



**Horizons Global Sustainability Leaders Index ETF
(ETHI:TSX)**



HORIZONS ETFs
by Mirae Asset

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A Message from the CEO

As we mark the end of 2023, I am proud to highlight the successes that Horizons ETFs has achieved this year, within our business and for our investors. Through 2024 and beyond, we remain committed to helping Canadians navigate and harness the emerging trends shaping markets while delivering exceptional investment solutions and client experiences.

While global uncertainty and economic pressures have resulted in market volatility, Canada's ETF industry continues to grow. As at December 31, 2023, Canada's ETF industry accumulated approximately \$40 billion of in-flows during the year.

At Horizons ETFs, our assets under management swelled from approximately \$22.9 billion at the end of 2022 to over \$30 billion at the end of 2023 – an increase of more than \$7.6 billion, the largest year-over-year growth in the firm's history. We continued to solidify our position as a leading Canadian ETF provider, with more than \$5.5 billion in ETF in-flows this year.

We are also committed to our longstanding commitment to bringing innovative ETFs to market. In April, we launched Canada's first ETFs that provide exclusive exposure to Canadian and U.S. 0-3-month Treasury Bills, respectively the Horizons 0-3 Month T-Bill ETF ("**CBIL**") and the Horizons 0-3 Month U.S. T-Bill ETF ("**UBIL.U**"). In July, we launched 6 ETFs as part of our Equity Essentials suite, including Canada's lowest-cost Canadian bank ETF, the Horizons Equal Weight Banks Index ETF ("**HBNK**"). In October, we launched our Premium Yield ETF suite, which provides exposure to actively-managed options programs on U.S. Treasury securities. We also expanded our suite of Asset Allocation ETFs to include first-in-Canada types of exposure in this class of ETFs.

These launches were a significant success: Horizons ETFs recorded more than \$1.8 billion in in-flows into these ETFs, making us one of the top providers in Canada for assets raised in new ETFs launched in 2023. In 2024, we intend to launch several new and innovative ETFs, offering investors more opportunities to gain and tailor their exposure to traditional and emerging asset classes. We look forward to sharing more news on these exciting products soon.

No matter what is next on the horizon, we are confident that our suite of innovative ETFs will be able to help you reach your financial goals.

At Horizons ETFs, we embrace innovation in everything that we do. From our roots as one of Canada's first ETF providers to our proud legacy of launching first-of-their-kind investment products, we are driven by boldness, vision, and a commitment to exceptional quality and client experience.

Thank you for your continued support as we work toward advancing the asset management industry toward a brighter horizon for all investors.

Sincerely,



Rohit Mehta
President & CEO of Horizons ETFs Management (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

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

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

ETHI seeks to replicate, to the extent possible, the performance of the Nasdaq Future Global Sustainability Leaders USD Index (the “Underlying Index”, Bloomberg ticker: NQFGSLTD), net of expenses. The Underlying Index is designed to provide exposure to the performance of a basket of large-cap equity securities of companies that are global climate change leaders (as measured by their relative carbon efficiency), and are not materially engaged in activities deemed inconsistent with responsible investment considerations. ETHI seeks to hedge the U.S. dollar value of its portfolio to the Canadian dollar at all times.

To achieve its investment objective, ETHI will be generally invested in equity securities of the constituent issuers of its Underlying Index (the “Constituent Issuers”), which may include American Depositary Receipts (“ADRs”) or Global Depositary Receipts (“GDRs”) representing equity securities of Constituent Issuers of the Underlying Index.

The Underlying Index was designed as a passively managed portfolio of global stocks which takes account of key environmental, social and governance (ESG) concerns. The Underlying Index is structured to limit exposure to the fossil fuel industry and climate change risk, and to invest in companies considered to be “climate leaders”.

The Underlying Index is ordinarily rebalanced on an annual basis at the close of trading on each rebalancing date.

Management Discussion of Fund Performance (continued)

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: medium.

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

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

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

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| <ul style="list-style-type: none"> • Stock market risk • Specific issuer risk • Regulatory risk • Market disruptions risk • Cyber security risk • Reliance on historical data risk • Risk that units will trade at prices other than net asset value per unit • Corresponding net asset value risk • Designated broker/dealer risk • Change in legislation • Cease trading or securities risk • Exchange risk • Early closing risk • No assurance of meeting investment objectives • Tax related risks • Risks relating to tax changes • Securities lending, repurchase and reverse repurchase transaction risk • Loss of limited liability • Reliance on key personnel | <ul style="list-style-type: none"> • Conflicts of interest • No ownership interest • Market for units • No guaranteed return • Significant redemptions • Risks relating to use of derivatives • Currency risk • Income trust investment risk • Foreign stock exchange risk • Liquidity risk • Geographic risk • Hedging risk • Ethical investment risk • Underlying investment funds risk • Foreign securities risk • Small and mid-capitalization risk • Underlying index risk • Passive index risk • Stratified sampling risk • Index replication risk |
|--|--|

