

HAP Managed Futures Fund



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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 HAP Managed Futures Fund (the “Fund”) contains financial highlights and is included with the audited annual financial statements for the investment fund. You may request a copy of the Fund’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the Fund’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 Fund may invest and the risks detailed from time to time in the Fund’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 Fund, investors and others should carefully consider these factors, as well as other uncertainties and potential events, and the inherent uncertainty of forward-looking statements. Due to the potential impact of these factors, the Manager does not undertake, and specifically disclaims, any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless required by applicable law.

Management Discussion of Fund Performance

Investment Objective and Strategies

The Fund’s investment objective is to provide unitholders with exposure to the return and performance of the Auspice Managed Futures Excess Return Index (the “Managed Futures Index”), hedged to the Canadian dollar, net of expenses.

The Fund seeks to achieve its investment objective by gaining exposure to a portfolio of securities and other instruments that provide exposure to five sectors of the commodity and financial futures markets (energies, metals, agricultural commodities, interest rates, and currencies) hedged to the Canadian dollar (the “Managed Futures Portfolio”). The Managed Futures Portfolio is held by the Fund and is managed by the Fund’s investment manager and sub-advised by Auspice Capital Advisors Ltd. (“Auspice” or the “Sub-Advisor”).

The Managed Futures Portfolio is comprised primarily of futures contracts, financial swaps, total return swaps, physical commodities and T-bills or short term interest rate derivatives and derivatives linked to either commodities or commodity futures (“Commodity ETFs”) from time to time. The Managed Futures Fund seeks to gain exposure to a currency hedged portfolio of the constituent securities and other instruments of the Managed Futures Index in substantially the same proportion as the Managed Futures Index in order to and provide investors with exposure to the return and performance of the Managed Futures Index hedged to the Canadian dollar, net of expenses. Commodity ETFs may include exchange traded funds or exchange traded notes traded on a North American exchange that are managed by the Manager or an affiliate of the Manager.

Management Discussion of Fund Performance (continued)

The Managed Futures Index

The Managed Futures Index is an index that is designed to capture the economic benefit derived from both rising and declining trends within the commodity and financial futures markets over time. The Managed Futures Index uses a rules based quantitative methodology to track the prices of a diversified portfolio of traditional commodity and financial futures contracts or “components” which will cover the energies, metals, and agricultural commodities sectors as well as interest rate and currency sectors. The Managed Futures Index components can vary in position size and can either be long or short at any time. The determination of position size and whether to be long or short is based on the methodology and changes can occur on any day. The Managed Futures Index uses a quantitative trend following strategy to determine component entries and exits. The Managed Futures Index is positioned either long or short in each component at all times depending on the direction of the prevailing trend. The Managed Futures Index allocates risk and sizes positions based on each component’s historical volatility. Position sizes are normalized based on the volatility of the component’s price. The size of the position that the Managed Futures Index takes in any component is dependent only upon the individual component’s volatility and the total value of the Managed Futures Index (i.e. it is independent of any other component’s volatility or position).

Please refer to the Fund’s prospectus and most recent annual information form for a complete explanation of the Fund’s investment restrictions.

Risk

Investments in the units of the Fund 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 Fund may be subject. **Prospective investors should read the Fund’s prospectus and consider the full description of the risks contained therein before subscribing for units.**

The risks to which an investment in the Fund is subject are listed below and have not changed from the list of risks found in the Fund’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.

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|--|---|
| <ul style="list-style-type: none"> • Commodity price volatility • Contango or backwardation risk • Use of derivatives • Concentration risk • Risks relating to Managed Futures Index replication strategy • Risks relating to use of leverage • General risks of investing in the Fund • Changes to the Managed Futures Index • No assurance of meeting investment objectives • Risks of investing in exchange-traded funds • No guaranteed return • Fluctuations in net asset value (“NAV”) • Corresponding net asset value risk • Liquidity risk • No replication of the performance of the price of commodities • Reliance on key personnel • Risks of investing in commodity-based ETFs | <ul style="list-style-type: none"> • Currency exposure • Hedging strategy • Valuation • Counterparty risk • General economic, political and market conditions • Securities lending • Suspension of redemptions • Significant redemptions • Distributions • Taxation of the Fund • Loss of limited liability • Change in legislation • Suitability of investment in units • No ownership interest • Operating history and market for units • Conflicts of interest • Status of the Fund for securities law purposes • Not a trust company • Nature of the units |
|--|---|

Management Discussion of Fund Performance (continued)**Results of Operations**

For the year ended December 31, 2014, the Fund returned 18.08%. This compares to the Fund's benchmark, the Managed Futures Index, which returned 16.55% for the same period.

