



**Horizons Active Cdn Dividend ETF**  
**(HAL: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](http://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 Cdn Dividend ETF (“HAL” 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](http://www.horizonsetfs.com) or SEDAR at [www.sedar.com](http://www.sedar.com).

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

Actual results may differ materially from management expectations as projected in such forward-looking statements for a variety of reasons, including but not limited to market and general economic conditions, interest rates, regulatory and statutory developments, the effects of competition in the geographic and business areas in which the ETF may invest and the risks detailed from time to time in the ETF’s 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 HAL is to seek long-term total returns consisting of regular dividend income and modest long-term capital growth. HAL invests primarily in equity securities of major North American companies with above average dividend yields. HAL, to the best of its ability, seeks to hedge its U.S. currency exposure at all times.

To achieve HAL’s investment objective, the ETF’s sub-advisor, Guardian Capital LP (“Guardian Capital” or the “Sub-Advisor”), selects companies that, in its view, have good long-term prospects of increasing dividend payments. The portfolio investments are diversified among different companies and industry sectors.

The Sub-Advisor’s investment process is primarily based on fundamental research as well as quantitative and technical factors. Investment decisions are ultimately based on an understanding of the company, its business and its outlook. The Sub-Advisor monitors and reviews the ETF’s investments on an ongoing basis to try to ensure that the best relative values are identified.

To achieve its investment objective, the Sub-Advisor may also invest in preferred and fixed-income securities such as government bonds, corporate bonds or treasury bills. HAL may hold up to 10% of its portfolio in these preferred and fixed-income securities. It is expected that the income earned on HAL’s investments will be used to pay some or all of the ETF’s expenses.

## Management Discussion of Fund Performance (continued)

HAL may use derivatives for hedging purposes to protect against losses from changes in interest rates, market indices or foreign exchange rates. HAL may also use derivatives such as options, futures, forward contracts and swaps as a substitute for direct investment to efficiently adjust the ETF's asset mix in a timely manner.

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

### 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: low to 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](http://www.horizonsetfs.com) or from [www.sedar.com](http://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"><li>• Stock market risk</li><li>• Specific issuer risk</li><li>• Legal and regulatory risk</li><li>• Exchange traded funds risk</li><li>• Reliance on historical data risk</li><li>• Corresponding net asset value risk</li><li>• Designated broker/dealer risk</li><li>• Cease trading of securities risk</li><li>• Exchange risk</li><li>• Early closing risk</li><li>• No assurance of meeting investment objective</li><li>• Tax risk</li><li>• Securities lending, repurchase and reverse repurchase transaction risk</li><li>• Loss of limited liability</li></ul> | <ul style="list-style-type: none"><li>• Reliance on key personnel</li><li>• Distributions risk</li><li>• Conflicts of interest</li><li>• No ownership interest</li><li>• Market for units</li><li>• Redemption price</li><li>• Net asset value fluctuation</li><li>• Restrictions on certain unitholders</li><li>• Highly volatile markets</li><li>• No guaranteed return</li><li>• Derivatives and counterparty risk</li><li>• Leveraged ETFs risk</li><li>• Income trust investment risk</li><li>• Foreign stock exchange risk</li><li>• Commodity price volatility risk</li></ul> |
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## Management Discussion of Fund Performance (continued)

### Results of Operations

For the six-month period ended June 30, 2019, units of the ETF returned 16.27%, when including distributions paid to unitholders. By comparison, the S&P/TSX Dividend Aristocrats® Index (the "Index") returned 14.65% for the same period on a total return basis.

The Index measures the performance of companies included in the S&P Canada Broad Market Index that have followed a policy of consistently increasing dividends every year for at least five years.

### General Market Review

The broader Canadian market, as represented by the S&P/TSX Composite Index, returned 16.22% on a total return basis for the first half the year, with every sector up over double digits except for the Consumer Staples which yielded single digit returns. However, the Canadian market still lagged behind the U.S. market as the S&P 500® Index returned 18.54% in U.S. dollar terms on a total return basis.

