Annual Report | December 31, 2014

Horizons US Dollar Currency ETF (DLR, DLR.U:TSX)

HORIZONS EXCHANGE TRADED FUNDS

ALPHA ✶ BENCHMARK ✶ BETAPRO

Innovation is our capital. Make it yours.

www.HorizonsETFs.com

HORIZONS
EXCHANGE TRADED FUNDS

Contents

Letter from the President:

Overall, 2014 was a good year to be an investor and a particularly good year to be a Horizons ETFs investor, as many of our ETFs delivered exceptional performance.

With the end of the U.S. Federal Reserve's quantitative easing program, which has provided a floor for bond prices throughout the past four years, there is a general consensus that both global bond and equity markets will experience more volatility in 2015. Simply staying invested in the market may not be good enough; we believe that investors will have to refine their asset allocation strategies since they will no longer be able to depend on the markets' continuous rise.

In fact, we have already seen some of these challenges occur in the last quarter of 2014. The rout in energy prices and, by extension, energy stocks in the fall of 2014 will likely have far reaching consequences on the Canadian stock market in the year ahead. Similar challenges may be faced in the bond market if interest rates start to rise in 2015. We could see meaningful losses in bond portfolios for the first time in decades. The summation of these forces will mean that investors will have to ensure their stock and bond selections truly meet their needs.

This is why Horizons ETFs offers a suite of ETFs that, we feel, can help investors in making the choices needed to reach their investment goals. We are not only committed to making better ETF products, we are also committed to bettering the overall portfolios of ETF investors in Canada. We look forward to continuing to partner with you in 2015 and growing your investment success.

Thank you,

Howard Atkinson

President
Horizons ETFs Management (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

This annual management report of fund performance contains financial highlights and is included with the audited annual financial statements for the investment fund. You may request a copy of the investment fund'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, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager"), at 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

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 simplified 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 Strategy

Horizons US Dollar Currency ETF ("Horizons DLR" or the "ETF") seeks to reflect the reference value in Canadian dollars (in respect of the Canadian dollar units "C$ Units") and U.S. dollars (in respect of the U.S. dollar units "US$ Units") of the U.S. dollar, net of expenses, by investing primarily in cash and cash equivalents that are denominated in the U.S. dollar. As the underlying exposure of the C$ Units and US$ Units of Horizons DLR is the same, no currency hedging is used with respect to US$ Units of Horizons DLR.

In order to achieve its investment objective, Horizons DLR may also, subject to regulatory approval, invest in money market mutual funds, exchange traded funds, or exchange traded notes.

Horizons Management does not invest the assets of Horizons DLR on a discretionary basis or select investments based on its view of the investment merit of a particular security or company, nor does it conduct conventional research or analysis, or forecast currency market movement or trends in managing the assets of Horizons DLR.

Risk

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 subscribing for units.

Management Discussion of Fund Performance (continued)

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.sedar.com, or by calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

- Price fluctuations of the U.S. dollar
- Foreign exchange rate risk
- Concentration risk
- Substantial sales of U.S. dollars
- Borrowing risk
- Regulatory risk
- Reliance on historical data risk
- Liquidity risk
- Corresponding net asset value risk
- Risk that units will trade at prices other than net asset value per unit
- Designated broker/dealer risk
- Cease trading of securities risk
- Exchange risk
- Early closing risk
- No assurance of meeting investment objectives
- Tax related risks
- Risks relating to tax changes
- Securities lending, repurchase and reverse repurchase transaction risk
- Liability of unitholders
- Reliance on key personnel

Results of Operations

For the year ended December 31, 2014, the ETF's C$ Units and US$ Units returned 8.77% and -0.56%, respectively. This compares to an appreciation in the U.S. dollar versus the Canadian dollar of 9.41% for the year.

The tale of the Canadian dollar in 2014 is one of two vastly different halves of the year. While the Canadian dollar depreciated a mere 0.44% versus the U.S. dollar for the period ended June 30, 2014, it included a fairly significant swing in performance in the first quarter compared to the second quarter.

After having hit its intraday high for the year on January 2 at $0.9444 versus the U.S. dollar, the Canadian dollar continued the declines it saw in 2013, interrupted by brief rallies, hitting an intraday low for the first half period on March 20 at $0.8864, a level it had not seen since mid-2009. The Canadian dollar staged a brief rally to close the first quarter at $0.9049, a decline of 3.87% from the beginning of the year. This was a continuation of the depreciation of the Canadian dollar that saw it lose approximately 7% versus the U.S. dollar in 2013.

