Annual Report | December 31, 2014

Horizons Gold Yield ETF (HGY, HGY.A: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 for Horizons Gold Yield ETF ("Horizons HGY" 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, AlphaPro Management Inc. ("AlphaPro" or the "Manager"), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 26 Wellington Street East, Suite 700, Toronto ON, M5E 1S2, or by visiting our website at www.horizonsetfs.com or 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, and 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.

ETF Structure

The ETF was originally launched as a closed end fund under the name Horizons Gold Yield Fund (the "Original Fund"), an investment trust established under the laws of the Province of Ontario pursuant to a Declaration of Trust dated November 26, 2010. The Original Fund effectively began operations on December 20, 2010 when it completed an initial public offering of its Class A units and Class F units at $10.00 per unit.

The Original Fund converted into the ETF as at the close of business on February 27, 2012 (the "Conversion"). The Class A units of the Original Fund were exchanged for Class E units of the ETF on a one-for-one basis while each Class F unitholder received 1.042586 Class E units of the ETF for every Class F unit held of the Original Fund. The Class E securities of the ETF began trading on the TSX under the symbol HGY on February 28, 2011. Concurrent with, but unrelated to, the Conversion, the ETF began issuing Advisor Class units (the "Advisor Class") which also began trading on the TSX on February 28, 2012, under the symbol HGY.A.

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objectives of Horizons HGY are to provide unitholders with: (i) exposure to the price of gold bullion hedged to the Canadian dollar, less the ETF's fees and expenses; (ii) tax-efficient monthly distributions; and (iii) in order to mitigate downside risk and generate income, exposure to a covered call option writing strategy.

Management Discussion of Fund Performance (continued)

Horizons HGY seeks to achieve its investment objectives by gaining exposure to a portfolio of securities and other instruments that provide exposure to the price of gold bullion (the "Gold Portfolio"). The Gold Portfolio is comprised primarily of exchange traded funds that are directly or indirectly, and only, exposed to gold bullion, but may include gold futures contracts from time to time. The Gold Portfolio is selected by the ETF's investment manager. The ETF seeks to be fully exposed to the price of gold bullion at all times, but does not replicate the performance of gold prices due to the covered call writing strategy and fees and expenses. The ETF's investment manager, depending on market conditions, writes at-the-money or out-of-the-money covered call options on approximately, and not more than, 33% of the securities and other instruments in the Gold Portfolio. The level of covered call option writing to which the Gold Portfolio is exposed may vary based on market volatility and other factors.

Prior to November 27, 2013, the ETF had entered into a forward purchase and sale agreement (*see the Forward Agreement below*) with a bank counterparty pursuant to which the ETF gained exposure to the Gold Portfolio. The Forward Agreement was terminated on November 27, 2013 and the Gold Portfolio is now held directly by the ETF.

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

The Forward Agreement

Prior to November 27, 2013, in order to meet its investment objectives, the ETF invested its proceeds in a specified portfolio of securities of Canadian public issuers (the "Common Securities Portfolio") and sold this portfolio in its entirety to a bank counterparty (the "Counterparty") pursuant to a forward purchase and sale agreement (the "Forward Agreement"). The ETF entered into the Forward Agreement with the Bank of Montreal acting as the Counterparty, whereby, the Counterparty, pursuant to the Forward Agreement, agreed to purchase the Common Securities Portfolio from the ETF for an amount based on the redemption proceeds that would be paid by the Gold Yield Trust, the previous holder of the Gold Portfolio, to holders of an applicable number of units of the Gold Yield Trust. The Gold Yield Trust was terminated concurrent with the termination of the Forward Agreement.

Risk

Investments in the units of the ETF are speculative, involve a degree of risk and are suitable only for persons who are able to assume the risk of losing their entire investment. 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 prospectus and consider the full description of the risks contained therein before subscribing for 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 prospectus. A full description of each risk listed below may also be found in the prospectus. The prospectus is available at www.horizonsetfs.com or from www.sedar.com, or by contacting AlphaPro Management Inc. directly via the contact information on the back page of this document.

- Commodity price volatility
- Risks relating to use of derivatives
- Aggressive investment technique risk
- Concentration risk
- Inability to achieve investment objectives
- General risks of investing in exchange traded funds
- Market and market volatility risk
- Regulatory risk
- Conflicts of interest
- Distributions risk
- Foreign currency risk
- Foreign security and exchange risk
- Exchange risk
- Failure of futures commission merchant
- Hedging risks
- Liquidity risk
- Loss of limited liability
- Market for units

Management Discussion of Fund Performance (continued)

- Market price and net asset value deviation risk
- Corresponding net asset value risk
- No ownership interest
- Reliance on key personnel
- Securities lending risk
- Redemption price
- Suspension of redemptions
- Significant redemptions
- Cease trading of securities risk
- Tax related risks
- Price limit risk
- Designated broker/dealer risk
- General economic, political and market conditions
- No guaranteed return
- No replication of the performance of the price of commodities
- Risks of investing in commodity-based exchange traded funds
- Valuation
- Counterparty risk

Results of Operations

For the year ended December 31, 2014, the Class E units and Advisor Class units of the ETF returned -0.49% and -1.34%, respectively, when including distributions paid to unitholders. By comparison, the price of gold, as measured by the COMEX® rolling 1-month gold futures contract, returned -1.75% for the same period. The Class E units had an average annualized distribution yield of 5.81% when including distributions of $0.37, while the Advisor Class units provided an average yield of 4.95% with distributions of $0.31 for the year.

Gold Market Review

Gold prices started strong in 2014. Prices increased for much of the first quarter, closing as high as U.S.$1,379.00 per ounce (/oz) on March 14, 2014, a gain of 14.7% from December 31, 2013. Since that time however, prices gradually declined as commodity markets in general traded lower. Reduced inflation expectations and disappointing growth prospects in emerging markets, especially China, contributed to steadily lower gold prices as the year went on. The COMEX® 1-month gold futures price closed at U.S.$1,184.10/oz on December 31, 2014, down -1.5% in 2014 and down 14.1% from its high in March.

