

Interim Report | June 30, 2021



**Horizons Active Corporate Bond ETF**  
**(HAB: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 Active Corporate Bond ETF (“HAB” 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

The investment objective of HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt and debt-like securities of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds, as they are defined in the ETF’s prospectus.

The ETF’s sub-advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, are believed to offer superior risk adjusted returns relative to passively managed corporate bond indexes. When the Sub-Advisor believes that interest rates will increase, the Sub-Advisor may choose securities with shorter terms and when the Sub-Advisor believes that interest rates will decrease, the Sub-Advisor may choose securities with longer terms.

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

## Management Discussion of Fund Performance (continued)

In order to manage the liquidity of the portfolio, the Sub-Advisor may, from time to time, invest in debt securities or money market instruments issued or guaranteed by the Government of Canada or the Government of a jurisdiction in Canada, or issued or guaranteed by the U.S. Government.

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

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

### Risk

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

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

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

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's most recent prospectus. A full description of each risk listed below may also be found in the most recent prospectus. The most recent prospectus is available at [www.horizonsetfs.com](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>• Stock market risk</li><li>• Specific issuer risk</li><li>• Legal and regulatory risk</li><li>• Market disruptions risk</li><li>• Cyber security risk</li><li>• Listed Funds risk</li><li>• Reliance on historical data risk</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></ul> | <ul style="list-style-type: none"><li>• No assurance of meeting investment objective</li><li>• Tax risk</li><li>• Securities lending, repurchase and reverse repurchase transaction risk</li><li>• Loss of limited liability</li><li>• Reliance on key personnel</li><li>• Distributions risk</li><li>• Conflicts of interest</li><li>• No ownership interest</li><li>• Market for units</li><li>• Redemption price</li><li>• Net asset value fluctuation</li></ul> |
|--|---|



## Management Discussion of Fund Performance (continued)

- Restrictions on certain unitholders
  - Highly volatile markets
  - No guaranteed return
  - Derivatives and counterparty risk
  - Interest rate risk
  - Foreign currency risk
- Credit risk
  - Foreign stock exchange risk
  - Call risk
  - Liquidity risk
  - Municipal bond risk

### Results of Operations

For the six-month period ended June 30, 2021, units of the ETF returned -2.12% when including distributions paid to unitholders. This compares to a return of -2.31% for the ICE Bank of America Merrill Lynch Canada Corporate Bond Index (the "Index") for the same period.

The Index tracks the performance of Canadian dollar-denominated, investment-grade corporate, securitized and collateralized debt publicly issued in the Canadian domestic market.

#### **General Market Review**

Risk assets continued where they left off at the end of 2020 and pushed higher throughout the first quarter of 2021. Vaccinations and re-openings, particularly in the U.S., drove risk assets higher throughout the second quarter, but bond markets reversed direction.

In the first quarter of 2021, global bond markets sold off significantly after the U.S. approved a massive \$1.9 trillion fiscal package at the beginning of the year, forcing fixed-income investors to quickly adjust their expectations higher for both growth and inflation. The yield curve steepened as central banks were in no hurry to take their foot off the gas pedal. In the second quarter, short term rates increased significantly, and the long end of the yield curve rallied causing the curve to flatten.

Economic growth in the U.S. was strong in the first half of the year, but supply constraints are causing shortages in labor, supplies and goods. Jobs are still down 6.8 million from their pre-COVID-19 levels putting pressure on the U.S. Federal Reserve. However, there are now seven of 18 Federal Open Market Committee ("FOMC") members expecting a rate hike by the end of 2022. New COVID-19 variants are spreading globally causing concerns that new or additional stay-at-home orders and economic restrictions may increase in some countries.

Conversely, the Canadian economy had started growing in the first quarter of 2021 following the rollout of vaccines and easing of restrictions, however, it slowed down in the second quarter as a result of the new lockdowns associated with the third wave. With Canadian vaccinations now proceeding much faster and plans to lift restrictions over the summer, the economy is set to have a strong recovery, led by consumer spending. Rising global demand and higher commodity prices are expected to help Canadian exports. Inflation has increased to 3% but is expected to ease later in the year. The weekly net asset purchases by the Bank of Canada of government bonds was reduced to \$3 billion from \$4 billion in April.

These developments caused the 10-year Canada yield to increase by 71 basis points ("bps") to 1.39% and for the yield curve to flatten. In this environment, midterm provincial bond spreads tightened 7 bps on average to 50 bps, and midterm corporate spreads tightened by 14 bps on average to 119 bps.

## Management Discussion of Fund Performance (continued)

### ***Portfolio performance and positioning***

Despite a negative return over the six-month period, the ETF outperformed the Index. The overall outperformance was primarily a result of the ETF's security selection within corporate bonds and the selection of higher yielding securities compared to the. In particular, security selection in energy names was also very beneficial to the ETF's performance.

During the first half of the year, the ETF lowered its allocation to AA and AAA rated securities, increased its weight in A rated securities and slightly increased high yield securities as well. The ETF increased its allocation to financials and industrials, at the expense of communications and infrastructure. In the second half of 2021, the ETF expects to have a shorter duration and a higher running yield. The ETF will have an overweight position in real estate bonds and underweight positions in communication and infrastructure issues.

### ***Outlook***

The speed of vaccinations to combat COVID-19 will continue to drive financial markets for the remainder of the year. In Canada, a substantial portion of the population has now received at least one dose and the second dose is being rolled out faster than previously expected. Fiera continues to maintain its thesis on the reopening of the economy with the U.S. leading the way. Fiera anticipates that during the summer re-openings will occur and with this a boom in the economy; fiscal and monetary policy will also support this powerful recovery. Inflation has pushed materials higher this year and although they expect it to decline over the medium term, they also believe inflationary risks are skewed to the upside due to the strength of the economy and supply chain disruptions caused by the virus. Central banks are also expected to reduce bond purchases later in the year. As a result, the portfolio is still positioned for higher yields and a steeper curve, but there is an expectation of volatility. The ETF will continue to have a modest overweight in credit which should perform well as the economy reopens but the ETF is selective, focusing on names that still have value, and at the same time actively looking to sell expensive credits.

### ***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 (\$12,048,437). This compares to \$28,272,642 for the six-month period ended June 30, 2020. The ETF incurred management, operating and transaction expenses of \$1,503,266 (2020 – \$1,754,941) of which \$50,020 (2020 – \$47,900) 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 \$6,856,394 to unitholders during the period (2020 – \$8,703,823).

