

Annual Report of the Independent Review Committee of the Horizons ETFs Group of Funds

March 1, 2018

IRC Annual Report to Securityholders in the Horizons Exchange Traded Funds (the “Funds”) as listed at the end of this report

Dear Securityholder,

In accordance with National Instrument 81-107 *Independent Review Committee for Investment Funds* (“NI 81-107” or the “Instrument”), the Horizons ETF Management (Canada) Inc. (the “Manager”) established an Independent Review Committee (the “Committee” or “IRC”) for the Funds in April 2007. As a result of a change in control of the Manager, a new IRC was appointed by the Manager on November 15, 2011. The IRC has functioned in accordance with the applicable securities laws and is composed of three individuals, each of whom is independent of the Funds, the Manager and “each entity related to the Manager” (as such term is defined in the Instrument).

Accordingly, the IRC is pleased to publish its annual report to securityholders, covering the period from January 1, 2017 to December 31, 2017 (the “Reporting Period”).

Mandate of the IRC

In accordance with the Instrument, the mandate of the IRC is to consider and provide decisions to the Manager on conflicts of interest to which the Manager may be subject when managing the Funds. The Manager is required under the Instrument to identify potential conflicts of interest inherent in its management of the Funds, to develop written policies and procedures guiding its management of those conflicts, and to request input from the IRC on those written policies and procedures (referred to as the “Conflict of Interest Matters Manual”)

When a conflict matter arises, the Manager must refer its proposed course of action in respect of such conflict to the IRC for its review. While certain matters require the IRC’s prior approval, in most cases the IRC will simply provide a decision to the Manager as to whether or not, in the opinion of the IRC, the Manager’s proposed action provides a fair and reasonable result for the Funds. For recurring conflict of interest matters, the IRC can provide the Manager with Standing Instructions (“SIs”) that enable the Manager to proceed with certain matters without having to refer them to the IRC each time for approval, provided the Manager deals with the conflicts in accordance with the SIs.

The IRC is empowered to represent the best interests of the Funds in any matter where the Manager has referred a conflict of interest matter to it. In those cases, the IRC has sought to ensure that the Manager’s proposed course of action represents a fair and reasonable result for the Funds.

The IRC has engaged Independent Review Inc. to assist it in its duties in accordance with the provisions of the Instrument and the IRC’s Written Charter, to provide certain administrative and record keeping functions, and also to act as the IRC’s independent Secretariat.

Composition of the IRC

The current members of the IRC, and their principal occupations, are as follows:

<i>Name and Municipality of Residence</i>	<i>Principal Occupation</i>	<i>Term of Office</i>
Chair: R. Warren Law, Toronto, Ontario	Financial Services Lawyer	Appointed November 15, 2011. Term Renewed: Three years from November 15, 2015
Michael Gratch, Thornhill, Ontario	Portfolio Manager	Appointed November 15, 2011. Term Renewed: Three years from November 15, 2017
Sue Fawcett, Calgary, Alberta	Chartered Financial Analyst	Appointed November 15, 2011. Term Renewed: Three years from November 15, 2016

Michael Gratch was re-appointed on November 14, 2017 for a period of three years with effect from November 15, 2017. The re-appointment extended Mr. Gratch's total years of service beyond the 6 year term limit set out in the Instrument. However, the Manager has provided its consent to and agreement with the re-appointment beyond the 6 year term limit in accordance with the provisions of the Instrument.

There were no other changes in the composition of the IRC during the Reporting Period.

Compensation and Indemnification

Review of Compensation

At least annually, the IRC reviews its compensation, giving consideration to the following:

- the nature and extent of the workload of each member of the IRC, including the commitment of time and energy expected from each member;
- the number of meetings required by the IRC, including special meetings to consider conflict issues brought to the Committee;
- industry best practices, including industry averages and surveys on IRC compensation; and
- the complexity of the conflict issues brought to the IRC.

Members' Fees

In aggregate, the IRC members were paid \$32,500 in 2017 for the Reporting Period, plus applicable taxes.

Indemnities Granted

The Funds and the Manager have provided each IRC member with a contractual indemnity in keeping with NI 81-107. No payments were paid to the IRC members pursuant to this indemnity by the Funds or the Manager during the Reporting Period.

