



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

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including limited resource capital notes (“LRCNs”), as they are defined in the ETF’s prospectus), of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds, as they are defined in the ETF’s prospectus.

The Sub-Advisor, Fiera Capital Corporation (“Fiera” or the “Sub-Advisor”), uses fundamental research to select the securities of companies that, based on the Sub-Advisor’s view on the company’s industry and growth prospects, should be included in the ETF’s investment portfolio. An extensive credit analysis for each security as well as an assessment of each company’s risk profile is completed in order to confirm the selection and relative weight of each security held by the ETF. HPR invests primarily in the preferred shares, and securities convertible to preferred shares, of Canadian issuers whose debt, generally, at a minimum, has an investment grade rating at the time of purchase.

HPR may also invest in preferred shares (including securities convertible to preferred shares) of companies located in the United States debt (including LRCNs and other debt-like securities) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

HPR may also invest in Canadian equity securities that have attractive dividend yields and Listed Funds that pay dividend income.

Management Discussion of Fund Performance (continued)

In anticipation of, or in response to, adverse conditions or for defensive purposes, HPR may temporarily hold a portion of its assets in cash, money market instruments, bonds or other debt securities generally not to exceed 20% of the ETF's net assets.

The Sub-Advisor may purchase securities of issuers that are related or connected to the Sub-Advisor. The Sub-Advisor may also 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. 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").

HPR may enter into securities lending transactions to the extent permitted by applicable securities laws. HPR may also invest in derivatives for currency hedging purposes only.

Please refer to the ETF's most recent prospectus for a complete description of HPR'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 or from www.sedarplus.ca, or by contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

- 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

Management Discussion of Fund Performance (continued)

- No ownership interest
 - Market for units
 - Redemption price
 - Net asset value fluctuation
 - Restrictions on certain unitholders
 - Highly volatile markets
 - No guaranteed return
 - Derivatives and counterparty risk
- Interest rate risk
 - Foreign currency risk
 - Credit risk
 - Income trust investment risk
 - Foreign stock exchange risk
 - Call risk
 - Risk of difference between quoted and actionable market price
 - Liquidity risk

Results of Operations

For the year ended December 31, 2023, units of the ETF returned 7.50% when including distributions paid to unitholders. This compares to a return of 5.90% for the S&P/TSX Preferred Share Index (the “Index”) for the same period.

The S&P/TSX Preferred Share Index is designed to track the performance of the Canadian preferred stock market. Preferred stocks pay dividends at a specified rate and receive preference over common stocks in terms of dividend payments and liquidation of assets.

General Market Review

2023 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)

The Canadian preferred share market started the year on a volatile note. While fund flows during the first quarter were relatively supportive, the situation became more challenging during the second quarter - particularly in May - as investors were reluctant to add exposure to the asset class due to the potential dividend tax change for corporations that could occur later in the year. The market continued to be challenging in the second half of the year as the negative flow of funds from both institutional and retail investors put pressure on prices. Negative performance from equity markets didn't help matters despite the stable credit tone. The tone improved in September with interest rates increasing substantially and because TD Bank decided to redeem a preferred share issue. Despite continued volatility, HPR ended the year on a solid note following the decision by the Federal government to not change tax treatment on preferred share dividends, helping this asset class. Some surprise redemptions and the perception that central banks were done hiking rates and could consider cutting them also contributed positively.

Fixed reset issues performed strongly throughout the year while fixed rate issues undermined the asset class's overall performance in 2023. The Canadian preferred share market ended the year up. The S&P/TSX Preferred Share Index returned 5.9% while the Solactive Laddered Canadian Preferred Share Index (100% rate reset) rose by 3.1%.

Portfolio Review

Overall, the portfolio returned 7.50% for the year, effectively outperforming the benchmark by 160 basis points on a net basis. Over the year the fund benefited strongly from the rally in preferred shares by being well positioned to capture gains. HPR's fixed-floating segment was the largest contributor to performance. The fund's underweight stance to perpetual issues also contributed strongly with positive security selection within the energy and real estate segments. However, the fund's security selection and underweight in banks proved to be a detractor to performance. Throughout the year, we slightly increased our exposure to fixed-floating issues while reducing exposure to perpetual issues. Our sector allocation to banks was also increased.

In terms of new issues, we bought into the institutional preferred share issue of BMO and Intact Financial's Limited Recourse Capital Note at an attractive coupon and reset level. We also bought the new hybrid of Enbridge and the new hybrid of Gibson Energy at attractive coupon and reset level.

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 we now expect 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 rates 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.

The average current yield of Canadian preferred shares remains attractive and could increase substantially over the next few quarters/years as fixed reset issues reset at a much higher 5-year Canada rate. Volatility should remain important in 2024 subject to timing and amplitude of central banks interest rate cuts in this low and potentially negative Canadian GDP growth. Fund flows should improve in 2024 as the decision by the Federal government to not modify the tax treatment of preferred share dividends is not only removing important potential sellers but we could also get new

Management Discussion of Fund Performance (continued)

buyers. We would be ready to add risk in our portfolio if opportunities arise and we will be ready to take profits if needed. In this environment, we think the fixed reset issues that reset later in 2024 and in 2025 represent the best risk/reward opportunities as we think the 5-year Canada rate could be sticky above 3% over the next few years.

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 \$75,509,342. This compares to (\$300,652,925) for the year ended December 31, 2022. The ETF incurred management, operating and transaction expenses of \$7,051,182 (2022 – \$9,990,399) of which \$268,941 (2022 – \$13,476) 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 \$57,879,741 to unitholders during the year (2022 – \$74,512,192).

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 ⁽¹⁾	2023	2022	2021	2020	2019
Net assets, beginning of year	\$ 7.50	9.75	8.16	8.14	8.36
Increase (decrease) from operations:					
Total revenue	0.45	0.43	0.42	0.44	0.44
Total expenses	(0.05)	(0.06)	(0.06)	(0.05)	(0.06)
Realized gains (losses) for the year	(0.25)	0.11	0.17	(0.52)	(0.37)
Unrealized gains (losses) for the year	0.35	(2.31)	1.41	0.51	0.15
Total increase (decrease) from operations ⁽²⁾	0.50	(1.83)	1.94	0.38	0.16
Distributions:					
From net investment income (excluding dividends)	(0.01)	–	–	–	–
From dividends	(0.40)	(0.38)	(0.33)	(0.38)	(0.38)
From net realized capital gains	–	(0.06)	(0.06)	–	–
From return of capital	(0.01)	–	–	(0.04)	(0.02)
Total distributions ⁽³⁾	(0.42)	(0.44)	(0.39)	(0.42)	(0.40)
Net assets, end of year ⁽⁴⁾	\$ 7.62	7.50	9.75	8.16	8.14

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

2. Net assets per unit and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.

3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units. The characteristics of distributions, if any, are determined subsequent to the end of the ETF's tax year. Until such time, distributions are classified as from net investment income (excluding dividends) for reporting purposes.

