



**Horizons S&P Green Bond Index ETF  
(HGGB:TSX)**



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## A Message from the CEO

After the challenges of the last two years related to the COVID-19 pandemic, I am pleased a “return to normal” and a broader economic reopening have begun.

While global uncertainty and inflationary pressures have resulted in market volatility, Canada’s ETF industry continues to grow. As at May 31, 2022, Canada’s ETF industry has seen \$18 billion in year-to-date inflows.

At Horizons ETFs, our assets under management swelled from approximately \$17 billion at the end of 2020 to \$20.9 billion as at December 31, 2021. We continue to solidify our position as one of Canada’s top ETF providers, with approximately \$3 billion in ETF flows in the first half of this year. With several more innovative Horizons ETFs funds slated to launch this year, we are optimistic about further growth in the second half of 2022.

We are proud to continue our longstanding commitment to bringing innovative ETFs to market. This year alone we have launched two new, first-of-their-kind ETFs.

In February, Horizons ETFs launched the Horizons Carbon Credits ETF (“**CARB**”). CARB is Canada’s first ETF that provides exposure to investments in cap-and-trade carbon allowances: a nascent asset class, CARB, offers investors the potential to benefit from the growing global effort to regulate and restrict pollution.

In another Canadian first, in May, we launched the Horizons Copper Producers Index ETF (“**COPP**”), providing exposure to companies involved in copper ore mining, one of the most in-demand metals today. Copper is a critical component of electrical infrastructure, electric vehicles, and equipment and has an important role in helping achieve a global low-carbon energy future.

The addition of CARB and COPP to our product shelf strengthens our status as Canada’s leaders in commodity-focused funds. In addition to our longstanding funds that offer exposure to traditional commodities like crude oil and natural gas, last year, we introduced the first ETFs in Canada that offer exposure to three commodities that have the potential to fuel the future: uranium, lithium, and hydrogen. With market conditions in 2022 that have, so far, favoured energy and commodities, these ETFs can offer investors the potential to capture the current market’s momentum.

At Horizons ETFs, “Innovation is Our Capital,” has long been our motto, and we believe this has allowed us to be nimble enough to adapt while anticipating investor needs. No matter what is next on your investment horizon, we are confident that our suite of innovative ETFs will be able to help you reach your financial goals.

As always, we thank you for your continued support and hope you’re staying safe and healthy.

Sincerely,



Steven J. Hawkins  
President & CEO of Horizons ETFs Management (Canada) Inc.

## MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

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

## Management Discussion of Fund Performance

### Investment Objective and Strategies

HGGB seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of global green-labeled bonds issued in U.S. dollars that are subject to stringent eligibility criteria to fund projects that have positive environmental or climate benefits. Currently, the ETF seeks to replicate the performance of the S&P Green Bond US Dollar Select Index (the “Underlying Index”, Bloomberg ticker: SPGRUSST), net of expenses. The ETF seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

To achieve its investment objective, because of the practical difficulties and expense of purchasing securities of all of the constituent issuers of its Underlying Index (the “Constituent Issuers”), HGGB will employ a “stratified sampling” strategy. Under this stratified sampling strategy, HGGB will not hold securities of all of the Constituent Issuers, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the Constituent Issuers. HGGB generally will seek to track the performance of the Underlying Index by investing at least 90% the value of its portfolio in the Constituent Issuers, and in investments that have characteristics that are substantially similar to the characteristics of the Constituent Issuers. HGGB may invest up to 10% of its portfolio in bonds or bond exchange traded funds not included in the Underlying Index, but which the Manager believes will help HGGB track its Underlying Index, as well as other securities including cash and high-quality, liquid short-term instruments.