Strategy and Index

The Managed Futures Index aims to capture upward and downward trends in the commodity and financial markets while carefully managing risk. The Managed Futures Index uses a quantitative trend following methodology to track either long or short positions in a diversified portfolio of 21 exchange traded futures which cover the energy, metal, agricultural, interest rate, and currency sectors. The Managed Futures Index incorporates dynamic risk management and contract rolling methods.

Managed Futures Index Performance Review

While the beginning of 2014 proved challenging, the Managed Futures Index was off 7.06% for the first half of the year, performance started turning around in June and didn't let up for seven months straight. From its low of the year on June 2 to December 31, the Managed Futures Index gained over 28% as volatility expanded and trends and momentum developed across many non-traditional asset classes.

While the first half of the year exhibited generally low volatility, the second half was markedly different. Volatility that started in equity markets in early summer soon shifted to currencies, interest rates and commodities. While equities managed to hold on to much of the first half gains, the opportunity for the strategy was beyond equities, a sector that is not covered by the strategy. Most commodities moved significantly lower to end the year and this was complimented by many currencies showing weakness relative to the U.S. Dollar ("USD").

The year began with the Managed Futures Index positioned relatively balanced in its long versus short commodity positions. As the year progressed, momentum eroded in commodities and by September this weighting had shifted to 100% short. The same can be said for the financial markets. The year started with a balance of long and shorts across both currencies and interest rates but evolved to all short currencies versus the USD and long the interest rates sector.

The Managed Futures Index made gains in both the financial and commodity sectors with energies leading the gains, complimented by currencies. For the full year, 4 of the 5 sectors in the Managed Futures Index were positive: energy, agricultural, interest rate and currency futures all contributed positive performance. Metal futures were the only exception.

The biggest gains came from short positions in the energies, specifically: crude oil, heating oil, gasoline, and natural gas. Currencies also had a strong year with gains coming primarily from short positions vis-a-vis the USD including the British Pound, Euro, Japanese Yen, as well as long the US Dollar Index. Additional commodity gains came from the agriculture sector where short positions also provided the bulk of returns from cotton, sugar, and soybeans. Long interest rates exposure rounded out the financial gains. While metals were off on the year, second half of the year shorts in silver also added value at a key time.

This year highlights a critical period when this absolute return strategy adds non-correlated value without a significant and sustained pull back in equities. The Managed Futures Index strategy has outperformed precisely during a time when non-correlated performance was valuable to reduce equity concentration risk when volatility expanded.

Management Discussion of Fund Performance (continued)

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

For the year ended December 31, 2014, the Fund generated gross comprehensive income (loss) from investments and derivatives of \$1,190,862. This compares to \$174,824 for the year ended December 31, 2013. The Fund paid management, operating and transaction expenses of \$47,565 (2013 – \$117,259) of which \$19,009 (2013 – \$37,699) was either paid or absorbed by the Manager on behalf of the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The Fund distributed \$764,640 to unitholders during the year (2013 – \$nil).

Recent Developments

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

Adoption of International Financial Reporting Standards

The attached financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). These are the Fund’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 Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Fund 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 Fund’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.

Amalgamation of the Investment Manager

Effective December 30, 2013, Horizons Investment Management Inc. (“Horizons Investment”), the investment manager of the Fund, 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 Fund (the “Investment Manager”). The Amalgamation did not result in any changes to the day-to-day operations of the Fund, and did not affect the ongoing engagement of the Fund’s Sub-Advisor. The operations, personnel and responsibilities of the Investment Manager remain unchanged.

Related Party Transactions

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

Management Discussion of Fund Performance *(continued)*

Manager, Trustee and Investment Manager

The manager and trustee of the Fund 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. and both entities are members of the Mirae Asset Financial Group.

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 Fund and is responsible for implementing the Fund's investment strategies. The offices of the Manager and Investment Manager are the same.

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) for ETFs managed by AlphaPro. These relationships may create actual or perceived conflicts of interest which investors should consider.

NBF's potential roles as a designated broker and a dealer are not as an underwriter of the Fund in connection with the primary distribution of units under the Fund's prospectus. NBF was not involved in the preparation of, nor did it perform any review of, the contents of the Fund's prospectus. NBF and its affiliates may, at present or in the future, engage in business with the Fund and the issuers of securities making up the investment portfolio of the Fund, 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 years ended December 31, 2014 and 2013, the Fund did not make any payments to NBF and/or its affiliates in broker commissions on portfolio transactions.

Financial Highlights

The following tables show selected key financial information about the Fund and are intended to help you understand the Fund's financial performance since it effectively began operations on February 14, 2012. This information is derived from the Fund's audited annual financial statements. Please see the front page for information on how you may obtain the annual or interim financial statements.

