

Interim Report | June 30, 2021



**Horizons Global Sustainability Leaders Index ETF  
(ETHI:TSX)**



**HORIZONS** ETFs  
by Mirae Asset

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## A Message from the CEO

After 2020's challenges and uncertainty, we have seen persistent success in the global fight against the COVID-19 pandemic during the first half of 2021.

Across the world, vaccination rollouts are under way and there is growing optimism that a 'return to normal' is on the horizon. At Horizons ETFs, while we mourn the COVID-19 pandemic's toll and reflect on its lessons, we continue to work diligently to best serve our investors and clients.

Despite the impacts of the pandemic across many businesses and sectors, Canada's ETF industry and the marketplace have shown few signs of slowing down. As at May 31, 2021, Canada's ETF industry has seen \$25 billion in year-to-date inflows, with \$7 billion in May alone – a 12-month record.

Horizons ETFs is proud to continue our longstanding commitment to bringing innovative ETFs to market. In 2021, that commitment has so far resulted in eight new ETF launches.

In January, Horizons ETFs launched the Horizons Psychedelic Stock Index ETF ("**PSYK**"). PSYK is the world's first psychedelics ETF; an emerging industry that has the potential to disrupt the pharmaceutical sector and revolutionize the treatment of numerous mental health conditions.

Another global first: in April, we launched our inverse Bitcoin ETF, the BetaPro Inverse Bitcoin ETF ("**BITI**"), offering investors a unique opportunity to potentially profit from volatility in what has become one of 2021's most-watched asset classes.

In June, we launched the Horizons S&P Green Bond Index ETF ("**HGGB**"), Canada's first global green bond ETF. We believe there is growing demand for responsible investing products in the Canadian marketplace and HGGB fills an important gap for those seeking to directly fund projects that will help lead to a greener future.

Also launched in June was the Horizons Global Semiconductor Index ETF ("**CHPS**"). CHPS offers direct exposure to companies involved in the production and development of semiconductors. Despite supply being interrupted by COVID-19, we are bullish on the potential of this sector as semiconductors are at the core of technology usage.

At Horizons ETFs, following the significant growth in our assets under management in 2020 from approximately \$10 billion to more than \$17 billion, we continue to solidify our position as one of Canada's top ETF providers. In May of this year we were honoured to be the recipient of Wealth Professionals "Fund Provider of the Year Award" for 2020. With several more innovative Horizons ETFs' funds slated to launch this year, we are optimistic about the prospect of further growth for the second half of 2021.

In 2021, several sectors that we have pioneered ETF exposure to, including the marijuana industry and the global uranium market, have seen their fortunes rise considerably. Following the election of the Biden Administration, there is renewed hope for broader federal cannabis reform in the United States, which has resulted in rallies in both the Canadian and American marijuana industries. The uranium market has also seen significant growth this year as well as continued global efforts toward decarbonization and building more sustainable power generation – both positive trends for the nuclear sector.

At Horizons ETFs, "Innovation is Our Capital," has long been our motto, and we believe this has allowed us to be nimble enough to adapt quickly when anticipating what investors are looking for. While the road ahead is still uncertain, we feel confident in our ability to retain our momentum and believe there are brighter days on the horizon.

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 Inc.



## MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Global Sustainability Leaders Index ETF (“ETHI” 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](http://www.horizonsetfs.com) or SEDAR at [www.sedar.com](http://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

ETHI seeks to replicate, to the extent possible, the performance of the Nasdaq Future Global Sustainability Leaders Index (the “Underlying Index”, Bloomberg ticker: NQFGSLTD), net of expenses. The Underlying Index is designed to provide exposure to the performance of a basket of large-cap equity securities of companies that are global climate change leaders (as measured by their relative carbon efficiency), and are not materially engaged in activities deemed inconsistent with responsible investment considerations. ETHI seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

To achieve its investment objective, ETHI will be generally invested in equity securities of the constituent issuers of its Underlying Index (the “Constituent Issuers”), which may include American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) representing equity securities of Constituent Issuers of the Underlying Index.

The Underlying Index was designed as a passively managed portfolio of global stocks which takes account of key environmental, social and governance (ESG) concerns. The Underlying Index is structured to limit exposure to the fossil fuel industry and climate change risk, and to invest in companies considered to be “climate leaders”.

The Underlying Index is ordinarily rebalanced on an annual basis at the close of trading on the third Friday in May.

