Interim Report | June 30, 2019

Horizons Gold ETF
(HUG:TSX)

HORIZONS ETFs by Mirae Asset

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Contents

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 Gold ETF ("HUG" or the "ETF") contains financial highlights and is included with the unaudited interim financial statements for the investment fund. You may request a copy of the investment fund's unaudited interim or audited annual financial statements, interim or annual management report of fund performance, current proxy voting policies and procedures, proxy voting disclosure record or quarterly portfolio disclosures, at no cost, by calling (toll free) 1-866-641-5739, or (416) 933-5745, by writing to Horizons ETFs Management (Canada) Inc. ("Horizons Management" or the "Manager"), at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, by visiting our website at www.horizonsetfs.com or through SEDAR at www.sedar.com.

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

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

Management Discussion of Fund Performance

Investment Objective and Strategy

HUG seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Solactive Gold Front Month MD Rolling Futures Index ER (the "Underlying Index", Bloomberg ticker: SOLCGCER). HUG is denominated in Canadian dollars. Any U.S. dollar gains or losses as a result of the ETF's investment will be hedged back to the Canadian dollar to the best of its ability.

If HUG is successful in meeting its investment objective, its net asset value should gain approximately as much on a given day, on a percentage basis, as its Underlying Index rises on that given day. Conversely, HUG's net asset value should lose approximately as much on a given day, on a percentage basis, as its Underlying Index declines on that given day.

HUG invests in financial instruments that have similar return characteristics as the performance of its Underlying Index, which tracks a rolling position in the gold futures contract traded on the Chicago Mercantile Exchange (the "Referenced Futures Contract") for a subsequent delivery month. In order to achieve this objective, the total underlying notional value of these instruments will typically not exceed one times the total assets of the ETF. Assets not invested in financial instruments may be invested in debt instruments or money market instruments with a term not to exceed 365 days, or reverse repurchase agreements with a term not to exceed 30 days.

Management Discussion of Fund Performance (continued)

Value of the Underlying Index

HUG's Underlying Index will use, in its closing calculation on any trading day, the closing price of its Referenced Futures Contract for a subsequent delivery month. The Referenced Futures Contract typically trades on the Chicago Mercantile Exchange until 1:30 p.m. (EST), and the closing price of the Referenced Futures Contract is typically not available until at least 15 minutes after the close of trading. The performance of the Underlying Index will be based on a rolling position of the Referenced Futures Contract for a subsequent delivery month. On a periodic basis, the Underlying Index rolls positions in a Referenced Futures Contract specifying delivery on a nearby date, which means the position must be sold, and a different position in a Referenced Futures Contract that has not yet reached the delivery period must be purchased.

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 to high.

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 its 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.

Investments in the units of the ETF are speculative, involve a high degree of risk and are suitable only for persons who are able to assume the risk of losing their entire investment. 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 calling Horizons ETFs Management (Canada) Inc. at (toll free) 1-866-641-5739, or at (416) 933-5745.

Management Discussion of Fund Performance (continued)

- Commodity risk
- Spot v. futures risk
- Concentration risk
- Aggressive investment technique risk
- Trading in derivatives is highly leveraged
- Corresponding net asset value risk
- Counterparty risk
- Correlation risk
- Liquidity risk
- Market risk
- Early closing risk
- Unit consolidation and unit split risk
- Regulatory risk
- Commodity market risk
- No assurance of meeting investment objective
- Tax risk
- Conflicts of interest
- Price limit risk
- Liability of unitholders
- Reliance on the manager
- Reverse repurchase transaction risk
- Designated broker/dealer risk
- Exchange risk
- Borrowing risk
- Changes to the Underlying Index
- Foreign exchange risk
- Exchange rate risk
- Securities lending risk

The degree of the price volatility risk will vary from period to period depending on the volatility of the Underlying Index. Please refer to the Results of Operations section for further discussion on the impact of price volatility on the performance of the ETF relative to its Underlying Index.

Results of Operations

For the six-month period ended June 30, 2019, units of the ETF returned 8.96%. This compares to a return of 8.81% for the Underlying Index for the same period. The above figures are adjusted for distributions, if any.

The continuous 1-month gold futures contracts ("Gold Futures") had a strong first half of 2019, gaining 10.33%, though most of that was concentrated in the last five weeks of the period. Volatility was lower than normal with a 10.59% annualized standard deviation for the period ended June 30, 2019.

