



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



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Letter from the President:

The first half of 2015 has been an interesting time to be an investor. The U.S. and Canadian equity markets have both delivered modest gains on a total return basis; however, those positive returns have been overcast by growing concerns about an inflated stock market and increasing volatility in the global bond market.

At Horizons ETFs, we rarely focus over the short-term on where the markets are heading. Instead, we provide investors with the tools they need to navigate changing market conditions and implement their short and long-term perspective.

While U.S. investors are bracing for a potential interest rate hike later this year, Canadian investors saw their interest rates decline. In late January, the Bank of Canada cut interest rates and, as a result, the Canadian market was impacted in different ways. The Canadian dollar fell precipitously, followed by drops in the Canadian preferred share market, while investment-grade bonds rose in value.

In a market where assets don't move in tandem, active managers are able to use their expertise to allocate assets in a manner which they believe provides the best opportunity to outperform their respective benchmarks given they aren't restricted to mimicking index constituents and/or weightings. We've been very pleased with the growth and recognition of our actively managed ETF family and the strong outperformance of many of the mandates.

We think the next six months are going to be a critical period for investors to redefine their short and long-term risk versus reward strategy. Many investors haven't really had to revisit their portfolio's asset allocations, with both stocks and bonds having delivered exceptional returns over the last 5 years. If we see interest rates rise in the U.S. - the first time in more than six years - it will likely force investors to rethink their asset allocation strategies since low interest rates have been a key driver of returns for the last half-decade.

We believe our diverse suite of Canadian ETF solutions can help you transition your portfolio and provide a more flexible, responsive asset allocation strategy for the ever-changing market conditions. I urge you to visit our website at www.horizonsetfs.com, where we offer a range of resources designed to help you become a better ETF investor.

We wish you continued investment success.

Thank you,

Howard Atkinson



President
Horizons ETFs Management (Canada) Inc.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance contains financial highlights and is included with the unaudited interim financial statements for the investment fund. You may request a copy of the investment fund's unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosures, at no cost, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager"), at 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

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

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

Management Discussion of Fund Performance

Investment Objective and Strategy

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

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

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

Risk

The Manager, as a summary for existing investors, is providing the list below of the risks to which an investment in the ETF may be subject. Prospective investors should read the ETF's most recent prospectus and consider the full description of the risks contained therein before subscribing for units.

Management Discussion of Fund Performance (continued)

The risks to which an investment in the ETF is subject are listed below and have not changed from the list of risks found in the ETF's most recent prospectus. A full description of each risk listed below may also be found in the most recent prospectus. The most recent prospectus is available at www.horizonsetfs.com or from www.sedar.com, or by calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

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

Results of Operations

For the six-month period ended June 30, 2015, the ETF's C\$ Units and US\$ Units returned 7.24% and -0.27%, respectively. This compares to an appreciation in the U.S. dollar versus the Canadian dollar of 7.53% for the period.

The tale of the Canadian dollar in the first half of 2015 is that of one really bad month followed by range-bound trading. In January, the Bank of Canada cut short-term interest rates by 25 basis points in a surprise move meant to stave off the economic impact of the sharp drop in oil prices in the second half of 2014. The yield on the Government of Canada 10-year bond fell 55 basis points and the Canadian dollar lost 8.74% in January alone, falling from \$0.8607 versus the U.S. dollar on December 31, 2014 to \$0.7855 on January 30, 2015.

From February to June, the Canadian dollar pared some of those losses, but basically traded between \$0.7820 and \$0.8365 versus the U.S. dollar, finishing the period at \$0.8006. Subsequent to the end of the period, the Bank of Canada announced an additional 25 basis point rate cut in early July, signaling some much deeper issues with the Canadian economy than originally thought. The U.S. dollar appreciated more than 4% in July as a result.

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

Management Discussion of Fund Performance (continued)***Presentation***

The attached financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets in the financial statements and/or management report of fund performance 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. Any information presented for periods prior to January 1, 2013 is in accordance with Canadian generally accepted accounting principles (“Canadian GAAP”).

Recent Developments

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

Unit Consolidation

On January 13, 2015, the units of the ETF were consolidated on a 1 for 1.005951 basis, i.e. for every 1.005951 pre-consolidation units outstanding, one consolidated unit was issued. The objective in doing so was to return the net asset value of the units traded under the ticker symbol DLR.U to \$10.00 USD after the consolidation. All relevant unit and per unit historical data prior to January 13, 2015 was adjusted to reflect the consolidation.

Related Party Transactions

There were no related party portfolio transactions during the current reporting period. Certain services have been provided to the ETF by related parties, and those relationships are described below.