## Management Discussion of Fund Performance (continued)

### Risk

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

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

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

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's most recent prospectus. A full description of each risk listed below may also be found in the most recent prospectus. The most recent prospectus is available at [www.horizonsetfs.com](http://www.horizonsetfs.com) or from [www.sedar.com](http://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"> <li>• Regulatory risk</li> <li>• Reliance on historical data risk</li> <li>• Liquidity risk</li> <li>• Risk that units will trade at prices other than the net asset value per unit</li> <li>• Corresponding net asset value risk</li> <li>• Designated broker/dealer risk</li> <li>• Cease trading of securities risk</li> <li>• Exchange risk</li> <li>• Early closing risk</li> <li>• Market disruptions risk</li> <li>• Cybersecurity risk</li> <li>• No assurance of meeting investment objectives</li> <li>• Tax related risks</li> <li>• Risks related to tax changes</li> <li>• Securities lending, repurchase and reverse repurchase transaction risk</li> <li>• Liability of unitholders</li> </ul> | <ul style="list-style-type: none"> <li>• Reliance on key personnel</li> <li>• Stock market risk</li> <li>• Specific issuer risk</li> <li>• Geographic risk</li> <li>• Currency risk</li> <li>• Hedging risk</li> <li>• Ethical investment risk</li> <li>• Foreign securities risk</li> <li>• Small and mid-capitalization risk</li> <li>• Foreign stock exchange risk</li> <li>• Income trust investment risk</li> <li>• Underlying Index risk</li> <li>• Passive index risk</li> <li>• Stratified sampling risk</li> <li>• Index replication risk</li> <li>• No voting of constituent securities of underlying funds</li> </ul> |
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## Management Discussion of Fund Performance (continued)

### Results of Operations

For the six-month period ended June 30, 2021, units of the ETF returned 13.25%, when including distributions paid to unitholders. By comparison, the Underlying Index returned 14.00% for the same period in U.S. dollar terms. The ETF seeks to hedge its U.S. currency exposure to the Canadian dollar at all times. Differences in performance between the ETF and the Underlying Index may arise due to expenses payable by the ETF, which include management fees plus applicable sales taxes; the foreign exchange rate differential between the rates used by the Underlying Index provider to calculate the value of the Underlying Index and the rates used by the ETF to value its portfolio securities; as well as the potential for tracking error arising from the physical index replication risk detailed in the ETF's prospectus.

For the six-month period ended June 30, 2021, the top performers in the Underlying Index, in U.S. dollar terms, were Ford Motor Co., Applied Materials Inc. and Ashtead Group PLC., gaining 69.06%, 65.59% and 58.03%, respectively. The worst performers in the Underlying Index, in U.S. dollar terms, for the period were Daiichi Sankyo Co., Ubisoft Entertainment, and Ono Pharmaceutical, returning -36.79%, -27.42% and -25.17%, respectively.

Horizons Management does not endeavour to predict market direction, changes that may occur in global fiscal and monetary policies, the effect of additional geopolitical concerns or other unforeseen crises. Horizons Management and the ETF are agnostic as to their impact on global equity, fixed income, currency and commodity markets generally, and the environmental, social and governance (ESG) sectors specifically. They are only of concern to the ETF in so much as there is some minimal risk that could affect its ability to meet its investment objective. Please refer to the risk factors section in the ETF's prospectus for more detailed information.

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

For the six-month period ended June 30, 2021, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$8,542,664. This compares to (\$56,057) for the six-month period ended June 30, 2020. The ETF incurred management, operating and transaction expenses of \$369,277 (2020 – \$135,158) of which \$48,197 (2020 – \$42,047) 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 \$343,647 to unitholders during the period (2020 – \$104,729).

### 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

Other than indicated below, there are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

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**Management Discussion of Fund Performance** (continued)***Impact of COVID-19***

The full extent of the impact that the COVID-19 epidemic will have on the Canadian and U.S. economies and the ETF's business remains uncertain and difficult to predict at this time. By their very nature, the estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements relate to matters that are inherently uncertain. However, the Manager maintains detailed policies and internal controls that are intended to ensure that these estimates and judgements are well controlled, and that they are consistently applied from period to period. It is the Manager's opinion that any estimates and/or judgements used in the preparation of these financial statements are appropriate as at June 30, 2021, and December 31, 2020, and for the periods ended June 30, 2021 and 2020.

**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 13) 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, 2021, and December 31, 2020, 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, 2018. 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 <sup>(1)</sup>	2021	2020	2019	2018
<b>Net assets, beginning of period</b>	\$ 41.93	31.27	23.73	25.00
<b>Increase (decrease) from operations:</b>				
Total revenue	0.38	0.50	0.37	0.06
Total expenses	(0.22)	(0.32)	(0.30)	(0.05)
Realized gains (losses) for the period	3.60	1.44	2.39	(0.43)
Unrealized gains (losses) for the period	1.83	8.84	4.41	(0.84)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	5.59	10.46	6.87	(1.26)
<b>Distributions:</b>				
From net investment income (excluding dividends)	(0.22)	(0.12)	(0.05)	(0.01)
From dividends	–	(0.01)	–	–
From return of capital	–	(0.22)	(0.15)	–
<b>Total distributions <sup>(3)</sup></b>	(0.22)	(0.35)	(0.20)	(0.01)
<b>Net assets, end of period <sup>(4)</sup></b>	\$ 47.26	41.93	31.27	23.73

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**

<b>Period</b> <sup>(1)</sup>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total net asset value (000's)	\$ 77,704	52,418	11,725	4,746
Number of units outstanding (000's)	1,644	1,250	375	200
Management expense ratio <sup>(2)</sup>	0.54%	0.54%	0.69%	0.74%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	0.69%	0.81%	1.55%	2.58%
Trading expense ratio <sup>(4)</sup>	0.22%	0.18%	0.19%	0.27%
Portfolio turnover rate <sup>(5)</sup>	20.18%	80.39%	137.05%	3.44%
Net asset value per unit, end of period	\$ 47.26	41.93	31.27	23.73
Closing market price	\$ 47.45	42.05	31.24	23.80

1. This information is provided as at June 30, 2021, 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, 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.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Financial Highlights (continued)

### Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.45%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

The 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.