The Fund's Net Assets per Unit

Class A				
Year		2014	2013	2012
Net assets, beginning of year ⁽¹⁾	\$	9.50	9.36	10.00
Increase (decrease) from operations:				
Total revenue		0.07	0.05	0.02
Total expenses		(0.04)	(0.11)	(0.86)
Realized gains for the year		0.64	0.01	–
Unrealized gains for the year		0.77	0.19	0.05
Total increase (decrease) from operations ⁽³⁾		1.44	0.14	(0.79)
Distributions:				
From income (excluding dividends)		(0.98)	–	–
Total annual distributions ⁽⁴⁾		(0.98)	–	–
Net assets, end of year ⁽²⁾⁽⁵⁾	\$	11.22	9.50	9.36

1. This information is derived from the Fund's audited annual financial statements as at December 31 of the years shown. Units of the Fund list their initial net asset value of \$10.00 as at February 14, 2012. 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 Fund 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 Fund for the purchase and redemption of the units of the Fund. 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. Distributions, if any, were paid in cash, reinvested in additional units of the Fund, or both.
5. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Financial Highlights (continued)

The Fund's Ratios and Supplemental Data

Class A				
Year ⁽¹⁾		2014	2013	2012
Net asset value ⁽²⁾ (000's)	\$	8,770	6,602	7,430
Number of units outstanding (000's)		782	695	794
Management expense ratio ⁽³⁾		0.25%	0.96%	0.67%
Management expense ratio before waivers or absorptions ⁽⁴⁾		0.50%	1.52%	1.15%
Trading expense ratio ⁽⁵⁾		0.13%	0.22%	0.08%
Portfolio turnover rate ⁽⁶⁾		0.00%	0.00%	0.00%
Net asset value per unit, end of year ⁽²⁾	\$	11.22	9.50	9.36

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 Fund 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 Fund for the purchase and redemption of the units of the Fund. 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 Fund as portfolio manager compensation, service fees and marketing.
4. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at their 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 Fund's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the Fund 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 Fund 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 Fund.

Financial Highlights (continued)**Management Fees**

The Manager appoints the Investment Manager and provides, or oversees the provision of, administrative services required by the Fund 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 Fund; arranging for the maintenance of accounting records for the Fund; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with all other regulatory requirements, including the continuous disclosure obligations of the Fund under applicable securities laws; administering purchases, redemptions and other transactions in units of the Fund; and dealing and communicating with unitholders of the Fund. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the Fund. The Manager also monitors the investment strategies of the Fund to ensure that the Fund complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager, up until February 28, 2014, received a monthly management fee at the annual rate of 0.50%, plus applicable sales taxes, of the net asset value of the Fund, calculated and accrued daily and payable monthly in arrears. The Investment Manager and Sub-Advisor were compensated for their services out of the management fees without any further cost to the Fund. Effective March 1, 2014, the Manager no longer receives management fees from the Fund.

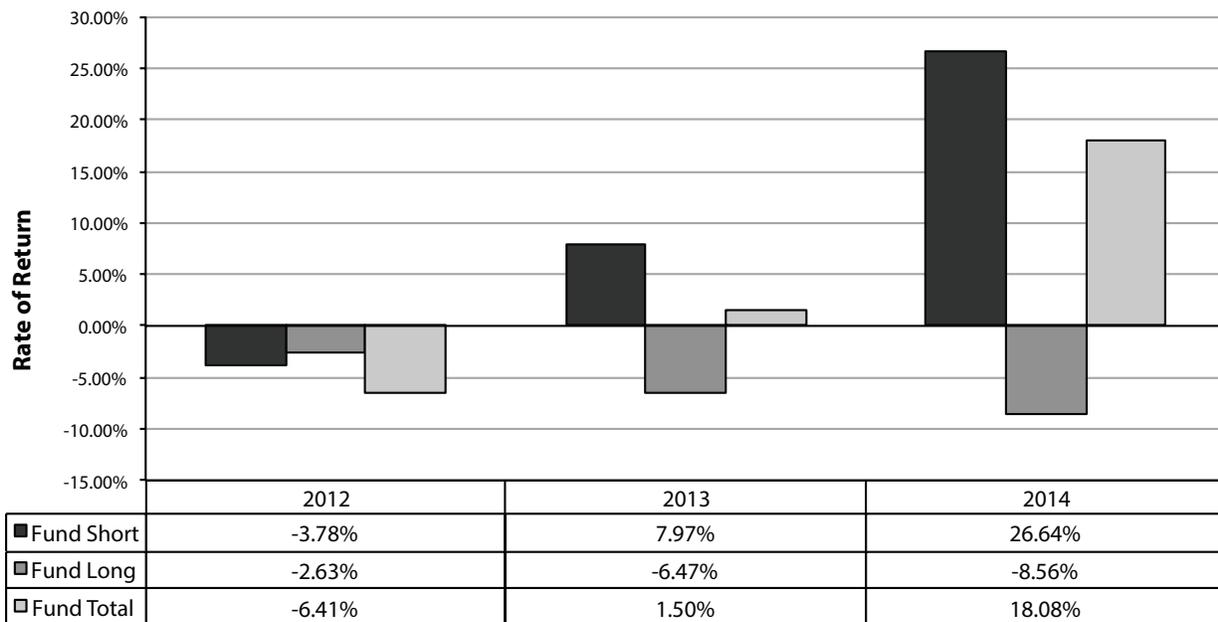
The Manager paid substantially more than 100% of the management fees it received from the Fund during the year towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the Fund.