## Management Discussion of Fund Performance (continued)

The S&P Green Bond U.S. Dollar Select Index, is a sub-index of the S&P Green Bond Index and is a market value-weighted index designed to measure the performance of green-labeled bonds issued globally in U.S. dollars. Bonds must be flagged as “green” by Climate Bonds Initiative (CBI) to be eligible for inclusion in the Underlying Index. For a bond to be flagged green the issuer must clearly indicate the bond’s “green” label and the rationale behind it, such as the intended use of proceeds. CBI uses company disclosures to make the “green” determination. Such disclosures must be made in sources that are credible and related to the company, and may include a company’s website, public filings, sustainability report, legal disclosures, and independent second opinions. These bonds carry the credit risk of the issuer, however, they differ from traditional bonds in that the proceeds from these bonds are earmarked for investments in projects that have environmental benefits.

The Underlying Index generally undergoes a rebalancing process once a month, with the intent of keeping the Underlying Index current. Each bond must have at least 12 months to final maturity at the time of issuance to be included, and have at least one month remaining until maturity at each rebalancing date. No bond matures in the Underlying Index.

### Risk

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

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

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

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

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|---|--|
| <ul style="list-style-type: none"> <li>• Stock market risk</li> <li>• Specific issuer risk</li> <li>• Regulatory risk</li> <li>• Reliance on historical data risk</li> <li>• Liquidity risk</li> <li>• Risk that units will trade at prices other than net asset value per unit</li> <li>• Corresponding net asset value risk</li> <li>• Designated broker/dealer risk</li> </ul> | <ul style="list-style-type: none"> <li>• Change in legislation</li> <li>• No ownership interest</li> <li>• Market for units</li> <li>• Cease trading or securities risk</li> <li>• Exchange risk</li> <li>• Early closing risk</li> <li>• Market disruptions risk</li> <li>• Cybersecurity risk</li> <li>• Risks relating to use of derivatives</li> </ul> |
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## Management Discussion of Fund Performance (continued)

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|--|---|
| <ul style="list-style-type: none"> <li>• No assurance of meeting investment objectives</li> <li>• No guaranteed return</li> <li>• Significant redemptions</li> <li>• Conflicts of interest</li> <li>• Loss of limited liability</li> <li>• Currency risk</li> <li>• Tax related risks</li> <li>• Risks relating to tax changes</li> <li>• Securities lending, repurchase and reverse repurchase transaction risk</li> <li>• Reliance on key personnel</li> <li>• Interest rate risk</li> <li>• Credit risk</li> <li>• High yield bond risk and risks of other lower rated investments</li> </ul> | <ul style="list-style-type: none"> <li>• Geographic risk</li> <li>• Emerging markets risk</li> <li>• Hedging risk</li> <li>• Ethical investment risk</li> <li>• Underlying investment funds risk</li> <li>• Foreign securities risk</li> <li>• Small and mid-capitalization risk</li> <li>• Foreign stock exchange risk</li> <li>• Income trust investment risk</li> <li>• Underlying index risk</li> <li>• Passive index risk</li> <li>• Stratified sampling risk</li> <li>• Index replication risk</li> </ul> |
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### Results of Operations

For the period ended June 30, 2022, units of the ETF returned -9.95%, when including distributions paid to unitholders. By comparison, the Underlying Index returned -11.49% for the same period in U.S. dollar terms. The ETF seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times. Differences in performance between the ETF and the Underlying Index may arise due to expenses payable by the ETF, which include management fees plus applicable sales taxes; the foreign exchange rate differential between the rates used by the Underlying Index provider to calculate the value of the Underlying Index and the rates used by the ETF to value its portfolio securities; as well as the potential for tracking error arising from the physical index replication risk detailed in the ETF's prospectus.

The S&P Green Bond U.S. Dollar Select Index, the Underlying Index of the ETF, is a sub-index of the S&P Green Bond Index and is a market value weighted index designed to measure the performance of green-labeled bonds issued globally in U.S. Dollars. Bonds must be flagged as "green" by Climate Bonds Initiative (CBI) to be eligible for inclusion in the Underlying Index. For a bond to be flagged green the issuer must clearly indicate the bond's "green" label and the rationale behind it, such as the intended use of proceeds. CBI uses company disclosures to make the "green" determination. Such disclosures must be made in sources that are credible and related to the company, and may include a company's website, public filings, sustainability report, legal disclosures, and independent second opinions. These bonds carry the credit risk of the issuer, however, they differ from traditional bonds in that the proceeds from these bonds are earmarked for investments in projects that have environmental benefits.