The fourth quarter of 2018 saw renewed market volatility, a sharp sell-off in global equities and a 44% drop in the price of crude oil. In this environment, investors moved into perceived 'safe haven' assets and Gold Futures rose 8.94% between August 16 and December 31, 2018, to finish 2018 at U.S.$1,281 per ounce (/oz). This run continued until February 20, 2019, adding another 4.84% to U.S.$1,343/oz despite investors regaining their appetite for risk and pouring back into equity markets to begin the year.

In spite of the strength in equity markets that was evident for the first four months of the year, fears of weakening global economic growth was also driving investors into fixed income assets. From the end of February to the end of May, the U.S. 10-year Treasury bond yield moved from 2.69% to 2.38%, with the U.S. dollar rallying 1.67% versus a basket of global currencies for the same period. Gold Futures, which tend to have an inverse relationship to the U.S. dollar, sold off 5.22% to hit U.S.$1,343/oz on May 21, 2019.

The minutes to the Federal Open Market Committee's (the "FOMC") early May meeting were released on May 22, 2019. In it, the Committee indicated that economic growth had begun to pick up once again after having expressed concerns of slowing global growth, Brexit negotiations and the China-U.S. trade spat in previous meetings. Despite the renewed optimism, the FOMC held the line on interest rates citing a lack of inflation pressures.

Management Discussion of Fund Performance (continued)

In response to this dovish tone by the FOMC, the U.S. dollar began selling off over the next five weeks, falling 2.52% against a basket of global currencies between May 22 and June 30, 2019. Conversely, Gold Futures made all of its 2019 first half gains during this same period, rising 11.04% to finish the first half of the year at U.S.$1,414/oz, the highest level for Gold Futures in six years.

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

The annualized volatility of each of the Underlying Index and the ETF was 10.64% and 10.95%, respectively, for the period ended June 30, 2019.

The ETF may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its forward agreement, which is rebalanced daily and is tied to the performance of the ETF's Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, or by purchase and redemption activity, as these transactions are taken into account during the daily rebalancing of the forward agreement.

Forward Agreements

In order to achieve its investment objective, the ETF has entered into multiple forward agreements (the "Forward Agreements") with one or more bank counterparties (each a "Forward Counterparty"). The Forward Agreements provide both positive exposure to the Underlying Index and negative exposure to the Underlying Index. The ETF generally invests its assets in interest bearing accounts and/or short-term Canadian federal or provincial treasury bills to earn prevailing short-term market interest rates to serve as collateral for the Forward Agreements.

The one or more Forward Counterparties to the Forward Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and has a designated rating.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Forward Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Forward Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Forward Counterparties are subject to the applicable short-term or long-term designated ratings restrictions listed above. The Forward Counterparties to the Forward Agreements meet those designated ratings requirements.

Each Forward Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Forward Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is con-

Management Discussion of Fund Performance (continued)

tinuing, the ETF has the ability to request the termination of its exposure under a Forward Agreement, in whole or in part, at any time.

Since the Forward Agreements, like most forward agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Forward Counterparty is limited to the positive mark-to-market of the Forward Agreements entered into with that Forward Counterparty, if any, which is calculated and accrued on a daily basis.

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

Other than indicated below, there are no recent industry, management or ETF related developments that are pertinent to the present and future of the ETF.

Potential Impact from the 2019 Federal Budget

The Manager is continuing to assess the potential impact of proposed legislative changes tabled by the Minister of Finance in the Federal Budget on March 19, 2019, and updated on July 30, 2019, on certain of its exchange traded funds that principally use derivatives as part of meeting their investment objectives and strategies. The proposed changes deal with how certain investment funds are able to allocate income and capital gains to redeeming entities. If the changes are enacted as currently drafted, and the ETF was to continue to carry on operations after its 2019 taxation year in the same manner as it does currently, the proposed legislative changes could potentially result in taxable distributions of income to the unitholders of the ETF in respect of periods after its 2019 taxation year, and/or capital gains in respect of periods after its 2020 taxation year.

Related Party Transactions

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

Manager, Trustee and Investment Manager

The manager, trustee and investment manager of the ETF is Horizons ETFs Management (Canada) Inc., 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, a corporation incorporated under the laws of Ontario.

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 annual audited financial statements and the current unaudited interim financial statements. Please see the front page for information on how you may obtain the ETF's annual or interim financial statements.