Past Performance

Sales commissions, management fees and expenses all may be associated with an investment in the Fund. 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 Fund is not guaranteed. Its value changes frequently and past performance may not be repeated. The Fund's performance numbers assume that all distributions are reinvested in additional units of the Fund. If you hold this Fund 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 Fund, 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 Fund's 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.



Units of the Fund list their initial net asset value of \$10.00 as at February 14, 2012.

Past Performance (continued)

Annual Compound Returns

The following table shows the Fund's annualized compound total return since inception and for the periods shown ended December 31, 2014 compared with the Fund'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 Fund or future returns on investments in the Fund.

Period		HAP Managed Futures Fund Return %	Auspice Managed Futures Excess Return Index Return %
1 Year	Short	26.64%	
	Long	-8.56%	
	Total	18.08%	16.55%
Since Inception	Short	10.50%	
	Long	-6.23%	
	Total	4.27%	3.65%

Units of the Fund list their initial net asset value of \$10.00 as at February 14, 2012.

Summary of Investment Portfolio

As at December 31, 2014

Asset & Sector Mix	Net Asset Value	% of Fund's Net Asset Value
Long Positions		
Futures Contracts–Treasury Bond Speculative*	\$ 13,114	0.15%
Futures Contracts–Currency Index Speculative*	7,830	0.09%
Futures Contracts–Commodity Speculative*	(47,216)	-0.54%
Currency Forward Hedge*	(6,377)	-0.07%
Cash and Cash Equivalents	6,157,616	70.21%
Margin Deposits	1,841,538	21.00%
Other Assets less Liabilities	2,776	0.03%
Short Positions		
Futures Contracts–Commodity Speculative*	785,369	8.95%
Futures Contracts–Currency Speculative*	15,799	0.18%
	\$ 8,770,449	100.00%

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

Summary of Investment Portfolio (continued)

As at December 31, 2014

Top Holdings**	% of Fund's Net Asset Value
Long Positions	
U.S. 5-Year Treasury Bond Futures	11.01%
Corn Commodity Futures	10.58%
Wheat Commodity Futures	9.36%
U.S. 10-Year Treasury Bond Futures	6.71%
U.S. Dollar Index Futures	5.99%
U.S. Treasury Bond Futures	3.82%
Short Positions	
Natural Gas Commodity Futures	-3.06%
Silver Commodity Futures	-3.09%
Australian Dollar Currency Futures	-3.22%
Euro Currency Futures	-4.00%
Japanese Yen Currency Futures	-4.14%
British Pound Currency Futures	-5.15%
Canadian Dollar Currency Futures	-5.69%
Sugar Commodity Futures	-6.02%
Crude Oil Commodity Futures	-6.29%
Gasoline Commodity Futures	-6.70%
NY Harbor ULSD Commodity Futures	-7.06%
Soybean Commodity Futures	-7.50%
Cotton Commodity Futures	-7.57%
Copper Commodity Futures	-12.15%
Gold Commodity Futures	-12.53%

** All futures positions are speculative in nature. Positions in futures contracts are disclosed in terms of their notional exposure. Aggregate notional exposure of futures contracts equals 141.64% of NAV.

The summary of investment portfolio may change due to the ongoing portfolio transactions of the Fund. 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 HAP Managed Futures Fund (the “Fund”) are the responsibility of the manager and trustee to the Fund, 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 is 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
Director, AlphaPro Management Inc.



Howard Atkinson
Director, AlphaPro Management Inc.

INDEPENDENT AUDITORS' REPORT

To the Unitholders of HAP Managed Futures Fund (the "Fund")

We have audited the accompanying financial statements of the Fund, 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 Fund'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 Fund'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 Fund 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.