4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Financial Highlights (continued)

Ratios and Supplemental Data

Year ⁽¹⁾	2023	2022	2021	2020	2019
Total net asset value (000's)	\$ 966,222	1,107,087	1,871,153	1,398,529	1,411,437
Number of units outstanding (000's)	126,848	147,593	191,854	171,302	173,304
Management expense ratio ⁽²⁾	0.62%	0.64%	0.64%	0.64%	0.64%
Management expense ratio before waivers and absorptions ⁽³⁾	0.65%	0.64%	0.65%	0.64%	0.64%
Trading expense ratio ⁽⁴⁾	0.03%	0.04%	0.05%	0.07%	0.06%
Portfolio turnover rate ⁽⁵⁾	15.16%	23.71%	56.49%	74.59%	85.37%
Net asset value per unit, end of year	\$ 7.62	7.50	9.75	8.16	8.14
Closing market price	\$ 7.61	7.44	9.75	8.18	8.15

1. This information is provided as at December 31 of the years shown.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the year. Out of its management fees, and waivers and absorptions, as applicable, the Manager pays for such services to the ETF as investment manager compensation and marketing.
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 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 0.55%, 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.

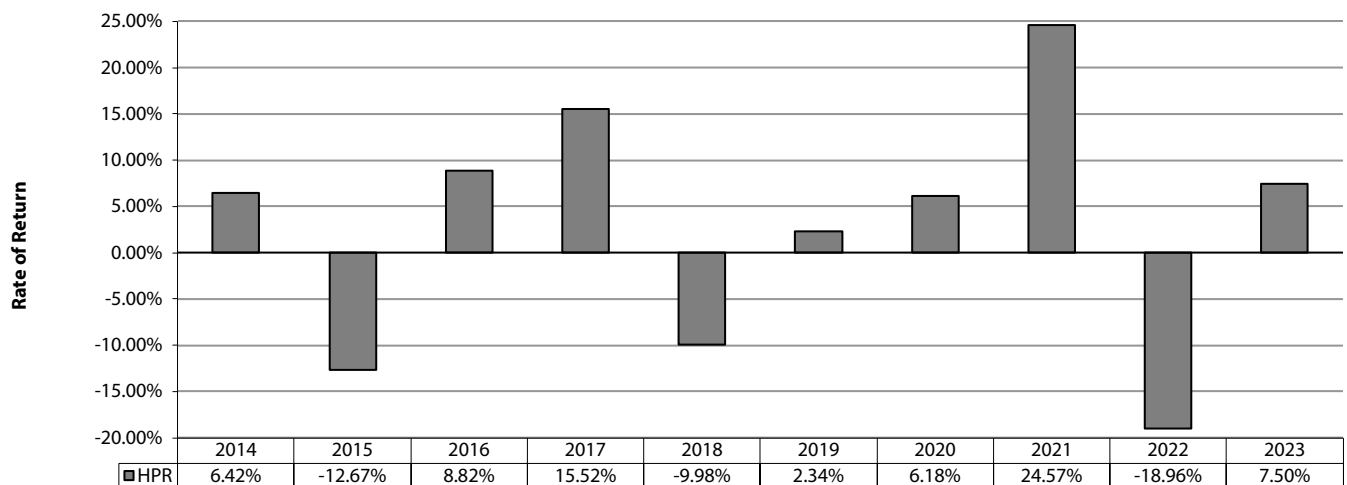
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
4%	92%	4%

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 November 22, 2010.

Annual Compound Returns

The following table presents the ETF's annual compound total return since inception and for the periods shown ended December 31, 2023, along with a comparable market index. The table is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the ETF or future returns on investments in the ETF.

	1 Year	3 Year	5 Year	10 Year	Since Inception
Horizons Active Preferred Share ETF	7.50%	2.76%	3.35%	2.18%	2.59%
S&P/TSX Preferred Share Index™	5.90%	1.17%	2.61%	1.46%	1.74%

The ETF effectively began operations on November 22, 2010.

Summary of Investment Portfolio

As at December 31, 2023

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Canadian Preferred Securities	\$ 872,012,766	90.25%
Canadian Fixed Income Securities	89,052,112	9.22%
Currency Forward Hedge*	11,780	0.00%
Cash and Cash Equivalents	6,862,275	0.71%
Other Assets less Liabilities	(1,717,043)	-0.18%
	\$ 966,221,890	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 447,853,515	46.35%
Energy	229,159,188	23.72%
Utilities	122,414,571	12.67%
Corporate Bonds	89,052,112	9.22%
Communication Services	72,201,412	7.47%
Consumer Staples	263,439	0.03%
Industrials	120,641	0.01%
Currency Forward Hedge*	11,780	0.00%
Cash and Cash Equivalents	6,862,275	0.71%
Other Assets less Liabilities	(1,717,043)	-0.18%
	\$ 966,221,890	100.00%

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

Summary of Investment Portfolio (continued)

As at December 31, 2023

Top 25 Holdings*	% of ETF's Net Asset Value
Enbridge Inc.	9.48%
Toronto-Dominion Bank (The)	8.08%
BCE Inc.	7.47%
Great-West Lifeco Inc.	6.61%
Manulife Financial Corp.	6.35%
Royal Bank of Canada	5.33%
Bank of Montreal	5.03%
Canadian Imperial Bank of Commerce	4.91%
TC Energy Corp.	4.78%
Pembina Pipeline Corp.	4.17%
Brookfield Corp.	3.83%
Brookfield Renewable Power Preferred Equity Inc.	3.57%
Power Financial Corp.	3.50%
Canadian Utilities Ltd.	3.33%
Cenovus Energy Inc.	3.24%
AltaGas Ltd.	2.62%
Fortis Inc.	1.93%
National Bank of Canada	1.86%
Sun Life Financial Inc.	1.86%
Brookfield Infrastructure Partners L.P.	1.39%
Intact Financial Corp.	1.39%
Fairfax Financial Holdings Ltd.	1.11%
Emera Inc.	1.03%
Brookfield Office Properties Inc.	0.91%
Algonquin Power & Utilities Corp.	0.91%

* Note all of the Top 25 Holdings represent the aggregate debt instruments and debt like 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 or through SEDAR+ at www.sedarplus.ca.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Horizons Active Preferred Share ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board using information available and include certain amounts that are based on the Manager's best estimates and judgements.