Management Discussion of Fund Performance (continued)

Results of Operations

For the year ended December 31, 2023, units of the ETF returned 22.35%, when including distributions paid to unitholders. By comparison, the Underlying Index returned 25.40% for the same period in U.S. dollar terms. The ETF seeks to hedge its 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 Underlying Index was designed as a passively managed portfolio of global stocks which takes account of key ESG concerns and is structured to limit exposure to the fossil fuel industry and climate change risk and to investment in companies considered "climate leaders". ETHI did not experience any material changes to its investment portfolio or ESG related investment objectives or strategies. The Underlying Index did not include securities of companies that were materially engaged in activities deemed inconsistent with responsible investment considerations.

For the year ended December 31, 2023, the top performers in the Underlying Index were NVIDIA Corporation, CrowdStrike Holdings, Inc., and Advantest Corporation, gaining 239.02%, 142.49% and 112.57%, respectively. The worst performers in the Underlying Index for the year were Pfizer Inc., Bristol-Myers Squibb Company, and AIA Group Limited, returning -41.22%, -26.15%, and -20.05%, respectively.

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 environmental, social and governance (ESG) sectors 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.

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

For the year ended December 31, 2023, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$19,121,556. This compares to (\$23,836,401) for the year ended December 31, 2022. The ETF incurred management, operating and transaction expenses of \$855,203 (2022 – \$914,338) of which \$11,154 (2022 – \$102,019) 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 \$1,031,830 to unitholders during the year (2022 – \$959,986).

Presentation

The attached financial statements have been prepared in accordance with IFRS Accounting 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.

Management Discussion of Fund Performance (continued)**Recent Developments**

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

Name Change

On March 6, 2024, Horizons ETFs Management (Canada) Inc., the investment manager of the ETF, announced that it will rebrand as Global X Investment Canada Inc., in May 2024. The name change is not expected to change any of the day-to-day operations of the ETF. The operations, personnel and responsibilities of the Investment Manager remain unchanged.

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 statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at December 31, 2023 and 2022, 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. 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

Year ⁽¹⁾		2023	2022	2021	2020	2019
Net assets, beginning of year	\$	38.60	50.50	41.93	31.27	23.73
Increase (decrease) from operations:						
Total revenue		0.84	0.78	0.67	0.50	0.37
Total expenses		(0.40)	(0.36)	(0.41)	(0.32)	(0.30)
Realized gains (losses) for the year		1.83	(3.44)	0.90	1.44	2.39
Unrealized gains (losses) for the year		6.43	(7.88)	7.92	8.84	4.41
Total increase (decrease) from operations ⁽²⁾		8.70	(10.90)	9.08	10.46	6.87
Distributions:						
From net investment income (excluding dividends)		(0.40)	(0.41)	(0.22)	(0.12)	(0.05)
From dividends		(0.03)	(0.01)	(0.01)	(0.01)	–
From net realized capital gains		–	–	(0.39)	–	–
From return of capital		(0.07)	–	–	(0.22)	(0.15)
Total distributions ⁽³⁾		(0.50)	(0.42)	(0.62)	(0.35)	(0.20)
Net assets, end of year ⁽⁴⁾	\$	46.69	38.60	50.50	41.93	31.27

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

2. 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.

3. 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.

4. 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

Year ⁽¹⁾	2023	2022	2021	2020	2019
Total net asset value (000's)	\$ 94,967	86,946	102,754	52,418	11,725
Number of units outstanding (000's)	2,034	2,252	2,035	1,250	375
Management expense ratio ⁽²⁾	0.64%	0.55%	0.54%	0.54%	0.69%
Management expense ratio before waivers and absorptions ⁽³⁾	0.66%	0.66%	0.67%	0.81%	1.55%
Trading expense ratio ⁽⁴⁾	0.05%	0.09%	0.15%	0.18%	0.19%
Portfolio turnover rate ⁽⁵⁾	22.12%	94.47%	24.59%	80.39%	137.05%
Net asset value per unit, end of year	\$ 46.69	38.60	50.50	41.93	31.27
Closing market price	\$ 46.72	38.65	50.58	42.05	31.24

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.
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 year.
5. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

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

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

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.