The ETF's Net Assets per Unit

Period (1)		2019	2018	2017	2016	2015	2014
Net assets, beginning of period	$	11.40	11.94	10.77	10.16	11.53	11.83
Increase (decrease) from operations:							
Total revenue		0.12	0.20	0.10	0.08	0.07	0.12
Total expenses		(0.07)	(0.13)	(0.14)	(0.14)	(0.13)	(0.14)
Realized gains (losses) for the period		0.16	(1.37)	(0.27)	(0.15)	(0.95)	(0.04)
Unrealized gains (losses) for the period		0.68	0.01	1.17	(1.07)	(0.14)	0.03
Total increase (decrease) from operations (2)		0.89	(1.29)	0.86	(1.28)	(1.15)	(0.03)
Total distributions (3)		–	–	–	–	–	–
Net assets, end of period (4)	$	12.42	11.40	11.94	10.77	10.16	11.53

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. Distributions, if any, were paid in cash, reinvested in additional units of the ETF, or both.
4. The Financial Highlights are not intended to act as a continuity of the opening and closing net assets per unit.

Financial Highlights (continued)

Ratios and Supplemental Data

Period [1]		2019	2018	2017	2016	2015	2014
Total net asset value (000's)	$	21,057	20,121	7,167	5,923	3,556	4,037
Number of units outstanding (000's)		1,695	1,765	600	550	350	350
Management expense ratio [2]		0.78%	0.75%	0.76%	0.75%	0.74%	0.74%
Management expense ratio before waivers and absorptions [2]		1.50%	1.33%	1.34%	1.26%	1.15%	1.24%
Trading expense ratio [3]		0.41%	0.41%	0.40%	0.41%	0.41%	0.41%
Portfolio turnover rate [4]		0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Net asset value per unit, end of period	$	12.42	11.40	11.94	10.77	10.16	11.53
Closing market price	$	12.42	11.41	11.92	10.78	10.15	11.62

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 portfolio advisor compensation, administration, service fees and marketing. The Manager, at its discretion, may waive and/or absorb a portion of the fees and/or expenses otherwise payable by the ETF. The waiving and/or absorption of such fees and/or expenses by the Manager may be terminated at any time, or continued indefinitely, at the discretion of the Manager.
3. The trading expense ratio represents total commissions, forward agreement fees and other portfolio transaction costs expressed as an annualized percentage of daily average net asset value during the period.
4. The ETF's portfolio turnover rate indicates how actively the ETF trades its portfolio investments. A portfolio turnover rate of 100% is equivalent to the ETF buying and selling all of the securities in its portfolio once in the course of a year. The higher an ETF's portfolio turnover rate in a year, the greater the chance of an investor receiving taxable capital gains in the year. There is not necessarily a relationship between a high turnover rate and the performance of an ETF.

Financial Highlights (continued)

Management Fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.65%. Approximately 100% of management fees were used for investment management, other general administration and profit.

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

The Manager, at its discretion, has waived or absorbed, and may continue to 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.

Fees related to the operation of the Forward Agreements are not included in the management fees or other operating expenses of the ETF. Forward fees and applicable hedging costs related to the Forward Agreements, as described in the "Fees and Expenses" section of the ETF's prospectus, are incurred by way of a reduction in the forward price payable to the ETF by the Forward Counterparty. For the purposes of financial reporting, these expenses have been broken out and disclosed in "transaction costs" in the statements of comprehensive income and are included in the trading expense ratio in the management report of fund performance.

