

Interim Report | June 30, 2021



Horizons Active Cdn Dividend ETF
(HAL:TSX)



HORIZONS ETFs
by Mirae Asset

Innovation is our capital. Make it yours.
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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 Cdn Dividend ETF (“HAL” or the “ETF”) contains financial highlights and is included with the unaudited interim financial statements for the investment fund. You may request a copy of the ETF’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the ETF’s manager, Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 55 University Avenue, Suite 800, Toronto ON, M5J 2H7, or by visiting our website at www.horizonsetfs.com or SEDAR at www.sedar.com.

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

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF’s prospectus. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors. We caution that the foregoing list of factors is not exhaustive, and that when relying on forward-looking statements to make decisions with respect to investing in the ETF, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Manager does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HAL is to seek long-term total returns consisting of regular dividend income and long-term capital growth. HAL invests primarily in equity securities of North American companies with above average dividend yields.

The ETF’s sub-advisor, Guardian Capital LP (“Guardian Capital” or the “Sub-Advisor”), selects companies that, in its view, have good long-term prospects of increasing dividend payments. The portfolio investments are diversified among different companies and industry sectors.

The Sub-Advisor’s investment process is primarily based on fundamental research as well as quantitative and technical factors. Investment decisions are ultimately based on an understanding of the company, its business and its outlook. The Sub-Advisor monitors and reviews the ETF’s investments on an ongoing basis to try to ensure that the best relative values are identified.

Management Discussion of Fund Performance (continued)

To achieve its investment objective, the Sub-Advisor may also invest in preferred and fixed-income securities such as government bonds, corporate bonds or treasury bills. HAL may hold up to 10% of its portfolio in these debt securities. It is expected that the income earned on HAL's investments will be used to pay some or all of the ETF's expenses.

HAL may use derivatives for hedging purposes to protect against losses from changes in interest rates, market indices or foreign exchange rates. HAL may also use derivatives such as options, futures, forward contracts and swaps as a substitute for direct investment to efficiently adjust the ETF's asset mix in a timely manner.

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

Risk

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

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

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

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

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|--|---|
| <ul style="list-style-type: none">• Stock market risk• Specific issuer risk• Legal and regulatory risk• Market disruptions risk• Cyber security risk• Listed Funds risk• Reliance on historical data risk• Corresponding net asset value risk• Designated broker/dealer risk• Cease trading of securities risk• Exchange risk• Early closing risk | <ul style="list-style-type: none">• No assurance of meeting investment objective• Tax risk• Securities lending, repurchase and reverse repurchase transaction risk• Loss of limited liability• Reliance on key personnel• Distributions risk• Conflicts of interest• No ownership interest• Market for units• Redemption price• Net asset value fluctuation |
|--|---|

Management Discussion of Fund Performance (continued)

- Restrictions on certain unitholders
 - Highly volatile markets
 - No guaranteed return
 - Derivatives and counterparty risk
- Leveraged ETFs risk
 - Income trust investment risk
 - Foreign stock exchange risk
 - Commodity price volatility risk

Results of Operations

For the 6-month period ended June 30, 2021, units of the ETF returned 12.98% when including distributions paid to unitholders. By comparison, the S&P/TSX Dividend Aristocrats Index (the “Index”) returned 19.87%, for the same period in Canadian dollar terms, both on a total return basis.

The Index measures the performance of companies included in the S&P Canada Broad Market Index that have followed a policy of consistently increasing dividends every year for at least five years.

General Market Review

Early November 2020, the vaccine announcement led to a rally of low-quality, deep-value stocks that prior COVID-19 closures had underperformed. Stocks that had reported negative earnings were some of the strongest performers in this rally. This rally carried into the first quarter of 2021, when low quality stocks continued to excel. In the second quarter, the low quality rally subsided as secular growth came back into focus. With the world continuing to reopen, economic activity continues to improve. This upbeat macro backdrop, a strong consumer spending outlook and strength in company earnings have led to further equity upside. Europe, Asia and Latin America have joined the U.S. in delivering widespread vaccinations that have created increased mobility and economic activity. Gross domestic product (“GDP”) growth is set to remain comfortably above trend after a strong first quarter. Earnings per share (EPS) predictions continue to move higher globally led by the U.S. and now Europe following. Guardian Capital believes growth is poised to accelerate further with international reopening and service-based consumption gaining traction.