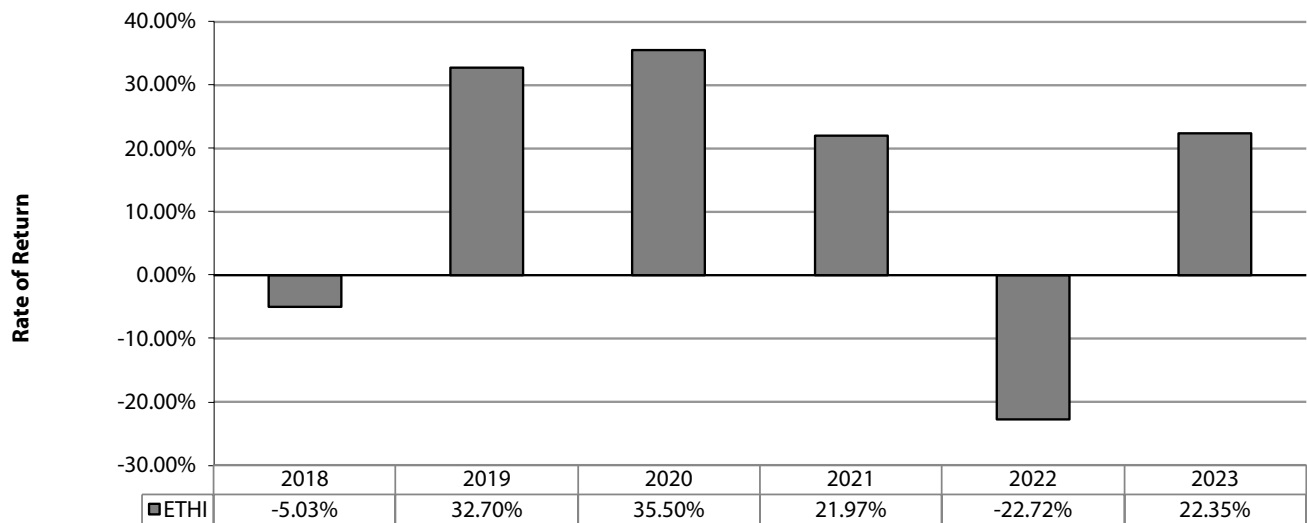
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
4%	93%	3%

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 October 31, 2018.

Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2023, 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	5 Year	Since Inception
Horizons Global Sustainability Leaders Index ETF	22.35%	4.87%	15.69%	14.02%
Nasdaq Future Global Sustainability Leaders USD Total Return Index	25.40%	7.41%	18.60%	16.85%

The ETF effectively began operations on October 31, 2018.

Summary of Investment Portfolio

As at December 31, 2023

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
U.S. Equities	\$ 64,929,530	68.37%
Global Equities	26,670,755	28.09%
Canadian Equities	1,717,099	1.81%
Currency Forward Hedge*	791,416	0.83%
Cash and Cash Equivalents	990,032	1.04%
Other Assets less Liabilities	(131,362)	-0.14%
	\$ 94,967,470	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Information Technology	\$ 40,237,576	42.37%
Financials	16,420,280	17.29%
Health Care	14,335,409	15.10%
Consumer Discretionary	12,635,397	13.31%
Communication Services	5,752,684	6.06%
Industrials	2,252,207	2.37%
Consumer Staples	770,656	0.82%
Utilities	450,903	0.47%
Energy	336,756	0.35%
Materials	125,516	0.13%
Currency Forward Hedge*	791,416	0.83%
Cash and Cash Equivalents	990,032	1.04%
Other Assets less Liabilities	(131,362)	-0.14%
	\$ 94,967,470	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.

Summary of Investment Portfolio (continued)

As at December 31, 2023

Top 25 Holdings	% of ETF's Net Asset Value
NVIDIA Corp.	6.16%
Apple Inc.	4.03%
Visa Inc.	4.00%
Home Depot Inc. (The)	3.56%
MasterCard Inc.	3.46%
Toyota Motor Corp.	2.70%
Salesforce Inc.	2.06%
Adobe Inc.	2.05%
ASML Holding NV	1.91%
UnitedHealth Group Inc.	1.90%
Lowe's Cos. Inc.	1.36%
SAP SE	1.34%
Cisco Systems Inc.	1.33%
Booking Holdings Inc.	1.33%
Novo Nordisk AS	1.30%
Comcast Corp.	1.25%
Intuit Inc.	1.25%
Prologis Inc.	1.12%
Cash and Cash Equivalents	1.04%
American Express Co.	1.04%
TELUS Corp.	1.01%
ServiceNow Inc.	1.01%
Charles Schwab Corp. (The)	0.99%
Applied Materials Inc.	0.98%
CVS Health Corp.	0.98%

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Horizons Global Sustainability Leaders 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 IFRS Accounting Standards ("IFRS") 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 have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of unitholders. The independent auditor's report outlines the scope of their audit and their opinion on the financial statements.



Rohit Mehta
Director
Horizons ETFs Management (Canada) Inc.



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Horizons Global Sustainability Leaders Index ETF (the "ETF")

Opinion

We have audited the financial statements of the ETF, which comprise the statements of financial position as at December 31, 2023, and December 31, 2022, the statements of comprehensive income, changes in financial position and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information (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, 2023, and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting 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 "Auditor's Responsibilities for the Audit of the Financial Statements" section of our auditor's 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 auditor's 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 auditor's 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 IFRS Accounting 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.

