



**Horizons Active Corporate Bond ETF**  
**(HAB: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 Active Corporate Bond ETF (“HAB” 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](http://www.horizonsetfs.com) or SEDAR+ at [www.sedarplus.ca](http://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

The investment objective of HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds, as they are defined in the ETF’s prospectus.

The ETF’s Sub-Advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, are believed to offer superior risk adjusted returns relative to passively managed corporate bond indexes. When the Sub-Advisor believes that interest rates will increase, the Sub-Advisor may choose securities with shorter terms and when the Sub-Advisor believes that interest rates will decrease, the Sub-Advisor may choose securities with longer terms.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its in-depth fundamental credit research, view of market trends, analysis of the company’s competitive position, and review of the return relative to the company’s risk and general market conditions, to select securities for the ETF.

In order to manage the liquidity of the portfolio, the Sub-Advisor may, from time to time, invest in debt securities or money market instruments issued or guaranteed by the Government of Canada or the Government of a jurisdiction in Canada, or issued or guaranteed by the U.S. Government.

## Management Discussion of Fund Performance (continued)

HAB may from time to time use derivative instruments, including futures contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk. HAB may also use derivatives to manage currency risk.

HAB may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HAB. The investment must also be approved by the ETF's Independent Review Committee ("IRC") and is subject to certain other provisions of National Instrument 81-107 ("NI 81-107").

HAB may enter into securities lending transactions to the extent permitted by applicable securities laws.

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

### Risk

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

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.sedarplus.ca](http://www.sedarplus.ca), or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

- Stock market risk
- Specific issuer risk
- Legal and regulatory risk
- Market disruptions risk
- Cyber security risk
- Listed funds risk
- Reliance on historical data risk
- Corresponding net asset value risk
- Designated broker/dealer risk
- Cease trading of securities risk
- Exchange risk
- Early closing risk
- No assurance of meeting investment objectives
- Tax risk
- Securities lending, repurchase and reverse repurchase transaction risk
- Loss of limited liability
- Reliance on key personnel
- Distributions risk
- Conflicts of interest
- No ownership interest
- Market for units
- Redemption price
- Net asset value fluctuation

## Management Discussion of Fund Performance (continued)

- Restrictions on certain unitholders
  - Highly volatile markets
  - No guaranteed return
  - Derivatives and counterparty risk
  - Interest rate risk
  - Foreign currency risk
- Credit risk
  - Foreign stock exchange risk
  - Call risk
  - Liquidity risk
  - Municipal bond risk

### Results of Operations

For the year ended December 31, 2023, units of the ETF returned 8.31% when including distributions paid to unitholders. This compares to a return of 8.31% for the ICE Bank of America Merrill Lynch Canada Corporate Bond Index for the same period.

The Index tracks the performance of Canadian dollar-denominated, investment-grade corporate, securitized and collateralized debt publicly issued in the Canadian domestic market.

### General Market Review

The year began with rising hopes for a soft landing for developed economies as inflationary pressures showed signs of abating and the U.S. Federal Reserve (Fed) eased its pace of rate tightening. Hopes for an end to rate hikes and a pivot to a dovish policy were ended by signs of resilient economic growth: an overheated labour market, sticky inflation, and hawkish central bank commentary that shifted investor expectations towards higher interest rates for longer. The Bank of Canada (BoC) increased its target for the overnight rate in January by 25 basis points to 4.50%.

After decreasing for most of the first quarter of the year, North American yields were much higher over the second quarter especially at the front end of the curve as the fiscal situation remained challenging for the bond market with the U.S. budget deficit running at more than 7% of GDP over the last year. Another factor putting upward pressure on yields was persistently high core inflation.

The Fed did not raise its policy rate at its June meeting after 10 consecutive rate hikes, but Chair Jerome Powell was adamant that they are not done and more rate hikes will be needed to bring inflation back down to the Fed's 2% target.

The BoC surprised investors by restarting its tightening campaign in June after a 5-month hiatus. The central bank increased rates twenty-five basis points to 4.75% on the back of strength in consumer spending and housing along with a tight labour market and sticky inflation.

North American bond yields - especially for longer-term bonds - continued to rise in the third quarter as the yield curve steepened on talk of "higher-for-longer" interest rates. Positive economic surprises at the start of the third quarter and signs of easing inflationary pressures gave investors hope that the Fed could achieve price stability without tipping the U.S. economy into a recession. In September, the BoC paused its rate hike cycle as both headline and core inflation data came in higher than expected.

The last quarter of 2023 saw a reversal in trend compared to most of the rest of the year, with yields falling significantly and the yield curve steepening despite the continuing theme of "higher-for-longer" interest rates and a general risk off tone. The combination of several central banks hinting that rate hikes were coming to an end along with softer inflation and employment data caused markets to pivot towards lower rates. Central banks attempted to push back but it did not stop the markets from pricing in multiple interest rate cuts starting in early 2024.

## Management Discussion of Fund Performance (continued)

### **Portfolio Review**

Carry trading was one of the major contributors to HAB's performance over the period, with spread management and duration positioning also providing strong performance. Security selection also helped with performance from the ETF taking positions in the Communications, Energy, and Infrastructure sectors. Performance was partially offset by HAB's overall underweight stance in the Energy and Infrastructure sectors. Over the year, the ETFs weighted duration deviation decreased from -0.01 to -0.18 years as recession scenarios have evolved based on the changing economic landscape. Federal weighted duration deviation increased by 0.16. The Sub-Advisor was selective in the primary market throughout the year as they aimed to take advantage of new issue concessions. These names included Ford, CIBC NVCC Subordinated Debentures, Intact Limited Recourse Capital Notes, RioCan, Manulife, Nova Scotia Power, Crombie REIT, Inter Pipeline, CNH, Eagle Credit Card Trust, National Bank, Industrial Alliance, Rogers, Choice REIT, West Edmonton Mall, Enbridge Gas and Desjardins. In the secondary market, the Sub-Advisor focused on the Financial, Pipeline and Real Estate sectors. The yield carry from the overweight stance in credit has increased to 23 basis points from 18 basis points.

### **Outlook**

Major central banks appear to have ended their interest rate hikes for the current business cycle. Monetary policy is restrictive and will lead to softer growth in 2024. The U.S. economy should operate below potential and the Sub-Advisor expects Canada to enter a shallow recession. Inflation has declined from very elevated levels over the past year and if it continues to fall the BoC will become more confident in hitting its 2% inflation target, which will allow it to eventually begin the process of loosening monetary policy. The market is expecting multiple BoC rate cuts in 2024 starting in April, which will provide support to avoid a hard economic landing. Canada's central bank rate is expected to end the year at 3.72%, according to market expectations.

During the year, interest rates and credit spreads are expected to stay low with volatility and opportunities presenting themselves as central banks transition to interest rate cuts amid elevated bond supply and geopolitical risks. While recent economic data has shown improvements on the inflation front, more work still needs to be done to support central banks changing their rate policy. We expect the BoC and the Fed to lower interest rates in the range of 75 to 125 basis points in 2024.

Investment grade credit spreads are still historically wide despite the recent performance. The Sub-Advisor will remain active in this sector as opportunities present themselves. We have been focused on sectors that provide more compensation or are better positioned to weather a shallow recession. Our trades over the last several months have generally been defensive in nature as we have moved up in credit quality and bought shorter-dated securities.

