



## Horizons Cdn Insider Index ETF (HII:TSX)



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## Letter from the Co-CEO:

So far, 2016 has been a road to recovery for North American investors, as equity markets continue to bounce back from the lows of late January. In fact, the Canadian equity market, up more than 8% year-to-date has been one of the best-performing developed equity markets in the world. Additionally, we have seen the price of crude oil stabilize which we believe has been a leading contributor to the recovery and strengthening of the Canadian dollar relative to the U.S. dollar, up approximately 7% since the beginning of 2016.

Overall, the first half of the year has been very successful for the North American ETF industry, with U.S. assets at US\$2.2 trillion and Canadian ETF assets surpassing the CAD\$100 billion mark in May. Equities and fixed income ETFs continue to make up the largest inflows for both Canada and the U.S.

For Horizons ETFs, in particular, this has been a year of new milestones. In April, we surpassed more than \$6 billion in assets under management and have continued to watch our active and benchmark lineup of ETFs grow. In fact, the Horizons Cdn High Dividend Index ETF ("HXH") has been one of the largest launches on the Canadian side of the border, acquiring more than \$100 million in assets within its first week of launch.

With the regulatory landscape in North America, particularly Canada, shifting towards fee-based transparency, and fewer tax efficient products available to the retail investor, we've focused on expanding our line-up of Total Return Index (TRI) ETFs. This includes the launch of HXH and the Horizons Nasdaq-100® Index ETF ("HXQ"), and lowering the cost of our flagship TRI ETFs like the Horizons S&P 500® Index ETF ("HXS"), reducing its management fee to 0.10% from 0.15%. We also launched the Horizons China High Dividend Yield Index ETF ("HCN"), the first benchmark ETF to provide Canadian investors with exposure to the Hang Seng High Dividend Yield Index.

Looking to the remainder of 2016, it will be an interesting time for global markets. Many investors are watching every Federal Open Market Committee (FOMC) meeting closely, wondering whether or not the U.S. is in fact in a strong enough position economically to take on another rate hike. As well, the outcome of the June 23 referendum in the United Kingdom to leave the European Union could have far reaching implications in the markets, both locally and abroad, for the months and years to come.

At Horizons ETFs we try and remain agnostic on the direction of the markets, however, we do think it's fair to say that investors can no longer rely on easy returns. Investors require more creative solutions that take advantage of volatility, such as covered call and alternative asset strategies.

Knowing investors shouldn't rely on a single strategy for success, we believe that our diverse suite of ETF solutions provides investors with the tools they need for handling any of the market conditions that 2016 holds on the horizon. We remain proud to be a partner in your investment process.

For more information on our strategies, please visit our website at [www.horizonsetfs.com](http://www.horizonsetfs.com) where we offer a range of resources designed to help you become a skilled ETF investor.

Wishing you the best for the remainder of 2016,



Steven J. Hawkins, President & Co-CEO  
Horizons ETFs Management (Canada) Inc.

## MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Cdn Insider Index ETF (“Horizons HII” or the “ETF”) 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](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://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 HII seeks to replicate, to the extent possible, the performance of the INK Canadian Insider Index (the “Underlying Index”), net of expenses. The Underlying Index is designed to provide exposure to the performance of 50 growth and value stocks with significant insider buying and ownership listed on the Toronto Stock Exchange (“TSX”).

To achieve the ETF’s investment objective, the ETF invests and holds the equity securities of the constituent issuers of the Underlying Index (the “Constituent Issuers”) in substantially the same proportion as the Underlying Index.

The Underlying Index is ordinarily rebalanced on a semi-annual basis at the close of trading on the third Friday in each of May and November (each a “Rebalancing Date”). The Constituent Issuers of the Underlying Index will be weighted equally on each Rebalancing Date. The ETF is fully invested in or exposed to the Underlying Index at all times.