For the period ended June 30, 2022, the top performers in the Underlying Index were Genneia S.A., Korea Electric Power Corporation, and Bank of China Limited, gaining 5.17%, 1.42% and 0.85%, respectively. The worst performers in the Underlying Index for the year were Zhenro Properties Group Limited, Yuzhou Group Holdings Company Limited, and Central China Real Estate Limited, returning -84.11%, -61.50%, and -42.68%, respectively.

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

## Management Discussion of Fund Performance (continued)

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

The ETF effectively began operations on June 1, 2021. Therefore, the six-month period ended June 30, 2022, represents the first full interim reporting period for the ETF. For the six-month period ended June 30, 2022, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of (\$597,963). The ETF incurred management, operating and transaction expenses of \$58,704 of which \$45,538 was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF distributed \$47,381 to unitholders during the period.

### **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 units as reported under IFRS.

### **Recent Developments**

There are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

### **Related Party Transactions**

Certain services have been provided to the ETF by related parties and those relationships are described below.

#### ***Manager, Trustee and Investment Manager***

The manager, trustee and investment manager of the ETF is Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, a corporation incorporated under the laws of Ontario.

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 11) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statement of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2022, and December 31, 2021, are disclosed in the statements of financial position.



## Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance for the current interim reporting period and since it effectively began operations on June 1, 2021. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

### The ETF's Net Assets per Unit

Period <sup>(1)</sup>	2022	2021
<b>Net assets, beginning of period</b>	\$ 24.60	25.00
<b>Decrease from operations:</b>		
Total revenue	0.39	0.46
Total expenses	(0.05)	(0.11)
Realized gains (losses) for the period	0.39	(1.42)
Unrealized gains (losses) for the period	(3.17)	1.00
<b>Total decrease from operations</b> <sup>(2)</sup>	(2.44)	(0.07)
<b>Distributions:</b>		
From net investment income (excluding dividends)	(0.19)	(0.32)
<b>Total distributions</b> <sup>(3)</sup>	(0.19)	(0.32)
<b>Net assets, end of period</b> <sup>(4)</sup>	\$ 21.97	24.60

- This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
- Net assets per unit and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
- Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units. The characteristics of distributions, if any, are determined subsequent to the end of the ETF's tax year. Until such time, distributions are classified as from net investment income (excluding dividends) for reporting purposes.
- The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

**Financial Highlights** (continued)

**Ratios and Supplemental Data**

<b>Period</b> <sup>(1)</sup>	<b>2022</b>	<b>2021</b>
Total net asset value (000's)	\$ 5,492	6,150
Number of units outstanding (000's)	250	250
Management expense ratio <sup>(2)</sup>	0.55%	0.55%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	2.13%	1.81%
Trading expense ratio <sup>(4)</sup>	0.06%	0.05%
Portfolio turnover rate <sup>(5)</sup>	0.00%	5.96%
Net asset value per unit, end of period	\$ 21.97	24.60
Closing market price	\$ 21.94	24.64

1. This information is provided as at June 30, 2022, and December 31, 2021.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

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**Financial Highlights** (continued)**Management Fees**

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

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

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.

