



**Horizons Absolute Return Global Currency ETF
(HARC:TSX)**



HORIZONS ETFs
by Mirae Asset

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A Message from the CEO

After 2020's challenges and uncertainty, we have seen continued success in the global fight against the COVID-19 pandemic throughout 2021.

Despite the emergence of the new Omicron COVID-19 variant in the later part of 2021, across the world, vaccination rollouts are continuing, and there is growing optimism that a 'return to normal' is on the horizon. While we mourn the COVID-19 pandemic's toll at Horizons ETFs and reflect on its lessons, we continue to work diligently to best serve our investors and clients.

While the pandemic has impacted many businesses and sectors, Canada's ETF industry and the marketplace have shown few signs of slowing down. In 2021, Canada's ETF industry has seen more than \$52 billion of inflows – a new annual record.

Horizons ETFs is proud to continue our longstanding commitment to bringing innovative ETFs to market. In 2021, that commitment resulted in eighteen new ETF launches – another new record for Horizons ETFs. Ranging from first-in-the-world ETFs to expansions of our most popular mandates, we are proud of the innovation and access we've delivered to our investors in 2021.

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 2021's most-watched asset class.

In June, we launched the Horizons S&P Green Bond Index ETF ("**HGGB**"), Canada's first global green bond ETF. We also continued to expand our footprint within the growing renewable energy space by launching the Horizons Global Hydrogen Index ETF ("**HYDR**") and the Horizons Global Lithium Producers Index ETF ("**HLIT**"); respectively, Canada's first hydrogen and lithium ETFs – two crucial alternative energy sources that are helping to fuel our 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 semiconductor supply being interrupted by COVID-19, we are bullish on the potential of this sector as semiconductors are at the core of all technology.

In the final weeks of 2021, we also launched three ETFs designed to provide investors with exposure to emerging and essential future-forward technological themes: the Horizons Global Metaverse Index ETF ("**MTAV**"), the Horizons GX Cybersecurity Index ETF ("**HBUG**"), and the Horizons GX Telemedicine and Digital Health Index ETF ("**HDOC**").

In addition to this noteworthy growth in the size our ETF suite, now totaling 104 ETFs, we saw significant growth in our assets under management, from approximately \$16.5 billion at the start of the year to more than \$20.7 billion by its end. We continue to entrench our position as one of Canada's top ETF providers.

I am also proud to announce that we hosted the 10th edition of our Biggest Winner Trading Competition, which offers investors the chance to educate themselves about trading by managing a virtual ETF portfolio while competing for cash prizes in a risk-free environment. After more than a decade of the Biggest Winner, this event has become near and dear to my heart, as I believe it has for the thousands of participants, many of whom return each year to compete to become the Biggest Winner.

At Horizons ETFs, "Innovation is Our Capital" has long been our motto and it is what has driven us to remain nimble and to adapt quickly to what Canadian investors are looking for. With one of the largest and most diversified suites of ETFs in Canada, I believe that our ETFs empower investors to do the same: be nimble and adaptable, no matter the market conditions. While the road ahead is still uncertain, we remain confident in our ability to respond to your investment needs 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 (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance for Horizons Absolute Return Global Currency ETF (“HARC” 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 audited annual consolidated financial statements (“financial statements” or “annual 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

HARC seeks to generate positive absolute returns through long and short exposure to selected global currencies. HARC will generally hold Canadian short-term fixed-income securities and will primarily use derivative instruments to gain its exposure to selected global currencies.

In order to achieve its investment objective, the ETF’s portfolio sub-advisor, CIBC Asset Management Inc. (“CIBC Asset” or the “Sub-Advisor”), selects currencies that are expected to strengthen or weaken on a relative basis using the Sub-Advisor’s proprietary active investment process that tracks more than thirty global currencies. The Sub-Advisor’s investment process employs both fundamental analysis and a factor based ranking model.

HARC obtains exposure to currencies primarily by entering into derivatives where the underlying interests are the currencies of two countries. In each derivative, the currency of one country (the “strong side currency”) is selected by the Sub-Advisor to outperform the currency of the other country (the “weak side currency”). HARC profits (or incurs a loss) from the derivative if, during the term of the derivative, the exchange rate between the two currencies changes such that the strong side currency increases (or decreases) in value relative to the weak side currency.

Management Discussion of Fund Performance (continued)

The Sub-Advisor studies a country's level of inflation, anticipated interest rate change, employment outlook, economic growth expectation, trade balance, government policy and central bank actions. The Sub-Advisor actively monitors interest rate and inflation differentials and uses, among other techniques, exchange rate analysis techniques such as interest rate parity and purchasing power parity to forecast currency values. The Sub-Advisor also conducts fundamental economic analysis of the currencies being considered for inclusion in HARC's portfolio, taking into account macro-economic variables and events that it judges to be important to a particular country.