### **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 \$27,790,130. This compares to (\$41,238,473) for the year ended December 31, 2022. The ETF incurred management, operating and transaction expenses of \$2,145,277 (2022 – \$2,274,163) of which \$79,660 (2022 – \$48,946) 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 \$14,064,450 to unitholders during the year (2022 – \$14,267,319).

## Management Discussion of Fund Performance (continued)

### 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.

### 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 12) 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 <sup>(1)</sup>	2023	2022	2021	2020	2019
<b>Net assets, beginning of year</b>	\$ 9.55	11.03	11.50	10.96	10.47
<b>Increase (decrease) from operations:</b>					
Total revenue	0.42	0.39	0.38	0.38	0.39
Total expenses	(0.06)	(0.06)	(0.07)	(0.07)	(0.06)
Realized gains (losses) for the year	(0.22)	(0.21)	0.17	0.05	–
Unrealized gains (losses) for the year	0.57	(1.28)	(0.71)	0.51	0.48
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	0.71	(1.16)	(0.23)	0.87	0.81
<b>Distributions:</b>					
From net investment income (excluding dividends)	(0.36)	(0.34)	(0.31)	(0.32)	(0.33)
From net realized capital gains	–	–	(0.01)	–	–
From return of capital	(0.03)	(0.04)	–	(0.02)	–
<b>Total distributions <sup>(3)</sup></b>	(0.39)	(0.38)	(0.32)	(0.34)	(0.33)
<b>Net assets, end of year <sup>(4)</sup></b>	\$ 9.93	9.55	11.03	11.50	10.96

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**

<b>Year</b> <sup>(1)</sup>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
Total net asset value (000's)	\$ 324,613	328,577	460,399	611,305	561,841
Number of units outstanding (000's)	32,688	34,408	41,751	53,144	51,284
Management expense ratio <sup>(2)(5)</sup>	0.59%	0.60%	0.59%	0.59%	0.59%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	0.62%	0.61%	0.61%	0.61%	0.60%
Trading expense ratio <sup>(4)(5)</sup>	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate <sup>(6)</sup>	73.06%	40.62%	36.98%	27.58%	57.69%
Net asset value per unit, end of year	\$ 9.93	9.55	11.03	11.50	10.96
Closing market price	\$ 9.90	9.61	11.04	11.51	10.94

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. Transaction costs related to the purchase and/or sale of fixed income securities are typically embedded in the price of those transactions and are therefore not included in the trading expense ratio.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the year.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

## Financial Highlights (continued)

### Management Fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.50%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

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

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

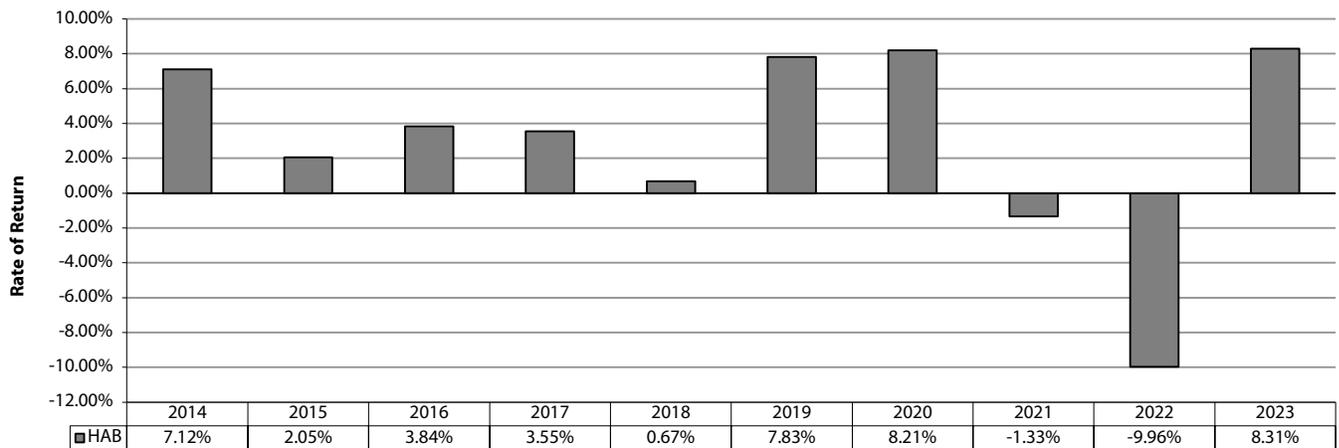
<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
4%	92%	4%

## 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 July 14, 2010.

**Past Performance** (continued)

**Annual Compound Returns**

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2023, along with a comparable market index, the ICE BofA Merrill Lynch Canada Corporate Bond Index and a broad-based index, the ICE BofA Merrill Lynch Canada Broad Market Index. The ICE BofA Canada Broad Market Index tracks the performance of publicly traded investment grade debt denominated in Canadian dollars and issued in the Canadian domestic market. 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.

	<b>1 Year</b>	<b>3 Year</b>	<b>5 Year</b>	<b>10 Year</b>	<b>Since Inception</b>
Horizons Active Corporate Bond ETF	8.31%	-1.27%	2.34%	2.88%	3.44%
ICE BofA Merrill Lynch Canada Corporate Bond Index	8.31%	-1.33%	2.41%	3.01%	3.59%
ICE BofA Merrill Lynch Canada Broad Market Index	6.37%	-2.88%	1.26%	2.42%	2.92%

The ETF effectively began operations on July 14, 2010.

## Summary of Investment Portfolio

As at December 31, 2023

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Canadian Fixed Income Securities	\$ 302,145,560	93.08%
U.S. Fixed Income Securities	18,261,167	5.63%
Global Fixed Income Securities	1,722,548	0.53%
Currency Forward Hedge*	10,780	0.00%
Cash and Cash Equivalents	1,333,451	0.41%
Margin Deposits	1,592	0.00%
Other Assets less Liabilities	1,138,054	0.35%
	<b>\$ 324,613,152</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Corporate Bonds	\$ 308,993,857	95.19%
Government Bonds	5,682,080	1.75%
Municipal Bonds	5,118,865	1.58%
Asset-Backed Securities	1,141,994	0.35%
Convertible Bonds	645,938	0.20%
Mortgage Backed Securities	546,541	0.17%
Currency Forward Hedge*	10,780	0.00%
Cash and Cash Equivalents	1,333,451	0.41%
Margin Deposits	1,592	0.00%
Other Assets less Liabilities	1,138,054	0.35%
	<b>\$ 324,613,152</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 December 31, 2023

<b>Top 25 Holdings*</b>	<b>% of ETF's Net Asset Value</b>
Canadian Imperial Bank of Commerce	5.29%
Toronto-Dominion Bank (The)	5.17%
Royal Bank of Canada	4.46%
Bank of Montreal	4.26%
Fédération des caisses Desjardins du Québec	4.10%
Rogers Communications Inc.	3.49%
Bank of Nova Scotia (The)	2.91%
Enbridge Inc.	2.79%
TransCanada PipeLines Ltd.	2.59%
Sun Life Financial Inc.	2.29%
Inter Pipeline Ltd.	1.99%
TELUS Corp.	1.95%
Bell Canada	1.94%
National Bank of Canada	1.77%
Government of Canada	1.75%
SmartCentres REIT	1.57%
Bank of America Corp.	1.49%
Hydro One Inc.	1.47%
Pembina Pipeline Corp.	1.39%
Wells Fargo & Co.	1.33%
Choice Properties REIT	1.28%
Loblaw Cos. Ltd.	1.27%
Manulife Financial Corp.	1.25%
Crombie REIT	1.20%
CU Inc.	1.18%

\* 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.sedarplus.ca](http://www.sedarplus.ca).