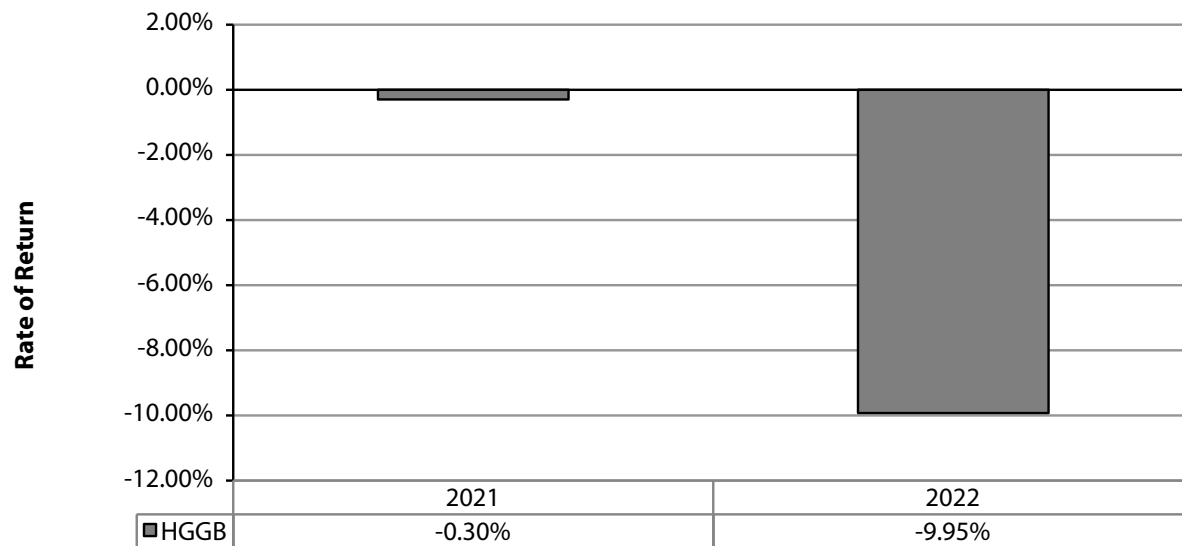
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

## Past Performance

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

## Year-by-Year Returns

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



The ETF effectively began operations on June 1, 2021.

## Summary of Investment Portfolio

As at June 30, 2022

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Global Fixed Income Securities	\$ 3,221,547	58.66%
U.S. Fixed Income Securities	1,733,391	31.56%
Supranational Securities	371,600	6.77%
Currency Forward Hedge*	(143,465)	-2.61%
Cash and Cash Equivalents	296,652	5.40%
Other Assets less Liabilities	12,097	0.22%
	<b>\$ 5,491,822</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Corporate Bonds	\$ 3,646,105	66.39%
Government Bonds	1,680,433	30.60%
Currency Forward Hedge*	(143,465)	-2.61%
Cash and Cash Equivalents	296,652	5.40%
Other Assets less Liabilities	12,097	0.22%
	<b>\$ 5,491,822</b>	<b>100.00%</b>

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

**Summary of Investment Portfolio** (continued)

As at June 30, 2022

<b>Top 25 Holdings*</b>	<b>% of ETF's Net Asset Value</b>
European Investment Bank	6.77%
Fannie Mae	6.60%
Cash and Cash Equivalents	5.40%
Cooperatieve Rabobank UA	5.18%
State Bank of India of London	4.73%
Perusahaan Penerbit SBSN Indonesia III	4.71%
ING Groep NV	4.69%
Industrial & Commercial Bank of China Ltd. of Luxembourg	4.69%
China Development Bank	4.68%
Korea Electric Power Corp.	4.61%
Bank of China Ltd. of Paris	4.56%
Inversiones CMPC SA	4.48%
Klabn Austria GmbH	4.28%
Consortio Transmantaro SA	4.21%
Pattern Energy Operations L.P. / Pattern Energy Operations Inc.	4.11%
Hong Kong Special Administrative Region	3.99%
Host Hotels & Resorts L.P.	3.98%
Arab Republic of Egypt	3.85%
HAT Holdings I LLC / HAT Holdings II LLC	2.25%
MidAmerican Energy Co.	2.20%
Welltower Inc.	2.17%
Boston Properties L.P.	2.11%
Toyota Motor Credit Corp.	2.04%
DTE Electric Co.	1.90%
Verizon Communications Inc.	1.88%

\* Note all of the Top 25 Holdings represent the aggregate debt instruments of that issuer in the ETF's portfolio.

