



Horizons Global Risk Parity ETF (HRA:TSX)



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Letter from the President and Co-CEO

The first half of 2018 has been remarkable for both the Canadian ETF industry and Horizons ETFs Management (Canada) Inc. (“Horizons ETFs”). The industry reached new heights, surpassing \$156 billion in assets under management (“AUM”), as at June 30, 2018. Horizons ETFs reached a new pinnacle as well, surpassing more than \$10 billion in AUM as at the same date. In addition, we have added two new, innovative ETFs so far this year, giving us a total of 80 different investment tools available for our clients.

In February, we brought to market our second marijuana-focused ETF – the Horizons Emerging Marijuana Growers Index ETF (“HMJR”). HMJR is the first ETF in Canada to give investors direct exposure to blossoming small-cap marijuana cultivation and distribution companies. HMJR provides direct, often referred to as ‘pure-play’, global exposure to the sector, by focusing on the smaller, emerging producers. Our first marijuana ETF – the Horizons Marijuana Life Sciences Index ETF (“HMMJ”) – gives investors broad diversified exposure to the North American marijuana sector.

Speaking of HMMJ, futures on units of this ETF began trading on the Montreal Exchange in June. We view this listing as recognition by the Canadian investor marketplace that HMMJ is a key benchmark for marijuana investing in Canada.

In June, we launched yet another highly innovative ETF – the Horizons Blockchain Technology & Hardware Index ETF (“BKCH”). BKCH provides investors with diversified exposure to companies involved in the new, disruptive technology frontier: blockchain – a shareable digital ledger that logs and tracks valuable information such as transactions or assets, offering virtually endless applications. BKCH provides a diversified way to invest in the blockchain ecosystem and infrastructure without taking on a lot of the risks of buying unknown, early stage technology companies.

Regardless of market conditions, our extensive suite of ETFs gives investors the tools they need to help meet their financial objectives. For more information on all our strategies, please visit www.HorizonsETFs.com where we offer a range of resources designed to inform and educate ETF investors.

Thank you for your continued support.

Sincerely,



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

P.S. On a personal note, I would like to extend my sincere appreciation to the fantastic team of professionals I work with at Horizons ETFs. They played a vital role in helping me win ‘CEO of the Year’ at the 2018 Wealth Professional Awards.

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Global Risk Parity ETF (“HRA” 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 ETF’s unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record, or quarterly portfolio disclosures, at no cost, from the ETF’s manager, Horizons ETFs Management (Canada) Inc. (“Horizons Management” or the “Manager”), by calling toll free 1-866-641-5739, or locally (416) 933-5745, by writing to us at: 55 University Avenue, Suite 800, Toronto ON, M5J 2H7, or by visiting our website at www.horizonsetfs.com or SEDAR at www.sedar.com.

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

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

Management Discussion of Fund Performance

Investment Objective and Strategies

The investment objective of HRA is to seek long term capital appreciation through the use of asset allocation. HRA primarily uses exchange traded products to gain exposure to a portfolio of global asset classes with a focus on the forecasted amount of risk that each investment contributes.

To achieve HRA’s investment objective, the ETF’s portfolio sub-advisor, ReSolve Asset Management Inc. (“ReSolve” or the “Sub-Advisor”), follows an enhanced portfolio allocation strategy, commonly known as risk parity, that responds systematically with subtle shifts to asset weights in order to maintain optimal portfolio diversification according to asset volatilities and correlation relationships. HRA invests primarily in exchange traded funds to gain exposure to global equity markets, global fixed income instruments, commodity equity exposure, and inflation hedges such as gold bullion, real estate and Treasury Inflation Protected Securities. The Sub-Advisor, in seeking to preserve capital, seeks an annual target ‘risk budget’ of less than 10%, measured by standard deviation of HRA’s annual returns. The Sub-Advisor seeks to accomplish this through optimization so that each asset class contributes a similar amount of risk, by continually adjusting the asset class weightings in response to changes in correlations and volatility.

Please refer to the ETF’s most recent prospectus for a complete description of HRA’s investment restrictions.

Management Discussion of Fund Performance (continued)

Risk

The Manager performs a review of the ETF's risk rating at least annually, as well as when there is a material change in the ETF's investment objective or investment strategies. The current risk rating for the ETF is: medium.

Risk ratings are determined based on the historical volatility of the ETF as measured by the standard deviation of its performance against its mean. The risk categorization of the ETF may change over time and historical volatility is not indicative of future volatility. Generally, a risk rating is assigned to the ETF based on a blend of the historical rolling 3-year and 5-year standard deviations of its return (or, generally, commencing with prospectus renewals after September 1, 2017, a rolling 10-year standard deviation), the return of an underlying index, or of an applicable proxy index. In cases where the Manager believes that this methodology produces a result that is not indicative of the ETF's future volatility, the risk rating may be determined by the ETF's category. Risk ratings are not intended for use as a substitute for undertaking a proper and complete suitability or financial assessment by an investment advisor.

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.**

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 contacting Horizons ETFs Management (Canada) Inc. directly via the contact information on the back page of this document.

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|--|---|
| <ul style="list-style-type: none"> • Stock market risk • Specific issuer risk • Legal and regulatory risk • Exchange traded funds risk • Reliance on historical data risk • Corresponding net asset value risk • Designated broker/dealer risk • Cease trading of securities risk • Exchange risk • Early closing risk • No assurance of meeting investment objective • Tax risk • Securities lending, repurchase and reverse repurchase transaction risk • Loss of limited liability • Reliance on key personnel • Distributions risk • Conflicts of interest • No ownership interest | <ul style="list-style-type: none"> • Market for units • Redemption price • Net asset value fluctuation • Restrictions on certain unitholders • Highly volatile markets • No guaranteed return • Derivatives and counterparty risk • Interest rate risk • Foreign currency risk • Emerging markets risk • Credit risk • Income trust investment risk • Foreign stock exchange risk • High yield bond risk and risk of other lower rated investments • Call risk • Risk of difference between quoted and actionable market price • Commodity price volatility risk |
|--|---|

Management Discussion of Fund Performance (continued)

Results of Operations

For the six-month period ended June 30, 2018, units of the ETF returned -1.65%. By comparison, a composite index comprised of 50% of the S&P Global 1200 Index (the "Equity Index") and 50% of the ICE Bank of America Merrill Lynch Global Broad Bond Index (the "Bond Index"), which returned 0.35% and -0.57%, respectively, posted a return of -0.11% for the same period, all figures presented on a total return basis in U.S. dollars.