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

These financial statements have been approved by the Board of Directors of the Manager and have been audited by KPMG LLP, Chartered Professional Accountants, Licensed Public Accountants, on behalf of unitholders. The independent auditor's report outlines the scope of their audit and their opinion on the financial statements.



Rohit Mehta
Director
Horizons ETFs Management (Canada) Inc.



Thomas Park
Director
Horizons ETFs Management (Canada) Inc.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Horizons Active Preferred Share ETF (the "ETF")

Opinion

We have audited the financial statements of the ETF, which comprise the statements of financial position as at December 31, 2023, and December 31, 2022, the statements of comprehensive income, changes in financial position and cash flows for the years then ended, and notes to the financial statements, including a summary of material accounting policy information (hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2023, and December 31, 2022, and its financial performance and its cash flows for the years then ended in accordance with IFRS Accounting Standards ("IFRS") as issued by the International Accounting Standards Board.

Basis for Opinion

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

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

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

Other Information

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

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

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

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

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

We have nothing to report in this regard.

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

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

We also:

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

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETF’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ETF’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the ETF to cease to continue as a going concern.

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



Chartered Professional Accountants, Licensed Public Accountants
The engagement partner on the audit resulting in this auditor's report is Paula M. Foster.
Toronto, Canada
March 13, 2024

Statements of Financial Position

As at December 31,

	2023	2022
Assets		
Cash and cash equivalents	\$ 6,862,275	\$ 6,190,592
Investments (note 6)	961,064,878	1,102,945,697
Amounts receivable relating to accrued income	3,254,528	4,022,012
Amounts receivable relating to portfolio assets sold	636,778	231,550
Derivative assets (note 3)	11,780	10,621
Total assets	971,830,239	1,113,400,472
Liabilities		
Accrued management fees (note 9)	500,971	593,175
Accrued operating expenses	19,857	49,234
Amounts payable relating to securities redeemed	380,859	–
Amounts payable for portfolio assets purchased	392,133	208,687
Distribution payable	4,314,529	5,462,432
Total liabilities	5,608,349	6,313,528
Total net assets	\$ 966,221,890	\$ 1,107,086,944
Number of redeemable units outstanding (note 8)	126,847,913	147,593,415
Total net assets per unit	\$ 7.62	\$ 7.50

(See accompanying notes to financial statements)

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



Rohit Mehta
Director



Thomas Park
Director

Statements of Comprehensive Income

For the Years Ended December 31,

	2023	2022
Income		
Dividend income	\$ 55,277,563	\$ 67,406,431
Interest income for distribution purposes	6,935,838	5,222,621
Securities lending income (note 7)	46,616	68,190
Net realized gain (loss) on sale of investments and derivatives	(35,059,395)	18,783,192
Net realized gain (loss) on foreign exchange	4,097	(1,585)
Net change in unrealized appreciation (depreciation) of investments and derivatives	48,305,123	(392,132,859)
Net change in unrealized appreciation (depreciation) of foreign exchange	(500)	1,085
	75,509,342	(300,652,925)
Expenses (note 9)		
Management fees	6,292,148	8,956,319
Audit fees	10,991	12,292
Independent Review Committee fees	596	447
Custodial and fund valuation fees	282,246	260,961
Legal fees	26,182	29,065
Securityholder reporting costs	58,264	71,385
Administration fees	26,914	27,402
Transaction costs	353,761	632,528
Other expenses	80	–
	7,051,182	9,990,399
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(268,941)	(13,476)
	6,782,241	9,976,923
Increase (decrease) in net assets for the year	\$ 68,727,101	\$ (310,629,848)
Increase (decrease) in net assets per unit	\$ 0.50	\$ (1.83)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position

For the Years Ended December 31,

	2023		2022	
Total net assets at the beginning of the year	\$	1,107,086,944	\$	1,871,153,092
Increase (decrease) in net assets		68,727,101		(310,629,848)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		79,634,450		94,045,775
Aggregate amounts paid on redemption of securities of the investment fund		(231,827,915)		(473,588,420)
Securities issued on reinvestment of distributions		481,051		618,537
Distributions:				
From net investment income		(56,965,360)		(64,002,552)
From net realized capital gains		-		(10,509,640)
Return of capital		(914,381)		
Total net assets at the end of the year	\$	966,221,890	\$	1,107,086,944

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2023	2022
Cash flows from operating activities:		
Increase (decrease) in net assets for the year	\$ 68,727,101	\$ (310,629,848)
Adjustments for:		
Net realized (gain) loss on sale of investments and derivatives	35,059,395	(18,783,192)
Net realized gain (loss) on currency forward contracts	11,299	(993,862)
Net change in unrealized (appreciation) depreciation of investments and derivatives	(48,305,123)	392,132,859
Net change in unrealized (appreciation) depreciation of foreign exchange	35	(931)
Purchase of investments	(77,361,307)	(285,500,196)
Proceeds from the sale of investments	97,980,353	284,457,513
Amounts receivable relating to accrued income	767,484	(1,158,653)
Accrued expenses	(121,581)	(415,078)
Net cash from (used in) operating activities	76,757,656	59,108,612
Cash flows from financing activities:		
Amount received from the issuance of units	2,559,462	27,326,080
Amount paid on redemptions of units	(20,098,807)	(43,662,072)
Distributions paid to unitholders	(58,546,593)	(74,711,746)
Net cash from (used in) financing activities	(76,085,938)	(91,047,738)
Net increase (decrease) in cash and cash equivalents during the year	671,718	(31,939,126)
Effect of exchange rate fluctuations on cash and cash equivalents	(35)	931
Cash and cash equivalents at beginning of year	6,190,592	38,128,787
Cash and cash equivalents at end of year	\$ 6,862,275	\$ 6,190,592
Interest received, net of withholding taxes	\$ 7,066,940	\$ 4,198,674
Dividends received, net of withholding taxes	\$ 55,913,945	\$ 67,271,725