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

Risk

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

Risk ratings are determined based on the historical volatility of the ETF as measured by the standard deviation of its performance against its mean. The risk categorization of the ETF may change over time and historical volatility is not indicative of future volatility. Generally, a risk rating is assigned to the ETF based on a rolling 10-year standard deviation of its returns, the return of 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.

- Market disruptions risk
- Derivative investments
- Risk that ETF shares will trade at prices other than net asset value per ETF shares
- Issuer concentration risk
- Leverage risk
- Foreign exchange rate risk
- Counterparty risk
- Liquidity risk
- Borrowing risk
- Tax-related risks
- Exchange risk
- Inability to achieve investment objective
- Alternative mutual funds risk
- Cyber security risk
- Aggressive investment technique risk
- Reliance on key personnel
- Distribution risk
- Significant redemptions
- Price limit risk
- Conflicts of interest
- Business and regulatory risks of alternative investment strategies
- Political, economic and social risk
- Securities lending risk
- No ownership interest

Management Discussion of Fund Performance (continued)

- Restrictions on certain shareholders
 - Redemption price
 - Fund corporation and multi-class/series structure risk
 - Fluctuations in NAV and market price of the ETF shares risk
- Absence of an active market for the ETF shares and lack of operating historical risk
 - No guaranteed return
 - Foreign security risk
 - Currency fund risk
 - Use of options risk

Results of Operations

For the year ended December 31, 2021, shares of the ETF returned 2.50%. By comparison, a basket of global currencies had the following returns versus the Canadian dollar (“CAD”) for the same period: U.S. dollar (“USD”) -0.69%, Japanese yen (“JPY”) -10.92%, Euro currency (“EUR”) -7.54%, Brazilian real (“BRL”) -7.46% and Russian ruble (RUB) -2.23%.

General Market Review

Looking through COVID-related distortions, CIBC Asset Management Inc. (“CIBC Asset”) estimates that the underlying rate of global growth has moderated from its pace earlier in 2021 and the expectation is for further slowing through 2022. The Sub-Advisor continues to expect annual growth for the coming year to remain above its long-term trend rate, despite some tightening in global financial conditions.

Risks to this relatively benign growth scenario – including from the Delta and Omicron COVID-19 variants, inflation, central bank policy, and China – appear to be skewed to the downside. In the fall of 2021, it seemed that the magnitude of the negative economic risk associated with COVID was receding. With the emergence of the Omicron variant, this risk, and associated market uncertainty, increased once more. Omicron’s potential negative impact on growth – for instance as a result of additional restrictions on economic activity – could be particularly relevant in the context of fading vaccine efficacy for countries that vaccinated early.

Inflation also presents an important negative risk to this central growth scenario, including via its deleterious impact on consumer purchasing power. During 2021, inflation rose higher and was more persistent than expected at the start of the year. Upward price pressures should wane in 2022, outside of a few Emerging Market (“EM”) economies. Supply bottlenecks have been the primary source of inflation in many countries. Tentative evidence suggests a recent easing in some of these bottlenecks, but the situation could worsen once more depending upon the cumulative magnitude of COVID’s economic impact. The sub-advisor continues to monitor for evidence of the emergence of a malignant wage and price cycle which would indicate that higher inflation is becoming more entrenched.

Reflecting COVID and inflation risks, the outlook for central bank policy also remains uncertain. Monetary policy was loosened substantially in response to the first COVID wave. We are now at the start of a period of policy normalization. A number of Developed Market (“DM”) central banks have announced plans to slow the pace of asset purchases, and some have already begun this process. DM central banks in the U.K., Norway and New Zealand have started to raise policy interest rates, along with a host of EM central banks. Others, including the Bank of Canada (“BoC”), have been priced by the market to tighten policy relatively aggressively over the next two years. The speed of policy normalization will largely depend upon the underlying strength of growth and inflation. Based upon current evidence, cumulative market rate expectations may be a little too aggressive in many cases, particularly in Canada. In the U.S., an apparent recent shift towards less additional fiscal stimulus suggests that the cumulative increase in the U.S. Federal Reserve’s (the “Fed”) policy interest rate may also fall short of current market expectations.

Management Discussion of Fund Performance (continued)

In contrast to the general trend towards policy tightening, the People's Bank of China has recently begun to ease its monetary stance. Chinese growth has been slowing for many months, in response to a weaker credit impulse. The magnitude of this negative impact has been accentuated by vulnerabilities in the Chinese real estate sector that were stoked by demographic headwinds, declining real estate affordability, as well as high corporate leverage and indebtedness, and low corporate liquidity. Efforts to stimulate a recovery in growth will likely be a priority for Chinese policymakers in 2022, alongside continued efforts to manage real estate risks.