### **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.

## Management Discussion of Fund Performance (continued)

### 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.

#### ***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 14) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 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 for the current interim reporting period and for the past five fiscal years. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

### The ETF's Net Assets per Unit

Period <sup>(1)</sup>	2021	2020	2019	2018	2017	2016
<b>Net assets, beginning of period</b>	\$ 11.50	10.96	10.47	10.74	10.70	10.66
<b>Increase (decrease) from operations:</b>						
Total revenue	0.19	0.38	0.39	0.40	0.41	0.43
Total expenses	(0.03)	(0.07)	(0.06)	(0.06)	(0.06)	(0.06)
Realized gains (losses) for the period	0.17	0.05	–	(0.05)	(0.01)	0.11
Unrealized gains (losses) for the period	(0.64)	0.51	0.48	(0.22)	0.02	(0.08)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>(0.31)</b>	<b>0.87</b>	<b>0.81</b>	<b>0.07</b>	<b>0.36</b>	<b>0.40</b>
<b>Distributions:</b>						
From net investment income (excluding dividends)	(0.16)	(0.32)	(0.33)	(0.34)	(0.34)	(0.36)
From net realized capital gains	–	–	–	–	–	(0.09)
From return of capital	–	(0.02)	–	–	–	–
<b>Total distributions <sup>(3)</sup></b>	<b>(0.16)</b>	<b>(0.34)</b>	<b>(0.33)</b>	<b>(0.34)</b>	<b>(0.34)</b>	<b>(0.45)</b>
<b>Net assets, end of period <sup>(4)</sup></b>	<b>\$ 11.10</b>	<b>11.50</b>	<b>10.96</b>	<b>10.47</b>	<b>10.74</b>	<b>10.70</b>

- This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
- 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.
- 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.
- 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>	<b>2017</b>	<b>2016</b>
Total net asset value (000's)	\$ 434,271	611,305	561,841	534,933	577,465	513,864
Number of units outstanding (000's)	39,124	53,144	51,284	51,100	53,788	48,005
Management expense ratio <sup>(2)</sup>	0.60%	0.59%	0.59%	0.59%	0.60%	0.60%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	0.62%	0.61%	0.60%	0.61%	0.61%	0.60%
Trading expense ratio <sup>(4)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(5)</sup>	19.81%	27.58%	57.69%	29.60%	22.68%	30.73%
Net asset value per unit, end of period	\$ 11.10	11.50	10.96	10.47	10.74	10.70
Closing market price	\$ 11.14	11.51	10.94	10.49	10.78	10.65

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. Transaction costs related to the purchase and/or sale of fixed income securities are typically embedded in the price of those transactions and are therefore not included in the trading expense ratio.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Financial Highlights (continued)

### Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.50%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

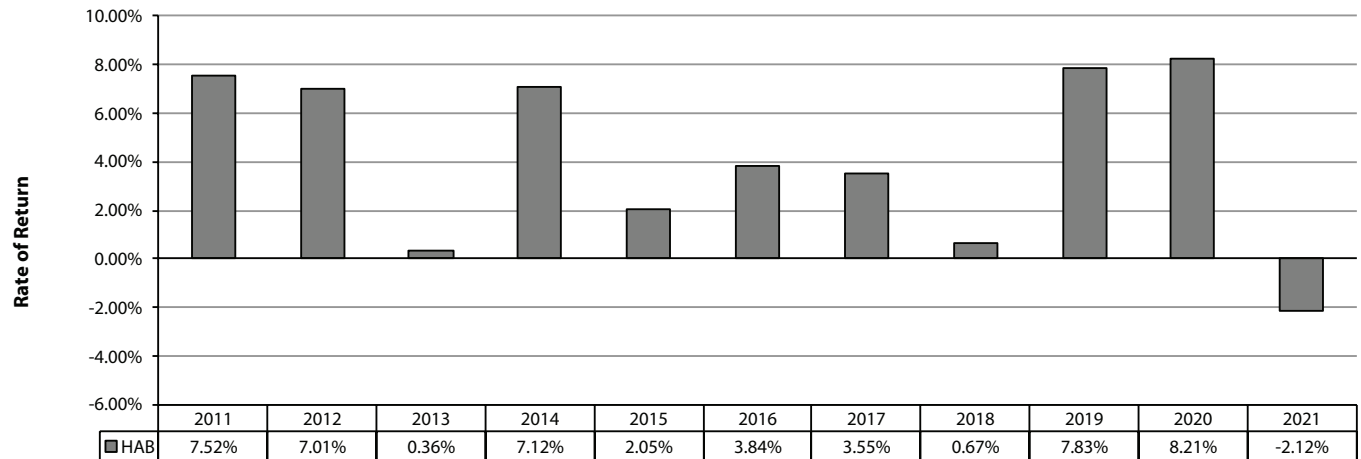
<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
3%	93%	4%

## 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 July 14, 2010.

## 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>
Canadian Fixed Income Securities	\$ 390,177,468	89.85%
U.S. Fixed Income Securities	38,905,238	8.96%
Global Fixed Income Securities	1,881,195	0.43%
Currency Forward Hedge*	(25,600)	-0.01%
Cash and Cash Equivalents	2,841,484	0.65%
Other Assets less Liabilities	490,921	0.12%
	<b>\$ 434,270,706</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Corporate Bonds	\$ 413,754,449	95.27%
Municipal Bonds	12,742,422	2.94%
Mortgage Backed Securities	2,399,167	0.55%
Provincial Bonds	2,067,863	0.48%
Currency Forward Hedge*	(25,600)	-0.01%
Cash and Cash Equivalents	2,841,484	0.65%
Other Assets less Liabilities	490,921	0.12%
	<b>\$ 434,270,706</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>
Enbridge Inc.	3.10%
Royal Bank of Canada	2.82%
Toronto-Dominion Bank (The)	2.38%
Bell Canada Inc.	2.30%
Canadian Imperial Bank of Commerce	2.28%
TransCanada PipeLines Ltd.	2.17%
Pembina Pipeline Corp.	2.10%
Bank of Nova Scotia (The)	1.97%
Central 1 Credit Union	1.90%
Hydro One Inc.	1.87%
Loblaw Cos. Ltd.	1.84%
Ford Credit Canada Co.	1.79%
Bank of Montreal	1.76%
Wells Fargo & Co.	1.71%
Inter Pipeline Ltd.	1.71%
CU Inc.	1.70%
TELUS Corp.	1.68%
North West Redwater Partnership / NWR Financing Co. Ltd.	1.57%
SmartCentres REIT	1.57%
Bank of America Corp.	1.55%
Federation des Caisses Desjardins du Québec	1.51%
Canadian Western Bank	1.34%
Laurentian Bank of Canada	1.27%
Molson Coors International L.P.	1.27%
Canadian Natural Resources Ltd.	1.26%

\* 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 Active Corporate Bond ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards 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	\$ 2,841,484	\$ 1,193,390
Investments	3,161,884	609,197,762
Amounts receivable relating to accrued income	3,182,555	4,384,492
Amounts receivable relating to portfolio assets sold	–	3,097,777
Amounts receivable relating to securities issued	1,662,404	–
Derivative assets (note 3)	–	1,522
<b>Total assets</b>	<b>438,629,673</b>	<b>617,874,943</b>
<b>Liabilities</b>		
Accrued management fees	199,701	290,754
Accrued operating expenses	9,620	14,997
Amounts payable relating to securities redeemed	–	573,866
Amounts payable for portfolio assets purchased	3,115,019	4,164,368
Distribution payable	1,009,027	1,526,129
Derivative liabilities (note 3)	25,600	–
<b>Total liabilities</b>	<b>4,358,967</b>	<b>6,570,114</b>
<b>Total net assets (note 2)</b>	<b>\$ 434,270,706</b>	<b>\$ 611,304,829</b>
Number of redeemable units outstanding (note 8)	39,123,612	53,143,762
Total net assets per unit	\$ 11.10	\$ 11.50

