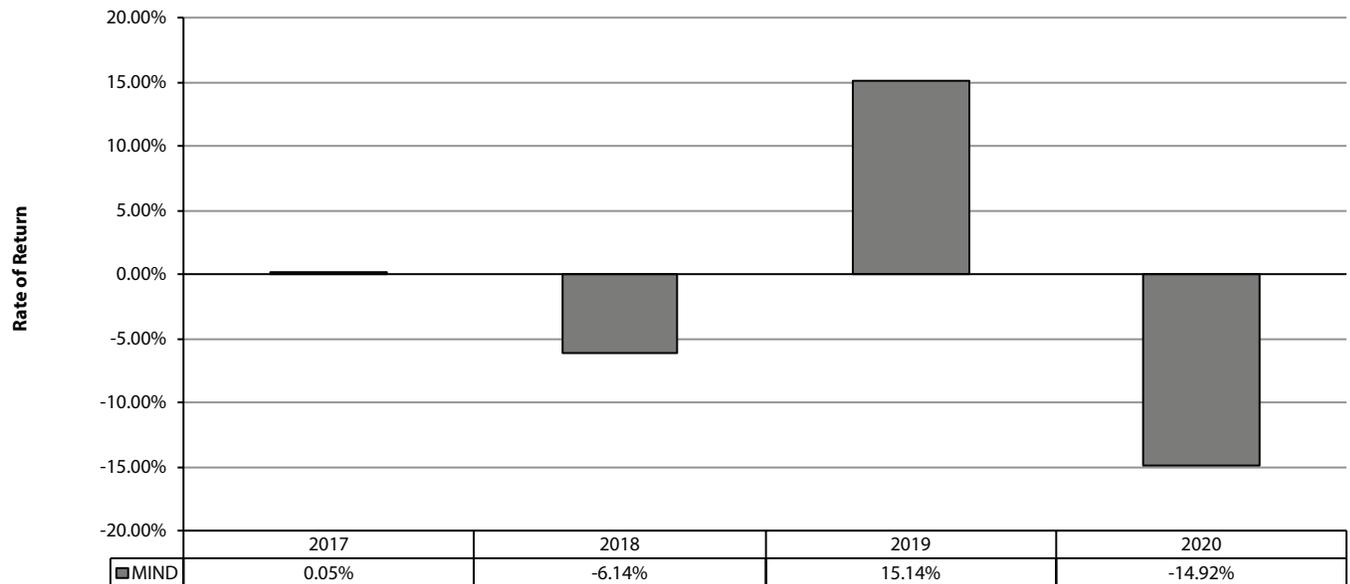
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

Past Performance

Commissions, management 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 October 31, 2017.

Summary of Investment Portfolio

As at June 30, 2020

| Asset Mix | Net Asset Value | % of ETF's Net Asset Value |
|-------------------------------|------------------------|---------------------------------------|
| U.S. Equities | \$ 3,047,760 | 53.56% |
| Global Equities | 1,395,338 | 24.52% |
| Canadian Equities | 124,079 | 2.18% |
| Currency Forward Hedge* | (9,720) | -0.17% |
| Cash and Cash Equivalents | 1,092,385 | 19.20% |
| Other Assets less Liabilities | 40,698 | 0.71% |
| | \$ 5,690,540 | 100.00% |

| Sector Mix | Net Asset Value | % of ETF's Net Asset Value |
|-------------------------------|------------------------|---------------------------------------|
| U.S. Broad Equity | \$ 3,047,760 | 53.56% |
| Global Broad Equity | 1,395,338 | 24.52% |
| Canadian Broad Equity | 124,079 | 2.18% |
| Currency Forward Hedge* | (9,720) | -0.17% |
| Cash and Cash Equivalents | 1,092,385 | 19.20% |
| Other Assets less Liabilities | 40,698 | 0.71% |
| | \$ 5,690,540 | 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, 2020

| Top Holdings | % of ETF's Net Asset Value |
|--|---------------------------------------|
| Cash and Cash Equivalents | 19.20% |
| Horizons NASDAQ-100® Index ETF | 18.16% |
| Horizons S&P 500® Index ETF | 17.79% |
| iShares Russell 2000 ETF | 17.61% |
| iShares MSCI Japan ETF | 5.48% |
| iShares MSCI China ETF | 3.70% |
| iShares MSCI United Kingdom ETF | 3.14% |
| iShares MSCI France ETF | 2.46% |
| iShares MSCI Switzerland ETF | 2.24% |
| Horizons S&P/TSX 60™ Index ETF | 2.18% |
| Global X DAX Germany ETF | 2.00% |
| iShares MSCI All Country Asia Ex-Japan ETF | 1.95% |
| iShares MSCI Australia ETF | 1.42% |
| iShares MSCI South Korea ETF | 1.15% |
| iShares MSCI Netherlands ETF | 0.98% |

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.sedar.com.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Active A.I. Global Equity 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 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.