Portfolio Review and Outlook

At the end of 2021, the ETF's portfolio encompassed five main themes. First, the level of active risk remained below CIBC Asset's long-term target, but was increased in December. Uncertainty concerning the speed and extent to which the Fed will remove policy accommodation remains high. The recent shift towards less expected U.S. fiscal stimulus in 2022, combined with uncertainty as to the likely extent of Omicron's negative economic impact, suggests a bias towards less cumulative policy tightening than previously expected. If validated, this will likely support investor risk sentiment in the first quarter of 2022.

Second, and reflecting the expectation of improving risk sentiment, pro-cyclicality was also increased at the end of 2021. The ETF added to long positioning in the Mexican peso ("MXN"), funded by shorts in EUR and the Australian dollar ("AUD"). Long positions were also added in CAD and the Chilean peso ("CLP") against EUR. The ETF opened a long BRL position, which screens as cheap on CIBC Asset's valuation metrics and attractive in terms of interest rate carry, funded against both EUR and USD.

Third, EUR has become the core funding currency in the portfolio. The European Central Bank ("ECB") has remained more sanguine over the outlook for headline and core inflation than most other major central banks, including in the U.S., the U.K., and Canada. The near-term outlook for Euro-area growth has been more negatively impacted by COVID than in other DMs, and several European countries have reinstated restrictions on economic activity. The ECB is expected to reduce the extent of asset purchases in 2022 but is not expected to implement any policy rate increases. This suggests an opportunity for fundamentally strong currencies to appreciate against EUR in coming months.

The ETF retained relatively small shorts in USD and JPY, and recently closed its short in the Swiss franc ("CHF"). USD is trading increasingly rich to its estimated long-term equilibrium valuation. However, negative growth risks associated with COVID and upside risks to inflation suggest the possibility of further USD strength in coming months. This argues for relatively less short exposure to this currency in the near-term. JPY is expected to behave in a contra-cycle manner in the coming months. In the context of CIBC Asset's broadly constructive cyclical global growth outlook, JPY is expected to underperform.

Fourth, the ETF remains long fundamentally attractive currencies that offer a combination of exposure to global growth, relatively attractive valuations, and, in some cases, relatively attractive interest rate carry. This group includes BRL, CLP, the Czech koruna ("CZK"), Indian rupee ("INR"), Indonesian rupiah ("IDR"), MXN, and RUB. The size of the INR position was increased during December, and the ETF's long in the Polish zloty ("PLN") was closed. Although political risks for RUB remain elevated, the expected return offered by this currency remains sufficiently attractive to compensate for accepting exposure to these risks. Funding for Asian longs in this group continued to include the Taiwan dollar ("TWD"), which is an attractive short from a carry perspective.

Fifth, CIBC Asset remains constructive on peripheral Europe. Upside inflationary pressures in this region appear to be more entrenched than the market consensus, suggesting a more aggressive trajectory for central bank monetary policy tightening than is priced in. Favorable structural European fiscal developments will likely also be supportive over the longer term, while COVID remains an important near-term headwind to currency appreciation. This constructive view was

Management Discussion of Fund Performance (continued)

expressed through long positions in the Norwegian krone (“NOK”) and CZK, and a EUR short. Towards the end of 2021, the ETF closed its short Israeli shekel (“ILS”) position that had previously formed part of the funding for this constructive European view.

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

For the year ended December 31, 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 \$1,853,820. This compares to \$750,116 for the year ended December 31, 2020. The ETF incurred management, operating and transaction expenses of \$592,333 (2020 – \$400,918) of which \$31,162 (2020 – \$58,327) 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 years ended December 31, 2021 and 2020.

Leverage

The aggregate market exposure of all instruments held directly or indirectly by HARC, calculated daily on a mark-to-market basis, can exceed HARC’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 HARC 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 years ended December 31, 2021 and 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.

Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
December 31, 2021	1.19:1	2.50:1	1.41:1	141%
December 31, 2020	1.77:1	2.74:1	2.34:1	234%

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.

Impact of COVID-19

The COVID-19 virus is an ongoing but fading risk to the global recovery and as such it continues to have an impact and is a risk in the markets in which the ETF operates. COVID variants are still causing economic uncertainty, and may impact estimates and/or judgements the Manager makes for the purposes of preparing the ETF’s financial statements related 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 December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020.