Disclosure of IRC Members' Holdings

As at December 31, 2017, the IRC members did not beneficially own, directly or indirectly:

- any units in any of the Funds;
- any interests in the Manager; or
- any interests in a company or person that provides services to the Manager or any Fund.

Decisions and Approvals

On March 20, 2017 the Manager informed the IRC that in early February 2017, Fiera Capital Corporation the sub-Advisor to the Horizons Active Global Fixed Income ETF (the "Fund") notified the Manager that the Fund may have a NAV error. The Manager outlined the actions it had taken to correct the error and reduce the likelihood of it happening again.

The IRC **RESOLVED** that the Manager's actions to correct the NAV error and proposed actions going forward, provided a fair and reasonable result for the Fund.

There were no other decisions or approvals requested by the Manager during the Reporting Period.

Standing Instructions ("SI") Approved

The IRC had approved nine SIs. On November 3, 2017, at the request of the Manager, it rescinded SIs 2, 3, 5, and 6. On November 10, 2017 it issued a replacement for **Standing Instruction Number 5: Use of National Bank of Canada and/or its Affiliates as Executing Broker and/or Derivatives Counterparty** with a renumbered **Standing Instruction Number 3: Use of Mirae Asset Securities and/or its Affiliates as Executing Broker and/or Derivatives Counterparty**. On December 11, 2017 the Manager requested a further amendment to the new SI No. 3, which was granted. The Manager now has six SIs.

A Standing Instruction constitutes a written approval or decision in each case from the IRC that permits the Manager to proceed with the specific action(s) set out in the SIs on an ongoing basis, without having to refer the conflict of interest matter or its proposed action to the IRC, provided that the Manager complies with the terms and conditions of the SI. In each case, the SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC.

Standing Instruction Number 1: Allocating Operating Expenses to the Funds

Standing Instruction Number 2: Transactions in Debt Securities of Related Issuers

Standing Instruction Number 3: Use of Mirae Asset Securities and/or its Affiliates as Executing Broker and/or Derivatives Counterparty

Standing Instruction Number 4: Use of Index Funds as Collateral

Standing Instruction Number 5: Ownership of Index Funds Following Settlement of Prepaid Share Basket Forwards

Standing Instruction Number 6: Allocation of Counterparty Exposure

Manager's Report on its Standing Instruction

In accordance with the Instrument, the Manager provided a written report to the IRC describing its reliance on the SIs during the Reporting Period.

The Annual Report to Securityholders is available on the Manager's website at www.horizonsetfs.com or you may request a copy, at no cost to you, by contacting Horizons Exchange Traded Funds at 416.933.5745 or Toll Free at 1.866.641.5739, or by email at info@horizonsetfs.com. This document and other information about Horizons Exchange Traded Funds are available on www.sedar.com.