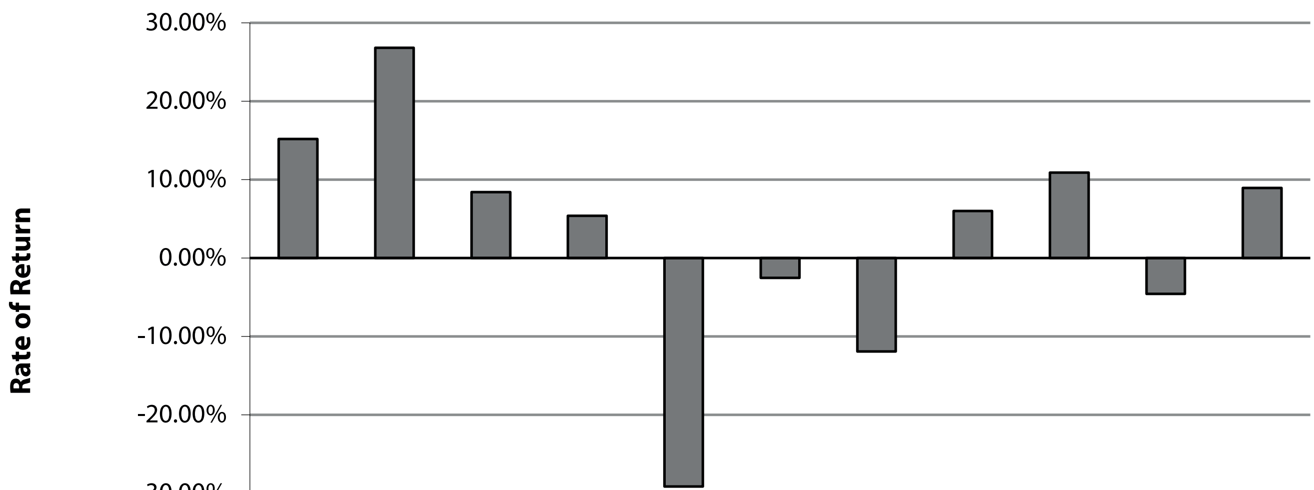
The Manager paid substantially more than 100% of the management fees it received from the ETF during the period towards marketing and promotional costs, and towards the fees associated with the managerial, portfolio management and portfolio advisory services provided to the ETF.

Past Performance

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

Year-by-Year Returns

The following chart presents the 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 each financial period would have grown or decreased by the last day of that financial period.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
HUG	15.20%	26.83%	8.40%	5.40%	-29.13%	-2.51%	-11.91%	6.00%	10.91%	-4.55%	8.96%

The ETF effectively began operations on June 24, 2009.

The ETF is rebalanced daily to ensure an investor's risk is limited to the current value of their investment.

A perfect daily correlation of 100% of the daily return of the Underlying Index would be a correlation of 1.0. The ETF has achieved a perfect daily correlation to its stated Underlying Index for the period ended June 30, 2019, of 1.0000.

Summary of Investment Portfolio

As at June 30, 2019

Asset Mix	Net Asset Value	% of ETF's Net Asset Value
Investments	$ 784,006	3.72%
Cash and Cash Equivalents held for Collateral	19,778,721	93.93%
Cash and Cash Equivalents - Other	491,068	2.33%
Other Assets less Liabilities	3,102	0.02%
	$ 21,056,897	**100.00%**

Top Holdings	% of ETF's Net Asset Value
Cash and Cash Equivalents held for Collateral	93.93%
Forward Agreements (net notional value US$16,077,819)	3.72%
Cash and Cash Equivalents - Other	2.33%

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 toll free 1-866-641-5739, or (416) 933-5745, by writing to us at Horizons ETFs Management (Canada) Inc., 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 Gold ETF (the "ETF") are the responsibility of the manager and the trustee to the ETF, Horizons ETFs Management (Canada) Inc. (the "Manager"). They have been prepared in accordance with International Financial Reporting Standards using information available and include certain amounts that are based on the Manager's best estimates and 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	Peter Lee
Director	Director
Horizons ETFs Management (Canada) Inc.	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 held for collateral	$	19,778,721	$	19,541,282
Cash and cash equivalents - other		491,068		448,063
Amounts receivable relating to accrued income		10,733		15,076
Amounts receivable relating to securities issued		–		227,998
Derivative assets (note 3)		866,908		162,733
Total assets		**21,147,430**		**20,395,152**
Liabilities				
Accrued management fees		7,031		9,381
Accrued operating expenses		600		362
Amounts payable for portfolio assets purchased		–		223,438
Derivative liabilities (note 3)		82,902		41,110
Total liabilities		**90,533**		**274,291**
Total net assets (note 2)	**$**	**21,056,897**	**$**	**20,120,861**
Number of redeemable units outstanding (note 9)		1,695,000		1,765,000
Total net assets per unit	$	12.42	$	11.40