Management Discussion of Fund Performance (continued)**Presentation**

The attached 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 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 14) 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 December 31, 2021 and 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 past five fiscal years. This information is derived from the ETF's audited annual financial statements and the current audited annual 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

Year ⁽¹⁾	2021	2020	2019	2018	2017
Net assets, beginning of year	\$21.66	21.71	20.23	21.05	20.00
Increase (decrease) from operations:					
Total revenue	0.01	0.11	0.34	0.28	0.19
Total expenses	(0.24)	(0.29)	(0.31)	(0.28)	(0.31)
Realized gains (losses) for the year	1.11	(0.38)	0.72	(0.57)	1.27
Unrealized gains (losses) for the year	(0.33)	0.90	0.75	(0.25)	(0.15)
Total increase (decrease) from operations ⁽²⁾	0.55	0.34	1.50	(0.82)	1.00
Distributions:					
From net investment income (excluding dividends)	–	–	–	–	(0.96)
Total annual distributions ⁽³⁾	–	–	–	–	(0.96)
Net assets, end of year ⁽⁴⁾	\$ 22.21	21.66	21.71	20.23	21.05

1. This information is derived from the ETF's audited annual 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

Year ⁽¹⁾	2021	2020	2019	2018	2017
Total net asset value (000's)	\$ 56,450	33,406	11,223	9,449	7,777
Number of shares outstanding (000's)	2,542	1,542	517	467	370
Management expense ratio ⁽²⁾⁽⁴⁾	1.07%	1.23%	1.09%	1.09%	1.09%
Management expense ratio excluding proportion of expenses from underlying investment funds	0.99%	1.19%	1.09%	1.09%	1.09%
Management expense ratio before waivers and absorptions ⁽²⁾	1.13%	1.46%	1.85%	1.93%	3.20%
Trading expense ratio ⁽³⁾⁽⁴⁾	0.09%	0.20%	0.36%	0.28%	0.45%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.09%	0.20%	0.36%	0.28%	0.45%
Portfolio turnover rate ⁽⁵⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per share, end of year	\$ 22.21	21.66	21.71	20.23	21.05
Closing market price	\$22.21	21.63	21.67	20.34	21.15

1. This information is provided as at December 31 of the years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year. 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. 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 year.
4. The ETF's management expense ratio (MER) and trading expense ratio (TER) include and estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year.
5. 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 year.

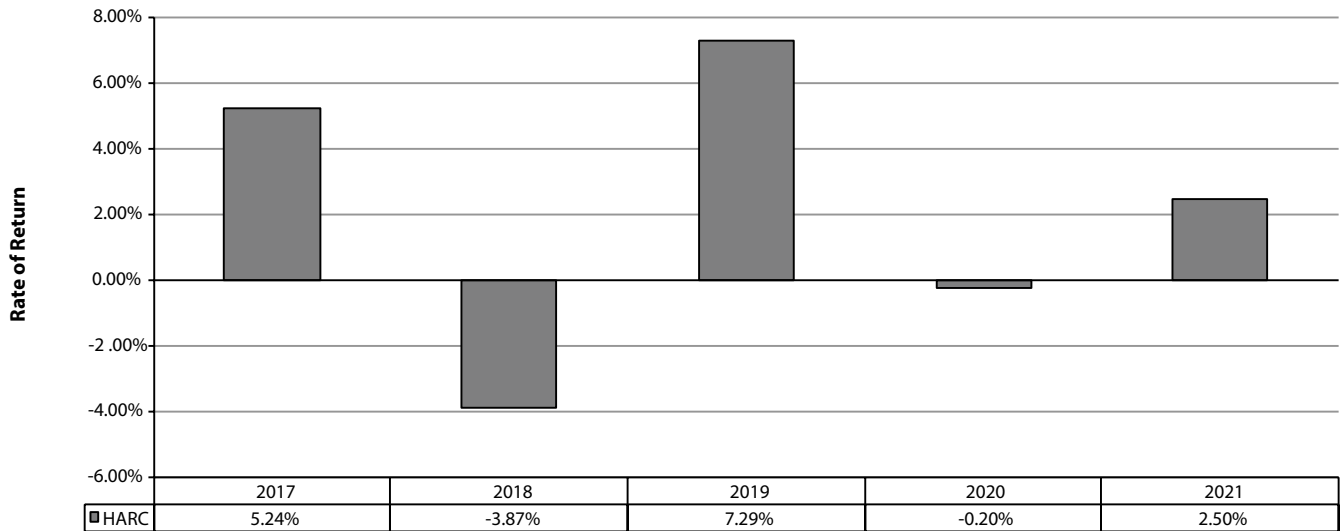
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
4%	89%	7%

Past Performance

Commissions, management fee, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical total returns including changes in 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 January 16, 2017.

Past Performance (continued)

Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2021, along with a comparable market index. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the ETF or future returns on investments in the ETF.

	1 Year	3 Year	Since Inception
Horizons Absolute Return Global Currency ETF	2.50%	3.15%	2.13%
US Dollar (USD)	-0.69%	-2.50%	-0.84%
Japanese Yen (JPY)	-10.92%	-4.07%	-1.00%
Euro Currency (EUR)	-7.54%	-2.77%	0.58%
Brazilian Real (BRL)	-7.46%	-13.56%	-11.09%
Russian Ruble (RUB)	-2.23%	-5.14%	-5.29%

The ETF effectively began operations on January 16, 2017.