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	\$ 6,157,616	\$ 5,887,173	\$ 6,842,380
Margin deposits (note 12)	1,841,538	566,023	555,328
Amounts receivable relating to accrued income	3,607	1,612	–
Derivative assets (note 3)	824,293	288,699	228,351
Total assets	8,827,054	6,743,507	7,626,059
Liabilities			
Accrued expenses	831	9,986	4,291
Derivative liabilities (note 3)	55,774	131,138	191,437
Total liabilities	56,605	141,124	195,728
Total net assets (note 2)	\$ 8,770,449	\$ 6,602,383	\$ 7,430,331
Number of redeemable units outstanding, Class A (note 9)	781,909	695,060	793,959
Total net assets per unit, Class A (note 2)	\$ 11.22	\$ 9.50	\$ 9.36

(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		
Interest income for distribution purposes	\$ 54,773	\$ 37,290
Securities lending income	1,268	766
Net realized gain on sale of investments and derivatives	528,357	12,781
Net realized loss on foreign exchange	(14,286)	(3,377)
Net change in unrealized appreciation of investments and derivatives	618,545	119,358
Net change in unrealized appreciation of foreign exchange	2,205	8,006
	1,190,862	174,824
Expenses		
Management fees (note 10)	8,656	54,640
Audit fees	8,412	10,920
Independent Review Committee fees	129	59
Custodial fees	–	920
Securityholder reporting costs	6,466	4,253
Administration fees	10,954	29,162
Listing fees	223	–
Transaction costs	10,138	15,043
Other expenses	2,587	2,262
	47,565	117,259
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(19,009)	(37,699)
	28,556	79,560
Increase in net assets for the year (note 2)	\$ 1,162,306	\$ 95,264
Increase in net assets per unit, Class A (note 2)	\$ 1.44	\$ 0.14

(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)	\$ 6,602,383	\$ 7,430,331
Increase in net assets (note 2)	1,162,306	95,264
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	2,508,484	207
Aggregate amounts paid on redemption of securities of the investment fund	(1,502,724)	(923,419)
Securities issued on reinvestment of distributions	764,640	–
Distributions:		
From net investment income	(764,640)	–
Total net assets at the end of the year (note 2)	\$ 8,770,449	\$ 6,602,383

(See accompanying notes to financial statements)

Statements of Cash Flows

For the Years Ended December 31,

	2014	2013
Cash flows from operating activities:		
Increase in net assets for the year (note 2)	\$ 1,162,306	\$ 95,264
Adjustments for:		
Net realized gain on sale of investments and derivatives	(528,357)	(12,781)
Net change in unrealized appreciation of investments and derivatives	(618,545)	(119,358)
Net change in unrealized appreciation of foreign exchange	(2,205)	(8,006)
Proceeds from the sale of investments	528,357	12,781
Margin deposits	(1,275,515)	(10,695)
Amounts receivable relating to accrued income	(1,995)	(1,612)
Accrued expenses	(9,155)	5,695
Net cash used in operating activities	(745,109)	(38,712)
Cash flows from financing activities:		
Amount received from the issuance of units	2,508,484	207
Amount paid on redemptions of units	(1,502,724)	(923,419)
Net cash from (used in) financing activities	1,005,760	(923,212)
Net increase (decrease) in cash and cash equivalents during the year	260,651	(961,924)
Effect of exchange rate fluctuations on cash and cash equivalents	9,792	6,717
Cash and cash equivalents at beginning of year	5,887,173	6,842,380
Cash and cash equivalents at end of year	\$ 6,157,616	\$ 5,887,173

Interest received	\$ 52,778	\$ 35,678
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(See accompanying notes to financial statements)

Schedule of Investments

As at December 31, 2014

Security	Contracts	Average Cost	Fair Value
DERIVATIVES (8.76%)			
Commodity Futures (8.41%)			
Long Positions (-0.54%)			
Corn Futures December 2015 at US\$421.00. Notional Value US\$799,900	38	\$ -	\$ (26,639)
Wheat Futures March 2015 at US\$589.75. Notional Value US\$707,700	24	-	(20,577)
		-	(47,216)
Short Positions (8.95%)			
Copper Futures March 2015 at US\$282.55. Notional Value (US\$918,288)	(13)	-	65,647
Cotton Futures March 2015 at US\$60.27. Notional Value (US\$572,565)	(19)	-	771
Crude Oil Futures December 2015 at US\$59.45. Notional Value (US\$475,600)	(8)	-	139,084
Gasoline Futures April 2015 at US\$172.41. Notional Value (US\$506,885)	(7)	-	156,155
Gold 100oz. Futures February 2015 at US\$1,184.10. Notional Value (US\$947,280)	(8)	-	5,207
Natural Gas Futures February 2015 at US\$2.89. Notional Value (US\$231,120)	(8)	-	85,933
NY Harbor ULSD Futures June 2015 at US\$181.44. Notional Value (US\$533,434)	(7)	-	182,749
Silver Futures March 2015 at US\$15.60. Notional Value (US\$233,985)	(3)	-	10,341
Soybean Futures May 2015 at US\$1,030.50. Notional Value (US\$566,775)	(11)	-	28,551
Sugar Futures March 2015 at US\$14.52. Notional Value (US\$455,347)	(28)	-	110,931
		-	785,369
Currency Futures (0.18%)			
Short Positions (0.18%)			
Australian Dollar Currency Futures March 2015 at US\$81.22. Notional Value (US\$243,660)	(3)	-	4,038
British Pound Currency Futures March 2015 at US\$155.70. Notional Value (US\$389,250)	(4)	-	2,349
Canadian Dollar Currency Futures March 2015 at US\$85.97. Notional Value (US\$429,850)	(5)	-	4,512
Euro Currency Futures March 2015 at US\$1.21. Notional Value (US\$302,675)	(2)	-	6,597