The implied volatility of gold bullion headed lower through the first two quarters of 2014 and gradually increased in the third and fourth quarters. Implied volatility at the beginning of the year started at around 18, traded lower throughout the year, before closing near its high of 18 on December 31, 2014.

The investment manager, to the best of its ability, hedges the U.S. dollar exposure of the underlying assets in the Gold Portfolio back into Canadian dollars. The ETF's performance, during periods when the Canadian dollar declines, will be negatively affected compared to if the U.S. dollar exposure had been unhedged. The Canadian dollar declined by approximately 8.6% versus the U.S. dollar for the year ended December 31, 2014.

Option Writing Strategy

During each month, options are generally written on approximately one-third of the Gold Portfolio. The premiums are received from selling call options at strike prices that are at-the-money or out-of-the-money. The ETF's monthly distributions are not fixed, but vary as the premiums generated from covered call writing are earned and passed through, and will change with changes in implied volatility and time to option expiration.

Management Discussion of Fund Performance (continued)

Other Operating Items and Changes in Net Assets Attributable to Holder of Redeemable Units

For the year ended December 31, 2014, the ETF generated comprehensive income (loss) from investments and derivatives of $417,154. This compares to $(15,430,581) for the year ended December 31, 2013. The ETF paid management, operating and transaction expenses of $349,558 (2013 - $658,253) of which $92,966 (2013 - $75,841) 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 its discretion.

The ETF distributed $1,618,430 to Class E unitholders and $57,406 to Advisor Class unitholders during the year (2013 – Class E: $3,218,542, Advisor Class: $85,639).

Unitholder Activity

An "ETF" is a stock exchange listed, open-ended, continuously offered fund. All orders to purchase units directly from the ETF must be placed by designated brokers and/or underwriters. On any trading day, a designated broker or an underwriter may place a subscription order for a prescribed number of units ("PNU") or integral multiple PNU. The ETF reserves the absolute right to reject any subscription order placed by a designated broker and/or an underwriter. No fees will be payable by the ETF to a designated broker or an underwriter in connection with the issuance of units. On the issuance of units, the Manager may, at its discretion, charge an administrative fee to an underwriter or designated broker to off set any expenses incurred in issuing the units.

All unitholders of the ETF may exchange the applicable PNU (or an integral multiple thereof) of the ETF on any trading day for a prescribed basket of securities (as determined by the investment manager) and/or cash, subject to the requirement that a minimum PNU be exchanged. The Manager may, in its complete discretion, pay exchange proceeds consisting of cash only in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the exchange request. The Manager will, upon receipt of the exchange request, advise the unitholder submitting the request as to whether cash and/or a basket of securities will be delivered to satisfy the request.

Investors are able to trade units of the ETF in the same way as other securities traded on the Toronto Stock Exchange ("TSX"), including by using market orders and limit orders. 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 may incur customary brokerage commissions when buying or selling units.

Recent Developments

The following developments are pertinent to the present and future of the ETF.

Adoption of International Financial Reporting Standards

The attached financial statements have been prepared in accordance with International Financial Reporting Standard ("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 17 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.

Management Discussion of Fund Performance (continued)

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.

Amalgamation of the Investment Manager

Effective December 30, 2013, Horizons Investment Management Inc. ("Horizons Investment"), the investment manager of the ETF, was amalgamated with its parent (and the parent of the Manager), 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.

Tax Changes Announced in the Federal Budget and Impact to the ETF

In the federal budget delivered in March 2013, the Finance Minister announced many targeted tax measures aimed at addressing what the government considers tax "loopholes" in the Canadian tax system. Among these measures were changes to the method of recognition of what the government labels as "character conversion transactions". A character conversion transaction seeks to reduce tax by converting, through derivative contracts, the returns on an investment that would normally be considered to be ordinary income, to capital gains which are only 50% taxable.

Under the changes to the *Income Tax Act (Canada)* (the "Tax Act"), gains realized by the ETF on the disposition of property under a "derivative forward agreement", as defined below, will be treated as ordinary income and losses may be deducted from income. A derivative forward agreement is defined to mean an agreement entered into on or after March 21, 2013 to sell (or purchase) capital property where the term of the agreement exceeds 180 days or the agreement is part of a series of agreements entered into on or after March 21, 2013 with a term that exceeds 180 days and where the sale price (or purchase price) of the property is determined by reference to, for example, the value of other property.

Based on the changes to the Tax Act, the Manager determined that the ETFs' Forward Agreement would no longer be able to provide material operational efficiency to unitholders of the ETF. Specifically, the expiry or termination of the Forward Agreement, and any increase to the number of units of the ETF outstanding, were each expected to affect the ability of the ETF to efficiently execute the investment strategy of the ETF. The determination was made to terminate the Forward Agreement and the ETF acquired, in the market, the same, or substantially the same, assets as those held in the Gold Portfolio by the Gold Yield Trust at the time of the termination of the Forward Agreement. The ETF now directly employs the covered call option writing strategy. The gains and losses realized by the ETF in connection with the termination of the Forward Agreement were not subject to the changes made to the Tax Act.

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 and trustee of the ETF is AlphaPro Management Inc., 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, a corporation incorporated under the laws of Ontario specializing in actively managed ETFs. AlphaPro is a subsidiary of Horizons ETFs Management (Canada) Inc..

Management Discussion of Fund Performance (continued)

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

The Investment Manager, which is now Horizons Management, is responsible for implementing the ETF's investment strategies. The Manager and Investment Manager are both members of the Mirae Asset Financial Group ("Mirae Asset").

Other Related Parties

An affiliate of National Bank of Canada ("NBC") and National Bank Financial Inc. ("NBF") holds an indirect minority interest in the Manager. NBF acts or may act as a designated broker, an underwriter and/or a registered trader (market maker). These relationships may create actual or perceived conflicts of interest which investors should consider in relation to an investment in the ETF. In particular, by virtue of these relationships, NBF may profit from the sale and trading of the ETF's units.