Manager, Trustee and Investment Manager

The manager, trustee and investment manager of the ETF is Horizons ETFs Management (Canada) Inc., 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, a corporation incorporated under the laws of Ontario. The Manager and its subsidiary, AlphaPro Management Inc., are members of the Mirae Asset Financial Group.

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

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance since the effective start of its operations on April 6, 2011. This information is derived from the ETF's audited annual financial statements and current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Unit

Period	2015	2014	2013	2012	2011
Net assets, beginning of period ⁽¹⁾	\$ 10.00	10.06	10.12	10.36	9.80
Increase (decrease) from operations:					
Total revenue	–	–	–	0.01	–
Total expenses	(0.03)	(0.06)	(0.06)	(0.06)	(0.04)
Realized gains for the period	–	–	–	0.33	0.19
Unrealized gains (losses) for the period	–	–	–	(0.52)	0.76
Total increase (decrease) from operations ⁽²⁾	(0.03)	(0.06)	(0.06)	(0.24)	0.91
Total distributions ⁽³⁾	–	–	–	–	–
Net assets, end of period (US\$ Units) ⁽⁴⁾	\$ 9.98	10.00	10.06	10.12	10.17
Net assets, end of period (C\$ Units) ⁽⁴⁾	\$ 12.47	11.58	10.68	10.05	10.36

1. This information is derived from the ETF's unaudited interim financial statements as at June 30, 2015 and the audited annual financial statements as at December 31 of the other years shown. The ETF effectively began operations on April 6, 2011. Information from 2013 onwards is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. Figures presented for 2014 and 2013 are in U.S. dollars. Prior to 2013, all figures are presented in Canadian dollars.
2. Net assets per unit and distributions are based on the actual number of units outstanding at the relevant time. The increase (decrease) from operations is based on the weighted average number of units outstanding over the financial period.
3. Income, dividend and/or return of capital distributions, if any, are paid in cash, reinvested in additional units of the ETF, or both. Capital gains distributions, if any, may or may not be paid in cash. Non-cash capital gains distributions are reinvested in additional units of the ETF and subsequently consolidated. They are reported as taxable distributions and increase each unitholder's adjusted cost base for their units. Neither the number of units held by the unitholder, nor the net asset per unit of the ETF change as a result of any non-cash capital gains distributions. Distributions classified as return of capital, if any, decrease each unitholder's adjusted cost base for their units.
4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Financial Highlights (continued)

Ratios and Supplemental Data

Period ⁽¹⁾	2015	2014	2013	2012	2011
Total net asset value (000's)	\$ 45,942	33,063	21,500	7,071	4,251
Number of units outstanding (000's)	4,606	3,306	2,138	704	410
Management expense ratio ⁽²⁾	0.60%	0.60%	0.60%	0.59%	0.59%
Management expense ratio before waivers and absorptions ⁽²⁾	0.62%	0.62%	0.73%	0.94%	0.66%
Trading expense ratio ⁽³⁾	0.00%	0.00%	0.00%	0.00%	0.00%
Portfolio turnover rate ⁽⁴⁾	0.00%	0.00%	0.00%	0.01%	0.00%
Net asset value per unit, end of period (US\$ units) \$	9.98	10.00	10.06	10.12	10.17
Closing market price (US\$ Units) \$	9.98	9.98	10.06	10.11	10.16
Net asset value per unit, end of period (C\$ units) \$	12.47	11.58	10.68	10.05	10.36
Closing market price (C\$ Units) \$	12.46	11.63	10.68	10.05	10.37

1. This information is provided as at June 30, 2015 and December 31 of the other years shown. The ETF effectively began operations on April 6, 2011. Information from 2013 onwards is in accordance with IFRS. Information for years prior to 2013 is reported under Canadian GAAP. Dollar figures presented for 2014 and 2013 are in U.S. dollars. Prior to 2013, all dollar figures are presented in Canadian dollars.
2. Management expense ratio is based on total expenses, including sales tax, (excluding commissions and other portfolio transaction costs) for the stated period and is expressed as an annualized percentage of daily average net asset value during the period. Out of its management fees, the Manager pays for such services as investment manager compensation, administration, service fees and marketing. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
3. 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 period.
4. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of a year. The higher an ETF's portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

Financial Highlights (continued)

Management Fees

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

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

The ETF, and not the Manager, is responsible for all brokerage expenses and commissions, income taxes, sales tax, costs associated with the independent review committee of the ETF, filing fees, costs associated with delivering documents to unitholders, audit fees, fees payable to CDS Clearing and Depository Services Inc., stock exchange fees, index licensing fees, if applicable, withholding taxes and extraordinary expenses. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