Schedule of Investments (continued)

As at December 31, 2014

Security	Contracts	Average Cost	Fair Value
Japanese Yen Currency Futures March 2015 at US\$83.49. Notional Value (US\$313,088)	(3)	–	(1,697)
		–	15,799
Treasury Bond Futures (0.15%)			
Long Positions (0.15%)			
U.S. 10-Year Treasury Bond Futures March 2015 at US\$126.80. Notional Value US\$507,188	4	–	3,662
U.S. 5-Year Treasury Bond Futures March 2015 at US\$118.93. Notional Value US\$832,508	7	–	190
U.S. Treasury Bond Futures March 2015 at US\$144.56. Notional Value US\$289,125	2	–	9,262
		–	13,114
Currency Index Futures (0.09%)			
Long Positions (0.09%)			
U.S. Dollar Index Futures March 2015 at US\$90.65. Notional Value US\$453,235	5	–	7,830
Currency Forwards (-0.07%)			
Currency forward contract to buy C\$1,420,517 for US\$1,230,000 maturing January 8, 2015		–	(6,377)
TOTAL DERIVATIVES		–	768,519
TOTAL LONG POSITION		–	(32,649)
TOTAL SHORT POSITION		–	801,168
TOTAL INVESTMENT PORTFOLIO (8.76%)		\$ –	\$ 768,519
Cash and cash equivalents (70.21%)			6,157,616
Margin deposits (21.00%)			1,841,538
Other assets less liabilities (0.03%)			2,776
TOTAL NET ASSETS (100.00%) (note 2)			\$ 8,770,449

(See accompanying notes to financial statements)

Notes to Financial Statements

For the Years Ended December 31, 2014 and 2013

1. REPORTING ENTITY

HAP Managed Futures Fund (the “Fund”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on February 14, 2012. The address of the Fund’s registered office is: c/o AlphaPro Management Inc., 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2.

The Fund’s investment objective is to provide unitholders with exposure to the return and performance of the Auspice Managed Futures Excess Return Index (the “Managed Futures Index”), hedged to the Canadian dollar, net of expenses.

AlphaPro Management Inc. (“AlphaPro” or the “Manager”) is the manager and trustee of the Fund. The Manager had appointed Horizons Investment Management Inc. (“Horizons Investment”), an affiliate of the Manager, to act as the investment manager to the Fund. 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 Fund (the “Investment Manager”). The Amalgamation did not result in any changes to the day-to-day operations of the Fund. The operations, personnel and responsibilities of the Investment Manager remain unchanged.

The Investment Manager is responsible for implementing the Fund’s investment strategies and for engaging the services of Auspice Capital Advisors Ltd. (“Auspice” or the “Sub-Advisor”), to act as the sub-advisor to the Fund. The Manager and Investment Manager are both members of the Mirae Asset Financial Group (“Mirae Asset”).

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 Fund’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 Fund prepared its financial statements in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”). The Fund 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 Fund’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 through profit or loss, which are measured at fair value.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(iii) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the Fund'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 Fund 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 Fund 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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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 Fund accounted for on an accrual basis. The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities. The Fund does not use the effective interest method. Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or Funds, if any, is recognized when earned.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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

Income from securities lending, if any, is included in "Securities lending income" on the statements of comprehensive income and is recognized when earned. Any securities on loan continue to be displayed in the schedule of investments and the market value of the securities loaned and collateral held is determined daily (see note 8).

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

(c) Foreign currency

Transactions in foreign currencies, if any, are translated into the Fund'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 attributable to holders of redeemable units per unit in the statement of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations divided by the weighted average number of securities of the Fund outstanding during the reporting period. For management fees please refer to note 10.

(f) Unitholder transactions

The value at which units are issued or redeemed is determined by dividing the net asset value of the Fund by the total number of units outstanding of the Fund on the Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units are included in the statement of changes in financial position.

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

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

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

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

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

(i) Transaction costs

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

(j) Future accounting changes

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

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

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

The new standard requires assets to be classified based on the Fund'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 Fund'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 Fund'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 Fund 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 Fund has made in preparing the financial statements. See note 7 for more information on the fair value measurement of the Fund's financial instruments.