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

The accompanying audited annual financial statements of Horizons Active Corporate Bond 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.



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Rohit Mehta  
Director  
Horizons ETFs Management (Canada) Inc.



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Thomas Park  
Director  
Horizons ETFs Management (Canada) Inc.

## INDEPENDENT AUDITOR'S REPORT

### To the Unitholders of Horizons Active Corporate Bond 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,

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 1,333,451	\$ 1,963,778
Investments (note 6)	322,129,275	325,951,235
Margin deposits (note 11)	1,592	418,639
Amounts receivable relating to accrued income	2,909,133	2,792,950
Amounts receivable relating to portfolio assets sold	2,022	9,968
Amounts receivable relating to securities issued	–	717,695
Derivative assets (note 3)	10,780	93,696
<b>Total assets</b>	<b>326,386,253</b>	<b>331,947,961</b>
<b>Liabilities</b>		
Accrued management fees (note 9)	154,078	159,031
Accrued operating expenses	9,016	8,608
Amounts payable relating to securities redeemed	–	14,649
Amounts payable for portfolio assets purchased	564,006	1,901,069
Distribution payable	1,046,001	1,287,129
<b>Total liabilities</b>	<b>1,773,101</b>	<b>3,370,486</b>
<b>Total net assets</b>	<b>\$ 324,613,152</b>	<b>\$ 328,577,475</b>
Number of redeemable units outstanding (note 8)	32,687,524	34,407,590
Total net assets per unit	\$ 9.93	\$ 9.55

(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,

	<b>2023</b>	<b>2022</b>
<b>Income</b>		
Interest income for distribution purposes	\$ 15,035,583	\$ 14,798,025
Securities lending income (note 7)	21,929	18,751
Net realized gain (loss) on sale of investments and derivatives	(7,908,496)	(8,084,498)
Net realized gain (loss) on foreign exchange	664	1,633
Net change in unrealized appreciation (depreciation) of investments and derivatives	20,640,609	(47,973,148)
Net change in unrealized appreciation (depreciation) of foreign exchange	(159)	764
	<b>27,790,130</b>	<b>(41,238,473)</b>
<b>Expenses (note 9)</b>		
Management fees	1,958,760	2,110,913
Audit fees	10,991	11,633
Independent Review Committee fees	596	447
Custodial and fund valuation fees	103,705	80,420
Legal fees	10,630	9,523
Securityholder reporting costs	33,681	34,326
Administration fees	26,914	26,900
Other expenses	-	1
	<b>2,145,277</b>	<b>2,274,163</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(79,660)	(48,946)
	<b>2,065,617</b>	<b>2,225,217</b>
<b>Increase (decrease) in net assets for the year</b>	<b>\$ 25,724,513</b>	<b>\$ (43,463,690)</b>
Increase (decrease) in net assets per unit	\$ 0.71	\$ (1.16)

(See accompanying notes to financial statements)

## Statements of Changes in Financial Position

For the Years Ended December 31,

	<b>2023</b>		<b>2022</b>	
<b>Total net assets at the beginning of the year</b>	\$	328,577,475	\$	460,398,557
<b>Increase (decrease) in net assets</b>		25,724,513		(43,463,690)
<b>Redeemable unit transactions</b>				
Proceeds from the issuance of securities of the investment fund		98,883,330		49,810,785
Aggregate amounts paid on redemption of securities of the investment fund		(114,555,122)		(123,962,395)
Securities issued on reinvestment of distributions		47,406		61,537
Distributions:				
From net investment income		(13,005,430)		(12,620,478)
Return of capital		(1,059,020)		(1,646,841)
<b>Total net assets at the end of the year</b>	<b>\$</b>	<b>324,613,152</b>	<b>\$</b>	<b>328,577,475</b>

(See accompanying notes to financial statements)

## Statements of Cash Flows

For the Years Ended December 31,

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets for the year	\$ 25,724,513	\$ (43,463,690)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	7,908,496	8,084,498
Net realized gain (loss) on currency forward contracts	6,028	(70,260)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(20,640,609)	47,973,148
Net change in unrealized (appreciation) depreciation of foreign exchange	160	(761)
Purchase of investments	(235,905,272)	(137,488,844)
Proceeds from the sale of investments	255,510,167	178,963,160
Margin deposits	417,047	(418,639)
Amounts receivable relating to accrued income	(116,183)	460,617
Accrued expenses	(4,545)	(64,256)
<b>Net cash from (used in) operating activities</b>	<b>32,899,802</b>	<b>53,974,973</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	84,124,610	36,967,742
Amount paid on redemptions of units	(103,396,407)	(76,446,807)
Distributions paid to unitholders	(14,258,172)	(14,031,328)
<b>Net cash from (used in) financing activities</b>	<b>(33,529,969)</b>	<b>(53,510,393)</b>
<b>Net increase (decrease) in cash and cash equivalents during the year</b>	<b>(630,167)</b>	<b>464,580</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(160)	761
<b>Cash and cash equivalents at beginning of year</b>	<b>1,963,778</b>	<b>1,498,437</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 1,333,451</b>	<b>\$ 1,963,778</b>
Interest received, net of withholding taxes	\$ 14,876,831	\$ 15,258,642

(See accompanying notes to financial statements)