(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>		
Interest income for distribution purposes	\$ 8,222,413	\$ 9,986,584
Securities lending income (note 7)	5,362	8,086
Net realized gain on sale of investments and derivatives	7,508,050	1,537,540
Net realized gain (loss) on foreign exchange	(11,655)	6,559
Net change in unrealized appreciation (depreciation) of investments and derivatives	(27,773,093)	16,732,376
Net change in unrealized appreciation of foreign exchange	486	1,497
	<b>(12,048,437)</b>	<b>28,272,642</b>
<b>Expenses (note 9)</b>		
Management fees	1,380,042	1,628,027
Audit fees	6,975	8,350
Independent Review Committee fees	576	376
Custodial and fund valuation fees	67,174	59,369
Legal fees	8,122	13,773
Securityholder reporting costs	17,812	29,989
Administration fees	15,468	14,971
Transaction costs	7,097	–
Other expenses	–	86
	<b>1,503,266</b>	<b>1,754,941</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(50,020)	(47,900)
	<b>1,453,246</b>	<b>1,707,041</b>
<b>Increase (decrease) in net assets for the period</b>	<b>\$ (13,501,683)</b>	<b>\$ 26,565,601</b>
Increase (decrease) in net assets per unit	\$ (0.31)	\$ 0.51

(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>	\$	611,304,829	\$	561,841,221
<b>Increase (decrease) in net assets</b>		(13,501,683)		26,565,601
<b>Redeemable unit transactions</b>				
Proceeds from the issuance of securities of the investment fund		47,157,011		35,912,084
Aggregate amounts paid on redemption of securities of the investment fund		(203,887,726)		(36,271,157)
Securities issued on reinvestment of distributions		54,669		42,723
Distributions:				
From net investment income		(6,856,394)		(8,703,823)
<b>Total net assets at the end of the period</b>	<b>\$</b>	<b>434,270,706</b>	<b>\$</b>	<b>579,386,649</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	\$ (13,501,683)	\$ 26,565,601
Adjustments for:		
Net realized gain on sale of investments and derivatives	(7,508,050)	(1,537,540)
Net realized gain (loss) on currency forward contracts	69,415	(9,977)
Net change in unrealized depreciation (appreciation) of investments and derivatives	27,773,093	(16,732,376)
Net change in unrealized appreciation of foreign exchange	(459)	(1,466)
Purchase of investments	(99,792,622)	(102,434,283)
Proceeds from the sale of investments	78,082,647	83,243,173
Amounts receivable relating to accrued income	1,222,608	(69,523)
Accrued expenses	(96,430)	6,809
<b>Net cash used in operating activities</b>	<b>(13,751,481)</b>	<b>(10,969,582)</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	45,494,607	35,126,660
Amount paid on redemptions of units	(22,776,664)	(13,653,552)
Distributions paid to unitholders	(7,318,827)	(8,629,718)
<b>Net cash from financing activities</b>	<b>15,399,116</b>	<b>12,843,390</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>1,647,635</b>	<b>1,873,808</b>
Effect of exchange rate fluctuations on cash and cash equivalents	459	1,466
<b>Cash and cash equivalents at beginning of period</b>	<b>1,193,390</b>	<b>1,591,806</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ (2,841,484)</b>	<b>\$ 3,467,080</b>
Interest received, net of withholding taxes	\$ 9,445,021	\$ 9,917,061

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2021

Security	Par Value/ Contracts		Average Cost		Fair Value
<b>CANADIAN FIXED INCOME SECURITIES (89.85%)</b>					
<b>Corporate Bonds (85.88%)</b>					
407 International Inc., Callable, 4.45%, 2041/11/15	3,828,000	\$	4,329,060	\$	4,566,159
407 International Inc., Callable, 3.83%, 2046/05/11	586,000		595,032		651,528
Air Canada, Callable, 4.75%, 2023/10/06	1,770,000		1,770,000		1,804,663
Alectra Inc., Series 'B', Callable, 5.30%, 2041/04/29	330,000		420,265		440,751
Alimentation Couche-Tard Inc., Series '5', Callable, 3.60%, 2025/06/02	1,356,000		1,368,673		1,454,356
Alliance Pipeline L.P., Series 'A', Sinkable, 7.18%, 2023/06/30	268,915		333,012		288,527
Alliance Pipeline L.P., Callable, 6.77%, 2025/12/31	587,765		693,857		679,269
Allied Properties REIT, Series 'H', Callable, 1.73%, 2026/02/12	566,000		566,000		558,301
Allied Properties REIT, Series 'E', Callable, 3.11%, 2027/04/08	1,716,000		1,702,952		1,788,253
Allied Properties REIT, Series 'D', Callable, 3.39%, 2029/08/15	464,000		475,358		482,675
AltaGas Ltd., Callable, 3.84%, 2025/01/15	481,000		497,664		515,932
AltaGas Ltd., Callable, 2.16%, 2025/06/10	197,000		197,000		200,393
AltaGas Ltd., Callable, 4.12%, 2026/04/07	225,000		224,872		246,048
AltaGas Ltd., Callable, 3.98%, 2027/10/04	1,037,000		1,036,575		1,134,909
AltaGas Ltd., Callable, 2.48%, 2030/11/30	482,000		482,000		466,767
AltaGas Ltd., Callable, 5.16%, 2044/01/13	873,000		859,922		1,015,640
AltaLink L.P., Callable, 4.87%, 2040/11/15	525,000		700,865		661,635
Arrow Lakes Power Corp., Callable, 5.52%, 2041/04/05	1,694,966		1,694,966		2,070,232
Bank of Montreal, 2.85%, 2024/03/06	1,356,000		1,374,784		1,417,203
Bank of Montreal, 2.28%, 2024/07/29	3,129,000		3,127,686		3,226,341
Bank of Montreal, Callable, 2.37%, 2025/01/17	665,000		664,993		687,993
Bank of Montreal, Variable Rate, Callable, 2.88%, 2029/09/17	2,219,000		2,218,800		2,314,107
Bank of Nova Scotia (The), 2.49%, 2024/09/23	4,034,000		4,148,968		4,186,469
Bank of Nova Scotia (The), 2.16%, 2025/02/03	1,446,000		1,449,131		1,485,892
Bank of Nova Scotia (The), Variable Rate, Callable, 3.89%, 2029/01/18	1,231,000		1,231,000		1,310,820
Bank of Nova Scotia (The), Variable Rate, Callable, 2.84%, 2029/07/03	1,548,000		1,547,836		1,611,383
Bell Canada Inc., Callable, 3.35%, 2025/03/12	717,000		706,252		762,071
Bell Canada Inc., Series 'EZ', Callable, 7.00%, 2027/09/24	2,200,000		2,497,893		2,778,812
Bell Canada Inc., Callable, 3.60%, 2027/09/29	48,000		47,591		51,929
Bell Canada Inc., Callable, 2.90%, 2029/09/10	212,000		211,727		218,619
Bell Canada Inc., 2.50%, 2030/05/14	193,000		192,660		191,250
Bell Canada Inc., Series 'M-17', Callable, 6.10%, 2035/03/16	1,315,000		1,586,811		1,686,940
Bell Canada Inc., Callable, 4.75%, 2044/09/29	1,392,000		1,409,086		1,585,368
Bell Canada Inc., Callable, 4.35%, 2045/12/18	2,546,000		2,812,438		2,751,302
BMW Canada Auto Trust, Class 'A3', Series '19-1', Callable, 2.35%, 2022/06/20	486,000		486,000		492,577
BMW Canada Auto Trust, Class 'A3', Series '21-1', 0.76%, 2024/04/20	392,000		392,000		388,957
Bridging North America G.P., Series 'B', Sinkable, 4.34%, 2053/08/31	552,000		571,458		586,433
British Columbia Ferry Services Inc., 6.25%, 2034/10/13	386,000		544,789		536,449