NBF's potential roles as a designated broker and a dealer of the ETF are not as an underwriter of the ETF in connection with the primary distribution of units under the ETF's prospectus. NBF was not involved in the preparation of, nor did it perform any review of, the contents of the ETF's prospectus. NBF and its affiliates may, at present or in the future, engage in business with the ETF, the issuers of securities making up the investment portfolio of the ETF, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, executing brokerage transactions, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between NBF and its affiliates, and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

For the year ended December 31, 2014, the ETF paid $30,346 (2013 – $6,015) to NBF and/or its affiliates in broker commissions on portfolio transactions.

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 it effectively began operations on December 20, 2010. 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 annual or interim financial statements.

The ETF's Net Assets per Unit

Class E

Year		**2014**	**2013**	**2012**
Net assets, beginning of year (1)	$	6.21	8.95	10.11
Increase (decrease) from operations:				
Total expenses		(0.05)	(0.08)	(0.03)
Realized gains (losses) for the year		(0.16)	(1.22)	0.16
Unrealized gains (losses) for the year		0.25	(0.99)	(0.61)
Total increase (decrease) from operations (3)		0.04	(2.29)	(0.48)
Distributions:				
From return of capital		(0.37)	(0.48)	(0.65)
Total annual distributions (4)		(0.37)	(0.48)	(0.65)
Net assets, end of year (2)(5)	$	5.83	6.21	8.95

Advisor Class

Year		**2014**	**2013**	**2012**
Net assets, beginning of year (1)	$	6.21	8.95	10.11
Decrease from operations:				
Total expenses		(0.11)	(0.14)	(0.09)
Realized gains (losses) for the year		(0.16)	(1.22)	0.16
Unrealized gains (losses) for the year		0.20	(0.97)	(0.40)
Total decrease from operations (3)		(0.07)	(2.33)	(0.33)
Distributions:				
From return of capital		(0.31)	(0.42)	(0.58)
Total annual distributions (4)		(0.31)	(0.42)	(0.58)
Net assets, end of year (2)(5)	$	5.83	6.21	8.94

Financial Highlights (continued)

Class A ***Year***		**2014**	**2013**	**2012**	**2011**	**2010**
Net assets, beginning of year (1)	$	–	–	9.28	9.51	10.00
Increase from operations:						
Total expenses		–	–	(0.02)	(0.10)	–
Realized gains for the year		–	–	0.03	0.05	–
Unrealized gains for the year		–	–	0.97	0.57	0.19
Total increase from operations (3)		–	–	0.98	0.52	0.19
Distributions:						
From return of capital		–	–	(0.16)	(0.74)	–
Total annual distributions (4)		–	–	(0.16)	(0.74)	–
Net assets, end of year (2)(5)	$	–	–	–	9.28	9.51

Class F ***Year***		**2014**	**2013**	**2012**	**2011**	**2010**
Net assets, beginning of year (1)	$	–	–	9.67	9.83	10.00
Increase from operations:						
Total expenses		–	–	(0.01)	(0.07)	–
Realized gains for the year		–	–	0.03	0.06	–
Unrealized gains for the year		–	–	1.01	0.64	0.19
Total increase from operations (3)		–	–	1.03	0.63	0.19
Distributions:						
From return of capital		–	–	(0.16)	(0.74)	–
Total annual distributions (4)		–	–	(0.16)	(0.74)	–
Net assets, end of year (2)(5)	$	–	–	–	9.67	9.83

1. This information is derived from the ETF's audited annual financial statements as at December 31 of the years shown. Class A and Class F units of the Original Fund list their initial net asset value of $10.00 as at December 20, 2010, the date of the closing of the initial public offering of the Original Fund. Class A units and Class F units of the Original Fund converted to Class E units of the ETF at the close of business on February 27, 2012. Class A unitholders of the Original Fund received one Class E unit of the ETF for each Class A unit held of the Original Fund as at February 27, 2012. Class F unitholders of the Original Fund received 1.042586 Class E units of the ETF for each Class F unit held of the Original Fund as at February 27, 2012. The final net asset value per Class A unit on February 27, 2012 was $10.11 which also represents the opening net asset value per unit of the Class E units and Advisor Class units of the ETF on February 28, 2012. The final net asset value per Class F unit on February 27, 2012 was $10.54. Information from 2014 and 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP.
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 units of the ETF. 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

Class E

Year (1)		2014	2013	2012
Total net asset value (2) (000's)	$	23,403	30,194	65,595
Number of units outstanding (000's)		4,017	4,864	7,331
Management expense ratio (3)		0.72%	0.36%	0.34%
Management expense ratio before waivers or absorptions (4)		1.04%	0.51%	0.51%
Trading expense ratio (5)		0.13%	0.73%	0.64%
Portfolio turnover rate (6)		33.79%	89.19%	107.97%
Net asset value per unit, end of year (2)	$	5.83	6.21	8.95
Closing market price	$	5.83	6.19	8.95

Advisor Class

Year (1)		2014	2013	2012
Total net asset value (2) (000's)	$	1,067	1,136	1,859
Number of units outstanding (000's)		183	183	208
Management expense ratio (3)		1.58%	1.22%	1.18%
Management expense ratio before waivers or absorptions (4)		1.88%	1.35%	1.36%
Trading expense ratio (5)		0.13%	0.73%	0.64%
Portfolio turnover rate (6)		33.79%	89.19%	107.97%
Net asset value per unit, end of year (2)	$	5.83	6.21	8.95
Closing market price	$	5.83	6.24	8.96