### 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 purchasing 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](http://www.horizonsetfs.com) or from [www.sedar.com](http://www.sedar.com), or by calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

- |   |  |
|---|--|
| <ul style="list-style-type: none"> <li>• Stock market risk</li> <li>• Specific issuer risk</li> <li>• Income trust investment risk</li> <li>• Underlying Index risk</li> <li>• Passive index risk</li> <li>• Index replication risk</li> <li>• Regulatory risk</li> <li>• Reliance on historical data risk</li> <li>• Liquidity risk</li> <li>• Corresponding net asset value risk</li> <li>• Risk that units will trade at prices other than net asset value per unit</li> </ul> | <ul style="list-style-type: none"> <li>• Designated broker/dealer risk</li> <li>• Cease trading of securities risk</li> <li>• Exchange risk</li> <li>• Early closing risk</li> <li>• No assurance of meeting investment objectives</li> <li>• Tax related risks</li> <li>• Risks relating to tax changes</li> <li>• Securities lending, repurchase and reverse repurchase transaction risk</li> <li>• Liability of unitholders</li> <li>• Reliance on key personnel</li> </ul> |
|---|--|

### Results of Operations

For the six-month period ended June 30, 2016, units of the ETF returned 7.95%, when including distributions paid to unitholders. This compares to a return of 8.22% for the Underlying Index for the same period.

The Underlying Index measures the performance of 50 Toronto Stock Exchange-listed growth and value stocks with significant insider buying and ownership which meet minimum size, liquidity, and insider holding disclosure requirements. For the period ended June 30, 2016, the top performers in the Underlying Index were Teck Resources Ltd., Class 'B', Endeavour Mining Corp., and Newmarket Gold Inc., gaining 218.54%, 187.42% and 181.48%, respectively. The worst performers in the Underlying Index for the period were Linamar Corp., Cascades Inc., and Nobilis Health Corp., returning -38.42%, -28.01% and -27.11%, respectively.

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 Canadian equity market 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.

### 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 is referring to net assets or increase (decrease) in net assets attributable to holders of redeemable units as reported under IFRS.

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

**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 January 20, 2015. This information is derived from the ETF's audited annual financial statements and the 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	2016	2015
<b>Net assets, beginning of period <sup>(1)</sup></b>	\$ 9.86	10.00
<b>Increase (decrease) from operations:</b>		
Total revenue	0.13	0.28
Total expenses	(0.05)	(0.10)
Realized gains (losses) for the period	0.25	(0.62)
Unrealized gains for the period	0.45	0.14
<b>Total increase (decrease) from operations <sup>(2)</sup></b>	<b>0.78</b>	<b>(0.30)</b>
<b>Distributions:</b>		
From income (excluding dividends)	(0.12)	–
From dividends	–	(0.12)
From return of capital	–	(0.10)
<b>Total distributions <sup>(3)</sup></b>	<b>(0.12)</b>	<b>(0.22)</b>
<b>Net assets, end of period <sup>(4)</sup></b>	<b>\$ 10.52</b>	<b>9.86</b>

1. This information is derived from the ETF's unaudited interim financial statements as at June 30, 2016 and the audited annual financial statements as at December 31, 2015. The ETF effectively began operations on January 20, 2015. Information is presented in accordance with IFRS.
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 <sup>(1)</sup>	2016	2015
Total net asset value (000's)	\$ 9,469	8,878
Number of units outstanding (000's)	900	900
Management expense ratio <sup>(2)</sup>	0.74%	0.74%
Management expense ratio before waivers or absorptions <sup>(2)</sup>	1.62%	1.52%
Trading expense ratio <sup>(3)</sup>	0.17%	0.23%
Portfolio turnover rate <sup>(4)</sup>	36.08%	83.71%
Net asset value per unit, end of period	\$ 10.52	9.86
Closing market price	\$ 10.63	9.85

1. This information is provided as at June 30, 2016 and December 31, 2015. The ETF effectively began operations on January 20, 2015. Information is presented in accordance with IFRS.
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.

