



**Horizons Seasonal Rotation ETF**  
**(HAC:TSX)**



**HORIZONS** ETFs  
by Mirae Asset

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# Contents

## **MANAGEMENT REPORT OF FUND PERFORMANCE**

Management Discussion of Fund Performance .....	5
Financial Highlights .....	10
Past Performance .....	13
Summary of Investment Portfolio .....	14

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

15

## **FINANCIAL STATEMENTS**

Statements of Financial Position .....	16
Statements of Comprehensive Income .....	17
Statements of Changes in Financial Position .....	18
Statements of Cash Flows .....	19
Schedule of Investments .....	20
Notes to Financial Statements .....	22

## A Message from the CEO

Halfway into 2023, I am proud to highlight the successes that Horizons ETFs has achieved so far, within our business and for our investors. Throughout this year and beyond, Horizons ETFs is 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 June 30, 2023, Canada's ETF industry has accumulated more than \$19 billion in year-to-date inflows.

At Horizons ETFs, our assets under management swelled from approximately \$23 billion at the end of 2022 to nearly \$26 billion as at June 30, 2023. We continue to solidify our position as one of Canada's leading ETF providers, with more than \$2 billion in ETF inflows this year – the highest dollar amount of inflows among the five largest ETF providers by assets under management.

We are also committed to continuing our longstanding commitment to bringing innovative ETFs to market. On April 12, 2023, we launched Canada's first ETFs that provide exclusive exposure to Canadian and U.S. 0-3 month Treasury Bills ("T-Bills"), respectively the Horizons 0-3 Month T-Bill ETF ("**CBIL**") and the Horizons 0-3 Month U.S. T-Bill ETF ("**UBIL.U**"). Recent economic uncertainty has spurred investor demand for "cash alternative" strategies that can provide the relative safety of traditional savings vehicles while generating income that outpaces inflation. With more than \$500 million in assets under management in these two funds, we are proud to have delivered ETF products resonating with so many Canadian investors.

In the coming months, we intend to launch several new and novel ETFs, offering investors more opportunities to gain and tailor their exposure to asset classes that we consider "Equity Essentials". We look forward to sharing more news on these exciting products, soon. No matter what is next on your horizon, we are confident that our suite of innovative ETFs will be able to help you reach your financial goals.

At Horizons ETFs, we go beyond the ordinary asset management model by embracing 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.

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

HAC seeks to provide long term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. HAC’s portfolio may from time to time also include a significant amount of cash and/or cash equivalents.

HAC invests primarily in Exchange Traded Products to gain exposure to the performance of Broad Markets or Sector Markets that at various times of the year have historically performed favourably. During historically favourable periods of the year that a given Broad Market has produced higher rates of return and/or a higher frequency of positive performance compared with other periods of the year, HAC may allocate some or all of its exposure to such Broad Market. HAC may also invest in futures contracts to meet its investment objectives.

During historically favourable periods of the year that a given Broad Market has produced higher rates of return and/or a higher frequency of positive performance compared with other periods of the year, HAC may allocate some or all of its exposure to Broad Markets. During historically favourable periods of the year that one or more Sector Markets have produced higher rates of return and/or have a higher frequency of positive performance compared with Broad Markets over the same period, HAC may allocate some of its exposure to those Sector Markets. During periods of the year when Broad Markets have historically underperformed when compared with Broad Markets during other periods of the year, HAC may allocate some of its portfolio to cash, cash equivalents or Exchange Traded Products that provide inverse exposure (including inverse leveraged exposure) to Broad Markets or one or more Sector Markets.

## Management Discussion of Fund Performance (continued)

In order to implement these investment strategies, the ETF's investment manager may employ investment techniques that include: (a) investing directly in securities, often referred to as a "long position"; (b) taking a position in security whereby HAC will agree with another party to deliver that security to that party at a future date and future price, often referred to as a "short position"; and (c) take a long position and a short position in different securities or financial instruments that, in the opinion of the ETF's investment manager, reflect Broad Markets or Sector Markets that are traditionally inversely or directly correlated, often referred to as a "pair trade".

At times, HAC will seek to profit from short-term strategic opportunities with long or short exposure to Broad Markets or Sector Markets. At any time, HAC may have a significant amount of its portfolio in fixed-income securities, cash or cash equivalents in order to react to market conditions and/or preserve capital.