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
CANADIAN PREFERRED SECURITIES (90.25%)			
Financials (46.35%)			
Artis REIT, Preferred, Series 'E', Variable Rate, Perpetual	42,192	\$ 793,718	\$ 723,593
Bank of Montreal, Preferred, Class 'B', Series '27', Variable Rate, Convertible, Perpetual	277,831	5,521,823	5,376,030
Bank of Montreal, Preferred, Class 'B', Series '29', Variable Rate, Perpetual	1,326,000	27,509,925	24,159,720
Bank of Montreal, Preferred, Class 'B', Series '31', Variable Rate, Perpetual	207,183	4,317,223	3,679,570
Bank of Montreal, Preferred, Class 'B', Series '33', Variable Rate, Perpetual	312,953	6,583,459	5,867,869
Brookfield Corp., Preferred, Class 'A'	101,660	1,228,312	1,136,559
Brookfield Corp., Preferred, Series '13', Floating Rate, Perpetual	89,153	1,022,585	993,165
Brookfield Corp., Preferred, Series '17', 4.75%, Perpetual	501	10,493	8,482
Brookfield Corp., Preferred, Series '18', 4.75%, Perpetual	18,126	390,219	310,136
Brookfield Corp., Preferred, Series '24', Variable Rate, Perpetual	250,322	4,350,355	3,599,630
Brookfield Corp., Preferred, Series '26', Variable Rate, Perpetual	143,278	2,495,606	2,073,233
Brookfield Corp., Preferred, Series '30', Variable Rate, Perpetual	59,182	1,239,648	1,096,051
Brookfield Corp., Preferred, Series '32', Variable Rate, Perpetual	81,710	1,781,972	1,698,751
Brookfield Corp., Preferred, Series '34', Variable Rate, Perpetual	33,599	640,890	592,350
Brookfield Corp., Preferred, Series '46', Variable Rate, Perpetual	4,959	93,663	96,601
Brookfield Corp., Preferred, Class 'A', Series '36', 4.85%, Perpetual	9,341	202,742	160,198
Brookfield Corp., Preferred, Class 'A', Series '37', 4.90%, Perpetual	44,536	984,157	763,792
Brookfield Corp., Preferred, Class 'A', Series '38', Variable Rate, Perpetual	416,223	8,111,751	6,518,052
Brookfield Corp., Preferred, Class 'A', Series '40', Variable Rate, Perpetual	430,646	8,651,978	7,575,063
Brookfield Corp., Preferred, Class 'A', Series '42', Variable Rate, Perpetual	517,462	10,189,820	8,662,314
Brookfield Corp., Preferred, Series '51', 6.45%, Perpetual	131,243	1,637,063	1,850,526
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'N', Variable Rate, Perpetual	375,923	6,007,329	2,706,646
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'P', Variable Rate, Convertible, Perpetual	138,457	2,292,168	1,024,582
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'R', Variable Rate, Perpetual	472,124	8,187,927	3,559,815
Brookfield Office Properties Inc., Preferred, Class 'AAA', Series 'AA', Variable Rate, Perpetual	179,371	3,245,641	1,470,842
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '39', Variable Rate, Perpetual	756,260	15,398,809	13,877,371
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '41', Variable Rate, Perpetual	239,876	4,914,262	4,207,425

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
Canadian Imperial Bank of Commerce, Preferred, Class 'A', Series '43', Variable Rate, Perpetual	1,021,964	21,373,512	18,650,843
Canadian Western Bank, Preferred, Series '5', Variable Rate, Perpetual	120,479	2,467,761	2,198,742
Fairfax Financial Holdings Ltd., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	30,154	631,700	593,129
Fairfax Financial Holdings Ltd., Preferred, Series 'E', Variable Rate, Perpetual	2,000	26,200	30,040
Fairfax Financial Holdings Ltd., Preferred, Series 'G', Variable Rate, Perpetual	75,670	1,229,939	1,180,452
Fairfax Financial Holdings Ltd., Preferred, Series 'I', Variable Rate, Convertible, Perpetual	399,746	6,801,714	6,539,845
Fairfax Financial Holdings Ltd., Preferred, Series 'K', 5.00%, Perpetual	13,976	292,456	262,609
Fairfax Financial Holdings Ltd., Preferred, Series 'M', Variable Rate, Perpetual	96,324	2,085,837	2,114,312
Great-West Lifeco Inc., Preferred, Series 'G', 5.20%, Perpetual	616,563	13,888,389	12,078,469
Great-West Lifeco Inc., Preferred, Series 'H', 4.85%, Perpetual	946,177	21,226,615	17,324,501
Great-West Lifeco Inc., Preferred, Series 'I', 4.50%, Perpetual	396,183	9,571,998	6,889,622
Great-West Lifeco Inc., Preferred, Series 'L', 5.65%, Perpetual	108,030	2,627,712	2,311,842
Great-West Lifeco Inc., Preferred, Series 'M', 5.80%, Perpetual	486	12,158	10,687
Great-West Lifeco Inc., Preferred, Series 'N', Variable Rate, Perpetual	250,721	3,429,176	3,312,024
Great-West Lifeco Inc., Preferred, Series 'P', 5.40%, Perpetual	356,084	8,648,445	7,317,526
Great-West Lifeco Inc., Preferred, Series 'Q', 5.15%, Perpetual	381,872	8,646,678	7,389,223
Great-West Lifeco Inc., Preferred, Series 'R', 4.80%, Perpetual	80,429	1,724,310	1,447,722
Great-West Lifeco Inc., Preferred, Series 'S', 5.25%, Perpetual	259,630	5,506,287	5,122,500
Great-West Lifeco Inc., Preferred, Series 'Y', 4.50%, Perpetual	36,023	592,512	620,676
Intact Financial Corp., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	470,490	9,379,514	8,515,869
Intact Financial Corp., Preferred, Class 'A', Series '5', 5.20%, Perpetual	10,089	231,873	198,854
Intact Financial Corp., Preferred, Class 'A', Series '6', 5.30%, Perpetual	78,806	1,871,888	1,564,299
Intact Financial Corp., Preferred, Class 'A', Series '7', Variable Rate, Convertible, Perpetual	220	5,049	4,754
Intact Financial Corp., Preferred, Class 'A', Series '9', 5.40%, Perpetual	69,278	1,396,013	1,427,127
Intact Financial Corp., Preferred, Class 'A', Series '11', 5.25%, Perpetual	88,494	1,884,847	1,751,296
Laurentian Bank of Canada, Preferred, Class 'A', Series '13', Variable Rate, Perpetual	131,061	2,391,941	1,965,915
Manulife Financial Corp., Preferred, Class 'A', Series '2', 4.65%, Perpetual	416,727	9,386,907	7,846,969
Manulife Financial Corp., Preferred, Class 'A', Series '3', 4.50%, Perpetual	175,459	3,885,836	3,200,372
Manulife Financial Corp., Preferred, Class '1', Series '3', Variable Rate, Convertible, Perpetual	346,905	4,719,931	4,849,732
Manulife Financial Corp., Preferred, Class '1', Series '11', Variable Rate, Perpetual	124,296	2,753,663	2,855,079