In the second quarter, weaker than expected first quarter gross domestic product numbers in the U.S., stronger than anticipated inflation data in Canada and rising oil prices caused by renewed hostilities in the Middle East all contributed to the further strengthening of the Canadian dollar that had begun at the end of March. A nearly straight-line rally occurred from the period lows in March to finish June at $0.9369, an increase of 3.54% for the second quarter.

That was the good news for the Canadian dollar. The bad news came in the second half of the year. As oil began selling off in early July, the Canadian dollar followed suit. As the price of crude oil futures fell 49.44% in the second half of the year, the Canadian dollar fell 8.17% from June 30 to finish the year at $0.8604 to the U.S. dollar. Even more troublesome was the continued erosion of the Canadian dollar after the end of the year, falling an additional 8.72% in January 2015 alone.

The U.S. dollar has been strengthening not only against the Canadian dollar but versus a basket of global currencies. The U.S. dollar index, after remaining virtually unchanged through the first half of the year, saw a 13.17% increase in the

Management Discussion of Fund Performance (continued)

second half of the year, and an additional 5.06% increase in January 2015 as investors sought the relative safety of U.S. treasury bonds amidst darkening economic clouds in Europe and Asia.

In managing the ETF, Horizons Management does not endeavour to predict market direction, or the changes that may occur in global fiscal and monetary policies, the effect of additional geopolitical concerns, or unforeseen other crises. Horizons Management and the ETF are agnostic as to their impact on global equity, fixed income, currency and commodity markets generally, and the relative movements of the Canadian dollar versus the U.S. dollar specifically. They are only of concern to the ETF in so much as there is some minimal risk they could affect its ability to meet its investment objective. Please refer to the risk factors section in the ETF's prospectus for a more detailed discussion.

Recent Developments

There have been no recent market developments of particular note, aside from the normal fluctuations of the markets, that are expected to have an undue influence on the portfolio of the ETF when compared to its benchmark.

Adoption of International Financial Reporting Standards

The attached financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the ETF's first annual financial statements prepared in accordance with IFRS, and accordingly, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied.

Previously, the ETF prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The ETF has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 13 to the financial statements discloses the impact of the transition to IFRS on the ETF's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used previously under Canadian GAAP.

Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets for periods starting on or after January 1, 2013 is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

Change of Reporting Currency

The Manager has chosen to change the reporting currency of the ETF from Canadian dollars to U.S. dollars beginning with the attached 2014 financial statements. The figures in the 2014 annual financial statements that are shown for the 2013 comparative period, which were previously reported in Canadian dollars, have been converted to U.S. dollars for the current reporting period. This change did not affect the reported daily net asset values per unit or the market trading price of the C$ and US$ Units.

Amalgamation of the Manager and Investment Manager

Effective December 30, 2013, Horizons Investment Management Inc. ("Horizons Investment"), the investment manager of the ETF, was amalgamated with its parent, Horizons ETFs Management (Canada) Inc. ("Horizons Management"), under the *Canada Business Corporations Act* (the "Amalgamation"). Under the Amalgamation, Horizons Investment and Horizons Management merged and carried on as one corporation named Horizons ETFs Management (Canada) Inc., which now serves as the successor investment manager of the ETF (the "Investment Manager").

Management Discussion of Fund Performance (continued)

The Amalgamation did not result in any changes to the day-to-day operations of the ETF. The operations, personnel and responsibilities of the Investment Manager remain unchanged. Horizons ETFs Management (Canada) Inc. is now the manager, trustee and investment manager of the ETF.

Unit Consolidation

The ETF underwent two unit consolidations during the 2013 fiscal year. Effective January 7, 2013, the units of the ETF were consolidated on a 1 for 1.009601 basis, i.e. for every 1.009601 pre-consolidation units outstanding, one consolidated unit was issued. Then on December 23, 3013, the units of the ETF were consolidated on a 1 for 1.005379 basis. Subsequent to the end of the 2014 reporting period, the ETF underwent an additional consolidation on a 1 for 1.005951 basis. The objective in doing so was to return the net asset value of the units traded under the ticker symbol DLR.U to $10.00 USD after the respective consolidations. All relevant unit and per unit historical data prior to the 2013 consolidations was adjusted to reflect the consolidations.