While HAC may seek to achieve its investment objective and implement these investment strategies by investing primarily in Exchange Traded Products that provide exposure to Broad Markets, Sector Markets, and fixed income securities, HAC may seek exposure by investing directly or by employing indirect alternatives that are consistent with HAC's investment objectives. Any investment in futures contracts for non-hedging purposes, including commodity futures by HAC is subject to investment restrictions which ensure that HAC holds cash cover in an amount that, together with margin on account for the futures contract and the market value of the futures contract is not less than, on a daily mark to market basis, the underlying market exposure of the commodity future.

Please refer to the most recent prospectus for a complete explanation of HAC'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: medium.

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

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

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's most recent prospectus. A full description of each risk listed below may also be found in the most recent prospectus. The most recent prospectus is available at [www.horizonsetfs.com](http://www.horizonsetfs.com) or from [www.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.

## Management Discussion of Fund Performance (continued)

- |   |   |
|---|---|
| <ul style="list-style-type: none"> <li>• Regulatory risk</li> <li>• Market disruptions risk</li> <li>• Cyber security risk</li> <li>• Reliance on historical data risk</li> <li>• Risk that units will trade at prices other than net asset value per unit</li> <li>• Corresponding net asset value risk</li> <li>• Designated broker/dealer risk</li> <li>• Change in legislation</li> <li>• Cease trading or securities risk</li> <li>• Exchange risk</li> <li>• Early closing risk</li> <li>• No assurance of meeting investment objectives</li> <li>• Tax related risks</li> <li>• Risks relating to tax changes</li> <li>• Securities lending, repurchase and reverse repurchase transaction risk</li> <li>• Loss of limited liability</li> <li>• Reliance on key personnel</li> <li>• Conflicts of interest</li> <li>• No ownership interest</li> <li>• Market for units</li> <li>• No guaranteed return</li> </ul> | <ul style="list-style-type: none"> <li>• Significant redemptions</li> <li>• Counterparty risk</li> <li>• Risks relating to use of derivatives</li> <li>• Interest rate risk</li> <li>• Currency risk</li> <li>• Emerging markets risk</li> <li>• Credit risk</li> <li>• Leverage risk</li> <li>• Leveraged ETFs risk</li> <li>• Short selling risk</li> <li>• Liquidity risk</li> <li>• Political, economic and social risk</li> <li>• Exchange traded products risk</li> <li>• Aggressive investment technique risk</li> <li>• Foreign security risk</li> <li>• Commodity market risk</li> <li>• Commodity risk</li> <li>• Equity risk</li> <li>• Risk relating to the failure of futures commission merchant</li> <li>• Price limit risk</li> <li>• Business and regulatory risks of alternative investment strategies</li> </ul> |
|---|---|

### Results of Operations

For the period ended June 30, 2023, units of the ETF returned 3.00%. This compares to the S&P/TSX Composite Index™ (the “TSX Composite”) and the S&P 500® (the “S&P 500”), which returned 5.70% and 16.89%, respectively, for the same period, both on a total return basis in local currency terms.

The TSX Composite contains stocks of the largest companies listed on the Toronto Stock Exchange captured by market capitalization. The listed companies in this index account for approximately 70% of the market capitalization for all Canadian-based companies listed on the Toronto Stock Exchange.

The S&P 500 is widely regarded as the best single-gauge of large-cap U.S. equities. This index includes 500 leading companies and captures approximately 80% coverage of available U.S. market capitalization.

### General Market Review

In the first half of 2023, North American stock markets were positive as inflation expectations moderated. Generally, investors believed that if inflation was moderating, this would allow the central banks to at least pause their rate hiking schedule. The Bank of Canada paused its key interest rate in January but resumed hiking in June. The Federal Reserve paused its key interest rate in June but reaffirmed that it will probably continue to hike at a later date. Overall, the stock

## Management Discussion of Fund Performance (continued)

market has taken the central bank's increases in their key interest rates in stride. The economy has been sending mixed signals about its health. Many of the major economic indicators such as gross domestic product (GDP), inflation, and unemployment indicate a stable or healthy economy. Many other indicators, including bank credit, money supply, loan delinquencies, and other indicators are indicating an increasing likelihood that the economy is set to enter a contraction phase.

The response from investors to the mixed economic messages and a slowing economy could shift some of their equity allocations to large technology companies. A relatively few large technology stocks have been responsible for the large returns in the S&P 500 in the first half of the year. Bank of America coined the term "Magnificent Seven" for seven large stocks (Apple, Microsoft, Google, Meta, Amazon, Nvidia, and Tesla) that have made a huge contribution to the performance of the S&P 500 in the first half of 2023.