The Equity Index provides efficient exposure to the global equity market, capturing approximately 70% of global market capitalization.

The Bond Index tracks the performance of investment grade debt publicly issued in the major domestic and eurobond markets, including sovereign, quasi-government, corporate, securitized and collateralized securities.

General Market Review

The first half of 2018 has been a stark contrast to 2017, with volatility returning to capital markets and intense swings among the main global asset classes. A pronounced rally in risk assets in the first three weeks of the year was followed by an intense market sell-off, hitting global equities and real-estate in particularly harsh fashion. As markets began to recover in early March, threats of a trade war between the U.S. and China began to surface with the announcement of new and increased tariffs on both sides of the Pacific. U.S. equities were also affected by a public opinion (and potential regulatory) backlash against the technology giants following a myriad of negative headlines relating to user-data leaks and concerns over their size and clout over the economy.

By the beginning of May, as the protectionist quarrel intensified, global investors flocked to U.S. asset-classes to the detriment of the rest of the world and led them to end the first half of the year in positive territory. Buoyed by strong economic data and the two interest-rates hikes by the U.S. Federal Reserve, the U.S. dollar rose by 2.6% versus a basket of global currencies, which accompanied a 45 basis points ("bps") rise in the yield on U.S. 10-year Treasury bonds. Intermediate, long-term and inflation-linked Treasury bonds were all down in these first six months of 2018.

Geopolitical turmoil has continued to expand. The surprising (and welcome) olive branch extended in the Korean peninsula notwithstanding, the rise of 'strongman' leaders and autocratic tendencies across several major countries has led some experts to draw parallels with the 1930s. The potential derailing of a nuclear agreement and further production cuts by the cartel of oil-producing countries drove crude oil up by almost 28%, while broad commodities rose more than 6%. Despite the rise in raw materials, the race towards the U.S. dollar took a toll on European, Pacific and especially emerging market equities.

Portfolio Review

As the ETF's investors are surely aware, its risk parity strategy is structured to equally allocate risk across its globally diverse asset-class universe, while using a trend factor to tilt the portfolio allocations to favor asset-classes that have been performing well and decrease the weights of those that are trending negatively. The defining factor experienced by global markets in this year's first half was the absence of any clear trend. Choppy markets, with intense price gyrations, pose a real challenge to trend-based strategies and have been the single greatest cause for the lackluster performance of the ETF so far this year.

Management Discussion of Fund Performance *(continued)*

Almost the entire asset-class universe of the ETF has provided small negative contributions to the portfolio. Emerging market bonds and U.S. equities were, respectively, the largest negative and positive highlights from an asset-class perspective. The ETF's U.S. dollar currency hedge once again served as an added layer of diversification (the Canadian dollar lost 4.3% versus the U.S. dollar during the period) and was the ETF's main instrument to soften the blow in this tough scenario.

Outlook

As we enter the second half of the year, the seasonal decrease in trading volumes during the summer months has the tendency to mask underlying trends. However, as investors readjust their expectations and portfolios to a new world order of protectionism and autocratic rulers in weakening democracies, investors are shifting from a "return on capital" mindset to one more focused on "return of capital". Global diversification and risk management remain the best defense against an ever more volatile scenario.

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

For the six-month period ended June 30, 2018, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of (\$327,339). This compares to \$1,325,637 for the six-month period ended June 30, 2017. The ETF incurred management, operating and transaction expenses of \$262,923 (2017 – \$215,689) of which \$38,020 (2017 – \$51,894) was either paid or absorbed by the Manager on behalf of the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.

The ETF did not make any distributions to unitholders during the periods ended June 30, 2018 and 2017.

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.

Recent Developments

There are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

Related Party Transactions

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

Manager, Trustee and Investment Manager

The manager, trustee and investment manager of the ETF is Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, a corporation incorporated under the laws of Ontario. Horizons Management is a member of the Mirae Asset Financial Group based in Seoul, South Korea.

Management Discussion of Fund Performance (continued)

If the ETF invests in other Horizons Management ETFs, Horizons Management may receive management fees in respect of the ETF's assets invested in such Horizons Management ETFs. In addition, any management fees paid to the Manager (described in detail on page 8) are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income in the attached financial statements of the ETF. The management fees payable by the ETF as at June 30, 2018, and December 31, 2017, are disclosed in the statements of financial position.

Other Related Parties

Prior to June 30, 2017, an affiliate of National Bank of Canada ("NBC") and National Bank Financial Inc. ("NBF") held an indirect minority interest in AlphaPro Management Inc. ("AlphaPro"), the former manager of the ETF and, at the time, a subsidiary of Horizons Management.

Effective June 30, 2017, Horizons Management acquired the minority interest of AlphaPro owned by the affiliate of NBC mentioned above and, as a result, became the sole shareholder of AlphaPro. Accordingly, as of June 30, 2017, NBC and NBF are no longer considered affiliates or related parties of the Manager.

Effective September 30, 2017, AlphaPro amalgamated with its parent company, Horizons Management, and now the amalgamated companies carry on business as Horizons ETFs Management (Canada) Inc.

For the period ended June 30, 2018, the ETF did not make any payments to related parties in broker commissions on portfolio transactions. For the period ended June 30, 2017, the ETF paid \$12,049 to NBF and/or its affiliates, which were, at that time, related parties.