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**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 0.65%. Approximately 100% of management fees were used for management, investment management, other general administration and profit.

Unless otherwise waived or reimbursed by the Manager, the ETF and not the Manager, is responsible for all of its operating expenses, including but not limited to: the management fees; audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the independent review committee of the ETF; income taxes; sales tax; brokerage expenses and commissions; and withholding taxes.

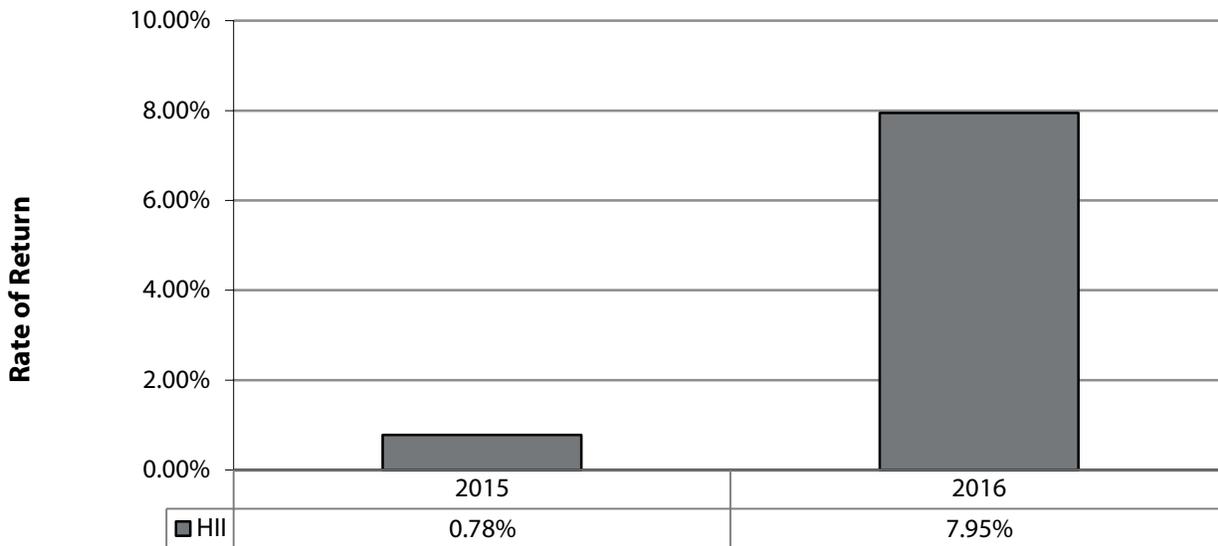
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

## 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 presents 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 January 20, 2015.

## Summary of Investment Portfolio

As at June 30, 2016

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Canadian Equities	\$ 9,479,865	100.11%
Cash and Cash Equivalents	25,119	0.27%
Other Assets less Liabilities	(36,110)	-0.38%
	<b>\$ 9,468,874</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Materials	\$ 2,617,177	27.64%
Financials	2,114,448	22.33%
Consumer Staples	1,468,799	15.51%
Consumer Discretionary	1,460,463	15.42%
Industrials	1,108,934	11.71%
Energy	566,293	5.98%
Health Care	143,751	1.52%
Cash and Cash Equivalents	25,119	0.27%
Other Assets less Liabilities	(36,110)	-0.38%
	<b>\$ 9,468,874</b>	<b>100.00%</b>