Auditor’s 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 auditor’s 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 auditor’s 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 auditor’s 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 auditor's report is Paula M. Foster.
Toronto, Canada
March 13, 2024

Statements of Financial Position

As at December 31,

	2023	2022
Assets		
Cash and cash equivalents	\$ 990,032	\$ 400,418
Investments (note 6)	93,317,384	85,929,679
Amounts receivable relating to accrued income	179,417	115,055
Derivative assets (note 3)	793,247	700,808
Total assets	95,280,080	87,145,960
Liabilities		
Accrued management fees (note 9)	40,244	38,514
Accrued operating expenses	15,590	5,584
Amounts payable relating to securities redeemed	703	–
Distribution payable	254,242	153,510
Derivative liabilities (note 3)	1,831	2,681
Total liabilities	312,610	200,289
Total net assets	\$ 94,967,470	\$ 86,945,671
Number of redeemable units outstanding (note 8)	2,033,935	2,252,196
Total net assets per unit	\$ 46.69	\$ 38.60

(See accompanying notes to financial statements)

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



Rohit Mehta
Director



Thomas Park
Director

Statements of Comprehensive Income

For the Years Ended December 31,

	2023	2022
Income		
Dividend income	\$ 1,765,578	\$ 1,751,355
Interest income for distribution purposes	–	1,667
Securities lending income (note 7)	7,612	10,309
Net realized gain (loss) on sale of investments and derivatives	3,835,414	(7,714,919)
Net realized gain (loss) on foreign exchange	12,049	(75,020)
Net change in unrealized appreciation (depreciation) of investments and derivatives	13,496,184	(17,815,100)
Net change in unrealized appreciation (depreciation) of foreign exchange	4,719	5,307
	19,121,556	(23,836,401)
Expenses (note 9)		
Management fees	441,479	459,881
Audit fees	7,178	7,231
Independent Review Committee fees	596	447
Custodial and fund valuation fees	40,133	39,779
Legal fees	1,991	8,422
Securityholder reporting costs	19,377	17,310
Administration fees	73,215	73,265
Transaction costs	45,334	81,868
Withholding taxes	225,841	223,677
Other expenses	59	2,458
	855,203	914,338
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(11,154)	(102,019)
	844,049	812,319
Increase (decrease) in net assets for the year	\$ 18,277,507	\$ (24,648,720)
Increase (decrease) in net assets per unit	\$ 8.70	\$ (10.90)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position

For the Years Ended December 31,

	2023		2022	
Total net assets at the beginning of the year	\$	86,945,671	\$	102,753,970
Increase (decrease) in net assets		18,277,507		(24,648,720)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		3,381,732		49,677,267
Aggregate amounts paid on redemption of securities of the investment fund		(12,615,661)		(39,891,933)
Securities issued on reinvestment of distributions		10,051		15,073
Distributions:				
From net investment income		(882,906)		(959,952)
Return of capital		(148,924)		(34)
Total net assets at the end of the year	\$	94,967,470	\$	86,945,671

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets for the year	\$ 18,277,507	\$ (24,648,720)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	(3,835,414)	7,714,919
Net realized gain (loss) on currency forward contracts	911,871	(7,843,651)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(13,496,184)	17,815,100
Net change in unrealized (appreciation) depreciation of foreign exchange	478	(601)
Purchase of investments	(19,517,861)	(56,233,301)
Proceeds from the sale of investments	27,155,061	56,919,476
Amounts receivable relating to accrued income	(64,362)	(54,615)
Accrued expenses	11,736	(17,594)
Net cash from (used in) operating activities	9,442,832	(6,348,987)
Cash flows from financing activities:		
Amount received from the issuance of units	3,381,732	15,224,454
Amount paid on redemptions of units	(11,313,425)	(7,308,128)
Distributions paid to unitholders	(921,047)	(1,431,178)
Net cash from (used in) financing activities	(8,852,740)	6,485,148
Net increase (decrease) in cash and cash equivalents during the year	590,092	136,161
Effect of exchange rate fluctuations on cash and cash equivalents	(478)	601
Cash and cash equivalents at beginning of year	400,418	263,656
Cash and cash equivalents at end of year	\$ 990,032	\$ 400,418
Interest received, net of withholding taxes	\$ –	\$ 1,667
Dividends received, net of withholding taxes	\$ 1,475,375	\$ 1,473,063

