



Horizons Active Emerging Markets Dividend ETF
(HAJ:TSX)



HORIZONS ETFs
by Mirae Asset

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Interim Letter from the President and CEO:

The first six months of 2019 has been a very exciting period for both Horizons ETFs and the Canadian ETF industry. The industry now exceeds \$181 billion in assets under management (“AUM”) across more than 800 ETF listings. Meanwhile, we launched seven new ETFs in the first half of the year, giving us a total of 90 different investment tools available for our clients. Our AUM continues to grow as well, now exceeding \$10 billion.

In 2019, we have continued to focus on expanding our lineup of marijuana-focused ETFs to give investors more ways to access this exciting, burgeoning sector. To complement our existing cannabis ETFs – the Horizons Marijuana Life Sciences Index ETF (“HMMJ”), the world’s first and largest marijuana ETF, and the Horizons Emerging Marijuana Growers Index ETF (“HMJR”), Canada’s first small-cap marijuana ETF – we introduced three additional cannabis funds. In April, we brought to market the world’s first U.S.-focused marijuana index ETF – the Horizons US Marijuana Index ETF (“HMUS”); and in May, we launched the world’s first leveraged and inverse marijuana ETFs – the BetaPro Marijuana Companies 2x Daily Bull ETF (“HMJU”) and the BetaPro Marijuana Companies Inverse ETF (“HMJI”).

Horizons ETFs is continuing to innovate in areas outside of the Cannabis space. In May, we unveiled Canada’s first uranium ETF – the Horizons Global Uranium Index ETF (“HURA”). In addition, we expanded our suite of Total Return Index ETFs to 15 with the launch of the Horizons Equal Weight Canada REIT Index ETF (“HCRE”), Horizons Laddered Canadian Preferred Share Index ETF (“HLPR”) and Horizons Equal Weight Canada Banks Index ETF (“HEWB”).

Despite any direction that markets or interest rates take, we have ETF solutions that allow investors of all types to customize their portfolio exposure. For information on all our strategies, please visit our website at www.HorizonsETFs.com where we offer a range of resources designed to help you become a more educated ETF investor.

Thank you for your continued support and wishing you strong returns for the remainder of 2019 and beyond.



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

MANAGEMENT REPORT OF FUND PERFORMANCE

This interim management report of fund performance for Horizons Active Emerging Markets Dividend ETF (“HAJ” 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, 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 HAJ is to seek long-term returns consisting of regular dividend income and modest long-term capital growth. HAJ invests primarily in equity and equity related securities of companies with operations in emerging market economies.

To achieve HAJ’s investment objectives, the ETF’s sub-advisor, Guardian Capital LP (“Guardian Capital” or the “Sub-Advisor”), selects high quality dividend paying companies from different sectors located, or with a significant presence, in emerging economies, which in its view, demonstrate the potential for growth and consistent dividends. The portfolio investments are diversified among countries with emerging economies which offer the prospect of higher returns and faster economic growth measured through gross domestic product (“GDP”). HAJ may hedge some or all of its non-Canadian dollar currency exposure at the discretion of the Sub-Advisor.

To achieve its investment objective, the Sub-Advisor primarily invests in equity securities listed on North American exchanges including American Deposit Receipts (“ADRs”) and may also from time to time invest in preferred and fixed-income securities such as government bonds, corporate bonds or treasury bills. The Sub-Advisor may sell short equity securities it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

Please refer to the ETF’s most recent prospectus for a complete description of HAJ’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 rolling 10-year standard deviation of its returns, the return of an underlying index, or of an applicable proxy. 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 | <ul style="list-style-type: none"> • Distributions risk • Conflicts of interest • No ownership interest • Market for units • Redemption price • Net asset value fluctuation • Restrictions on certain unitholders • Highly volatile markets • No guaranteed return • Derivatives and counterparty risk • Foreign currency risk • Emerging markets risk • Leveraged ETFs risk • Foreign stock exchange risk • Short selling risk |
|--|--|

Results of Operations

For the six-month period ended June 30, 2019, units of the ETF returned 2.80%, when including distributions paid to unitholders. By comparison, the MSCI Emerging Markets Index (the "Index") and the BNY Mellon Emerging Markets 50 ADR Index returned 6.28% and 7.35%, respectively, for the same period in Canadian dollar terms (10.59% and 11.70%, respectively, in U.S. dollars), both on a total return basis.