(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				
Interest income for distribution purposes	$	116,477	$	82,534
Net realized gain (loss) on sale of investments and derivatives		159,473		(962)
Net change in unrealized appreciation (depreciation) of investments and derivatives		685,604		(804,661)
		961,554		**(723,089)**
Expenses (note 10)				
Management fees		41,403		38,096
Audit fees		3,689		4,580
Independent Review Committee fees		371		389
Custodial and fund valuation fees		18,667		16,920
Legal fees		–		1,860
Securityholder reporting costs		7,106		7,970
Administration fees		14,948		14,224
Transaction costs		23,221		21,780
		109,405		**105,819**
Amounts that were payable by the investment fund that were paid or absorbed by the Manager		(41,247)		(44,475)
		68,158		**61,344**
Increase (decrease) in net assets for the period	**$**	**893,396**	**$**	**(784,433)**
Increase (decrease) in net assets per unit	$	0.89	$	(0.88)

(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	$	20,120,861	$	7,166,640
Increase (decrease) in net assets		893,396		(784,433)
Redeemable unit transactions				
Proceeds from the issuance of securities of the investment fund		13,261,420		13,743,276
Aggregate amounts paid on redemption of securities of the investment fund		(13,218,780)		(363,043)
Total net assets at the end of the period	**$**	**21,056,897**	**$**	**19,762,440**

(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	$	893,396	$	(784,433)
Adjustments for:				
Net realized loss (gain) on sale of investments and derivatives		(159,473)		962
Net change in unrealized depreciation (appreciation) of investments and derivatives		(685,604)		804,661
Purchase of investments		(200,217)		21,780
Proceeds from the sale of investments		159,473		(7,011)
Amounts receivable relating to accrued income		4,343		(8,532)
Accrued expenses		(2,112)		3,981
Net cash from operating activities		**9,806**		**31,408**
Cash flows from financing activities:				
Amount received from the issuance of units		13,489,418		13,743,276
Amount paid on redemptions of units		(13,218,780)		(363,043)
Net cash from financing activities		**270,638**		**13,380,233**
Net increase in cash and cash equivalents for the period		280,444		13,411,641
Cash and cash equivalents at beginning of period		19,989,345		6,999,075
Cash and cash equivalents at end of period	**$**	**20,269,789**	**$**	**20,410,716**
Interest received	$	120,459	$	72,994
Total Cash and Cash Equivalents are composed of				
Cash and cash equivalents held for collateral	$	19,778,721	$	19,951,820
Cash and cash equivalents - other		491,068		458,896
Cash and cash equivalents at end of period	**$**	**20,269,789**	**$**	**20,410,716**

(See accompanying notes to financial statements)

Schedule of Investments (unaudited)

As at June 30, 2019

Security	Fair Value
FORWARD AGREEMENTS (3.72%)	
Positive Exposure Forward Agreement (4.12%)	
Gold Forward Agreement	
Payment Date October 2, 2023 (notional value US$17,420,851)	$ 866,908
Negative Exposure Forward Agreement (-0.40%)	
Gold Forward Agreement	
Payment Date October 16, 2023 (notional value US$1,343,032)	(82,902)
TOTAL FORWARD AGREEMENTS	**784,006**
CASH AND CASH EQUIVALENTS HELD FOR COLLATERAL (93.93%)	**19,778,721**
TOTAL INVESTMENT PORTFOLIO (97.65%) (note 7)	**$ 20,562,727**
Cash and cash equivalents - other (2.33%)	491,068
Other assets less liabilities (0.02%)	3,102
TOTAL NET ASSETS (100.00%)	**$ 21,056,897**

(See accompanying notes to financial statements)

Notes to Financial Statements (unaudited)

June 30, 2019

1. REPORTING ENTITY

Horizons Gold ETF ("HUG" 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 June 24, 2009. 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 A units which trade on the Toronto Stock Exchange ("TSX") under the symbol HUG. 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.

HUG seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Solactive Gold Front Month MD Rolling Futures Index ER (the "Underlying Index", Bloomberg ticker: SOLCGCER). HUG is denominated in Canadian dollars. Any U.S. dollar gains or losses as a result of the ETF's investment will be hedged back to the Canadian dollar to the best of its ability.

If HUG is successful in meeting its investment objective, its net asset value should gain approximately as much on a given day, on a percentage basis, as its Underlying Index rises on that given day. Conversely, HUG's net asset value should lose approximately as much on a given day, on a percentage basis, as its Underlying Index declines on that given day.

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

2. BASIS OF PREPARATION

(i) Statement of compliance

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

These financial statements were authorized for issue on August 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.