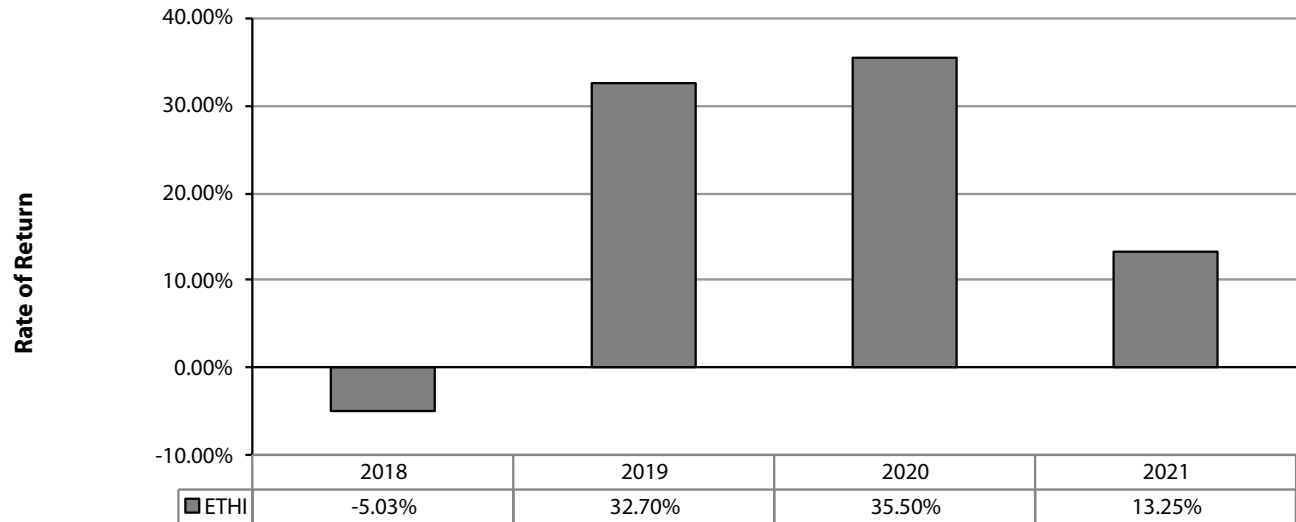
<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
3%	67%	30%

## 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, 2018.

## Summary of Investment Portfolio

As at June 30, 2021

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
U.S. Equities	\$ 55,461,050	71.37%
Global Equities	23,596,870	30.37%
Global Preferred Securities	413,808	0.53%
Canadian Equities	284,079	0.37%
Currency Forward Hedge*	(2,011,994)	-2.59%
Cash and Cash Equivalents	217,886	0.28%
Other Assets less Liabilities	(257,536)	-0.33%
	<b>\$ 77,704,163</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Information Technology	\$ 33,143,478	42.65%
Financials	15,665,550	20.16%
Health Care	12,110,944	15.59%
Consumer Discretionary	10,077,562	12.97%
Communication Services	3,641,250	4.69%
Consumer Staples	2,419,969	3.11%
Industrials	1,933,673	2.49%
Utilities	399,005	0.51%
Materials	299,078	0.39%
Energy	65,298	0.08%
Currency Forward Hedge*	(2,011,994)	-2.59%
Cash and Cash Equivalents	217,886	0.28%
Other Assets less Liabilities	(257,536)	-0.33%
	<b>\$ 77,704,163</b>	<b>100.00%</b>

\*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, 2021

<b>Top 25 Holdings</b>	<b>% of ETF's Net Asset Value</b>
NVIDIA Corp.	5.11%
Apple Inc.	4.20%
Visa Inc.	4.05%
Home Depot Inc. (The)	3.54%
PayPal Holdings Inc.	3.49%
MasterCard Inc.	3.27%
Adobe Inc.	2.76%
ASML Holding NV	2.52%
Toyota Motor Corp.	2.47%
Cisco Systems Inc.	2.31%
UnitedHealth Group Inc.	1.69%
AIA Group Ltd.	1.44%
Intuit Inc.	1.37%
BlackRock Inc.	1.31%
Applied Materials Inc.	1.30%
Charles Schwab Corp. (The)	1.26%
Roche Holding AG Genusscheine	1.24%
CVS Health Corp.	1.13%
American Express Co.	1.10%
Novartis AG	1.06%
S&P Global Inc.	1.02%
Prudential Financial Inc.	1.02%
AbbVie Inc.	0.93%
Booking Holdings Inc.	0.93%
Charter Communications Inc.	0.92%

\* 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](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).



### MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Global Sustainability Leaders Index 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.