Yours truly,



Warren Law, Chair

Horizons ETFs Group IRC

Funds served by the IRC during the Reporting Period

LIST OF FUNDS AS OF DECEMBER 31 2017

Horizons Active Corporate Bond ETF	BetaPro Gold Bullion 2x Daily Bull ETF
Horizons Active Cdn Bond ETF	BetaPro Gold Bullion -2x Daily Bear ETF
Horizons Seasonal Rotation ETF	BetaPro Silver 2x Daily Bull ETF
Horizons Active Global Fixed Income ETF	BetaPro Silver -2x Daily Bear ETF
Horizons Active Intl Developed Markets Equity ETF	BetaPro Crude Oil 2x Daily Bull ETF
Horizons Active Emerging Markets Dividend ETF	BetaPro Crude Oil -2x Daily Bear ETF
Horizons Active Cdn Dividend ETF	BetaPro Natural Gas 2x Daily Bull ETF
Horizons Active US Dividend ETF	BetaPro Natural Gas -2x Daily Bear ETF
Horizons Active Global Dividend ETF	BetaPro S&P/TSX 60™ 2x Daily Bull ETF
Horizons S&P/TSX 60 Equal Weight Index ETF	BetaPro S&P/TSX 60™ -2x Daily Bear ETF
Horizons Active Preferred Share ETF	BetaPro S&P/TSX Capped Financials™ 2x Daily Bull ETF
Horizons Active Floating Rate Preferred Share ETF	BetaPro S&P/TSX Capped Financials™ -2x Daily Bear ETF
Horizons Active Floating Rate Bond ETF	BetaPro S&P/TSX Capped Energy™ 2x Daily Bull ETF
Horizons Active US Floating Rate Bond (USD) ETF	BetaPro S&P/TSX Capped Energy™ -2x Daily Bear ETF
Horizons Active Floating Rate Senior Loan ETF	BetaPro Canadian Gold Miners 2x Daily Bull ETF
Horizons Active High Yield Bond ETF	BetaPro Canadian Gold Miners -2x Daily Bear ETF
Horizons Managed Global Opportunities ETF	BetaPro S&P 500® 2x Daily Bull ETF
Horizons Active Cdn Municipal Bond ETF	BetaPro S&P 500® -2x Daily Bear ETF
Horizons Global Currency Opportunities ETF	BetaPro NASDAQ-100® 2x Daily Bull ETF
Horizons Global Risk Parity ETF	BetaPro NASDAQ-100® -2x Daily Bear ETF
Horizons Absolute Return Global Currency ETF	BetaPro S&P 500 VIX Short-Term Futures™ 2x Daily Bull ETF
Horizons Active A.I. Global Equity ETF	BetaPro S&P/TSX 60™ Daily Inverse ETF
Horizons Enhanced Income Equity ETF	BetaPro S&P 500® Daily Inverse ETF
Horizons Enhanced Income Energy ETF	BetaPro S&P 500 VIX Short-Term Futures™ Daily Inverse ETF
Horizons Enhanced Income Gold Producers ETF	Horizons Gold ETF
Horizons Enhanced Income Financials ETF	Horizons Silver ETF
Horizons Enhanced Income International Equity ETF	Horizons Crude Oil ETF

Horizons Enhanced Income US Equity (USD) ETF		Horizons Natural Gas ETF
Horizons Gold Yield ETF		BetaPro S&P 500 VIX Short-Term Futures™ ETF
Horizons Natural Gas Yield ETF		Horizons S&P/TSX 60™ Index ETF
Horizons Auspice Managed Futures Index ETF		Horizons S&P 500® Index ETF
Horizons Morningstar Hedge Fund Index ETF		Horizons S&P/TSX Capped Energy Index ETF
<i>HAP Nexus Hedge Fund Replication Trust</i>		Horizons S&P/TSX Capped Financials Index ETF
Horizons US Dollar Currency ETF		Horizons Cdn Select Universe Bond ETF
Horizons Canadian Midstream Oil & Gas Index ETF		Horizons US 7-10 Year Treasury Bond ETF
Horizons Cdn Insider Index ETF		Horizons Cdn High Dividend Index ETF
Horizons China High Dividend Yield Index ETF		Horizons NASDAQ-100® Index ETF
Horizons Canadian Dollar Currency ETF		Horizons S&P 500 CAD Hedged Index ETF
Horizons Marijuana Life Sciences Index ETF		Horizons US 7-10 Year Treasury Bond CAD Hedged ETF
Horizons Inovestor Canadian Equity Index ETF		Horizons EURO STOXX 50 Index ETF
Horizons Robotics and Automation Index ETF		Horizons Intl Developed Markets Equity Index ETF

Schedule of IRC Members who sit on IRCs for other Fund Families

Warren Law serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by Auspice Capital Advisors Ltd.;

Investment Funds that are reporting issuers managed by Foresters Financial Investment Corporation of Canada Inc.;

Investment funds that are reporting issuers managed by Hamilton Capital Partners Inc.; and

Investment funds that are reporting issuers managed by Manulife Asset Management Limited.

Sue Fawcett serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by the Auspice Capital Advisors Ltd.;

Investment funds that are reporting issuers managed by Hamilton Capital Partners Inc.; and

Investment funds that are reporting issuers managed by Willoughby Asset Management Inc.

Michael Gratch serves as a member of the Independent Review Committees for the following funds:

Investment funds that are reporting issuers managed by the Auspice Capital Advisors Ltd.