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

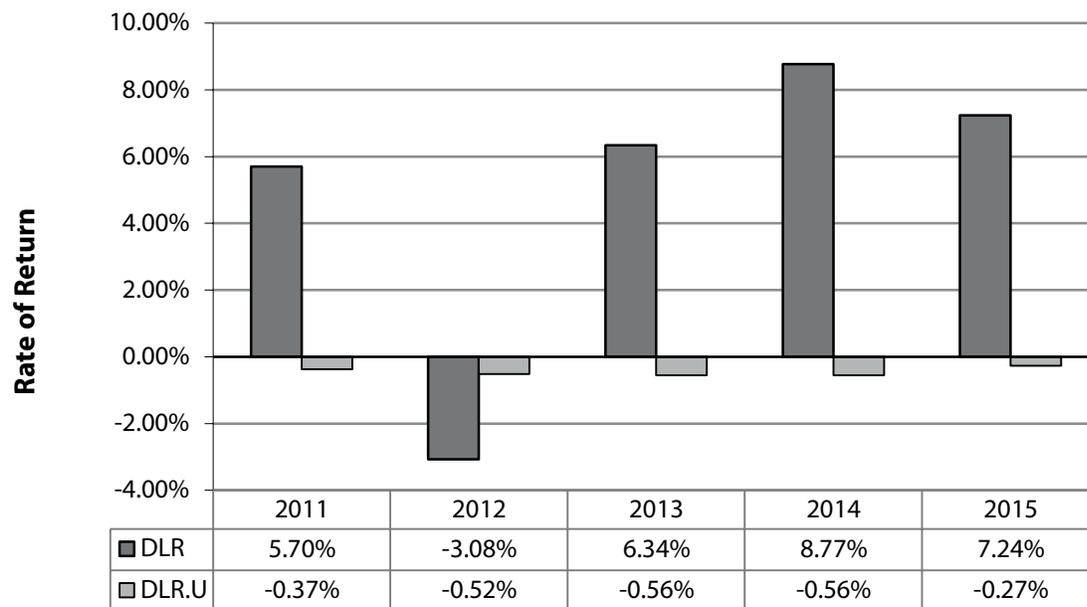
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
5%	91%	4%

Past Performance

Sales commissions, management fees, expenses and applicable sales taxes all may be associated with an investment in the ETF. Please read the prospectus before investing. The indicated rates of return are the historical returns including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any investor that would have reduced returns. An investment in the ETF is not guaranteed. Its value changes frequently and past performance may not be repeated. The ETF's performance numbers assume that all distributions, if any, are reinvested in additional units of the ETF. If you hold this ETF outside of a registered plan, income and capital gains distributions that are paid to you increase your income for tax purposes whether paid to you in cash or reinvested in additional units. The amount of the reinvested taxable distributions is added to the adjusted cost base of the units that you own. This would decrease your capital gain or increase your capital loss when you later redeem from the ETF, thereby ensuring that you are not taxed on this amount again. Please consult your tax advisor regarding your personal tax situation.

Year-by-Year Returns

The following chart shows the performance for the periods shown, and illustrates how the performance has changed from period to period. In percentage terms, the chart shows how much an investment made on the first day of each financial period (or, on the inception date, as the case may be) would have grown or decreased by the last day of the financial period.



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

Summary of Investment Portfolio

As at June 30, 2015

Asset & Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Cash and Cash Equivalents	\$ 45,965,874	100.05%
Other Assets less Liabilities	(24,318)	-0.05%
	\$ 45,941,556	100.00%

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

MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

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

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

These financial statements have been approved by the Board of Directors of the Manager.



Taeyong Lee
Director
Horizons ETFs Management (Canada) Inc.



Howard Atkinson
Director
Horizons ETFs Management (Canada) Inc.

NOTICE TO UNITHOLDERS

The Auditors of the ETF have not reviewed these Financial Statements.

Horizons ETFs Management (Canada) Inc., the Manager of the ETF, appoints an independent auditor to audit the ETF's annual financial statements.

The ETF's independent auditors have not performed a review of these interim financial statements in accordance with Canadian generally accepted auditing standards.