(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"). IFRS9 requires classification of debt instruments, if any, based solely on payment of principal and interest, 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. Derivative financial instruments are recorded in the statements of financial position according to the gain or loss that would be realized if the contracts were closed out on the Valuation Date. Margin deposits, if any, are included in the schedule of investments as margin deposits. See also the summary of fair value measurements in note 6.

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

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

(iii) Offsetting

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

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

(iv) Specific instruments

Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit and short-term, interest bearing notes with a term to maturity of less than three months from the date of purchase. Cash and cash equivalents held for collateral consists of cash and/or short-term investments posted as collateral to the Forward Agreements as described in note 7.

Redeemable units

The redeemable units are measured at the present value of the redemption amounts and are considered a residual amount of the net assets attributable to holders of redeemable units. They are classified as financial liabilities as a result of the ETF's requirement to distribute net income and capital gains to unitholders.

(b) Investment income

Investment transactions are accounted for as of the trade date. Realized gains and losses from investment transactions are calculated on a weighted average cost basis. The difference between fair value and average cost, as recorded in the financial statements, is included in the statements of comprehensive income as part of the net change in unrealized appreciation (depreciation) of investments and derivatives. Interest income for distribution purposes from investments in bonds and short-term investments, if any, represents the coupon interest received by the ETF accounted for on an accrual basis. Dividend income, if any, is recognized on the ex-dividend date. Distribution income from investments in other funds or ETFs, if any, is recognized when earned.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

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

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

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

(c) Foreign currency

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

(d) Cost basis

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

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

The increase (decrease) in net assets per unit in the statements of comprehensive income represents the change in net assets attributable to holders of redeemable units from operations divided by the weighted average number of units of the ETF outstanding during the reporting period. For management fees please refer to note 10.

(f) Unitholder transactions

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

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

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

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

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

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

(i) Transaction costs

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

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.

(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, to the best of its ability, hedges all of its foreign currency exposure back to the Canadian dollar as part of any Forward Agreement (see note 7) so that it has no net foreign currency exposure.

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. The ETF does not hold any long term debt instruments to which it would have interest rate risk exposure.

(iii) Other market risk

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

The ETF is subject to other market risks that will affect the value of its investments, including general economic and market conditions, as well as developments that impact specific economic sectors, industries or companies. The ETF will normally lose value on days when the index, security, currency or commodity comprising its Underlying Index declines. The ETF intends to remain fully invested regardless of market conditions.

For the six-month period ended June 30, 2019, units of the ETF returned 8.96%. This compares to a return of 8.81% for the Underlying Index for the same period. The above figures are adjusted for distributions, if any.

The annualized volatility of each of the Underlying Index and the ETF was 10.64% and 10.95%, respectively, for the period ended June 30, 2019.

(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, including any positive mark-to-market of the ETF's Forward Agreement(s). This amount is included in "Derivative assets" (if any) in the statements of financial position. The credit risk related to any one Forward Agreement is concentrated in the Forward Counterparty to that particular Forward Agreement.

Credit risk is managed by dealing with counterparties the Manager believes to be creditworthy and which meet the designated rating requirements of National Instrument 81-102 ("NI 81-102"), please see note 7.

(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 may, at times, have very large purchase and redemption activity. However, the performance of the ETF is primarily affected by the performance of its Forward Agreement(s), which are rebalanced daily and is tied to the performance of the Underlying Index. The performance and liquidity of the ETF is unaffected by the asset size of the ETF, purchases or redemptions as these transactions are taken into account during the daily rebalancing of the Forward Agreement(s). Generally, liabilities of the ETF are due within 90 days.

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						
Forward Agreements	–	866,908	–	–	162,733	–
Total Financial Assets	**–**	**866,908**	**–**	**–**	**162,733**	**–**
Financial Liabilities						
Forward Agreements	–	(82,902)	–	–	(41,110)	–
Total Financial Liabilities	**–**	**(82,902)**	**–**	**–**	**(41,110)**	**–**
Net Financial Assets & Liabilities	**–**	**784,006**	**–**	**–**	**121,623**	**–**