The second quarter marked a trend change with the beginning of the unwinding of COVID-19-related fiscal/monetary stimulus. M2 (a measure of the money supply that includes cash, chequing deposits, and easily convertible near money) growth has slowed significantly in line with the slowdown in the U.S. Federal Reserve (Fed) balance sheet growth and the intensified Emerging Markets (EM) tightening cycle (eg. Brazil, Mexico, Russia). Pent-up demand, healthy consumer balance sheets and strong business confidence/profits should counteract the stimulus withdrawal and, Guardian Capital believes, keep market activity robust.

The S&P/TSX Dividend Aristocrats Index was up 13.25% and the S&P/TSX Composite Index was up 19.87% for the six-month period ending June 30, 2021. The Canadian market was one of the strongest performers in the first half of 2021. Energy was the strongest sector, returning over 35% as crude oil rebounded like forecasted for demand increased with the reopening of economies. The financial sector was also strong, returning over 22% due to Canadian banks performances. Real estate investment trusts (“REIT”) performed well in this six-month period. Sectors in the S&P/TSX Dividend Aristocrats Index that lagged were information technology, materials and utilities. Geographically, North America and Europe were the best performing regions.

Portfolio Review

The ETF outperformed in five of the 11 Global Industry Classification Standards (“GICS”) sectors .

Management Discussion of Fund Performance (continued)

In the first half of 2021, positions in the energy sector were added supported by strong AI EPS growth predictions using our proprietary algorithms coupled with low probabilities of dividend cuts.

The largest underperformance came from the utilities sector where an overweight in this sector led to a negative allocation effect coupled with a negative stock selection effect from positions in Brookfield Renewable Partners, Innergex Renewable Energy, Brookfield Infrastructure, Boralex and Northland Power. Some of these stocks were sold during the period to fund allocation to the energy sector and the ETF is now underweight in utilities. In the information technology sector, an overweight led to a negative allocation effect. In the financial sector, an underweight led to a negative allocation effect coupled with underperformance from positions in TMX group and Intact Financials which led to a negative stock selection effect. In the industrials sector, an overweight led to a negative allocation effect and a negative stock selection effect came from positions in NFI Group, Cargojet, Boyd Group Income and Waste Connections. The ETF's position in Methanex led to a negative selection effect in the materials sector.

The largest outperformance came from an underweight in the consumer staples sector which led to a positive allocation effect. An overweight in the energy sector led to a positive allocation effect coupled with positive stock selection effect from positions in Tourmaline Oil, Freehold Royalties TC Energy, Pembina Pipelines and Imperial Oil. An underweight in the communication services sector led to a positive allocation effect. In the consumer discretionary sector, an underweight led to a positive allocation effect.

Outlook

As the world continues to reopen, economic activities continue to improve. This upbeat macro backdrop, a strong consumer spending outlook and strength in company earnings have so far led to further equity upside. Europe, Asia and Latin America are on the path towards joining the U.S. in delivering widespread vaccinations that have created increased mobility and economic activity. Guardian Capital believes gross domestic product ("GDP") growth is set to remain comfortably above trend after a very strong first quarter. EPS predictions continue to move higher globally led by the U.S. and now Europe.

Guardian Capital believes growth is poised to accelerate further with international reopening and service-based consumption gaining traction.

The low-quality rally of the last two quarters subsided as secular growth came back into focus in Q2.