Although the Canadian stock market was positive in H1 of 2023, it lagged behind the S&P 500. Generally, the Canadian stock market has a larger weighting in the value sectors, compared to the S&P 500 which has a larger weighting in the growth sectors, including the technology sector. Growth sectors of the stock markets generally were much stronger performers in the first half of 2023.

### **Portfolio Review**

At the start of 2023, the ETF was fully allocated to equities. It was largely in broad market equities, positioning itself for upcoming seasonal sector opportunities. After an overweight in US equities in late 2022, the ETF started to transition into Canadian equities early in 2023. It also started the year with a position in the technology sector. In addition, the ETF shifted into some of the cyclical sectors, including the industrials, energy, and materials sectors. The ETF exited its position in the technology sector as its strong seasonal period ended in early 2023. The positions in some of the cyclical sectors early in the second quarter as the sectors were underperforming in the market. The ETF also took a position in Canadian banks early in 2023 but removed the position in April as the banks were close to the end of their seasonal period and were set to report earnings.

In mid-April, the ETF started to shift to a defensive position, based upon seasonal tendencies. The ETF took a position in the consumer staples sector, which outperformed the S&P 500 in April. In mid-May, the sector started to underperform the S&P 500 as investors were shifting their allocation to technology large-cap stocks. As a result, the ETF deleted its position in the consumer staples sector. In May, the ETF initiated positions in the healthcare sector and a small position in mid-term US government bonds. In addition, the ETF substantially increased its cash or cash equivalent position.

In June, the ETF initiated a small position in gold. Gold starts its strong seasonal period in July, but volatility in June can create an attractive entry opportunity. In addition, the ETF took small short-sell positions in the technology and industrials sector based on seasonal tendencies. The positions were offset with long positions in the S&P 500. The short-sell positions were closed in late June. The ETF increased its net long position in the stock market late in June to position itself for the seasonal tendency to perform well in late June in mid-July.

### **Outlook**

In the second half of 2023, the economy is expected to "muddle along," with muted growth. There are risks that the economy will deteriorate. The effects of high-interest rates are expected to continue to work their way through the economy, making it difficult for the economy to develop any meaningful growth. The stock market is expected to respond with low growth expectations and increased volatility. Most of the weakness in the stock market is expected to occur in Q3 of this year as the stock market is expected to follow long-term seasonal trends of weaker performance in the third quarter. The stock market is expected to strengthen in the fourth quarter. Despite muted growth prospects for both the economy and the stock market, the stock market is still expected to end the year higher.



## Management Discussion of Fund Performance (continued)

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

For the six-month period ended June 30, 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 \$6,436,453. This compares to (\$14,165,305) for the six-month period ended June 30, 2022. The ETF incurred management, operating and transaction expenses of \$957,709 (2022 – \$1,546,464) of which \$21,225 (2022 – \$338) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF did not make any distributions to unitholders during the period ended June 30, 2023 and 2022.

### **Presentation**

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

### **Recent Developments**

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

### **Related Party Transactions**

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

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

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

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 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 June 30, 2023, and December 31, 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 current interim reporting period and for the past five fiscal years. This information is derived from the ETF's audited annual financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

### The ETF's Net Assets per Unit

Period <sup>(1)</sup>	2023	2022	2021	2020	2019	2018
<b>Net assets, beginning of period</b>	\$ 24.60	25.98	21.40	22.65	18.95	19.13
<b>Increase (decrease) from operations:</b>						
Total revenue	0.22	0.23	0.11	0.09	0.17	0.14
Total expenses	(0.13)	(0.31)	(0.52)	(0.20)	(0.56)	(0.24)
Realized gains (losses) for the period	0.74	(0.18)	4.64	(2.38)	2.87	0.49
Unrealized gains (losses) for the period	(0.09)	(1.13)	0.43	(0.06)	0.98	(0.67)
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.74</b>	<b>(1.39)</b>	<b>4.66</b>	<b>(2.55)</b>	<b>3.46</b>	<b>(0.28)</b>
<b>Distributions:</b>						
From net realized capital gains	–	(0.22)	–	–	(1.05)	(1.35)
<b>Total distributions <sup>(3)</sup></b>	<b>–</b>	<b>(0.22)</b>	<b>–</b>	<b>–</b>	<b>(1.05)</b>	<b>(1.35)</b>
<b>Net assets, end of period <sup>(4)</sup></b>	<b>\$ 25.34</b>	<b>24.60</b>	<b>25.98</b>	<b>21.40</b>	<b>22.65</b>	<b>18.95</b>