**Summary of Investment Portfolio** (continued)

As at June 30, 2016

<b>Top 25 Holdings</b>	<b>% of ETF's Net Asset Value</b>
Silver Standard Resources Inc.	2.63%
Teck Resources Ltd.	2.60%
Endeavour Mining Corp.	2.37%
Barrick Gold Corp.	2.30%
Callidus Capital Corp.	2.26%
Corus Entertainment Inc.	2.18%
Yamana Gold Inc.	2.15%
High Liner Foods Inc.	2.11%
First National Financial Corp.	2.08%
ZCL Composites Inc.	2.08%
NorthWest Healthcare Properties REIT	2.07%
H&R REIT	2.05%
Morguard Corp.	2.05%
First Quantum Minerals Ltd.	2.04%
Intact Financial Corp.	2.04%
Pure Industrial Real Estate Trust	2.03%
Agrium Inc.	2.00%
Ensign Energy Services Inc.	2.00%
North West Co. Inc. (The)	1.99%
Premium Brands Holdings Corp.	1.99%
Exchange Income Corp.	1.99%
Magellan Aerospace Corp.	1.99%
Cascades Inc.	1.99%
AGF Management Ltd.	1.99%
Dorel Industries Inc.	1.99%

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](http://www.horizonsetfs.com) or through SEDAR at [www.sedar.com](http://www.sedar.com).

**MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING**

The accompanying unaudited interim financial statements of Horizons Cdn Insider Index 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.



\_\_\_\_\_  
Steven J. Hawkins  
Director  
Horizons ETFs Management (Canada) Inc.



\_\_\_\_\_  
Taeyong Lee  
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, 2016 and December 31, 2015

	<b>2016</b>	<b>2015</b>
<b>Assets</b>		
Cash and cash equivalents	\$ 25,119	\$ 41,022
Investments	9,479,865	8,870,048
Amounts receivable relating to accrued income	28,393	26,838
<b>Total assets</b>	<b>9,533,377</b>	<b>8,937,908</b>
<b>Liabilities</b>		
Accrued expenses	6,733	5,842
Distribution payable	57,770	53,707
<b>Total liabilities</b>	<b>64,503</b>	<b>59,549</b>
<b>Total net assets (note 2)</b>	<b>\$ 9,468,874</b>	<b>\$ 8,878,359</b>
Number of redeemable units outstanding, (note 9)	900,123	900,072
Total net assets per unit	\$ 10.52	\$ 9.86

(See accompanying notes to financial statements)

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



Steven J. Hawkins  
Director



Taeyong Lee  
Director

**Statements of Comprehensive Income** (unaudited)

For the Period Ended June 30, 2016 and

For the Period from Inception on January 5 to June 30, 2015

	<b>2016</b>	<b>2015</b>
<b>Income</b>		
Dividend income	\$ 113,851	\$ 82,689
Interest income for distribution purposes	4,998	–
Net realized gain on sale of investments and derivatives	221,375	88,654
Net realized gain (loss) on foreign exchange	(711)	5
Net change in unrealized appreciation of investments and derivatives	403,182	230,665
Net change in unrealized appreciation (depreciation) of foreign exchange	(96)	46
	<b>742,599</b>	<b>402,059</b>
<b>Expenses</b>		
Management fees (note 10)	30,772	20,836
Audit fees	4,687	659
Independent Review Committee fees	51	–
Custodial fees	30	14
Securityholder reporting costs	22,452	21,807
Administration fees	14,245	13,093
Transaction costs	7,657	8,163
	<b>79,894</b>	<b>64,572</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(39,122)	(35,345)
	<b>40,772</b>	<b>29,227</b>
<b>Increase in net assets for the period</b>	<b>\$ 701,827</b>	<b>\$ 372,832</b>
Increase in net assets per unit	0.78	0.62

(See accompanying notes to financial statements)

**Statements of Changes in Financial Position** (unaudited)

For the Period Ended June 30, 2016 and

For the Period from Inception on January 5 to June 30, 2015

	<b>2016</b>	<b>2015</b>
<b>Total net assets at the beginning of the period</b>	\$ 8,878,359	\$ –
<b>Increase in net assets</b>	701,827	372,832
<b>Redeemable unit transactions</b>		
Proceeds from the issuance of securities of the investment fund	–	8,941,605
Aggregate amounts paid on redemption of securities of the investment fund	–	(162,426)
Securities issued on reinvestment of distributions	500	139
Distributions:		
From net investment income	(111,812)	(71,792)
<b>Total net assets at the end of the period</b>	<b>\$ 9,468,874</b>	<b>\$ 9,080,358</b>