Class A

Year (1)		2014	2013	2012	2011	2010
Net asset value(2) (000's)	$	–	–	–	53,429	43,776
Number of units outstanding (000's)		–	–	–	5,757	4,600
Management expense ratio (3)		–	–	0.98%	2.03%	8.12%
Management expense ratio excluding issue costs (3)		–	–	0.98%	1.06%	0.90%
Management expense ratio before waivers or absorptions (4)		–	–	0.98%	2.03%	8.12%
Trading expense ratio (5)		–	–	0.64%	0.35%	0.37%
Portfolio turnover rate (6)		–	–	107.97%	7.57%	2.55%
Net asset value per unit, end of year (2)	$	–	–	–	9.28	9.52

Financial Highlights (continued)

Class F

Year (1)		**2014**	**2013**	**2012**	**2011**	**2010**
Total net asset value (2) (000's)	$	–	–	–	4,682	4,335
Number of units outstanding (000's)		–	–	–	484	441
Management expense ratio (3)		–	–	0.65%	1.44%	4.41%
Management expense ratio excluding issue costs (3)		–	–	0.65%	0.72%	0.62%
Management expense ratio before waivers or absorptions (4)		–	–	0.65%	1.44%	4.41%
Trading expense ratio (5)		–	–	0.64%	0.35%	0.37%
Portfolio turnover rate (6)		–	–	107.97%	7.57%	2.55%
Net asset value per unit, end of year (2)	$	–	–	–	9.67	9.83

1. This information is provided as at December 31 of the years shown. Information from 2014 and 2013 is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP.
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 units of the ETF. 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 to the ETF as Investment Manager compensation, service fees and marketing. The expenses for the Class A and Class F units for the 2010 period contain one-time costs associated with the offering of the Original Fund's Class A and Class F units as detailed in the Original Fund's prospectus. By their nature as one-time occurrences, the costs associated with the offering of the Original Fund have not been annualized in the management expense ratio.
4. 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 its discretion.
5. 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.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the 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 appoints the Investment Manager and 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 each 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 0.60%, plus applicable sales taxes, of the net asset value of the ETF's Class E units and 1.35%, plus applicable sales taxes, of the net asset value of the ETF's Advisor Class units, calculated and accrued daily and payable monthly in arrears.

The Manager, and not the ETF, pays to registered dealers a service fee equal to 0.75% per year of the net asset value of Advisor Class units held by clients of the registered dealer. No service fees are paid to registered dealers in respect of Class E units.

The Investment Manager 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.

Prior to the termination of the Forward Agreement and the Gold Yield Trust, the annual management fee rates for the ETF's Class E units and Advisor Class units were 0.30% and 1.05% respectively. In addition, the Manager received a monthly fee at the rate of 0.30%, plus applicable sales taxes, of the NAV of the Gold Yield Trust, calculated and accrued daily and paid monthly in arrears for services similar to those provided to the ETF.

The net effect, both prior to and subsequent to the termination of the Forward Agreement, is that the aggregate annual management fee, to which the Class E units and Advisor Class units were exposed, was 0.60% and 1.35%, plus applicable sales taxes, respectively.

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.

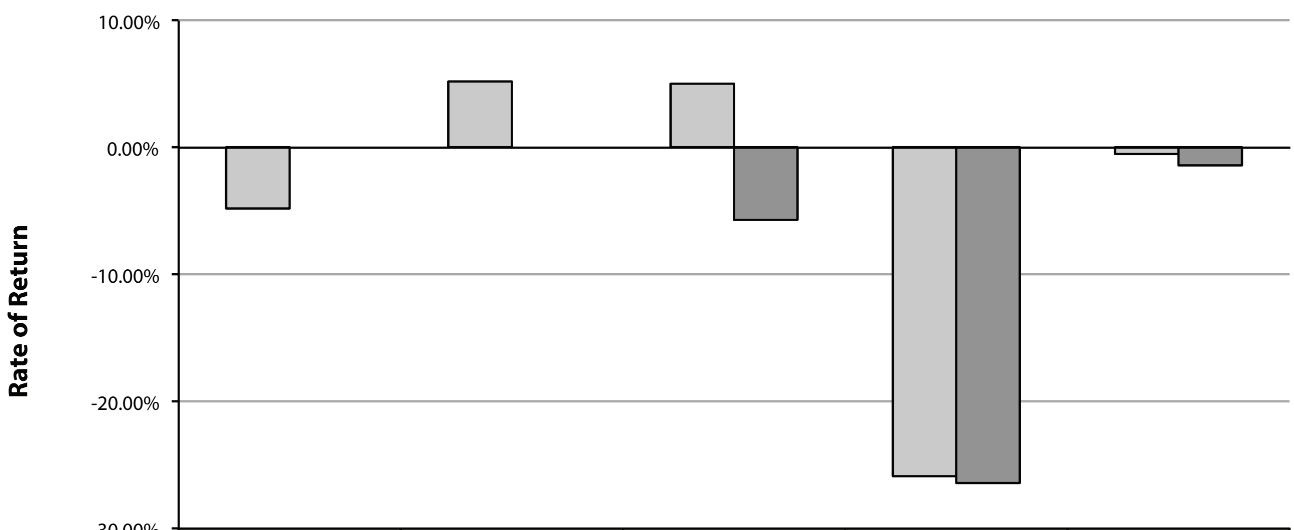
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
8%	45%	47%

Past Performance

Commissions, trailing commissions, management fees and expenses 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, if any, 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 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 charts show the performance of the ETF for its Class E and Advisor Class units for the periods shown. 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.



	2010	2011	2012	2013	2014
Class E	-4.83%	5.19%	5.07%	-25.82%	-0.49%
Advisor Class			-5.72%	-26.45%	-1.34%

The chart assumes that unitholders purchased Class A units of the Original Fund at $10.00 per unit at the Original Fund's initial public offering on December 20, 2010 and had those units converted to Class E units of the ETF on a one-for-one basis at the close of business on February 27, 2012. Unitholders who purchased Class F units of the Original Fund at the initial public offering of the Original Fund, and who also had their units converted to Class E units of the ETF on February 27, 2012, will have substantially similar performance to those who purchased Class A units of the Original Fund, save for differences in expense structure between Class A and Class F units of the Original Fund. Advisor Class units of the ETF have an initial net asset value of $10.11 as at the start of business on February 28, 2012.