The Canadian economy was steady as it added a quarter million jobs in the first half of the year - good for a 41,000 per month average - which is the best performance of the current cycle, and roughly equivalent to the U.S. adding nearly half a million jobs per month. While the unemployment rate rose slightly to 5.5% in June from 5.4% in May, that May data point was the lowest on record since 1976, so there's no real reason to be concerned about the slight uptick. Wage pressures surged in June and inflation in Canada registered stronger-than-expected readings. In response, the spread between Government of Canada 10-year bond yields and U.S. 10-year Treasuries narrowed by 18 basis points ("bps") from 72bps at the beginning of 2019 to 54bps by the end of June. This also contributed to the Canadian dollar strengthening by 4.16% versus the U.S. dollar during the period.

### Portfolio Review

The ETF's portfolio outperformed in five of the ten Index sectors - led by Industrials, Information Technology, Consumer Staples and Energy, which all contributed positively to relative returns. Overall, the ETF benefited from both positive allocation and security selection.

The Industrials sector provided the largest benefit to the ETF during the period. Boyd Group Income Fund, WSP Global Inc. and Canadian National Railway Co. all returned double digits and were among the top contributors in the sector. The Information Technology sector also outperformed relative to the Index, due primarily to the ETF's position in Constellation Software Inc. The ETF's security selection within the Consumer Staples sector, namely Alimentation Couche Tard Inc. and Empire Co. Ltd., were two of the positive contributors to outperformance for the sector.

Telecommunication Services, Financials, Utilities and Real Estate were the leading detractors for the ETF during the period due to negative security selection effect. During the period, the ETF reduced its weighting in Financials and at the mid-way point of the year the ETF has no exposure to the Consumer Discretionary sector.

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.

## Management Discussion of Fund Performance (continued)

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 \$4,776,101. This compares to \$564,405 for the six-month period ended June 30, 2018. The ETF incurred management, operating and transaction expenses of \$157,567 (2018 – \$160,855) of which \$33,405 (2018 – \$43,168) 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 \$544,853 to unitholders during the period (2018 – \$472,901).

### **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.

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## Management Discussion of Fund Performance (continued)

### 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> <sup>(1)</sup>		<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>Net assets, beginning of period</b>	\$	14.62	16.01	15.39	13.24	14.71	13.44
<b>Increase (decrease) from operations:</b>							
Total revenue		0.33	0.64	0.63	0.64	0.55	0.54
Total expenses		(0.06)	(0.13)	(0.13)	(0.12)	(0.12)	(0.12)
Realized gains (losses) for the period		0.16	(0.10)	0.51	0.03	(0.11)	0.30
Unrealized gains (losses) for the period		1.80	(1.44)	0.17	2.07	(1.52)	0.96
<b>Total increase (decrease) from operations</b> <sup>(2)</sup>		2.23	(1.03)	1.18	2.62	(1.20)	1.68
<b>Distributions:</b>							
From net investment income (excluding dividends)		(0.25)	–	–	–	–	–
From dividends		–	(0.51)	(0.49)	(0.45)	(0.38)	(0.38)
From net realized capital gains		–	–	–	–	–	(0.08)
From return of capital		–	–	(0.03)	–	(0.05)	–
<b>Total distributions</b> <sup>(3)</sup>		(0.25)	(0.51)	(0.52)	(0.45)	(0.43)	(0.46)
<b>Net assets, end of period</b> <sup>(4)</sup>	\$	16.74	14.62	16.01	15.39	13.24	14.71

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> <sup>(1)</sup>		<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total net asset value (000's)	\$	37,955	28,012	31,054	24,452	20,297	13,658
Number of units outstanding (000's)		2,267	1,916	1,940	1,589	1,533	928
Management expense ratio <sup>(2)(5)</sup>		0.67%	0.78%	0.79%	0.80%	0.79%	0.79%
Management expense ratio excluding proportion of expenses from underlying investment funds		0.67%	0.78%	0.79%	0.79%	0.79%	0.79%
Management expense ratio before waivers and absorptions <sup>(3)</sup>		0.87%	1.04%	1.02%	1.11%	1.19%	1.35%
Trading expense ratio <sup>(4)(5)</sup>		0.06%	0.04%	0.03%	0.04%	0.07%	0.03%
Trading expense ratio excluding proportion of costs from underlying investment funds		0.06%	0.04%	0.03%	0.04%	0.07%	0.03%
Portfolio turnover rate <sup>(6)</sup>		13.30%	45.43%	21.43%	32.13%	38.43%	23.81%
Net asset value per unit, end of period	\$	16.74	14.62	16.01	15.39	13.24	14.71
Closing market price	\$	16.72	14.62	15.98	15.41	13.25	14.71

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 0.55%, 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 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.