(See accompanying notes to financial statements)

**Statements of Cash Flows** (unaudited)

For the Period Ended June 30, 2016 and

For the Period from Inception on January 5 to June 30, 2015

	<b>2016</b>	<b>2015</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets for the period	\$ 701,827	\$ 372,832
Adjustments for:		
Net realized gain on sale of investments and derivatives	(221,375)	(88,654)
Net change in unrealized appreciation of investments and derivatives	(403,182)	(230,665)
Net change in unrealized depreciation of foreign exchange	69	2
Purchase of investments	(3,240,548)	(11,157,951)
Proceeds from the sale of investments	3,255,288	2,404,017
Amounts receivable relating to accrued income	(1,555)	(26,626)
Accrued expenses	891	8,139
<b>Net cash from (used in) operating activities</b>	<b>91,415</b>	<b>(8,718,906)</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	–	8,941,605
Amount paid on redemptions of units	–	(162,426)
Distributions paid to unitholders	(107,249)	(21,171)
<b>Net cash from (used in) financing activities</b>	<b>(107,249)</b>	<b>8,758,008</b>
<b>Net increase (decrease) in cash and cash equivalents during the period</b>	<b>(15,834)</b>	<b>39,102</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(69)	(2)
<b>Cash and cash equivalents at beginning of period</b>	<b>41,022</b>	<b>–</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 25,119</b>	<b>\$ 39,100</b>
Interest received	\$ 4,998	\$ –
Dividends received, net of withholding taxes	\$ 112,296	\$ 56,063

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2016

Security	Shares	Average Cost	Fair Value
<b>CANADIAN EQUITIES (100.11%)</b>			
<b>Materials (27.64%)</b>			
Agrium Inc.	1,619	\$ 200,738	\$ 189,245
Barrick Gold Corp.	7,910	188,891	218,158
Canam Group Inc., Class 'A'	14,359	203,665	187,098
Cascades Inc.	20,569	157,914	188,206
Chemtrade Logistics Income Fund	10,427	210,655	186,018
Endeavour Mining Corp.	10,239	188,295	224,541
First Quantum Minerals Ltd.	21,342	184,181	193,572
Nevsun Resource Ltd.	42,781	202,450	162,140
Newmarket Gold Inc.	49,052	194,246	186,398
Silver Standard Resources Inc.	14,824	98,431	248,598
Teck Resources Ltd., Class 'B'	14,458	187,087	245,931
Winpak Ltd.	3,873	142,355	183,851
Yamana Gold Inc.	30,271	188,588	203,421
		2,347,496	2,617,177
<b>Financials (22.33%)</b>			
AGF Management Ltd., Class 'B'	37,626	242,692	188,130
Brookfield Asset Management Inc., Class 'A'	4,216	177,401	180,192
Callidus Capital Corp.	13,384	187,709	214,144
Equitable Group Inc.	3,223	195,157	180,456
First National Financial Corp.	6,568	149,634	196,843
H&R REIT	8,635	180,752	194,374
Intact Financial Corp.	2,096	187,506	193,440
Morguard Corp.	1,225	181,890	193,758
Morguard REIT	12,551	189,470	184,876
NorthWest Healthcare Properties REIT	19,580	161,286	196,387
Pure Industrial Real Estate Trust	37,252	163,177	191,848
		2,016,674	2,114,448
<b>Consumer Staples (15.51%)</b>			
Alimentation Couche-Tard Inc., Class 'B'	3,294	155,647	182,751
Clearwater Seafoods Inc.	13,067	171,267	182,677
Cott Corp.	9,816	134,676	177,277
Empire Co. Ltd., Class 'A'	8,558	234,724	164,399
George Weston Ltd.	1,655	162,006	185,046
High Liner Foods Inc.	10,580	188,881	199,433
North West Co. Inc. (The)	6,406	176,165	188,721
Premium Brands Holdings Corp.	3,465	109,743	188,495
		1,333,109	1,468,799