The ETF is focused on high-quality companies with robust growth prospects and secure streams of cash flows that Guardian Capital believes will continue to sustain earnings and dividend growth, and that will remain, as always, our long-term investment approach. Guardian Capital uses algorithms for forecasting the probability of earnings and dividend cuts and future earnings and dividend growth, which should decrease the risk of the overall portfolio by owning companies with lower downside risk. There is a focus on high-quality companies with strong fundamentals, visible cash flows and sustainable and growing earnings and dividends. This mandate focuses on the Growth, Payout and Sustainability (GPS) of dividends. The strategy has provided strong downside protection during past crises, while remaining well-positioned for potential upside as global economic activity takes hold.

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 \$10,513,918. This compares to (\$5,658,546) for the six-month period ended June 30, 2020. The ETF incurred management, operating and transaction expenses of \$333,195 (2020 – \$220,965) of which \$19,726 (2020 – \$33,762) was either paid or absorbed by the Manager

Management Discussion of Fund Performance (continued)

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 \$1,325,789 to unitholders during the period (2020 – \$1,056,364).

Presentation

The attached financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets in the financial statements and/or management report of fund performance is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

Recent Developments

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

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 ⁽¹⁾	2021	2020	2019	2018	2017	2016
Net assets, beginning of period	\$ 16.79	18.02	14.62	16.01	15.39	13.24
Increase (decrease) from operations:						
Total revenue	0.33	0.68	0.68	0.64	0.63	0.64
Total expenses	(0.07)	(0.12)	(0.12)	(0.13)	(0.13)	(0.12)
Realized gains (losses) for the period	1.10	(0.55)	0.69	(0.10)	0.51	0.03
Unrealized gains (losses) for the period	0.82	0.25	2.48	(1.44)	0.17	2.07
Total increase (decrease) from operations ⁽²⁾	2.18	0.26	3.73	(1.03)	1.18	2.62
Distributions:						
From net investment income (excluding dividends)	(0.28)	(0.03)	–	–	–	–
From dividends	–	(0.50)	(0.50)	(0.51)	(0.49)	(0.45)
From net realized capital gains	–	–	(0.44)	–	–	–
From return of capital	–	(0.07)	–	–	(0.03)	–
Total distributions ⁽³⁾	(0.28)	(0.60)	(0.94)	(0.51)	(0.52)	(0.45)
Net assets, end of period ⁽⁴⁾	\$ 18.68	16.79	18.02	14.62	16.01	15.39

- 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

Period ⁽¹⁾	2021	2020	2019	2018	2017	2016
Total net asset value (000's)	\$ 88,782	77,213	47,632	28,012	31,054	24,452
Number of units outstanding (000's)	4,754	4,599	2,644	1,916	1,940	1,589
Management expense ratio ⁽²⁾⁽⁵⁾	0.67%	0.67%	0.67%	0.78%	0.79%	0.80%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.00%	0.67%	0.67%	0.78%	0.79%	0.79%
Management expense ratio before waivers and absorptions ⁽³⁾	0.72%	0.76%	0.81%	1.04%	1.02%	1.11%
Trading expense ratio ⁽⁴⁾⁽⁵⁾	0.08%	0.06%	0.05%	0.04%	0.03%	0.04%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.00%	0.06%	0.05%	0.04%	0.03%	0.04%
Portfolio turnover rate ⁽⁶⁾	48.98%	68.98%	36.32%	45.43%	21.43%	32.13%
Net asset value per unit, end of period	\$ 18.68	16.79	18.02	14.62	16.01	15.39
Closing market price	\$ 18.67	16.87	18.02	14.62	15.98	15.41

1. This information is provided as at June 30, 2021, and December 31 of the other years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.55%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