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
Manulife Financial Corp., Preferred, Class '1', Series '13', Variable Rate, Perpetual	71,309	1,564,202	1,593,756
Manulife Financial Corp., Preferred, Class '1', Series '15', Variable Rate, Perpetual	583,222	11,856,125	11,034,560
Manulife Financial Corp., Preferred, Class '1', Series '17', Variable Rate, Perpetual	695,175	14,108,781	13,006,724
Manulife Financial Corp., Preferred, Class '1', Series '19', Variable Rate, Perpetual	524,198	10,295,276	9,508,952
Manulife Financial Corp., Preferred, Class '1', Series '25', Variable Rate, Perpetual	1,661	39,476	36,874
National Bank of Canada, Preferred, Series '30', Variable Rate, Perpetual	176,724	3,492,617	3,384,265
National Bank of Canada, Preferred, Series '32', Variable Rate, Perpetual	424,146	8,176,280	7,486,177
National Bank of Canada, Preferred, Series '38', Variable Rate, Perpetual	792	19,966	20,394
Power Corp. of Canada, Preferred, Series 'A', 5.60%, Perpetual	1,928	46,973	39,717
Power Corp. of Canada, Preferred, Series 'B', 5.35%, Perpetual	133,203	3,136,481	2,628,095
Power Corp. of Canada, Preferred, Series 'G', 5.60%, Perpetual	92,116	2,255,188	1,892,063
Power Financial Corp., Preferred, Series 'D', 5.50%, Perpetual	27,732	679,184	566,288
Power Financial Corp., Preferred, Series 'E', 5.25%, Perpetual	120,282	2,744,557	2,345,499
Power Financial Corp., Preferred, Series 'F', 5.90%, Perpetual	6,261	153,762	139,182
Power Financial Corp., Preferred, Series 'H', 5.75%, Perpetual	120,890	2,919,298	2,581,002
Power Financial Corp., Preferred, Series 'K', 4.95%, Perpetual	461,842	10,321,503	8,530,222
Power Financial Corp., Preferred, Series 'L', 5.10%, Perpetual	169,443	3,709,008	3,210,945
Power Financial Corp., Preferred, Series 'O', 5.80%, Perpetual	73,126	1,866,873	1,598,534
Power Financial Corp., Preferred, Series 'P', Variable Rate, Perpetual	376,331	5,584,301	4,986,386
Power Financial Corp., Preferred, Series 'R', 5.50%, Perpetual	254,084	6,212,914	5,193,477
Power Financial Corp., Preferred, Series 'S', 4.80%, Perpetual	158,313	3,368,695	2,865,465
Power Financial Corp., Preferred, Series 'T', Variable Rate, Perpetual	7,841	162,554	154,860
Power Financial Corp., Preferred, Series 'V', 5.15%, Perpetual	82,989	1,737,512	1,580,111
Royal Bank of Canada, Preferred, Series 'AZ', Variable Rate, Perpetual	333,350	7,549,825	6,400,320
Royal Bank of Canada, Preferred, Series 'BB', Variable Rate, Perpetual	40,390	848,160	743,176
Royal Bank of Canada, Preferred, Series 'BD', Variable Rate, Perpetual	995,070	21,167,457	19,035,689
Royal Bank of Canada, Preferred, Series 'BF', Variable Rate, Perpetual	774,829	15,858,141	14,280,099
Sun Life Financial Inc., Preferred, Class 'A', Series '3', 4.45%, Perpetual	93,398	1,673,993	1,711,985
Sun Life Financial Inc., Preferred, Class 'A', Series '4', 4.45%, Perpetual	283,708	6,413,050	5,154,974
Sun Life Financial Inc., Preferred, Class 'A', Series '5', 4.50%, Perpetual	195,234	4,425,254	3,578,639
Sun Life Financial Inc., Preferred, Class 'A', Series '8R', Variable Rate, Perpetual	65,564	903,540	897,243
Sun Life Financial Inc., Preferred, Class 'A', Series '10R', Variable Rate, Perpetual	324,797	5,793,010	5,752,155