1. This information is derived from the ETF's unaudited interim financial statements and 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>Period</b> <sup>(1)</sup>	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Total net asset value (000's)	\$ 184,151	188,002	228,106	223,749	338,734	205,042
Number of units outstanding (000's)	7,268	7,643	8,780	10,455	14,955	10,820
Management expense ratio <sup>(2)(5)</sup>	1.01%	1.24%	2.22%	1.03%	2.66%	1.27%
Management expense ratio excluding performance fees <sup>(2)</sup>	1.01%	1.08%	1.10%	1.03%	1.14%	1.14%
Management expense ratio excluding performance fees and security borrowing costs	1.01%	1.04%	1.07%	1.03%	1.13%	1.13%
Management expense ratio excluding performance fees, security borrowing costs and proportion of expenses from underlying investment funds	0.87%	0.88%	0.85%	0.85%	0.85%	0.89%
Management expense ratio before waivers and absorptions <sup>(3)</sup>	1.04%	1.24%	2.25%	1.08%	2.70%	1.29%
Trading expense ratio <sup>(4)(5)</sup>	0.12%	0.13%	0.19%	0.15%	0.19%	0.22%
Trading expense ratio excluding proportion of costs from underlying investment funds	0.07%	0.08%	0.09%	0.08%	0.13%	0.13%
Portfolio turnover rate <sup>(6)</sup>	238.94%	668.54%	600.27%	571.43%	804.66%	700.04%
Net asset value per unit, end of period	\$ 25.34	24.60	25.98	21.40	22.65	18.95
Closing market price	\$ 25.35	24.61	25.98	21.48	22.64	18.93

1. This information is provided as at June 30, 2023, and 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 period. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's 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 period.
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 0.75%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears.

Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

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

<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
2%	95%	3%

### Performance fees

The ETF will pay to the Manager a performance fee (the "Performance Fee"), if any, equal to 20% of the amount by which the performance of the ETF at any date on which the fee is payable (i) exceeds the High Water Mark (as defined in the ETF's prospectus) and (ii) is greater than an annualized return of five percent (5%). The Performance Fee will be determined in accordance with the definitions and the formula outlined in the prospectus and shall be calculated and accrued daily on each class of units.

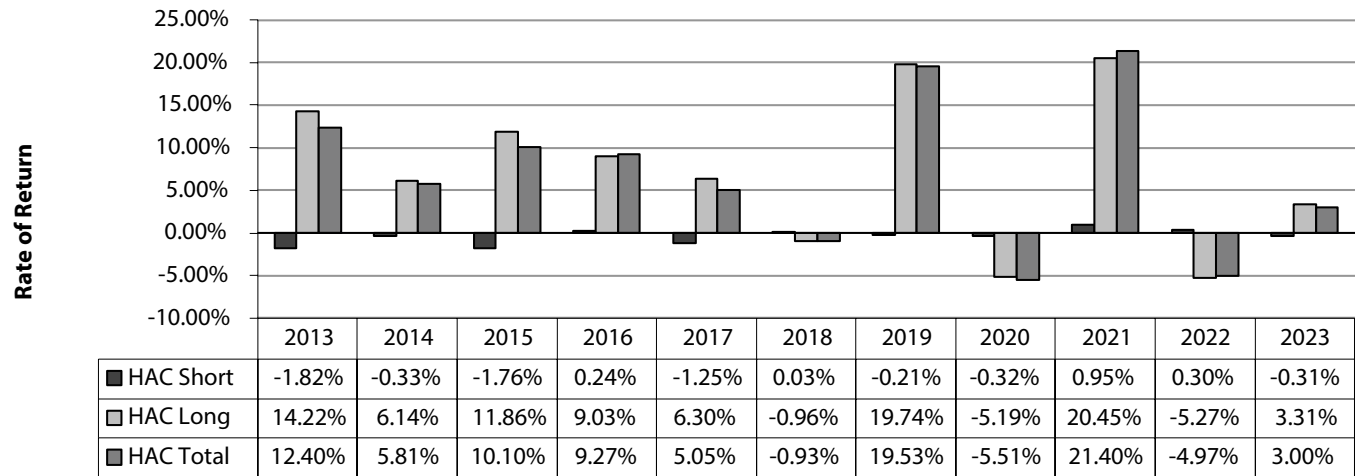
The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$nil in performance fees for the period ended June 30, 2023 (2022 – \$419,397), and is disclosed in the statements of comprehensive income. Performance fees payable to the Manager as at June 30, 2023, were \$nil (December 31, 2022 - \$nil) and is included in accrued operating expenses on the statements of financial position, where applicable.