Financial Highlights

The following tables show selected key financial information about the ETF and are intended to help you understand the ETF's financial performance since it effectively began operations on July 20, 2016. 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

Class E				
Period ⁽¹⁾		2018	2017	2016
Net assets, beginning of period	\$	10.37	9.48	10.00
Increase (decrease) from operations:				
Total revenue		0.08	0.20	0.11
Total expenses		(0.06)	(0.15)	(0.07)
Realized gains (losses) for the period		0.06	0.30	(0.38)
Unrealized gains (losses) for the period		(0.24)	0.53	(0.18)
Total increase (decrease) from operations ⁽²⁾		(0.16)	0.88	(0.52)
Distributions:				
From net investment income (excluding dividends)		–	(0.07)	(0.04)
From net realized capital gains		–	(0.02)	–
Total distributions ⁽³⁾		–	(0.09)	(0.04)
Net assets, end of period ⁽⁴⁾	\$	10.20	10.37	9.48

1. This information is derived from the ETF's unaudited interim financial statements as at June 30, 2018, and the audited annual financial statements as at December 31 of the years shown. The ETF effectively began operations on July 20, 2016. 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. The characteristics of distributions, if any, are determined subsequent to the end of the ETF's tax year. Until such time, distributions are classified as from net investment income (excluding dividends) for reporting purposes.
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

Class E				
Period ⁽¹⁾		2018	2017	2016
Total net asset value (000's)	\$	33,146	36,298	24,409
Number of units outstanding (000's)		3,250	3,500	2,575
Management expense ratio ⁽²⁾⁽⁵⁾		1.30%	1.27%	1.25%
Management expense ratio excluding proportion of expenses from underlying investment funds		1.00%	0.99%	0.99%
Management expense ratio before waivers and absorptions ⁽³⁾		1.51%	1.52%	1.80%
Trading expense ratio ⁽⁴⁾⁽⁵⁾		0.26%	0.18%	0.22%
Trading expense ratio excluding proportion of costs from underlying investment funds		0.19%	0.14%	0.17%
Portfolio turnover rate ⁽⁶⁾		161.11%	219.52%	89.71%
Net asset value per unit, end of period	\$	10.20	10.37	9.48
Closing market price	\$	10.20	10.38	9.53

1. The information for Class E units is provided as at June 30, 2018, and December 31 of the other years shown. 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 to the ETF as investment manager compensation, service fees and marketing.
3. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
4. The trading expense ratio represents total commissions and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
5. The ETF's management expense ratio (MER) and trading expense ratio (TER) include an estimated proportion of the MER and TER for any underlying investment funds held in the ETF's portfolio during the period.
6. The ETF's portfolio turnover rate indicates how actively its portfolio investments are traded. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of the year. Generally, the higher the ETF's portfolio turnover rate in a year, the greater the trading costs payable by the ETF in the year, and the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of the ETF.

Financial Highlights (continued)

Management Fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in units of the ETF; and dealing and communicating with unitholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.85%, plus applicable sales taxes, of the net asset value of the ETF's Class E units, calculated and accrued daily and payable monthly in arrears.

The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

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.

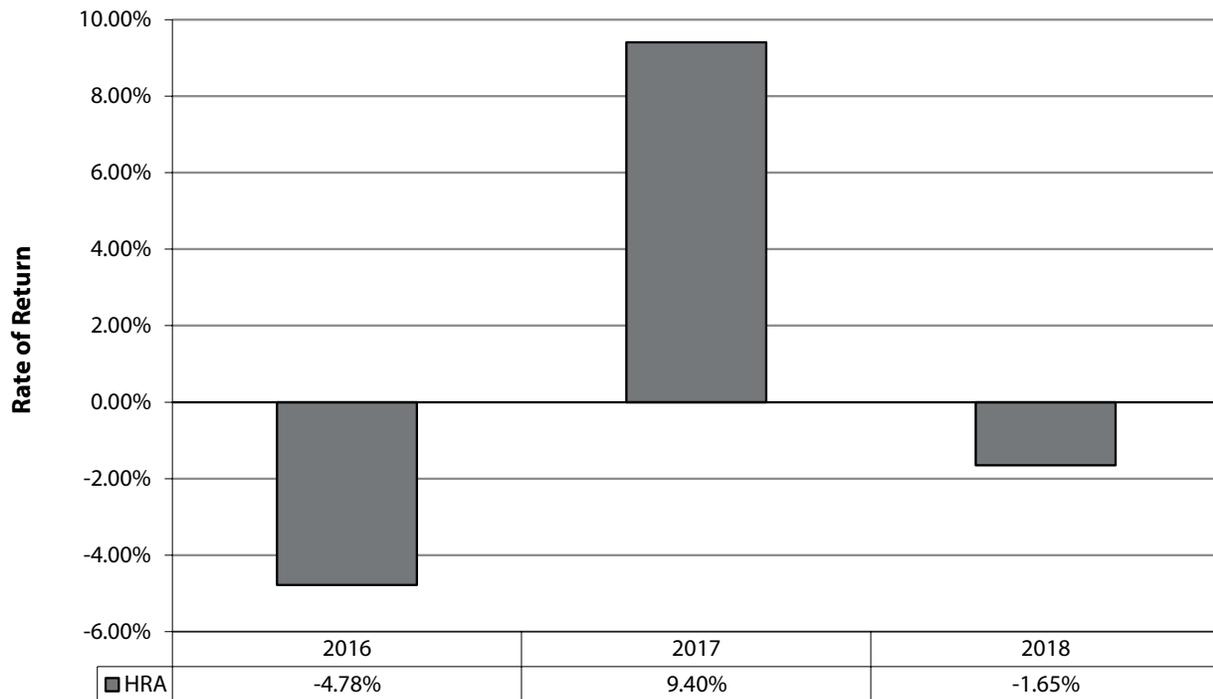
Marketing	Portfolio management fees, general administrative costs and profit	Waived/absorbed expenses of the ETF
6%	71%	23%

Past Performance

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

Year-by-Year Returns

The following chart presents the ETF's performance for its Class E units for the periods shown. In percentage terms, the chart shows how much an investment made on the first day of the financial period would have grown or decreased by the last day of the financial period.