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

### **MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Horizons S&P Green Bond Index ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards 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.



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



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Thomas Park  
Director  
Horizons ETFs Management (Canada) Inc.

### **NOTICE TO UNITHOLDERS**

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

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

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

**Statements of Financial Position** (unaudited)

June 30, 2022, and December 31, 2021

	<b>2022</b>	<b>2021</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 296,652	\$ 29,588
Investments	5,326,538	6,049,433
Amounts receivable relating to accrued income	46,363	45,923
Derivative assets (note 3)	–	60,953
<b>Total assets</b>	<b>5,669,553</b>	<b>6,185,897</b>
<b>Liabilities</b>		
Accrued management fees	2,269	2,461
Accrued operating expenses	2,122	1,110
Distribution payable	29,875	32,020
Derivative liabilities (note 3)	143,465	–
<b>Total liabilities</b>	<b>177,731</b>	<b>35,591</b>
<b>Total net assets (note 2)</b>	<b>\$ 5,491,822</b>	<b>\$ 6,150,306</b>
Number of redeemable units outstanding (note 8)	250,002	250,001
Total net assets per unit	\$ 21.97	\$ 24.60

(See accompanying notes to financial statements)

Approved on behalf of the Board of Directors of the Manager:



 Steven J. Hawkins  
 Director



 Thomas Park  
 Director



**Statement of Comprehensive Income** (unaudited)

For the Period Ended June 30, 2022

	<b>2022</b>
<b>Income</b>	
Interest income for distribution purposes	\$ 97,124
Net realized gain on sale of investments and derivatives	95,843
Net realized gain (loss) on foreign exchange	907
Net change in unrealized appreciation (depreciation) of investments and derivatives	(793,802)
Net change in unrealized appreciation of foreign exchange	1,965
	<b>(597,963)</b>
<b>Expenses (note 9)</b>	
Management fees	14,284
Audit fees	6,405
Independent Review Committee fees	131
Custodial and fund valuation fees	14,307
Legal fees	1,351
Securityholder reporting costs	6,091
Administration fees	18,623
Transaction costs	1,867
Withholding taxes	(4,408)
Other expenses	53
	<b>58,704</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(45,538)
	<b>13,166</b>
<b>Increase (decrease) in net assets for the period</b>	<b>\$ (611,129)</b>
Increase (decrease) in net assets per unit	\$ (2.44)

(See accompanying notes to financial statements)

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

For the Period Ended June 30, 2022

	<b>2022</b>	
<b>Total net assets at the beginning of the period</b>	\$	6,150,306
<b>Increase (decrease) in net assets</b>		(611,129)
<b>Redeemable unit transactions</b>		
Proceeds from the issuance of securities of the investment fund		–
Securities issued on reinvestment of distributions		26
Distributions:		
From net investment income		(47,381)
<b>Total net assets at the end of the period</b>	<b>\$</b>	<b>5,491,822</b>

(See accompanying notes to financial statements)

**Statement of Cash Flows** (unaudited)

For the Period Ended June 30, 2022

	<b>2022</b>
<b>Cash flows from operating activities:</b>	
Increase (decrease) in net assets for the period	\$ (611,129)
Adjustments for:	
Net realized gain on sale of investments and derivatives	(95,843)
Net realized gain on currency forward contracts	91,310
Net change in unrealized depreciation (appreciation) of investments and derivatives	793,802
Net change in unrealized appreciation of foreign exchange	(1,683)
Purchase of investments	1
Proceeds from the sale of investments	138,043
Amounts receivable relating to accrued income	(440)
Accrued expenses	820
<b>Net cash from (used in) operating activities</b>	<b>314,881</b>
<b>Cash flows from financing activities:</b>	
Amount received from the issuance of units	–
Distributions paid to unitholders	(49,500)
<b>Net cash from (used in) financing activities</b>	<b>(49,500)</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>265,381</b>
Effect of exchange rate fluctuations on cash and cash equivalents	1,683
<b>Cash and cash equivalents at beginning of period</b>	<b>29,588</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 296,652</b>
Interest received, net of withholding taxes	\$ 101,092
Interest paid	\$ –