Management Discussion of Fund Performance (continued)

The MSCI Emerging Markets Index captures large- and mid-cap representation across 23 Emerging Markets (“EM”) countries. With 838 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country.

The BNY Mellon Emerging Markets ADR Index is capitalization-weighted and designed to track the performance of approximately 50 EM-based American Depository Receipts (ADRs).

General Market Review

For the first half of the year, equities outperformed bonds on the back of a very strong first quarter for the S&P 500[®]. However, the bond market rebounded in the second quarter to outperform stocks as the prospects for lower short-term rates and slower growth pushed the U.S. 10-year Treasury bond yield down to 2%, a 33-month low. Overall, the U.S. markets have outperformed international equities as the MSCI EAFE and Emerging Market indices both trailed the S&P 500[®] and NASDAQ-100[®] indices in the first half of the year. However, in the second quarter the top performing asset class was gold bullion, which rose to a six-year high. At the other end of the spectrum, commodities were the weakest asset class in the second quarter as the S&P GSCI, a benchmark for investment in the commodity markets, declined during this period, dragged down by crude oil.

For the first half of the year, the Consumer Discretionary, Real Estate Investment Trusts (“REITs”) and Energy sectors were the top three performing sectors in the Index. Health Care was the worst performing sector in the Index during the period and the only sector with negative performance, as political risk concerns hung over the segment.

Geographically, Argentina and Russia were the top two performing countries in the Index during the period. So far in 2019, emerging market performance has lagged that of developed markets. By comparison to the Index, the MSCI World Index returned 12.42% for the period in Canadian dollar terms, on a total return basis.

Portfolio Review

The ETF’s portfolio underperformed in six of the Index’s ten sectors, namely Materials, Telecommunication Services, Energy, Consumer Staples, Consumer Discretionary and Information Technology. The ETF’s positions in the Financial, Industrials, Utilities and Health Care sectors outperformed relative to the benchmark.

All five of the ETF’s holdings in the Materials sector had negative returns for the period, contributing to that sector’s underperformance versus the Index. Ultrapar Participações was not only the worst performing holding in the Energy sector, but also for the ETF’s overall portfolio relative to the Index.

Brazilian Utilities sector holding Companhia de Saneamento Basico do Estado de Sao Paulo was the top performing portfolio holding for the sector and the portfolio overall. Strong positive security selection in Financials led to positive relative performance. Individual holdings HDFC Bank Ltd. and ICICI Bank Ltd. were among the top contributors for the sector and portfolio overall.

Underweighting the positive performing Consumer Discretionary sector relative to the Index contributed to negative relative performance. Underperformance in the Telecommunication Services sector relative to the Index was caused by both negative allocation effect - where the ETF was overweight in this negatively performing sector – and negative stock selection effect from underperforming positions in SK Telecom Co. Ltd., KT Corp. and Chunghwa Telecom Co. Ltd.

Management Discussion of Fund Performance (continued)

At this stage, Guardian Capital's research shows yield sustainability is of primary importance. We see less opportunity sets within high yielding companies that can sustain high payouts. We continue to immunize the portfolio against economic uncertainties and greater systemic risk. This is especially true in Europe and Asia. Combined with the ongoing threats of the U.S. and China tariff wars, we fully expect uncertainty to cloud visibility in the coming months during earnings season.

As a result of Guardian Capital's outlook on the economic backdrop and valuations, our core view on uses of cash investment recommendations are to own stocks that deploy cash in a shareholder friendly way. In these markets, we will continue to look for companies with defensive and quality growth characteristics that have dividend growth but with a low probability of dividend cuts. The decision to increase exposure to stocks with dividend growth rather than simply dividend yield over the past few years has proven beneficial to the ETF's performance. Aiding in these decisions has been Guardian Capital's machine learning model that helps identify stocks for investment, and those to avoid, using their Dividend Growth Forecasting and Dividend Cut Prediction tools.