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
U.S. EQUITIES (68.37%)			
Information Technology (36.23%)			
Adobe Inc.	2,459	\$ 1,378,533	\$ 1,943,901
Apple Inc.	14,988	2,681,965	3,823,617
Applied Materials Inc.	4,337	552,279	931,374
Arista Networks Inc.	1,264	181,536	394,447
Autodesk Inc.	1,162	343,639	374,888
Automatic Data Processing Inc.	2,740	736,568	845,830
CDW Corp.	733	145,233	220,787
Cisco Systems Inc.	18,894	1,202,118	1,264,793
Cognizant Technology Solutions Corp., Class 'A'	2,722	240,075	272,421
CoStar Group Inc.	2,650	259,635	306,860
CrowdStrike Holdings Inc., Class 'A'	1,201	235,334	406,312
Datadog Inc., Class 'A'	1,693	220,427	272,293
DocuSign Inc.	1,463	278,503	115,247
HP Inc.	5,455	237,547	217,495
HubSpot Inc.	283	171,225	217,696
Intuit Inc.	1,434	763,075	1,187,633
Keysight Technologies Inc.	1,141	241,314	240,525
KLA Corp.	711	314,700	547,649
Lam Research Corp.	691	466,878	717,160
Marvell Technology Inc.	3,953	244,598	315,899
Mastercard Inc., Class 'A'	5,821	2,560,734	3,289,721
MongoDB Inc.	329	122,807	178,235
NetApp Inc.	1,234	103,383	144,151
NVIDIA Corp.	8,919	2,092,202	5,852,570
Okta Inc.	1,073	228,822	128,714
Palo Alto Networks Inc.	1,644	307,099	642,361
Paychex Inc.	2,089	293,166	329,700
PayPal Holdings Inc.	7,526	1,342,186	612,401
Salesforce Inc.	5,609	1,606,990	1,955,711
ServiceNow Inc.	1,020	566,761	954,857
Snowflake Inc., Class 'A'	1,733	411,933	456,966
Take-Two Interactive Software Inc.	1,094	214,945	233,314
Twilio Inc.	1,356	365,103	136,321
Veeva Systems Inc., Class 'A'	379	117,261	96,682
Verisk Analytics Inc.	979	294,378	309,855
Visa Inc., Class 'A'	11,011	2,999,377	3,798,539
Workday Inc., Class 'A'	1,107	280,005	404,933
Zebra Technologies Corp., Class 'A'	362	193,978	131,108
Zoom Video Communications Inc.	1,369	128,234	130,444
		25,124,546	34,403,410

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
Financials (9.53%)			
Aflac Inc.	3,862	274,937	422,181
Allstate Corp. (The)	2,693	427,724	499,499
American Express Co.	3,963	716,651	983,755
Ameriprise Financial Inc.	895	288,184	450,448
AvalonBay Communities Inc.	783	197,913	194,243
Capital One Financial Corp.	2,721	372,794	472,748
Charles Schwab Corp. (The)	10,340	896,840	942,630
Crown Castle International Corp.	2,964	605,257	452,403
Equity Lifestyle Properties Inc.	1,303	119,386	121,790
Equity Residential	1,835	164,090	148,708
Essex Property Trust Inc.	460	161,604	151,125
Extra Space Storage Inc.	803	159,976	170,594
Kimco Realty Corp.	4,644	130,633	131,132
Nasdaq Inc.	2,451	182,595	188,821
Net Lease Office Properties	89	1,530	2,179
Northern Trust Corp.	1,253	155,338	140,095
Progressive Corp. (The)	3,861	704,288	814,879
Prologis Inc.	6,030	920,612	1,065,074
Prudential Financial Inc.	5,652	669,225	776,703
State Street Corp.	2,072	194,124	212,667
Sun Communities Inc.	766	154,069	135,653
Synchrony Financial	3,278	140,476	165,879
T. Rowe Price Group Inc.	1,298	236,509	185,218
UDR Inc.	2,194	129,052	111,315
WP Carey Inc.	1,346	128,080	115,590
		8,131,887	9,055,329
Health Care (9.03%)			
AbbVie Inc.	4,489	756,404	921,785
Amgen Inc.	1,336	434,954	509,872
Biogen Inc.	385	139,314	132,010
Bio-Rad Laboratories Inc., Class 'A'	73	53,579	31,233
Bristol-Myers Squibb Co.	5,338	470,304	362,922
Centene Corp.	1,517	136,893	149,169
Cigna Corp.	776	255,869	307,906
CVS Health Corp.	8,886	998,317	929,706
Edwards Lifesciences Corp.	1,450	166,312	146,501
Elevance Health Inc.	602	324,500	376,154
Fortrea Holdings Inc.	297	13,238	13,734
Gilead Sciences Inc.	3,120	288,911	334,908
Henry Schein Inc.	439	39,501	44,040

