

HAC Update for November 13, 2017

	Gain % from Nov 6 to Nov 10
HAC	-0.5
S&P 500	-0.2
S&P/TSX 60™ Index	0.3

Portfolio Performance / Transactions/End of Week Holdings*

Ticker	Week % Gain**	% Buy/Sell***	% End of Week Holdings****
XLK	0.0		10
HXF	-0.1		15
HXS	-0.1	-31	17
HXT		30	30
FHD	-1.9		5
XRT		3	3
COW	-1.6	-5	0
HUN	5.3		3
XLB	-1.2		3
FHM	-2.2		3
FHG	-1.9		3
XLI	-1.1		3
CASH		3	5

* Transactions and End of Week Holdings are % of portfolio

** Based on price from a sell/buy during the week where applicable

*** Buy/Sell may not be equal due to use of cash

**** Includes trades on last day of week

Market/Portfolio Comments

Last week, the S&P 500® ended up with a loss of 0.2%. The stock market reacted negatively to the increasing possibility of Trump's tax reforms being watered down and/or delayed. So far, the earnings reports for U.S. companies have come in better than expected, with 72% of the companies reporting earnings better than expected (Thomson Reuters, November 10, 2017). In addition, earnings have so far grown by 8.1% over the same quarter last year. With the earnings season

largely finished and the better than expected results already incorporated into the price of stocks, it is possible that the S&P 500 may pause or consolidate at this point.

Last week, the Canadian stock market ended up with a gain of 0.3%. Once again, the energy sector helped to move the stock market higher. Canadian banks were generally negative for the week and gold miners were generally slightly higher. A number of Canadian companies produced earnings that beat expectations, including Sun Life Financial, Telus, and Canadian Tire, which helped to move the Canadian stock market higher. HAC produced a loss of 0.5% for the week. HAC's underhedged U.S. dollar position decreased in value as the Canadian dollar gained 0.6% relative to the U.S. dollar.

Natural Gas (HUN)

Last week, natural gas prices moved higher as colder than expected weather moved into the Northeastern United States, helping to drive natural gas prices higher. The seasonal period for natural gas finishes on December 21st. At this point, natural gas still has some time to move higher in its seasonal period.

Consumer Discretionary (FHD)

The consumer discretionary sector typically starts outperforming on October 28th, but is one of the better performing sectors in the month of November.

Agriculture (COW) - exited position last week

The sweet spot to the agriculture trade finishes on November 11th. Recently, the agriculture sector has been showing signs of weakness and as a result, HAC exited its position late in the week.

U.S. stock market (HXS) - reduced position last week

The U.S. stock market has been positive recently, but has been underperforming the S&P/TSX 60 Index. Typically, at this time of the year the U.S. stock market tends to outperform the Canadian stock market. Given the recent strength in the energy sector (which is typically negative at this time of the year), the Canadian stock market has shown resilience and has been slightly outperforming the U.S. stock market. As a result, HAC reduced its position in the U.S. stock market and added a position in the Canadian stock market.



HORIZONS
EXCHANGE TRADED FUNDS

ACTIVE * BENCHMARK * BETAPRO



HAC Update for November 13, 2017

Canadian stock market (HXT) - added position last week

Due to the strength of the Canadian stock market relative to the U.S. stock market, HAC reduced its allocation to the U.S. stock market and increased its allocation to the Canadian stock market.

Canadian Financials (HXF)

The Canadian financial sector lost ground last week as Canadian banks have been outperforming for a number of weeks and became susceptible to profit taking. Canadian banks often start to weaken on Q4 earnings, relative to the Canadian stock market when the sector has outperformed substantially after Q3 earnings announcements. Canadian banks may have a "soft patch," later this month once the Canadian banks start to report their earnings.

Information technology (XLK)

Last week, the technology sector was flat as investors took some profits. The sector is currently a leading sector in the market, helping to support the broad stock market. The technology sector tends to perform well until the early part of December.

Retail (XRT) - added position last week

The retail sector has underperformed the U.S. stock market since mid-2016. Recently, the sector has shown signs of improving strength, despite long-term erosion in sales due to the "Amazon Effect." The retail sector has a seasonal period that ends on November 29th.

U.S. Materials (XLB/FHM)

The U.S. materials sector typically outperforms at this time of the year, but is currently lagging the broad stock market since the beginning of its seasonal period. It is possible that the sector could have muted gains in the short-term, despite the sector being in its seasonal period.

Industrials (XLI/FHG)

The industrials sector typically outperforms at this time of the year and has a seasonal period that lasts until the end of the year. Last week, the industrials sector underperformed the U.S. stock market. It is possible that the sector could have muted gains in the short-term.

Please visit <http://www.horizonsetfs.com/HAC> for the complete historical performance of HAC.



HORIZONS
EXCHANGE TRADED FUNDS

ACTIVE * BENCHMARK * BETAPRO



The indicated rate[s] of return on the website is [are] the historical annual compounded total return[s] including changes in [share or unit] value and reinvestment of all [dividends or distributions] and does [do] not take into account sales, redemption, distribution or optional charges or income taxes payable by any security holder that would have reduced returns.

Comments, charts and opinions offered in this report are produced by www.alphamountain.com and are for information purposes only. They should not be considered as advice to purchase or to sell mentioned securities. Any information offered in this report is believed to be accurate, but is not guaranteed. Brooke Thackray is a Research Analyst with Horizons ETFs Management (Canada) Inc. ("Horizons"). All of the views expressed herein are the personal views of the author and are not necessarily the views of Horizons, although any of the investments found herein may be reflected in positions or transactions in the various client portfolios managed by Horizons. Horizons has a direct interest in the management and performance fees of the Horizons Seasonal Rotation ETF (the "ETF"), and may, at any given time, have a direct or indirect interest in the ETF or its holdings. Commissions, trailing commissions, management fees and expenses all may be associated with an investment in the ETF which is managed by Horizons. The ETF is not guaranteed, its values change frequently and past performance may not be repeated. The ETF may have exposure to leveraged investment techniques that magnify gains and losses and which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk. Such risks are described in the ETFs prospectus. The prospectus contains important detailed information about the ETF. **Please read the prospectus before investing.**