

Interim Report | June 30, 2021



**Horizons ReSolve Adaptive Asset Allocation ETF
(HRAA: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 ReSolve Adaptive Asset Allocation ETF (“HRAA” or the “ETF”), a corporate class of shares (a “Corporate Class”) of Horizons ETF Corp. (the “Company”), contains financial highlights and is included with the unaudited interim consolidated financial statements (“financial statements” or “interim financial statements”) for the investment fund. You may request a copy of the investment fund’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, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), 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.

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 simplified 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 Strategy

HRAA’s investment objective is to seek long-term capital appreciation by investing, directly or indirectly, in major global asset classes including but not limited to equity indexes, fixed income indexes, interest rates, commodities and currencies.

The ETF gains exposure to these aforementioned asset classes by investing in derivatives and other securities. Derivative instruments may include futures contracts and forward agreements. The ETF may invest in instruments that provide exposure to both domestic and foreign markets, including emerging markets. The ETF also holds a large portion of its assets in cash, money market mutual funds, U.S. treasury securities, or other cash equivalents, some or all of which will serve as margin or collateral for the ETF’s investments.

The ETF’s sub-advisor, ReSolve Asset Management Inc. (“ReSolve Asset” or the “Sub-Advisor”), uses traditional quantitative methods as well as advanced machine learning tools to create a portfolio of instruments which emphasize a variety of characteristics such as, but not limited to, total return momentum, trends, seasonal patterns, carry measures, mean reversion, and others, while simultaneously maximizing diversification based on regularly updated estimates of volatility and correlations. The ETF takes long or short positions in asset classes such as equity index and fixed income asset classes, commodities, currencies, volatility indexes and other alternative asset classes.

Management Discussion of Fund Performance (continued)

The Sub-Advisor's trading systems determine asset allocations based on multi-factor quantitative market information and explicitly seek opportunities to reduce portfolio volatility through diversification. The trading systems analyze these factors over a broad time spectrum which may range from several days to multiple years. The Sub-Advisor analyzes a number of additional factors in determining how the asset classes are allocated in the portfolio including, but not limited to: intermediate-term profitability of an asset class or market, liquidity of a particular market, desired diversification among markets and asset classes, transaction costs, exchange regulations and depth of market. The allocations are reviewed daily, although changes may occur less frequently.

Please refer to the ETF's most recent prospectus for a complete description of HRAA'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: high.

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 its 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 shares.

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 calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

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|--|---|
| <ul style="list-style-type: none">• Stock market risk• Specific issuer risk• Legal and regulatory risk• Exchange traded funds risk• Reliance on historical data risk• Corresponding net asset value risk• Designated broker/dealer risk• Cease trading of securities risk• Exchange risk• Early closing risk• No assurance of meeting investment objectives• Tax-related risks• Securities lending, repurchase and reverse repurchase transaction risk | <ul style="list-style-type: none">• Reliance on key personnel• Distributions risk• Conflicts of interest• No ownership interest• Absence of an active market for the ETF shares and lack of operating history risk• Redemption price• Fluctuations in NAV and market price of the ETF shares risk• Restrictions on certain shareholders• Highly volatile markets• Market disruptions risk• Cyber security risk• No guaranteed return |
|--|---|

Management Discussion of Fund Performance (continued)

- Derivatives risk and counterparty risk
 - Interest rate risk
 - Foreign currency risk
 - Emerging markets risk
 - Credit risk
 - Income trust investments risks
 - Foreign stock exchange risk
 - High yield bond risk and risks of other lower rated investments
- Call risk
 - Risk of difference between quoted and actionable market price
 - Commodity price volatility risk
 - Alternative mutual fund risk
 - Leverage risk
 - Fund corporation and multi-class/series structure risk
 - Aggressive investment technique risk
 - Short selling risk

Results of Operations

For the six-month period ending June 30, 2021 shares of the ETF returned 5.39%. This compares to a return of 3.40% for the S&P Global Low Volatility Index (the “Index”) for the same period in Canadian dollars.

The Index is designed to measure the 300 least volatile stocks in the S&P Global LargeMidCap Index, a sub-index of the S&P Global Broad Market Index.

The ETF’s strategy combines a globally diversified and risk-balanced framework – commonly known as risk parity – with proprietary quantitative models that dynamically modify market exposures in response to complex relationships and patterns that emerge from a variety of data sources. The strategy also employs a dynamic tail protection, which can be a meaningful risk management tool during abrupt market dislocations, when a long volatility exposure may be one of a few profitable alternatives.

General Market Review

The first half of 2021 saw renewed optimism stemming from positive developments on the two main fronts that have dominated headlines over the past 15 months – pandemic and economic recovery. Despite concerns over mutations and more virulent variants, the rollout of vaccination campaigns – initially in the U.S. and U.K., followed by Europe – led to a significant decrease in infection rates across western countries. The signing of a historic US\$1.9 trillion stimulus package – the size and scope of which go beyond any other fiscal outlay since the beginning of the pandemic – and the promise of continued fiscal largess U.S. President Joe Biden’s administration contributed to a 6.4% annualized gross domestic product (“GDP”) growth in the first quarter, beating expectations. Across the Pacific, China’s economy expanded 18.3% in the first quarter, its fastest yearly pace on record. Notwithstanding the base-effect (easier comparison given the activity plunge during the first three months of 2020), the speed of its recovery has been impressive. Given the sharp rebound in activity, it is not surprising that U.S. corporate earnings season was remarkably strong, beating Wall Street forecasts by the widest margin on record, according to data from Refinitiv.

Debate over the expected duration and intensity of inflationary pressures remained a key variable for asset allocation and investment decisions. Recent data offered fuel to both sides of the argument, with inflationistas pointing to expectation-beating rises in both consumer price index (“CPI”) and personal consumption expenditure (“PCE”), at rates not seen since the early 1990s, coupled with growing evidence of demand outstripping supply across various sectors, causing meaningful shortages and intense competition for raw materials. The deflationist narrative leans on distorted year-over-year comparisons, the potentially transitory nature of current supply-demand imbalances and evidence suggesting growth may have peaked early in the spring. This position is also supported in the intermediate and long-term by global demographic, technology and productivity trends.