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2022

Security	Par Value/ Contracts	Average Cost	Fair Value
<b>GLOBAL FIXED INCOME SECURITIES (58.66%)</b>			
<b>Corporate Bonds (41.43%)</b>			
Bank of China Ltd. of Paris, 0.95%, 2023/09/21	200,000	\$ 243,110	\$ 250,519
Consorcio Transmantaro SA, Sinkable, 4.70%, 2034/04/16	200,000	264,945	231,197
Cooperatieve Rabobank UA, Variable Rate, Callable, 1.11%, 2027/02/24	250,000	298,782	284,577
Industrial & Commercial Bank of China Ltd. of Luxembourg, 2.88%, 2022/10/12	200,000	249,026	257,249
ING Groep NV, 4.63%, 2026/01/06	200,000	276,783	257,584
Inversiones CMPC SA, 4.38%, 2027/04/04	200,000	268,591	245,947
Klabn Austria GmbH, Callable, 7.00%, 2049/04/03	200,000	302,391	234,951
Korea Electric Power Corp., 2.50%, 2024/06/24	200,000	255,691	253,205
State Bank of India of London, 4.50%, 2023/09/28	200,000	260,044	259,795
		2,419,363	2,275,024
<b>Government Bonds (17.23%)</b>			
Arab Republic of Egypt, 5.25%, 2025/10/06	200,000	257,838	211,304
China Development Bank, 2.75%, 2022/11/16	200,000	249,733	257,159
Hong Kong Special Administrative Region, 1.38%, 2031/02/02	200,000	232,451	219,324
Perusahaan Penerbit SBSN Indonesia III, 3.90%, 2024/08/20	200,000	263,798	258,736
		1,003,820	946,523
<b>TOTAL GLOBAL FIXED INCOME SECURITIES</b>		<b>3,423,183</b>	<b>3,221,547</b>
<b>U.S. FIXED INCOME SECURITIES (31.56%)</b>			
<b>Corporate Bonds (24.96%)</b>			
Apple Inc., Callable, 3.00%, 2027/06/20	20,000	26,635	25,231
Boston Properties L.P., Callable, 3.40%, 2029/06/21	100,000	129,248	115,746
DTE Electric Co., Series 'B', Callable, 3.25%, 2051/04/01	100,000	124,112	104,658
HAT Holdings I LLC / HAT Holdings II LLC, Callable, 6.00%, 2025/04/15	100,000	128,091	123,484
Host Hotels & Resorts L.P., Series 'H', Callable, 3.38%, 2029/12/15	200,000	246,413	218,656
MidAmerican Energy Co., Callable, 4.25%, 2049/07/15	100,000	145,787	120,878
Northern States Power Co. of Minnesota, Callable, 3.20%, 2052/04/01	100,000	124,788	102,201
Pattern Energy Operations L.P. / Pattern Energy Operations Inc., Callable, 4.50%, 2028/08/15	200,000	247,654	225,997
Toyota Motor Credit Corp., 2.15%, 2030/02/13	100,000	121,815	111,811
Verizon Communications Inc., Callable, 1.50%, 2030/09/18	100,000	113,443	103,266
Welltower Inc., Callable, 2.70%, 2027/02/15	100,000	128,254	119,153
		1,536,240	1,371,081