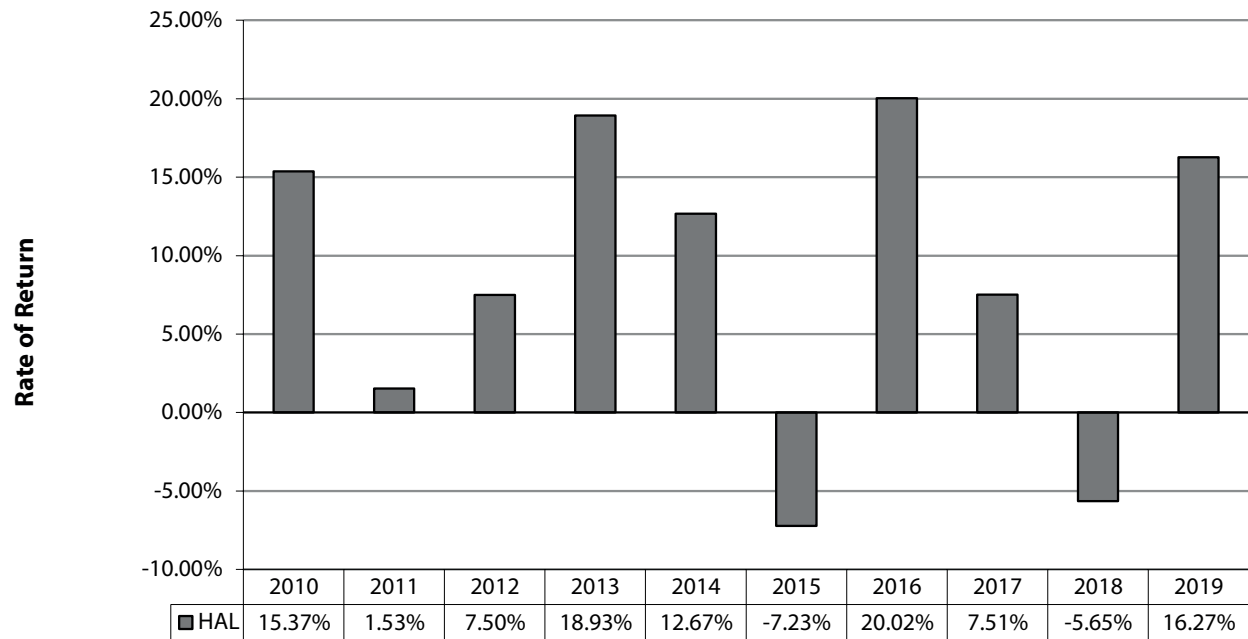
<b>Marketing</b>	<b>Portfolio management fees, general administrative costs and profit</b>	<b>Waived/absorbed expenses of the ETF</b>
3%	65%	32%

## 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 February 9, 2010.

## Summary of Investment Portfolio

As at June 30, 2019

<b>Asset Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Canadian Equities	\$ 37,875,116	99.79%
Cash and Cash Equivalents	265,616	0.70%
Other Assets less Liabilities	(185,466)	-0.49%
	<b>\$ 37,955,266</b>	<b>100.00%</b>

<b>Sector Mix</b>	<b>Net Asset Value</b>	<b>% of ETF's Net Asset Value</b>
Financials	\$ 10,652,342	28.07%
Energy	8,073,867	21.27%
Utilities	5,272,096	13.89%
Industrials	3,636,511	9.58%
Communication Services	2,734,346	7.20%
Materials	2,240,954	5.90%
Information Technology	2,177,368	5.74%
Consumer Staples	2,155,540	5.68%
Consumer Discretionary	932,092	2.46%
Cash and Cash Equivalents	265,616	0.70%
Other Assets less Liabilities	(185,466)	-0.49%
	<b>\$ 37,955,266</b>	<b>100.00%</b>