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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
British Columbia Ferry Services Inc., Series '13-1', Callable, 4.70%, 2043/10/23	700,000	845,530	891,042
Brookfield Asset Management Inc., Callable, 4.82%, 2026/01/28	1,350,000	1,429,515	1,521,645
Brookfield Renewable Partners ULC, Callable, 3.63%, 2027/01/15	916,000	915,542	994,928
Brookfield Renewable Partners ULC, Callable, 3.33%, 2050/08/13	747,000	746,440	719,404
Canada Life Assurance Co., Series 'B', Callable, 6.40%, 2028/12/11	100,000	128,924	128,382
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 3.45%, 2028/04/04	3,879,000	3,888,152	4,039,720
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.95%, 2029/06/19	1,608,000	1,607,920	1,677,254
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.01%, 2030/07/21	1,726,000	1,725,344	1,744,304
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 1.96%, 2031/04/21	2,417,000	2,416,202	2,419,009
Canadian National Railway Co., Callable, 3.60%, 2047/08/01	1,315,000	1,306,400	1,349,138
Canadian Natural Resources Ltd., 1.45%, 2023/11/16	420,000	422,818	422,508
Canadian Natural Resources Ltd., Callable, 3.55%, 2024/06/03	1,110,000	1,105,926	1,174,556
Canadian Natural Resources Ltd., Callable, 3.42%, 2026/12/01	3,620,000	3,620,000	3,859,367
Canadian Western Bank, 1.57%, 2023/09/14	3,832,000	3,837,150	3,869,007
Canadian Western Bank, Callable, 1.93%, 2026/04/16	1,961,000	1,961,000	1,967,259
Capital City Link G.P., Series 'A', Sinkable, Callable, 4.39%, 2046/03/31	2,447,053	2,471,101	2,746,596
Cenovus Energy Inc., Callable, 3.60%, 2027/03/10	380,000	379,179	401,403
Cenovus Energy Inc., Callable, 3.50%, 2028/02/07	3,177,000	3,147,772	3,332,061
Central 1 Credit Union, 2.58%, 2023/12/06	1,374,000	1,377,028	1,421,828
Central 1 Credit Union, 1.32%, 2026/01/29	1,746,000	1,746,000	1,718,016
Central 1 Credit Union, Variable Rate, Callable, 3.06%, 2026/10/14	5,055,000	5,044,467	5,086,271
CHIP Mortgage Trust, Series '16-1', Callable, 2.98%, 2021/11/15	780,000	780,000	785,991
CHIP Mortgage Trust, 1.74%, 2045/12/15	1,250,000	1,250,000	1,241,667
Choice Properties L.P., Series '10', Callable, 3.60%, 2022/09/20	264,000	275,275	271,175
Choice Properties REIT, Series 'K', Callable, 3.56%, 2024/09/09	562,000	546,770	596,710
Choice Properties REIT, Series 'J', Callable, 3.55%, 2025/01/10	1,400,000	1,387,540	1,489,948
Choice Properties REIT, Series 'F', Callable, 4.06%, 2025/11/24	1,463,000	1,541,212	1,593,946
Choice Properties REIT, Series 'L', Callable, 4.18%, 2028/03/08	1,463,000	1,472,246	1,620,892
Choice Properties REIT, Series 'N', Callable, 2.98%, 2030/03/04	56,000	56,000	57,194
Clover L.P., Series '1A', Sinkable, 4.22%, 2034/03/31	2,176,817	2,176,817	2,362,344
CNH Capital Canada Receivables Trust, Class 'A2', Series '18-1', Callable, 2.75%, 2024/08/15	199,477	200,673	201,316
CNH Capital Canada Receivables Trust, Class 'A2', Series '19-1', Restricted, Callable, 2.18%, 2025/11/17	198,040	197,411	201,129
Coast Capital Savings Federal Credit Union, Floating Rate, 0.98%, 2021/07/21	794,000	794,000	794,167
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.00%, 2028/05/03	2,478,000	2,482,308	2,626,733



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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
Coast Capital Savings Federal Credit Union, Series '2', Variable Rate, Callable, 5.25%, 2030/10/29	480,000	480,000	536,222
Comber Wind L.P., Sinkable, Callable, 5.13%, 2030/11/15	4,033,819	4,066,681	4,558,266
Cominar REIT, Series '10', 4.25%, 2023/05/23	2,900,000	2,888,312	3,011,292
Cominar REIT, Series '11', Restricted, Callable, 4.50%, 2024/05/15	502,000	502,000	528,225
Concentra Bank, 1.46%, 2024/05/17	742,000	742,000	741,876
Co-operators Financial Services Ltd., Callable, 3.33%, 2030/05/13	1,777,000	1,777,000	1,755,759
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	1,586,000	1,584,430	1,694,215
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	1,130,000	1,130,000	1,222,406
Crombie REIT, Series 'H', Callable, 2.69%, 2028/03/31	377,000	377,000	379,649
CT REIT, Series 'A', Callable, 2.85%, 2022/06/09	921,000	921,483	937,428
CT REIT, Series 'F', Callable, 3.87%, 2027/12/07	1,245,000	1,244,950	1,356,398
CT REIT, Series 'G', Callable, 2.37%, 2031/01/06	647,000	647,000	622,263
CU Inc., 4.54%, 2041/10/24	5,257,000	5,951,276	6,349,513
CU Inc., Callable, 3.76%, 2046/11/19	739,000	768,087	814,330
CU Inc., Callable, 3.55%, 2047/11/22	100,000	114,005	106,674
CU Inc., Callable, 3.95%, 2048/11/23	100,000	122,044	114,075
Daimler Canada Finance Inc., 2.97%, 2024/03/13	1,120,000	1,178,968	1,170,621
Daimler Canada Finance Inc., 1.65%, 2025/09/22	1,582,000	1,579,580	1,585,081
Eagle Credit Card Trust, Series 'A', 2.22%, 2024/07/17	84,000	84,000	86,511
Eagle Credit Card Trust, Series 'A', 1.27%, 2025/07/17	504,000	504,000	500,787
Emera Inc., 2.90%, 2023/06/16	780,000	802,131	807,178
Empire Life Insurance Co. (The), Variable Rate, Callable, 3.66%, 2028/03/15	507,000	507,000	528,593
Enbridge Gas Inc., Callable, 3.51%, 2047/11/29	1,050,000	1,050,000	1,113,732
Enbridge Inc., Callable, 3.95%, 2024/11/19	799,000	802,892	860,199
Enbridge Inc., Callable, 3.20%, 2027/06/08	3,330,000	3,448,372	3,515,237
Enbridge Inc., Callable, 2.99%, 2029/10/03	384,000	383,735	396,590
Enbridge Inc., Callable, 7.20%, 2032/06/18	1,750,000	2,236,622	2,327,283
Enbridge Inc., Callable, 4.57%, 2044/03/11	2,262,000	2,267,948	2,438,686
Enbridge Inc., Series 'C', Variable Rate, Callable, 6.63%, 2078/04/12	3,458,000	3,458,000	3,928,526
Enbridge Pipelines Inc., Callable, 3.00%, 2026/08/10	494,000	493,956	522,058
Enbridge Pipelines Inc., Callable, 4.33%, 2049/02/22	284,000	296,054	304,761
Enbridge Pipelines Inc., Callable, 4.20%, 2051/05/12	900,000	899,694	947,782
Energir Inc., Callable, 7.05%, 2030/10/30	933,000	1,313,365	1,286,172
ENMAX Corp., Series '7', Callable, 3.88%, 2029/10/18	1,947,000	1,947,000	2,107,014
EPCOR Utilities Inc., Callable, 3.95%, 2048/11/26	930,000	930,000	1,062,642
Federation des Caisses Desjardins du Québec, 2.42%, 2024/10/04	1,621,000	1,621,000	1,678,566
Federation des Caisses Desjardins du Québec, Variable Rate, Callable, 2.86%, 2030/05/26	3,097,000	3,097,000	3,224,574
Federation des Caisses Desjardins du Québec, Variable Rate, Callable, 1.99%, 2031/05/28	1,654,000	1,654,000	1,651,804