## 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 November 20, 2009.

## Summary of Investment Portfolio

As at June 30, 2023

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
U.S. Equities	\$ 26,241,428	14.25%
Canadian Equities	25,200,000	13.68%
U.S. Fixed Income Securities	18,295,857	9.93%
Commodity ETFs	5,383,000	2.92%
Currency Forward Hedge*	1,154,812	0.63%
Cash and Cash Equivalents	127,674,031	69.34%
Other Assets less Liabilities	(19,798,194)	-10.75%
	<b>\$ 184,150,934</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Canadian Broad Equity	\$ 25,200,000	13.68%
U.S. Broad Fixed Income	18,295,857	9.93%
U.S. Broad Equity	15,692,973	8.52%
Health Care	10,548,455	5.73%
Materials	5,383,000	2.92%
Currency Forward Hedge*	1,154,812	0.63%
Cash and Cash Equivalents	127,674,031	69.34%
Other Assets less Liabilities	(19,798,194)	-10.75%
	<b>\$ 184,150,934</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.

<b>Top Holdings</b>	<b>% of ETF's Net Asset Value</b>
Cash and Cash Equivalents	69.34%
Horizons S&P/TSX 60™ Index ETF	13.68%
Horizons US 7-10 Year Treasury Bond ETF	9.93%
Horizons S&P 500® Index ETF	8.52%
Health Care Select Sector SPDR® Fund	5.73%
Horizons Gold ETF	2.92%

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 unaudited interim financial statements of Horizons Seasonal Rotation ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board using information available and include certain amounts that are based on the Manager's best estimates and judgements.

The Manager has developed and maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to produce relevant, reliable and timely financial information, including the accompanying financial statements.

These financial statements have been approved by the Board of Directors of the Manager.



Rohit Mehta  
Director  
Horizons ETFs Management (Canada) Inc.



Thomas Park  
Director  
Horizons ETFs Management (Canada) Inc.

### NOTICE TO UNITHOLDERS

**The Auditor of the ETF has not reviewed these Financial Statements.**

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

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

**Statements of Financial Position** (unaudited)

June 30, 2023, and December 31, 2022

	<b>2023</b>	<b>2022</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 127,674,031	\$ 2,413,066
Investments	75,120,285	185,433,911
Amounts receivable relating to accrued income	489,858	–
Derivative assets (note 3)	1,162,413	999,130
<b>Total assets</b>	<b>204,446,587</b>	<b>188,846,107</b>
<b>Liabilities</b>		
Accrued management fees	124,074	135,742
Accrued operating expenses	6,498	7,627
Amounts payable for portfolio assets purchased	20,157,480	–
Distribution payable	–	687,829
Derivative liabilities (note 3)	7,601	12,844
<b>Total liabilities</b>	<b>20,295,653</b>	<b>844,042</b>
<b>Total net assets</b>	<b>\$ 184,150,934</b>	<b>\$ 188,002,065</b>
Number of redeemable units outstanding (note 8)	7,267,547	7,642,547
Total net assets per unit	\$ 25.34	\$ 24.60

(See accompanying notes to financial statements)

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



 Rohit Mehta  
 Director



 Thomas Park  
 Director



**Statements of Comprehensive Income** (unaudited)

For the Periods Ended June 30,

	<b>2023</b>	<b>2022</b>
<b>Income</b>		
Dividend income	\$ 1,187,281	\$ 390,598
Interest income for distribution purposes	459,840	109,795
Securities lending income (note 7)	19,114	16,114
Net realized gain on sale of investments and derivatives	6,077,746	1,876,448
Net realized gain (loss) on foreign exchange	(546,448)	480,807
Net change in unrealized appreciation (depreciation) of investments and derivatives	739,722	(17,037,633)
Net change in unrealized depreciation of foreign exchange	(1,500,802)	(1,434)
	<b>6,436,453</b>	<b>(14,165,305)</b>
<b>Expenses (note 9)</b>		
Management fees	769,394	907,472
Performance fees	–	419,397
Audit fees	4,219	4,790
Independent Review Committee fees	127	141
Custodial and fund valuation fees	31,904	30,238
Legal fees	2,595	1,069
Securityholder reporting costs	11,968	12,537
Administration fees	13,233	13,179
Borrowing fees for securities sold short	1,681	6,102
Transaction costs	68,861	94,443
Withholding taxes	53,727	57,096
	<b>957,709</b>	<b>1,546,464</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(21,225)	(338)
	<b>936,484</b>	<b>1,546,126</b>
<b>Increase (decrease) in net assets for the period</b>	<b>\$ 5,499,969</b>	<b>\$ (15,711,431)</b>
Increase (decrease) in net assets per unit	\$ 0.74	\$ (1.80)