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
Humana Inc.	266	144,283	161,361
Incyte Corp.	709	69,288	58,989
Insulet Corp.	137	55,323	39,389
Laboratory Corp. of America Holdings	297	86,872	89,448
Mettler-Toledo International Inc.	151	234,991	242,692
Molina Healthcare Inc.	158	48,931	75,643
Pfizer Inc.	14,245	705,323	543,421
Quest Diagnostics Inc.	407	67,742	74,358
Regeneron Pharmaceuticals Inc.	235	194,824	273,488
Revvity Inc.	441	76,775	63,875
Stryker Corp.	984	295,260	390,451
UnitedHealth Group Inc.	2,584	1,477,326	1,802,596
Vertex Pharmaceuticals Inc.	616	284,478	332,116
Waters Corp.	385	138,486	167,955
		7,957,998	8,575,722
Consumer Discretionary (7.75%)			
AutoZone Inc.	108	282,537	370,015
Best Buy Co. Inc.	1,570	190,257	162,848
Burlington Stores Inc.	303	96,148	78,082
D.R. Horton Inc.	1,676	249,676	337,515
Etsy Inc.	953	168,428	102,348
Expedia Group Inc.	1,094	168,376	220,035
Ford Motor Co.	28,371	453,865	458,259
Home Depot Inc. (The)	7,366	2,859,161	3,382,438
Interpublic Group of Cos. Inc. (The)	2,592	102,716	112,103
Live Nation Entertainment Inc.	1,201	134,826	148,954
LKQ Corp.	2,182	120,846	138,173
Lowe's Cos. Inc.	4,379	1,225,422	1,291,323
Pool Corp.	297	153,637	156,908
Ross Stores Inc.	2,169	233,598	397,737
		6,439,493	7,356,738
Communication Services (3.29%)			
Booking Holdings Inc.	269	738,936	1,264,366
Comcast Corp., Class 'A'	20,492	1,143,046	1,190,656
Liberty Broadband Corp., Class 'C'	594	106,745	63,431
Omnicom Group Inc.	1,470	143,415	168,506
Roblox Corp., Class 'A'	2,679	111,332	162,297
Trade Desk Inc. (The)	2,839	211,850	270,700
		2,455,324	3,119,956

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
Industrials (1.32%)			
Fastenal Co.	3,971	265,511	340,805
Illinois Tool Works Inc.	1,701	455,793	590,389
Otis Worldwide Corp.	2,758	314,702	326,967
		1,036,006	1,258,161
Consumer Staples (0.67%)			
McCormick & Co. Inc.	1,402	158,102	127,105
Sysco Corp.	3,665	380,118	355,142
Walgreens Boots Alliance Inc.	4,322	258,857	149,528
		797,077	631,775
Energy (0.35%)			
Enphase Energy Inc.	932	257,577	163,186
First Solar Inc.	676	77,165	154,317
Shoals Technologies Group Inc., Class 'A'	935	29,725	19,253
		364,467	336,756
Utilities (0.20%)			
American Water Works Co. Inc.	1,096	209,528	191,683
		52,516,326	64,929,530
TOTAL U.S. EQUITIES			
GLOBAL EQUITIES (28.09%)			
Financials (7.32%)			
Adyen NV	190	438,386	324,233
AIA Group Ltd.	75,372	1,031,866	870,368
Allianz SE, Registered	2,601	807,471	920,551
Aviva PLC	19,106	133,347	140,276
Danske Bank AS	5,115	103,889	181,066
Hannover Rueckversicherungs SE	466	91,860	147,443
ING Groep NV	24,326	322,079	481,306
Legal & General Group PLC	43,638	176,611	185,069
Mandatum OYJ	3,260	17,284	19,409
Muenchener Rueckversicherungs-Gesellschaft AG, Registered	896	310,660	491,628
NN Group NV	2,355	124,952	123,154
Nordea Bank ABP	24,056	308,150	394,158
Prudential PLC	34,651	685,172	519,231
Sampo OYJ	3,260	188,768	188,888
SEGRO PLC	8,055	132,575	120,592
Svenska Handelsbanken AB, Class 'A'	11,028	123,753	158,571
Swedbank AB, Series 'A'	6,583	142,628	175,822
Swiss Life Holding AG, Registered	248	151,012	228,179
Swiss Re AG	2,165	235,801	322,534