Summary of Investment Portfolio

As at December 31, 2021

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Exposure		
Currency Forward Contracts–Speculative*	\$ 43,170,422	76.49%
Cash and Cash Equivalents	56,376,342	99.86%
Other Assets less Liabilities	(65,220)	-0.11%
Short Exposure		
Currency Forward Contracts–Speculative*	(43,031,729)	-76.24%
	\$ 56,449,815	100.00%

*Positions in forward contracts are disclosed as the gain/(loss) that would be realized if the contracts were closed out on the date of this report.

Top Forward Currency Exposure **	% of ETF's Net Asset Value
Long Exposure	
Russian Ruble	14.61%
Indian Rupee	14.10%
Canadian Dollars	11.75%
Indonesian Rupiah	10.00%
Mexican Peso	9.01%
Czech Koruna	6.27%
Brazilian Real	5.99%
Norwegian Krone	4.05%
Chile Preso	0.71%
Short Exposure	
United States Dollars	-3.09%
Australian Dollars	-5.00%
Hong Kong Dollars	-5.99%
Japanese Yen	-11.81%
Taiwan Dollars	-24.49%
Euro	-25.86%

** All forward contracts are speculative in nature. Positions in forward contracts are disclosed in terms of their fair value. Aggregate exposure of forward contracts equals 152.73% of the ETFs 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 audited annual consolidated financial statements ("financial statements") of Horizons Absolute Return Global Currency 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 as issued by the International Accounting Standards Board 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., and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of shareholders. The independent auditors' report outlines the scope of their audit and their opinion on the financial statements.



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



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

INDEPENDENT AUDITORS' REPORT

To the Shareholders of Horizons Absolute Return Global Currency ETF (the "ETF")

Opinion

We have audited the consolidated financial statements of the ETF, which comprise the consolidated statements of financial position as at December 31, 2021 and 2020, the consolidated statements of comprehensive income, changes in financial position and cash flows for the years then ended and notes to the consolidated financial statements, including a summary of significant accounting policies (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the ETF in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. Other information comprises:

- the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions.

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit and remain alert for indications that the other information appears to be materially misstated.

We obtained the information included in the Management Report of Fund Performance filed with the relevant Canadian Securities Commissions as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the ETF's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the ETF or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the ETF's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the ETF to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditors' report is Ziad Said.
Toronto, Canada
March 11, 2022

Consolidated Statements of Financial Position

As at December 31,

	2021	2020
Assets		
Cash and cash equivalents	\$ 56,376,342	\$ 33,272,436
Amounts receivable relating to accrued income	306	1,634
Amounts receivable relating to portfolio assets sold	544,409	–
Derivative assets (note 3)	1,532,646	2,055,438
Total assets	58,453,703	35,329,508
Liabilities		
Accrued management fees	43,446	25,677
Accrued operating expenses	11,007	3,749
Amounts payable relating to securities redeemed	555,482	–
Amounts payable for portfolio assets purchased	–	1,058,071
Derivative liabilities (note 3)	1,393,953	835,757
Total liabilities	2,003,888	1,923,254
Total net assets (note 2)	\$ 56,449,815	\$ 33,406,254
Number of redeemable shares outstanding (note 9)	2,542,000	1,542,000
Total net assets per share	\$ 22.21	\$ 21.66

(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 Statements of Comprehensive Income

For the Years Ended December 31,

	2021	2020
Income		
Interest income for distribution purposes	\$ 5,769	\$ 129,201
Securities lending income (note 7)	13,330	2,424
Net realized gain (loss) on sale of investments and derivatives	2,609,861	(470,349)
Net realized gain on foreign exchange	15,387	19,206
Net change in unrealized appreciation (depreciation) of investments and derivatives	(1,080,425)	1,044,319
Net change in unrealized appreciation of foreign exchange	289,898	25,315
	1,853,820	750,116
Expenses (note 10)		
Management fees	467,814	247,439
Audit fees	13,629	12,231
Independent Review Committee fees	912	726
Custodial and fund valuation fees	28,009	28,121
Legal fees	2,516	29,843
Securityholder reporting costs	12,766	11,262
Administration fees	22,315	23,162
Transaction costs	44,372	48,134
	592,333	400,918
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(31,162)	(58,327)
	561,171	342,591
Increase in net assets for the year	\$ 1,292,649	\$ 407,525
Increase in net assets per share	\$ 0.55	\$ 0.34

(See accompanying notes to financial statements)

Consolidated Statements of Changes in Financial Position

For the Years Ended December 31,

	2021	2020
Total net assets at the beginning of the year	\$ 33,406,254	\$ 11,223,288
Increase in net assets	1,292,649	407,525
Redeemable share transactions		
Proceeds from the issuance of securities of the investment fund	28,377,384	30,973,636
Aggregate amounts paid on redemption of securities of the investment fund	(6,626,472)	(9,198,195)
Total net assets at the end of the year	\$ 56,449,815	\$ 33,406,254