**Summary of Investment Portfolio** (continued)

As at June 30, 2019

<b>Top 25 Holdings</b>	<b>% of ETF's Net Asset Value</b>
Royal Bank of Canada	4.33%
Pembina Pipeline Corp.	3.53%
Toronto-Dominion Bank (The)	3.37%
Enbridge Inc.	3.35%
TC Energy Corp.	3.30%
Brookfield Infrastructure Partners L.P.	3.26%
Parkland Fuel Corp.	3.18%
Rogers Communications Inc.	3.04%
Exchange Income Corp.	3.01%
Brookfield Asset Management Inc.	2.98%
Dream Global REIT	2.97%
Granite REIT	2.95%
Bank of Montreal	2.78%
TELUS Corp.	2.69%
WSP Global Inc.	2.66%
Canadian National Railway Co.	2.60%
Fortis Inc.	2.58%
Methanex Corp.	2.52%
Capital Power Corp.	2.49%
Genworth MI Canada Inc.	2.46%
Boyd Group Income Fund	2.46%
Emera Inc.	2.37%
Gibson Energy Inc.	2.30%
Algonquin Power & Utilities Corp.	2.15%
Enghouse Systems Ltd.	2.15%

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

### MANAGER'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying unaudited interim financial statements of Horizons Active Cdn 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
<b>Assets</b>		
Cash and cash equivalents	\$ 265,616	\$ 1,928,994
Investments	37,875,116	25,873,148
Amounts receivable relating to accrued income	129,402	100,604
Amounts receivable relating to securities issued	–	362,674
<b>Total assets</b>	<b>38,270,134</b>	<b>28,265,420</b>
<b>Liabilities</b>		
Accrued management fees	19,022	14,434
Accrued operating expenses	4,927	1,734
Distribution payable	290,919	236,784
<b>Total liabilities</b>	<b>314,868</b>	<b>252,952</b>
<b>Total net assets (note 2)</b>	<b>\$ 37,955,266</b>	<b>\$ 28,012,468</b>
Number of redeemable units outstanding (note 8)	2,267,497	1,916,393
Total net assets per unit	\$ 16.74	\$ 14.62

(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,

	<b>2019</b>	<b>2018</b>
<b>Income</b>		
Dividend income	\$ 605,815	\$ 575,521
Interest income for distribution purposes	34,845	23,200
Securities lending income (note 8)	53,724	16,654
Net realized gain on sale of investments and derivatives	341,954	193,346
Net realized gain (loss) on foreign exchange	(771)	2,083
Net change in unrealized appreciation (depreciation) of investments and derivatives	3,741,234	(246,609)
Net change in unrealized appreciation (depreciation) of foreign exchange	(700)	210
	<b>4,776,101</b>	<b>564,405</b>
<b>Expenses (note 9)</b>		
Management fees	102,861	109,679
Audit fees	6,082	7,500
Independent Review Committee fees	371	389
Custodial and fund valuation fees	15,574	16,766
Legal fees	1,415	–
Securityholder reporting costs	8,042	9,109
Administration fees	13,576	12,960
Transaction costs	9,441	4,452
Withholding taxes	205	–
	<b>157,567</b>	<b>160,855</b>
Amounts that were payable by the investment fund that were paid or absorbed by the Manager	(33,405)	(43,168)
	<b>124,162</b>	<b>117,687</b>
<b>Increase in net assets for the period</b>	<b>\$ 4,651,939</b>	<b>\$ 446,718</b>
Increase in net assets per unit	\$ 2.23	\$ 0.24

(See accompanying notes to financial statements)

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

For the Periods Ended June 30,

	<b>2019</b>	<b>2018</b>
<b>Total net assets at the beginning of the period</b>	\$ 28,012,468	\$ 31,054,386
<b>Increase in net assets</b>	4,651,939	446,718
<b>Redeemable unit transactions</b>		
Proceeds from the issuance of securities of the investment fund	5,818,214	–
Aggregate amounts paid on redemption of securities of the investment fund	–	(3,008,135)
Securities issued on reinvestment of distributions	17,498	13,365
Distributions:		
From net investment income	(544,853)	(472,901)
<b>Total net assets at the end of the period</b>	<b>\$ 37,955,266</b>	<b>\$ 28,033,433</b>

(See accompanying notes to financial statements)