Statements of Financial Position (unaudited)

As at June 30, 2015 and December 31, 2014

	June 30, 2015	December 31, 2014
Assets		
Cash and cash equivalents	\$ 45,965,874	\$ 33,081,164
Total assets	45,965,874	33,081,164
Liabilities		
Accrued expenses	24,318	18,084
Total liabilities	24,318	18,084
Total net assets (note 2)	\$ 45,941,556	\$ 33,063,080
Number of redeemable units outstanding, (note 9)	4,605,654	3,305,654
Total net assets per unit (note 2):		
US\$ Units (note 1)	\$ 9.98	\$ 10.00
C\$ Units (note 1)	\$ 12.47	\$ 11.58

(See accompanying notes to financial statements)

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


Taeyong Lee
Director


Howard Atkinson
Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2015	2014
Income		
Interest income for distribution purposes	\$ 11,890	\$ 5,546
	11,890	5,546
Expenses		
Management fees (note 10)	101,432	67,293
Annual stock exchange listing fees	3,278	3,461
Audit fees	4,281	3,330
Filing fees	14,045	20,082
Independent Review Committee fees	257	189
Securityholder reporting costs	4,105	3,473
	127,398	97,828
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(4,529)	(16,076)
	122,869	81,752
Decrease in net assets for the period (note 2)	\$ (110,979)	\$ (76,206)
Decrease in net assets per unit (note 2)	\$ (0.03)	\$ (0.03)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2015	2014
Total net assets at the beginning of the period (note 2)	\$ 33,063,080	\$ 21,499,718
Decrease in net assets (note 2)	(110,979)	(76,206)
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	12,989,455	6,996,230
Total net assets at the end of the period (note 2)	\$ 45,941,556	\$ 28,419,742

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2015	2014
Cash flows from operating activities:		
Decrease in net assets for the period (note 2)	\$ (110,979)	\$ (76,206)
Adjustments for:		
Accrued expenses	6,234	14,477
Net cash used in operating activities	(104,745)	(61,729)
Cash flows from financing activities:		
Amount received from the issuance of units	12,989,455	6,996,230
Net cash from financing activities	12,989,455	6,996,230
Net increase in cash and cash equivalents for the period	12,884,710	6,934,501
Cash and cash equivalents at beginning of period	33,081,164	21,499,718
Cash and cash equivalents at end of period	\$ 45,965,874	\$ 28,434,219
Interest received	\$ 11,890	\$ 5,546

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2015

Security	Fair Value
Cash and cash equivalents (100.05%)	\$ 45,965,874
Other assets less liabilities (-0.05%)	(24,318)
TOTAL NET ASSETS (100.00%) (note 2)	\$ 45,941,556

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2015

1. REPORTING ENTITY

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

The ETF is offered for sale on a continuous basis by its prospectus in class A units which trade on the Toronto Stock Exchange (“TSX”) in Canadian dollars (“C\$ Units”) and in U.S. dollars (“US\$ Units”). The C\$ Units and US\$ Units trade on the TSX under the symbols DLR and DLR.U, respectively. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

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

Horizons ETFs Management (Canada) Inc. (the “Manager”, the “Investment Manager”, or the “Trustee”) is the manager, investment manager and trustee of the ETF. The Investment Manager is responsible for implementing the ETF’s investment strategies.

Unit Consolidation

On January 13, 2015, the units of the ETF were consolidated on a 1 for 1.005951 basis, i.e. for every 1.005951 pre-consolidation units outstanding, one consolidated unit was issued. The objective in doing so was to return the net asset value of the units traded under the ticker symbol DLR.U to \$10.00 USD after the consolidation. All relevant unit and per unit historical data prior to January 13, 2015 was adjusted to reflect the consolidation.

2. BASIS OF PREPARATION**(i) Statement of compliance**

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). Any mention of total net assets, net assets, net asset value or increase (decrease) in net assets is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

These financial statements were authorized for issue on August 14, 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

(iii) Functional and presentation currency

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Financial instruments***(i) Recognition, initial measurement and classification***

Financial assets and financial liabilities at fair value through profit or loss ("FVTPL") are initially recognized on the trade date, at fair value (*see below*), with transaction costs recognised in profit or loss. Other financial assets and financial liabilities are recognised on the date on which they are originated at fair value.

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

- Financial assets at fair value through profit or loss:
 - Held for trading: derivative financial instruments
 - Designated as at fair value through profit or loss: debt securities and equity investments
- Financial assets at amortized cost: All other financial assets are classified as loans and receivables
- Financial liabilities at fair value through profit or loss:
 - Held for trading: derivative financial instruments
- Financial liabilities at amortized cost: all other financial liabilities are classified as other financial liabilities

(ii) Fair value measurement

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

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

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

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

(iii) Offsetting

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

Income and expenses are presented on a net basis for gains and losses from financial instruments at fair value through profit or loss and foreign exchange gains and losses.

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

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

Redeemable units

The redeemable units, which are classified as financial liabilities, are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units.