Management Discussion of Fund Performance (continued)

Hawkish remarks by senior Fed officials in June forced Chairman Powell to strike a pacifist tone, claiming “inflation alone” would not be enough to prompt rate hikes. Notwithstanding, the most recent dot plot pointing to higher interest rates sooner than previously expected and the first hints at a discussion about tapering the current bond purchase program, market action suggests investors have been positively swayed by the Fed’s theatrics, at least momentarily.

Global equities steamed ahead, with most major markets in positive territory, except for China’s A50 index. European and U.S. indices enjoyed double-digit rises, along with the S&P/ASX 200 and the S&P/TSX Composite, while Asian shares rallied in the mid-to-high single digits; it was the commodity space that once again stole the limelight. The energy sector saw huge gains, led by the incredible rally in natural gas (rising between 44 and 75%, depending on the contract) and carbon emissions (also up 75%), but followed closely by crude oil and RBOB (up 50%). agricultural markets weren’t far behind, with huge double-digit gains in coffee, corn, lean hogs, oils (bean, canola and palm) and sugar. After a meteoric rise and doubling in the first fourth months of the year, lumber prices were cut in half in the following two months but were still up 30% year-to-date. Metals were mixed, with strong rallies in copper and other industrials countered by a 7% loss in gold and 1% drop in both platinum and silver.

Portfolio Review

HRAA was well positioned to take advantage of the global asset-class rally, particularly in the second quarter, leading to a 5.4% return for the period.

Energies were the largest positive contributors, with the lion’s share coming from long positions in crude oil, gasoil and carbon emissions.

Equity indices also provided meaningful gains stemming from a broad number of long positions including Asian (China A50, Hong Kong’s Hang Seng and Japanese Nikkei), European (British FTSE100, French CAC40, German DAX and Italian MIB) and US (Dow Jones Industrial Average, Nasdaq100, Russell2000 and the S&P500) markets, as well as the Aussie 200 index.

Metals The ETF benefitted from long exposure to copper, while gold contributed to a small loss. Platinum was another important source of returns, with positions flipping profitably from long to short twice throughout the period.

Grains’ positive contributions stemmed from long positions in bean oil, corn, and soybeans, while gains in **Meats** came exclusively from lean hogs.

Bonds and **Currencies** were equal part detractors, with losses in the former emanating from long exposure to British, Canadian and German government debt, and in the latter from longs in the Euro, Japanese Yen and Swiss Franc.

Can They Taper Without a Tantrum

The US government pressed ahead with its fiscal agenda. On the domestic front, the White House announced a potential bipartisan deal for an infrastructure spending package, albeit a *slimmed down* version of *just* 1 trillion dollars. While the expectation of a persistent fiscal thrust is one of the main pillars of the inflationary thesis, the rejection of this bill wouldn’t necessarily put an end to it. It is worth noting that the recent rise in US Consumer Price Index (CPI) has occurred despite very small rises in Owners’ Equivalent Rent (OER, which represents almost a quarter of the entire index) because of a temporary eviction moratorium during the pandemic. Given that home prices have risen sharply across the US over the past year, additional price pressures could be expected once rent rules have normalized. And even though Fed officials admitted they are finally “thinking about thinking about” tapering bond-purchasing programs, their plans to

Management Discussion of Fund Performance (continued)

create a digital currency that could be credited directly to every American household, could yet be the most expansionary policy tool ever deployed.

On the international stage, the OECD reached an initial agreement for a global minimum tax of 15 percent that would seek to minimize jurisdictional arbitrage by multinational corporations, though strong opposition is expected both from EU members and the GOP in Congress. At the most recent G7, the US president pressed world leaders to take “concrete steps to counter China’s rising influence”, along with heavy emphasis on a decarbonization plan. Further antagonism with the Middle Kingdom was spurred by the US Senate’s approval of the U.S. Innovation and Competition Act, a 250 billion dollar package aimed at challenging China’s technological ambitions. Beijing expressed “strong indignation and resolute opposition” to the bill, suggesting a “paranoid delusion of wanting to be the only winner.” A “constructive” tone was celebrated by the US president and his Russian counterpart after a brief summit, though challenges remain over cyberattacks, human rights and Ukraine. While the next moves in this geopolitical 3D chess-game remain uncertain, investors should expect governments to continue increasing their control over most facets of the economy.

Other Operating Items and Changes in Net Assets Attributable to Holders of ETF Shares

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 \$4,483,463. The ETF incurred management, and transaction expenses of \$933,011 of which \$37,989 was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager. The ETF did not make any distributions to shareholders during the period.

Leverage

The aggregate market exposure of all instruments held directly or indirectly by HRAA, calculated daily on a mark-to-market basis, can exceed HRAA’s net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HRAA divided by the net assets of the ETF (the “Leverage Ratio”), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2021 and for the year ended December 31, 2020; the ETF’s leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF’s net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2021	•	•	•	•
December 31, 2020	nil	2:89:1	2:83:1	283%

Recent Developments

Other than indicated below, there have been no recent market developments of particular note, aside from the normal fluctuations of the markets, that are expected to have an undue influence on the portfolio of the ETF.

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

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

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 shares as reported under IFRS.

Related Party Transactions

There were no related party portfolio transactions during the current reporting period. Certain services have been provided to the ETF by related parties, and those relationships are described below.

Manager and Investment Manager

The manager and investment manager of the Company and 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.

Any management fees paid to the Manager (described in detail on page 13) are related party transactions, as the Manager is considered to be a related party to the ETF. The management fees 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 since it effectively began operations on July 29, 2020. 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 Share

Period ⁽¹⁾	2021	2020
Net assets, beginning of period	\$ 10.38	10.04
Increase from operations:		
Total expenses	(0.14)	(0.11)
Realized gains for the period	1.12	0.17
Unrealized gains (losses) for the period	(0.42)	0.30
Total increase from operations ⁽²⁾	0.56	0.36
Total distributions ⁽³⁾	–	–
Net assets, end of period ⁽⁴⁾	\$ 10.95	10.38

1. This information is derived from the ETF's unaudited interim financial statements.
2. Net assets per share and distributions are based on the actual number of shares outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of shares outstanding over the financial period.
3. Distributions, if any, were paid in cash, reinvested in additional shares of the ETF, or both.
4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per share.