The ETF effectively began operations on July 20, 2016.

Summary of Investment Portfolio

As at June 30, 2018

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
U.S. Fixed Income Securities	\$ 15,082,067	45.50%
Global Equities	7,139,505	21.54%
U.S. Equities	3,791,834	11.44%
Global Fixed Income Securities	3,524,528	10.63%
Commodity ETFs	2,648,360	7.99%
Canadian Equities	576,006	1.74%
Currency Forward Hedge*	(187,274)	-0.56%
Cash and Cash Equivalents	602,605	1.82%
Other Assets less Liabilities	(31,637)	-0.10%
	\$ 33,145,994	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
U.S. Broad Fixed Income	\$ 15,082,067	45.50%
Global Broad Equity	4,813,693	14.52%
Global Broad Fixed Income	3,524,528	10.63%
Materials	2,791,563	8.42%
Financials	2,325,812	7.02%
U.S. Broad Equity	2,259,334	6.82%
Energy	1,389,297	4.19%
Canadian Broad Equity	576,006	1.74%
Currency Forward Hedge*	(187,274)	-0.56%
Cash and Cash Equivalents	602,605	1.82%
Other Assets less Liabilities	(31,637)	-0.10%
	\$ 33,145,994	100.00%

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

Summary of Investment Portfolio (continued)

As at June 30, 2018

Top Holdings	% of ETF's Net Asset Value
Horizons US 7-10 Year Treasury Bond ETF	25.07%
PIMCO 15+ Year US TIPS Index ETF	11.40%
iShares 20+ Year Treasury Bond ETF	9.03%
Horizons Gold ETF	7.99%
SPDR® Bloomberg Barclays International Treasury Bond ETF	7.85%
SPDR® Dow Jones® Global Real Estate ETF	7.02%
Vanguard Total Stock Market ETF	6.82%
Horizons EURO STOXX 50® Index ETF	6.64%
Vanguard FTSE Pacific ETF	4.33%
Energy Select Sector SPDR® Fund	4.19%
Vanguard FTSE Emerging Markets ETF	2.78%
iShares J.P. Morgan USD Emerging Markets Bond ETF	2.78%
Cash and Cash Equivalents	1.82%
Horizons S&P/TSX 60™ Index ETF	1.74%
SPDR® S&P® Metals & Mining ETF	0.43%
iShares MSCI Australia ETF	0.42%
iShares MSCI Brazil ETF	0.29%
iShares MSCI South Africa Index ETF	0.06%

The summary of investment portfolio may change due to the ongoing portfolio transactions of the ETF. The most recent financial statements are available at no cost by calling 1-866-641-5739, by writing to us at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, 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 Global Risk Parity ETF (the "ETF") are the responsibility of the manager and 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, 2018 and December 31, 2017

	2018	2017
Assets		
Cash and cash equivalents	\$ 602,605	\$ 292,732
Investments	32,762,300	35,446,203
Amounts receivable relating to accrued income	29	7,901
Amounts receivable relating to portfolio assets sold	–	269,554
Derivative assets (note 3)	6,187	606,241
Total assets	33,371,121	36,622,631
Liabilities		
Accrued management fees	26,010	27,212
Accrued operating expenses	5,656	2,796
Amounts payable relating to securities redeemed	–	259,290
Derivative liabilities (note 3)	193,461	35,075
Total liabilities	225,127	324,373
Total net assets (note 2)	\$ 33,145,994	\$ 36,298,258
Number of redeemable units outstanding, Class E (note 8)	3,250,003	3,500,004
Total net assets per unit, Class E	\$ 10.20	\$ 10.37

(See accompanying notes to financial statements)

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



Steven J. Hawkins



Taeyong Lee

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2018	2017
Income		
Dividend income	\$ 235,750	\$ 175,737
Interest income for distribution purposes	247	–
Securities lending income (note 7)	51,160	–
Net realized gain on sale of investments and derivatives	185,471	287,386
Net realized gain on foreign exchange	29,948	31,747
Net change in unrealized appreciation (depreciation) of investments and derivatives	(829,916)	831,486
Net change in unrealized appreciation (depreciation) of foreign exchange	1	(719)
	(327,339)	1,325,637
Expenses		
Management fees (note 9)	165,865	123,556
Audit fees	6,333	6,429
Independent Review Committee fees	389	106
Custodial fees	3,726	873
Legal fees	–	21,229
Securityholder reporting costs	18,749	12,176
Administration fees	17,561	17,399
Transaction costs	33,525	14,284
Withholding taxes	16,501	19,605
Other expenses	274	32
	262,923	215,689
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(38,020)	(51,894)
	224,903	163,795
Increase (decrease) in net assets for the period	\$ (552,242)	\$ 1,161,842
Increase (decrease) in net assets per unit, Class E	\$ (0.16)	\$ 0.44

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2018	2017
Total net assets at the beginning of the period	\$ 36,298,258	\$ 24,409,146
Increase (decrease) in net assets	(552,242)	1,161,842
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	2,592,658	3,249,053
Aggregate amounts paid on redemption of securities of the investment fund	(5,192,680)	–
Securities issued on reinvestment of distributions	–	30
Total net assets at the end of the period	\$ 33,145,994	\$ 28,820,071

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2018	2017
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	\$ (552,242)	\$ 1,161,842
Adjustments for:		
Net realized gain on sale of investments and derivatives	(185,471)	(287,386)
Net realized loss on currency forward contracts	(149,043)	(350,405)
Net change in unrealized depreciation (appreciation) of investments and derivatives	829,916	(831,486)
Net change in unrealized depreciation of foreign exchange	–	800
Purchase of investments	(55,814,990)	(24,845,402)
Proceeds from the sale of investments	59,031,485	21,354,753
Amounts receivable relating to accrued income	7,872	8,493
Accrued expenses	1,658	1,575
Net cash from (used in) operating activities	3,169,185	(3,787,216)
Cash flows from financing activities:		
Amount received from the issuance of units	2,592,658	3,249,053
Amount paid on redemptions of units	(5,451,970)	–
Distributions paid to unitholders	–	(109,511)
Net cash from (used in) financing activities	(2,859,312)	3,139,542
Net increase (decrease) in cash and cash equivalents during the period	309,873	(647,674)
Effect of exchange rate fluctuations on cash and cash equivalents	–	(800)
Cash and cash equivalents at beginning of period	292,732	888,848
Cash and cash equivalents at end of period	\$ 602,605	\$ 240,374
Interest received, net of withholding taxes	\$ 247	\$ –
Dividends received, net of withholding taxes	\$ 227,121	\$ 164,625