5. FINANCIAL INSTRUMENTS RISK

In the normal course of business, the Fund's investment activities expose it to a variety of financial risks. The Manager seeks to minimize potential adverse effects of these risks for the Fund's performance by employing professional, experienced portfolio advisors, by daily monitoring of the Fund's positions and market events, and periodically may use deriva-

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

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

Please refer to the most recent prospectus for a complete discussion of the risks attributed to an investment in the units of the Fund. Significant financial instrument risks that are relevant to the Fund 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 Fund'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 Fund's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the Fund's income, cash flows or fair values of its investment holdings.

The Fund invests in securities denominated in currencies other than its reporting currency, the Canadian dollar. Consequently, the Fund is exposed to risks that the exchange rate of the Canadian dollar relative to the other currencies may change in a manner which has an adverse effect on the reported value of that portion of the Fund's assets.

As at December 31, 2014, December 31, 2013 and January 1, 2013, the Fund did not have any material exposure to foreign currencies due to the hedging strategies of the Fund.

(ii) Interest rate risk

The Fund 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, the Fund did not hold 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 Fund which are intended to limit the loss on its trading activities.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

The table below shows the estimated impact on the Fund 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
Auspice Managed Futures Excess Return Index	\$83,722	\$61,337	\$73,949

(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 Fund. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables.

As at December 31, 2014, December 31, 2013 and January 1, 2013, due to the nature of its portfolio investments, the Fund did not have any material credit risk exposure.

(c) Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund'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 Fund's reputation. Liquidity risk is managed by investing the majority of the Fund's assets in investments that are traded in an active market and can be readily disposed. The Fund is considered to be relatively liquid. However, unexpectedly heavy demand for redemptions of the Fund's units could result in the Fund having to dispose of investments at a time when it is not optimal to do so in order to meet such redemption requests.

6. NET CHANGES FROM FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

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

Category	Net Changes at FVTPL (\$)	
	December 31, 2014	December 31, 2013
Financial assets (liabilities) at FVTPL:		
Held for trading	1,088,108	127,253
Designated at fair value	101,486	46,805
Total financial assets (liabilities) at FVTPL	1,189,594	174,058

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 Fund'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 Fund's investments and derivatives carried at fair values:

December 31, 2014	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets			
Futures	823,808	–	–
Currency Forward Contracts	–	485	–
Total Financial Assets	823,808	485	–
Financial Liabilities			
Futures	(48,912)	–	–
Currency Forward Contracts	–	(6,862)	–
Total Financial Liabilities	(48,912)	(6,862)	–
Total Financial Assets and Liabilities	774,896	(6,377)	–

December 31, 2013	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets			
Futures	287,489	–	–
Currency Forward Contracts	–	1,210	–
Total Financial Assets	287,489	1,210	–
Financial Liabilities			
Futures	(131,138)	–	–
Total Financial Liabilities	(131,138)	–	–
Total Financial Assets and Liabilities	156,351	1,210	–

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			
Futures	228,261	–	–
Currency Forward Contracts	–	90	–
Total Financial Assets	228,261	90	–
Financial Liabilities			
Futures	(191,268)	–	–
Currency Forward Contracts	–	(169)	–
Total Financial Liabilities	(191,268)	(169)	–
Total Financial Assets and Liabilities	36,993	(79)	–

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. SECURITIES LENDING

In order to generate additional returns, the Fund 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 Fund has received exemptive relief from securities regulatory authorities, to allow the Fund to lend 100% of its investment portfolio to qualified borrowers. Under a securities lending agreement, the borrower must pay the Fund a negotiated securities lending fee, provide compensation to the Fund equal to any distributions received by the borrower on the securities borrowed, and the Fund must receive an acceptable form of collateral in excess of the value of the securities loaned. Although such collateral is marked to market, the Fund 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 Fund’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	\$2,504,670	\$2,630,686
December 31, 2013	\$2,618,076	\$2,822,018
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.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

9. REDEEMABLE UNITS

The Fund is authorized to issue an unlimited number of transferable, redeemable units, each of which represents an equal, undivided interest in the net assets of the Fund. Each unit entitles a holder thereof to the same rights and obligations as a holder of any other unit and no unitholder is entitled to any privilege, priority or preference in relation to any other unitholder. Each unitholder is entitled to one vote for each unit held and is entitled to participate equally with respect to any and all distributions made by the Fund. On termination of the Fund, all the unitholders of record holding outstanding units will be entitled to receive any assets of the Fund remaining after payment of all debts, liabilities and liquidation expenses of the Fund.

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

The Fund is required to distribute any net income and capital gains that it has earned in the year. Income earned by the Fund 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 Fund. Distributions paid to holders of redeemable units are recognized in the statement of changes in financial position.