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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
First Capital REIT, Series 'Q', Callable, 3.90%, 2023/10/30	1,800,000	1,925,694	1,894,257
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	819,000	819,000	854,478
First Nations ETF L.P., Series '1A', Sinkable, 4.14%, 2041/12/31	1,872,206	1,872,206	2,004,497
Ford Auto Securitization Trust, Class 'A2', Series '20-A', Callable, 0.89%, 2024/08/15	266,000	266,000	266,958
Ford Auto Securitization Trust, Class 'A3', Series '19-A', Callable, 2.55%, 2024/09/15	467,000	469,125	477,502
Ford Auto Securitization Trust, Class 'A3', Series '19-B', Callable, 2.47%, 2025/02/15	412,000	413,318	423,231
Ford Auto Securitization Trust, Class 'A3', Series '20-A', Callable, 1.15%, 2025/11/15	1,301,000	1,301,000	1,300,991
Ford Credit Canada Co., 3.28%, 2021/07/02	2,700,000	2,745,659	2,700,154
Ford Credit Canada Co., 2.71%, 2022/02/23	1,862,000	1,862,000	1,874,717
Ford Credit Canada Co., 3.74%, 2023/05/08	3,111,000	3,110,995	3,203,552
FortisAlberta Inc., Callable, 4.11%, 2044/09/29	2,055,000	2,117,824	2,369,088
FortisBC Energy Inc., Callable, 3.38%, 2045/04/13	100,000	111,374	104,632
FortisBC Energy Inc., Callable, 3.67%, 2046/04/09	350,000	349,493	383,619
Genworth MI Canada Inc., Callable, 4.24%, 2024/04/01	2,100,000	2,100,000	2,243,303
Gibson Energy Inc., Callable, 2.85%, 2027/07/14	1,061,000	1,060,735	1,090,334
Gibson Energy Inc., Callable, 3.60%, 2029/09/17	1,561,000	1,560,039	1,660,103
Glacier Credit Card Trust, Series '20', 1.39%, 2025/09/22	195,000	195,000	194,007
GMF Canada Leasing Trust, Class 'A3', Series '19-1', Callable, 2.29%, 2024/05/21	248,127	247,603	248,932
Grand Renewable Solar L.P., Series '1A', Sinkable, Callable, 3.93%, 2035/01/31	970,796	970,796	1,053,477
Granite REIT Holdings L.P., Series '3', Callable, 3.87%, 2023/11/30	1,508,000	1,609,608	1,599,578
Great-West Lifeco Inc., Callable, 6.74%, 2031/11/24	450,000	609,939	610,719
Great-West Lifeco Inc., Callable, 6.67%, 2033/03/21	1,876,000	2,411,498	2,605,963
Great-West Lifeco Inc., 6.00%, 2039/11/16	784,000	1,046,530	1,079,498
Great-West Lifeco Inc., Callable, 2.98%, 2050/07/08	163,000	162,313	153,605
H&R REIT, Series 'L', 2.92%, 2022/05/06	302,000	304,627	306,679
H&R REIT, Series 'O', Callable, 3.42%, 2023/01/23	525,000	525,000	540,441
H&R REIT, Callable, 3.37%, 2024/01/30	3,259,000	3,282,091	3,381,188
H&R REIT, Series 'S', Callable, 2.63%, 2027/02/19	814,000	814,000	806,581
Health Montreal Collective L.P., Sinkable, 6.72%, 2049/09/30	3,183,685	4,187,965	4,410,957
Hospital Infrastructure Partners (NOH) Partnership, Series 'A', Sinkable, Callable, 5.44%, 2045/01/31	722,431	828,383	886,776
HSBC Bank Canada, 1.78%, 2026/05/20	1,635,000	1,635,000	1,638,896
Hydro One Inc., 4.39%, 2041/09/26	2,450,000	2,766,941	2,923,670
Hydro One Inc., Callable, 4.59%, 2043/10/09	1,180,000	1,556,503	1,454,630
Hydro One Inc., Callable, 4.17%, 2044/06/06	3,248,000	3,432,574	3,797,512
Hyundai Capital Canada Inc., Series 'A', Callable, 2.01%, 2026/05/12	658,000	658,000	659,843