Outlook

Despite the increasingly negative narrative that seems to be dominating the discussion of the macroeconomic backdrop, the global expansion continues to roll on and is on the cusp of surpassing the run through the 1990s to early 2000s for the longest stretch of economic growth since at least the turn of the last century.

Sentiment has indeed weakened amid persistent uncertainty over the outlook, but real activity data continues to point towards sustained growth as strong labour markets globally underpin consumer demand. That said, the slowing in the pace of growth globally has raised concern that the elongated cycle could fizzle out soon. A moderation in growth at this stage of the game is to be expected given that the available resources required to drive above-trend growth are in increasingly low supply. There are heightened risks to this outlook. It would not be unexpected to see continued volatility in financial markets as the likelihood of worst-case scenarios materializing ebbs and flows with the stream of media headlines.

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

For the six-month period ended June 30, 2019, the ETF generated gross comprehensive income (loss) from investments and derivatives (which includes changes in the fair value of the ETF's portfolio) of \$434,669. This compares to \$108,000 for the six-month period ended June 30, 2018. The ETF incurred management, operating and transaction expenses of \$131,055 (2018 – \$210,857) of which \$45,251 (2018 – \$38,823) 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 distributed \$115,828 to unitholders during the period (2018 – \$139,263).

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.

Management Discussion of Fund Performance (continued)

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.

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, 2019, and December 31, 2018, are disclosed in the statements of financial position.

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 for the current interim reporting period and for the past five fiscal years. 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

<i>Period</i> ⁽¹⁾		2019	2018	2017	2016	2015	2014
Net assets, beginning of period	\$	12.62	13.62	11.97	11.94	11.66	11.11
Increase (decrease) from operations:							
Total revenue		0.24	0.46	0.39	0.39	0.42	0.35
Total expenses		(0.08)	(0.22)	(0.18)	(0.17)	(0.17)	(0.16)
Realized gains (losses) for the period		(0.04)	1.32	0.24	(0.13)	0.11	0.74
Unrealized gains (losses) for the period		0.23	(1.79)	1.28	(0.06)	0.22	(0.70)
Total increase (decrease) from operations ⁽²⁾		0.35	(0.23)	1.73	0.03	0.58	0.23
Distributions:							
From net investment income (excluding dividends)		(0.11)	(0.35)	(0.17)	(0.18)	(0.25)	(0.21)
From net realized capital gains		–	–	(0.01)	–	–	(0.06)
From return of capital		–	–	(0.06)	(0.06)	(0.03)	–
Total distributions ⁽³⁾		(0.11)	(0.35)	(0.24)	(0.24)	(0.28)	(0.27)
Net assets, end of period ⁽⁴⁾	\$	12.86	12.62	13.62	11.97	11.94	11.66

1. This information is derived from the ETF's unaudited interim financial statements and audited annual financial statements.
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

<i>Period</i> ⁽¹⁾		2019	2018	2017	2016	2015	2014
Total net asset value (000's)	\$	13,158	12,282	34,414	25,455	4,781	5,249
Number of units outstanding (000's)		1,024	973	2,526	2,127	400	450
Management expense ratio ⁽²⁾⁽⁵⁾		0.80%	0.95%	0.94%	0.92%	0.90%	0.91%
Management expense ratio excluding proportion of expenses from underlying investment funds		0.78%	0.94%	0.94%	0.92%	0.90%	0.91%
Management expense ratio before waivers and absorptions ⁽³⁾		1.50%	1.33%	1.16%	1.44%	2.14%	2.16%
Trading expense ratio ⁽⁴⁾⁽⁵⁾		0.17%	0.19%	0.06%	0.14%	0.01%	0.14%
Trading expense ratio excluding proportion of costs from underlying investment funds		0.17%	0.19%	0.06%	0.14%	0.01%	0.14%
Portfolio turnover rate ⁽⁶⁾		55.65%	59.97%	29.65%	14.48%	11.01%	87.53%
Net asset value per unit, end of period	\$	12.86	12.62	13.62	11.97	11.94	11.66
Closing market price	\$	12.83	12.64	13.63	11.98	11.98	11.70

1. This information is provided as at June 30, 2019, and December 31 of the other years shown.
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 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 0.65%, plus applicable sales taxes, of the net asset value of the ETF's 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.