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2018

Security	Shares/ Contracts	Average Cost	Fair Value
U.S. FIXED INCOME SECURITIES (45.50%)			
U.S. Broad Fixed Income (45.50%)			
Horizons US 7-10 Year Treasury Bond ETF	158,415	\$ 8,135,668	\$ 8,310,451
iShares 20+ Year Treasury Bond ETF	18,704	2,914,919	2,992,999
PIMCO 15+ Year US TIPS Index ETF	42,528	3,666,634	3,778,617
		14,717,221	15,082,067
TOTAL U.S. FIXED INCOME SECURITIES		14,717,221	15,082,067
GLOBAL EQUITIES (21.54%)			
Global Broad Equity (14.52%)			
Horizons EURO STOXX 50® Index ETF	71,242	2,190,152	2,200,665
iShares MSCI Australia ETF	4,687	137,494	139,256
iShares MSCI Brazil ETF	2,262	121,439	95,308
iShares MSCI South Africa Index ETF	295	25,321	22,323
Vanguard FTSE Emerging Markets ETF	16,627	956,642	921,781
Vanguard FTSE Pacific ETF	15,591	1,399,670	1,434,360
		4,830,718	4,813,693
Financials (7.02%)			
SPDR® Dow Jones® Global Real Estate ETF	36,773	2,227,018	2,325,812
TOTAL GLOBAL EQUITIES		7,057,736	7,139,505
U.S. EQUITIES (11.44%)			
U.S. Broad Equity (6.82%)			
Vanguard Total Stock Market ETF	12,238	2,127,030	2,259,334
Energy (4.19%)			
Energy Select Sector SPDR® Fund	13,916	1,292,427	1,389,297
Materials (0.43%)			
SPDR® S&P® Metals & Mining ETF	3,071	148,436	143,203
TOTAL U.S. EQUITIES		3,567,893	3,791,834

Schedule of Investments (unaudited) (continued)

As at June 30, 2018

Security	Shares/ Contracts	Average Cost	Fair Value
GLOBAL FIXED INCOME SECURITIES (10.63%)			
Global Broad Fixed Income (10.63%)			
iShares J.P. Morgan USD Emerging Markets Bond ETF	6,565	947,173	921,497
SPDR® Bloomberg Barclays International Treasury Bond ETF	71,352	2,592,147	2,603,031
		<u>3,539,320</u>	<u>3,524,528</u>
TOTAL GLOBAL FIXED INCOME SECURITIES		3,539,320	3,524,528
COMMODITY ETFs (7.99%)			
Materials (7.99%)			
Horizons Gold ETF	234,992	2,831,478	2,648,360
TOTAL COMMODITY ETFs		2,831,478	2,648,360
CANADIAN EQUITIES (1.74%)			
Canadian Broad Equity (1.74%)			
Horizons S&P/TSX 60™ Index ETF	16,862	557,055	576,006
TOTAL CANADIAN EQUITIES		557,055	576,006
DERIVATIVES (-0.56%)			
Currency Forwards (-0.56%)			
Currency forward contract to buy C\$14,850,187 for US\$11,440,000 maturing July 12, 2018		-	(187,274)
TOTAL DERIVATIVES		-	(187,274)
Transaction Costs		(8,206)	
TOTAL INVESTMENT PORTFOLIO (98.28%)		\$ 32,262,497	\$ 32,575,026
Cash and cash equivalents (1.82%)			602,605
Other assets less liabilities (-0.10%)			(31,637)
TOTAL NET ASSETS (100.00%)			\$ 33,145,994

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2018

1. REPORTING ENTITY

Horizons Global Risk Parity ETF (“HRA” 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 July 20, 2016. The address of the ETF’s registered office is: c/o Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

The ETF is offered for sale on a continuous basis by its prospectus in Class E units (“Class E”) which trade on the Toronto Stock Exchange (“TSX”) under the symbol HRA. An investor may buy or sell units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors are able to trade units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders and may incur customary brokerage commissions when buying or selling units.

The investment objective of HRA is to seek long term capital appreciation through the use of asset allocation. HRA primarily uses exchange traded products to gain exposure to a portfolio of global asset classes with a focus on the forecasted amount of risk that each investment contributes.

Horizons ETFs Management (Canada) Inc. is the manager, trustee and investment manager of the ETF (“Horizons Management”, the “Manager” or the “Investment Manager”). Prior to September 30, 2017, AlphaPro Management Inc. (“AlphaPro”), a wholly owned subsidiary of Horizons Management, acted as the manager and trustee of the ETF.

Effective September 30, 2017, AlphaPro amalgamated with Horizons Management (the “Amalgamation”). Post-Amalgamation, the duties of manager and trustee for the ETF previously performed by AlphaPro were assumed by Horizons Management, in addition to its role as investment manager for the ETF. There was no change to the to the ETF’s investment objectives and strategies as result of the Amalgamation, nor to the day-to-day management of the ETF.

The Investment Manager is responsible for implementing the ETF’s investment strategies and for engaging the services of ReSolve Asset Management Inc. (“ReSolve Asset” or the “Sub-Advisor”), to act as the sub-advisor to the ETF. The Manager is a member of the Mirae Asset Financial Group (“Mirae Asset”).