(See accompanying notes to financial statements)

Consolidated Statements of Cash Flows

For the Years Ended December 31,

	2021	2020
Cash flows from operating activities:		
Increase in net assets for the year	\$ 1,292,649	\$ 407,525
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	(2,609,861)	470,349
Net realized gain (loss) on currency forward contracts	2,609,540	(470,564)
Net change in unrealized depreciation (appreciation) of investments and derivatives	1,080,425	(1,044,319)
Net change in unrealized appreciation of foreign exchange	(289,898)	(25,315)
Purchase of investments	(1,057,348)	1,058,872
Proceeds from the sale of investments	(544,248)	108
Amounts receivable relating to accrued income	1,328	13,912
Accrued expenses	25,027	8,180
Net cash from operating activities	507,614	418,748
Cash flows from financing activities:		
Amount received from the issuance of shares	28,377,384	30,973,636
Amount paid on redemptions of shares	(6,070,990)	(9,198,195)
Net cash from financing activities	22,306,394	21,775,441
Net increase in cash and cash equivalents during the year	22,814,008	22,194,189
Effect of exchange rate fluctuations on cash and cash equivalents	289,898	25,315
Cash and cash equivalents at beginning of year	33,272,436	11,052,932
Cash and cash equivalents at end of year	\$ 56,376,342	\$ 33,272,436
Interest received, net of withholding taxes	\$ 7,097	\$ 143,113

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2021

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (0.25%)			
Currency Forwards (0.25%)			
Currency forward contract to buy TWD 5,435,000 for US\$195,962 maturing January 10, 2022		\$ –	\$ 607
Currency forward contract to buy US\$5,652,790 for TWD 156,580,000 maturing January 10, 2022		–	(8,360)
Currency forward contract to buy MYR 7,060,000 for US\$1,683,558 maturing January 12, 2022		–	14,316
Currency forward contract to buy US\$1,678,954 for MYR 7,060,000 maturing January 12, 2022		–	(20,140)
Currency forward contract to buy MXN 122,740,000 for C\$7,351,191 maturing January 14, 2022		–	219,774
Currency forward contract to buy C\$22,533,874 for EUR€15,635,000 maturing January 14, 2022		–	12,789
Currency forward contract to buy PLN 10,780,000 for C\$3,374,444 maturing January 14, 2022		–	7,849
Currency forward contract to buy C\$2,478,550 for MXN 40,260,000 maturing January 14, 2022		–	(4,806)
Currency forward contract to buy EUR€5,500,000 for C\$7,946,016 maturing January 14, 2022		–	(23,665)
Currency forward contract to buy C\$3,356,112 for PLN 10,780,000 maturing January 14, 2022		–	(26,181)
Currency forward contract to buy US\$15,710,000 for C\$19,617,335 maturing January 18, 2022		–	255,302
Currency forward contract to buy C\$9,577,088 for US\$7,660,000 maturing January 18, 2022		–	(112,562)
Currency forward contract to buy US\$1,852,289 for COP 7,056,295,000 maturing January 26, 2022		–	153,558
Currency forward contract to buy US\$1,839,041 for CLP 1,483,830,000 maturing January 26, 2022		–	129,795
Currency forward contract to buy US\$1,366,946 for RUB 100,890,000 maturing January 26, 2022		–	32,572
Currency forward contract to buy C\$4,755,966 for NOK 33,360,000 maturing January 26, 2022		–	(34,049)
Currency forward contract to buy CLP 1,754,390,000 for US\$2,122,307 maturing January 26, 2022		–	(87,604)
Currency forward contract to buy NOK 49,290,000 for C\$7,189,023 maturing January 26, 2022		–	(111,689)
Currency forward contract to buy COP 7,056,295,000 for US\$1,864,427 maturing January 26, 2022		–	(168,911)
Currency forward contract to buy RUB 591,370,000 for US\$8,169,920 maturing January 26, 2022		–	(390,183)
Currency forward contract to buy CZK 101,340,000 for C\$5,653,980 maturing January 31, 2022		–	198,785

Schedule of Investments (continued)