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:

Year	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2014	695,060	259,150	(172,301)	781,909	806,768
2013	793,959	–	(98,899)	695,060	699,667

10. EXPENSES
Management fees

The Manager appoints the Investment Manager and provides, or oversees the provision of, administrative services required by the Fund 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 Fund; arranging for the maintenance of accounting records for the Fund; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the Fund; preparing financial statements, income tax returns and financial and accounting information as required by the Fund; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the Fund complies with all other regulatory requirements, including the continuous disclosure obligations of the Fund under applicable securities laws; administering purchases, redemptions and other transactions in units of the Fund; and dealing and communicating with unitholders of the Fund. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the Fund. The Manager also monitors the investment strategies of the Fund to ensure that the Fund complies with its investment objectives, investment strategies and investment restrictions and practices.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

In consideration for the provision of these services, the Manager, up until February 28, 2014, received a monthly management fee at the annual rate of 0.50%, plus applicable sales taxes, of the net asset value of the Fund, calculated and accrued daily and payable monthly in arrears. The Investment Manager and Sub-Advisor were compensated for their services out of the management fees without any further cost to the Fund. Effective March 1, 2014, the Manager no longer receives management fees from the Fund.

Other expenses

Unless otherwise waived or absorbed by the Manager, the Fund 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; 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 Fund. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

11. 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. NBC, NBF and its affiliates may, at present or in the future, engage in business with the Fund, the issuers of securities making up the investment portfolio of the Fund, 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 Fund.

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

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	\$10,138	\$nil	\$nil
December 31, 2013	\$6,778	\$nil	\$nil

In addition to the information contained in the table above, the management fees paid to the Manager described in note 10 are related party transactions, as the Manager is considered to be a related party to the Fund. Fees paid to the Independent Review Committee are also considered to be related party transactions and are disclosed in the statements of comprehensive income.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

The Fund may invest in other exchange traded funds (“ETFs”) managed by the Manager or its affiliates, in accordance with the Fund’s investment objectives and strategies. Such investments are disclosed in the schedule of investments.

12. COLLATERAL WITH FUTURES COMMISSION MERCHANTS

The Fund may maintain accounts with Futures Commission Merchants (“FCMs”) to conduct futures trading activities. The futures trading activities, where applicable, are typically, but not limited to, fixed income and currency futures for the purposes of hedging. The FCMs require the maintenance of minimum margin deposits. These requirements are met by the collateral from the Fund held at the FCMs. Collateral held with FCMs is included as part of “Margin deposits” in the statements of financial position. The collateral held with FCMs as at December 31, 2014, December 31, 2013 and January 1, 2013 is as follows:

As at	Collateral held with FCMs
December 31, 2014	\$1,841,538
December 31, 2013	\$566,023
January 1, 2013	\$555,328

13. INCOME TAX

The Fund will be a “financial institution” for purposes of the “mark-to-market” rules contained in the *Income Tax Act* (Canada) (the “Tax Act”) if, at any time, more than 50% of the fair market value of all interests in the Fund are held at that time by one or more such financial institutions. The Tax Act contains special rules for determining the income of financial institutions.

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 Fund had no net capital or non-capital losses available.

15. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the Fund 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 Fund’s statements of financial position if all amounts were set-off.

	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Financial Assets and Liabilities as at December 31, 2014						
Derivative assets	485	–	485	(485)	–	–
Derivative liabilities	(6,862)	–	(6,862)	485	–	(6,377)

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

Financial Assets and Liabilities as at December 31, 2013	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	1,210	–	1,210	–	–	1,210
Derivative liabilities	–	–	–	–	–	–

Financial Assets and Liabilities as at January 1, 2013	Amounts Offset (\$)			Amounts Not Offset (\$)		Net
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	90	–	90	(90)	–	–
Derivative liabilities	(169)	–	(169)	90	–	(79)

16. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The Fund 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 Fund has control or significant influence over an Investee ETF, the Fund 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 Fund has control over an Investee ETF, the Fund 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 Fund’s primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the Fund’s prospectus to meet those objectives. The Fund also measures and evaluates the performance of any Investee ETFs on a fair value basis.

Investee ETFs over which the Fund 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 Fund had no exposure to subsidiaries, associates or unconsolidated structured entities.

Notes to Financial Statements (continued)

For the Years Ended December 31, 2014 and 2013

17. TRANSITION TO IFRS

The effect of the Fund'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 Fund 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 Fund did not apply any other IFRS 1 exemptions or exceptions.

Statements of cash flows

Under Canadian GAAP, the Fund 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	\$6,602,383	\$7,430,331
Revaluation of investments at FVTPL (b)	–	–
Net assets attributable to holders of redeemable units (a)	\$6,602,383	\$7,430,331

Statement of Comprehensive Income	December 31, 2013
Comprehensive income reported under Canadian GAAP	\$95,264
Revaluation of investments at FVTPL (b)	–
Increase (decrease) in net assets attributable to holders of redeemable units	\$95,264

(a) Classification of redeemable units issued by the Fund

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

(b) Revaluation of investments at FVTPL

Previously under Canadian GAAP, the fair value of the Fund'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.

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