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



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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, 2021 and December 31, 2020

	<b>2021</b>	<b>2020</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 217,886	\$ 275,784
Investments	79,755,807	52,293,965
Amounts receivable relating to accrued income	63,935	37,174
Amounts receivable relating to securities issued	1,181,485	2,090,352
Derivative assets (note 3)	10,844	9,431
<b>Total assets</b>	<b>81,229,957</b>	<b>54,706,706</b>
<b>Liabilities</b>		
Accrued management fees	30,961	19,730
Accrued operating expenses	3,881	10,153
Amounts payable for portfolio assets purchased	1,283,419	2,038,919
Distribution payable	184,695	124,876
Derivative liabilities (note 3)	2,022,838	94,767
<b>Total liabilities</b>	<b>3,525,794</b>	<b>2,288,445</b>
<b>Total net assets (note 2)</b>	<b>\$ 77,704,163</b>	<b>\$ 52,418,261</b>
Number of redeemable units outstanding (note 8)	1,644,282	1,250,037
Total net assets per unit	\$ 47.26	\$ 41.93

(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,

	<b>2021</b>	<b>2020</b>
<b>Income</b>		
Dividend income	\$ 557,476	\$ 164,081
Interest income for distribution purposes	68	–
Securities lending income (note 7)	2,816	541
Net realized gain (loss) on sale of investments and derivatives	5,297,594	(1,215,387)
Net realized gain (loss) on foreign exchange	(5,758)	47,194
Net change in unrealized appreciation of investments and derivatives	2,690,116	947,280
Net change in unrealized appreciation of foreign exchange	352	234
	<b>8,542,664</b>	<b>(56,057)</b>
<b>Expenses (note 9)</b>		
Management fees	161,132	44,328
Audit fees	3,817	3,510
Independent Review Committee fees	576	376
Custodial and fund valuation fees	17,093	14,949
Legal fees	1,288	2,605
Securityholder reporting costs	7,446	7,145
Administration fees	32,812	19,198
Transaction costs	70,150	19,342
Withholding taxes	74,907	23,140
Other expenses	56	565
	<b>369,277</b>	<b>135,158</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(48,197)	(42,047)
	<b>321,080</b>	<b>93,111</b>
<b>Increase (decrease) in net assets for the period</b>	<b>\$ 8,221,584</b>	<b>\$ (149,168)</b>
Increase (decrease) in net assets per unit	\$ 5.59	\$ (0.25)

(See accompanying notes to financial statements)

**Statements of Changes in Financial Position** (unaudited)

For the Periods Ended June 30,

	<b>2021</b>		<b>2020</b>	
<b>Total net assets at the beginning of the period</b>	\$	52,418,261	\$	11,725,378
<b>Increase (decrease) in net assets</b>		8,221,584		(149,168)
<b>Redeemable unit transactions</b>				
Proceeds from the issuance of securities of the investment fund		17,677,576		30,690,100
Aggregate amounts paid on redemption of securities of the investment fund		(271,612)		(15,134,136)
Securities issued on reinvestment of distributions		2,001		217
Distributions:				
From net investment income		(343,647)		(104,729)
<b>Total net assets at the end of the period</b>	<b>\$</b>	<b>77,704,163</b>	<b>\$</b>	<b>27,027,662</b>

(See accompanying notes to financial statements)

**Statements of Cash Flows** (unaudited)

For the Periods Ended June 30,

	<b>2021</b>	<b>2020</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets for the period	\$ 8,221,584	\$ (149,168)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	(5,297,594)	1,215,387
Net realized gain (loss) on currency forward contracts	3,258,825	(1,108,717)
Net change in unrealized appreciation of investments and derivatives	(2,690,116)	(947,280)
Net change in unrealized appreciation of foreign exchange	(952)	(321)
Purchase of investments	(27,205,167)	(12,655,979)
Proceeds from the sale of investments	12,975,048	7,062,787
Amounts receivable relating to accrued income	(26,761)	(15,516)
Accrued expenses	4,959	1,927
<b>Net cash used in operating activities</b>	<b>(10,760,174)</b>	<b>(6,596,880)</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	11,254,763	6,847,601
Amount paid on redemptions of units	(271,612)	–
Distributions paid to unitholders	(281,827)	(53,743)
<b>Net cash from financing activities</b>	<b>10,701,324</b>	<b>6,793,858</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(58,850)</b>	<b>196,978</b>
Effect of exchange rate fluctuations on cash and cash equivalents	952	321
<b>Cash and cash equivalents at beginning of period</b>	<b>275,784</b>	<b>85,747</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 217,886</b>	<b>\$ 283,046</b>
Interest received, net of withholding taxes	\$ 69	\$ –
Dividends received, net of withholding taxes	\$ 455,807	\$ 125,425