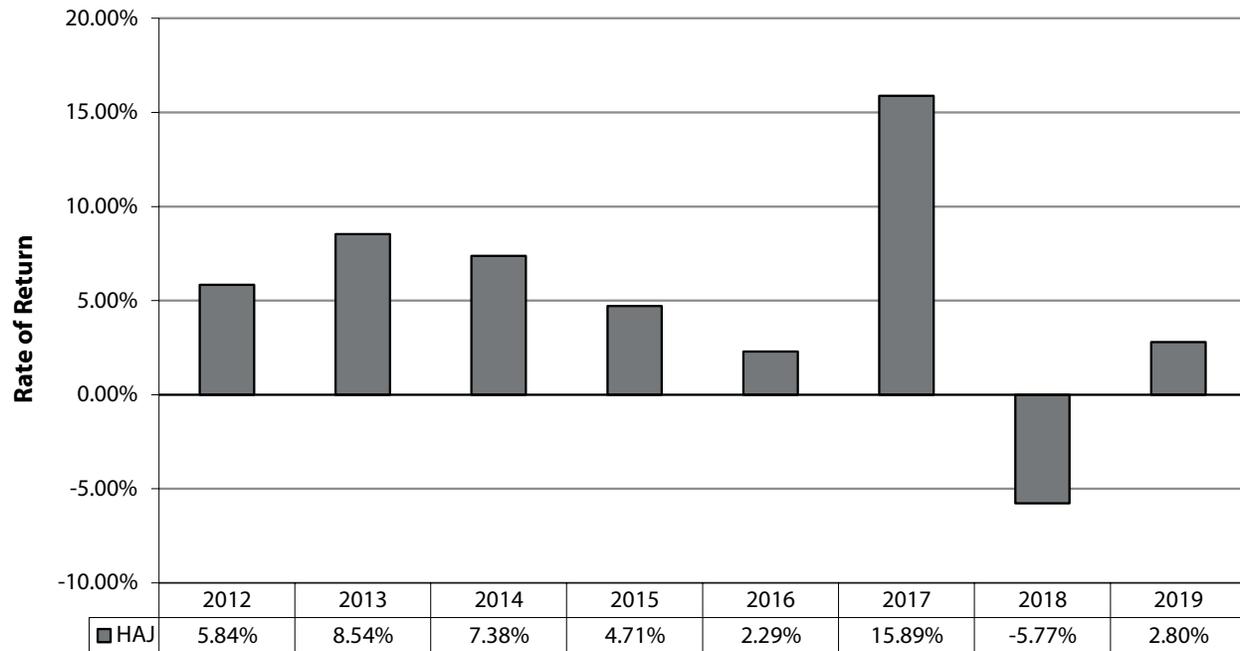
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

Past Performance

Commissions, trailing 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 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, 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 ETF's 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 the financial period would have grown or decreased by the last day of the financial period.



The ETF effectively began operations on October 10, 2012.

Summary of Investment Portfolio

As at June 30, 2019

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
India Equities	\$ 2,843,984	21.61%
Mexico Equities	2,725,080	20.71%
Brazil Equities	2,655,398	20.18%
Chile Equities	1,069,549	8.13%
Taiwan Equities	1,018,031	7.74%
U.S. Equities	680,336	5.17%
Hong Kong Equities	556,143	4.23%
China Equities	398,248	3.03%
Indonesia Equities	391,528	2.97%
South Korea Equities	368,290	2.80%
Cash and Cash Equivalents	406,213	3.09%
Other Assets less Liabilities	45,264	0.34%
	\$ 13,158,064	100.00%