Related Party Transactions

There were no related party portfolio transactions during the current reporting period. 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., 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, a corporation incorporated under the laws of Ontario.

For a complete description of services provided, please refer to the most recent prospectus of the ETF - Duties and Services to be Provided by the Manager.

As described in *Recent Developments – Amalgamation of the Manager and Investment Manager*, Horizons ETFs Management (Canada) Inc., by virtue of the Amalgamation, is now also the investment manager of the ETF.

The Manager and its subsidiary, AlphaPro Management Inc., are members of the Mirae Asset Financial Group.

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 since the effective start of its operations on April 6, 2011. 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		2014	2013	2012	2011
Net assets, beginning of year (1)	$	10.00	10.06	10.30	9.74
Increase (decrease) from operations:					
Total revenue		–	–	0.01	–
Total expenses		(0.06)	(0.06)	(0.06)	(0.04)
Realized gains for the year		–	–	0.33	0.19
Unrealized gains (losses) for the year		–	–	(0.52)	0.76
Total increase (decrease) from operations (3)		(0.06)	(0.06)	(0.23)	0.91
Total distributions (4)		–	–	–	–
Net assets, end of year (US$ Units) (2)(5)	$	9.94	10.00	10.06	10.11
Net assets, end of year (C$ Units) (2)(5)	$	11.51	10.62	9.99	10.30

1. This information is derived from the ETF's audited annual financial statements as at December 31 of the years shown. The ETF effectively began operations on April 6, 2011. Information from 2014 and 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. Figures presented for 2014 and 2013 are in U.S. dollars. Prior to 2013, all figures are presented in Canadian dollars.
2. Differences may result from a comparison of the fair valuation of securities held by the ETF for financial reporting purposes prior to January 1, 2013 under Canadian GAAP, versus the market value used to determine the net asset value of the ETF for the purchase and redemption of the ETF's units. As a result, the net assets per unit presented in the financial statements may differ from the net asset value per unit presented in these Financial Highlights.
3. 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.
4. 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.
5. 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]		2014	2013	2012	2011
Total net asset value [2] (000's)	$	33,063	21,500	7,071	4,251
Number of units outstanding (000's)		3,325	2,150	708	413
Management expense ratio [3]		0.60%	0.60%	0.59%	0.59%
Management expense ratio before waivers and absorptions [3]		0.62%	0.73%	0.94%	0.66%
Trading expense ratio [4]		0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate [5]		0.00%	0.00%	0.01%	0.00%
Net asset value per unit, end of year (US$ Units) [2]	$	9.94	10.00	10.06	10.11
Closing market price (US$ Units)	$	9.92	10.00	10.05	10.10
Net asset value per unit, end of year (C$ Units) [2]	$	11.51	10.62	9.99	10.30
Closing market price (C$ Units)	$	11.56	10.62	9.99	10.31

1. This information is provided as at December 31 of the years shown. The ETF effectively began operations on April 6, 2011. Information from 2014 and 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. Dollar figures presented for 2014 and 2013 are in U.S. dollars. Prior to 2013, all dollar figures are presented in Canadian dollars.
2. Differences may result from a comparison of the fair valuation of securities held by the ETF for financial reporting purposes prior to January 1, 2013 under Canadian GAAP, versus the market value used to determine the net asset value of the ETF for the purchase and redemption of the ETF's units. As a result, the net assets per unit presented in the financial statements may differ from the net asset value per unit presented in these Financial Highlights.
3. Management expense ratio is based on total expenses (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, the Manager pays for such services as investment manager compensation, administration, service fees and marketing. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the year.
5. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. 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 a year. The higher an ETF's portfolio turnover rate in a year, 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 an ETF.

Financial Highlights (continued)

Management Fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.45%. Approximately 100% of management fees were used for management, investment management, other general administration and profit.

From the management fee, the Manager pays substantially all of the costs and expenses relating to the operation of the business and affairs of the ETF including investment management, administration, accounting, custody, registrar and transfer agency fees, and taxes as well as expenses associated with advertising, marketing, sponsoring and promoting the sale of units of the ETF.