Steven J. Hawkins
Director
Horizons ETFs Management (Canada) Inc.



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

The Auditors of the ETF have 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 auditors have not performed a review of these interim financial statements in accordance with Canadian generally accepted auditing standards.

Statements of Financial Position (unaudited)

As at June 30, 2020 and December 31, 2019

| | 2020 | 2019 |
|--|---------------------|---------------------|
| Assets | | |
| Cash and cash equivalents | \$ 1,092,385 | \$ 1,091,902 |
| Investments | 4,567,177 | 7,246,634 |
| Amounts receivable relating to accrued income | 1,087 | 3,608 |
| Amounts receivable relating to portfolio assets sold | 747,649 | 1,226,022 |
| Derivative assets (note 3) | 2,320 | 65,937 |
| Total assets | 6,410,618 | 9,634,103 |
| Liabilities | | |
| Accrued management fees | 2,978 | 3,794 |
| Accrued operating expenses | 3,122 | 2,834 |
| Amounts payable for portfolio assets purchased | 701,938 | 2,205,522 |
| Distribution payable | – | 67,582 |
| Derivative liabilities (note 3) | 12,040 | – |
| Total liabilities | 720,078 | 2,279,732 |
| Total net assets (note 2) | \$ 5,690,540 | \$ 7,354,371 |
| Number of redeemable units outstanding (note 8) | 250,045 | 275,005 |
| Total net assets per unit | \$ 22.76 | \$ 26.74 |

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Thomas Park
 Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

| | 2020 | 2019 |
|---|-----------------------|-------------------|
| Income | | |
| Dividend income | \$ 23,881 | \$ 101,479 |
| Interest income for distribution purposes | 980 | 3,501 |
| Securities lending income (note 7) | 3,845 | 3,920 |
| Net realized gain (loss) on sale of investments and derivatives | (1,063,730) | 200,368 |
| Net realized gain (loss) on foreign exchange | 29,627 | (5,557) |
| Net change in unrealized appreciation (depreciation) of investments and derivatives | (84,502) | 723,313 |
| Net change in unrealized appreciation (depreciation) of foreign exchange | (4,305) | 2,104 |
| | (1,094,204) | 1,029,128 |
| Expenses (note 9) | | |
| Management fees | 18,880 | 34,547 |
| Audit fees | 5,969 | 6,033 |
| Independent Review Committee fees | 376 | 371 |
| Custodial and fund valuation fees | 15,638 | 15,538 |
| Legal fees | 5,308 | 1,415 |
| Securityholder reporting costs | 7,801 | 7,475 |
| Administration fees | 17,461 | 18,352 |
| Transaction costs | 13,841 | 8,306 |
| Withholding taxes | 2,892 | 19,991 |
| Other expenses | 54 | 3 |
| | 88,220 | 112,031 |
| Amounts that were payable by the investment fund that were paid or absorbed by the Manager | (51,067) | (45,937) |
| | 37,153 | 66,094 |
| Increase (decrease) in net assets for the period | \$ (1,131,357) | \$ 963,034 |
| Increase (decrease) in net assets per unit | \$ (4.22) | \$ 2.08 |

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

| | 2020 | 2019 |
|---|---------------------|----------------------|
| Total net assets at the beginning of the period | \$ 7,354,371 | \$ 11,136,109 |
| Increase (decrease) in net assets | (1,131,357) | 963,034 |
| Redeemable unit transactions | | |
| Proceeds from the issuance of securities of the investment fund | 1,244,239 | – |
| Aggregate amounts paid on redemption of securities of the investment fund | (1,777,791) | (644,793) |
| Securities issued on reinvestment of distributions | 1,078 | 132 |
| Total net assets at the end of the period | \$ 5,690,540 | \$ 11,454,482 |