Sector Mix	Net Asset Value	% of ETF's Net Asset Value
Financials	\$ 2,477,233	18.82%
Information Technology	1,988,774	15.12%
Communication Services	1,814,615	13.78%
Consumer Staples	1,519,421	11.55%
Industrials	1,438,027	10.93%
Utilities	1,294,228	9.84%
Energy	1,113,964	8.47%
Consumer Discretionary	680,336	5.17%
Health Care	379,989	2.89%
Cash and Cash Equivalents	406,213	3.09%
Other Assets less Liabilities	45,264	0.34%
	\$ 13,158,064	100.00%

Summary of Investment Portfolio (continued)

As at June 30, 2019

Top 25 Holdings	% of ETF's Net Asset Value
HDFC Bank Ltd., ADR	5.50%
ICICI Bank Ltd., ADR	5.33%
Yum China Holdings Inc.	5.17%
Infosys Technologies Ltd., ADR	4.57%
Compania Cervecerias Unidas SA, ADR	4.24%
Petróleo Brasileiro SA, ADR	4.24%
CNOOC Ltd., ADR	4.23%
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	4.20%
Banco Bradesco SA, ADR	4.10%
Fomento Economico Mexicano SAB de CV, ADR	3.92%
Banco de Chile, ADR	3.89%
Grupo Aeroportuario del Pacifico SAB de CV, ADR	3.80%
Grupo Aeroportuario del Sureste SAB de CV, ADR	3.74%
Companhia de Saneamento Basico do Estado de Sao Paulo, ADR	3.65%
Chunghwa Telecom Co. Ltd., ADR	3.54%
Grupo Aeroportuario del Centro Norte SAB de CV, ADR	3.39%
Coca-Cola FEMSA SAB de CV, ADR	3.39%
Wipro Ltd., ADR	3.32%
Companhia Energetica de Minas Gerais-CEMIG SA, ADR	3.13%
Cash and Cash Equivalents	3.09%
CPFL Energia SA, ADR	3.06%
NetEase Inc., ADR	3.03%
PT Telekomunikasi Indonesia Persero TBK, ADR	2.97%
Dr. Reddy's Laboratories Ltd., ADR	2.89%
SK Telecom Co. Ltd., ADR	2.80%

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, or (416) 933-5745, 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 Active Emerging Markets Dividend 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 judgements.

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.



Peter 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, 2019 and December 31, 2018

	2019	2018
Assets		
Cash and cash equivalents	\$ 406,213	\$ 337,816
Investments	12,706,587	11,958,737
Amounts receivable relating to accrued income	114,718	59,040
Total assets	13,227,518	12,355,593
Liabilities		
Accrued management fees	7,795	7,233
Accrued operating expenses	4,496	5,780
Distribution payable	57,163	60,819
Total liabilities	69,454	73,832
Total net assets (note 2)	\$ 13,158,064	\$ 12,281,761
Number of redeemable units outstanding (note 8)	1,023,507	973,411
Total net assets per unit	\$ 12.86	\$ 12.62

(See accompanying notes to financial statements)

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



 Steven J. Hawkins
 Director



 Peter Lee
 Director

Statements of Comprehensive Income (unaudited)

For the Periods Ended June 30,

	2019	2018
Income		
Dividend income	\$ 223,267	\$ 374,772
Interest income for distribution purposes	1,112	120
Securities lending income (note 7)	13,002	12,215
Net realized gain (loss) on sale of investments and derivatives	(34,594)	2,393,557
Net realized gain (loss) on foreign exchange	(2,283)	31,112
Net change in unrealized appreciation (depreciation) of investments and derivatives	244,421	(2,707,384)
Net change in unrealized appreciation (depreciation) of foreign exchange	(10,256)	3,608
	434,669	108,000
Expenses (note 9)		
Management fees	46,244	92,910
Audit fees	6,036	7,445
Independent Review Committee fees	371	389
Custodial and fund valuation fees	15,588	18,035
Legal fees	1,415	–
Securityholder reporting costs	7,507	9,118
Administration fees	18,710	12,960
Transaction costs	10,890	20,017
Withholding taxes	24,255	49,981
Other expenses	39	2
	131,055	210,857
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(45,251)	(38,823)
	85,804	172,034
Increase (decrease) in net assets for the period	\$ 348,865	\$ (64,034)
Increase (decrease) in net assets per unit	\$ 0.35	\$ (0.04)