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. FORWARD AGREEMENTS AND COLLATERAL PLEDGED

(a) Forward Agreements

In order to achieve its investment objective, the ETF has entered into multiple forward agreements (the "Forward Agreements") with one or more bank counterparties (each a "Forward Counterparty"). The Forward Agreements provide both positive exposure to the Underlying Index and negative exposure to the Underlying Index. The ETF seeks to achieve its investment objective through the net exposure (the "Net Notional Exposure") of these Forward Agreements. The ETF generally invests its assets in interest bearing accounts and/or short-term Canadian federal or provincial treasury bills ("T-Bills") to earn prevailing short-term market interest rates.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

Each Forward Agreement with a Forward Counterparty in which the ETF is provided with exposure that corresponds positively with the exposure to the Underlying Index requires the ETF to pay the Forward Counterparty an agreed notional amount. In return, the Forward Counterparty pays the ETF the value of the notional investment, plus an amount based upon any increase or decline in the Underlying Index. Each Forward Agreement with a Forward Counterparty in which the ETF is provided with exposure that corresponds negatively with the exposure to the Underlying Index requires the Forward Counterparty to pay the ETF an agreed notional amount. In return, the ETF pays the Forward Counterparty the value of the notional investment, plus an amount based upon any increase or decline in the Underlying Index. The ETF also invests the net proceeds of unit subscriptions in interest bearing accounts and T-Bills to earn short-term money-market interest rates. The terms of the Forward Agreements requires the ETF, for any applicable Forward Counterparty, to pledge substantially all of its respective interest bearing account and T-Bills to the Forward Counterparty to secure the payment of the ETF's payment obligations under the Forward Agreements. The ETF has the ability to replace Forward Counterparties or engage additional Forward Counterparties at any time.

Since the Forward Agreements, like most forward agreements, may settle the obligations of each party on a net basis, the exposure of the ETF to the credit risk of any one Forward Counterparty is limited to the positive mark-to-market of the Forward Agreements entered into with that Forward Counterparty, if any, which is calculated and accrued on a daily basis.

(b) Forward Counterparty Restrictions

The one or more Forward Counterparties to the Forward Agreements entered into by the ETF must be a chartered Canadian bank or an affiliate of a chartered Canadian bank whose obligations are guaranteed by a chartered Canadian bank, and has a designated rating. The ETF's exposure to Forward Agreements by Forward Counterparty is disclosed in the next section.

In respect of short-term securities or instruments (where the maturity date of the security or instrument is less than one year), Forward Counterparties must have a designated rating for Commercial Paper/Short-Term Debt no lower than (a) Dominion Bond Rating Service Limited ("DBRS") - "R-1(low)"; (b) Fitch Ratings ("Fitch") - "F1"; (c) Moody's Investors Service ("Moody's") - "P-1"; and (d) Standard & Poor's ("S&P") - "A-1(Low)".

In respect of long-term securities or instruments (where the maturity date of the security or instrument is equal to or greater than one year), Forward Counterparties must have a designated rating for Long-Term Debt no lower than (a) DBRS - "A"; (b) Fitch - "A"; (c) Moody's - "A2"; and (d) S&P - "A".

Forward Counterparties are subject to the applicable short-term or long-term designated ratings restrictions listed above. The Forward Counterparties to the Forward Agreements meet those designated ratings requirements.

Each Forward Agreement has a remaining term to maturity at any point in time of less than five years which, with the consent of the ETF and the applicable Forward Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, the ETF has the ability to request the termination of its exposure under a Forward Agreement, in whole or in part, at any time.

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

(c) Forward Agreements Exposure

The table below shows the notional exposure of the ETF to Forward Agreements as at June 30, 2019, and December 31, 2018, as measured by the Net Notional Exposure. In addition, designated ratings for the Forward Counterparties at each reporting date are presented, as is the credit risk exposure (see note 5) of derivative assets as shown in the statements of financial position.

As at	Counter-party (1)	Notional Exposure	Credit Risk	DBRS Rating	Fitch Rating	Moody's Rating	S&P Rating
June 30, 2019	NBC	US$16,077,819	$866,908	AA (low)	A+	Aa3	A
Dec. 31, 2018	NBC	US$14,753,528	$162,733	AA (low)	A+	Aa3	A

(1) NBC refers to National Bank of Canada

8. SECURITIES LENDING

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

As at June 30, 2019, and December 31, 2018, the ETF was not participating in any securities lending transactions. The ETF did not earn any income from securities lending transactions for the periods ended June 30, 2019 and 2018.