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
Tokio Marine Holdings Inc.	15,101	336,016	500,807
UniCredit SPA	12,671	354,103	455,312
		6,216,383	6,948,597
Information Technology (6.14%)			
Advantest Corp.	3,854	84,680	173,738
ASM International NV	234	88,601	160,860
ASML Holding NV	1,819	1,197,740	1,813,876
Infineon Technologies AG	6,604	267,739	365,158
Keyence Corp.	1,384	931,676	807,943
Logitech International SA, Registered	1,370	133,600	172,154
Nokia OYJ	26,930	158,165	120,227
Omron Corp.	1,557	111,450	96,322
SAP SE	6,213	798,672	1,267,637
Shimadzu Corp.	2,269	96,021	84,055
Tokyo Electron Ltd.	2,566	380,789	609,000
Worldline SA	2,080	189,607	47,678
YASKAWA Electric Corp.	2,087	107,756	115,518
		4,546,496	5,834,166
Health Care (6.07%)			
argenx SE	167	60,227	83,912
Astellas Pharma Inc.	6,249	130,697	99,010
AstraZeneca PLC	3,950	606,418	707,174
Chugai Pharmaceutical Co. Ltd.	2,463	116,864	123,646
Dai-ichi Life Holdings Inc.	6,738	168,885	189,455
Daiichi Sankyo Co. Ltd.	5,559	201,349	202,276
Eisai Co. Ltd.	995	88,521	65,940
EssilorLuxottica SA	1,659	339,514	440,701
Fisher & Paykel Healthcare Corp. Ltd.	2,166	54,980	42,818
M3 Inc.	1,325	86,232	29,050
Novartis AG, Registered	6,103	666,322	816,034
Novo Nordisk AS, Class 'B'	8,978	515,709	1,229,850
Ono Pharmaceutical Co. Ltd.	1,981	57,866	46,839
Roche Holding AG Genusscheine	1,878	829,303	723,411
Sandoz Group AG	1,235	44,470	52,651
Sanofi SA	4,254	546,591	558,550
Sonova Holding AG, Registered	140	53,649	60,523
STERIS PLC	244	67,883	71,080
Takeda Pharmaceutical Co. Ltd.	4,372	188,517	166,562
UCB SA	435	57,122	50,205
		4,881,119	5,759,687

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
Consumer Discretionary (5.56%)			
Bayerische Motoren Werke (BMW) AG	2,208	232,385	325,503
Honda Motor Co. Ltd.	38,595	449,827	531,714
Mercedes-Benz Group AG	4,672	484,544	427,476
Nissan Motor Co. Ltd.	21,041	118,453	109,584
Oriental Land Co. Ltd.	9,443	360,365	465,978
Sekisui House Ltd.	7,800	191,506	229,577
Toyota Motor Corp.	105,373	2,067,928	2,565,229
Vestas Wind Systems AS	6,968	287,542	293,012
Wolters Kluwer NV	1,756	212,260	330,586
		4,404,810	5,278,659
Communication Services (1.40%)			
Publicis Groupe	1,859	113,957	228,424
Recruit Holdings Co. Ltd.	11,499	597,302	644,374
SoftBank Corp.	14,697	218,185	243,014
Swisscom AG	128	90,518	102,040
WPP PLC	8,974	122,041	114,131
		1,142,003	1,331,983
Industrials (1.05%)			
Allegion PLC	609	87,732	102,233
Ashtead Group PLC	3,239	212,791	298,804
Bunzl PLC	2,473	101,986	133,241
FANUC Corp.	7,070	349,497	275,528
Kone OYJ, Class 'B'	2,789	204,619	184,240
		956,625	994,046
Utilities (0.27%)			
Terna - Rete Elettrica Nazionale SPA	14,395	136,834	159,063
United Utilities Group PLC	5,597	92,010	100,157
		228,844	259,220
Consumer Staples (0.15%)			
Kerry Group PLC, Class 'A'	1,207	191,981	138,881
Materials (0.13%)			
Nitto Denko Corp.	1,266	112,696	125,516
TOTAL GLOBAL EQUITIES		22,680,957	26,670,755

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
CANADIAN EQUITIES (1.81%)			
Communication Services (1.37%)			
BCE Inc.	4,639	292,717	242,017
Rogers Communications Inc., Class 'B'	1,607	95,638	99,682
TELUS Corp.	40,672	1,107,550	959,046
		<u>1,495,905</u>	<u>1,300,745</u>
Financials (0.44%)			
Intact Financial Corp.	1,224	203,349	249,524
Power Corp. of Canada	4,403	152,889	166,830
		<u>356,238</u>	<u>416,354</u>
TOTAL CANADIAN EQUITIES		<u>1,852,143</u>	<u>1,717,099</u>
DERIVATIVES (0.83%)			
Currency Forwards (0.83%)			
Currency forward contract to buy C\$96,276,653 for US\$72,100,000 maturing February 7, 2024		–	788,782
Currency forward contract to buy US\$1,400,000 for C\$1,851,500 maturing February 7, 2024		–	2,634
		<u>–</u>	<u>791,416</u>
TOTAL DERIVATIVES		<u>–</u>	<u>791,416</u>
Transaction Costs		<u>(33,534)</u>	
TOTAL INVESTMENT PORTFOLIO (99.10%)		<u>\$ 77,015,892</u>	<u>\$ 94,108,800</u>
Cash and cash equivalents (1.04%)			990,032
Other assets less liabilities (-0.14%)			(131,362)
TOTAL NET ASSETS (100.00%)			<u>\$ 94,967,470</u>

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

1. REPORTING ENTITY

Horizons Global Sustainability Leaders Index ETF (“ETHI” 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 October 31, 2018. 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 ETHI. 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.