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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
iA Financial Corp. Inc., Variable Rate, Callable, 3.07%, 2031/09/24	1,361,000	1,361,000	1,435,307
IGM Financial Inc., Callable, 3.44%, 2027/01/26	2,561,000	2,559,284	2,756,987
Independent Order of Foresters (The), Series '20-1', Variable Rate, Callable, 2.89%, 2035/10/15	1,636,000	1,636,000	1,647,112
Industrial Alliance Insurance and Financial Services Inc., Floating Rate, Callable, 3.30%, 2028/09/15	874,000	873,782	913,932
Integrated Team Solutions PCH Partnership, Sinkable, Callable, 4.88%, 2046/05/31	211,183	253,441	246,612
Integrated Team Solutions SJHC Partnership, Sinkable, 5.95%, 2042/11/30	222,362	296,397	279,620
Inter Pipeline Ltd., Callable, 2.61%, 2023/09/13	2,350,000	2,424,707	2,416,019
Inter Pipeline Ltd., Callable, 3.17%, 2025/03/24	1,250,000	1,250,000	1,312,156
Inter Pipeline Ltd., Callable, 4.23%, 2027/06/01	2,194,000	2,194,000	2,407,833
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	1,155,000	1,155,000	1,287,472
Keyera Corp., Floating Rate, Callable, 6.88%, 2079/06/13	1,136,000	1,136,000	1,261,482
Kingston Solar L.P., Series '1A', Sinkable, 3.57%, 2035/07/31	988,544	988,544	1,042,623
Laurentian Bank of Canada, 3.45%, 2023/06/27	488,000	512,888	510,688
Laurentian Bank of Canada, 1.15%, 2024/06/03	2,241,000	2,242,090	2,227,871
Laurentian Bank of Canada, Series 'CBL1', 1.60%, 2026/05/06	362,000	362,000	363,401
Laurentian Bank of Canada, Variable Rate, Callable, 4.25%, 2027/06/22	2,360,000	2,360,000	2,427,786
Loblaw Cos. Ltd., Callable, 4.86%, 2023/09/12	3,694,000	3,801,233	3,965,595
Loblaw Cos. Ltd., Callable, 3.92%, 2024/06/10	107,000	107,000	114,897
Loblaw Cos. Ltd., Callable, 2.28%, 2030/05/07	163,000	163,000	160,589
Loblaw Cos. Ltd., Callable, 6.15%, 2035/01/29	2,325,000	2,883,585	3,004,292
Loblaw Cos. Ltd., Callable, 6.45%, 2039/03/01	538,000	740,815	727,750
Manulife Financial Corp., Variable Rate, Callable, 3.05%, 2029/08/20	2,250,000	2,250,000	2,362,237
Manulife Financial Corp., Variable Rate, Callable, 2.24%, 2030/05/12	1,990,000	1,990,000	2,039,226
MBARC Credit Canada Inc., Class 'A3', Callable, 2.72%, 2023/10/16	538,588	538,588	540,661
MCAP Commercial L.P., 3.74%, 2025/08/25	716,000	716,000	746,109
MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	1,403,000	1,403,000	1,419,903
Metro Inc., Callable, 3.39%, 2027/12/06	102,000	101,940	109,989
Metro Inc., Callable, 4.27%, 2047/12/04	1,517,000	1,569,676	1,664,098
Metro Inc., Callable, 3.41%, 2050/02/28	613,000	613,000	583,150
National Bank of Canada, Variable Rate, Callable, 1.57%, 2026/08/18	2,019,000	2,018,980	2,022,299
Nissan Canada Inc., Series 'F', 3.15%, 2021/09/14	4,169,000	4,177,795	4,184,228
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'H', Callable, 4.15%, 2033/06/01	2,874,000	2,913,595	3,181,787
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'K', Callable, 3.65%, 2035/06/01	1,010,000	1,009,323	1,059,769
North West Redwater Partnership / NWR Financing Co. Ltd., Callable, 4.05%, 2044/07/22	1,331,000	1,320,267	1,412,069

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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'O', Callable, 3.75%, 2051/06/01	1,142,000	1,137,135	1,154,503
Northern Courier Pipeline L.P., Sinkable, 3.37%, 2042/06/30	2,110,773	2,110,773	2,158,708
Northwestern Hydro Acquisition Co. II L.P., Series '1', 3.88%, 2036/12/31	2,493,000	2,493,000	2,676,550
Nova Scotia Power Inc., Series 'F', 8.85%, 2025/05/19	435,000	554,064	547,442
Nova Scotia Power Inc., Callable, 4.15%, 2042/03/06	1,546,000	1,528,778	1,741,503
Nova Scotia Power Inc., Callable, 3.57%, 2049/04/05	332,000	332,000	351,265
Original Wempi Inc., Series 'B1', Callable, 4.31%, 2024/02/13	287,000	285,637	295,822
Parkland Corp., Restricted, Callable, 3.88%, 2026/06/16	575,000	575,000	581,349
Pembina Pipeline Corp., Callable, 3.71%, 2026/08/11	1,954,000	1,953,199	2,102,909
Pembina Pipeline Corp., Series '10', Callable, 4.02%, 2028/03/27	325,000	328,903	355,989
Pembina Pipeline Corp., Series '15', Callable, 3.31%, 2030/02/01	736,000	735,441	765,591
Pembina Pipeline Corp., Series '4', Callable, 4.81%, 2044/03/25	3,533,000	3,551,573	3,814,565
Pembina Pipeline Corp., Series '11', Callable, 4.75%, 2048/03/26	358,000	393,152	385,723
Pembina Pipeline Corp., Callable, 4.54%, 2049/04/03	110,000	110,272	115,040
Pembina Pipeline Corp., Callable, 4.67%, 2050/05/28	686,000	696,325	733,064
Pembina Pipeline Corp., Variable Rate, Callable, 4.80%, 2081/01/25	845,000	845,000	829,989
Plenary Properties LTAP L.P., Sinkable, Callable, 6.29%, 2044/01/31	177,026	238,118	237,569
Power Corp. of Canada, Callable, 4.81%, 2047/01/31	1,265,000	1,265,000	1,555,718
Power Financial Corp., 6.90%, 2033/03/11	384,000	521,971	520,608
Reliance L.P., Callable, 3.84%, 2025/03/15	129,000	132,826	138,404
Reliance L.P., Callable, 3.75%, 2026/03/15	921,000	918,016	988,201
Reliance L.P., Callable, 2.68%, 2027/12/01	570,000	569,897	578,769
Reliance L.P., Callable, 2.67%, 2028/08/01	890,000	889,315	899,277
RioCan REIT, Series 'Y', 2.83%, 2022/10/03	672,000	686,490	687,308
RioCan REIT, Series 'AA', Callable, 3.21%, 2023/09/29	815,000	814,959	847,144
Rogers Communications Inc., Callable, 3.65%, 2027/03/31	137,000	136,330	147,132
Rogers Communications Inc., Callable, 6.68%, 2039/11/04	1,000,000	1,331,230	1,349,188
Rogers Communications Inc., 6.11%, 2040/08/25	1,189,000	1,509,243	1,519,043
Rogers Communications Inc., Callable, 6.56%, 2041/03/22	178,000	235,697	238,941
Royal Bank of Canada, 3.30%, 2023/09/26	6,000,000	6,305,460	6,302,391
Royal Bank of Canada, 2.35%, 2024/07/02	200,000	200,489	206,661
Royal Bank of Canada, 2.33%, 2027/01/28	1,168,000	1,185,327	1,201,432
Royal Bank of Canada, Variable Rate, Callable, 2.74%, 2029/07/25	1,454,000	1,454,000	1,509,850
Royal Bank of Canada, Variable Rate, Callable, 2.88%, 2029/12/23	830,000	829,925	866,652
Royal Bank of Canada, Variable Rate, Callable, 1.67%, 2033/01/28	2,197,000	2,197,000	2,127,972
Scotiabank Capital Trust, Series '06-1', Variable Rate, Callable, 5.65%, 2056/12/31	170,000	208,267	223,837
SEC L.P. and Arci Ltd., Sinkable, Callable, 5.19%, 2033/08/29	3,956,104	4,012,316	4,266,193
SGTP Highway Bypass L.P., Series 'A', Sinkable, Callable, 4.11%, 2045/01/31	2,317,544	2,317,544	2,507,973