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2021	2020
Total net asset value (000's)	\$ 62,137	72,954
Number of shares outstanding (000's)	5,676	7,026
Management expense ratio ⁽²⁾⁽⁵⁾	2.38%	2.18%
Management expense ratio excluding proportion of expenses from underlying investment funds	2.32%	2.13%
Management expense ratio excluding performance fees ⁽²⁾	1.03%	1.08%
Management expense ratio excluding performance fees and proportion of expenses from underlying investment funds	0.96%	1.03%
Management expense ratio before waivers and absorptions ⁽³⁾	2.50%	2.20%
Trading expense ratio ⁽⁴⁾⁽⁵⁾	0.35%	0.55%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.35%	0.55%
Portfolio turnover rate ⁽⁶⁾	0.00%	0.00%
Net asset value per share, end of period	\$ 10.95	10.38
Closing market price	\$ 10.96	10.25

1. This information is provided as at June 30, 2021.
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. 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.
3. 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.
4. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. 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 a year. The higher an ETF's portfolio turnover rate in a year, 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 an 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 shareholders 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 shareholders 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 shares of the ETF; and dealing and communicating with shareholders 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 0.85%, plus applicable sales taxes, of the net asset value of the ETF's shares, 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%	85%	12%

Performance Fees

The ETF shall pay to the Manager a Performance Fee, if any, equal to 15% of the amount by which the performance of the ETF, at any date on which the Performance Fee is payable, (i) exceeds the greater of: (a) the initial net asset value per ETF Share; and (b) the highest net asset value per ETF Share previously utilized for the purposes of calculating a Performance Fee that was paid (the "High Water Mark") and (ii) is greater than an annualized return of 3%.

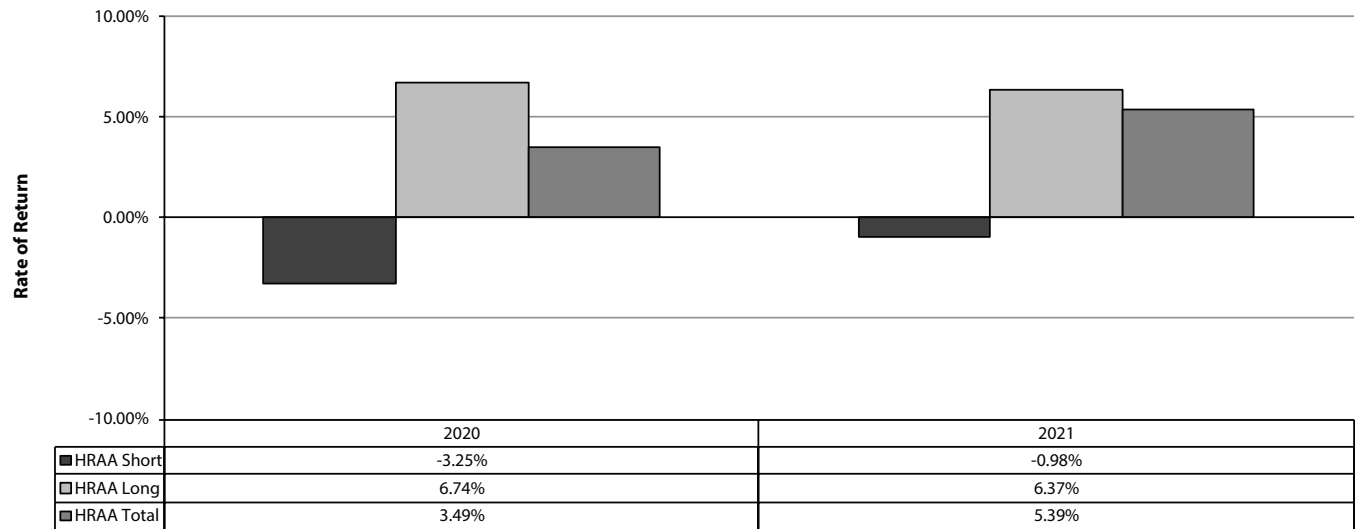
The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$455,342 in performance fees for the period ended June 30, 2021, and is disclosed in the statement of comprehensive income. Performance fees payable to the Manager as at June 30, 2021, were \$455,342 (December 31, 2020 - \$nil) and are included in accrued operating expenses on the statements of financial position, where applicable.

Past Performance

Commissions, management fees 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 share 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 shares 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 shares. The amount of the reinvested taxable distributions is added to the adjusted cost base of the shares 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 29, 2020.

Summary of Investment Portfolio

As at June 30, 2021

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Futures Contracts–Treasury Bond Speculative*	\$ 326,703	0.53%
Futures Contracts–Index Speculative*	(14,538)	-0.02%
Futures Contracts–Currency Speculative*	(594,142)	-0.95%
Futures Contracts–Commodity Speculative*	(623,328)	-1.01%
Cash and Cash Equivalents	51,335,473	82.61%
Margin Deposits	12,164,317	19.58%
Other Assets less Liabilities	(507,217)	-0.82%
Short Positions		
Futures Contracts–Currency Speculative*	175,564	0.28%
Futures Contracts–Commodity Speculative*	(125,926)	-0.20%
	\$ 62,136,906	100.00%

Summary of Investment Portfolio (continued)

As at June 30, 2021

Top 25 Holdings**	% of ETF's Net Asset Value
Long Positions	
Cash and Cash Equivalents	82.61%
Euro-Bund Futures	26.54%
Long Gilt Futures	26.16%
Canadian Dollar Currency Futures	24.12%
Gold 100oz. Futures	20.15%
U.S. 10-Year Treasury Bond Futures	19.03%
New Zealand Dollar Currency Futures	16.58%
U.S. 20-Year Treasury Bond Futures	14.75%
Euro-Buxl® Futures	13.94%
Euro-OAT Futures	12.04%
E-mini Dow (\$5) Futures	10.29%
Swiss Franc Currency Futures	7.01%
Copper Futures	5.56%
Nikkei 225 Index Futures	5.17%
CAC 40 10 Index Futures	4.15%
SPI 200 Index Futures	3.51%
Hang Seng Index Futures	3.31%
Brent Crude Futures	3.27%
Crude Oil Futures	3.22%
Low Sulphur Gas Oil Futures	3.22%
Cocoa Futures	3.15%
FTSE China A50 Index Futures	3.00%
Amsterdam Exchanges Index Futures	2.76%
FTSE 100 Index Futures	2.50%
FTSE/MIB Index Futures	2.37%

**All futures positions are speculative in nature. Positions in futures contracts are disclosed in terms of their notional exposure. Aggregate notional exposure of futures contracts equals 285.55% of the ETF's NAV.