(See accompanying notes to financial statements)

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

For the Periods Ended June 30,

	<b>2023</b>		<b>2022</b>	
<b>Total net assets at the beginning of the period</b>	\$	188,002,065	\$	228,105,745
<b>Increase (decrease) in net assets</b>		5,499,969		(15,711,431)
<b>Redeemable unit transactions</b>				
Proceeds from the issuance of securities of the investment fund		3,827,089		4,897,891
Aggregate amounts paid on redemption of securities of the investment fund		(13,178,189)		(12,594,162)
<b>Total net assets at the end of the period</b>	<b>\$</b>	<b>184,150,934</b>	<b>\$</b>	<b>204,698,043</b>

(See accompanying notes to financial statements)

**Statements of Cash Flows** (unaudited)

For the Periods Ended June 30,

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Increase (decrease) in net assets for the period	\$ 5,499,969	\$ (15,711,431)
Adjustments for:		
Net realized gain on sale of investments and derivatives	(6,077,746)	(1,876,448)
Net realized gain on currency forward contracts	2,252,504	2,311,300
Net change in unrealized (appreciation) depreciation of investments and derivatives	(739,722)	17,037,633
Net change in unrealized depreciation of foreign exchange	1,500,802	1,434
Purchase of investments	(318,825,539)	(650,847,575)
Proceeds from the sale of investments	453,072,275	665,425,284
Amounts receivable relating to accrued income	(489,858)	(11,656)
Accrued expenses	(12,797)	(1,968,140)
<b>Net cash from operating activities</b>	<b>136,179,888</b>	<b>14,360,401</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	3,827,089	4,897,891
Amount paid on redemptions of units	(12,557,381)	(10,626,451)
Distributions paid to unitholders	(687,829)	–
<b>Net cash used in financing activities</b>	<b>(9,418,121)</b>	<b>(5,728,560)</b>
<b>Net increase in cash and cash equivalents during the period</b>	<b>126,761,767</b>	<b>8,631,841</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(1,500,802)	(1,434)
<b>Cash and cash equivalents at beginning of period</b>	<b>2,413,066</b>	<b>3,634,484</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 127,674,031</b>	<b>\$ 12,264,891</b>
Interest received, net of withholding taxes	\$ 459,840	\$ 109,795
Dividends received, net of withholding taxes	\$ 643,696	\$ 321,846

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2023

Security	Shares/ Contracts	Average Cost	Fair Value
<b>U.S. EQUITIES (14.25%)</b>			
<b>U.S. Broad Equity (8.52%)</b>			
Horizons S&P 500® Index ETF	263,526	\$ 14,510,432	\$ 15,692,973
<b>Health Care (5.73%)</b>			
Health Care Select Sector SPDR® Fund	60,000	10,754,199	10,548,455
<b>TOTAL U.S. EQUITIES</b>		<b>25,264,631</b>	<b>26,241,428</b>
<b>CANADIAN EQUITIES (13.68%)</b>			
<b>Canadian Broad Equity (13.68%)</b>			
Horizons S&P/TSX 60™ Index ETF	500,000	25,088,120	25,200,000
<b>TOTAL CANADIAN EQUITIES</b>		<b>25,088,120</b>	<b>25,200,000</b>
<b>U.S. FIXED INCOME SECURITIES (9.93%)</b>			
<b>U.S. Broad Fixed Income (9.93%)</b>			
Horizons US 7-10 Year Treasury Bond ETF	340,000	19,066,940	18,295,857
<b>TOTAL U.S. FIXED INCOME SECURITIES</b>		<b>19,066,940</b>	<b>18,295,857</b>
<b>COMMODITY ETFs (2.92%)</b>			
<b>Materials (2.92%)</b>			
Horizons Gold ETF	350,000	5,448,875	5,383,000
<b>TOTAL COMMODITY ETFs</b>		<b>5,448,875</b>	<b>5,383,000</b>
<b>DERIVATIVES (0.63%)</b>			
<b>Currency Forwards (0.63%)</b>			
Currency forward contract to buy C\$105,848,831 for US\$79,030,000 maturing July 10, 2023		–	1,162,413
Currency forward contract to buy US\$700,000 for C\$934,850 maturing July 10, 2023		–	(7,601)
		–	1,154,812
<b>TOTAL DERIVATIVES</b>		–	<b>1,154,812</b>
Transaction Costs		(12,077)	

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

As at June 30, 2023

<b>Security</b>	<b>Shares/ Contracts</b>	<b>Average Cost</b>	<b>Fair Value</b>
<b>TOTAL INVESTMENT PORTFOLIO (108.79%)</b>		<b>\$ 74,856,489</b>	<b>\$ 76,275,097</b>
<b>Cash and cash equivalents (1.96%)</b>			127,674,031
<b>Other assets less liabilities (-10.75%)</b>			(19,798,194)
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 184,150,934</b>

(See accompanying notes to financial statements)

**Notes to Financial Statements** (unaudited)

June 30, 2023

**1. REPORTING ENTITY**

Horizons Seasonal Rotation ETF (“HAC” 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 November 20, 2009. 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 HAC. 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.