The ETF, and not the Manager, is responsible for all brokerage expenses and commissions, income taxes, sales tax, costs associated with the independent review committee of the ETF, filing fees, costs associated with delivering documents to unitholders, audit fees, fees payable to CDS Clearing and Depository Services Inc., stock exchange fees, index licensing fees, if applicable, withholding taxes and extraordinary expenses. 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.

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

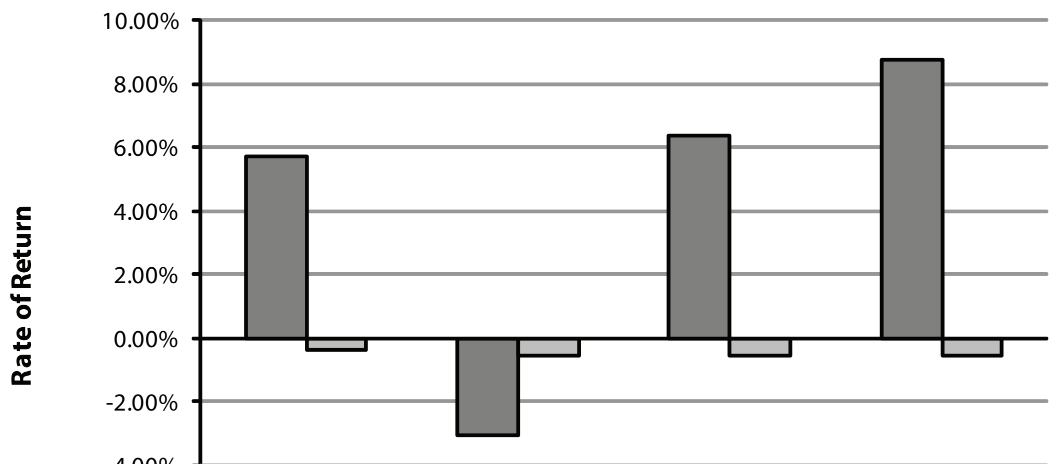
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
5%	91 %	4 %

Past Performance

Sales 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 returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution 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 shows the 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 each financial period (or, on the inception date, as the case may be) would have grown or decreased by the last day of the financial period.



	2011	2012	2013	2014
DLR	5.70%	-3.08%	6.34%	8.77%
DLR.U	-0.37%	-0.52%	-0.56%	-0.56%

The ETF effectively began operations on April 6, 2011. Units of ETF began trading in U.S. dollars under the symbol DLR.U on May 12, 2011.

Past Performance (continued)

Annual Compound Returns

The following table shows the ETF's annualized compound total return since inception and for the periods shown ended December 31, 2014 compared with the ETF's applicable benchmark. The table shown 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	Since Inception DLR	Since Inception DLR.U
Horizons DLR	8.77%	3.88%	4.64%	–
Horizons DLR.U	-0.56%	-0.54%	–	-0.55%
U.S. Dollar	9.41%	4.42%	5.23%	5.35%

The ETF effectively began operations on April 6, 2011. Units of the ETF began trading in U.S. dollars under the symbol DLR.U on May 12, 2011.

Summary of Investment Portfolio

As at December 31, 2014

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Cash and Cash Equivalents	$ 33,081,164	100.05%
Other Assets less Liabilities	(18,084)	-0.05%
	$ 33,063,080	**100.00%**

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent interim and annual reports are available at no cost by calling toll free 1-866-641-5739, or (416) 933-5745, by writing to us at Horizons ETFs Management (Canada) Inc., 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, or by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Horizons US Dollar Currency ETF (the "ETF") are the responsibility of the manager and the trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and judgments.

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 auditors' report outlines the scope of their audit and their opinion on the financial statements.

Taeyong Lee
Director
Horizons ETFs Management (Canada) Inc.

Howard Atkinson
Director
Horizons ETFs Management (Canada) Inc.

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Horizons US Dollar Currency ETF (the "ETF")

We have audited the accompanying financial statements of the ETF, which comprise the statements of financial position as at December 31, 2014 and 2013, and January 1, 2013, the statements of comprehensive income, changes in financial position and cash flows for the years ended December 31, 2014 and December 31, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the ETF's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the ETF as at December 31, 2014 and 2013, and January 1, 2013, and its financial performance and its cash flows for the years ended December 31, 2014 and December 31, 2013 in accordance with International Financial Reporting Standards.