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2021

Security	Shares/ Contracts		Average Cost		Fair Value
<b>U.S. EQUITIES (71.37%)</b>					
<b>Information Technology (36.69%)</b>					
Adobe Inc.	2,956	\$	1,647,908	\$	2,145,936
Apple Inc.	19,245		2,542,771		3,267,332
Applied Materials Inc.	5,723		586,160		1,010,218
Autodesk Inc.	1,526		469,770		552,167
Automatic Data Processing Inc.	2,856		591,525		703,174
CDW Corp.	978		161,087		211,733
Cisco Systems Inc.	27,290		1,728,501		1,792,920
Citrix Systems Inc.	705		129,371		102,484
CoStar Group Inc.	2,269		231,136		232,944
Coupa Software Inc.	467		159,677		151,734
DocuSign Inc.	1,230		295,432		426,263
F5 Network Inc.	400		83,357		92,554
HubSpot Inc.	280		170,915		202,255
Intuit Inc.	1,748		761,434		1,062,111
Lam Research Corp.	882		657,242		711,428
Marvell Technology Inc.	3,452		170,540		249,600
MasterCard Inc., Class 'A'	5,621		2,346,856		2,543,871
Motorola Solutions Inc.	1,089		268,131		292,731
NetApp Inc.	1,067		74,796		108,219
NVIDIA Corp.	4,000		2,279,135		3,967,216
Okta Inc.	783		223,136		237,488
Palo Alto Networks Inc.	674		240,171		310,009
Paychex Inc.	1,919		212,513		255,244
Paycom Software Inc.	334		143,695		150,486
PayPal Holdings Inc.	7,505		1,817,521		2,711,696
Splunk Inc.	943		198,199		169,006
SS&C Technologies Holdings Inc.	1,574		129,857		140,598
Take-Two Interactive Software Inc.	692		145,849		151,848
Twilio Inc.	1,110		400,903		542,347
Visa Inc., Class 'A'	10,871		2,862,062		3,150,886
Workday Inc., Class 'A'	1,249		339,962		369,632
Zebra Technologies Corp., Class 'A'	326		197,057		213,972
Zendesk Inc.	759		106,351		135,803
Zscaler Inc.	540		112,626		144,627
			22,485,646		28,510,532
<b>Financials (12.23%)</b>					
Aflac Inc.	4,092		217,766		272,187
Ally Financial Inc.	2,416		156,159		149,264
American Express Co.	4,183		595,543		856,758

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2021

Security	Shares/ Contracts	Average Cost	Fair Value
Ameriprise Financial Inc.	938	210,336	289,384
AvalonBay Communities Inc.	839	197,172	217,043
BlackRock Inc.	937	784,914	1,016,282
Capital One Financial Corp.	2,775	315,010	532,117
Charles Schwab Corp. (The)	10,830	747,442	977,465
Crown Castle International Corp.	2,788	586,504	674,266
Equitable Holdings Inc.	1,964	57,900	74,133
Equity Residential	2,048	165,222	195,480
Essex Property Trust Inc.	391	136,605	145,410
Extra Space Storage Inc.	785	109,186	159,411
Hartford Financial Services Group Inc. (The)	2,193	174,645	168,462
Host Hotels & Resorts Inc.	4,167	69,372	88,277
Northern Trust Corp.	1,346	153,592	192,912
Prologis Inc.	4,493	569,903	665,725
Prudential Financial Inc.	6,218	576,870	789,822
Raymond James Financial Inc.	801	89,618	128,980
S&P Global Inc.	1,554	652,148	790,666
SBA Communications Corp.	671	244,740	265,086
State Street Corp.	2,136	186,628	217,860
Synchrony Financial	3,220	116,461	193,668
T. Rowe Price Group Inc.	1,406	259,218	345,037
WP Carey Inc.	1,077	91,439	99,621
		7,464,393	9,505,316
<b>Health Care (8.67%)</b>			
AbbVie Inc.	5,189	686,514	724,532
Amgen Inc.	1,511	479,162	456,552
Anthem Inc.	720	280,940	340,761
Becton, Dickinson and Co.	802	261,998	241,770
Biogen Inc.	376	143,554	161,393
BioMarin Pharmaceutical Inc.	376	44,466	38,890
Bio-Rad Laboratories Inc., Class 'A'	59	41,401	47,121
Boston Scientific Corp.	4,165	210,674	220,767
Bristol-Myers Squibb Co.	6,597	524,777	546,430
Centene Corp.	1,363	106,185	123,221
Cerner Corp.	841	79,264	81,482
Cigna Corp.	951	255,792	279,472
Edwards Lifesciences Corp.	1,743	179,093	223,776
Gilead Sciences Inc.	3,101	286,971	264,698
Guardant Health Inc.	278	40,853	42,797
Henry Schein Inc.	394	32,353	36,235
Humana Inc.	327	160,334	179,456