HAC seeks to provide long term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. HAC’s portfolio may from time to time also include a significant amount of cash and/or cash equivalents.

Horizons ETFs Management (Canada) Inc. is the manager, trustee and investment manager of the ETF (“Horizons Management”, the “Manager” or the “Investment Manager”). The Investment Manager is responsible for implementing the ETF’s investment strategies.

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

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

These financial statements were authorized for issue on August 11, 2023, 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. SIGNIFICANT ACCOUNTING POLICIES**

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

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

June 30, 2023

**(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 (unaudited) (continued)

June 30, 2023

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** (unaudited) (continued)

June 30, 2023

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 period-end exchange rate. Foreign exchange gains and losses are presented as "Net realized gain (loss) on foreign exchange", except for those arising from financial instruments at fair value through profit or loss, which are recognized as a component within "Net realized gain (loss) on sale of investments and derivatives" and "Net change in unrealized appreciation (depreciation) of investments and derivatives" in the 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 period.

**(f) Unitholder transactions**

The value at which units are issued or redeemed is determined by dividing the net asset value of the ETF by the total number of units outstanding of the ETF on the applicable Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units are included in the 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** (unaudited) (continued)

June 30, 2023

**(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.

**4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

In preparing these financial statements, the Manager has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

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

**5. FINANCIAL INSTRUMENTS RISK**

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

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

**(a) Market risk**

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

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

June 30, 2023

**(i) Currency risk**

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at June 30, 2023, and December 31, 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)
June 30, 2023	–	–	–	18,296	–	18,296
December 31, 2022	–	–	–	–	–	–

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2023, was 9.9% (December 31, 2022 – 0.0%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 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 \$1,397,114 (December 31, 2022 – \$0). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

**(iii) Other market risk**

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

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

<b>Comparative Index</b>	<b>June 30, 2023</b>	<b>December 31, 2022</b>
S&P/TSX Composite Index™	\$1,362,792	\$1,390,509

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

June 30, 2023

**(b) Credit risk**

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

***Analysis of credit quality***

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2023, and December 31, 2022, is listed as follows:

Debt or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2023	December 31, 2022
AAA	9.9%	–
<b>Total</b>	<b>9.9%</b>	<b>–</b>

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2023, was 9.9% (December 31, 2022 – 0.0%) of the net assets of the ETF.

**(c) Liquidity risk**

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

**6. FAIR VALUE MEASUREMENT**

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

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

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

June 30, 2023

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2023, and December 31, 2022, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2023			December 31, 2022		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Exchange Traded Funds	75,120,285	–	–	185,433,911	–	–
Currency Forward Contracts	–	1,162,413	–	–	999,130	–
<b>Total Financial Assets</b>	<b>75,120,285</b>	<b>1,162,413</b>	<b>–</b>	<b>185,433,911</b>	<b>999,130</b>	<b>–</b>
<b>Financial Liabilities</b>						
Currency Forward Contracts	–	(7,601)	–	–	(12,844)	–
<b>Total Financial Liabilities</b>	<b>–</b>	<b>(7,601)</b>	<b>–</b>	<b>–</b>	<b>(12,844)</b>	<b>–</b>
<b>Net Financial Assets and Liabilities</b>	<b>75,120,285</b>	<b>1,154,812</b>	<b>–</b>	<b>185,433,911</b>	<b>986,286</b>	<b>–</b>

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or year shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2023, and for the year ended December 31, 2022.

## 7. SECURITIES LENDING

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

The aggregate closing market value of securities loaned and collateral received as at June 30, 2023, and December 31, 2022, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2023	\$691,101	\$768,608
December 31, 2022	\$49,886,832	\$50,945,827

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

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

June 30, 2023

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the periods ended June 30, 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.