KPMG LLP

Chartered Professional Accountants, Licensed Public Accountants
March 13, 2015
Toronto, Canada

Statements of Financial Position

As at December 31, 2014 and 2013 and January 1, 2013

	December 31, 2014	December 31, 2013	January 1, 2013
Assets			
Cash and cash equivalents	$ 33,081,164	$ 21,499,718	$ 7,122,996
Total assets	**33,081,164**	**21,499,718**	**7,122,996**
Liabilities			
Accrued expenses	18,084	–	3,574
Total liabilities	**18,084**	**–**	**3,574**
Total net assets (note 2)	**$ 33,063,080**	**$ 21,499,718**	**$ 7,119,422**
Number of redeemable units outstanding, (note 9)	3,325,326	2,150,325	708,083
Total net assets per unit (note 2):			
US$ Units (note 1)	$ 9.94	$ 10.00	$ 10.06
C$ Units (note 1)	$ 11.51	$ 10.62	$ 9.99

(See accompanying notes to financial statements)

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

Taeyong Lee
Director

Howard Atkinson
Director

Statements of Comprehensive Income

For the Years Ended December 31,

		2014		2013
Income				
Interest income for distribution purposes	$	12,679	$	4,936
		12,679		**4,936**
Expenses				
Management fees (note 10)		144,930		69,748
Annual stock exchange listing fees		3,461		2,603
Audit fees		6,594		10,067
Filing fees		19,778		18,202
Independent Review Committee fees		536		214
Securityholder reporting costs		6,200		2,647
Transaction costs		–		156
		181,499		**103,637**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(5,682)		(19,225)
		175,817		**84,412**
Decrease in net assets for the year (note 2)	**$**	**(163,138)**	**$**	**(79,476)**
Decrease in net assets per unit (note 2)	$	(0.06)	$	(0.06)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position

For the Years Ended December 31,

		2014		2013
Total net assets at the beginning of the year (note 2)	$	21,499,718	$	7,119,422
Decrease in net assets (note 2)		(163,138)		(79,476)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		11,726,500		14,459,772
Total net assets at the end of the year (note 2)	**$**	**33,063,080**	**$**	**21,499,718**

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2014	2013
Cash flows from operating activities:		
Decrease in net assets for the year (note 2)	$ (163,138)	$ (79,476)
Adjustments for:		
Accrued expenses	18,084	(3,574)
Net cash used in operating activities	**(145,054)**	**(83,050)**
Cash flows from financing activities:		
Amount received from the issuance of units	11,726,500	14,459,772
Net cash from financing activities	**11,726,500**	**14,459,772**
Net increase in cash and cash equivalents for the year	11,581,446	14,376,722
Cash and cash equivalents at beginning of year	21,499,718	7,122,996
Cash and cash equivalents at end of year	**$ 33,081,164**	**$ 21,499,718**
Interest received	$ 12,679	$ 4,936

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2014

Security	Fair Value
Cash and cash equivalents (100.05%)	**$ 33,081,164**
Other assets less liabilities (-0.05%)	(18,084)
TOTAL NET ASSETS (100.00%) (note 2)	**$ 33,063,080**

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

1. REPORTING ENTITY

Horizons US Dollar Currency ETF (the "ETF" or "Horizons DLR") is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on April 6, 2011. The address of the ETF's registered office is: c/o Horizons ETFs Management (Canada) Inc., 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2.

The ETF is offered for sale on a continuous basis by its prospectus in class A units which trade on the Toronto Stock Exchange ("TSX") in Canadian dollars ("C$ Units") and in U.S. dollars ("US$ Units"). The C$ Units and US$ Units trade on the TSX under the symbols DLR and DLR.U, respectively. 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.

Horizons US Dollar Currency ETF ("Horizons DLR" or the "ETF") seeks to reflect the reference value in Canadian dollars (in respect of the Canadian dollar units "C$ Units") and U.S. dollars (in respect of the U.S. dollar units "US$ Units") of the U.S. dollar, net of expenses, by investing primarily in cash and cash equivalents that are denominated in the U.S. dollar. As the underlying exposure of the C$ Units and US$ Units of Horizons DLR is the same, no currency hedging is used with respect to US$ Units of Horizons DLR.