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
Toronto-Dominion Bank (The), Preferred, Series '1', Variable Rate, Convertible, Perpetual	773,340	16,768,001	14,438,258
Toronto-Dominion Bank (The), Preferred, Series '3', Variable Rate, Perpetual	1,021,707	21,544,339	19,974,372
Toronto-Dominion Bank (The), Preferred, Series '5', Variable Rate, Perpetual	719,012	14,691,673	13,165,110
Toronto-Dominion Bank (The), Preferred, Series '7', Variable Rate, Perpetual	880,427	19,130,169	16,895,394
Toronto-Dominion Bank (The), Preferred, Series '9', Variable Rate, Perpetual	407,530	8,805,192	7,930,534
Toronto-Dominion Bank (The), Preferred, Series '24', Variable Rate, Perpetual	5,976	145,611	148,623
		516,663,340	447,853,515
Energy (23.72%)			
AltaGas Ltd., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	633,554	10,742,479	10,516,996
AltaGas Ltd., Preferred, Series 'B', Floating Rate, Convertible, Perpetual	36,288	704,585	675,683
AltaGas Ltd., Preferred, Series 'G', Variable Rate, Perpetual	457,918	9,449,979	9,936,821
Cenovus Energy Inc., Preferred, Series '1', Variable Rate, Perpetual	143,027	1,938,883	1,993,796
Cenovus Energy Inc., Preferred, Series '3', Variable Rate, Perpetual	313,197	6,247,323	6,956,105
Cenovus Energy Inc., Preferred, Series '5', Variable Rate, Perpetual	413,363	8,282,169	9,391,607
Cenovus Energy Inc., Preferred, Series '7', Variable Rate, Perpetual	582,545	11,501,739	12,961,626
Enbridge Inc., 4.00%, Preferred, Series 'H', Perpetual	4,000	73,920	75,040
Enbridge Inc., Preferred, Series 'A', 5.50%, Perpetual	538	12,857	10,808
Enbridge Inc., Preferred, Series 'B', Variable Rate, Perpetual	367,525	5,407,059	5,902,452
Enbridge Inc., Preferred, Series 'D', Variable Rate, Perpetual	202,126	3,489,010	3,355,292
Enbridge Inc., Preferred, Series 'F', Variable Rate, Perpetual	87,254	1,582,782	1,500,769
Enbridge Inc., Preferred, Series 'L', Variable Rate, Perpetual	238	6,558	6,005
Enbridge Inc., Preferred, Series 'P', Variable Rate, Perpetual	344,675	5,873,120	5,773,306
Enbridge Inc., Preferred, Series 'R', Variable Rate, Perpetual	794,534	13,586,623	12,903,232
Enbridge Inc., Preferred, Series '3', Variable Rate, Perpetual	1,413,132	23,375,227	21,408,950
Enbridge Inc., Preferred, Series '7', Variable Rate, Perpetual	9,539	170,502	160,160
Enbridge Inc., Preferred, Series '9', Variable Rate, Perpetual	302,528	5,198,799	4,804,145
Enbridge Inc., Preferred, Series '11', Variable Rate, Perpetual	857,533	14,942,976	13,145,981
Enbridge Inc., Preferred, Series '13', Variable Rate, Perpetual	861,124	13,383,720	12,641,300
Enbridge Inc., Preferred, Series '15', Variable Rate, Perpetual	593,199	9,205,365	8,595,454
Pembina Pipeline Corp., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	8,611	169,579	175,062
Pembina Pipeline Corp., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	122,345	2,203,658	2,149,602
Pembina Pipeline Corp., Preferred, Class 'A', Series '5', Variable Rate, Perpetual	41,307	732,415	751,374

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
Pembina Pipeline Corp., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	544,798	10,786,529	9,267,014
Pembina Pipeline Corp., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	849,196	17,956,029	16,771,621
Pembina Pipeline Corp., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	2,173	40,388	41,504
Pembina Pipeline Corp., Preferred, Class 'A', Series '17', Variable Rate, Perpetual	101,132	1,890,094	1,883,078
Pembina Pipeline Corp., Preferred, Class 'A', Series '19', Variable Rate, Perpetual	388,933	8,533,457	8,770,439
Pembina Pipeline Corp., Preferred, Class 'A', Series '21', Variable Rate, Perpetual	10,143	252,855	207,221
Pembina Pipeline Corp., Preferred, Class 'A', Series '25', Variable Rate, Perpetual	12,429	289,467	258,772
TC Energy Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	197	3,504	2,740
TC Energy Corp., Preferred, Series '2', Floating Rate, Convertible, Perpetual	6,023	101,915	88,478
TC Energy Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	391,955	4,843,537	4,421,252
TC Energy Corp., Preferred, Series '5', Variable Rate, Convertible, Perpetual	708,261	9,923,040	8,109,588
TC Energy Corp., Preferred, Series '7', Variable Rate, Convertible, Perpetual	586,535	10,720,070	9,642,635
TC Energy Corp., Preferred, Series '9', Variable Rate, Perpetual	796,486	14,304,279	12,018,974
TC Energy Corp., Preferred, Series '11', Variable Rate, Perpetual	728,205	14,199,807	11,884,306
		242,126,298	229,159,188
Utilities (12.67%)			
Algonquin Power & Utilities Corp., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	19,797	432,043	398,910
Algonquin Power & Utilities Corp., Preferred, Series 'D', Variable Rate, Perpetual	73,962	1,475,878	1,517,700
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '1', Variable Rate, Perpetual	546,383	10,944,135	9,293,975
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '3', Variable Rate, Perpetual	13,484	289,307	289,771
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '9', Variable Rate, Perpetual	1,696	31,624	34,564
Brookfield Infrastructure Partners L.P., Preferred, Class 'A', Series '11*', Variable Rate, Perpetual	197,007	4,756,364	3,863,307
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '7', Variable Rate, Perpetual	38,863	777,059	839,829
Brookfield Renewable Partners L.P., Preferred, Class 'A', Series '15', Variable Rate, Perpetual	32,971	782,998	732,286

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
Brookfield Renewable Partners L.P., 5.50%, Preferred, Class 'A', Series '18', Perpetual	19,498	296,877	331,466
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '1', Variable Rate, Convertible, Perpetual	901,358	16,183,230	13,556,424
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '2', Variable Rate, Convertible, Perpetual	143,013	2,698,258	2,352,564
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '3', Variable Rate, Convertible, Perpetual	673,855	13,207,720	11,212,947
Brookfield Renewable Power Preferred Equity Inc., Preferred, Class 'A', Series '6', 5.00%, Perpetual	458,176	9,753,745	7,445,360
Canadian Utilities Ltd., Preferred, Series 'Y', Variable Rate, Perpetual	333,979	6,630,988	6,235,388
Canadian Utilities Ltd., Preferred, Series 'AA', 4.90%, Perpetual	289,168	6,651,503	5,433,467
Canadian Utilities Ltd., Preferred, Series 'BB', 4.90%, Perpetual	249,160	5,614,419	4,611,952
Canadian Utilities Ltd., Preferred, Series 'CC', 4.50%, Perpetual	171,061	3,894,308	2,980,738
Canadian Utilities Ltd., Preferred, Series 'DD', 4.50%, Perpetual	539,159	11,284,171	9,413,716
Canadian Utilities Ltd., Preferred, Series 'EE', 5.25%, Perpetual	2,214	53,019	44,878
Canadian Utilities Ltd., Preferred, Series 'FF', Variable Rate, Perpetual	14,657	297,764	314,832
Canadian Utilities Ltd., Preferred, Series 'HH', 4.75%, Perpetual	176,804	3,336,059	3,180,704
Capital Power Corp., Preferred, Series '1', Variable Rate, Convertible, Perpetual	58,206	796,316	750,857
Capital Power Corp., Preferred, Series '3', Variable Rate, Convertible, Perpetual	4,000	89,400	90,240
CU Inc., Preferred, Series '1', 4.60%, Perpetual	272,360	5,814,540	4,703,657
Emera Inc., Preferred, Series 'A', Variable Rate, Convertible, Perpetual	274,319	4,296,793	3,785,602
Emera Inc., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	26,175	532,891	535,279
Emera Inc., Preferred, Series 'F', Variable Rate, Perpetual	189,642	3,733,822	3,286,496
Emera Inc., Preferred, Series 'J', Variable Rate, Perpetual	68,794	1,180,293	1,237,604
Emera Inc., Preferred, Series 'L', 4.60%, Perpetual	65,716	1,630,616	1,109,943
Fortis Inc., Preferred, Series 'G', Variable Rate, Perpetual	75,107	1,446,535	1,548,706
Fortis Inc., Preferred, Series 'H', 4.25%, Perpetual	14,454	229,881	189,420
Fortis Inc., Preferred, Series 'K', Variable Rate, Perpetual	111,587	1,998,193	1,943,846
Fortis Inc., Preferred, Series 'M', Variable Rate, Perpetual	851,175	17,212,286	14,929,610
TransAlta Corp., Preferred, Series 'C', Variable Rate, Convertible, Perpetual	209,828	3,274,769	3,745,430
TransAlta Corp., Preferred, Series 'E', 5.00%, Perpetual	8,841	151,187	188,711
TransAlta Corp., Preferred, Series 'G', Variable Rate, Perpetual	14,495	267,509	284,392
		142,046,500	122,414,571
Communication Services (7.47%)			
BCE Inc., Preferred, Series 'R', Variable Rate, Perpetual	432,009	7,439,135	6,531,976
BCE Inc., Preferred, Series 'Y', Variable Rate, Perpetual	207,454	3,966,033	3,773,588
BCE Inc., Preferred, Series 'AA', Variable Rate, Perpetual	502,496	8,524,501	8,215,810
BCE Inc., Preferred, Series 'AB', Variable Rate, Perpetual	440	8,241	8,096