(See accompanying notes to financial statements)

Statements of Changes in Financial Position (unaudited)

For the Periods Ended June 30,

	2019	2018
Total net assets at the beginning of the period	\$ 12,281,761	\$ 34,414,158
Increase (decrease) in net assets	348,865	(64,034)
Redeemable unit transactions		
Proceeds from the issuance of securities of the investment fund	642,017	–
Aggregate amounts paid on redemption of securities of the investment fund	–	(19,285,174)
Securities issued on reinvestment of distributions	1,249	2,379
Distributions:		
From net investment income	(115,828)	(139,263)
Total net assets at the end of the period	\$ 13,158,064	\$ 14,928,066

(See accompanying notes to financial statements)

Statements of Cash Flows (unaudited)

For the Periods Ended June 30,

	2019	2018
Cash flows from operating activities:		
Increase (decrease) in net assets for the period	\$ 348,865	\$ (64,034)
Adjustments for:		
Net realized loss (gain) on sale of investments and derivatives	34,594	(2,393,557)
Net realized loss on currency forward contracts	(1,791)	–
Net change in unrealized depreciation (appreciation) of investments and derivatives	(244,421)	2,707,384
Net change in unrealized depreciation (appreciation) of foreign exchange	7,411	(163)
Purchase of investments	(6,911,083)	(4,029,083)
Proceeds from the sale of investments	6,967,278	23,339,282
Amounts receivable relating to accrued income	(55,678)	(9,479)
Accrued expenses	(722)	(15,203)
Net cash from operating activities	144,453	19,535,147
Cash flows from financing activities:		
Amount received from the issuance of units	49,590	–
Amount paid on redemptions of units	–	(19,285,174)
Distributions paid to unitholders	(118,235)	(225,067)
Net cash used in financing activities	(68,645)	(19,510,241)
Net increase in cash and cash equivalents during the period	75,808	24,906
Effect of exchange rate fluctuations on cash and cash equivalents	(7,411)	163
Cash and cash equivalents at beginning of period	337,816	152,367
Cash and cash equivalents at end of period	\$ 406,213	\$ 177,436
Interest received, net of withholding taxes	\$ 1,112	\$ 120
Dividends received, net of withholding taxes	\$ 143,334	\$ 315,312

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2019

Security	Shares	Average Cost	Fair Value
EQUITIES (96.57%)			
India (21.61%)			
Dr. Reddy's Laboratories Ltd., ADR	7,744	\$ 404,520	\$ 379,989
HDFC Bank Ltd., ADR	4,254	409,688	724,430
ICICI Bank Ltd., ADR	42,541	432,014	701,384
Infosys Technologies Ltd., ADR	42,925	583,337	601,473
Wipro Ltd., ADR	77,016	425,937	436,708
		2,255,496	2,843,984
Mexico (20.71%)			
America Movil SAB de CV, Class 'L', ADR	17,072	350,932	325,513
Coca-Cola FEMSA SAB de CV, Series 'L', ADR	5,473	475,248	445,368
Fomento Economico Mexicano SAB de CV, ADR	4,074	515,537	516,172
Grupo Aeroportuario del Centro Norte SAB de CV, ADR	6,973	401,599	446,347
Grupo Aeroportuario del Pacifico SAB de CV, ADR	3,662	436,831	500,226
Grupo Aeroportuario del Sureste SAB de CV, ADR	2,315	525,731	491,454
		2,705,878	2,725,080
Brazil (20.18%)			
Banco Bradesco SA, ADR	41,972	355,707	539,751
Companhia de Saneamento Basico do Estado de Sao Paulo, ADR	30,147	408,189	480,459
Companhia Energetica de Minas Gerais-CEMIG SA, ADR	82,577	407,194	412,009
CPFL Energia SA, ADR	19,641	364,439	401,760
Petróleo Brasileiro SA, ADR	27,358	463,832	557,821
Telefonica Brasil SA, ADR	15,460	266,989	263,598
		2,266,350	2,655,398
Chile (8.13%)			
Banco de Chile, ADR	13,160	394,282	511,668
Compania Cervecerias Unidas SA, ADR	15,080	455,374	557,881
		849,656	1,069,549
Taiwan (7.74%)			
Chunghwa Telecom Co. Ltd., ADR	9,732	423,344	465,686
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	10,768	431,851	552,345
		855,195	1,018,031
United States (5.17%)			
Yum China Holdings Inc.	11,245	620,643	680,336
Hong Kong (4.23%)			
CNOOC Ltd., ADR	2,493	454,873	556,143