## Schedule of Investments

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
<b>CANADIAN FIXED INCOME SECURITIES (93.08%)</b>			
<b>Corporate Bonds (89.03%)</b>			
407 International Inc., Callable, 4.45%, 2041/11/15	2,246,000	\$ 2,500,414	\$ 2,232,936
407 International Inc., Callable, 3.83%, 2046/05/11	566,000	518,461	515,778
407 International Inc., Series '23A1', Callable, 4.86%, 2053/07/31	612,000	611,229	654,601
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	1,137,000	1,137,000	948,178
Allied Properties REIT, Series 'E', Callable, 3.11%, 2027/04/08	2,032,000	1,905,551	1,856,147
Allied Properties REIT, Series 'D', Callable, 3.39%, 2029/08/15	689,000	670,502	596,693
AltaGas Ltd., Callable, 2.48%, 2030/11/30	482,000	482,000	417,805
AltaGas Ltd., Callable, 5.16%, 2044/01/13	623,000	613,667	601,033
AltaGas Ltd., Callable, 4.50%, 2044/08/15	652,000	684,348	576,256
AltaGas Ltd., Callable, 4.99%, 2047/10/04	400,000	363,768	377,084
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	1,927,000	1,927,000	1,618,073
AltaLink L.P., Callable, 3.99%, 2042/06/30	1,144,000	1,223,634	1,073,149
Bank of Montreal, Callable, 1.55%, 2026/05/28	1,500,000	1,348,785	1,406,842
Bank of Montreal, Callable, 3.65%, 2027/04/01	1,000,000	974,810	975,367
Bank of Montreal, Callable, 4.31%, 2027/06/01	3,938,000	3,879,655	3,918,026
Bank of Montreal, Callable, 4.71%, 2027/12/07	6,468,000	6,411,686	6,523,550
Bank of Montreal, Variable Rate, Callable, 6.53%, 2032/10/27	838,000	838,000	883,313
Bank of Montreal, Variable Rate, Callable, 7.33%, 2082/11/26	146,000	146,000	145,483
Bank of Nova Scotia (The), 5.50%, 2025/12/29	2,018,000	2,016,567	2,048,282
Bank of Nova Scotia (The), 5.50%, 2026/05/08	5,010,000	5,091,720	5,115,959
Bank of Nova Scotia (The), 2.95%, 2027/03/08	213,000	212,715	203,476
Bank of Nova Scotia (The), Variable Rate, Callable, 3.93%, 2032/05/03	1,846,000	1,845,889	1,783,632
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	285,000	285,000	280,796
Bell Canada, Series 'EZ', Callable, 7.00%, 2027/09/24	1,640,000	1,829,462	1,771,505
Bell Canada, Callable, 7.30%, 2032/02/23	140,000	163,593	161,963
Bell Canada, Series 'M-17', Callable, 6.10%, 2035/03/16	623,000	744,282	682,489
Bell Canada, Callable, 4.75%, 2044/09/29	1,172,000	1,196,371	1,126,601
Bell Canada, Callable, 4.35%, 2045/12/18	420,000	449,476	381,776
Bell Canada, Callable, 4.45%, 2047/02/27	1,850,000	1,656,789	1,702,166
Bell Canada, Callable, 3.50%, 2050/09/30	603,000	429,729	468,928
Bridging North America G.P., Series 'B', Sinkable, 4.34%, 2053/08/31	552,000	571,458	486,387
Brookfield Asset Management Inc., Callable, 4.82%, 2026/01/28	1,080,000	1,143,612	1,081,638
Brookfield Renewable Partners ULC, Callable, 3.33%, 2050/08/13	197,000	196,852	147,153
Canada Life Assurance Co., Series 'B', Callable, 6.40%, 2028/12/11	100,000	128,924	109,402
Canadian Imperial Bank of Commerce, 1.10%, 2026/01/19	1,980,000	1,776,535	1,850,779
Canadian Imperial Bank of Commerce, 1.70%, 2026/07/15	2,735,000	2,514,664	2,566,509
Canadian Imperial Bank of Commerce, 2.25%, 2027/01/07	1,873,000	1,868,954	1,760,410

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
Canadian Imperial Bank of Commerce, Callable, 4.95%, 2027/06/29	2,783,000	2,802,014	2,822,457
Canadian Imperial Bank of Commerce, Callable, 5.05%, 2027/10/07	510,000	509,220	519,082
Canadian Imperial Bank of Commerce, Callable, 5.50%, 2028/01/14	1,485,000	1,484,243	1,537,522
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 2.01%, 2030/07/21	1,726,000	1,725,344	1,648,558
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 1.96%, 2031/04/21	2,417,000	2,416,202	2,257,624
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.20%, 2032/04/07	658,000	658,000	641,694
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 5.33%, 2033/01/20	902,000	901,919	910,929
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	661,000	658,820	654,721
Canadian National Railway Co., Callable, 3.60%, 2047/08/01	995,000	963,705	862,823
Canadian Western Bank, Callable, 1.93%, 2026/04/16	1,685,000	1,653,682	1,587,213
Capital City Link G.P., Series 'A', Sinkable, Callable, 4.39%, 2046/03/31	2,305,007	2,327,659	2,185,032
Enovus Energy Inc., Callable, 3.50%, 2028/02/07	2,901,000	2,857,955	2,795,453
Central 1 Credit Union, 1.32%, 2026/01/29	1,286,000	1,231,828	1,191,618
Chartwell Retirement Residences, 6.00%, 2026/12/08	636,000	635,517	644,292
CHIP Mortgage Trust, 1.74%, 2045/12/15	1,250,000	1,250,000	1,164,657
Choice Properties REIT, Series 'L', Callable, 4.18%, 2028/03/08	151,000	153,514	148,235
Choice Properties REIT, Series 'M', Callable, 3.53%, 2029/06/11	1,003,000	929,119	947,402
Choice Properties REIT, Series 'N', Callable, 2.98%, 2030/03/04	56,000	56,000	50,705
Choice Properties REIT, Series 'R', Callable, 6.00%, 2032/06/24	1,780,000	1,780,000	1,906,651
Choice Properties REIT, Callable, 5.70%, 2034/02/28	1,012,000	1,011,929	1,060,733
Clover L.P., Series '1A', Sinkable, 4.22%, 2034/03/31	1,708,597	1,708,597	1,651,508
Coast Capital Savings Federal Credit Union, 7.01%, 2026/09/28	423,000	423,000	437,104
Coast Capital Savings Federal Credit Union, Variable Rate, Callable, 5.25%, 2030/10/29	480,000	480,000	466,130
Comber Wind L.P., Sinkable, Callable, 5.13%, 2030/11/15	2,029,108	2,045,638	2,018,704
Concentra Bank, 1.46%, 2024/05/17	742,000	742,000	729,880
Connect 6ix G.P., Sinkable, 6.11%, 2046/11/30	772,000	772,000	856,088
Connect 6ix G.P., Sinkable, 6.21%, 2060/11/30	555,000	555,000	635,318
Co-operators Financial Services Ltd., Callable, 3.33%, 2030/05/13	1,865,000	1,817,661	1,643,675
Crombie REIT, Series 'F', Callable, 3.68%, 2026/08/26	1,586,000	1,584,430	1,533,774
Crombie REIT, Series 'G', Callable, 3.92%, 2027/06/21	1,279,000	1,269,947	1,232,455
Crombie REIT, Series 'H', Callable, 2.69%, 2028/03/31	377,000	377,000	342,612
Crombie REIT, Callable, 5.24%, 2029/09/28	785,000	785,000	790,567
CT REIT, Series 'F', Callable, 3.87%, 2027/12/07	1,245,000	1,244,950	1,195,924
CT REIT, Callable, 3.03%, 2029/02/05	970,000	970,000	884,599
CT REIT, Series 'G', Callable, 2.37%, 2031/01/06	647,000	647,000	538,928
CU Inc., 4.54%, 2041/10/24	3,823,000	4,267,578	3,838,533