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent interim and annual reports are available at no cost by calling toll free 1-866-641-5739, or (416) 933-5745, by writing to us at Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, or 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 consolidated financial statements ("financial statements") of Horizons ReSolve Adaptive Asset Allocation ETF (the "ETF") are the responsibility of the manager 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 and by the Board of Directors of Horizons ETF Corp.



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



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO SHAREHOLDERS

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.

Consolidated Statements of Financial Position (unaudited)

As at June 30, 2021 and December 31, 2020

	2021	2020
Assets		
Cash and cash equivalents	\$ 51,335,473	\$ 61,203,255
Margin deposits (note 12)	12,164,317	10,178,154
Derivative assets (note 3)	764,560	2,074,404
Total assets	64,264,350	73,455,813
Liabilities		
Accrued management fees	48,208	57,780
Accrued operating expenses	459,009	315,854
Derivative liabilities (note 3)	1,620,227	128,457
Total liabilities	2,127,444	502,091
Total net assets (note 2)	\$ 62,136,906	\$ 72,953,722
Number of redeemable shares outstanding (note 8)	5,675,901	7,025,901
Total net assets per share	\$ 10.95	\$ 10.38

(See accompanying notes to financial statements)

Approved on behalf of the Board of Directors of Horizons ETF Corp.:



 Steven J. Hawkins
 Director



 Kevin S. Beatson
 Director

Consolidated Statement of Comprehensive Income (unaudited)

For the Period Ended June 30, 2021

	2021
Income	
Securities lending income (note 7)	\$ 15,224
Net realized gain on sale of investments and derivatives	7,078,043
Net realized gain on foreign exchange	22,779
Net change in unrealized depreciation of investments and derivatives	(2,804,611)
Net change in unrealized appreciation of foreign exchange	172,028
	4,483,463
Expenses (note 9)	
Management fees	313,652
Performance fees	455,341
Audit fees	8,408
Independent Review Committee fees	576
Custodial and fund valuation fees	15,538
Legal fees	6,947
Securityholder reporting costs	5,915
Administration fees	7,707
Transaction costs	118,405
Withholding taxes	(1,289)
Other expenses	1,811
	933,011
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(37,989)
	895,022
Increase in net assets for the period	\$ 3,588,441
Increase (decrease in net assets per share)	\$ 0.56

(See accompanying notes to financial statements)

Consolidated Statement of Changes in Financial Position (unaudited)

For the Period Ended June 30, 2021

	2021
Total net assets at the beginning of the period	\$ 72,953,722
Increase in net assets	3,588,441
Redeemable share transactions	
Aggregate amounts paid on redemption of securities of the investment fund	(14,405,257)
Total net assets at the end of the period	\$ 62,136,906

(See accompanying notes to financial statements)

Consolidated Statement of Cash Flows (unaudited)

For the Period Ended June 30, 2021

2021

	2021
Cash flows from operating activities:	
Increase in net assets for the period	\$ 3,588,441
Adjustments for:	
Net realized gain on sale of investments and derivatives	(7,078,043)
Net realized loss on currency forward contracts	(1,150)
Net change in unrealized depreciation of investments and derivatives	2,804,611
Net change in unrealized appreciation of foreign exchange	(2,028)
Proceeds from the sale of investments	7,076,196
Margin deposits	(1,986,163)
Accrued expenses	133,583
Net cash from operating activities	4,535,447
Cash flows from financing activities:	
Amount paid on redemptions of shares	(14,405,257)
Net cash used in financing activities	(14,405,257)
Net decrease in cash and cash equivalents during the period	(9,869,810)
Effect of exchange rate fluctuations on cash and cash equivalents	2,028
Cash and cash equivalents at beginning of period	61,203,255
Cash and cash equivalents at end of period	\$ 51,335,473

Dividends received, net of withholding taxes	\$	1,290
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(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2021

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (-1.37%)			
Treasury Bond Futures (0.53%)			
Long Positions (0.53%)			
Euro–Bund Futures September 2021 at EUR€172.61. Notional Value EUR€11,219,650	65	\$ –	\$ 42,449
Euro–Buxl® Futures September 2021 at EUR€203.24. Notional Value EUR€5,893,960	29	–	19,402
Euro–OAT Futures September 2021 at EUR€159.04. Notional Value EUR€5,089,280	32	–	27,722
Long Gilt Futures September 2021 at GB£128.10. Notional Value GB£9,479,400	74	–	93,230
U.S. 10–Year Treasury Bond Futures September 2021 at US\$132.50. Notional Value US\$9,540,000	72	–	17,509
U.S. 20–Year Treasury Bond Futures September 2021 at US\$160.75. Notional Value US\$7,394,500	46	–	126,391
		–	326,703
Index Futures (-0.02%)			
Long Positions (-0.02%)			
Amsterdam Exchanges Index Futures July 2021 at EUR€729.33. Notional Value EUR€1,166,928	8	–	(6,911)
CAC 40 10 Index Futures July 2021 at EUR€6,505.00. Notional Value EUR€1,756,350	27	–	(34,725)
E–mini Dow (\$5) Futures September 2021 at US\$34,399.00. Notional Value US\$5,159,850	30	–	25,015
E–mini Russell 2000 Index Futures September 2021 at US\$2,307.80. Notional Value US\$346,170	3	–	4,878
EURO STOXX® 50 Index Futures September 2021 at EUR€4,055.50. Notional Value EUR€567,770	14	–	(9,833)
FTSE 100 Index Futures September 2021 at GB£6,980.50. Notional Value GB£907,465	13	–	(8,934)
FTSE China A50 Index Futures July 2021 at US\$17,300.00. Notional Value US\$1,505,100	87	–	18,948
FTSE/MIB Index Futures September 2021 at EUR€25,004.00. Notional Value EUR€1,000,160	8	–	(26,737)
Hang Seng Index Futures July 2021 at HK\$28,630.00. Notional Value HK\$12,883,500	9	–	23,206
IBEX 35 Index Futures July 2021 at EUR€8,788.30. Notional Value EUR€439,415	5	–	(5,681)
NASDAQ 100 E–mini Index Futures September 2021 at US\$14,549.00. Notional Value US\$1,163,920	4	–	45,592
Nikkei 225 Index Futures September 2021 at US\$28,785.00. Notional Value US\$2,590,650	18	–	(20,268)
S&P 500 E–Mini Index Futures September 2021 at US\$4,288.60. Notional Value US\$214,430	1	–	688