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.

Period	Class E Return %	Advisor Class Return %	COMEX® Gold Futures Contract Return %
1 Year	-0.49%	-1.34%	-1.75%
3 Year	-8.11%	N/A	-9.37%
Since Inception:			
Class E	-6.06%		-4.21%
Advisor Class		-12.49%	-13.68%

The chart assumes that unitholders purchased Class A units of the Original Fund at $10.00 per unit at the Original Fund's initial public offering on December 20, 2010 and had those units converted to Class E units of the ETF on a one-for-one basis at the close of business on February 27, 2012. Unitholders who purchased Class F units of the Original Fund at the initial public offering of the Original Fund, and who also had their units converted to Class E units of the ETF on February 27, 2012, will have substantially similar performance to those who purchased Class A units of the Original Fund, save for differences in expense structure between Class A and Class F units of the Original Fund. Advisor Class units of the ETF have an initial net asset value of $10.11 as at the start of business on February 28, 2012.

Summary of Investment Portfolio

As at December 31, 2014

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Long Positions		
Commodity ETFs	$ 24,545,545	100.31%
Currency Forward Hedge*	(163,599)	-0.67%
Cash and Cash Equivalents	273,543	1.12%
Other Assets less Liabilities	(128,433)	-0.53%
Short Positions		
Equity Call Options	(56,623)	-0.23%
	$ 24,470,433	**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.

Top Holdings	% of ETF's Net Asset Value
SPDR Gold Trust	100.08%

The summaries 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, by writing to us 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.

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying audited annual financial statements of Horizons Gold Yield ETF (the "ETF") are the responsibility of the manager and trustee to the ETF, AlphaPro Management 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.

Steven J. Hawkins	Howard Atkinson
Director, AlphaPro Management Inc.	Director, AlphaPro Management Inc.

INDEPENDENT AUDITORS' REPORT

To the Unitholders of Horizons Gold Yield 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	$ 273,543	$ 132,518	$ 7,122
Investments	24,545,545	31,410,379	66,703,906
Derivative assets (note 3)	5,995	84,240	1,188,285
Total assets	**24,825,083**	**31,627,137**	**67,899,313**
Liabilities			
Accrued expenses	18,294	23,286	60,122
Distribution payable	110,139	223,774	385,241
Derivative liabilities (note 3)	226,217	50,114	–
Total liabilities	**354,650**	**297,174**	**445,363**
Total net assets (note 2)	**$ 24,470,433**	**$ 31,329,963**	**$ 67,453,950**
Total net assets, Class E (note 2)	$ 23,403,021	$ 30,194,078	$ 65,594,763
Number of redeemable units outstanding, Class E (note 10)	4,016,551	4,864,188	7,331,008
Total net assets per unit, Class E (note 2)	$ 5.83	$ 6.21	$ 8.95
Total net assets, Advisor Class (note 2)	$ 1,067,412	$ 1,135,885	$ 1,859,187
Number of redeemable units outstanding, Advisor Class (note 10)	183,224	183,038	207,843
Total net assets per unit, Advisor Class (note 2)	$ 5.83	$ 6.21	$ 8.95

(See accompanying notes to financial statements)

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

Steven J. Hawkins

Howard Atkinson

Statements of Comprehensive Income

For the Years Ended December 31,

		2014		2013
Income				
Securities lending income	$	18,777	$	14
Net realized gain (loss) on sale of investments and derivatives		1,413,584		(8,425,868)
Net realized loss on foreign exchange		(2,170,406)		(137,087)
Net change in unrealized appreciation (depreciation) of investments and derivatives		1,402,803		(6,951,725)
Net change in unrealized appreciation (depreciation) of foreign exchange		(247,604)		84,085
		417,154		**(15,430,581)**
Expenses				
Management fees (note 11)		199,602		193,611
Audit fees		15,514		14,683
Independent Review Committee fees		533		502
Custodial fees		4,428		5,066
Legal fees		16,728		222
Securityholder reporting costs		33,506		38,370
Administration fees		41,960		26,009
Listing fees		223		–
Transaction costs		36,430		379,537
Other expenses		634		253
		349,558		**658,253**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(92,966)		(75,841)
		256,592		**582,412**
Increase (decrease) in net assets for the year (note 2)	**$**	**160,562**	**$**	**(16,012,993)**
Increase (decrease) in net assets, Class E (note 2)	$	172,854	$	(15,535,003)
Increase (decrease) in net assets per unit, Class E (note 2)		0.04		(2.29)
Decrease in net assets, Advisor Class (note 2)	$	(12,292)	$	(477,990)
Decrease in net assets per unit, Advisor Class (note 2)		(0.07)		(2.33)

(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)	$	31,329,963	$	67,453,950
Increase (decrease) in net assets (note 2)		160,562		(16,012,993)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		–		637,125
Aggregate amounts paid on redemption of securities of the investment fund		(5,360,470)		(17,469,905)
Securities issued on reinvestment of distributions		16,214		25,967
Distributions:				
Return of capital		(1,675,836)		(3,304,181)
Total net assets at the end of the year (note 2)	**$**	**24,470,433**	**$**	**31,329,963**

Total net assets at the beginning of the year, Class E (note 2)	$	30,194,078	$	65,594,763
Increase (decrease) in net assets, Class E (note 2)		172,854		(15,535,003)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		–		637,125
Aggregate amounts paid on redemption of securities of the investment fund		(5,360,470)		(17,308,735)
Securities issued on reinvestment of distributions		14,989		24,470
Distributions:				
Return of capital		(1,618,430)		(3,218,542)
Total net assets at the end of the year, Class E (note 2)	**$**	**23,403,021**	**$**	**30,194,078**