(b) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments, if any, represents the coupon interest received by the ETF accounted for on an accrual basis. The ETF does not amortize premiums paid or discounts received on the purchase of fixed income securities. The ETF does not use the effective interest method. Dividend income, if any, is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs, if any, is recognized when earned.

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

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

(c) Foreign currency

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

(d) Cost basis

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

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

The increase (decrease) in net assets per unit in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations divided by the weighted average number of units of the ETF outstanding during the reporting 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 ETF by the total number of units outstanding of the ETF on the Valuation Date. Amounts received on the issuance of units and amounts paid on the redemption of units are included in the statements of changes in financial position.

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

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

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

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

(i) Transaction costs

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the U.S. dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF has no exposure to foreign currencies. However, since part of the ETF's investment objective is to reflect the reference value in Canadian dollars (in respect of the C\$ Units) of the U.S. dollar, net of expenses, and approximately 100% of the ETF's net assets are held in U.S. dollars, the ETF's net asset value per C\$ unit would have moved by approximately \$0.10 per C\$ Unit either up or down as a reflection of a 1% change up or down in the value of the U.S. dollar relative to the Canadian dollar.

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature. As at June 30, 2015 and December 31, 2014, the ETF did not hold any long term debt instruments to which it would have interest rate risk exposure.

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment.

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

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables.

The market value of debt instruments and derivatives, includes consideration of the credit worthiness of the issuer, and accordingly, represents the maximum credit exposure of the ETF. As at June 30, 2015 and December 31, 2014, due to the nature of its portfolio investments, the ETF did not have any material credit exposure.

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

(c) Liquidity risk

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

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

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

Category	Net Changes at FVTPL (\$)	
	June 30, 2015	June 30, 2014
Financial assets (liabilities) at FVTPL:		
Held for trading	-	-
Designated at fair value	-	-
Total financial assets (liabilities) at FVTPL	-	-

7. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. As at June 30, 2015 and December 31, 2014, the ETF did not hold any investments that were subject to the hierarchy described above. As at those dates, all of the ETF's assets were held in cash and cash equivalents.

There were no transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or year indicated. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2015 and for the year ended December 31, 2014.

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

8. SECURITIES LENDING

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

As at June 30, 2015 and December 31, 2014, the ETF was not participating in any securities lending transactions.

9. REDEEMABLE UNITS

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

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

On any trading day, which is defined as the day that a net asset value of the ETF is being struck, unitholders of the ETF may (i) redeem units of the ETF for cash at a redemption price per unit equal to 95% of the closing price for units of the ETF on the TSX on the effective day of the redemption, where the units being redeemed are not equal to a prescribed number of units (“PNU”) or a multiple PNU; or (ii) redeem, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of units. Holders of US\$ Units of Horizons DLR may request that their redemption proceeds be paid in U.S. or Canadian dollars.

Units of the ETF are issued or redeemed on a daily basis at the net asset value per security that is determined as at 4:00 p.m. (Eastern Time) each business day. Purchase and redemption orders are subject to a 9:30 a.m. (Eastern Time) cut-off time.

The ETF is required to distribute all of its income (including net realized capital gains) that it has earned in the year to such an extent that the ETF will not be liable for ordinary income tax thereon. It is anticipated that the ETF will make distributions to its unitholders of any income earned on cash and cash equivalents, net of fees and expenses, on a monthly basis and, unless the unitholder is participating in the ETF’s distribution reinvestment plan, such distributions to unitholders of C\$ Units or US\$ Units will be paid in Canadian dollars or U.S. dollars respectively. Under the distribution reinvestment plan, the amount actually distributed by the ETF will be paid as a “reinvested distribution”, whereby the cash distributions

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

will be used to acquire additional units of the ETF to be credited to the account of the unitholder. Distributions paid to holders of redeemable units, if any, are recognized in the statements of changes in financial position.

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

For the periods ended June 30, 2015 and 2014, the number of units issued by subscription, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2015	3,305,654	1,300,000	–	4,605,654	4,116,704
2014	2,137,604	695,860	–	2,833,464	2,734,604

10. EXPENSES
Management fees

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

Other expenses

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

The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

11. INCOME TAX

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2015

12. TAX LOSSES CARRIED FORWARD

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forwards may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2014, the ETF had net capital losses and/or non-capital losses, with the year of expiry of the non-capital losses as follows:

Net Capital Losses	Non-Capital Losses	Year of Expiry of the Non-Capital Losses
\$271	\$4,440	2031
	\$26,328	2032
	\$80,549	2033
	\$163,138	2034

13. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. As at June 30, 2015 and December 31, 2014, the ETF did not have any financial instruments eligible for offsetting.

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