Schedule of Investments (unaudited) (continued)

As at June 30, 2021

Security	Contracts	Average Cost	Fair Value
S&P/TSX 60 Index Futures September 2021 at C\$1,202.70. Notional Value C\$481,080	2	–	880
SPI 200 Index Futures September 2021 at AU\$7,223.00. Notional Value AU\$2,347,475	13	–	(20,847)
VSTOXX® Index Futures August 2021 at EUR€19.05. Notional Value EUR€7,620	4	–	191
		–	(14,538)
Currency Futures (-0.67%)			
Long Positions (-0.95%)			
Australian Dollar Currency Futures September 2021 at US\$74.98. Notional Value US\$899,760	12	–	(7,927)
Canadian Dollar Currency Futures September 2021 at US\$80.62. Notional Value US\$12,093,000	150	–	(217,364)
Euro Currency Futures September 2021 at US\$1.19. Notional Value US\$148,313	1	–	(1,170)
New Zealand Dollar Currency Futures September 2021 at US\$69.83. Notional Value US\$8,309,770	119	–	(227,653)
Swiss Franc Currency Futures September 2021 at US\$108.19. Notional Value US\$3,516,175	26	–	(140,028)
		–	(594,142)
Short Positions (0.28%)			
British Pound Currency Futures September 2021 at US\$138.05. Notional Value (US\$1,294,219)	(15)	–	3,363
Japanese Yen Currency Futures September 2021 at US\$90.07. Notional Value (US\$12,046,863)	(107)	–	172,201
		–	175,564
Commodity Futures (-1.21%)			
Long Positions (-1.01%)			
Brent Crude Futures September 2021 at US\$74.62. Notional Value US\$1,641,640	22	–	10,921
Cocoa Futures September 2021 at US\$2,389.00. Notional Value US\$1,576,740	66	–	(1,116)
Copper Futures September 2021 at US\$428.90. Notional Value US\$2,787,850	26	–	42,921
Cotton Futures December 2021 at US\$84.90. Notional Value US\$509,400	12	–	(12,359)
Crude Oil Futures July 2021 at US\$73.47. Notional Value US\$1,616,340	22	–	46,622
EUA Futures December 2021 at EUR€56.37. Notional Value EUR€112,740	2	–	3,234
Gold 100oz. Futures August 2021 at US\$1,771.60. Notional Value US\$10,098,120	57	–	(724,881)
Lean Hog Futures August 2021 at US\$103.25. Notional Value US\$82,600	2	–	(471)
Live Cattle Futures August 2021 at US\$122.72. Notional Value US\$785,440	16	–	3,384

Schedule of Investments (unaudited) (continued)

As at June 30, 2021

Security	Contracts	Average Cost	Fair Value
Low Sulphur Gas Oil Futures August 2021 at US\$598.25. Notional Value US\$1,615,275	27	–	(11,900)
Natural Gas Futures July 2021 at US\$3.65. Notional Value US\$474,500	13	–	(7,028)
NY Harbor ULSD Futures July 2021 at US\$212.83. Notional Value US\$804,497	9	–	7,674
Silver Futures September 2021 at US\$26.19. Notional Value US\$392,910	3	–	(1,320)
Sugar Futures September 2021 at US\$17.89. Notional Value US\$741,362	37	–	18,326
Wheat Futures September 2021 at US\$679.50. Notional Value US\$67,950	2	–	2,665
		–	(623,328)
Short Positions (-0.20%)			
Coffee 'C' Futures September 2021 at US\$159.75. Notional Value (US\$658,969)	(11)	–	(29,844)
Corn Futures December 2021 at US\$588.50. Notional Value (US\$88,275)	(3)	–	(10,056)
Gasoline Futures July 2021 at US\$224.18. Notional Value (US\$376,622)	(4)	–	7,148
Hard Red Winter Wheat Futures September 2021 at US\$659.00. Notional Value (US\$197,700)	(6)	–	(15,139)
Milling Wheat #2 Futures September 2021 at EUR€209.25. Notional Value (EUR€94,163)	(9)	–	(4,189)
Platinum Futures October 2021 at US\$1,072.90. Notional Value (US\$1,180,190)	(22)	–	(14,454)
Soybean Futures November 2021 at US\$1,399.00. Notional Value (US\$419,700)	(6)	–	(42,611)
Soybean Meal Futures December 2021 at US\$381.70. Notional Value (US\$152,680)	(4)	–	(13,784)
Soybean Oil Futures December 2021 at US\$62.76. Notional Value (US\$37,656)	(1)	–	(2,997)
		–	(125,926)
TOTAL DERIVATIVES		–	(855,667)
TOTAL INVESTMENT PORTFOLIO (-1.37%)		\$ –	\$ (855,667)
Cash and cash equivalents (82.61%)			51,335,473
Margin deposits (19.58%)			12,164,317
Other assets less liabilities (-0.82%)			(507,217)
TOTAL NET ASSETS (100.00%)			\$ 62,136,906

(See accompanying notes to financial statements)

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited)

For the Period Ended June 30, 2021

A. ETF INFORMATION (NOTE 1)

The following table lists specific information about the ETF, the tickers under which the Cdn\$ Shares and US\$ Shares (if applicable), as described in note 1, trade on the Toronto Stock Exchange (the "TSX"), the functional and presentation currency of the ETF in either Canadian ("CAD") or U.S. ("USD") dollars, and the effective start of operations of the ETF.