Horizons ETFs Management (Canada) Inc. (the "Manager" or the "Trustee") is the manager and trustee of the ETF. Effective December 30, 2013, Horizons Investment Management Inc. ("Horizons Investment"), the investment manager of the ETF, was amalgamated with its parent, Horizons ETFs Management (Canada) Inc. ("Horizons Management"), under the *Canada Business Corporations Act* (the "Amalgamation"). Under the Amalgamation, Horizons Investment and Horizons Management merged and carried on as one corporation named Horizons ETFs Management (Canada) Inc., which now serves as the successor investment manager of the ETF (the "Investment Manager").

The Amalgamation did not result in any changes to the day-to-day operations of the ETF. The operations, personnel and responsibilities of the Investment Manager remain unchanged. Horizons ETFs Management (Canada) Inc. is now the manager, trustee and investment manager of the ETF.

Change of reporting currency

The Manager has chosen to change the reporting currency of the ETF from Canadian dollars to U.S. dollars beginning with these 2014 financial statements. The figures in the 2014 annual financial statements that are shown for the 2013 comparative period, which were previously reported in Canadian dollars, have been converted in to U.S. dollars for the current reporting period. This change did not affect the reported daily net asset values per unit or the market trading price of the C$ and US$ Units.

2. BASIS OF PREPARATION

(i) Statement of compliance

These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These are the ETF's first annual financial statements prepared in accordance with IFRS, and accordingly, First-time Adoption of International Financial Reporting Standards ("IFRS 1") has been applied.

Previously, the ETF prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). The ETF has consistently applied the accounting policies used in the preparation of its opening IFRS statement of financial position at January 1, 2013 and throughout all periods presented, as if these policies had always been in effect. Note 13 discloses the impact of the transition to IFRS on the ETF's reported financial position, financial performance and cash flows, including the nature and effect of significant changes in accounting policies from those used previously under Canadian GAAP.

Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets for periods starting on or after January 1, 2013 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, 2015 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

These financial statements are presented in U.S. dollars, which is the ETF's functional currency (see note 1).

3. SIGNIFICANT ACCOUNTING POLICIES

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

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are initially recognized on the trade date, at fair value (*see below*), with transaction costs recognised in profit or loss. Other financial assets and financial liabilities are recognised 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 at fair value through profit or loss:
  - Held for trading: derivative financial instruments
  - Designated as at fair value through profit or loss: debt securities and equity investments
- Financial assets at amortized cost: All other financial assets are classified as loans and receivables
- Financial liabilities at fair value through profit or loss:
  - Held for trading: derivative financial instruments
- Financial liabilities at amortized cost: all other financial liabilities are classified as other financial liabilities

(ii) Fair value measurement

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

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

Investments held that are not traded in an active market, including some derivative financial instruments, are valued using observable market inputs where possible, on such basis and in such manner as established by the Manager. Derivative financial instruments are recorded in the statements of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also the summary of fair value measurements in note 7.

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 fair value through profit or loss 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.

Redeemable units

The redeemable units, which are classified as financial liabilities, 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(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, if any, represents the coupon interest received by the ETF accounted for on an accrual basis. The ETF does not amortize premiums paid or discounts received on the purchase of fixed income securities. The ETF does not use the effective interest method. Dividend income, if any, is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs, if any, 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 8).

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, if any, 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. For management fees please refer to note 10.

(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 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(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, fees incurred in conjunction with the ETF's total return swap agreements, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs are expensed and are included in "Transaction costs" in the statements of comprehensive income.

(j) Future accounting changes

The International Accounting Standards Board ("IASB") has issued the following new standards and amendments to existing standards that are not yet effective.

IFRS 9, Financial Instruments ("IFRS 9"):

In July 2014, the IASB issued IFRS 9, Financial Instruments, to replace International Accounting Standard 39, Financial Instruments – Recognition and Measurement ("IAS 39"). IFRS 9 addresses classification and measurement, impairment and hedge accounting.

The new standard requires 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. Financial assets will be measured at fair value through profit and loss unless certain conditions are met which permit measurement at amortized cost or value through other comprehensive income.

The classification and measurement of liabilities remain generally unchanged, with the exception of liabilities recorded at fair value through profit and loss. For financial liabilities designated at fair value through profit and loss, IFRS 9 requires the presentation of the effects of changes in the ETF's own credit risk in other comprehensive income instead of net income.