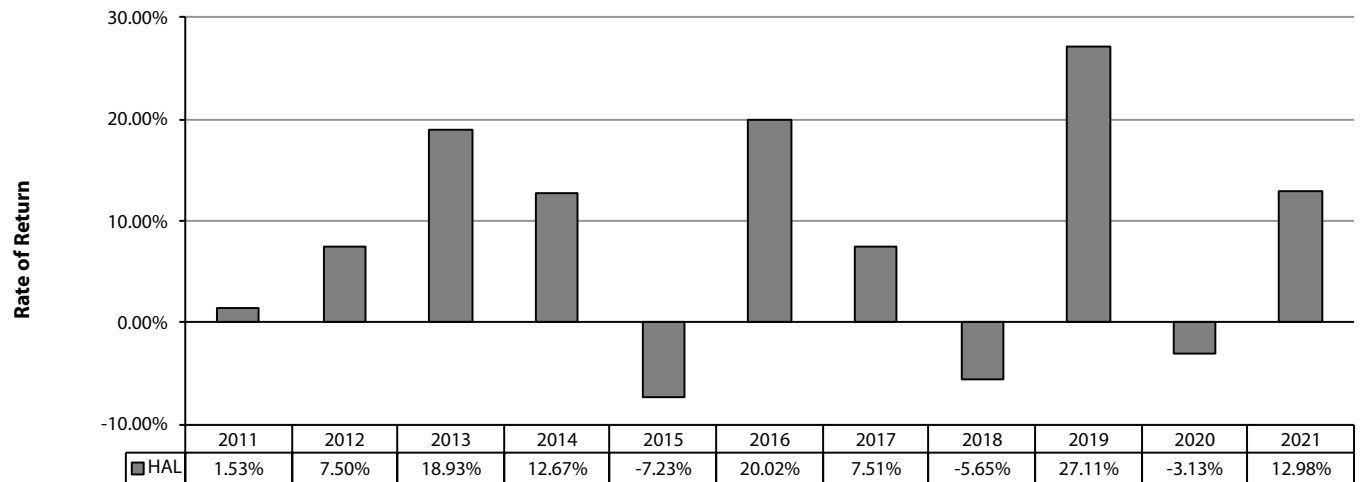
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
3%	89%	8%

Past Performance

Commissions, management fees, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in unit value and reinvestment of all distributions, and do not take into account sales, redemptions, distributions or optional charges or income taxes payable by any investor that would have reduced returns. An investment in the ETF is not guaranteed. Its value changes frequently and past performance may not be repeated. The ETF's performance numbers assume that all distributions, if any, are reinvested in additional units of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

The following chart presents the ETF's performance for the periods shown, and illustrates how the performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



The ETF effectively began operations on February 9, 2010.

Summary of Investment Portfolio

As at June 30, 2021

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Canadian Equities	\$ 87,102,927	98.11%
U.S. Equities	1,802,338	2.03%
Cash and Cash Equivalents	367,720	0.41%
Other Assets less Liabilities	(490,858)	-0.55%
	\$ 88,782,127	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 29,410,324	33.13%
Energy	25,803,896	29.06%
Industrials	11,313,358	12.74%
Materials	7,875,805	8.87%
Utilities	5,357,688	6.03%
Information Technology	3,618,148	4.08%
Communication Services	2,670,718	3.01%
Consumer Discretionary	1,674,706	1.89%
Health Care	1,180,622	1.33%
Cash and Cash Equivalents	367,720	0.41%
Other Assets less Liabilities	(490,858)	-0.55%
	\$ 88,782,127	100.00%

Summary of Investment Portfolio (continued)

As at June 30, 2021

Top 25 Holdings	% of ETF's Net Asset Value
Royal Bank of Canada	4.81%
Tourmaline Oil Corp.	4.15%
Toronto-Dominion Bank (The)	4.06%
Bank of Nova Scotia (The)	3.56%
Imperial Oil Ltd.	3.16%
TELUS Corp.	3.01%
Summit Industrial Income REIT	2.97%
Granite REIT	2.80%
Pembina Pipeline Corp.	2.73%
Allied Properties REIT	2.72%
Parkland Corp.	2.71%
SmartCentres REIT	2.44%
Exchange Income Corp.	2.43%
Canadian National Railway Co.	2.43%
Brookfield Asset Management Inc.	2.30%
Freehold Royalties Ltd.	2.30%
Keyera Corp.	2.29%
Teck Resources Ltd.	2.25%
Open Text Corp.	2.15%
Intact Financial Corp.	2.12%
WSP Global Inc.	2.12%
Ovintiv Inc.	2.03%
Innergex Renewable Energy Inc.	2.02%
Transcontinental Inc.	2.02%
Brookfield Infrastructure Partners L.P.	2.02%

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent financial statements are available at no cost by calling 1-866-641-5739, or (416) 933-5745, by writing to us at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Active Cdn Dividend ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgements.