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
Eagle Credit Card Trust, Series 'A', 5.13%, 2028/06/17	369,000	369,000	377,713
Enbridge Gas Inc., Callable, 3.01%, 2049/02/09	1,000,000	708,000	767,207
Enbridge Gas Inc., Callable, 3.65%, 2050/04/01	316,000	305,793	271,790
Enbridge Inc., Callable, 2.99%, 2029/10/03	1,272,000	1,242,016	1,175,858
Enbridge Inc., Callable, 7.20%, 2032/06/18	1,750,000	2,236,622	1,951,238
Enbridge Inc., Callable, 6.10%, 2032/11/09	940,000	964,404	1,021,601
Enbridge Inc., Callable, 3.10%, 2033/09/21	2,137,000	1,889,082	1,847,958
Enbridge Inc., Callable, 5.57%, 2035/11/14	129,000	149,711	132,403
Enbridge Inc., Callable, 5.75%, 2039/09/02	253,000	256,254	263,754
Enbridge Inc., Callable, 5.12%, 2040/09/28	590,000	555,573	579,816
Enbridge Inc., Callable, 4.57%, 2044/03/11	1,566,000	1,533,312	1,421,456
Enbridge Inc., Convertible Bonds, Variable Rate, Callable, 8.75%, 2084/01/15	630,000	630,000	679,772
Enbridge Pipelines Inc., Callable, 2.82%, 2031/05/12	700,000	617,575	625,379
Enbridge Pipelines Inc., Callable, 4.33%, 2049/02/22	284,000	296,054	249,737
Enbridge Pipelines Inc., Callable, 4.20%, 2051/05/12	613,000	612,792	524,964
ENMAX Corp., Series '7', Callable, 3.88%, 2029/10/18	1,377,000	1,366,780	1,306,439
EPCOR Utilities Inc., Callable, 3.95%, 2048/11/26	582,000	561,982	538,484
Fédération des caisses Desjardins du Québec, 1.09%, 2026/01/21	1,000,000	908,970	934,073
Fédération des caisses Desjardins du Québec, 4.41%, 2027/05/19	2,497,000	2,492,715	2,490,685
Fédération des caisses Desjardins du Québec, Callable, 5.47%, 2028/11/17	1,582,000	1,582,000	1,649,534
Fédération des caisses Desjardins du Québec, Floating Rate, Callable, 2.86%, 2030/05/26	4,577,000	4,401,780	4,424,673
Fédération des caisses Desjardins du Québec, Variable Rate, Callable, 1.99%, 2031/05/28	1,654,000	1,654,000	1,542,121
Fédération des caisses Desjardins du Québec, Variable Rate, Callable, 5.04%, 2032/08/23	2,281,000	2,281,000	2,281,119
First Capital Realty Inc., Series 'T', Callable, 3.60%, 2026/05/06	155,000	146,312	148,838
First Capital REIT, Series 'V', Callable, 3.46%, 2027/01/22	819,000	819,000	772,360
First Nations ETF L.P., Series '1A', Sinkable, 4.14%, 2041/12/31	1,691,442	1,691,442	1,565,107
Ford Credit Canada Co., 4.46%, 2024/11/13	179,000	189,650	176,988
Ford Credit Canada Co., 6.78%, 2025/09/15	734,000	734,000	750,111
Ford Credit Canada Co., 7.00%, 2026/02/10	1,548,000	1,547,830	1,594,498
FortisAlberta Inc., Callable, 4.11%, 2044/09/29	1,121,000	1,134,120	1,054,316
FortisBC Energy Inc., Callable, 3.67%, 2046/04/09	953,000	824,492	842,530
FortisBC Energy Inc., Callable, 3.85%, 2048/12/07	1,195,000	1,049,533	1,086,056
General Motors Financial of Canada Ltd., 1.70%, 2025/07/09	868,000	867,518	825,647
General Motors Financial of Canada Ltd., Callable, 5.20%, 2028/02/09	933,000	931,582	943,685
Gibson Energy Inc., Callable, 2.85%, 2027/07/14	889,000	845,612	836,458
Gibson Energy Inc., Callable, 3.60%, 2029/09/17	1,561,000	1,560,039	1,472,855

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
Grand Renewable Solar L.P., Series '1A', Sinkable, Callable, 3.93%, 2035/01/31	818,912	818,912	773,006
Great-West Lifeco Inc., Callable, 6.67%, 2033/03/21	325,000	382,806	374,688
Great-West Lifeco Inc., 6.00%, 2039/11/16	892,000	1,162,783	1,022,762
Great-West Lifeco Inc., Callable, 2.98%, 2050/07/08	163,000	162,313	126,546
H&R REIT, Series 'S', Callable, 2.63%, 2027/02/19	814,000	814,000	749,600
Health Montreal Collective L.P., Sinkable, 6.72%, 2049/09/30	2,458,570	3,234,116	2,809,436
Hospital Infrastructure Partners (NOH) Partnership, Series 'A', Sinkable, Callable, 5.44%, 2045/01/31	682,357	782,431	707,452
Hydro One Inc., 4.39%, 2041/09/26	950,000	1,072,895	937,163
Hydro One Inc., Callable, 4.59%, 2043/10/09	1,504,000	1,931,001	1,524,265
Hydro One Inc., Callable, 4.17%, 2044/06/06	2,392,000	2,486,726	2,292,502
Hyundai Capital Canada Inc., Series 'A', Callable, 2.01%, 2026/05/12	658,000	658,000	619,848
iA Financial Corp. Inc., Variable Rate, Callable, 3.07%, 2031/09/24	1,283,000	1,238,909	1,221,223
iA Financial Corp. Inc., Variable Rate, Callable, 5.69%, 2033/06/20	993,000	993,000	1,021,373
Independent Order of Foresters (The), Series '20-1', Variable Rate, Callable, 2.89%, 2035/10/15	1,636,000	1,636,000	1,393,634
Integrated Team Solutions PCH Partnership, Sinkable, Callable, 4.88%, 2046/05/31	199,445	239,354	197,033
Integrated Team Solutions SJHC Partnership, Sinkable, 5.95%, 2042/11/30	208,394	277,778	224,203
Inter Pipeline Ltd., Callable, 4.23%, 2027/06/01	2,194,000	2,194,000	2,156,876
Inter Pipeline Ltd., Callable, 5.76%, 2028/02/17	76,000	75,994	78,464
Inter Pipeline Ltd., Callable, 5.71%, 2030/05/29	515,000	515,000	528,684
Inter Pipeline Ltd., Series '12', Callable, 3.98%, 2031/11/25	766,000	766,000	698,947
Inter Pipeline Ltd., Callable, 6.38%, 2033/02/17	671,000	670,933	713,048
Inter Pipeline Ltd., Callable, 4.64%, 2044/05/30	953,000	974,147	823,258
Inter Pipeline Ltd., Series '13', Callable, 5.09%, 2051/11/27	790,000	756,410	716,445
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	805,000	805,000	776,024
Keyera Corp., Convertible Bonds, Floating Rate, Callable, 6.88%, 2079/06/13	836,000	836,000	811,746
Kingston Solar L.P., Series '1A', Sinkable, 3.57%, 2035/07/31	840,517	840,517	777,679
Laurentian Bank of Canada, 1.95%, 2025/03/17	699,000	698,112	670,392
Laurentian Bank of Canada, 4.60%, 2025/09/02	754,000	744,168	745,720
Laurentian Bank of Canada, Variable Rate, Callable, 5.10%, 2032/06/15	1,791,000	1,786,336	1,706,265
Loblaw Cos. Ltd., Callable, 6.50%, 2029/01/22	1,000,000	1,068,460	1,085,595
Loblaw Cos. Ltd., Callable, 6.15%, 2035/01/29	1,797,000	2,157,108	1,977,500
Loblaw Cos. Ltd., Callable, 5.90%, 2036/01/18	208,000	264,793	225,377
Loblaw Cos. Ltd., Callable, 5.34%, 2052/09/13	792,000	792,000	860,140
Manulife Financial Corp., Variable Rate, Callable, 2.24%, 2030/05/12	590,000	590,000	568,367