Total net assets at the beginning of the year, Advisor Class (note 2)	$	1,135,885	$	1,859,187
Decrease in net assets, Advisor Class (note 2)		(12,292)		(477,990)
Redeemable unit transactions				
Aggregate amounts paid on redemption of securities of the investment fund		–		(161,170)
Securities issued on reinvestment of distributions		1,225		1,497
Distributions:				
Return of capital		(57,406)		(85,639)
Total net assets at the end of the year, Advisor Class (note 2)	**$**	**1,067,412**	**$**	**1,135,885**

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2014	2013
Cash flows from operating activities:		
Increase (decrease) in net assets for the year (note 2)	$ 160,562	$ (16,012,993)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	(1,413,584)	8,425,868
Net change in unrealized depreciation (appreciation) of investments and derivatives	(1,402,803)	6,951,725
Net change in unrealized depreciation (appreciation) of foreign exchange	247,604	(84,085)
Purchase of investments	(9,749,289)	(46,586,457)
Proceeds from the sale of investments	19,437,018	67,740,790
Accrued expenses	(4,992)	(36,836)
Net cash from operating activities	**7,274,516**	**20,398,012**
Cash flows from financing activities:		
Amount received from the issuance of units	–	637,125
Amount paid on redemptions of units	(5,360,470)	(17,469,905)
Distributions paid to unitholders	(1,773,257)	(3,439,681)
Net cash used in financing activities	**(7,133,727)**	**(20,272,461)**
Net increase in cash and cash equivalents during the year	140,789	125,551
Effect of exchange rate fluctuations on cash and cash equivalents	236	(155)
Cash and cash equivalents at beginning of year	132,518	7,122
Cash and cash equivalents at end of year	**$ 273,543**	**$ 132,518**

(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2014

Security	Shares/ Contracts	Average Cost	Fair Value
COMMODITY ETFs (100.31%)			
Materials (100.31%)			
SPDR Gold Trust	186,300	$ 24,024,915	$ 24,545,545
TOTAL COMMODITY ETFs		**24,024,915**	**24,545,545**
DERIVATIVES (-0.90%)			
Equity Call Options (-0.23%)			
SPDR Gold Trust, January, 2015, $116.00 USD	(614)	(117,466)	(56,623)
Currency Forwards (-0.67%)			
Currency forward contract to buy US$2,050,000 for C$2,376,455 maturing January 8, 2015		–	1,702
Currency forward contract to buy C$27,258,906 for US$23,640,000 maturing January 8, 2015		–	(165,301)
		–	(163,599)
TOTAL DERIVATIVES		**(117,466)**	**(220,222)**
Transaction costs		(30,001)	
TOTAL INVESTMENT PORTFOLIO (99.41%)		**$ 23,877,448**	**$ 24,325,323**
Cash and cash equivalents (1.12%)			273,543
Other assets less liabilities (-0.53%)			(128,433)
TOTAL NET ASSETS (100.00%) (note 2)			**$ 24,470,433**

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

1. REPORTING ENTITY

Horizons Gold Yield ETF (the "ETF" or "Horizons HGY") is an investment trust established under the laws of the Province of Ontario by an Amended and Restated Declaration of Trust and effectively began operations on December 20, 2010 as a closed end fund under the name Horizons Gold Yield Fund. The address of the ETF's registered office is: c/o AlphaPro Management 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 both class E units ("Class E") and advisor class units ("Advisor Class") which trade on the Toronto Stock Exchange ("TSX") under the symbols HGY and HGY.A, respectively. Advisors are directly compensated with a service fee on a trailing quarterly basis (the "Service Fee"). The only difference between the Advisor Class and existing Class E units of the ETF is that the Advisor Class charges higher management fees that include the Service Fees paid to the advisor (see note 11). The purchase and sale process for the Advisor Class units is identical to that of any other ETF listed on the TSX. 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 objectives of Horizons HGY are to provide unitholders with: (i) exposure to the price of gold bullion hedged to the Canadian dollar, less the ETF's fees and expenses; (ii) tax-efficient monthly distributions; and (iii) in order to mitigate downside risk and generate income, exposure to a covered call option writing strategy.

Horizons HGY seeks to achieve its investment objectives by gaining exposure to a portfolio of securities and other instruments that provide exposure to the price of gold bullion (the "Gold Portfolio"). The Gold Portfolio is comprised primarily of exchange traded funds that are directly or indirectly, and only, exposed to gold bullion, but may include gold futures contracts from time to time. The Gold Portfolio is selected by the ETF's investment manager. The ETF seeks to be fully exposed to the price of gold bullion at all times, but does not replicate the performance of gold prices due to the covered call writing strategy and fees and expenses. The ETF's investment manager, depending on market conditions, writes at-the-money or out-of-the-money covered call options on approximately, and not more than, 33% of the securities and other instruments in the Gold Portfolio. The level of covered call option writing to which the Gold Portfolio is exposed may vary based on market volatility and other factors.

Prior to November 27, 2013, the ETF had entered into a forward purchase and sale agreement (the "Forward Agreement", see note 8) with a bank counterparty pursuant to which the ETF gained exposure to the Gold Portfolio, which was held, up until that date, by the Gold Yield Trust (the "Fund"). The Forward Agreement was terminated on November 27, 2013, the Fund was terminated concurrent with the termination of the Forward Agreement and the Gold Portfolio is now held directly by the ETF.

AlphaPro Management Inc. ("AlphaPro" or the "Manager") is the manager and trustee of the ETF. The Manager had appointed Horizons Investment Management Inc. ("Horizons Investment"), an affiliate of the Manager, to act as the investment manager to the ETF. Effective December 30, 2013, Horizons Investment was amalgamated with its parent (and the parent of the Manager), 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.

The Investment Manager is responsible for implementing the ETF's investment strategies. The Manager and Investment Manager are both members of the Mirae Asset Financial Group ("Mirae Asset").

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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 17 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 Canadian dollars, which is the ETF's functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(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.