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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
Shaw Communications Inc., Callable, 4.35%, 2024/01/31	255,000	254,939	272,843
Shaw Communications Inc., Callable, 6.75%, 2039/11/09	1,152,000	1,512,703	1,552,177
Shaw Communications Inc., Callable, 4.25%, 2049/12/09	92,000	91,521	94,556
Sienna Senior Living Inc., Series 'A', Callable, 3.11%, 2024/11/04	1,351,000	1,351,000	1,398,957
Sienna Senior Living Inc., Series 'B', Callable, 3.45%, 2026/02/27	610,000	609,927	637,852
Sienna Senior Living Inc., Series 'C', Restricted, Callable, 2.82%, 2027/03/31	504,000	503,768	509,082
SmartCentres REIT, Series 'I', Callable, 3.99%, 2023/05/30	900,000	951,948	946,797
SmartCentres REIT, Series 'X', Callable, 1.74%, 2025/12/16	1,838,000	1,838,000	1,814,047
SmartCentres REIT, Series 'P', Callable, 3.44%, 2026/08/28	1,912,000	1,914,581	2,023,603
SmartCentres REIT, Series 'V', Callable, 3.19%, 2027/06/11	505,000	505,000	526,657
SmartCentres REIT, Series 'S', Callable, 3.83%, 2027/12/21	1,127,000	1,106,295	1,212,503
SmartCentres REIT, Series 'U', Callable, 3.53%, 2029/12/20	268,000	268,000	280,492
SNC-Lavalin Innisfree McGill Finance Inc., Callable, 6.63%, 2044/06/30	2,872,512	3,724,326	3,864,152
SSL Finance Inc. / SSL Financement Inc., Series 'A', Sinkable, Callable, 4.10%, 2045/10/31	780,760	864,013	857,783
Summit Industrial Income REIT, Series 'A', Callable, 2.15%, 2025/09/17	677,000	676,743	685,852
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	1,932,000	1,976,917	1,994,670
Sun Life Financial Inc., Variable Rate, Callable, 5.40%, 2042/05/29	687,000	872,241	876,967
Suncor Energy Inc., Callable, 5.39%, 2037/03/26	1,380,000	1,472,511	1,655,788
Superior Plus L.P., Callable, 4.25%, 2028/05/18	1,447,000	1,447,000	1,479,859
TELUS Communications Inc., Callable, 8.80%, 2025/09/22	2,145,000	2,848,529	2,749,579
TELUS Corp., Callable, 5.15%, 2043/11/26	3,323,000	3,538,329	3,917,208
TELUS Corp., Series 'CP', Callable, 4.85%, 2044/04/05	2,151,000	2,293,873	2,443,323
TELUS Corp., Callable, 4.40%, 2046/01/29	311,000	299,760	333,521
TELUS Corp., Series 'CAE', Callable, 4.10%, 2051/04/05	591,000	587,868	608,031
Teranet Holdings L.P., Callable, 3.65%, 2022/11/18	2,932,000	2,993,300	3,030,631
Teranet Holdings L.P., Series '2020', Callable, 3.54%, 2025/06/11	1,073,000	1,073,000	1,140,444
Teranet Holdings L.P., Callable, 6.10%, 2041/06/17	764,000	829,207	947,792
Toronto-Dominion Bank (The), 2.50%, 2024/12/02	387,000	393,419	402,235
Toronto-Dominion Bank (The), 1.94%, 2025/03/13	1,258,000	1,293,201	1,283,841
Toronto-Dominion Bank (The), 1.13%, 2025/12/09	2,675,000	2,676,600	2,628,297
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.59%, 2028/09/14	1,424,000	1,424,000	1,499,117
Toronto-Dominion Bank (The), Variable Rate, Callable, 3.22%, 2029/07/25	1,809,000	1,855,805	1,905,582
Toronto-Dominion Bank (The), Floating Rate, Callable, 3.06%, 2032/01/26	2,441,000	2,440,121	2,574,566
TransCanada PipeLines Ltd., 5.65%, 2029/06/20	680,000	830,640	814,109
TransCanada PipeLines Ltd., Callable, 6.50%, 2030/12/09	653,000	848,097	813,186

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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
TransCanada PipeLines Ltd., Callable, 4.55%, 2041/11/15	3,536,000	3,633,100	3,819,649
TransCanada PipeLines Ltd., Callable, 4.35%, 2046/06/06	100,000	106,240	105,284
TransCanada PipeLines Ltd., Callable, 4.34%, 2049/10/15	3,670,000	3,693,606	3,870,695
Union Gas Ltd., Callable, 4.88%, 2041/06/21	1,969,000	1,957,207	2,456,253
Videotron Ltd., Callable, 3.63%, 2028/06/15	1,066,000	1,066,000	1,073,773
VW Credit Canada Inc., 1.20%, 2023/09/25	1,896,000	1,895,488	1,899,220
		357,684,481	372,968,016
<b>Municipal Bonds (2.94%)</b>			
Access Justice Durham Ltd., Series 'A', 5.02%, 2039/08/31	1,529,768	1,813,097	1,832,956
Aéroports de Montréal, Series 'I', Callable, 5.47%, 2040/04/16	2,415,000	2,782,524	3,230,786
Aéroports de Montréal, Series 'R', Callable, 3.03%, 2050/04/21	269,000	269,000	265,352
Aéroports de Montréal, Callable, 3.44%, 2051/04/26	1,209,000	1,209,000	1,287,622
Greater Toronto Airports Authority, Series '02-3', 6.98%, 2032/10/15	1,527,000	2,239,637	2,139,251
Greater Toronto Airports Authority, Series '04-1', 6.47%, 2034/02/02	321,000	464,484	443,593
Greater Toronto Airports Authority, Series '19-2', Callable, 2.75%, 2039/10/17	2,194,000	2,190,972	2,126,254
Vancouver Airport Authority, Series 'G', Callable, 3.66%, 2048/11/23	900,000	949,905	993,089
Vancouver Airport Authority, Series 'J', Callable, 2.80%, 2050/09/21	223,000	223,000	210,949
Winnipeg Airports Authority Inc., Sinkable, Callable, 5.21%, 2040/09/28	183,128	222,461	212,570
		12,364,080	12,742,422
<b>Mortgage Backed Securities (0.55%)</b>			
Classic RMBS Trust, Class 'A', Series '19-1', Callable, 3.06%, 2026/08/15	257,758	257,758	261,836
Classic RMBS Trust, Class 'A', Series '21-1', Callable, 1.43%, 2051/11/15	1,269,000	1,269,000	1,269,996
Real Estate Asset Liquidity Trust, Class 'A1', Series '17', Callable, 2.87%, 2022/06/12	209,740	209,739	212,561
Real Estate Asset Liquidity Trust, Class 'A2', Series '17', Callable, 3.64%, 2027/06/12	617,000	616,991	654,774
		2,353,488	2,399,167
<b>Provincial Bonds (0.48%)</b>			
Province of Ontario, 2.60%, 2027/06/02	1,500,000	1,595,670	1,594,590
Province of Ontario, 1.35%, 2030/12/02	500,000	472,390	473,273
		2,068,060	2,067,863
<b>TOTAL CANADIAN FIXED INCOME SECURITIES</b>		<b>374,470,109</b>	<b>390,177,468</b>



