

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

March 2, 2020

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 ETFs 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, 2019, to December 31, 2019 (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, 2018
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: One year from November 15, 2019

Sue Fawcett was re-appointed on October 28, 2019, for a period of three years with effect from November 15, 2019. The re-appointment extended Ms. Fawcett'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 \$40,000 in 2019 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, 2019, 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 14, 2019, the Manager proposed the implementation of a special securities lending arrangement for two of its funds; Horizons Marijuana Life Sciences Index ETF (“HMMJ”) and Emerging Marijuana Growers Index ETF (“HMJR”) (the “Funds”) in order to improve their liquidity. The IRC determined that after reasonable inquiry and review of the materials provided and discussion during the meeting, the Manager’s course of action to lend securities in HMMJ and HMJR to CIBC and National Bank on the terms set out above provided a fair and reasonable result for each of the Funds.

On September 5, 2019, the Manager proposed to convert a number of its ETFs (the “ETFs”), which are currently structured as mutual fund trusts, into corporate classes within one mutual fund corporation. The IRC determined that after reasonable inquiry and review of the materials provided and discussion during the meeting, the Manager’s course of action to convert a select number of ETFs from mutual fund trusts into a series of classes in a single mutual fund corporation achieved a fair and reasonable result for each of the Funds.

On October 18, 2019, the Manager proposed changing the sub-advisor of the Horizon Active A.I. Equity ETF (“MIND”) from Qraft Technologies Inc. (“Qraft”) to Castle Ridge Asset Management (“Castle Ridge”). After discussion and reasonable enquiries, the IRC determined that based upon the review of the information provided to the IRC by the Manager and the answers to the questions asked by the IRC, the Committee has concluded that the Manager’s proposed course of action to change the sub-advisory A.I. algorithm from Qraft to Castle Ridge achieved a fair and reasonable result for MIND.

Standing Instructions (“SI”) Approved

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 (Currently Suspended)*

Standing Instruction Number 5: *Ownership of Index Funds Following Settlement of Prepaid Share Basket Forwards (Currently Suspended)*

Standing Instruction Number 6: *Allocation of Counterparty Exposure (Currently Suspended, until such a time as there is a difference in applicable rates)*

Manager's Report on its Standing Instructions

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"

Warren Law, Chair

Horizons ETFs Group IRC

Funds served by the IRC during the Reporting Period

LIST OF FUNDS AS AT DECEMBER 31, 2019 TO BE UPDATED

Horizons S&P 500® Index ETF	Horizons Cdn Insider Index ETF
Horizons S&P/TSX 60™ Index ETF	Horizons Canadian Dollar Currency ETF
Horizons S&P/TSX Capped Energy Index ETF	Horizons Marijuana Life Sciences Index ETF
Horizons S&P/TSX Capped Financials Index ETF	Horizons Inovestor Canadian Equity Index ETF
Horizons Cdn Select Universe Bond ETF	Horizons Robotics and Automation Index ETF
Horizons US 7-10 Year Treasury Bond ETF	Horizons Blockchain Technology & Hardware Index ETF
Horizons NASDAQ-100® Index ETF	Horizons Global Sustainability Leaders Index ETF
Horizons EURO STOXX 50® Index ETF	Horizons Industry 4.0 Index ETF
Horizons Cdn High Dividend Index ETF	Horizons China High Dividend Yield Index ETF
Horizons S&P 500 CAD Hedged Index ETF	Horizons Emerging Marijuana Growers Index ETF
Horizons US 7-10 Year Treasury Bond CAD Hedged ETF	Horizons Conservative TRI ETF Portfolio
Horizons Intl Developed Markets Equity Index ETF	Horizons Balanced TRI ETF Portfolio
Horizons Equal Weight Canada REIT Index ETF	Horizons Growth TRI ETF Portfolio
Horizons Laddered Canadian Preferred Share Index ETF	Horizons US Marijuana Index ETF
Horizons Equal Weight Canada Banks Index ETF	Horizons Active Cdn Dividend ETF
BetaPro NASDAQ-100® -2x Daily Bear ETF	Horizons S&P/TSX 60 Equal Weight Index ETF
BetaPro NASDAQ-100® 2x Daily Bull ETF	Horizons Active Global Dividend ETF
BetaPro S&P 500® -2x Daily Bear ETF	Horizons Active Corporate Bond ETF
BetaPro S&P 500® 2x Daily Bull ETF	Horizons Active Preferred Share ETF
BetaPro S&P 500® Daily Inverse ETF	Horizons Active Floating Rate Bond ETF
BetaPro S&P/TSX 60™ -2x Daily Bear ETF	Horizons Active US Floating Rate Bond (USD) ETF
BetaPro S&P/TSX 60™ 2x Daily Bull ETF	Horizons Active High Yield Bond ETF
BetaPro S&P/TSX 60™ Daily Inverse ETF	Horizons Active Cdn Bond ETF
BetaPro S&P/TSX Capped Energy™ -2x Daily Bear ETF	Horizons Active Emerging Markets Dividend ETF
BetaPro S&P/TSX Capped Energy™ 2x Daily Bull ETF	Horizons Active Floating Rate Preferred Share ETF
BetaPro S&P/TSX Capped Financials™ -2x Daily Bear ETF	Horizons Active Global Fixed Income ETF
BetaPro S&P/TSX Capped Financials™ 2x Daily Bull ETF	Horizons Active Floating Rate Senior Loan ETF
BetaPro Canadian Gold Miners 2x Daily Bull ETF	Horizons Active US Dividend ETF
BetaPro Canadian Gold Miners -2x Daily Bear ETF	Horizons Managed Global Opportunities ETF
BetaPro Gold Bullion -2x Daily Bear ETF	Horizons Active Cdn Municipal Bond ETF
BetaPro Gold Bullion 2x Daily Bull ETF	Horizons Global Risk Parity ETF
BetaPro Silver -2x Daily Bear ETF	Horizons Active A.I. Global Equity ETF
BetaPro Silver 2x Daily Bull ETF	Horizons Active Emerging Markets Bond ETF
BetaPro Crude Oil -2x Daily Bear ETF	Horizons Natural Gas Yield ETF
BetaPro Crude Oil 2x Daily Bull ETF	Horizons Gold Yield ETF
BetaPro Natural Gas 2x Daily Bull ETF	Horizons Enhanced Income Equity ETF
BetaPro Natural Gas -2x Daily Bear ETF	Horizons Enhanced Income Energy ETF
Horizons Gold ETF	Horizons Enhanced Income Financials ETF
Horizons Silver ETF	Horizons Enhanced Income Gold Producers ETF
Horizons Crude Oil ETF	Horizons Enhanced Income US Equity (USD) ETF
Horizons Natural Gas ETF	Horizons Enhanced Income International Equity ETF
BetaPro S&P 500 VIX Short-Term Futures™ ETF	Horizons Morningstar Hedge Fund Index ETF
BetaPro Marijuana Companies 2x Daily Bull ETF	Horizons Absolute Return Global Currency ETF
BetaPro Marijuana Companies Inverse ETF	Horizons Seasonal Rotation ETF
Horizons US Dollar Currency ETF	Horizons Global Uranium Index ETF
Horizons Canadian Midstream Oil & Gas 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.; *Ceased to be a member August 16, 2019*

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.