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

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



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



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

The Auditors of the ETF have not reviewed these Financial Statements.

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

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

Statements of Financial Position (unaudited)

As at June 30, 2021 and December 31, 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 367,720	\$ 1,042,658
Investments	88,905,265	76,674,426
Amounts receivable relating to accrued income	265,933	198,476
Amounts receivable relating to securities issued	–	420,169
Total assets	89,538,918	78,335,729
Liabilities		
Accrued management fees	44,292	39,407
Accrued operating expenses	6,451	5,739
Amounts payable for portfolio assets purchased	–	415,759
Distribution payable	706,048	661,578
Total liabilities	756,791	1,122,483
Total net assets (note 2)	\$ 88,782,127	\$ 77,213,246
Number of redeemable units outstanding (note 8)	4,753,571	4,599,282
Total net assets per unit	\$ 18.68	\$ 16.79

(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,

	2021	2020
Income		
Dividend income	\$ 1,506,697	\$ 1,079,906
Interest income for distribution purposes	24,854	360,106
Securities lending income (note 7)	7,698	2,158
Net realized gain (loss) on sale of investments and derivatives	5,155,255	(2,336,400)
Net realized gain (loss) on foreign exchange	(336)	3,480
Net change in unrealized appreciation (depreciation) of investments and derivatives	3,819,576	(4,768,671)
Net change in unrealized appreciation of foreign exchange	174	875
	10,513,918	(5,658,546)
Expenses (note 9)		
Management fees	251,123	152,263
Audit fees	6,322	6,138
Independent Review Committee fees	576	376
Custodial and fund valuation fees	16,437	15,698
Legal fees	2,226	1,125
Securityholder reporting costs	7,939	9,460
Administration fees	13,582	17,805
Transaction costs	34,202	17,848
Withholding taxes	788	–
Other expenses	–	252
	333,195	220,965
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(19,726)	(33,762)
	313,469	187,203
Increase (decrease) in net assets for the period	\$ 10,200,449	\$ (5,845,749)
Increase (decrease) in net assets per unit	\$ 2.18	\$ (1.88)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2021	2020
Total net assets at the beginning of the period	\$ 77,213,246	\$ 47,632,181
Increase (decrease) in net assets	10,200,449	(5,845,749)
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	5,671,848	16,595,299
Aggregate amounts paid on redemption of securities of the investment fund	(3,052,835)	(664,453)
Securities issued on reinvestment of distributions	75,208	30,856
Distributions:		
From net investment income	(1,325,789)	(1,056,364)
Total net assets at the end of the period	\$ 88,782,127	\$ 56,691,770

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2021	2020
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	\$ 10,200,449	\$ (5,845,749)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	(5,155,255)	2,336,400
Net change in unrealized depreciation (appreciation) of investments and derivatives	(3,819,576)	4,768,671
Net change in unrealized appreciation of foreign exchange	(174)	(864)
Purchase of investments	(37,760,848)	(21,666,142)
Proceeds from the sale of investments	37,098,459	18,681,773
Amounts receivable relating to accrued income	(67,457)	(46,994)
Accrued expenses	5,597	3,803
Net cash from (used in) operating activities	501,195	(1,769,102)
Cash flows from financing activities:		
Amount received from the issuance of units	66,112	2,611,099
Amount paid on redemptions of units	(36,308)	(63,569)
Distributions paid to unitholders	(1,206,111)	(779,050)
Net cash from (used in) financing activities	(1,176,307)	1,768,480
Net decrease in cash and cash equivalents during the period	(675,112)	(622)
Effect of exchange rate fluctuations on cash and cash equivalents	174	864
Cash and cash equivalents at beginning of period	1,042,658	229,252
Cash and cash equivalents at end of period	\$ 367,720	\$ 229,494
Interest received, net of withholding taxes	\$ 24,852	\$ 360,106
Dividends received, net of withholding taxes	\$ 1,438,453	\$ 1,032,912