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2021

Security	Shares/ Contracts	Average Cost	Fair Value
Incyte Corp.	510	51,378	53,187
Laboratory Corp. of America Holdings	282	75,196	96,428
Mettler-Toledo International Inc.	134	170,729	230,114
Molina Healthcare Inc.	136	36,275	42,662
PerkinElmer Inc.	390	61,574	74,649
Quest Diagnostics Inc.	358	56,516	58,565
Regeneron Pharmaceuticals Inc.	235	171,508	162,706
Seagen Inc.	472	100,174	92,374
Stryker Corp.	962	272,716	309,727
UnitedHealth Group Inc.	2,647	1,075,416	1,313,932
Veeva Systems Inc., Class 'A'	373	118,863	143,774
Waters Corp.	351	108,280	150,375
		6,112,956	6,737,846
<b>Consumer Discretionary (6.79%)</b>			
Best Buy Co. Inc.	1,552	203,703	221,205
Burlington Stores Inc.	330	128,798	131,716
eBay Inc.	4,401	295,576	383,029
Etsy Inc.	717	147,615	182,949
Expedia Group Inc.	697	98,323	141,446
Ford Motor Co.	25,240	281,718	464,932
Home Depot Inc. (The)	6,954	2,395,001	2,748,889
Live Nation Entertainment Inc.	950	101,615	103,148
LKQ Corp.	1,928	86,103	117,633
Pool Corp.	229	120,635	130,199
TJX Cos. Inc. (The)	7,758	618,891	648,366
		4,477,978	5,273,512
<b>Communication Services (3.21%)</b>			
Activision Blizzard Inc.	4,455	456,730	527,060
Booking Holdings Inc.	265	674,006	718,775
Charter Communications Inc., Class 'A'	801	615,174	716,342
Liberty Broadband Corp., Class 'C'	1,075	214,787	231,414
Omnicom Group Inc.	1,293	129,665	128,208
RingCentral Inc.	479	146,704	172,537
		2,237,066	2,494,336
<b>Consumer Staples (2.11%)</b>			
CVS Health Corp.	8,477	754,664	876,795
McCormick & Co. Inc.	1,288	145,549	141,012
Sysco Corp.	3,300	320,179	318,050
Walgreens Boots Alliance Inc.	4,636	308,253	302,339
		1,528,645	1,638,196



**Schedule of Investments** (unaudited) (continued)

As at June 30, 2021

<b>Security</b>	<b>Shares/ Contracts</b>	<b>Average Cost</b>	<b>Fair Value</b>
<b>Industrials (1.16%)</b>			
Fastenal Co.	3,526	198,516	227,283
Illinois Tool Works Inc.	1,725	428,195	478,041
Plug Power Inc.	3,022	101,309	128,078
Sunrun Inc.	1,008	55,820	69,698
		783,840	903,100
<b>Utilities (0.27%)</b>			
American Water Works Co. Inc.	1,115	203,274	213,032
<b>Materials (0.16%)</b>			
Avery Dennison Corp.	460	83,216	119,882
<b>Energy (0.08%)</b>			
First Solar Inc.	582	52,409	65,298
<b>TOTAL U.S. EQUITIES</b>		<b>45,429,423</b>	<b>55,461,050</b>
<b>GLOBAL EQUITIES (30.37%)</b>			
<b>Financials (7.74%)</b>			
Adyen NV	169	372,876	511,840
AIA Group Ltd.	72,657	1,029,396	1,119,397
Assicurazioni Generali SPA	10,430	221,880	259,164
Aviva PLC	25,414	132,167	176,885
AXA SA	13,695	378,575	430,473
CK Asset Holdings Ltd.	16,943	129,482	144,989
Hong Kong Exchanges & Clearing Ltd.	7,703	462,849	569,157
Mitsui Fudosan Co. Ltd.	6,016	157,410	172,717
Muenchener Rueckversicherungs-Gesellschaft AG, Registered	877	290,046	297,709
NN Group NV	1,893	90,067	110,685
Prudential PLC	26,688	681,183	628,554
Sampo OYJ, Series 'A'	3,116	170,453	177,523
SEGRO PLC	6,552	102,076	122,967
Swiss Life Holding AG, Registered	194	101,274	116,856
Swiss Re AG	2,052	213,199	229,500
Tokio Marine Holdings Inc.	4,585	267,448	261,323
Vonovia SE	3,145	252,381	252,029
Zurich Insurance Group AG	875	412,295	435,149
		5,465,057	6,016,917

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2021

Security	Shares/ Contracts	Average Cost	Fair Value
<b>Health Care (6.92%)</b>			
argenx SE	136	44,867	50,995
Astellas Pharma Inc.	5,212	110,924	112,502
AstraZeneca PLC	3,552	495,979	528,860
Chugai Pharmaceutical Co. Ltd.	1,969	103,697	96,713
Daiichi Sankyo Co. Ltd.	5,933	218,770	158,517
Eisai Co. Ltd.	763	74,034	93,011
EssilorLuxottica	2,020	373,683	462,112
Fisher & Paykel Healthcare Corp. Ltd.	1,694	47,605	45,678
GlaxoSmithKline PLC	13,762	356,804	334,953
M3 Inc.	1,020	76,803	92,336
Novartis AG, Registered	7,260	770,767	820,143
Novo Nordisk AS, Series 'B'	5,327	458,163	553,223
Ono Pharmaceutical Co. Ltd.	1,556	43,616	43,040
Roche Holding AG Genusscheine	2,069	900,206	966,158
Sanofi SA	5,031	655,724	653,408
Shionogi & Co.	786	57,032	50,788
Systemex Corp.	515	62,047	75,852
Takeda Pharmaceutical Co. Ltd.	4,628	222,279	192,047
UCB SA	330	43,863	42,762
		5,116,863	5,373,098
<b>Consumer Discretionary (6.18%)</b>			
Aptiv PLC	1,606	233,979	313,212
Bandai Namco Holdings Inc.	1,299	112,393	111,722
Bayerische Motoren Werke (BMW) AG	2,062	197,751	270,685
Fast Retailing Co. Ltd.	401	383,513	374,191
Hennes & Mauritz AB, Class 'B'	4,814	112,307	141,549
Honda Motor Co. Ltd.	11,123	387,704	440,593
Nissan Motor Co. Ltd.	15,298	86,291	94,104
Oriental Land Co. Ltd.	1,695	312,927	299,390
Sekisui House Ltd.	7,618	188,031	193,677
Toyota Motor Corp.	17,709	1,584,747	1,918,670
Vestas Wind Systems AS	6,527	300,517	315,829
Wolters Kluwer NV	1,556	164,187	193,763
Zalando SE	912	117,239	136,665
		4,181,586	4,804,050
<b>Information Technology (5.96%)</b>			
Advantest Corp.	1,022	85,646	114,149
ASM International NV	328	117,214	133,545
ASML Holding NV	2,299	1,235,356	1,957,908
Infineon Technologies AG	8,606	331,403	427,809