9. REDEEMABLE UNITS

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

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

On any trading day, which is defined as the day that a net asset value of the ETF is being struck, unitholders of the ETF may (i) redeem units of the ETF for cash at a redemption price per unit equal to 95% of the closing price for units of the

ETF on the TSX on the effective day of the redemption, where the units being redeemed are not equal to a prescribed number of units ("PNU") or a multiple PNU; or (ii) redeem, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of units.

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

The ETF is required to distribute all of its income (including net realized capital gains) that it has earned in the year to such an extent that the ETF will not be liable for ordinary income tax thereon. Income earned by the ETF is distributed to unitholders at least once per year, if necessary, and any such amount distributed by the ETF will be paid as a "reinvested distribution". Reinvested distributions on units of the ETF will be reinvested automatically in additional units of the ETF at a price equal to the net asset value per unit of the ETF on such day and the units of the ETF will be immediately consolidated such that the number of outstanding units of the ETF held by each unitholder on such day following the distribution will equal the number of units of the ETF held by the unitholder prior to the distribution. Reinvested distributions are reported as taxable distributions and used to increase each unitholder's adjusted cost base for the ETF. Distributions paid to holders of redeemable units, if any, are recognized in the statements of changes in financial position.

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

For the periods ended June 30, 2019 and 2018, the number of units issued by subscription, the number of units redeemed, the total and average number of units outstanding was as follows:

Period	Beginning Units Outstanding	Units Issued	Units Redeemed	Ending Units Outstanding	Average Units Outstanding
2019	1,765,000	1,080,000	(1,150,000)	1,695,000	998,481
2018	600,000	1,180,000	(30,000)	1,750,000	893,094

10. EXPENSES AND OTHER RELATED PARTY TRANSACTIONS

Management fees

In consideration for management services and investment advice provided to the ETF, the Manager is entitled to a management fee. The management fee, inclusive of sales tax, is applied on a daily basis to the net asset value of the ETF. The management fees, exclusive of sales tax, are charged at the annual rate of 0.65%.

Other expenses

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

The Manager, at its discretion, has waived or absorbed, and may continue to 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.

Fees related to the operation of the Forward Agreements are not included in the management fees or other operating expenses of the ETF. Forward fees and applicable hedging costs related to the Forward Agreements, as described in the "Fees and Expenses" section of the ETF's prospectus, are incurred by way of a reduction in the forward price payable to the ETF by the Forward Counterparty. For the purposes of financial reporting, these expenses have been broken out and disclosed in "transaction costs" in the statements of comprehensive income and are included in the trading expense ratio in the management report of fund performance.

Other related party transactions

The management fees paid to the Manager and fees paid to the Independent Review Committee ("IRC") are considered related party transactions, as the Manager and IRC are related parties to the ETF. Both the management fees and fees paid to the IRC 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.

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
$306,784	$69,138	2032
	$6,697	2034
	$576,009	2035
	$133,390	2036
	$259,537	2037
	$1,575,751	2038

Notes to Financial Statements (unaudited) (continued)

June 30, 2019

13. OFFSETTING OF FINANCIAL INSTRUMENTS

In the normal course of business, the ETF may enter into various master netting arrangements or other similar agreements that do not meet the criteria for offsetting in the statements of financial position but still allow for the related amounts to be set off in certain circumstances, such as bankruptcy or termination of the contracts. The following table shows financial instruments that may be eligible for offset, if such conditions were to arise, as at June 30, 2019, and December 31, 2018. The "Net" column displays what the net impact would be on the ETF's statements of financial position if all amounts were set-off. "Financial Instruments" may include non-cash collateral pledged by the ETF.

	Amounts Offset ($)			**Amounts Not Offset ($)**		**Net ($)**
Financial Assets and Liabilities as at June 30, 2019	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	866,908	–	866,908	(82,902)	–	784,006
Derivative liabilities	(82,902)	–	(82,902)	82,902	–	–

	Amounts Offset ($)			**Amounts Not Offset ($)**		**Net ($)**
Financial Assets and Liabilities as at December 31, 2018	Gross Assets (Liabilities)	Gross Assets (Liabilities) Offset	Net Amounts	Financial Instruments	Cash Collateral Pledged	
Derivative assets	162,733	–	162,733	(41,110)	–	121,623
Derivative liabilities	(41,110)	–	(41,110)	41,110	–	–

14. 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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