As at December 31, 2021

Security	Contracts	Average Cost	Fair Value
Currency forward contract to buy C\$2,248,807 for CZK 40,040,000 maturing January 31, 2022		–	(63,653)
Currency forward contract to buy US\$5,467,354 for TWD 151,145,000 maturing February 10, 2022		–	2,369
Currency forward contract to buy C\$11,391,719 for JPY¥1,027,062,107 maturing February 28, 2022		–	91,875
Currency forward contract to buy CHF 1,695,000 for C\$2,357,080 maturing February 28, 2022		–	(629)
Currency forward contract to buy C\$2,307,755 for CHF 1,695,000 maturing February 28, 2022		–	(48,696)
Currency forward contract to buy JPY¥421,320,963 for C\$4,759,405 maturing February 28, 2022		–	(123,988)
Currency forward contract to buy ILS 5,580,000 for C\$2,284,227 maturing March 1, 2022		–	(12,905)
Currency forward contract to buy C\$2,256,186 for ILS 5,580,000 maturing March 1, 2022		–	(15,135)
Currency forward contract to buy BRL 15,095,000 for US\$2,608,946 maturing March 3, 2022		–	82,150
Currency forward contract to buy INR 471,465,000 for US\$6,217,042 maturing March 8, 2022		–	86,642
Currency forward contract to buy C\$4,773,890 for HKD 29,125,000 maturing March 8, 2022		–	48,107
Currency forward contract to buy HKD 8,300,000 for C\$1,362,331 maturing March 8, 2022		–	(15,584)
Currency forward contract to buy C\$2,845,117 for AU\$3,065,000 maturing March 15, 2022		–	23,487
Currency forward contract to buy IDR 63,963,080,000 for US\$4,422,226 maturing March 23, 2022		–	47,456
		–	138,693
TOTAL DERIVATIVES		–	138,693
TOTAL INVESTMENT PORTFOLIO (0.25%)	\$	–	\$ 138,693
Cash and cash equivalents – other (99.86%)			56,376,342
Other assets less liabilities (-0.11%)			(65,220)
TOTAL NET ASSETS (100.00%)			\$ 56,449,815

(See accompanying notes to financial statements)

Notes to Consolidated Financial Statements – ETF Specific Information

For the Years Ended December 31, 2021 and 2020

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 Absolute Return Global Currency ETF	HARC	CAD	January 16, 2017

Investment Objective

HARC seeks to generate positive absolute returns through long and short exposure to selected global currencies. HARC will generally hold Canadian short-term fixed-income securities and will primarily use derivative instruments to gain its exposure to selected global currencies.

B. FINANCIAL INSTRUMENTS RISK (NOTE 5)

(a) Market risks

(i) *Currency risk*

The following table indicates the foreign currencies to which the ETF had significant exposure as at December 31, 2021 and 2020, 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:

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Years Ended December 31, 2021 and 2020

December 31, 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	–	(2,822)	(2,822)	(28)
Brazilian Real	–	3,383	3,383	34
Chilean Peso	–	401	401	4
Czech Koruna	–	3,540	3,540	35
Euro Currency	–	(14,599)	(14,599)	(146)
Hong Kong Dollar	–	(3,379)	(3,379)	(34)
Indian Rupee	–	7,952	7,952	80
Indonesian Rupiah	–	5,642	5,642	56
Japanese Yen	–	(6,664)	(6,664)	(67)
Mexican Peso	–	5,088	5,088	51
New Taiwan Dollar	–	(13,824)	(13,824)	(138)
Norwegian Krone	–	2,287	2,287	23
Russian Ruble	–	8,248	8,248	82
U.S. Dollar	1,928	(1,744)	184	2
Total	1,928	(6,491)	(4,563)	(46)
As % of Net Asset Value	3.4%	-11.5%	-8.1%	-0.1%

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Years Ended December 31, 2021 and 2020

December 31, 2020	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	–	(1,890)	(1,890)	(19)
Chilean Peso	–	3,843	3,843	38
Chinese Yuan	–	3,824	3,824	38
Colombian Peso	–	1,862	1,862	19
Hong Kong Dollar	–	(2,551)	(2,551)	(26)
Indian Rupee	–	9,818	9,818	98
Indonesian Rupiah	–	5,956	5,956	60
Israeli New Shekel	–	(2,541)	(2,541)	(25)
Mexican Peso	–	3,957	3,957	40
New Taiwan Dollar	–	(5,975)	(5,975)	(60)
Norwegian Krone	–	5,922	5,922	59
Philippine Peso	–	(3,814)	(3,814)	(38)
Russian Ruble	–	5,932	5,932	59
Swiss Franc	–	(3,941)	(3,941)	(39)
U.S. Dollar	642	(16,333)	(15,691)	(157)
Total	642	4,069	4,711	47
As % of Net Asset Value	1.9%	12.2%	14.1%	0.1%

(ii) Interest rate risk

As at December 31, 2021 and 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 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	December 31, 2021	December 31, 2020
MSCI World Index	\$346,324	\$209,569

(b) Credit risk

As at December 31, 2021 and 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 (continued)

For the Years Ended December 31, 2021 and 2020

C. FAIR VALUE MEASUREMENT (NOTE 6)

The following is a summary of the inputs used as at December 31, 2021 and 2020, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2021			December 31, 2020		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Exchange Traded Funds	–	–	–	–	–	–
Currency Forward Contracts	–	1,532,646	–	–	2,055,438	–
Total Financial Assets	–	1,532,646	–	–	2,055,438	–
Financial Liabilities						
Currency Forward Contracts	–	(1,393,953)	–	–	(835,757)	–
Total Financial Liabilities	–	(1,393,953)	–	–	(835,757)	–
Net Financial Assets and Liabilities	–	138,693	–	–	1,219,681	–

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 years shown. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2021 and 2020.