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2021

Security	Shares/ Contracts	Average Cost	Fair Value
Logitech International SA, Registered	1,156	118,130	173,614
NCsoft Corp.	95	95,684	85,748
NICE Ltd.	387	109,721	117,159
Nokia OYJ	34,847	184,137	231,284
RELX PLC	12,501	402,648	411,356
Shimadzu Corp.	1,737	70,957	83,243
Tokyo Electron Ltd.	1,035	403,066	555,254
Ubisoft Entertainment SA	715	74,730	62,048
Worldline SA	1,595	180,020	185,069
YASKAWA Electric Corp.	1,564	84,709	94,760
		3,493,421	4,632,946
<b>Industrials (1.33%)</b>			
Adecco SA, Registered	978	68,323	82,364
Allegion PLC	457	64,631	78,913
Alstom SA	1,875	122,395	117,377
Ashtead Group PLC	2,771	149,232	254,873
Bunzl PLC	1,893	70,356	77,547
FANUC Corp.	1,204	333,681	359,971
Keio Corp.	817	68,539	59,528
		877,157	1,030,573
<b>Communication Services (1.30%)</b>			
Publicis Groupe	1,372	73,226	108,778
Recruit Holdings Co. Ltd.	10,867	563,282	663,260
Swisscom AG	162	113,314	114,640
WPP PLC	7,152	88,739	119,474
		838,561	1,006,152
<b>Consumer Staples (0.47%)</b>			
Kerry Group PLC, Class 'A'	994	170,260	172,110
Kikkoman Corp.	1,134	82,197	92,748
Ocado Group PLC	3,002	110,175	103,107
		362,632	367,965
<b>Utilities (0.24%)</b>			
Terna – Rete Elettrica Nazionale SPA	12,678	115,466	117,101
United Utilities Group PLC	4,122	65,067	68,872
		180,533	185,973
<b>Materials (0.23%)</b>			
Akzo Nobel NV	1,170	145,528	179,196
		145,528	179,196
<b>TOTAL GLOBAL EQUITIES</b>		20,661,338	23,596,870

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2021

Security	Shares/ Contracts	Average Cost	Fair Value
<b>GLOBAL PREFERRED SECURITIES (0.53%)</b>			
<b>Consumer Staples (0.53%)</b>			
Volkswagen AG, Preferred	1,333	425,158	413,808
<b>TOTAL GLOBAL PREFERRED SECURITIES</b>		<b>425,158</b>	<b>413,808</b>
<b>CANADIAN EQUITIES (0.37%)</b>			
<b>Financials (0.19%)</b>			
Intact Financial Corp.	851	121,255	143,317
<b>Communication Services (0.18%)</b>			
Rogers Communications Inc., Class 'B'	2,136	122,294	140,762
<b>TOTAL CANADIAN EQUITIES</b>		<b>243,549</b>	<b>284,079</b>
<b>DERIVATIVES (-2.59%)</b>			
<b>Currency Forwards (-2.59%)</b>			
Currency forward contract to buy US\$2,500,000 for C\$3,089,055 maturing July 8, 2021		-	9,950
Currency forward contract to buy C\$77,622,485 for US\$64,250,000 maturing July 8, 2021		-	(2,021,944)
		-	(2,011,994)
<b>TOTAL DERIVATIVES</b>		<b>-</b>	<b>(2,011,994)</b>
Transaction Costs		(34,466)	
<b>TOTAL INVESTMENT PORTFOLIO (100.05%)</b>		<b>\$ 66,725,002</b>	<b>\$ 77,743,813</b>
<b>Cash and cash equivalents (0.28%)</b>			217,886
<b>Other assets less liabilities (-0.33%)</b>			(257,536)
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 77,704,163</b>

(See accompanying notes to financial statements)

## Notes to Financial Statements (unaudited)

June 30, 2021

### 1. REPORTING ENTITY

Horizons Global Sustainability Leaders Index ETF (“ETHI” 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, 2018. 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 ETHI. 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.

ETHI seeks to replicate, to the extent possible, the performance of the Nasdaq Future Global Sustainability Leaders Index (the “Underlying Index”, Bloomberg ticker: NQFGSLTD), net of expenses. The Underlying Index is designed to provide exposure to the performance of a basket of large-cap equity securities of companies that are global climate change leaders (as measured by their relative carbon efficiency), and are not materially engaged in activities deemed inconsistent with responsible investment considerations. ETHI seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

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.