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
Manulife Financial Corp., Variable Rate, Callable, 5.41%, 2033/03/10	1,816,000	1,816,000	1,854,415
Manulife Financial Corp., Series '1', Variable Rate, Callable, 3.38%, 2081/06/19	949,000	684,438	741,777
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	876,000	876,000	874,549
MCAP Commercial L.P., 3.74%, 2025/08/25	716,000	716,000	688,616
MCAP Commercial L.P., Callable, 3.38%, 2027/11/26	1,403,000	1,403,000	1,271,927
Metro Inc., Callable, 4.27%, 2047/12/04	700,000	687,049	648,358
Metro Inc., Callable, 3.41%, 2050/02/28	613,000	613,000	490,145
National Bank of Canada, 5.22%, 2028/06/14	3,743,000	3,734,880	3,855,029
National Bank of Canada, Variable Rate, Callable, 7.50%, 2082/11/16	906,000	906,000	902,515
NATIONAL BANK OF CANADA, 4.97%, 2026/12/07	963,000	963,000	975,605
North West Redwater Partnership / NWR Financing Co. Ltd., Series 'D', Callable, 3.70%, 2043/02/23	900,000	729,828	784,557
North West Redwater Partnership / NWR Financing Co. Ltd., Callable, 4.05%, 2044/07/22	1,331,000	1,320,267	1,218,294
Northern Courier Pipeline L.P., Sinkable, 3.37%, 2042/06/30	1,479,628	1,479,628	1,331,040
Northwestern Hydro Acquisition Co. II L.P., Series '1', 3.88%, 2036/12/31	1,793,000	1,793,000	1,600,259
Nova Scotia Power Inc., Series 'F', 8.85%, 2025/05/19	595,000	724,334	620,474
Nova Scotia Power Inc., Callable, 4.95%, 2032/11/15	850,000	849,907	859,069
Nova Scotia Power Inc., Callable, 4.15%, 2042/03/06	1,362,000	1,323,011	1,220,519
Nova Scotia Power Inc., Callable, 3.57%, 2049/04/05	94,000	71,227	75,332
Original Wempi Inc., 7.79%, 2027/10/04	1,266,000	1,266,000	1,338,742
Parkland Corp., Callable, 3.88%, 2026/06/16	575,000	575,000	551,401
Pembina Pipeline Corp., Series '15', Callable, 3.31%, 2030/02/01	239,000	223,877	221,741
Pembina Pipeline Corp., Callable, 3.53%, 2031/12/10	362,000	361,938	330,609
Pembina Pipeline Corp., Series '4', Callable, 4.81%, 2044/03/25	2,590,000	2,603,616	2,392,332
Pembina Pipeline Corp., Series '11', Callable, 4.75%, 2048/03/26	358,000	393,152	325,408
Pembina Pipeline Corp., Callable, 4.54%, 2049/04/03	190,000	191,431	167,145
Pembina Pipeline Corp., Callable, 4.67%, 2050/05/28	686,000	696,325	612,805
Pembina Pipeline Corp., Variable Rate, Callable, 4.80%, 2081/01/25	545,000	545,000	461,345
Plenary Properties LTAP L.P., Sinkable, Callable, 6.29%, 2044/01/31	165,072	222,038	185,069
Power Corp. of Canada, Callable, 4.81%, 2047/01/31	881,000	873,028	890,609
Power Financial Corp., 6.90%, 2033/03/11	384,000	521,971	440,130
Reliance L.P., Callable, 3.84%, 2025/03/15	129,000	132,826	126,786
Reliance L.P., Callable, 3.75%, 2026/03/15	921,000	918,016	897,320
Reliance L.P., Callable, 2.68%, 2027/12/01	570,000	569,897	523,428
Reliance L.P., Callable, 2.67%, 2028/08/01	890,000	889,315	804,143
RioCan REIT, Series 'AB', Callable, 2.58%, 2025/02/12	61,000	57,843	59,208
RioCan REIT, Callable, 5.61%, 2027/10/06	711,000	710,943	719,869
RioCan REIT, Series 'AE', Callable, 2.83%, 2028/11/08	1,313,000	1,166,291	1,177,352

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
RioCan REIT, Callable, 5.96%, 2029/10/01	830,000	829,659	854,190
Rogers Communications Inc., Callable, 3.65%, 2027/03/31	2,000,000	1,906,800	1,951,328
Rogers Communications Inc., Callable, 3.25%, 2029/05/01	330,000	334,264	310,053
Rogers Communications Inc., Restricted, Callable, 4.25%, 2032/04/15	1,787,000	1,787,979	1,720,060
Rogers Communications Inc., Callable, 5.90%, 2033/09/21	1,212,000	1,205,225	1,304,943
Rogers Communications Inc., Callable, 6.68%, 2039/11/04	1,000,000	1,331,230	1,133,681
Rogers Communications Inc., 6.11%, 2040/08/25	1,565,000	1,907,022	1,686,411
Rogers Communications Inc., Callable, 6.56%, 2041/03/22	178,000	235,697	200,917
Rogers Communications Inc., Restricted, Callable, 5.25%, 2052/04/15	506,000	485,677	503,117
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	2,641,000	2,641,000	2,518,656
Royal Bank of Canada, 2.33%, 2027/01/28	303,000	308,776	285,564
Royal Bank of Canada, 4.64%, 2028/01/17	8,058,000	7,923,396	8,122,848
Royal Bank of Canada, 5.23%, 2030/06/24	1,876,000	1,880,612	1,957,828
Royal Bank of Canada, Variable Rate, Callable, 2.09%, 2030/06/30	1,772,000	1,607,151	1,698,042
Royal Bank of Canada, Variable Rate, Callable, 2.94%, 2032/05/03	1,209,000	1,208,734	1,135,618
Royal Bank of Canada, Variable Rate, Callable, 1.67%, 2033/01/28	1,447,000	1,447,000	1,289,194
Scotiabank Capital Trust, Series '06-1', Variable Rate, Callable, 5.65%, 2056/12/31	170,000	208,267	183,347
SEC L.P. and Arci Ltd., Sinkable, Callable, 5.19%, 2033/08/29	3,583,545	3,634,463	3,491,141
SGTP Highway Bypass L.P., Series 'A', Sinkable, Callable, 4.11%, 2045/01/31	2,166,830	2,166,830	1,995,517
Shaw Communications Inc., Callable, 3.30%, 2029/12/10	474,000	417,675	442,338
Shaw Communications Inc., Callable, 6.75%, 2039/11/09	1,360,000	1,792,135	1,554,004
Shaw Communications Inc., Callable, 4.25%, 2049/12/09	92,000	91,521	79,036
Sienna Senior Living Inc., Series 'A', Callable, 3.11%, 2024/11/04	1,351,000	1,351,000	1,317,369
Sienna Senior Living Inc., Series 'B', Callable, 3.45%, 2026/02/27	610,000	609,927	582,392
Sienna Senior Living Inc., Series 'C', Callable, 2.82%, 2027/03/31	504,000	503,768	465,527
SmartCentres REIT, Series 'X', Callable, 1.74%, 2025/12/16	1,838,000	1,838,000	1,720,672
SmartCentres REIT, Series 'P', Callable, 3.44%, 2026/08/28	912,000	913,231	874,859
SmartCentres REIT, Series 'V', Callable, 3.19%, 2027/06/11	635,000	623,325	596,214
SmartCentres REIT, Series 'S', Callable, 3.83%, 2027/12/21	777,000	762,725	740,067
SmartCentres REIT, Series 'U', Callable, 3.53%, 2029/12/20	1,268,000	1,145,130	1,157,417
SNC-Lavalin Innisfree McGill Finance Inc., Callable, 6.63%, 2044/06/30	2,012,609	2,609,428	2,301,588
SSL Finance Inc. / SSL Financement Inc., Series 'A', Sinkable, Callable, 4.10%, 2045/10/31	730,850	808,781	677,043
Sun Life Financial Inc., Variable Rate, Callable, 2.46%, 2031/11/18	1,500,000	1,361,130	1,410,097
Sun Life Financial Inc., Variable Rate, Callable, 2.58%, 2032/05/10	1,364,000	1,346,412	1,275,186
Sun Life Financial Inc., Variable Rate, Callable, 2.80%, 2033/11/21	2,872,000	2,815,540	2,635,222