D. SECURITIES LENDING (NOTE 7)

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

As at	Securities Loaned	Collateral Received
December 31, 2021	\$1,849,593	\$1,942,197
December 31, 2020	\$1,349,960	\$1,417,457

Collateral may comprise, but is not limited to, cash and obligations of or guaranteed by the Government of Canada or a province thereof; by the United States government or its agencies; by some sovereign states; by permitted supranational agencies; and short-term debt of Canadian financial institutions, if, in each case, the evidence of indebtedness has a designated rating as defined by NI 81-102.

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Years Ended December 31, 2021 and 2020

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2021, and 2020. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the years ended	December 31, 2021	% of Gross Income	December 31, 2020	% of Gross Income
Gross securities lending income	\$22,216		\$3,929	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(8,886)	40.00%	(1,505)	38.30%
Net securities lending income paid to the ETF	\$13,330	60.00%	\$2,424	61.70%

E. REDEEMABLE SHARES (NOTE 9)

For the years ended December 31, 2021, and 2020, 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:

Year	Beginning Shares Outstanding	Shares Issued	Shares Redeemed	Ending Shares Outstanding	Average Shares Outstanding
2021	1,542,000	1,300,000	(300,000)	2,542,000	2,368,712
2020	517,000	1,475,000	(450,000)	1,542,000	1,189,199

F. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS (NOTE 11)

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 years ended December 31, 2021, and 2020, were as follow:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2021	\$886	\$nil	\$nil
December 31, 2020	\$909	\$nil	\$nil

Notes to Consolidated Financial Statements – ETF Specific Information (continued)

For the Years Ended December 31, 2021 and 2020

G. OFFSETTING OF FINANCIAL INSTRUMENTS (NOTE 14)

The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at December 31, 2021 and 2020. The “Net” column displays what the net impact would be on the ETF’s statements of financial position if all amounts were set-off.

Financial Assets and Liabilities as at December 31, 2021	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	1,532,646	–	1,532,646	(1,393,953)	–	138,693
Derivative liabilities	(1,393,953)	–	(1,393,953)	1,393,953	–	–

Financial Assets and Liabilities as at December 31, 2020	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	2,055,438	–	2,055,438	(835,757)	–	1,219,681
Derivative liabilities	(835,757)	–	(835,757)	835,757	–	–

H. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES (NOTE 15)

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

Investee ETF as at December 31, 2021	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	3.36%	\$51,058,461

Investee ETF as at December 31, 2020	Place of Business	Type	Ownership %	Carrying Amount
Horizons Cash Maximizer ETF	Canada	SE	2.76%	\$27,960,900

Notes to Consolidated Financial Statements

For the Years Ended December 31, 2021 and 2020

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 and for the years ended December 31, 2021 and 2020, 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 March 11, 2022, 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 (continued)

For the Years Ended December 31, 2021 and 2020

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

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

For the Years Ended December 31, 2021 and 2020

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.

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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

(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.

(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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

(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 COVID-19 virus is an ongoing but fading risk to the global recovery and as such it continues to have an impact and is a risk in the markets in which the ETF operates. COVID variants are still causing economic uncertainty, and may impact estimates and/or judgements the Manager makes for the purposes of preparing the ETF's financial statements related 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 December 31, 2021 and 2020, and for the years ended December 31, 2021 and 2020.

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

5. FINANCIAL INSTRUMENTS RISK

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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 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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

8. LEVERAGE

The aggregate market exposure of all instruments held directly or indirectly by HARC, calculated daily on a mark-to-market basis, can exceed HARC'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 HARC 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 years ended December 31, 2021 and 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.

Year Ended	Minimum Leverage	Maximum Leverage	Leverage at end of Reporting Period	Approximate Percentage of Net Assets
December 31, 2021	1.19:1	2.50:1	1.41:1	141%
December 31, 2020	1.77:1	2.74:1	2.34:1	234%

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 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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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 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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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; withholding taxes; and fees payable to service providers in connection with regulatory compliance and tax matters in foreign jurisdictions.

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.

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.

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 10 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 December 31, 2021 and 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. 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.

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

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.

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.

13. 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, 2021, 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
\$1,326,394,679	\$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
	\$191,271,535	2039
	\$1,903,168,633	2040

Notes to Consolidated Financial Statements (continued)

For the Years Ended December 31, 2021 and 2020

14. 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.

15. 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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