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

| | 2020 | 2019 |
|---|---------------------|---------------------|
| Cash flows from operating activities: | | |
| Increase (decrease) in net assets for the period | \$ (1,131,357) | \$ 963,034 |
| Adjustments for: | | |
| Net realized loss (gain) on sale of investments and derivatives | 1,063,730 | (200,368) |
| Net realized loss on currency forward contracts | (259,664) | (57,956) |
| Net change in unrealized depreciation (appreciation) of investments and derivatives | 84,502 | (723,313) |
| Net change in unrealized depreciation (appreciation) of foreign exchange | (409) | 827 |
| Purchase of investments | (15,136,468) | (9,233,319) |
| Proceeds from the sale of investments | 15,605,491 | 11,326,555 |
| Amounts receivable relating to accrued income | 2,521 | (3,112) |
| Accrued expenses | (528) | (2,523) |
| Net cash from operating activities | 227,818 | 2,069,825 |
| Cash flows from financing activities: | | |
| Amount received from the issuance of units | 105,193 | – |
| Amount paid on redemptions of units | (266,433) | (16,927) |
| Distributions paid to unitholders | (66,504) | (14,997) |
| Net cash used in financing activities | (227,744) | (31,924) |
| Net increase in cash and cash equivalents during the period | 74 | 2,037,901 |
| Effect of exchange rate fluctuations on cash and cash equivalents | 409 | (827) |
| Cash and cash equivalents at beginning of period | 1,091,902 | 1,231,123 |
| Cash and cash equivalents at end of period | \$ 1,092,385 | \$ 3,268,197 |
| Interest received, net of withholding taxes | \$ 980 | \$ 3,501 |
| Dividends received, net of withholding taxes | \$ 23,510 | \$ 78,376 |

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2020

| Security | Shares/ Contracts | Average Cost | Fair Value |
|---|----------------------|------------------|------------------|
| U.S. EQUITIES (53.56%) | | | |
| U.S. Broad Equity (53.56%) | | | |
| Horizons NASDAQ-100® Index ETF | 13,287 | \$ 1,021,089 | \$ 1,033,242 |
| Horizons S&P 500® Index ETF | 12,344 | 973,274 | 1,012,196 |
| iShares Russell 2000 ETF | 5,159 | 978,381 | 1,002,322 |
| | | 2,972,744 | 3,047,760 |
| TOTAL U.S. EQUITIES | | 2,972,744 | 3,047,760 |
| GLOBAL EQUITIES (24.52%) | | | |
| Global Broad Equity (24.52%) | | | |
| Global X DAX Germany ETF | 3,211 | 99,323 | 113,705 |
| iShares MSCI All Country Asia Ex-Japan ETF | 1,182 | 105,794 | 110,996 |
| iShares MSCI Australia ETF | 3,081 | 72,150 | 80,602 |
| iShares MSCI China ETF | 2,371 | 199,738 | 210,675 |
| iShares MSCI France ETF | 3,759 | 124,995 | 139,879 |
| iShares MSCI Japan ETF | 4,184 | 301,753 | 311,786 |
| iShares MSCI Netherlands ETF | 1,251 | 50,142 | 55,536 |
| iShares MSCI South Korea ETF | 843 | 63,044 | 65,383 |
| iShares MSCI Switzerland ETF | 2,416 | 122,584 | 127,755 |
| iShares MSCI United Kingdom ETF | 5,119 | 173,542 | 179,021 |
| | | 1,313,065 | 1,395,338 |
| TOTAL GLOBAL EQUITIES | | 1,313,065 | 1,395,338 |
| CANADIAN EQUITIES (2.18%) | | | |
| Canadian Broad Equity (2.18%) | | | |
| Horizons S&P/TSX 60™ Index ETF | 3,515 | 114,562 | 124,079 |
| | | 114,562 | 124,079 |
| DERIVATIVES (-0.17%) | | | |
| Currency Forwards (-0.17%) | | | |
| Currency forward contract to buy US\$1,300,000 for C\$1,763,150 maturing July 9, 2020 | | - | 1,699 |
| Currency forward contract to buy C\$3,178,885 for US\$2,350,000 maturing July 9, 2020 | | - | (11,419) |
| | | - | (9,720) |
| TOTAL DERIVATIVES | | - | (9,720) |