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2021

Security	Shares	Average Cost	Fair Value
CANADIAN EQUITIES (98.11%)			
Financials (33.13%)			
Allied Properties REIT	53,593	\$ 2,325,613	\$ 2,414,365
Bank of Nova Scotia (The)	39,165	2,566,361	3,157,482
Brookfield Asset Management Inc., Class 'A'	32,331	1,605,754	2,044,612
Brookfield Asset Management Reinsurance Partners Ltd., Class 'A'	222	15,385	14,541
Brookfield Infrastructure Corp., Class 'A'	9,922	647,116	927,013
Chartwell Retirement Residences	49,209	642,345	652,019
Equitable Group Inc.	12,888	1,714,455	1,714,491
Granite REIT	30,130	2,084,337	2,485,122
Intact Financial Corp.	11,159	1,480,198	1,879,287
Royal Bank of Canada	34,006	3,083,335	4,270,814
SmartCentres REIT	73,657	2,111,448	2,163,306
Summit Industrial Income REIT	148,542	1,992,927	2,639,591
TMX Group Ltd.	11,033	1,457,859	1,444,661
Toronto–Dominion Bank (The)	41,476	2,703,283	3,603,020
		24,430,416	29,410,324
Energy (27.03%)			
Canadian Natural Resources Ltd.	35,074	1,530,075	1,578,330
Enbridge Inc.	35,600	1,579,575	1,766,828
Enerplus Corp.	104,100	877,261	927,531
Freehold Royalties Ltd.	209,108	1,757,285	2,042,985
Gibson Energy Inc.	73,169	1,545,640	1,737,764
Imperial Oil Ltd.	74,302	2,257,971	2,807,130
Keyera Corp.	61,098	1,685,640	2,035,174
Parkland Corp.	60,146	2,235,842	2,409,449
Pembina Pipeline Corp.	61,484	2,230,910	2,421,855
Suncor Energy Inc.	30,247	879,347	898,033
TC Energy Corp.	27,617	1,706,441	1,694,027
Tourmaline Oil Corp.	103,936	2,527,441	3,682,452
		20,813,428	24,001,558
Industrials (12.74%)			
Canadian National Railway Co.	16,485	1,848,465	2,156,073
Cargojet Inc.	9,326	1,935,256	1,716,264
Exchange Income Corp.	54,230	1,532,894	2,161,608
TFI International Inc.	15,062	949,411	1,704,566
Waste Connections Inc.	11,458	1,478,470	1,696,930
WSP Global Inc.	12,978	930,589	1,877,917
		8,675,085	11,313,358

Schedule of Investments (unaudited) (continued)