ETF Name	TSX Ticker(s)	Reporting Currency	Effective Start of Operations
Horizons ReSolve Adaptive Asset Allocation ETF	HRAA	CAD	July 29, 2020

Investment Objective

HRAA's investment objective is to seek long-term capital appreciation by investing, directly or indirectly, in major global asset classes including but not limited to equity indexes, fixed income indexes, interest rates, commodities and currencies.

B. FINANCIAL INSTRUMENTS RISK (NOTE 5)
(a) Market risks
(i) Currency risk

The following tables indicate the foreign currencies to which the ETF had significant exposure as at June 30, 2021 and December 31, 2021, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

June 30, 2021	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Australian Dollar	6	–	6	0
British Pound	54	–	54	1
Euro Currency	68	–	68	1
Hong Kong Dollar	(1)	–	(1)	0
U.S. Dollar	157	–	157	2
Total	284	–	284	4
As % of Net Asset Value	0.5%	0.0%	0.5%	0.0%

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

For the Period Ended June 30, 2021

December 31, 2019	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Australian Dollar	(11)	–	(11)	0
British Pound	(33)	–	(33)	0
Euro Currency	(12)	–	(12)	0
Hong Kong Dollar	70	–	70	1
U.S. Dollar	356	–	356	4
Total	370	–	370	5
As % of Net Asset Value	0.5%	0.0%	0.5%	0.0%

(ii) Interest rate risk

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) Market price risk

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.

Underlying Index	June 30, 2021	December 31, 2020
S&P Global Low Volatility Index	\$257,624	\$790,760

(b) Credit risk

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.

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

For the Period Ended June 30, 2021

C. FAIR VALUE MEASUREMENT (NOTE 6)

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						
Futures	764,560	–	–	2,074,404	–	–
Total Financial Assets	764,560	–	–	2,074,404	–	–
Financial Liabilities						
Futures	(1,620,227)	–	–	(128,457)	–	–
Total Financial Liabilities	(1,620,227)	–	–	(128,457)	–	–
Net Financial Assets and Liabilities	(855,667)	–	–	1,945,947	–	–

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.

D. SECURITIES LENDING (NOTE 7)

As at June 30, 2021, and December 31, 2020, the ETF was not participating in any securities lending transactions. The ETF did not earn any income from securities lending transactions for the period ended June 30, 2021.

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the periods ended June 30, 2021. 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 period ended	June 30, 2021	% of Gross Income
Gross securities lending income	\$25,373	
Lending Agents' fees:		
Canadian Imperial Bank of Commerce	(10,149)	40.00%
Net securities lending income paid to the ETF	\$15,224	60.00%

Notes to Consolidated Financial Statements - ETF Specific Information (unaudited) (continued)

For the Period Ended June 30, 2021

E. REDEEMABLE SHARES (NOTE 8)

For the period ended June 30, 2021, the number of ETF Shares issued by subscription, the number of ETF Shares redeemed, the total and average number of ETF Shares outstanding was as follows:

Period	Beginning Shares Outstanding	Shares Issued	Shares Redeemed	Ending Shares Outstanding	Average Shares Outstanding
2021	7,025,901	–	(1,350,000)	5,675,901	6,353,387

F. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS (NOTE 10)

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 period ended June 30, 2021, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2021	\$110,238	\$nil	\$nil

G. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 12)

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

H. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (NOTE 13)

As at June 30, 2021, and December 31, 2020, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at June 30, 2021	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	4.75%	\$50,550,000

Investee ETF as at December 31, 2020	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	4.98%	\$50,380,000

Notes to Consolidated Financial Statements (unaudited)

For the Period Ended June 30, 2021

1. REPORTING ENTITY

Horizons ETF Corp. (the “Company”) is a mutual fund corporation established on October 10, 2019, under the federal laws of Canada. The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, non-voting classes of shares (each, a “Corporate Class” or “ETF”), issuable in an unlimited number of series, and one class of voting shares designated as “Class J Shares”. Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. These consolidated financial statements (the “financial statements”) as at June 30, 2021, and December 31, 2020, and for the period ended June 30, 2021, comprise the Company and its wholly-owned entities and are presented on the basis outlined below. ETF-specific information and the investment objectives for each ETF in the Company are disclosed in the ETF-specific notes information to the consolidated financial statements of each ETF. Each ETF is a separate Corporate Class and currently consists of a single series of exchange traded fund shares (“ETF Shares”) of the applicable Corporate Class of the Company.

Each ETF is offered for sale on a continuous basis by the Company’s prospectus in ETF Shares which trade on the Toronto Stock Exchange (“TSX”) in Canadian dollars (“Cdn\$ Shares”) and, where applicable, in U.S. dollars (“US\$ Shares”). Subscriptions for US\$ Shares can be made in either U.S. or Canadian dollars. An investor may buy or sell shares of the ETF on the TSX through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade shares 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 shares.

Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager” or the “Investment Manager”) is the manager and investment manager of the Company and of each Corporate Class. The Investment Manager is responsible for implementing each ETF’s investment strategies. The address of the Company’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

Investment Objective

The purpose of each ETF is to invest the net assets attributable to that ETF in accordance with its investment objectives, as defined in the Company’s prospectus. The investment objective for each ETF is set out in note A in the ETF-specific notes information.

2. BASIS OF PREPARATION

(i) Statement of compliance

The ETF’s 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 shares as reported under IFRS.

These financial statements were authorized for issue on August 3, 2021, by the Board of Directors of the Company.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value through profit or loss, which are measured at fair value.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

IFRS 9 requires financial assets to be classified based on the ETF’s business model for managing the financial assets and contractual cash flow characteristics of the financial assets. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit or loss (“FVTPL”). IFRS9 requires classification of debt instruments, if any, based solely on payment of principal and interest, 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 valuation date, as defined in the ETF’s prospectus (“Valuation Date”) and based on external pricing sources to the extent possible. Investments held that are traded in an active market through recognized public stock exchanges, over-the-counter markets, or through recognized investment dealers, are valued at their closing sale price. However, such prices may be adjusted if a more accurate value can be obtained from recent trading activity or by incorporating other relevant information that may not have been reflected in pricing obtained from external sources. Short-term investments, including notes and money market instruments, are valued at amortized cost which approximates fair value.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

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

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

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

Cash consists of cash on deposit.