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

These financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). 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 15, 2018, 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

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***

For fiscal years beginning January 1, 2018, IFRS 9, Financial Instruments ("IFRS 9") has replaced International Accounting Standard 39, Financial Instruments – Recognition and Measurement ("IAS 39"). IFRS 9 introduces new classification and measurement requirements for financial instruments, including impairment on financial assets and hedge accounting.

This 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. The standard includes three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income, and fair value through profit and loss ("FVTPL"). It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale. IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities

There were no changes to the measurement basis of the ETF's financial instruments as a result of adopting IFRS 9, and consequently, there was no impact to net assets.

Financial assets and financial liabilities at 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 mandatorily classified at fair value through profit or loss: debt securities, equity investments and derivative financial instruments
- Financial assets at amortized cost: All other financial assets are classified as loans and receivables
- Financial liabilities mandatorily classified at fair value through profit or loss: derivative financial instruments and securities sold short, if any
- 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

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

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 6.

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

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

(iii) Offsetting

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

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

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

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

Forward foreign exchange contracts

Forward foreign exchange contracts, if any, are valued at the current market value thereof on the Valuation Date. The value of these forward contracts is the gain or loss that would be realized if, on the Valuation Date, the positions were to be closed out and recorded as derivative assets and/or liabilities in the statements of financial position and as a net change in unrealized appreciation (depreciation) of investments and derivatives in the statements of comprehensive income. When the forward contracts are closed out or mature, realized gains or losses on forward contracts are recognized and are included in the statements of comprehensive income in net realized gain (loss) on sale of investments and derivatives. The Canadian dollar value of forward foreign exchange contracts is determined using forward currency exchange rates supplied by an independent service provider.

Redeemable units

The redeemable units 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

(b) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments represents the coupon interest received by the ETF accounted for on an accrual basis. The ETF does not amortize premiums paid or discounts received on the purchase of fixed income securities. The ETF does not use the effective interest method. Dividend income is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs 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 7).

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 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 by class in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations attributable to each class divided by the weighted average number of units of that class outstanding during the reporting period. Income, expenses other than management fees, and realized and unrealized capital gains (losses) are distributed amongst the different classes of units in proportion to the amount invested in them. For management fees please refer to note 9.

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

(f) Unitholder transactions

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

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

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

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

Net assets attributable to holders of redeemable units per unit is calculated for each class of units of the ETF by taking the respective class' proportionate share of the ETF's net assets attributable to holders of redeemable units and dividing by the number of units of that class outstanding on the Valuation Date.

(i) Transaction costs

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of an investment, which include fees and commissions paid to agents, advisors, brokers and dealers, 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.

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 6 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

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

(a) Market risk

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

(i) Currency risk

Currency risk is the risk that financial instruments which are denominated in currencies other than the ETF's reporting currency, the Canadian dollar, will fluctuate due to changes in exchange rates and adversely impact the ETF's income, cash flows or fair values of its investment holdings. The ETF may reduce its foreign currency exposure through the use of derivative arrangements such as foreign exchange forward contracts or futures contracts. The following tables indicate the foreign currencies to which the ETF had significant exposure as at June 30, 2018, and December 31, 2017, in Canadian dollar terms and the potential impact on the ETF's net assets (including the underlying principal amount of future or forward currency contracts, if any), as a result of a 1% change in these currencies relative to the Canadian dollar:

June 30, 2018	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Euro Currency	3,437	–	3,437	34
Japanese Yen	1,679	–	1,679	17
U.S. Dollar	22,056	(15,037)	7,019	70
Other Currencies*	2,908	–	2,908	29
Total	30,080	(15,037)	15,043	150
As % of Net Asset Value	90.8%	-45.4%	45.4%	0.5%

December 31, 2017	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Euro Currency	8,249	–	8,249	82
Japanese Yen	2,768	–	2,768	28
U.S. Dollar	18,467	(26,871)	(8,404)	(84)
Other Currencies*	4,706	–	4,706	47
Total	34,190	(26,871)	7,319	73
As % of Net Asset Value	94.2%	-74.0%	20.2%	0.2%

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

* The ETF has exposure to several other foreign currencies through its portfolio holdings, none of which represent more than 5% of the ETF's net assets. A 1% increase or decrease in any one those currencies relative to the Canadian dollar would have an immaterial impact on the ETF.

(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.

The following table summarizes the ETF's exposure to interest rate risk, including the ETF's assets categorized by the remaining term to maturity:

Investments	Less than 1 year	1 - 3 years	3 - 5 years	> 5 years	Non-interest bearing	Total
As at	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)	(\$000's)
June 30, 2018	30	589	595	17,405	–	18,619
December 31, 2017	134	1,302	1,204	10,739	–	13,379

The percentage of the ETF's net assets exposed to interest rate risk as at June 30, 2018, was 56.2% (December 31, 2017 – 36.9%). The amount by which the net assets of the ETF would have increased or decreased, as at June 30, 2018, had the prevailing interest rates been lowered or raised by 1%, assuming a parallel shift in the yield curve, with all other variables remaining constant, was \$2,271,698 (December 31, 2017 – \$1,423,468). The ETF's interest rate sensitivity was determined based on portfolio weighted duration. In practice, actual results may differ from this sensitivity analysis.

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Manager has imposed internal risk management controls on the ETF which are intended to limit the loss on its trading activities.

The table below shows the estimated impact on the ETF of a 1% increase or decrease in a broad-based market index, based on historical correlation, with all other factors remaining constant, as at the dates shown. In practice, actual results may differ from this sensitivity analysis and the difference could be material. The historical correlation may not be representative of future correlation.

Comparative Index	June 30, 2018	December 31, 2017
S&P Global 1200	\$209,031	\$224,486

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

(b) Credit risk

Credit risk on financial instruments is the risk of a financial loss occurring as a result of the default of a counterparty on its obligation to the ETF. It arises principally from debt securities held, and also from derivative financial assets, cash and cash equivalents, and other receivables. The ETF's maximum credit risk exposure as at the reporting date is represented by the respective carrying amounts of the financial assets in the statements of financial position. The ETF's credit risk policy is to minimise its exposure to counterparties with perceived higher risk of default by dealing only with counterparties that meet the credit standards set out in the ETF's prospectus and by taking collateral.