Schedule of Investments (unaudited) (continued)

As at June 30, 2020

| Security | Shares/ Contracts | Average Cost | Fair Value |
|--|------------------------------|-------------------------|-----------------------|
| Transaction Costs | | (1,102) | |
| TOTAL INVESTMENT PORTFOLIO (80.09%) | | \$ 4,399,269 | \$ 4,557,457 |
| Cash and cash equivalents (19.20%) | | | 1,092,385 |
| Other assets less liabilities (0.71%) | | | 40,698 |
| TOTAL NET ASSETS (100.00%) | | | \$ 5,690,540 |

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2020

1. REPORTING ENTITY

Horizons Active A.I. Global Equity ETF (“MIND” 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 October 31, 2017. 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 A units (“Class A”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol MIND. 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 MIND is to seek long-term equity returns through investments in major global equity indices using a basket of primarily North American-listed exchange traded funds. The ETF allocates its equity index exposure using a proprietary artificial intelligence (“A.I.”) selection process that extracts patterns from analyzing data.

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 Castle Ridge Asset Management Limited (“Castle Ridge” or the “Sub-Advisor”), to act as the sub-advisor to the ETF.

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 14, 2020, 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

These 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, 2020

(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 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, 2020

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, 2020

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, 2020

(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 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 an analysis of how they are managed 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, 2020

(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. The following tables indicate the foreign currencies to which the ETF had significant exposure as at June 30, 2020, and December 31, 2019, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

| June 30, 2020 | Financial Instruments | Currency Forward and/ or Futures Contracts | Total | Impact on Net Asset Value |
|-------------------------|------------------------------|---|--------------|--------------------------------------|
| Currency | (\$000's) | (\$000's) | (\$000's) | (\$000's) |
| Euro Currency | 692 | – | 692 | 7 |
| Japanese Yen | 367 | – | 367 | 4 |
| U.S. Dollar | 3,611 | (1,425) | 2,186 | 22 |
| Other Currencies* | 995 | – | 995 | 10 |
| Total | 5,665 | (1,425) | 4,240 | 43 |
| As % of Net Asset Value | 99.6% | -25.0% | 74.5% | 0.8% |

| December 31, 2019 | Financial Instruments | Currency Forward and/ or Futures Contracts | Total | Impact on Net Asset Value |
|--------------------------|------------------------------|---|--------------|--------------------------------------|
| Currency | (\$000's) | (\$000's) | (\$000's) | (\$000's) |
| Euro Currency | 1,212 | – | 1,212 | 12 |
| U.S. Dollar | 2,379 | (3,545) | (1,166) | (12) |
| Other Currencies* | 1,622 | – | 1,622 | 16 |
| Total | 5,213 | (3,545) | 1,668 | 16 |
| As % of Net Asset Value | 70.9% | -48.2% | 22.7% | 0.2% |

* The ETF has exposure to several other foreign currencies through its portfolio holdings, none of which represent more than 5% of the ETF's net assets. A 1% increase or decrease in any one those currencies relative to the Canadian dollar would have an immaterial impact on the ETF.

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

As at June 30, 2020, and December 31, 2019, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(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 imposed 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, 2020 | December 31, 2019 |
|-------------------|---------------|-------------------|
| MSCI World Index | \$54,049 | \$65,181 |

(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 minimise 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 by taking collateral.

As at June 30, 2020, and December 31, 2019, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(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, 2020

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, 2020, and December 31, 2019, in valuing the ETF's investments and derivatives carried at fair values:

| | June 30, 2020 | | | December 31, 2019 | | |
|---|------------------|-----------------|--------------|-------------------|---------------|--------------|
| | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) | Level 1 (\$) | Level 2 (\$) | Level 3 (\$) |
| Financial Assets | | | | | | |
| Exchange Traded Funds | 4,567,177 | – | – | 7,246,634 | – | – |
| Currency Forward Contracts | – | 2,320 | – | – | 65,937 | – |
| Total Financial Assets | 4,567,177 | 2,320 | – | 7,246,634 | 65,937 | – |
| Financial Liabilities | | | | | | |
| Currency Forward Contracts | – | (12,040) | – | – | – | – |
| Total Financial Liabilities | – | (12,040) | – | – | – | – |
| Net Financial Assets and Liabilities | 4,567,177 | (9,720) | – | 7,246,634 | 65,937 | – |

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, 2020, and for the year ended December 31, 2019.