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 foreign exchange. 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, 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.

(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. 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 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 9).

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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(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 by class in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations attributable to each class divided by the weighted average number of units of that class outstanding during the reporting year. Income, expenses other than management fees, and realized and unrealized capital gains (losses) are distributed amongst the different classes of units in proportion to the amount invested in them. For management fees please refer to note 11.

(f) Unitholder transactions

The value at which units are issued or redeemed is determined by dividing the net asset value of the class by the total number of units outstanding of that class 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.

(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 for each class of units of the ETF by taking the respective class' proportionate share of the ETF's net assets attributable to holders of redeemable units and dividing by the number of units of that class 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 forward 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(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.

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, either directly or indirectly through its previous exposure to the Gold Yield Trust via the Forward Agreement (see note 8), 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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 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, 2014, December 31, 2013 and January 1, 2013, the ETF did not have any material net exposure to foreign currencies due to the ETF's and, prior to its termination, the Fund's hedging strategies.

(ii) Interest rate risk

The ETF is 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, neither the ETF nor the Fund, prior to its termination, held any long-term debt instruments and did not have any exposure to interest rate risk.

(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 imposed internal risk management controls on the ETF and, prior to its termination, the Fund, which are intended to limit the loss on their 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, 2014	December 31, 2013	January 1, 2013
S&P/TSX Composite Index™	$66,605	$99,692	$198,645

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(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, including, prior to its termination, any positive mark-to-market of the ETF's Forward Agreement. This amount is included in "Derivative assets" (if any) in the statements of financial position. The credit risk related to the Forward Agreement was concentrated in the Counterparty to that Forward Agreement.

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102"), please see note 8.

(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 and 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	(1,864,963)	(945,024)
Designated at fair value	2,263,340	(14,485,571)
Total financial assets (liabilities) at FVTPL	398,377	(15,430,595)

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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. The following is a summary of the inputs used as at December 31, 2014, December 31, 2013 and January 1, 2013 in valuing the ETF's investments and derivatives carried at fair values:

December 31, 2014	Level 1 ($)	Level 2 ($)	Level 3 ($)
Financial Assets			
Exchange Traded Funds	24,545,545	–	–
Currency Forward Contracts	–	5,995	–
Total Financial Assets	**24,545,545**	**5,995**	**–**
Financial Liabilities			
Currency Forward Contracts	–	(169,594)	–
Options	(56,623)	–	–
Total Financial Liabilities	**(56,623)**	**(169,594)**	**–**
Total Financial Assets and Liabilities	**24,488,922**	**(163,599)**	**–**

December 31, 2013	Level 1 ($)	Level 2 ($)	Level 3 ($)
Financial Assets			
Exchange Traded Funds	31,410,379	–	–
Currency Forward Contracts	–	84,240	–
Total Financial Assets	**31,410,379**	**84,240**	**–**
Financial Liabilities			
Options	(50,114)	–	–
Total Financial Liabilities	**(50,114)**	**–**	**–**
Total Financial Assets and Liabilities	**31,360,265**	**84,240**	**–**

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

January 1, 2013	Level 1 ($)	Level 2 ($)	Level 3 ($)
Financial Assets			
Equities	58,311,498	–	–
Exchange Traded Funds	8,392,408	–	–
Equity Forward Contract	–	1,188,285	–
Total Financial Assets	**66,703,906**	**1,188,285**	**–**
Total Financial Liabilities	**–**	**–**	**–**
Total Financial Assets and Liabilities	**66,703,906**	**1,188,285**	**–**

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, 2014 and 2013.

8. FORWARD AGREEMENT

Prior to November 27, 2013, in order to meet its investment objectives, the ETF invested its proceeds in a specified portfolio of securities of Canadian public issuers (the "Common Securities Portfolio") and was sold in its entirety to a bank counterparty (the "Counterparty") pursuant to a forward purchase and sale agreement (the "Forward Agreement"). The ETF entered into the Forward Agreement with the Bank of Montreal acting as the Counterparty, whereby, the Counterparty, pursuant to the Forward Agreement, agreed to purchase the Common Securities Portfolio from the ETF for an amount based on the redemption proceeds that would be paid by the Gold Yield Trust to holders of an applicable number of units of the Gold Yield Trust.

As a consequence of recent changes to the *Income Tax Act* (Canada) (the "Tax Act"), the Manager determined that the ETF's Forward Agreement would no longer be able to provide material operational efficiency to unitholders of the ETF. Specifically, the expiry or termination of the Forward Agreement, and any increase to the number of units of the ETF outstanding, were each expected to affect the ability of the ETF to efficiently execute the investment strategy of the ETF.

The determination was made to terminate the Forward Agreement and the ETF acquired, in the market, the same, or substantially the same, securities and other instruments that made up the Gold Portfolio held by the Gold Yield Trust at the time of the termination of the Forward Agreement. The ETF now directly employs a covered call option writing strategy.

The Counterparty to the Forward Agreement, Bank of Montreal, was required to be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and have a designated rating.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), the Counterparty to any Forward Agreement entered into by the ETF must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), the Counterparty to any Forward Agreement must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

The table below shows the notional exposure of the ETF to the Forward Agreement as at January 1, 2013 as measured by the Common Securities Portfolio. In addition, designated ratings for the Counterparty at the reporting date are presented, as is the credit risk exposure of derivative assets as shown in the statement of financial position. As a result of the termination of the Forward Agreement in November 2013, there was no exposure to the Counterparty at December 31, 2014 and December 31, 2013.

As at	Counter-party[1]	Notional Exposure	Credit Risk	DBRS Rating	Fitch Rating	Moody's Rating	S&P Rating
Jan. 1, 2013	BMO	$61,731,795	$1,346,750	AA	AA-	Aa3	A+

(1) BMO refers to Bank of Montreal

9. 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"). The ETF has received exemptive relief from securities regulatory authorities, to allow the ETF to lend 100% of its investment portfolio to qualified borrowers. 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, 2014, December 31, 2013 and January 1, 2013 was as follows:

As at	Securities Loaned	Collateral Received
December 31, 2014	$7,743,369	$8,173,280
December 31, 2013	$13,799,495	$14,589,338
January 1, 2013	–	–

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.