Schedule of Investments (unaudited) (continued)

As at June 30, 2019

Security	Shares	Average Cost	Fair Value
China (3.03%)			
NetEase Inc., ADR	1,189	412,122	398,248
Indonesia (2.97%)			
PT Telekomunikasi Indonesia Persero TBK, ADR	10,225	380,892	391,528
South Korea (2.80%)			
SK Telecom Co. Ltd., ADR	11,363	335,938	368,290
TOTAL EQUITIES		11,137,043	12,706,587
Transaction Costs		(5,690)	
TOTAL INVESTMENT PORTFOLIO (96.57%)		\$ 11,131,353	\$ 12,706,587
Cash and cash equivalents (3.09%)			406,213
Other assets less liabilities (0.34%)			45,264
TOTAL NET ASSETS (100.00%)			\$ 13,158,064

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2019

1. REPORTING ENTITY

Horizons Active Emerging Markets Dividend ETF (“HAJ” 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 October 10, 2012. 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 HAJ. 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 HAJ is to seek long-term returns consisting of regular dividend income and modest long-term capital growth. HAJ invests primarily in equity and equity related securities of companies with operations in emerging market economies.

Horizons ETFs Management (Canada) Inc. is the manager, trustee and investment manager of the ETF (“Horizons Management”, the “Manager” or the “Investment Manager”). The Investment Manager is responsible for implementing the ETF’s investment strategies and for engaging the services of Guardian Capital LP (“Guardian Capital” or the “Sub-Advisor”), to act as the sub-advisor to the ETF.

2. BASIS OF PREPARATION

(i) Statement of compliance

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

These financial statements were authorized for issue on August 14, 2019, by the Board of Directors of the Manager.

(ii) Basis of measurement

The financial statements have been prepared on the historical cost basis except for financial instruments at fair value though profit or loss, which are measured at fair value.

(iii) Functional and presentation currency

These financial statements are presented in Canadian dollars, which is the ETF’s functional currency.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

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

The ETF is subject to IFRS 9, Financial Instruments (“IFRS 9”) for the classification and measurement requirements for financial instruments, including impairment on financial assets and hedge accounting.

This 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”). IFRS 9 requires classification of debt instruments, if any, based solely on payments of principal and interests, and business model tests.

The ETF’s financial assets and financial liabilities are managed and its performance is evaluated on a fair value basis. The contractual cash flows of the ETF’s debt securities, if any, consist solely of principal and interest, however, these securities are neither held in held-to-collect, or held-to-collect-and-sale business models in IFRS 9.

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
- Financial liabilities 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

(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. Deriva-

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

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, 2019

(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. 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 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 9.

(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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

(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, 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.

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, 2019

(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, 2019, and December 31, 2018, 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, 2019	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
U.S. Dollar	13,126	–	13,126	131
Total	13,126	–	13,126	131
As % of Net Asset Value	99.8%	–	99.8%	1.0%

December 31, 2018	Financial Instruments	Currency Forward and/ or Futures Contracts	Total	Impact on Net Asset Value
Currency	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Hong Kong Dollar	1,121	–	1,121	11
South African Rand	791	–	791	8
U.S. Dollar	7,541	–	7,541	75
Other Currencies*	2,562	–	2,562	26
Total	12,015	–	12,015	120
As % of Net Asset Value	97.8%	–	97.8%	1.0%

* 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.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

(ii) Interest rate risk

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents invested at short-term market rates since those securities are usually held to maturity and are short term in nature.