As at June 30, 2021

Security	Shares	Average Cost	Fair Value
Materials (8.87%)			
CCL Industries Inc., Class 'B'	23,431	1,440,871	1,599,634
Methanex Corp.	26,545	1,436,970	1,090,734
Nutrien Ltd.	18,575	1,138,277	1,395,168
Teck Resources Ltd., Class 'B'	69,863	2,137,607	1,994,589
	77,134	1,508,066	1,795,680
		<u>7,661,791</u>	<u>7,875,805</u>
Utilities (6.03%)			
Brookfield Infrastructure Partners L.P.	26,089	1,284,071	1,795,445
Capital Power Corp.	43,137	1,218,618	1,766,460
Innervex Renewable Energy Inc.	83,331	1,749,963	1,795,783
		<u>4,252,652</u>	<u>5,357,688</u>
Information Technology (4.08%)			
Open Text Corp.	30,296	1,595,697	1,907,133
Thomson Reuters Corp.	13,896	1,472,851	1,711,015
		<u>3,068,548</u>	<u>3,618,148</u>
Communication Services (3.01%)			
TELUS Corp.	96,069	2,205,137	2,670,718
Consumer Discretionary (1.89%)			
Boyd Group Services Inc.	7,424	1,494,348	1,674,706
Health Care (1.33%)			
Sienna Senior Living Inc.	71,814	1,069,805	1,180,622
TOTAL CANADIAN EQUITIES		<u>73,671,210</u>	<u>87,102,927</u>
U.S. EQUITIES (2.03%)			
Energy (2.03%)			
Ovintiv Inc.	46,131	1,777,889	1,802,338
TOTAL U.S. EQUITIES		<u>1,777,889</u>	<u>1,802,338</u>
Transaction Costs		<u>(23,399)</u>	
TOTAL INVESTMENT PORTFOLIO (100.14%)		<u>\$ 75,425,700</u>	<u>\$ 88,905,265</u>
Cash and cash equivalents (0.41%)			367,720
Other assets less liabilities (-0.55%)			(490,858)
TOTAL NET ASSETS (100.00%)			<u>\$ 88,782,127</u>

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2021

1. REPORTING ENTITY

Horizons Active Cdn Dividend ETF (“HAL” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on February 9, 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 HAL. 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 HAL is to seek long-term total returns consisting of regular dividend income and long-term capital growth. HAL invests primarily in equity securities of North American companies with above average dividend yields.

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 Guardian Capital LP (“Guardian Capital” 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 exposure to foreign currencies.

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature.

As at June 30, 2021 and December 31, 2020, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) Other market risk

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

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

Comparative Index	June 30, 2021	December 31, 2020
S&P/TSX Composite Index™	\$831,779	\$724,885

(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

Notes to Financial Statements (unaudited) (continued)

June 30, 2021

respective carrying amounts of the financial assets in the statements of financial position. The ETF's credit risk policy is to minimize its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the ETF's prospectus and, when necessary, receiving acceptable collateral.

As at June 30, 2021 and December 31, 2020, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(c) Liquidity risk

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

6. FAIR VALUE MEASUREMENT

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

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

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 (\$)
Financial Assets						
Equities	88,905,265	–	–	76,674,426	–	–
Total Financial Assets	88,905,265	–	–	76,674,426	–	–
Total Financial Liabilities	–	–	–	–	–	–
Net Financial Assets and Liabilities	88,905,265	–	–	76,674,426	–	–

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2021

7. SECURITIES LENDING

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

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

As at	Securities Loaned	Collateral Received
June 30, 2021	\$9,693,687	\$10,178,944
December 31, 2020	\$12,858,718	\$13,503,930

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	\$13,515		\$3,083	
Withholding taxes	(686)	5.08%	–	–
Lending Agents’ fees:				
Canadian Imperial Bank of Commerce	(5,131)	37.97%	(925)	30.00%
Net securities lending income paid to the ETF	\$7,698	56.95%	\$2,158	70.00%

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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2021

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

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

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

The ETF is required to distribute any net income and capital gains that it has earned in the year. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and these distributions are either paid in cash or reinvested by unitholders into additional units of the ETF. Net realized capital gains, if any, are typically distributed in December of each year to unitholders. The annual capital gains distributions are not paid in cash but rather, are reinvested and reported as taxable distributions and used to increase each unitholder's adjusted cost base for the ETF. Distributions paid to holders of redeemable units are recognized in the statements of changes in financial position.

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	4,599,282	329,289	(175,000)	4,753,571	4,689,838
2020	2,643,910	1,076,938	(50,000)	3,670,848	3,110,680

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2021

disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in units of the ETF; and dealing and communicating with unitholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

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

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:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2021	\$20,789	\$nil	\$nil
June 30, 2020	\$11,115	\$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

Notes to Financial Statements (unaudited) (continued)

June 30, 2021

paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2021, and December 31, 2020, are disclosed in the statements of financial position.