Analysis of credit quality

The ETF's credit risk exposure by designated rating of the invested portfolio as at June 30, 2018, and December 31, 2017, is listed as follows:

Debt, Preferred or Derivative Securities by Credit Rating	Percentage of Net Asset Value (%)	
	June 30, 2018	December 31, 2017
AAA	47.3%	21.4%
AA	2.1%	2.9%
A	2.9%	4.9%
BBB	2.3%	4.1%
BB	0.7%	2.4%
B	0.7%	1.1%
CCC	–	0.1%
Unrated	0.2%	–
Total	56.2%	36.9%

Designated ratings are obtained by Standard & Poor's, Moody's and/or Dominion Bond Rating Services. Where more than one rating is obtained for a security, the lowest rating has been used. Credit risk is managed by dealing with counterparties the ETF believes to be creditworthy and by regular monitoring of credit exposures. The maximum exposure to any one debt issuer as of June 30, 2018, was 34.1% (December 31, 2017 – 13.7%) of the net assets of the ETF.

(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. All financial liabilities are generally due within 90 days. 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

6. FAIR VALUE MEASUREMENT

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

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

Changes in valuation methods may result in transfers into or out of an investment's assigned level. The following is a summary of the inputs used as at June 30, 2018, and December 31, 2017, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2018			December 31, 2017		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Exchange Traded Funds	32,762,300	–	–	35,446,203	–	–
Currency Forward Contracts	–	6,187	–	–	606,241	–
Total Financial Assets	32,762,300	6,187	–	35,446,203	606,241	–
Financial Liabilities						
Currency Forward Contracts	–	(193,461)	–	–	(35,075)	–
Total Financial Liabilities	–	(193,461)	–	–	(35,075)	–
Net Financial Assets and Liabilities	32,762,300	(187,274)	–	35,446,203	571,166	–

There were no significant transfers made between Levels 1 and 2 as a result of changes in the availability of quoted market prices or observable market inputs during the period or year shown. In addition, there were no investments or transactions classified in Level 3 for the period ended June 30, 2018, and for the year ended December 31, 2017.

7. 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

The aggregate closing market value of securities loaned and collateral received as at June 30, 2018, and December 31, 2017, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2018	\$5,362,627	\$5,639,211
December 31, 2017	\$11,228,085	\$11,817,791

Collateral may comprise, but is not limited to, cash and obligations of or guaranteed by the Government of Canada or a province thereof; by the United States government or its agencies; by some sovereign states; by permitted supranational agencies; and short-term debt of Canadian financial institutions, if, in each case, the evidence of indebtedness has a designated rating as defined by NI 81-102.

The table below presents a reconciliation of the securities lending income as presented in the statements of comprehensive income for the periods ended June 30, 2018 and 2017. It shows the gross amount of securities lending revenues generated from the securities lending transactions of the ETF, less any taxes withheld and amounts earned by parties entitled to receive payments out of the gross amount as part of any securities lending agreements.

For the periods ended	June 30, 2018	% of Gross Income	June 30, 2017	% of Gross Income
Gross securities lending income	\$89,274		–	
Withholding taxes	(16,191)	18.14%	–	–
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(21,923)	24.55%	–	–
Net securities lending income paid to the ETF	\$51,160	57.31%	–	–

8. REDEEMABLE UNITS

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

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.

Subject to regulatory and other necessary third party approvals, a stock exchange sponsored execution program may become available which would allow investors to purchase and sell Class E units of the ETF based on transaction prices calculated as at the end-of-day net asset value, plus any fee payable to the investor's dealer for the dealer's facilitation of the purchase or sale. The Manager will issue a news release announcing the details of any such stock exchange sponsored execution program.

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

The ETF is required to distribute any net income and capital gains that it has earned in the year. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and these distributions are either paid in cash or reinvested by unitholders into additional units of the ETF. Net realized capital gains, if any, are typically distributed in December of each year to unitholders. The annual capital gains distributions are not paid in cash but rather, are reinvested and reported as taxable distributions and used to increase each unitholder's adjusted cost base for the ETF. Distributions paid to holders of redeemable units are recognized in the statements of changes in financial position.

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

For the periods ended June 30, 2018 and 2017, the number of units issued by subscription and/or distribution reinvestment, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2018	3,500,004	250,000	(500,001)	3,250,003	3,425,971
2017	2,575,001	325,003	–	2,900,004	2,674,175

9. EXPENSES

Management fees

The Manager provides, or oversees the provision of, administrative services required by the ETF including, but not limited to: negotiating contracts with certain third-party service providers, such as portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing reports to unitholders and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in units of

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June 30, 2018

the ETF; and dealing and communicating with unitholders of the ETF. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategies of the ETF to ensure that the ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

In consideration for the provision of these services, the Manager receives a monthly management fee at the annual rate of 0.85%, plus applicable sales taxes, of the net asset value of the ETF's Class E units, calculated and accrued daily and payable monthly in arrears. The Sub-Advisor is compensated for its services out of the management fees without any further cost to the ETF. Any expenses of the ETF which are waived or absorbed by the Manager are paid out of the management fees received by the Manager.

Other expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; 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 of the Independent Review Committee; income taxes; sales taxes; brokerage expenses and commissions; and withholding taxes.

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

10. BROKER COMMISSIONS, SOFT DOLLARS AND RELATED PARTY TRANSACTIONS

Prior to June 30, 2017, an affiliate of National Bank of Canada ("NBC") and National Bank Financial Inc. ("NBF") held an indirect minority interest in AlphaPro. NBF acted as a designated broker, an underwriter and/or a registered trader (market maker). NBC, NBF and its affiliates may, at present or in the future, engage in business with the ETF, the issuers of securities making up the investment portfolio of the ETF, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, executing brokerage transactions, entering into derivative transactions or providing advisory or agency services.