As at June 30, 2019, and December 31, 2018, the ETF did not hold any long-term debt instruments and did not have any exposure to interest rate risk.

(iii) Other market risk

Other market risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk), whether caused by factors specific to an individual investment, its issuer, or all factors affecting all instruments traded in a market or market segment. The Manager has imposed internal risk management controls on the 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, 2019	December 31, 2018
MSCI Emerging Market Index	\$76,918	\$72,227

(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.

As at June 30, 2019, and December 31, 2018, due to the nature of its portfolio investments, the ETF did not have any material credit risk exposure.

(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. Generally, liabilities of the ETF are 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

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

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. 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, 2019, and December 31, 2018, in valuing the ETF's investments and derivatives carried at fair values:

	June 30, 2019			December 31, 2018		
	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)	Level 1 (\$)	Level 2 (\$)	Level 3 (\$)
Financial Assets						
Equities	12,706,587	–	–	7,647,651	–	–
Exchange Traded Funds	–	–	–	4,311,086	–	–
Total Financial Assets	12,706,587	–	–	11,958,737	–	–
Total Financial Liabilities	–	–	–	–	–	–
Net Financial Assets and Liabilities	12,706,587	–	–	11,958,737	–	–

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, 2019, and for the year ended December 31, 2018.

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, 2019

The aggregate closing market value of securities loaned and collateral received as at June 30, 2019, and December 31, 2018, was as follows:

As at	Securities Loaned	Collateral Received
June 30, 2019	\$754,543	\$795,193
December 31, 2018	\$3,705,836	\$3,919,431

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, 2019 and 2018. 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, 2019	% of Gross Income	June 30, 2018	% of Gross Income
Gross securities lending income	\$23,829		\$19,191	
Withholding taxes	(5,258)	22.07%	(1,746)	9.10%
Lending Agents' fees:				
Canadian Imperial Bank of Commerce	(5,569)	23.37%	(5,230)	27.25%
Net securities lending income paid to the ETF	\$13,002	54.56%	\$12,215	63.65%

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, 2019

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 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 and redemption features of the ETF’s units.

For the periods ended June 30, 2019 and 2018, 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
2019	973,411	50,096	–	1,023,507	1,009,946
2018	2,526,123	171	(1,378,000)	1,148,294	1,567,838

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 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 0.65%, plus applicable sales taxes, of the net asset value of the ETF’s units, calculated and accrued daily and payable

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

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 associated with 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

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.

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, if any, for the periods ended June 30, 2019 and 2018, were as follow:

Period Ended	Brokerage Commissions Paid	Soft Dollar Transactions	Amount Paid to Related Parties
June 30, 2019	\$9,317	\$nil	\$nil
June 30, 2018	\$14,833	\$nil	\$nil

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, 2019, and December 31, 2018, 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.

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June 30, 2019

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, 2018, 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
\$123,108	–	–

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, 2019 and December 31, 2018, the ETF did not have any financial instruments eligible for offsetting.

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, 2019

investments in the statements of financial position and listed in the schedule of investments. As at June 30, 2019, the ETF had no exposure to subsidiaries, associates or unconsolidated structured entities. As at December 31, 2018, the ETF had material investments in the subsidiaries (Sub), associates (Assc) and unconsolidated structured entities (SE) listed below:

Investee ETF as at December 31, 2018	Place of Business	Type	Ownership %	Carrying Amount
Global X MSCI SuperDividend® Emerging Markets ETF	U.S.	Assc	20.72%	\$4,311,086

15. COMPARATIVE FINANCIAL STATEMENTS

Certain information in the comparative financial statements and/or notes to the financial statements for 2018 has been reclassified to conform to the financial statement presentation adopted for 2019.

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