Redeemable shares

The Company has made significant judgments when determining the classification of each ETF's redeemable securities as financial liabilities in accordance with IAS 32 – Financial Instruments – Presentation (“IAS 32”).

Each ETF's redeemable shares are classes in the Company. The classes will not participate pro rata in the residual net assets of the Company in the event of the Company's liquidation and they do not have identical features. Consequently, each ETF's outstanding redeemable shares are classified as financial liabilities in accordance with the requirements of IAS 32.

Futures contracts

Futures contracts are valued at the current market value thereof on the Valuation Date. The value of these futures 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 futures contracts are closed out or mature, realized gains or losses on futures contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

Derivative agreements

In order to achieve its investment objective, the ETF may enter into derivative agreements (the “Derivative Agreements”) with one or more bank counterparties (each a “Counterparty”). The value of these derivative agreements is the gain or loss that would be realized if, on the Valuation Date, the agreements were to be closed out. That value is recorded as a derivative asset and/or derivative liability in the statements of financial position and included in the net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income.

When these derivative contracts are closed out or mature, realized gains or losses on the derivative agreements are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives.

(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, if any, represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income, if any, is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs, if any, 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, if any, 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, if any, 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.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

(e) Increase (decrease) in net assets attributable to holders of redeemable shares per share

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

(f) Shareholder transactions

The value at which shares of the ETF are issued or redeemed is determined by dividing the net asset value of the ETF by the total number of shares outstanding of the ETF on the applicable Valuation Date. Amounts received on the issuance of shares and amounts paid on the redemption of shares 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.

(h) Net assets attributable to holders of redeemable shares per share

Net assets attributable to holders of redeemable shares per share is calculated by dividing the ETF's net assets attributable to holders of redeemable shares by the number of shares 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, fees incurred in conjunction with the ETF's derivative agreements, 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 period ended June 30, 2021.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

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 Company's most recent prospectus for a complete discussion of the risks attributed to an investment in the shares of the ETF. Significant financial instrument risks that are relevant to the ETF are discussed below and an analysis thereof is included in note B of the ETF-specific notes information.

(a) Market risks

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 will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings.

(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.

(iii) Market price risk

Other market price 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 ETF is subject to other market risks that will affect the value of its investments, including general economic and market conditions, as well as developments that impact specific economic sectors, industries or companies. The ETF will

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

normally lose value on days when the securities comprising the Underlying Index declines. The ETF intends to remain fully invested regardless of market conditions.

(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, including any positive mark-to-market of the ETF's Derivative Agreement(s). This amount is included in "Derivative assets" (if any) in the statements of financial position. The credit risk related to any one Derivative Agreement is concentrated in the Counterparty to that particular Derivative Agreement.

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102").

(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

IFRS 13, Fair Value Measurement ("IFRS 13") requires 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 fair value hierarchy classification of the ETF's assets and liabilities and additional disclosures relating to transfers between levels is included in note C in the ETF-specific notes information.

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 NI 81-102. Under a securities lending agreement, the borrower must pay the

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

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, if any, as at June 30, 2021, and December 31, 2020, and a reconciliation of the securities lending income for the periods ended June 30, 2021 and 2020, if any, as presented in the statements of comprehensive income are presented in note D of the ETF-specific notes information.

8. LEVERAGE

The aggregate market exposure of all instruments held directly or indirectly by HRAA, calculated daily on a mark-to-market basis, can exceed HRAA's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the ETF. Under normal market conditions, the maximum amount of leverage used, directly or indirectly, by the ETF, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of HRAA divided by the net assets of the ETF (the "Leverage Ratio"), will generally not exceed 3:1.

The following table discloses the minimum and maximum leverage levels for the ETF for the period ended June 30, 2021 and for the year ended December 31, 2020; the ETF's leverage at the end of the reporting period; and, approximately what that leverage represents as a percentage of the ETF's net assets.

Period/Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
June 30, 2021	•	•	•	•
December 31, 2020	nil	2:89:1	2:83:1	283%

9. REDEEMABLE SHARES

The authorized capital of the Company includes an unlimited number of non-cumulative, redeemable, non-voting Corporate Classes, issuable in an unlimited number of series, including the ETF Shares, and one class of voting shares designated as "Class J Shares". Each Corporate Class is a separate investment fund having specific investment objectives and is specifically referable to a separate portfolio of investments. Each ETF of the Company is a separate Corporate Class.

Each ETF Share entitles the owner to one vote at meetings of shareholders of the applicable Corporate Class to which they are entitled to vote. Each shareholder is entitled to participate equally with all other shares of the same Corporate Class or series of Corporate Class with respect to all payments made to shareholders, other than management fee rebates, including dividends and distributions and, on liquidation, to participate equally in the net assets of the applicable Corporate Class remaining after satisfaction of any outstanding liabilities that are attributable to ETF Shares of the Corporate Class.

The redeemable shares 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. The ETF's objectives in managing

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

the redeemable shares are to meet the ETF's investment objective, and to manage liquidity risk arising from redemptions. The ETF's liquidity risk arising from redeemable shares is discussed in note 5.

On any valid trading day, as defined in the ETF's prospectus, shareholders of the ETF may redeem: (i) ETF Shares for cash at a redemption price per ETF Share equal to 95% of the closing price for the ETF Shares in the applicable currency on the TSX on the effective day of the redemption, subject to a maximum redemption price per ETF Share equal to the net asset value per ETF Share on the effective day of redemption; or (ii) at the sole discretion of the Manager, a prescribed number of shares ("PNS") or a whole multiple PNS for cash in the applicable currency equal to the net asset value of that number of ETF Shares in such currency next determined following the receipt of the redemption request, less any applicable redemption charge as determined by the Manager in its sole discretion; or (iii) at the sole discretion of the Manager, a PNS or a whole multiple PNS in exchange for securities and cash in the applicable currency equal to the net asset value of that number of ETF Shares in such currency following the receipt of the redemption request, provided that a securities redemption may be subject to redemption charges at the sole discretion of the Manager.