10. REDEEMABLE UNITS

The ETF is authorized to issue an unlimited number of redeemable, transferable Class E units and Advisor Class 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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 and because the ETF has multiple classes of units with different features, as described in note 11. 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 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; (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; or (iii) redeem units of the ETF for cash at a redemption price equal to the net asset value of the ETF if the redemption is made pursuant to a systematic withdrawal plan by a distribution reinvestment plan participant.

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 year. 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, exchange and redemption features of the ETF's units.

For the years ended December 31, 2014 and 2013, 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:

Class of Units	Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
Class E	2014	4,864,188	2,363	(850,000)	4,016,551	4,409,501
	2013	7,331,008	83,180	(2,550,000)	4,864,188	6,795,389
Advisor Class	2014	183,038	186	–	183,224	183,130
	2013	207,843	195	(25,000)	183,038	205,190

11. EXPENSES

Management fees

The Manager appoints the Investment Manager and 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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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 each 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 0.60%, plus applicable sales taxes, of the net asset value of the ETF's Class E units and 1.35%, plus applicable sales taxes, of the net asset value of the ETF's Advisor Class units, calculated and accrued daily and payable monthly in arrears.

The Manager, and not the ETF, pays to registered dealers a service fee equal to 0.75% per year of the net asset value of Advisor Class units held by clients of the registered dealer. No service fees are paid to registered dealers in respect of Class E units.

The Investment Manager 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.

Prior to the termination of the Forward Agreement and the Gold Yield Trust, the annual management fee rates for the ETF's Class E units and Advisor Class units were 0.30% and 1.05% respectively. In addition, the Manager received a monthly fee at the rate of 0.30%, plus applicable sales taxes, of the NAV of the Gold Yield Trust, calculated and accrued daily and paid monthly in arrears for services similar to those provided to the ETF.

The net effect, both prior to and subsequent to the termination of the Forward Agreement, is that the aggregate annual management fee, to which the Class E units and Advisor Class units were exposed, was 0.60% and 1.35%, plus applicable sales taxes, respectively.

Other expenses

Unless otherwise waived or absorbed 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; CDS Clearing and Depository Services Inc. fees; bank related fees and interest charges; extraordinary expenses; unitholder reports and servicing costs; registrar and transfer agent fees; costs of the Independent Review Committee; income taxes; sales taxes; brokerage expenses and commissions; and withholding taxes.

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, 2014 and 2013

12. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

An affiliate of National Bank of Canada ("NBC") and National Bank Financial Inc. ("NBF") holds an indirect minority interest in the Manager. NBF acts or may act as a designated broker, an underwriter and/or a registered trader (market maker). NBC, NBF and its affiliates may, at present or in the future, engage in business with the ETF, the issuers of securities making up the investment portfolio of the ETF, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, executing brokerage transactions, entering into derivative transactions or providing advisory or agency services.

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. The Investment Manager does not engage in soft dollar arrangements.

Total brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager for the years ended December 31, 2014 and 2013 were as follows:

Year Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
December 31, 2014	$30,380	$nil	$30,346
December 31, 2013	$6,015	$nil	$6,015

In addition to the information contained in the table above, the management fees paid to the Manager described in note 11 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 and are disclosed in the statements of comprehensive income.

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 are disclosed in the schedule of investments.

13. 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.

14. 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:

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
$4,767,296	$27,700	2030
	$1,187,069	2031
	$507,268	2032
	$1,125,374	2033
	$975,241	2034

15. 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, 2014, December 31, 2013 and January 1, 2013. 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 Instruments" may include non-cash collateral pledged by the ETF.

	Amounts Offset ($)			Amounts Not Offset ($)		Net
Financial Assets and Liabilities as at December 31, 2014	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	5,995	–	5,995	(5,995)	–	–
Derivative liabilities	(169,594)	–	(169,594)	5,995	–	(163,599)

	Amounts Offset ($)			Amounts Not Offset ($)		Net
Financial Assets and Liabilities as at December 31, 2013	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	84,240	–	84,240	–	–	84,240
Derivative liabilities	–	–	–	–	–	–

	Amounts Offset ($)			Amounts Not Offset ($)		Net
Financial Assets and Liabilities as at January 1, 2013	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	1,188,285	–	1,188,285	–	–	1,188,285
Derivative liabilities	–	–	–	–	–	–

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

16. 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, 2014, December 31, 2013 and January 1, 2013, the ETF had investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at December 31, 2014	Place of Business	Type	Ownership %	Carrying amount
SPDR Gold Trust	U.S.	SE	0.08%	$24,545,546

Investee ETF as at December 31, 2013	Place of Business	Type	Ownership %	Carrying amount
SPDR Gold Trust	U.S.	SE	0.10%	$31,410,379

Investee ETF as at January 1, 2013	Place of Business	Type	Ownership %	Carrying amount
Horizons S&P 500® Index ETF	Canada	SE	8.81%	$1,940,802
Horizons S&P/TSX 60™ Index ETF	Canada	SE	1.35%	$6,451,606

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

17. 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	$31,326,293	$67,451,224
Revaluation of investments at FVTPL (b)	$3,670	$2,726
Net assets attributable to holders of redeemable units (a)	$31,329,963	$67,453,950

Statement of Comprehensive Income	December 31, 2013
Comprehensive income reported under Canadian GAAP	$(16,013,937)
Revaluation of investments at FVTPL (b)	$944
Increase (decrease) in net assets attributable to holders of redeemable units	$(16,012,993)

(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
AlphaPro Management 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

HORIZONS
EXCHANGE TRADED FUNDS
ALPHA BENCHMARK BETAPRO

MIRAE ASSET
Building on principles