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
Sun Life Financial Inc., Variable Rate, Callable, 4.78%, 2034/08/10	1,505,000	1,504,639	1,505,632
Sun Life Financial Inc., Variable Rate, Callable, 5.40%, 2042/05/29	623,000	793,244	641,378
Suncor Energy Inc., Callable, 5.39%, 2037/03/26	926,000	988,076	951,092
Superior Plus L.P., Callable, 4.25%, 2028/05/18	1,147,000	1,147,000	1,066,591
TELUS Communications Inc., Callable, 8.80%, 2025/09/22	845,000	1,122,148	890,085
TELUS Corp., Series 'CAA', Callable, 3.15%, 2030/02/19	1,500,000	1,330,380	1,389,589
TELUS Corp., Callable, 5.15%, 2043/11/26	2,739,000	2,895,092	2,706,865
TELUS Corp., Series 'CP', Callable, 4.85%, 2044/04/05	1,451,000	1,547,378	1,380,243
TELUS Corp., Callable, 4.40%, 2046/01/29	311,000	299,760	277,988
TELUS Corp., Series 'CW', Callable, 4.70%, 2048/03/06	514,000	511,252	477,888
TELUS Corp., Series 'CAE', Callable, 4.10%, 2051/04/05	89,000	88,528	75,075
Teranet Holdings L.P., Series '20', Callable, 3.54%, 2025/06/11	1,073,000	1,073,000	1,043,992
Teranet Holdings L.P., Callable, 6.10%, 2041/06/17	514,000	557,870	527,175
Toronto-Dominion Bank (The), 2.26%, 2027/01/07	4,900,000	4,535,685	4,611,169
Toronto-Dominion Bank (The), 4.21%, 2027/06/01	4,296,000	4,208,730	4,265,758
Toronto-Dominion Bank (The), 5.38%, 2027/10/21	763,000	773,794	787,184
Toronto-Dominion Bank (The), 4.68%, 2029/08/01	4,032,000	4,019,303	4,078,877
Toronto-Dominion Bank (The), Floating Rate, Callable, 3.06%, 2032/01/26	2,611,000	2,459,183	2,478,415
Toronto-Dominion Bank (The), Variable Rate, Callable, 7.28%, 2082/10/31	584,000	584,000	584,265
TransCanada PipeLines Ltd., 5.65%, 2029/06/20	680,000	830,640	698,090
TransCanada PipeLines Ltd., Callable, 6.50%, 2030/12/09	653,000	848,097	698,276
TransCanada PipeLines Ltd., Callable, 2.97%, 2031/06/09	644,000	565,825	572,442
TransCanada PipeLines Ltd., Callable, 5.33%, 2032/05/12	928,000	927,861	958,875
TransCanada PipeLines Ltd., Callable, 4.55%, 2041/11/15	3,046,000	3,142,077	2,766,550
TransCanada PipeLines Ltd., Callable, 4.35%, 2046/06/06	100,000	106,240	87,381
TransCanada PipeLines Ltd., Callable, 4.18%, 2048/07/03	750,000	600,660	634,961
TransCanada PipeLines Ltd., Callable, 4.34%, 2049/10/15	2,026,000	1,960,249	1,753,884
TransCanada PipeLines Ltd., Callable, 5.92%, 2052/05/12	193,000	192,759	210,323
Union Gas Ltd., Callable, 4.88%, 2041/06/21	1,435,000	1,427,994	1,477,582
Ventas Canada Finance Ltd., Series 'H', Callable, 3.30%, 2031/12/01	1,545,000	1,539,654	1,356,781
Videotron Ltd., Callable, 3.63%, 2028/06/15	1,309,000	1,304,140	1,220,479
		299,971,964	289,010,142
<b>Government Bonds (1.75%)</b>			
Government of Canada, 2.25%, 2025/06/01	2,000,000	1,946,680	1,950,236
Government of Canada, 1.00%, 2026/09/01	2,300,000	2,149,954	2,156,730
Government of Canada, 1.75%, 2053/12/01	2,096,000	1,414,196	1,575,114
		5,510,830	5,682,080

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
<b>Municipal Bonds (1.58%)</b>			
Access Justice Durham Ltd., Series 'A', 5.02%, 2039/08/31	821,460	973,604	836,508
Aéroports de Montréal, Callable, 6.95%, 2032/04/16	666,930	826,446	730,827
Aéroports de Montréal, Series 'I', Callable, 5.47%, 2040/04/16	1,961,000	2,231,487	2,198,404
Aéroports de Montréal, Series 'K', Callable, 3.92%, 2042/09/26	250,000	228,920	235,120
Aéroports de Montréal, Series 'N', Callable, 3.36%, 2047/04/24	200,000	166,134	171,846
Aéroports de Montréal, Series 'R', Callable, 3.03%, 2050/04/21	269,000	269,000	215,077
Edmonton Regional Airport Authority, Callable, 7.21%, 2030/11/01	187,824	225,631	200,331
Vancouver Airport Authority, Series 'G', Callable, 3.66%, 2048/11/23	400,000	422,180	361,301
Winnipeg Airports Authority Inc., Sinkable, Callable, 5.21%, 2040/09/28	168,566	204,771	169,451
		5,548,173	5,118,865
<b>Asset-Backed Securities (0.35%)</b>			
CNH Capital Canada Receivables Trust, Class 'A2', Series '23-1', Variable Rate, Callable, 4.99%, 2029/10/15	1,139,000	1,139,000	1,141,994
<b>Convertible Bonds (0.20%)</b>			
Dream Summit Industrial L.P., Series 'A', Callable, 2.15%, 2025/09/17	677,000	623,923	645,938
<b>Mortgage Backed Securities (0.17%)</b>			
Classic RMBS Trust, Class 'A', Series '21-2', Variable Rate, Callable, 1.53%, 2052/03/15	243,278	243,178	231,190
Real Estate Asset Liquidity Trust, Class 'A2', Series '17', Callable, 3.64%, 2052/11/12	326,063	326,058	315,351
		569,236	546,541
<b>TOTAL CANADIAN FIXED INCOME SECURITIES</b>		<b>313,363,126</b>	<b>302,145,560</b>
<b>U.S. FIXED INCOME SECURITIES (5.63%)</b>			
<b>Corporate Bonds (5.63%)</b>			
Bank of America Corp., Variable Rate, Callable, 1.98%, 2027/09/15	940,000	939,962	876,445
Bank of America Corp., Variable Rate, Callable, 3.62%, 2028/03/16	2,123,000	2,093,537	2,055,631
Bank of America Corp., Variable Rate, Callable, 2.60%, 2029/04/04	2,075,000	2,075,000	1,909,035
Citigroup Inc., 4.09%, 2025/06/09	2,219,000	2,276,169	2,185,573
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.60%, 2027/11/30	1,201,000	1,201,000	1,131,574
Goldman Sachs Group Inc. (The), Variable Rate, Callable, 2.01%, 2029/02/28	1,737,000	1,737,000	1,563,098
ILFC E-Capital Trust I, Variable Rate, Callable, 7.19%, 2065/12/21	1,000,000	1,062,816	986,341
Manulife Finance Delaware L.P., Variable Rate, Callable, 5.06%, 2041/12/15	2,258,000	2,015,486	2,245,305