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

As at June 30, 2022

Security	Par Value/ Contracts	Average Cost	Fair Value
<b>Government Bonds (6.60%)</b>			
Fannie Mae, Class 'A2', Series '19-M1', Variable Rate, 3.55%, 2028/09/25	99,490	137,467	128,619
Fannie Mae, Class 'A2', Series '19-M22', 2.52%, 2029/08/25	193,224	250,461	233,691
		387,928	362,310
<b>TOTAL U.S. FIXED INCOME SECURITIES</b>		<b>1,924,168</b>	<b>1,733,391</b>
<b>SUPRANATIONAL SECURITIES (6.77%)</b>			
<b>Government Bonds (6.77%)</b>			
European Investment Bank, 2.88%, 2025/06/13	290,000	381,608	371,600
<b>TOTAL SUPRANATIONAL SECURITIES</b>		<b>381,608</b>	<b>371,600</b>
<b>DERIVATIVES (-2.61%)</b>			
<b>Currency Forwards (-2.61%)</b>			
Currency forward contract to buy US\$150,000 for C\$194,355 maturing July 14, 2022		–	(1,272)
Currency forward contract to buy C\$5,521,560 for US\$4,400,000 maturing July 14, 2022		–	(142,193)
		–	(143,465)
<b>TOTAL DERIVATIVES</b>		–	(143,465)
<b>TOTAL INVESTMENT PORTFOLIO (94.38%)</b>		<b>\$ 5,728,959</b>	<b>\$ 5,183,073</b>
<b>Cash and cash equivalents (5.40%)</b>			296,652
<b>Other assets less liabilities (0.22%)</b>			12,097
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 5,491,822</b>

(See accompanying notes to financial statements)

**Notes to Financial Statements** (unaudited)

June 30, 2022

**1. REPORTING ENTITY**

Horizons S&P Green Bond Index ETF (“HGGB” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on June 1, 2021. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class A units (“Class A”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HGGB. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

HGGB seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of global green-labeled bonds issued in U.S. dollars that are subject to stringent eligibility criteria to fund projects that have positive environmental or climate benefits. Currently, the ETF seeks to replicate the performance of the S&P Green Bond US Dollar Select Index (the “Underlying Index”, Bloomberg ticker: SPGRUSST), net of expenses. The ETF seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

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

**2. BASIS OF PREPARATION*****(i) Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board. Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

These financial statements were authorized for issue on August 12, 2022, by the Board of Directors of the Manager.

***(ii) Basis of measurement***

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

***(iii) Functional and presentation currency***

The financial statements are presented in Canadian dollars, which is the ETF’s functional currency.

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

June 30, 2022

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### (a) Financial instruments

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

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

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

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

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

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

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

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

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

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

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

June 30, 2022

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

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

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

***(iii) Offsetting***

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

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

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

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

**Forward foreign exchange contracts**

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

**Redeemable units**

The redeemable units are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units. They are classified as financial liabilities as a result of the ETF’s requirement to distribute net income and capital gains to unitholders.



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

June 30, 2022

**(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 statement of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs is recognized when earned.

Income from derivatives is shown in the statement 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 statement 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 statement of comprehensive income.

**(c) Foreign currency**

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

**(d) Cost basis**

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

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

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

**(f) Unitholder transactions**

The value at which units are issued or redeemed is determined by dividing the net asset value of the ETF by the total number of units outstanding of the ETF on the applicable Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units are included in the statement of changes in financial position. Orders for subscriptions or redemptions are only permissible on valid trading days, as defined in the ETF's prospectus.

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

June 30, 2022

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

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

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

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

### (i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and any applicable transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statement 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 ETF may hold financial instruments that are not quoted in active markets, including derivatives. The determination of the fair value of these instruments is the area with the most significant accounting judgements and estimates that the ETF has made in preparing the financial statements. See note 6 for more information on the fair value measurement of the ETF's financial instruments.

## 5. FINANCIAL INSTRUMENTS RISK

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

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the units of the ETF. Significant financial instrument risks that are relevant to the ETF, and analysis thereof, are presented below.