IFRS 9 is effective for fiscal years beginning on January 1, 2018, though early adoption is permitted. The Manager is currently assessing the impact of this new standard on the ETF's financial statements.

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 recognised prospectively.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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 7 for more information on the fair value measurement of the ETF's financial instruments.

5. FINANCIAL INSTRUMENTS RISK

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

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the units of the ETF. Significant financial instrument risks that are relevant to the ETF and an analysis of how they are managed 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 U.S. 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 has no exposure to foreign currencies. However, since part of the ETF's investment objective is to reflect the reference value in Canadian dollars (in respect of the C$ Units) of the U.S. dollar, net of expenses, and approximately 100% of the ETF's net assets are held in U.S. dollars, the ETF's net asset value per C$ unit would have moved by approximately $0.10 per C$ Unit either up or down as a reflection of a 1% change up or down in the value of the U.S. dollar relative to the Canadian dollar.

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature. As at December 31, 2014, December 31, 2013 and January 1, 2013, the ETF did not hold any long term debt instruments to which it would have interest rate risk exposure.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(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 ETF seeks to reflect the price in Canadian dollars of the U.S. dollar, net of expenses by investing primarily in cash and cash equivalents that are denominated in the U.S. dollar. Therefore, the ETF can be considered to have minimal exposure to other market risk since the ETF's risk exposure is almost exclusively related to currency and interest rate risk.

(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 market value of debt instruments and derivatives, includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the ETF. As at December 31, 2014, December 31, 2013 and January 1, 2013, due to the nature of its portfolio investments, the ETF did not have any material credit exposure.

(c) Liquidity risk

Liquidity risk is the risk that the ETF will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The ETF's policy and the Investment Manager's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stress conditions, including estimated redemptions of shares, without incurring unacceptable losses or risking damage to the ETF's reputation. 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. NET CHANGES FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Net changes in fair value on financial assets and financial liabilities at fair value through profit or loss presented in the table below are comprised of the following: net realized gain (loss) on sale of investments and derivatives, net change in unrealized appreciation (depreciation) of investments and derivatives, dividend income and interest income for distribution purposes. Their classifications between held for trading and designated at fair value are presented in the following table:

	Net Changes at FVTPL ($)	
Category	**December 31, 2014**	**December 31, 2013**
Financial assets (liabilities) at FVTPL:		
Held for trading	–	–
Designated at fair value	–	–
Total financial assets (liabilities) at FVTPL	–	–

7. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. As at December 31, 2014, December 31, 2013 and January 1, 2013, the ETF did not hold any investments that were subject to the hierarchy described above. As at those dates, all of the ETF's assets were held in cash and cash equivalents.

There were no 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 indicated. In addition, there were no investments or transactions classified in Level 3 for the years ended December 31, 2014 and 2013.

8. 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 – *Mutual 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.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the ETF was not participating in any securities lending transactions.

9. REDEEMABLE UNITS

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

The redeemable units issued by the ETF provide an investor with the right to require redemption for cash at a value proportionate to the investor's share in the ETF's net assets at each redemption date and are classified as liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders. The ETF's objectives in managing the redeemable units are to meet the ETF's investment objective, and to manage liquidity risk arising from redemptions. The ETF's management of liquidity risk arising from redeemable units is discussed in note 5.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

On any trading day, which is defined as the day that a net asset value of the ETF is being struck, 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. Holders of US$ Units of Horizons DLR may request that their redemption proceeds be paid in U.S. or Canadian dollars.

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 all of its income (including net realized capital gains) that it has earned in the year to such an extent that the ETF will not be liable for ordinary income tax thereon. It is anticipated that the ETF will make distributions to its unitholders of any income earned on cash and cash equivalents, net of fees and expenses, on a monthly basis and, unless the unitholder is participating in the ETF's distribution reinvestment plan, such distributions to unitholders of C$ Units or US$ Units will be paid in Canadian dollars or U.S. dollars respectively. Under the distribution reinvestment plan, the amount actually distributed by the ETF will be paid as a "reinvested distribution", whereby the cash distributions will be used to acquire additional units of the ETF to be credited to the account of the unitholder. Distributions paid to holders of redeemable units, if any, are recognized in the statements of changes in financial position.