**Statements of Cash Flows** (unaudited)

For the Periods Ended June 30,

	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities:</b>		
Increase in net assets for the period	\$ 4,651,939	\$ 446,718
Adjustments for:		
Net realized gain on sale of investments and derivatives	(341,954)	(193,346)
Net change in unrealized depreciation (appreciation) of investments and derivatives	(3,741,234)	246,609
Net change in unrealized depreciation (appreciation) of foreign exchange	673	(197)
Purchase of investments	(10,738,579)	(3,329,776)
Proceeds from the sale of investments	4,465,227	4,750,336
Amounts receivable relating to accrued income	(28,798)	7,063
Accrued expenses	7,781	(4,212)
<b>Net cash from (used in) operating activities</b>	<b>(5,724,945)</b>	<b>1,923,195</b>
<b>Cash flows from financing activities:</b>		
Amount received from the issuance of units	4,535,460	–
Amount paid on redemptions of units	–	(1,903,534)
Distributions paid to unitholders	(473,220)	(483,277)
<b>Net cash from (used in) financing activities</b>	<b>4,062,240</b>	<b>(2,386,811)</b>
<b>Net decrease in cash and cash equivalents during the period</b>	<b>(1,662,705)</b>	<b>(463,616)</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(673)	197
<b>Cash and cash equivalents at beginning of period</b>	<b>1,928,994</b>	<b>614,756</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 265,616</b>	<b>\$ 151,337</b>
Interest received, net of withholding taxes	\$ 34,845	\$ 23,200
Dividends received, net of withholding taxes	\$ 576,812	\$ 582,584

(See accompanying notes to financial statements)

**Schedule of Investments** (unaudited)

As at June 30, 2019

Security	Shares	Average Cost	Fair Value
<b>CANADIAN EQUITIES (99.79%)</b>			
<b>Financials (28.07%)</b>			
Alaris Royalty Corp.	38,558	\$ 698,398	\$ 725,276
Allied Properties REIT	11,485	514,823	544,044
Bank of Montreal	10,667	876,631	1,055,180
Brookfield Asset Management Inc., Class 'A'	18,056	1,013,511	1,131,208
Dream Global REIT	82,592	777,281	1,127,381
Genworth MI Canada Inc.	22,547	854,887	934,348
Granite REIT, Stapled Units	18,542	875,585	1,117,897
H&R REIT	24,020	510,788	548,617
Royal Bank of Canada	15,790	1,299,953	1,643,265
SmartCentres REIT	16,469	522,624	546,936
Toronto-Dominion Bank (The)	16,704	1,027,603	1,278,190
		8,972,084	10,652,342
<b>Energy (21.27%)</b>			
Enbridge Inc.	26,879	1,107,844	1,271,377
Enerflex Ltd.	39,375	699,300	671,344
Gibson Energy Inc.	37,355	699,598	872,239
Parkland Fuel Corp.	29,037	965,260	1,206,487
Pason Systems Inc.	34,923	669,515	662,839
Pembina Pipeline Corp.	27,487	1,113,369	1,339,991
Suncor Energy Inc.	19,538	778,252	798,127
TC Energy Corp.	19,277	976,505	1,251,463
		7,009,643	8,073,867
<b>Utilities (13.89%)</b>			
Algonquin Power & Utilities Corp.	51,405	703,175	815,797
ATCO Ltd., Class 'I'	8,956	355,360	395,318
Brookfield Infrastructure Partners L.P.	22,052	885,659	1,237,779
Capital Power Corp.	31,294	729,717	943,514
Emera Inc.	16,851	722,712	901,697
Fortis Inc.	18,913	802,495	977,991
		4,199,118	5,272,096
<b>Industrials (9.58%)</b>			
Canadian National Railway Co.	8,151	780,274	987,901
Exchange Income Corp.	29,897	830,723	1,142,066
TFI International Inc.	12,570	340,442	498,149
WSP Global Inc.	13,988	663,917	1,008,395
		2,615,356	3,636,511