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

As at June 30, 2021

Security	Par Value/ Contracts	Average Cost	Fair Value
<b>U.S. FIXED INCOME SECURITIES (8.96%)</b>			
<b>Corporate Bonds (8.96%)</b>			
AT&T Inc., Callable, 2.85%, 2024/05/25	268,000	267,984	279,540
AT&T Inc., Callable, 4.00%, 2025/11/25	2,300,000	2,325,783	2,521,331
Bank of America Corp., Variable Rate, Callable, 2.93%, 2025/04/25	1,146,000	1,146,000	1,197,453
Bank of America Corp., Variable Rate, Callable, 3.41%, 2025/09/20	2,309,000	2,349,247	2,451,886
Bank of America Corp., Variable Rate, Callable, 1.98%, 2027/09/15	940,000	939,962	939,195
Bank of America Corp., Variable Rate, Callable, 2.60%, 2029/04/04	2,075,000	2,075,000	2,121,905
Citigroup Inc., 4.09%, 2025/06/09	2,587,000	2,688,643	2,814,661
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 3.31%, 2025/10/31	1,992,000	1,992,000	2,109,711
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.01%, 2029/02/28	1,737,000	1,737,000	1,712,713
ILFC E-Capital Trust I, Variable Rate, Callable, 3.66%, 2065/12/21	1,000,000	1,062,816	1,029,153
JPMorgan Chase & Co., Floating Rate, Callable, 1.90%, 2028/03/05	2,691,000	2,691,000	2,682,806
Manulife Finance Delaware L.P., Variable Rate, Callable, 5.06%, 2041/12/15	2,600,000	2,193,111	3,161,072
Molson Coors International L.P., Callable, 2.84%, 2023/07/15	5,355,000	5,353,983	5,521,449
Morgan Stanley, 3.00%, 2024/02/07	2,784,000	2,783,471	2,913,476
Wells Fargo & Co., 2.51%, 2023/10/27	1,275,000	1,275,000	1,315,831
Wells Fargo & Co., Callable, 3.18%, 2024/02/08	974,000	978,287	1,021,991
Wells Fargo & Co., 3.87%, 2025/05/21	4,050,000	4,050,000	4,371,728
Wells Fargo & Co., Variable Rate, Callable, 2.57%, 2026/05/01	560,000	560,000	579,619
Wells Fargo & Co., 2.49%, 2027/02/18	156,000	156,000	159,718
		36,625,287	38,905,238
<b>TOTAL U.S. FIXED INCOME SECURITIES</b>		<b>36,625,287</b>	<b>38,905,238</b>
<b>GLOBAL FIXED INCOME SECURITIES (0.43%)</b>			
<b>Corporate Bonds (0.43%)</b>			
National Australia Bank Ltd., Variable Rate, Callable, 3.52%, 2030/06/12	1,792,000	1,870,794	1,881,195
<b>TOTAL GLOBAL FIXED INCOME SECURITIES</b>		<b>1,870,794</b>	<b>1,881,195</b>
<b>DERIVATIVES (-0.01%)</b>			
<b>Currency Forwards (-0.01%)</b>			
Currency forward contract to buy C\$1,001,442 for US\$828,500 maturing September 15, 2021		-	(25,600)
<b>TOTAL DERIVATIVES</b>		<b>-</b>	<b>(25,600)</b>

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

As at June 30, 2021

<b>Security</b>	<b>Par Value/ Contracts</b>	<b>Average Cost</b>	<b>Fair Value</b>
Transaction Costs		(8)	
<b>TOTAL INVESTMENT PORTFOLIO (99.23%)</b>		<b>\$ 412,966,182</b>	<b>\$ 430,938,301</b>
<b>Cash and cash equivalents (0.65%)</b>			2,841,484
<b>Other assets less liabilities (0.12%)</b>			490,921
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 434,270,706</b>

(See accompanying notes to financial statements)



## Notes to Financial Statements (unaudited)

June 30, 2021

### 1. REPORTING ENTITY

Horizons Active Corporate Bond ETF (“HAB” 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 July 14, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HAB. 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 HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt and debt-like securities of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds, as they are defined in the ETF’s prospectus.

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

### 2. BASIS OF PREPARATION

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

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 4, 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.

### 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, 2021

### (a) Financial instruments

#### (i) *Recognition, initial measurement and classification*

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

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

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

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

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

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

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

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

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

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

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

June 30, 2021

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, 2021

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, 2021

### (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.

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.

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

June 30, 2021

**(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.

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

<b>Investments</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
June 30, 2021	15,146	66,025	67,047	288,678	–	436,896
December 31, 2020	20,839	89,630	106,916	396,197	–	613,582

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2021, was 100.6% (December 31, 2020 – 100.4%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 2021, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$28,945,443 (December 31, 2020 – \$42,242,866). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

**(iii) Other market risk**

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

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

June 30, 2021

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
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$3,742,785	\$5,253,839

**(b) Credit risk**

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

***Analysis of credit quality***

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2021, and December 31, 2020, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2021	December 31, 2020
AAA	3.0%	2.5%
AA	0.6%	2.8%
A	34.7%	35.3%
BBB	56.9%	55.9%
BB	5.4%	3.9%
<b>Total</b>	<b>100.6%</b>	<b>100.4%</b>

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2021, was 3.1% (December 31, 2020 – 3.7%) of the net assets of the ETF.

**(c) Liquidity risk**

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its

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

June 30, 2021

liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the ETF's reputation. Generally, liabilities of the ETF are due within 90 days. Liquidity risk is managed by investing the majority of the ETF's assets in investments that are traded in an active market and can be readily disposed. The ETF aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the ETF is considered minimal.

**6. FAIR VALUE MEASUREMENT**

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 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>						
Short-Term Investments	–	–	–	–	1,299,467	–
Bonds	–	428,564,734	–	–	605,661,210	–
Mortgage Backed Securities	–	2,399,167	–	–	2,237,085	–
Currency Forward Contracts	–	–	–	–	1,522	–
<b>Total Financial Assets</b>	–	<b>430,963,901</b>	–	–	<b>609,199,284</b>	–
<b>Financial Liabilities</b>						
Currency Forward Contracts	–	(25,600)	–	–	–	–
<b>Total Financial Liabilities</b>	–	<b>(25,600)</b>	–	–	–	–
<b>Net Financial Assets and Liabilities</b>	–	<b>430,938,301</b>	–	–	<b>609,199,284</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



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

June 30, 2021

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	\$16,043,772	\$16,864,241
December 31, 2020	\$17,760,183	\$18,662,495

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, 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.

For the periods ended	June 30, 2021	% of Gross Income	June 30, 2020	% of Gross Income
Gross securities lending income	\$8,932		\$12,001	
Withholding taxes	–	–	(454)	3.78%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(3,570)	39.97%	(3,461)	28.84%
<b>Net securities lending income paid to the ETF</b>	<b>\$5,362</b>	<b>60.03%</b>	<b>\$8,086</b>	<b>67.38%</b>

## 8. REDEEMABLE UNITS

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

The redeemable units issued by the ETF provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the ETF's net assets at each redemption date. They are classified as liabilities as a

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

June 30, 2021

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.

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	53,143,762	4,254,850	(18,275,000)	39,123,612	43,751,698
2020	51,284,167	3,203,876	(3,275,000)	51,213,043	52,313,382

## 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

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

June 30, 2021

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 0.50%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

**Other expenses**

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the Independent Review Committee; income taxes; sales taxes; brokerage expenses and commissions; 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, 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	\$7	\$nil	\$nil
June 30, 2020	\$nil	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2021, and December 31, 2020, are disclosed in the statements of financial position.

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

June 30, 2021

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.

**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
\$1,873,440	–	–

**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	–	–	–	–	–	–
Derivative liabilities	(25,600)	–	(25,600)	–	–	(25,600)

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	1,522	–	1,522	–	–	1,522
Derivative liabilities	–	–	–	–	–	–

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

June 30, 2021

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





Manager

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