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
BCE Inc., Preferred, Series 'AC', Variable Rate, Perpetual	106	1,960	1,801
BCE Inc., Preferred, Series 'AD', Variable Rate, Perpetual	394,149	6,869,502	7,193,219
BCE Inc., Preferred, Series 'AE', Variable Rate, Perpetual	22,288	404,162	403,413
BCE Inc., Preferred, Series 'AF', Variable Rate, Perpetual	512,155	8,739,589	8,168,872
BCE Inc., Preferred, Series 'AG', Variable Rate, Perpetual	461,938	7,350,436	6,929,070
BCE Inc., Preferred, Series 'AI', Variable Rate, Perpetual	905,142	14,328,886	13,721,953
BCE Inc., Preferred, Series 'AK', Variable Rate, Convertible, Perpetual	463,288	6,799,909	6,578,690
BCE Inc., Preferred, Series 'AL', Floating Rate, Perpetual	4,000	68,000	62,800
BCE Inc., Preferred, Series 'AM', Variable Rate, Perpetual	713,660	10,958,995	10,612,124
		75,459,349	72,201,412
Consumer Staples (0.03%)			
George Weston Ltd., Preferred, Series 'IV', 5.20%, Perpetual	228	5,550	4,446
George Weston Ltd., Preferred, Series 'V', 4.75%, Perpetual	1,316	24,307	23,306
Loblaw Cos. Ltd., Preferred, Series 'B', 5.30%, Perpetual	11,170	280,077	235,687
		309,934	263,439
Industrials (0.01%)			
Element Fleet Management Corp., Preferred, Series 'E', Variable Rate, Perpetual	4,845	117,936	120,641
		976,723,357	872,012,766
TOTAL CANADIAN PREFERRED SECURITIES			
CANADIAN FIXED INCOME SECURITIES (9.22%)			
Corporate Bonds (9.22%)			
Algonquin Power & Utilities Corp., Callable, 5.25%, 2082/01/18	8,196,000	8,167,650	6,834,887
AltaGas Ltd., Variable Rate, Callable, 5.25%, 2082/01/11	4,940,000	4,940,000	4,148,045
Bank of Montreal, Variable Rate, Perpetual, 7.37%, 2027/11/26	2,104,000	2,130,035	2,121,726
Bank of Montreal, Variable Rate, Perpetual, 7.06%, 2028/04/26	7,368,000	7,368,000	7,358,134
Bank of Nova Scotia (The), Variable Rate, Callable, 7.02%, 2082/07/27	1,486,000	1,486,000	1,464,080
Canadian Imperial Bank of Commerce, Variable Rate, Perpetual, 7.37%, 2027/09/28	6,850,000	6,850,000	6,879,510
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 4.00%, 2082/01/28	200,000	185,000	160,435
Canadian Imperial Bank of Commerce, Variable Rate, Callable, 7.15%, 2082/07/28	3,600,000	3,593,268	3,565,804
Canadian Western Bank, Series '1', Variable Rate, Callable, 6.00%, 2081/04/30	1,730,000	1,500,775	1,572,238
Capital Power Corp., Variable Rate, Callable, 7.95%, 2082/09/09	1,435,000	1,435,000	1,410,562
Enbridge Inc., Convertible Bonds, Variable Rate, Callable, 6.00%, 2077/01/15	345,000	366,015	434,888
Enbridge Inc., Convertible Bonds, Variable Rate, Callable, 8.75%, 2084/01/15	860,000	860,000	927,942

Schedule of Investments (continued)