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, 2020

The aggregate closing market value of securities loaned and collateral received as at June 30, 2020, and December 31, 2019, was as follows:

| As at | Securities Loaned | Collateral Received |
|-------------------|-------------------|---------------------|
| June 30, 2020 | \$1,979,690 | \$2,080,077 |
| December 31, 2019 | \$992,235 | \$1,045,048 |

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, 2020 and 2019. 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, 2020 | % of Gross Income | June 30, 2019 | % of Gross Income |
|--|----------------|-------------------|----------------|-------------------|
| Gross securities lending income | \$5,642 | | \$5,825 | |
| Withholding taxes | (151) | 2.68% | (226) | 3.88% |
| Lending Agents' fees: | | | | |
| Canadian Imperial Bank of Commerce | (1,646) | 29.17% | (1,679) | 28.82% |
| Net securities lending income paid to the ETF | \$3,845 | 68.15% | \$3,920 | 67.30% |

8. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class A 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

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

PNU; or (ii) redeem, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of units.

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

The ETF is required to distribute any net income and capital gains that it has earned in the year. 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, 2020 and 2019, 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 |
|---------------|------------------------------------|---------------------|-----------------------|---------------------------------|----------------------------------|
| 2020 | 275,005 | 50,040 | (75,000) | 250,045 | 268,035 |
| 2019 | 475,000 | 5 | (25,000) | 450,005 | 462,574 |

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

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

Other expenses

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

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, 2020 and 2019, were as follow:

| Period Ended | Brokerage Commissions Paid | Soft Dollar Transactions | Amount Paid to Related Parties |
|---------------------|-----------------------------------|---------------------------------|---------------------------------------|
| June 30, 2020 | \$8,656 | \$nil | \$nil |
| June 30, 2019 | \$4,720 | \$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, 2020, and December 31, 2019, 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.

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June 30, 2020

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.

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 forwards 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, 2019, 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 |
|--------------------|--------------------|--|
| \$1 | – | – |

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, 2020, and December 31, 2019. 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, 2020 | Amounts Offset (\$) | | | Amounts Not Offset (\$) | | Net (\$) |
|--|----------------------------|-----------------------------------|-------------|-------------------------|-------------------------|----------|
| | Gross Assets (Liabilities) | Gross Assets (Liabilities) Offset | Net Amounts | Financial Instruments | Cash Collateral Pledged | |
| Derivative assets | 2,320 | – | 2,320 | (2,320) | – | – |
| Derivative liabilities | (12,040) | – | (12,040) | 2,320 | – | (9,720) |

| Financial Assets and Liabilities as at December 31, 2019 | Amounts Offset (\$) | | | Amounts Not Offset (\$) | | Net (\$) |
|--|----------------------------|-----------------------------------|-------------|-------------------------|-------------------------|----------|
| | Gross Assets (Liabilities) | Gross Assets (Liabilities) Offset | Net Amounts | Financial Instruments | Cash Collateral Pledged | |
| Derivative assets | 65,937 | – | 65,937 | – | – | 65,937 |
| Derivative liabilities | – | – | – | – | – | – |

Notes to Financial Statements (unaudited) (continued)

June 30, 2020

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 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, 2020, and December 31, 2019, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

| Investee ETF as at June 30, 2020 | Place of Business | Type | Ownership % | Carrying Amount |
|---|------------------------------|-------------|--------------------|----------------------------|
| Horizons NASDAQ-100® Index ETF | Canada | SE | 0.75% | \$1,033,242 |
| Horizons S&P 500® Index ETF | Canada | SE | 0.06% | \$1,012,196 |
| iShares Russell 2000 ETF | U.S. | SE | 0.00% | \$1,002,322 |
| iShares MSCI Japan ETF | U.S. | SE | 0.00% | \$311,786 |

| Investee ETF as at December 31, 2019 | Place of Business | Type | Ownership % | Carrying Amount |
|---|------------------------------|-------------|--------------------|----------------------------|
| Horizons S&P 500® Index ETF | Canada | SE | 0.15% | \$1,379,076 |
| Horizons NASDAQ-100® Index ETF | Canada | SE | 1.20% | \$1,093,617 |
| iShares MSCI Japan ETF | U.S. | SE | 0.00% | \$457,249 |

Manager

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