**Schedule of Investments** (unaudited) (continued)

As at June 30, 2016

Security	Shares	Average Cost	Fair Value
<b>Consumer Discretionary (15.42%)</b>			
Brookfield Business Partners L.P.	84	2,909	2,059
Canadian Tire Corp. Ltd., Class 'A'	1,328	163,515	186,916
Corus Entertainment Inc., Class 'B'	15,524	188,151	206,779
Dorel Industries Inc., Class 'B'	5,471	198,339	188,093
Linamar Corp.	3,631	236,497	167,099
Martinrea International Inc.	20,843	216,946	166,744
Shaw Communications Inc., Class 'B'	7,568	209,599	187,686
Transcontinental Inc., Class 'A'	9,901	167,609	173,367
Uni-Select Inc.	5,547	98,680	181,720
		1,482,245	1,460,463
<b>Industrials (11.71%)</b>			
Chorus Aviation Inc.	29,602	179,389	177,612
Exchange Income Corp.	6,031	189,072	188,287
Héroux-Devtek Inc.	12,295	187,622	184,425
Magellan Aerospace Corp.	10,451	140,036	188,223
New Flyer Industries Inc.	4,559	117,941	183,409
TransForce Inc.	7,794	196,074	186,978
		1,010,134	1,108,934
<b>Energy (5.98%)</b>			
Bonavista Energy Corp.	54,630	186,835	180,279
Ensign Energy Services Inc.	26,097	228,652	189,203
ZCL Composites Inc.	21,941	186,072	196,811
		601,559	566,293
<b>Health Care (1.52%)</b>			
Nobilis Health Corp.	50,439	194,695	143,751
		194,695	143,751
<b>TOTAL CANADIAN EQUITIES</b>		<b>8,985,912</b>	<b>9,479,865</b>
Transaction costs		(9,811)	
<b>TOTAL INVESTMENT PORTFOLIO (100.11%)</b>		<b>\$ 8,976,101</b>	<b>\$ 9,479,865</b>
<b>Cash and cash equivalents (0.27%)</b>			25,119
<b>Other assets less liabilities (-0.38%)</b>			(36,110)
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 9,468,874</b>

(See accompanying notes to financial statements)

**Notes to Financial Statements** (unaudited)

June 30, 2016

**1. REPORTING ENTITY**

Horizons Cdn Insider Index ETF (“Horizons HII” or the “ETF”) is an investment trust established under the laws of the Province of Ontario by Declaration of Trust and effectively began operations on January 20, 2015. 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”) under the symbol HII. 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 HII seeks to replicate, to the extent possible, the performance of the INK Canadian Insider Index (the “Underlying Index”), net of expenses. The Underlying Index is designed to provide exposure to the performance of 50 growth and value stocks with significant insider buying and ownership listed on the Toronto Stock Exchange (“TSX”).

Horizons ETFs Management (Canada) Inc. (“Horizons Management” or 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.

**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 12, 2016 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.

***(iii) Functional and presentation currency***

These financial statements are presented in Canadian 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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2016

**(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 recognized in the statements of comprehensive income. Other financial assets and financial liabilities are recognized on the date on which they are originated at fair value.

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

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

**(ii) Fair value measurement**

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

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

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

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

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

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2016

***(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 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. They are classified as financial liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders.

**(b) Investment income**

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

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

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

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

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2016

**(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, 2016

**(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 recognized 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, 2016

**(a) Market risk**

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

**(i) Currency risk**

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF has no exposure to foreign currencies.