As at December 31, 2023

Security	Shares/ Par Value Contracts	Average Cost	Fair Value
Gibson Energy Inc., Convertible Bonds, Series '20-A', Variable Rate, Callable, 5.25%, 2080/12/22	3,584,000	3,629,920	3,073,715
Gibson Energy Inc., Variable Rate, Callable, 8.70%, 2083/07/12	799,000	799,000	830,038
Inter Pipeline Ltd., Series '19-A', Variable Rate, Callable, 6.88%, 2079/03/26	7,014,000	7,069,593	6,761,529
Keyera Corp., Convertible Bonds, Floating Rate, Callable, 6.88%, 2079/06/13	1,425,000	1,425,000	1,383,657
Manulife Financial Corp., Series '1', Variable Rate, Callable, 3.38%, 2081/06/19	4,440,000	3,174,600	3,470,484
Manulife Financial Corp., Variable Rate, Callable, 7.12%, 2082/06/19	3,962,000	3,962,000	3,955,436
National Bank of Canada, Series '1', Variable Rate, Callable, 4.30%, 2080/11/15	1,275,000	1,266,075	1,199,494
National Bank of Canada, Variable Rate, Callable, 4.05%, 2081/08/15	930,000	670,995	719,896
National Bank of Canada, Variable Rate, Callable, 7.50%, 2082/11/16	5,222,000	5,222,000	5,201,915
Rogers Communications Inc., Restricted, Variable Rate, Callable, 5.00%, 2081/12/17	8,612,000	8,612,000	8,213,049
Royal Bank of Canada, Series 'BT', Variable Rate, Perpetual, 4.20%, 2027/02/24	14,306,000	14,307,861	11,032,859
Sun Life Financial Inc., Series '21-1', Variable Rate, Callable, 3.60%, 2081/06/30	1,135,000	824,294	883,623
Toronto-Dominion Bank (The), Series '27', Variable Rate, Perpetual, 5.75%, 2027/10/01	3,919,000	3,776,465	3,360,492
Toronto-Dominion Bank (The), Series '28', Variable Rate, Perpetual, 7.23%, 2027/10/01	2,077,000	2,077,000	2,087,674
		95,698,546	89,052,112
TOTAL CANADIAN FIXED INCOME SECURITIES		95,698,546	89,052,112
DERIVATIVES (0.00%)			
Currency Forwards (0.00%)			
Currency forward contract to buy C\$1,087,208 for US\$812,473 maturing March 20, 2024		–	11,780
TOTAL DERIVATIVES		–	11,780
Transaction Costs		(499,746)	
TOTAL INVESTMENT PORTFOLIO (99.47%)		\$ 1,071,922,157	\$ 961,076,658
Cash and cash equivalents (0.71%)			6,862,275
Other assets less liabilities (-0.18%)			(1,717,043)
TOTAL NET ASSETS (100.00%)			\$ 966,221,890

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2023 and 2022

1. REPORTING ENTITY

Horizons Active Preferred Share ETF (“HPR” 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 22, 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 HPR. 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 HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including limited resource capital notes (“LRCNs”), as they are defined in the ETF’s prospectus), of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

3. MATERIAL ACCOUNTING POLICY INFORMATION

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

(a) Financial instruments

(i) Recognition, initial measurement and classification

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

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

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

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

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

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

(ii) Fair value measurement

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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

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

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

(iii) Offsetting

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

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

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

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

Forward foreign exchange contracts

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

Redeemable units

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

(b) Investment income

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

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

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

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

(c) Foreign currency

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

(d) Cost basis

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

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

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

(f) Unitholder transactions

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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

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

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

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

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and any applicable transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income.

(j) Changes in accounting policies

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

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

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

hedge certain risk exposures. To assist in managing risks, the Manager maintains a governance structure that oversees the ETF's investment activities and monitors compliance with the ETF's stated investment strategies, internal guidelines and securities regulations.

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. As at December 31, 2023 and 2022, the ETF did not have any material net exposure to foreign currencies due to the ETF's hedging strategies.

(ii) Interest rate risk

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

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

Investments	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
December 31, 2023	6,273	–	–	90,287	874,021	970,581
December 31, 2022	5,040	–	–	99,793	1,007,172	1,112,005

The percentage of the ETF's net assets exposed to interest rate risk as at December 31, 2023, was 100.5% (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 \$42,899,673 (December 31, 2022 – \$54,231,788). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

(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.

Comparative Index	December 31, 2023	December 31, 2022
S&P/TSX Preferred Share Index™	\$9,432,958	\$10,829,794

(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:

Canadian Preferred Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2023	December 31, 2022
P-2 - Second best credit	54.2%	0.5%
P-3 - Third best credit	35.1%	8.5%
Total	89.3%	9.0%

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

U.S Preferred Securities by Credit Rating	Percentage of Net Asset Value (%)	
	December 31, 2023	December 31, 2022
AAA	0.6%	0.5%
A	0.1%	10.9%
BBB	2.9%	64.4%
BB	7.6%	15.0%
CCC	0.0%	0.6%
Total	11.2%	91.4%

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 9.5% (December 31, 2022 – 9.6%) of the net assets of the ETF.

(c) Liquidity risk

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

6. FAIR VALUE MEASUREMENT

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

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

	December 31, 2023			December 31, 2022		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Bonds	–	89,052,112	–	–	98,418,834	–
Equities	872,012,766	–	–	1,004,526,863	–	–
Currency Forward Contracts	–	11,780	–	–	10,621	–
Total Financial Assets	872,012,766	89,063,892	–	1,004,526,863	98,429,455	–
Total Financial Liabilities	–	–	–	–	–	–
Net Financial Assets and Liabilities	872,012,766	89,063,892	–	1,004,526,863	98,429,455	–

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

7. SECURITIES LENDING

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

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

As at	Securities Loaned	Collateral Received
December 31, 2023	\$9,790,080	\$10,396,995
December 31, 2022	\$13,739,172	\$14,482,090

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the years ended December 31, 2023 and 2022. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the years ended	December 31, 2023	% of Gross Income	December 31, 2022	% of Gross Income
Gross securities lending income	\$89,744		\$127,619	
Withholding taxes	(12,062)	13.44%	(13,993)	10.96%
Lending Agent's fees:				
Canadian Imperial Bank of Commerce	(31,066)	34.62%	(45,436)	35.60%
Net securities lending income paid to the ETF	\$46,616	51.94%	\$68,190	53.43%

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 (continued)

For the Years Ended December 31, 2023 and 2022

For the years ended December 31, 2023 and 2022, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2023	147,593,415	10,579,498	(31,325,000)	126,847,913	137,587,766
2022	191,854,352	11,473,802	(55,734,739)	147,593,415	169,556,216

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 0.55%, 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

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

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

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

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2023	\$163,363	\$17,665	\$nil
December 31, 2022	\$354,509	\$26,381	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at December 31, 2023 and 2022 are disclosed in the statements of financial position.

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

11. INCOME TAX

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

12. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forward may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2023, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$61,252,889	–	–

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

13. OFFSETTING OF FINANCIAL INSTRUMENTS

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

Financial Assets and Liabilities as at December 31, 2023	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	11,780	–	11,780	–	–	11,780
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	10,621	–	10,621	–	–	10,621
Derivative liabilities	–	–	–	–	–	–

14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

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

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

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

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in investments in the statements of financial position and listed in the schedule of investments. As at December 31, 2023 and 2022, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2023 and 2022

15. SUBSEQUENT EVENTS

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

Manager

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