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

For the years ended December 31, 2014 and 2013, the number of units issued by subscription, 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
2014	2,150,325	1,175,001	–	3,325,326	2,935,189
2013	708,083	1,442,242	–	2,150,325	1,399,569

10. EXPENSES

Management fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.45%. Approximately 100% of management fees were used for management, investment management, operating costs of the ETF, other general administration and profit.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

Other expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays the management fees, brokerage expenses and commissions, income taxes, sales taxes, costs associated with the ETF's Independent Review Committee, filing fees, costs associated with delivering documents to unitholders, audit fees, fees payable to CDS Clearing and Depository Services Inc., annual stock exchange fees, annual index licensing fees, if applicable, withholding taxes and extraordinary expenses. Costs and expenses payable by the Manager in respect of the ETF include the custodial expenses, registrar and transfer agent fees, as well as fees payable to other service providers retained by the Manager. Fees paid to the Independent Review Committee are considered to be related party transactions and are disclosed in the statement of comprehensive income.

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.

11. INCOME TAX

The ETF has qualified as a mutual fund trust under 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 period) 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 forwards 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, 2014, 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
$271	$4,440	2031
	$26,328	2032
	$80,549	2033
	$163,138	2034

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. As at December 31, 2014, December 31, 2013 and January 1, 2013, the ETF did not have any financial instruments eligible for offsetting.

14. TRANSITION TO IFRS

The effect of the ETF's transition to IFRS is summarized as follows:

Exemptions and elections from full retrospective application:

IFRS 1 requires adopters to retrospectively apply all IFRS standards as of the reporting date with certain optional exemptions and certain mandatory exceptions. As allowed under IFRS 1 the ETF elected to designate all investments at fair value through profit and loss which were previously carried at fair value under Canadian GAAP as required by Accounting Guideline 18, Investment Companies. The ETF did not apply any other IFRS 1 exemptions or exceptions.

Statements of cash flows

Under Canadian GAAP, the ETF was exempt from providing statements of cash flows. IAS 1 requires a complete set of financial statements, including statements of cash flows for the current and comparative periods, without exception.

Reconciliation of financial position and comprehensive income as previously reported under Canadian GAAP to IFRS as at transition date January 1, 2013 and December 31, 2013 and for the year ended December 31, 2013, respectively:

Statements of Financial Position	December 31, 2013	January 1, 2013
Net assets reported under Canadian GAAP	$21,499,718	$7,119,422
Revaluation of investments at FVTPL (b)	–	–
Net assets attributable to holders of redeemable units (a)	$21,499,718	$7,119,422

Statement of Comprehensive Income	December 31, 2013
Comprehensive income reported under Canadian GAAP	$(79,476)
Revaluation of investments at FVTPL (b)	–
Increase (decrease) in net assets attributable to holders of redeemable units	$(79,476)

(a) Classification of redeemable units issued by the ETF

Previously under Canadian GAAP, the units of the ETF were classified as equity instruments. In accordance with IAS 32 - Financial Instruments: Presentation, the units of the ETF are classified as financial liabilities as there is a requirement to distribute net income and capital gains earned by the ETF.

(b) Revaluation of investments at FVTPL

Previously under Canadian GAAP, the fair value of the ETF's investments was measured at bid prices for financial assets and ask price for financial liabilities. Under IFRS, the Manager has concluded that mid-market prices for such instruments are representative of fair value and to use the closing sale price for measurement of financial assets and financial liabilities.

Manager
Horizons ETFs Management (Canada) Inc.
26 Wellington Street East, Suite 700
Toronto, Ontario
M5E 1S2
Tel: 416-933-5745
Fax: 416-777-5181
Toll Free: 1-866-641-5739
info@horizonsetfs.com
www.horizonsetfs.com

Auditors
KPMG LLP
Bay Adelaide Centre
333 Bay Street, Suite 4600
Toronto, Ontario
M5H 2S5

Custodian
CIBC Mellon Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6

Registrar and Transfer Agent
CST Trust Company
320 Bay Street
P.O. Box 1
Toronto, Ontario
M5H 4A6

Innovation is our capital. Make it yours.

Horizons Exchange Traded Funds | 26 Wellington Street East, Suite 700 | Toronto, Ontario, M5E 1S2
T 416 933 5745 | **TF** 1 866 641 5739 | **w** horizonsetfs.com