Shares of the ETF are issued or redeemed on a daily basis at the net asset value per share that is determined as at 4:00 p.m. (Eastern Time) each business day.

If, in any taxation year, the Company would otherwise be liable for tax on net realized capital gains, the Company intends to pay, to the extent possible, by the last day of that year, a special capital gains dividend to ensure that the Company will not be liable for income tax on such amounts under the Tax Act (after taking into account all available deductions, credits and refunds). Such distributions may be paid in the form of ETF Shares of the relevant ETF and/or cash which is automatically reinvested in ETF Shares of the relevant ETF. Any such distributions payable in ETF Shares or reinvested in ETF Shares of the relevant ETF will increase the aggregate adjusted cost base of a shareholder's ETF Shares of that ETF. Immediately following payment of such a special distribution in ETF Shares or reinvestment in ETF Shares, the number of ETF Shares of that ETF outstanding will be automatically consolidated such that the number of ETF Shares of that ETF outstanding after such distribution will be equal to the number of ETF Shares of that ETF outstanding immediately prior to such distribution, except where there are non-resident shareholders to the extent tax is required to be withheld in respect of the distribution.

Please consult the ETF's most recent prospectus for a full description of the subscription and redemption features of the ETF Shares.

A summary table of the number of shares issued by subscription, the number of shares redeemed, the total and average number of shares outstanding during the relevant reporting periods is disclosed in note E of the ETF-specific notes information.

10. EXPENSES AND OTHER RELATED PARTY TRANSACTIONS

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 shareholders 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 shareholders 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 Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in shares of the ETF; and dealing and communicating with shareholders 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 0.85%, plus applicable sales taxes, of the net asset value of the ETF's shares, 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.

Performance Fees

The ETF shall pay to the Manager a Performance Fee, if any, equal to 15% of the amount by which the performance of the ETF, at any date on which the Performance Fee is payable, (i) exceeds the greater of: (a) the initial net asset value per ETF Share; and (b) the highest net asset value per ETF Share previously utilized for the purposes of calculating a Performance Fee that was paid (the "High Water Mark") and (ii) is greater than an annualized return of 3%.

The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$455,342 in performance fees for the period ended June 30, 2021, and is disclosed in the statement of comprehensive income. Performance fees payable to the Manager as at June 30, 2021, were \$455,342 (December 31, 2020 - \$nil) and are included in accrued operating expenses on the statements of financial position, where applicable.

11. 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.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

In addition to the information contained in note F of the ETF-specific notes information, 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. The management fees payable by the ETF as at June 30, 2021, and December 31, 2020, are disclosed in the statements of financial position.

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 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.

12. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

The ETF may maintain accounts with Futures Commission Merchants ("FCMs") to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the ETF held at the FCMs. Collateral held with FCMs is included as part of "Margin deposits" in the statements of financial position. The collateral held with FCMs as at June 30, 2021, and December 31, 2020, is as follows:

As at	Collateral Held With FCMs
June 30, 2021	\$12,164,317
December 31, 2020	\$10,178,154

13. INCOME TAX

The Company qualifies and intends at all relevant times to qualify as a "mutual fund corporation" as defined in the Tax Act. Although the Company may issue any number of classes, in any number of series, it will be required (like any other mutual fund corporation with a multi-class structure) to compute its income and net capital gains for tax purposes as a single entity. All of the Company's revenues, deductible expenses, non-capital losses, capital gains and capital losses in connection with all of its investment portfolios, and other items relevant to its tax position (including the tax attributes of all of its assets), will be taken into account in determining the income (and taxable income) or loss of the Company and applicable taxes payable by the Company as a whole.

As a mutual fund corporation, the Company is entitled, in certain circumstances, to a refund of tax paid by it in respect of its net realized capital gains determined on a formula basis that is based in part on the redemption of the ETF Shares. Also, as a mutual fund corporation, the Company will be entitled to maintain a capital gains dividend account in respect of its net realized capital gains and from which it may elect to pay dividends which are treated as capital gains in the hands of shareholders.

To the extent that the Company earns net income (other than dividends from taxable Canadian corporations and certain taxable capital gains and after available deductions), including in respect of derivative transactions, interest and income paid or made payable to it by a trust resident in Canada, the Company will be subject to income tax on such net income and no refund will be available in respect thereof.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

The Company may, at its option, pay special year-end dividends to shareholders in the form of a capital gains dividend where the Company has net taxable capital gains upon which it would otherwise be subject to tax, or in order to recover refundable tax not otherwise recoverable upon payment of regular cash distributions.

The Company will establish a policy to determine how it will allocate income and capital gains in a tax-efficient manner among its Corporate Classes in a way that it believes is fair, consistent and reasonable for all shareholders. The amount of dividends, if any, paid to shareholders will be based on this tax allocation policy, which will be approved by the Company's board of directors.

14. TAX LOSSES CARRIED FORWARD

Where the Company has realized a net capital loss in a taxation year, such capital loss cannot be allocated to shareholders but the Company may carry such capital loss back three years or forward indefinitely to offset capital gains realized by the Company. Non-capital losses incurred by the Company in a taxation year cannot be allocated to shareholders of the Company, but may be carried back three years or carried forward twenty years to offset income (including taxable capital gains).

As at December 31, 2020, the Company and its wholly-owned entities 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
\$1,272,452,068	\$126,121	2028
	\$1,961,149	2029
	\$5,668,871	2030
	\$3,237,571	2031
	\$3,138,653	2032
	\$153,021,428	2033
	\$230,454,838	2034
	\$447,405,094	2035
	\$74,326,117	2036
	\$266,066,173	2037
	\$118,767,474	2038
	\$225,583,319	2039
	\$2,509,007,967	2040

15. 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. Amounts eligible for offset, if any, are disclosed in note G of the ETF-specific notes information.

Notes to Consolidated Financial Statements (unaudited) (continued)

For the Period Ended June 30, 2021

16. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in shares or 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 share or 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, listed in the schedule of investments, and further detailed in note H of the ETF-specific notes information.

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