ETHI seeks to replicate, to the extent possible, the performance of the Nasdaq Future Global Sustainability Leaders USD Index (the “Underlying Index”, Bloomberg ticker: NQFGSLTD), net of expenses. The Underlying Index is designed to provide exposure to the performance of a basket of large-cap equity securities of companies that are global climate change leaders (as measured by their relative carbon efficiency), and are not materially engaged in activities deemed inconsistent with responsible investment considerations. ETHI 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.

2. BASIS OF PREPARATION

(i) Statement of compliance

The financial statements have been prepared in accordance with IFRS Accounting 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 March 13, 2024, 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 (continued)

For the Years Ended December 31, 2023 and 2022

3. MATERIAL ACCOUNTING POLICY INFORMATION

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 statements of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

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

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

(ii) Fair value measurement

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 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 statements of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable units

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 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 statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs is recognized when earned.

Income from derivatives is shown in the statements of comprehensive income as net realized gain (loss) on sale of investments and derivatives; net change in unrealized appreciation (depreciation) of investments and derivatives; and, interest income for distribution purposes, in accordance with its nature.

Income from securities lending, if any, is included in "Securities lending income" on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 7).

If the ETF incurs withholding taxes imposed by certain countries on investment income and capital gains, such income and gains are recorded on a gross basis and the related withholding taxes are shown as a separate expense in the statements of comprehensive income.

(c) Foreign currency

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

(d) Cost basis

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

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

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

(f) Unitholder transactions

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 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 statements of comprehensive income.

(j) Changes in accounting policies

The Fund adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statements 2) from January 1, 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

The Manager reviewed the accounting policies and amended the information disclosed in Note 3 as applicable.

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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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.

(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 December 31, 2023 and 2022, 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.

As at December 31, 2023 and 2022, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) Other market risk

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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

Comparative Index	December 31, 2023	December 31, 2022
Nasdaq Future Global Sustainability Leaders USD Index	\$563,834	\$722,410

(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.

As at December 31, 2023 and 2022, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(c) Liquidity risk

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

6. FAIR VALUE MEASUREMENT

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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 December 31, 2023 and 2022, in valuing the ETF's investments and derivatives carried at fair values:

	December 31, 2023			December 31, 2022		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Equities	93,317,384	–	–	85,929,679	–	–
Currency Forward Contracts	–	793,247	–	–	700,808	–
Total Financial Assets	93,317,384	793,247	–	85,929,679	700,808	–
Financial Liabilities						
Currency Forward Contracts	–	(1,831)	–	–	(2,681)	–
Total Financial Liabilities	–	(1,831)	–	–	(2,681)	–
Net Financial Assets and Liabilities	93,317,384	791,416	–	85,929,679	698,127	–

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, 2023 and 2022.

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 year is disclosed in the ETF's statements of comprehensive income.

The aggregate closing market value of securities loaned and collateral received as at December 31, 2023 and 2022, was as follows:

As at	Securities Loaned	Collateral Received
December 31, 2023	\$5,340,892	\$5,629,391
December 31, 2022	\$3,980,541	\$4,206,141

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 Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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, 2023 and 2022. 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, 2023	% of Gross Income	December 31, 2022	% of Gross Income
Gross securities lending income	\$12,726		\$17,228	
Withholding taxes	(41)	0.32%	(50)	29.00%
Lending Agent's fees:				
Canadian Imperial Bank of Commerce	(5,073)	39.87%	(6,869)	39.87%
Net securities lending income paid to the ETF	\$7,612	59.81%	\$10,309	59.84%

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 statements of changes in financial position.

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022, 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:

Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2023	2,252,196	81,739	(300,000)	2,033,935	2,101,616
2022	2,034,844	1,217,352	(1,000,000)	2,252,196	2,261,334

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. 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

Brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager, if any, for the years ended December 31, 2023 and 2022, were as follows:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2023	\$13,426	\$nil	\$nil
December 31, 2022	\$32,448	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at December 31, 2023 and 2022 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, 2023, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$2,560,580	–	–

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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 December 31, 2023 and 2022. 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, 2023	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	793,247	–	793,247	(1,831)	–	791,416
Derivative liabilities	(1,831)	–	(1,831)	1,831	–	–

Financial Assets and Liabilities as at December 31, 2022	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	700,808	–	700,808	(2,681)	–	698,127
Derivative liabilities	(2,681)	–	(2,681)	2,681	–	–

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 December 31, 2023 and 2022, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

15. SUBSEQUENT EVENTS

On March 6, 2024, Horizons ETFs Management (Canada) Inc., the investment manager of the ETF, announced that it will rebrand as Global X Investment Canada Inc., in May 2024. The name change is not expected to change any of the day-to-day operations of the ETF. The operations, personnel and responsibilities of the Investment Manager remain unchanged.

Manager

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