**(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 and other investments with less than one year to maturity invested at short-term market rates since those securities are usually held to maturity and are short term in nature. As at June 30, 2016 and December 31, 2015, 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 is subject to other market risks that will affect the value of its investments, including general economic and market conditions, as well as developments that impact specific economic sectors, industries or companies. The ETF will normally lose value on days when the securities comprising the Underlying Index declines. The ETF intends to remain fully invested regardless of market conditions.

For the six-month period ended June 30, 2016, units of the ETF returned 7.95%, when including distributions paid to unitholders. This compares to a return of 8.22% for the Underlying Index for the same period. The difference in performance between the ETF and the Underlying Index is due to expenses payable by the ETF, which include management fees plus applicable sales taxes.

**(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, 2016 and December 31, 2015, 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, 2016

**(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, 2016	June 30, 2015
<b>Financial assets (liabilities) at FVTPL:</b>		
Held for trading	-	-
Designated at fair value	742,599	402,059
<b>Total financial assets (liabilities) at FVTPL</b>	<b>742,599</b>	<b>402,059</b>

**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.

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2016

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 June 30, 2016 and December 31, 2015 in valuing the ETF's investments and derivatives carried at fair value:

	June 30, 2016			December 31, 2015		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
<b>Financial Assets</b>						
Equities	9,479,865	–	–	8,870,048	–	–
<b>Total Financial Assets</b>	<b>9,479,865</b>	–	–	<b>8,870,048</b>	–	–
<b>Total Financial Liabilities</b>	–	–	–	–	–	–
<b>Net Financial Assets &amp; Liabilities</b>	<b>9,479,865</b>	–	–	<b>8,870,048</b>	–	–

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 periods indicated. In addition, there were no investments or transactions classified in Level 3 for the periods ended June 30, 2016 and December 31, 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 – *Investment 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, 2016 and December 31, 2015, the ETF was not participating in any securities lending transactions. The ETF did not earn any income from securities lending transactions for the periods ended June 30, 2016 and 2015.

## 9. REDEEMABLE UNITS

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

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

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2016

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.

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 on a quarterly basis. Such distributions will be paid in cash, unless a unitholder is participating in the ETF's distribution reinvestment plan. Under the distribution reinvestment plan, the amount actually distributed by the ETF will be paid as a "reinvested distribution", whereby the cash distributions will be used to acquire additional units of the ETF to be credited to the account of the unitholder. Distributions paid to holders of redeemable units, if any, are recognized in the statements of changes in financial position.

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

For the periods ended June 30, 2016 and 2015, 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
2016	900,072	51	–	900,123	900,105
2015	–	865,012	(15,000)	850,012	597,351

**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 0.65%. 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 and not the Manager, is responsible for all of its operating expenses, including but not limited to: the management fees; audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to unitholders; listing and annual stock exchange fees; index licensing fees, if applicable;

**Notes to Financial Statements** (unaudited) (continued)

June 30, 2016

fees payable to CDS Clearing and Depository Services Inc.; bank related fees and interest charges; extraordinary expenses; unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the independent review committee of the ETF; income taxes; sales tax; brokerage expenses and commissions; and withholding taxes.

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

**11. INCOME TAX**

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

**12. TAX LOSSES CARRIED FORWARD**

Capital losses for income tax purposes may be carried forward indefinitely and applied against capital gains realized in future years. Non-capital losses carried forwards may be applied against future years' taxable income. Non-capital losses that are realized in the current taxation year may be carried forward for 20 years. As at December 31, 2015, 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
\$230,826	–	–

**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, 2016 and December 31, 2015, the ETF did not have any financial instruments eligible for offsetting.

**14. COMPARATIVE FINANCIAL STATEMENTS**

Certain information in the comparative financial statements and/or notes to the financial statements for 2015 has been reclassified to conform to the financial statement presentation adopted for 2016.

Manager

**Horizons ETFs Management (Canada) Inc.**

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Building on principles