### (a) Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the ETF's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

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

June 30, 2022

**(i) Currency risk**

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at June 30, 2022, and December 31, 2021, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

**(ii) Interest rate risk**

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

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

<b>Investments</b>	<b>Less than 1 year</b>	<b>1 - 3 years</b>	<b>3 - 5 years</b>	<b>&gt; 5 years</b>	<b>Non-interest bearing</b>	<b>Total</b>
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
June 30, 2022	517	1,527	1,158	2,172	–	5,374
December 31, 2021	644	1,059	1,069	3,325	–	6,097

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2022, was 97.8% (December 31, 2021 – 99.1%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 2022, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$264,196 (December 31, 2021 – \$303,157). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

**(iii) Other market risk**

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

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

<b>Comparative Index</b>	<b>June 30, 2022</b>	<b>December 31, 2021</b>
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$46,274	\$44,451

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

June 30, 2022

**(b) Credit risk**

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

***Analysis of credit quality***

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2022, and December 31, 2021, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2022	December 31, 2021
AAA	6.8%	8.4%
AA	15.7%	15.3%
A	32.1%	31.4%
BBB	28.5%	28.5%
BB	10.8%	11.3%
B	3.9%	4.2%
<b>Total</b>	<b>97.8%</b>	<b>99.1%</b>

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2022, was 6.8% (December 31, 2021 – 6.6%) of the net assets of the ETF.

**(c) Liquidity risk**

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

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

June 30, 2022

**6. FAIR VALUE MEASUREMENT**

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2022, and December 31, 2021, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2022			December 31, 2021		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Bonds	–	5,326,538	–	–	6,049,433	–
Currency Forward Contracts	–	–	–	–	60,953	–
<b>Total Financial Assets</b>	–	<b>5,326,538</b>	–	–	<b>6,110,386</b>	–
<b>Financial Liabilities</b>						
Currency Forward Contracts	–	(143,465)	–	–	–	–
<b>Total Financial Liabilities</b>	–	<b>(143,465)</b>	–	–	–	–
<b>Net Financial Assets and Liabilities</b>	–	<b>5,183,073</b>	–	–	<b>6,110,386</b>	–

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or year shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2022, and for the year ended December 31, 2021.

**7. SECURITIES LENDING**

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

As at June 30, 2022, and December 31, 2021, the ETF was not participating in any securities lending transactions. For the period ended June 30, 2022, the ETF did not earn any income from securities lending transactions.

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

June 30, 2022

**8. REDEEMABLE UNITS**

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

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

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

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

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

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

For the periods ended June 30, 2022 and 2021, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2022	250,001	1	–	250,002	250,002
2021	–	250,001	–	250,001	250,001

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

June 30, 2022

**9. EXPENSES****Management fees**

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.45%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

**Other expenses**

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

**10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS**

Brokerage commissions paid on securities transactions may include amounts paid to related parties of the Manager for brokerage services provided to the ETF.

Research and system usage related services received in return for commissions generated with specific dealers are generally referred to as soft dollars.

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

June 30, 2022

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the periods ended June 30, 2022 and 2021, were as follow:

<b>Period Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
June 30, 2022	\$nil	\$nil	\$nil
June 30, 2021	\$nil	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statement of comprehensive income. The management fees payable by the ETF as at June 30, 2022, and December 31, 2021, are disclosed in the statements of financial position.

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

**11. INCOME TAX**

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

**12. TAX LOSSES CARRIED FORWARD**

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forward may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2021, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

<b>Net Capital Losses</b>	<b>Non-Capital Losses</b>	<b>Year of Expiry of the Non-Capital Losses</b>
\$95,288	–	–

**13. OFFSETTING OF FINANCIAL INSTRUMENTS**

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2022, and December 31, 2021. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.



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

June 30, 2022

Financial Assets and Liabilities as at June 30, 2022	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	–	–	–	–	–	–
Derivative liabilities	(143,465)	–	(143,465)	–	–	(143,465)

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	60,953	–	60,953	–	–	60,953
Derivative liabilities	–	–	–	–	–	–

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

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

In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF qualifies as an investment entity under IFRS 10 - *Consolidated Financial Statements*, and therefore accounts for investments it controls at fair value through profit and loss. The ETF’s primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the ETF’s prospectus to meet those objectives. The ETF also measures and evaluates the performance of any Investee ETFs on a fair value basis.

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2022, and December 31, 2021, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

Manager

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