Effective June 30, 2017, Horizons Management acquired the minority interest of AlphaPro owned by an affiliate of NBC and as a result, became the sole shareholder of AlphaPro. Accordingly, NBC and NBF are no longer considered affiliates or related parties of Horizons Management and, prior to the Amalgamation, AlphaPro.

Brokerage commissions paid on securities transactions may include amounts paid to related parties of the Manager for brokerage services provided to the ETF.

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

Total brokerage commissions paid to dealers in connection with investment portfolio transactions, soft dollar transactions incurred and amounts paid to related parties of the Manager for the periods ended June 30, 2018 and 2017, were as follows:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2018	\$27,200	\$nil	\$nil
June 30, 2017	\$12,049	\$nil	\$12,049

In addition to the information contained in the table above, the management fees paid to the Manager described in note 9 are related party transactions, as the Manager is considered to be a related party to the ETF. Fees paid to the Independent Review Committee are also considered to be related party transactions. Both the management fees and fees paid to the Independent Review Committee are disclosed in the statements of comprehensive income. The management fees payable by the ETF as at June 30, 2018, and December 31, 2017, are disclosed in the statements of financial position.

The ETF may invest in other ETFs managed by the Manager or its affiliates, in accordance with the ETF's investment objectives and strategies. Such investments, if any, are disclosed in the schedule of investments.

11. INCOME TAX

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

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, 2017, 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
\$7,744	–	–

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

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. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2018, and December 31, 2017. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off.

Financial Assets and Liabilities as at June 30, 2018	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	6,187	–	6,187	(6,187)	–	–
Derivative liabilities	(193,461)	–	(193,461)	6,187	–	(187,274)

Financial Assets and Liabilities as at December 31, 2017	Amounts Offset (\$)			Amounts Not Offset (\$)		Net (\$)
	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	606,241	–	606,241	(35,075)	–	571,166
Derivative liabilities	(35,075)	–	(35,075)	35,075	–	–

14. INTERESTS IN SUBSIDIARIES, ASSOCIATES AND UNCONSOLIDATED STRUCTURED ENTITIES

The ETF may invest in units of other ETFs as part of its investment strategies ("Investee ETF(s)"). The nature and purpose of these Investee ETFs generally, is to manage assets on behalf of third party investors in accordance with their investment objectives, and are financed through the issue of units to investors.

In determining whether the ETF has control or significant influence over an Investee ETF, the ETF assesses voting rights, the exposure to variable returns, and its ability to use the voting rights to affect the amount of the returns. In instances where the ETF has control over an Investee ETF, the ETF qualifies as an investment entity under IFRS 10 - *Consolidated Financial Statements*, and therefore accounts for investments it controls at fair value through profit and loss. The ETF's primary purpose is defined by its investment objectives and uses the investment strategies available to it as defined in the ETF's prospectus to meet those objectives. The ETF also measures and evaluates the performance of any Investee ETFs on a fair value basis.

Investee ETFs over which the ETF has control or significant influence are categorized as subsidiaries and associates, respectively. All other Investee ETFs are categorized as unconsolidated structured entities. Investee ETFs may be managed by the Manager, its affiliates, or by third-party managers.

Investments in Investee ETFs are susceptible to market price risk arising from uncertainty about future values of those Investee ETFs. The maximum exposure to loss from interests in Investee ETFs is equal to the total fair value of the investment in those respective Investee ETFs at any given point in time. The fair value of Investee ETFs, if any, are disclosed in

Notes to Financial Statements (unaudited) (continued)

June 30, 2018

investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2018, and December 31, 2017, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at June 30, 2018	Place of Business	Type	Ownership %	Carrying Amount
Horizons US 7-10 Year Treasury Bond ETF	Canada	Assc	39.21%	\$8,310,451
PIMCO 15+ Year U.S. TIPS Index ETF	U.S.	SE	1.13%	\$3,778,617
iShares 20+ Year Treasury Bond ETF	U.S.	SE	0.03%	\$2,992,999
Horizons Gold ETF	Canada	SE	13.40%	\$2,648,360
SPDR® Bloomberg Barclays International Treasury Bond ETF	U.S.	SE	0.13%	\$2,603,031
SPDR® Dow Jones® Global Real Estate ETF	U.S.	SE	0.08%	\$2,325,812
Vanguard Total Stock Market ETF	U.S.	SE	0.00%	\$2,259,334
Horizons EURO STOXX 50® Index ETF	Canada	SE	2.33%	\$2,200,665

Investee ETF as at December 31, 2017	Place of Business	Type	Ownership %	Carrying Amount
iShares International Treasury Bond ETF	U.S.	SE	0.55%	\$5,958,310
Vanguard Emerging Markets Government Bond ETF	U.S.	SE	0.32%	\$3,969,509
Vanguard Total Stock Market ETF	U.S.	SE	0.00%	\$3,711,026
Horizons EURO STOXX 50® Index ETF	Canada	SE	3.32%	\$3,102,694
PIMCO 15+ Year U.S. TIPS Index ETF	U.S.	SE	0.89%	\$2,766,433
Vanguard FTSE Pacific ETF	U.S.	SE	0.04%	\$2,455,090
iShares 7-10 Year Treasury Bond ETF	U.S.	SE	0.02%	\$2,428,437
SPDR® Gold Trust	U.S.	SE	0.00%	\$2,126,272
Energy Select Sector SPDR® Fund	U.S.	SE	0.01%	\$2,105,038
Vanguard Global ex-U.S. Real Estate ETF	U.S.	SE	0.03%	\$1,929,731
Vanguard Extended Duration Treasury ETF	U.S.	SE	0.24%	\$1,870,791
Vanguard FTSE Emerging Markets ETF	U.S.	SE	0.00%	\$1,827,351

15. COMPARATIVE FINANCIAL STATEMENTS

Certain information in the comparative financial statements and/or notes to the financial statements for 2017 has been reclassified to conform to the financial statement presentation adopted for 2018.

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