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

As at June 30, 2019

Security	Shares	Average Cost	Fair Value
<b>Communication Services (7.20%)</b>			
BCE Inc.	9,344	473,051	556,716
Rogers Communications Inc., Class 'B'	16,485	877,180	1,155,598
TELUS Corp.	21,112	935,990	1,022,032
		2,286,221	2,734,346
<b>Materials (5.90%)</b>			
CCL Industries Inc., Class 'B'	9,950	296,217	638,989
Methanex Corp.	16,066	995,346	955,123
Nutrien Ltd.	9,234	614,184	646,842
		1,905,747	2,240,954
<b>Information Technology (5.74%)</b>			
Constellation Software Inc.	582	298,137	718,334
Enghouse Systems Ltd.	23,506	818,004	814,013
Open Text Corp.	11,936	551,537	645,021
		1,667,678	2,177,368
<b>Consumer Staples (5.68%)</b>			
Alimentation Couche-Tard Inc., Class 'B'	7,123	508,604	587,007
Empire Co. Ltd., Class 'A'	23,084	587,928	761,310
Metro Inc., Class 'A'	16,427	696,868	807,223
		1,793,400	2,155,540
<b>Consumer Discretionary (2.46%)</b>			
Boyd Group Income Fund	5,633	479,203	932,092
<b>TOTAL CANADIAN EQUITIES</b>		<b>30,928,450</b>	<b>37,875,116</b>
Transaction Costs		(6,838)	
<b>TOTAL INVESTMENT PORTFOLIO (99.79%)</b>		<b>\$ 30,921,612</b>	<b>\$ 37,875,116</b>
<b>Cash and cash equivalents (0.70%)</b>			265,616
<b>Other assets less liabilities (-0.49%)</b>			(185,466)
<b>TOTAL NET ASSETS (100.00%)</b>			<b>\$ 37,955,266</b>

(See accompanying notes to financial statements)

## Notes to Financial Statements (unaudited)

June 30, 2019

### 1. REPORTING ENTITY

Horizons Active Cdn Dividend ETF (“HAL” 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 February 9, 2010. 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 HAL. 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 HAL is to seek long-term total returns consisting of regular dividend income and modest long-term capital growth. HAL invests primarily in equity securities of major North American companies with above average dividend yields. HAL, to the best of its ability, seeks to hedge its U.S. currency exposure at all times.

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. As at June 30, 2019, and December 31, 2018, the ETF did not have any material exposure to foreign currencies.

**(ii) Interest rate risk**

The ETF may be exposed to the risk that the fair value of future cash flows of its financial instruments will fluctuate as a result of changes in market interest rates. In general, the value of interest-bearing financial instruments will rise if interest rates fall, and conversely, will generally fall if interest rates rise. There is minimal sensitivity to interest rate fluctuation on cash and cash equivalents 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
S&P/TSX Composite Index™	\$348,077	\$257,151

**(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

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

June 30, 2019

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 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 (\$)
<b>Financial Assets</b>						
Equities	37,875,116	–	–	23,707,532	–	–
Exchange Traded Funds	–	–	–	2,165,616	–	–
<b>Total Financial Assets</b>	<b>37,875,116</b>	–	–	<b>25,873,148</b>	–	–
<b>Total Financial Liabilities</b>	–	–	–	–	–	–
<b>Net Financial Assets and Liabilities</b>	<b>37,875,116</b>	–	–	<b>25,873,148</b>	–	–

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

June 30, 2019

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.

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	\$11,442,787	\$12,015,957
December 31, 2018	\$5,662,398	\$5,989,005

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	\$86,650		\$23,790	
Lending Agents’ fees:				
Canadian Imperial Bank of Commerce	(32,926)	38.00%	(7,136)	30.00%
<b>Net securities lending income paid to the ETF</b>	<b>\$53,724</b>	<b>62.00%</b>	<b>\$16,654</b>	<b>70.00%</b>

**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

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

June 30, 2019

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 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:

<b>Period</b>	<b>Beginning Units Outstanding</b>	<b>Units Issued</b>	<b>Units Redeemed</b>	<b>Ending Units Outstanding</b>	<b>Average Units Outstanding</b>
2019	1,916,393	351,104	–	2,267,497	2,087,840
2018	1,939,592	860	(200,000)	1,740,452	1,838,343

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

June 30, 2019

**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 0.55%, 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.

**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.

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

June 30, 2019

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:

<b>Period Ended</b>	<b>Brokerage Commissions Paid</b>	<b>Soft Dollar Transactions</b>	<b>Amount Paid to Related Parties</b>
June 30, 2019	\$3,830	\$nil	\$nil
June 30, 2018	\$3,518	\$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.

**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:

<b>Net Capital Losses</b>	<b>Non-Capital Losses</b>	<b>Year of Expiry of the Non-Capital Losses</b>
\$2,910	–	–

**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.



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

June 30, 2019

**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 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
Horizons S&P/TSX 60™ Index ETF	Canada	SE	0.12%	\$2,165,616

**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.

Manager

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