**Schedule of Investments** (continued)

As at December 31, 2023

Security	Par Value/ Contracts	Average Cost	Fair Value
Morgan Stanley, Variable Rate, Callable, 1.78%, 2027/08/04	1,109,000	1,109,000	1,031,662
Wells Fargo & Co., 3.87%, 2025/05/21	3,529,000	3,493,300	3,467,020
Wells Fargo & Co., Variable Rate, Callable, 2.57%, 2026/05/01	686,000	647,242	663,059
Wells Fargo & Co., 2.49%, 2027/02/18	156,000	156,000	146,424
		<u>18,806,512</u>	<u>18,261,167</u>
<b>TOTAL U.S. FIXED INCOME SECURITIES</b>		<b>18,806,512</b>	<b>18,261,167</b>
<b>GLOBAL FIXED INCOME SECURITIES (0.53%)</b>			
<b>Corporate Bonds (0.53%)</b>			
National Australia Bank Ltd., Variable Rate, Callable, 3.52%, 2030/06/12	1,792,000	1,870,794	1,722,548
		<u>1,870,794</u>	<u>1,722,548</u>
<b>TOTAL GLOBAL FIXED INCOME SECURITIES</b>		<b>1,870,794</b>	<b>1,722,548</b>
<b>DERIVATIVES (0.00%)</b>			
<b>Currency Forwards (0.00%)</b>			
Currency forward contract to buy C\$994,912 for US\$743,500 maturing March 20, 2024		-	10,780
		<u>-</u>	<u>10,780</u>
<b>TOTAL DERIVATIVES</b>		<b>-</b>	<b>10,780</b>
<b>TOTAL INVESTMENT PORTFOLIO (99.24%)</b>		<b>\$ 334,040,432</b>	<b>\$ 322,140,055</b>
<b>Cash and cash equivalents (0.41%)</b>			1,333,451
<b>Margin deposits (0.00%)</b>			1,592
<b>Other assets less liabilities (0.35%)</b>			1,138,054
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 324,613,152</b>

(See accompanying notes to financial statements)

## Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

### 1. REPORTING ENTITY

Horizons Active Corporate Bond ETF (“HAB” 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 July 14, 2010. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

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

The investment objective of HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds, as they are defined in the ETF’s prospectus.

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 Fiera Capital Corporation (“Fiera” 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 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.

### 3. MATERIAL ACCOUNTING POLICY INFORMATION

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

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

**(a) Financial instruments****(i) Recognition, initial measurement and classification**

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

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

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

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

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

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

**(ii) Fair value measurement**

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

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

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

## Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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

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

### ***(iii) Offsetting***

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

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

### ***(iv) Specific instruments***

#### **Cash and cash equivalents**

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

#### **Forward foreign exchange contracts**

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

#### **Redeemable units**

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

### **(b) Investment income**

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the ETF accounted for on an accrual basis.

## Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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.

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

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

## Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

### (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.

## 5. FINANCIAL INSTRUMENTS RISK

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

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

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

**(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.

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)
December 31, 2023	3,213	46,192	77,805	198,807	–	326,017
December 31, 2022	6,604	41,609	67,994	213,791	–	329,998

The percentage of the ETF's net assets exposed to interest rate risk as at December 31, 2023, was 100.4% (December 31, 2022 – 100.4%). The amount by which the net assets of the ETF would have increased or decreased, as at December 31, 2023, 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 \$18,680,711 (December 31, 2022 – \$18,578,900). 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.

**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.

<b>Comparative Index</b>	<b>December 31, 2023</b>	<b>December 31, 2022</b>
ICE BofA Merrill Lynch Canada Corporate Bond Index	\$2,865,517	\$2,867,245

**(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 December 31, 2023 and 2022, is listed as follows:

<b>Debt or Derivative Securities by Credit Rating</b>	<b>Percentage of Net Asset Value (%)</b>	
	<b>December 31, 2023</b>	<b>December 31, 2022</b>
AAA	3.1%	1.0%
AA	0.6%	1.2%
A	41.9%	39.5%
BBB	50.7%	54.0%
BB	4.2%	4.7%
<b>Total</b>	<b>100.4%</b>	<b>100.4%</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 December 31, 2023, was 5.3% (December 31, 2022 – 5.3%) 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

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the ETF's reputation. Generally, liabilities of the ETF are due within 90 days. Liquidity risk is managed by investing the majority of the ETF's assets in investments that are traded in an active market and can be readily disposed. The ETF aims to retain sufficient cash and cash equivalent positions to maintain liquidity; therefore, the liquidity risk for the ETF is considered minimal.

**6. FAIR VALUE MEASUREMENT**

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at 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 (\$)
<b>Financial Assets</b>						
Bonds	–	321,582,734	–	–	325,120,608	–
Mortgage Backed Securities	–	546,541	–	–	830,627	–
Futures	–	–	–	92,319	–	–
Currency Forward Contracts	–	10,780	–	–	1,377	–
<b>Total Financial Assets</b>	–	<b>322,140,055</b>	–	<b>92,319</b>	<b>325,952,612</b>	–
<b>Total Financial Liabilities</b>	–	–	–	–	–	–
<b>Net Financial Assets and Liabilities</b>	–	<b>322,140,055</b>	–	<b>92,319</b>	<b>325,952,612</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 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

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

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	\$40,537,680	\$43,047,654
December 31, 2022	\$26,007,646	\$27,361,477

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

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the 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	\$36,670		\$31,267	
Withholding taxes	(140)	0.38%	(28)	0.09%
Lending Agent's fees:				
Canadian Imperial Bank of Commerce	(14,601)	39.82%	(12,488)	39.94%
<b>Net securities lending income paid to the ETF</b>	<b>\$21,929</b>	<b>59.80%</b>	<b>\$18,751</b>	<b>59.97%</b>

## 8. REDEEMABLE UNITS

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

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.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

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.

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	34,407,590	10,279,934	(12,000,000)	32,687,524	36,104,738
2022	41,751,390	5,056,200	(12,400,000)	34,407,590	37,603,487

**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.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.50%, 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.

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:

<b>Year Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
December 31, 2023	\$250	\$nil	\$nil
December 31, 2022	\$2,030	\$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.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

**11. COLLATERAL WITH FUTURES COMMISSION MERCHANTS**

The ETF may maintain accounts with Futures Commission Merchants (“FCMs”) to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the ETF held at the FCMs. Collateral held with FCMs is included as part of “Margin deposits” in the statements of financial position. The collateral held with FCMs as at December 31, 2023 and 2022, is as follows:

As at	Collateral Held With FCMs
December 31, 2023	\$1,592
December 31, 2022	\$418,639

**12. 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.

**13. 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
\$8,945,004	–	–

**14. OFFSETTING OF FINANCIAL INSTRUMENTS**

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. 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.

**Notes to Financial Statements** (continued)

For the Years Ended December 31, 2023 and 2022

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	10,780	–	10,780	–	–	10,780
Derivative liabilities	–	–	–	–	–	–

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	1,377	–	1,377	–	–	1,377
Derivative liabilities	–	–	–	–	–	–

**15. 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.

**16. 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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