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

11. INCOME TAX

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

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
\$807,910	–	–

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. As at June 30, 2021, and December 31, 2020, the ETF did not have any financial instruments eligible for offsetting.

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.

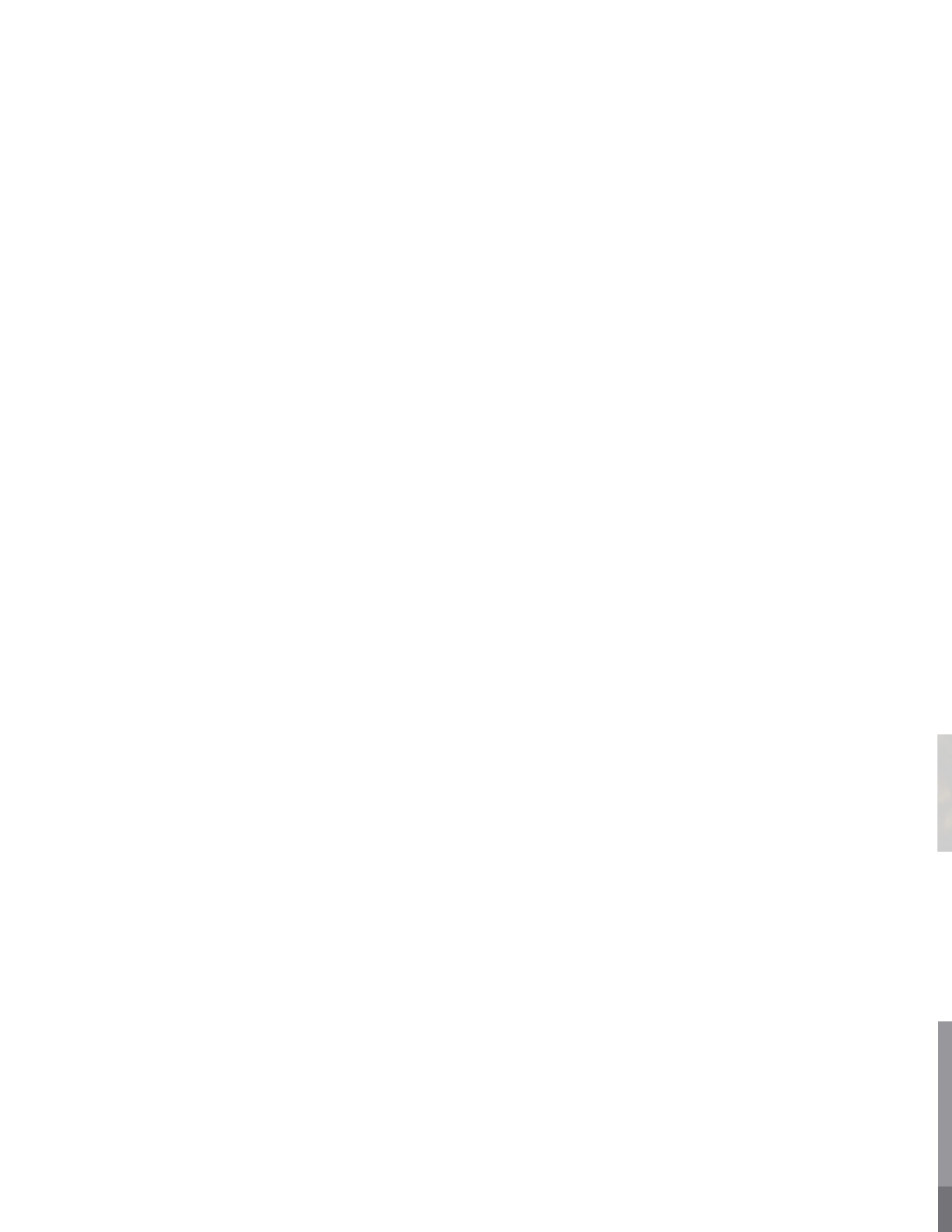
In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2021

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2021 and December 31, 2020, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.



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