<b>For the periods ended</b>	<b>June 30, 2023</b>	<b>% of Gross Income</b>	<b>June 30, 2022</b>	<b>% of Gross Income</b>
Gross securities lending income	\$38,228		\$32,228	
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(19,114)	50.00%	(16,114)	50.00%
<b>Net securities lending income paid to the ETF</b>	<b>\$19,114</b>	<b>50.00%</b>	<b>\$16,114</b>	<b>50.00%</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.

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

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

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

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

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

June 30, 2023

For the periods ended June 30, 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:

<b>Period</b>	<b>Beginning Units Outstanding</b>	<b>Units Issued</b>	<b>Units Redeemed</b>	<b>Ending Units Outstanding</b>	<b>Average Units Outstanding</b>
2023	7,642,547	150,000	(525,000)	7,267,547	7,444,204
2022	8,779,547	188,000	(500,000)	8,467,547	8,720,265

## 9. EXPENSES

### Management fees

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

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.75%, plus applicable sales taxes, of the net asset value of the ETF's units, calculated and accrued daily and payable monthly in arrears. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

### Other expenses

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

The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

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

June 30, 2023

**Performance fees**

The ETF will pay to the Manager a performance fee (the “Performance Fee”), if any, equal to 20% of the amount by which the performance of the ETF at any date on which the fee is payable (i) exceeds the High Water Mark (as defined in the ETF’s prospectus) and (ii) is greater than an annualized return of five percent (5%). The Performance Fee will be determined in accordance with the definitions and the formula outlined in the prospectus and shall be calculated and accrued daily on each class of units.

The Performance Fee shall be calculated and accrued daily and shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. The ETF accrued \$nil in performance fees for the period ended June 30, 2023 (2022 – \$419,397), and is disclosed in the statements of comprehensive income. Performance fees payable to the Manager as at June 30, 2023, were \$nil (December 31, 2022 - \$nil) and is included in accrued operating expenses on the statements of financial position, where applicable.

**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 periods ended June 30, 2023 and 2022, were as follows:

<b>Period Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
June 30, 2023	\$65,257	\$nil	\$nil
June 30, 2022	\$91,366	\$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 June 30, 2023, and December 31, 2022 are disclosed in the statements of financial position.

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

**11. INCOME TAX**

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



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

June 30, 2023

**12. TAX LOSSES CARRIED FORWARD**

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forward may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2022, the ETF had no net capital or non-capital losses available.

**13. OFFSETTING OF FINANCIAL INSTRUMENTS**

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2023, and December 31, 2022. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

Financial Assets and Liabilities as at June 30, 2023	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	1,162,413	–	1,162,413	(7,601)	–	1,154,812
Derivative liabilities	(7,601)	–	(7,601)	7,601	–	–

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	999,130	–	999,130	(12,844)	–	986,286
Derivative liabilities	(12,844)	–	(12,844)	12,844	–	–

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

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

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

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

June 30, 2023

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2023, and December 31, 2022, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

<b>Investee ETF as at June 30, 2023</b>	<b>Place of Business</b>	<b>Type</b>	<b>Ownership %</b>	<b>Carrying Amount</b>
Horizons 0-3 Month T-Bill ETF	Canada	SE	19.67%	\$66,100,000
Horizons 0-3 Month U.S. T-Bill ETF	Canada	Assc	30.50%	\$57,971,060
Horizons S&P/TSX 60™ Index ETF	Canada	SE	0.73%	\$25,200,000
Horizons US 7-10 Year Treasury Bond ETF	Canada	SE	14.10%	\$18,295,857
Horizons S&P 500® Index ETF	Canada	SE	0.60%	\$15,692,973
Health Care Select Sector SPDR® Fund	U.S.	SE	0.02%	\$10,548,455

<b>Investee ETF as at December 31, 2022</b>	<b>Place of Business</b>	<b>Type</b>	<b>Ownership %</b>	<b>Carrying Amount</b>
Horizons S&P/TSX 60™ Index ETF	Canada	SE	1.11%	\$42,449,992
Industrial Select Sector SPDR® Fund	U.S.	SE	0.13%	\$24,177,625
Materials Select Sector SPDR® Trust	U.S.	SE	0.28%	\$19,924,531
Horizons Gold ETF	Canada	Assc	46.32%	\$16,044,800
iShares Russell 2000 ETF	U.S.	SE	0.02%	\$15,203,774
Technology Select Sector SPDR® Fund	U.S.	SE	0.03%	\$14,523,990
Horizons S&P 500® Index ETF	Canada	SE	0.45%	\$10,385,180
Utilities Select Sector SPDR® Fund	U.S.	SE	0.04%	\$9,794,843
iShares MSCI Emerging Markets ETF	U.S.	SE	0.03%	\$9,516,822

Manager

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