### 2. BASIS OF PREPARATION

#### *(i) Statement of compliance*

These 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 3, 2021, 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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

**3. SIGNIFICANT ACCOUNTING POLICIES**

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

**(a) Financial instruments*****(i) Recognition, initial measurement and classification***

The ETF is subject to IFRS 9, Financial Instruments (“IFRS 9”) for the classification and measurement requirements for financial instruments, including impairment of financial assets and hedge accounting.

IFRS 9 requires financial assets to be classified based on the ETF’s business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss (“FVTPL”). IFRS 9 requires classification of debt instruments, if any, based solely on payments of principal and interests, and business model tests.

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

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

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

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

***(ii) Fair value measurement***

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

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

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

Investments held that are not traded in an active market, including some derivative financial instruments, are valued using observable market inputs where possible, on such basis and in such manner as established by the Manager. Derivative financial instruments are recorded in the statements of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also, the summary of fair value measurements in note 6.

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

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

***(iii) Offsetting***

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

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

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

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

**Forward foreign exchange contracts**

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

**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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

**(b) Investment income**

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

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

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

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

**(c) Foreign currency**

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

**(d) Cost basis**

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

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

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

**(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.



**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

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

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

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

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

**(i) Transaction costs**

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

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

The full extent of the impact that the COVID-19 epidemic will have on the Canadian and U.S. economies and the ETF's business remains uncertain and difficult to predict at this time. By their very nature, the estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements relate to matters that are inherently uncertain. However, the Manager maintains detailed policies and internal controls that are intended to ensure that these estimates and judgements are well controlled, and that they are consistently applied from period to period. It is the Manager's opinion that any estimates and/or judgements used in the preparation of these financial statements are appropriate as at June 30, 2021, and December 31, 2020, and for the periods ended June 30, 2021 and 2020.

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

**5. FINANCIAL INSTRUMENTS RISK**

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

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

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, 2021, and December 31, 2020, 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.

As at June 30, 2021, and December 31, 2020, 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 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, 2021	December 31, 2020
Nasdaq Future Global Sustainability Leaders Index	\$699,785	\$478,297

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

**(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.

As at June 30, 2021, and December 31, 2020, 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.

**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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

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, 2021, and December 31, 2020, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2021			December 31, 2020		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Equities	79,755,807	–	–	52,293,965	–	–
Currency Forward Contracts	–	10,844	–	–	9,431	–
<b>Total Financial Assets</b>	<b>79,755,807</b>	<b>10,844</b>	<b>–</b>	<b>52,293,965</b>	<b>9,431</b>	<b>–</b>
<b>Financial Liabilities</b>						
Currency Forward Contracts	–	(2,022,838)	–	–	(94,767)	–
<b>Total Financial Liabilities</b>	<b>–</b>	<b>(2,022,838)</b>	<b>–</b>	<b>–</b>	<b>(94,767)</b>	<b>–</b>
<b>Net Financial Assets and Liabilities</b>	<b>79,755,807</b>	<b>(2,011,994)</b>	<b>–</b>	<b>52,293,965</b>	<b>(85,336)</b>	<b>–</b>

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, 2021, and for the year ended December 31, 2020.

## 7. SECURITIES LENDING

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

The aggregate closing market value of securities loaned and collateral received as at June 30, 2021, and December 31, 2020, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2021	\$4,907,156	\$5,212,430
December 31, 2020	\$3,076,759	\$3,268,584

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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

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, 2021 and 2020. 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.

<b>For the periods ended</b>	<b>June 30, 2021</b>	<b>% of Gross Income</b>	<b>June 30, 2020</b>	<b>% of Gross Income</b>
Gross securities lending income	\$4,799		\$855	
Withholding taxes	(108)	2.25%	(83)	9.71%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(1,875)	39.07%	(231)	27.02%
<b>Net securities lending income paid to the ETF</b>	<b>\$2,816</b>	<b>58.68%</b>	<b>\$541</b>	<b>63.27%</b>

**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 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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

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, 2021 and 2020, 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
2021	1,250,037	400,045	(5,800)	1,644,282	1,471,065
2020	375,011	975,007	(550,000)	800,018	602,762

**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 0.45%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

**Other expenses**

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

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

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, 2021 and 2020, were as follow:

<b>Period Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
June 30, 2021	\$19,157	\$nil	\$nil
June 30, 2020	\$7,544	\$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, 2021, and December 31, 2020, 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, 2021

**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, 2020, 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
\$43,526	–	–

**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, 2021, and December 31, 2020. 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, 2021	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	10,844	–	10,844	(10,844)	–	–
Derivative liabilities	(2,022,838)	–	(2,022,838)	10,844	–	(2,011,994)

Financial Assets and Liabilities as at December 31, 2020	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	9,431	–	9,431	(9,431)	–	–
Derivative liabilities	(94,767)	–	(94,767)	9,431	–	(85,336)

**14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES**

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

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



**Notes to Financial Statements** (unaudited) (continued)

June 30, 2021

*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, 2021 and December 31, 2020, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.





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