

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

March 6<sup>th</sup>, 2024

Dear Securityholder,

In accordance with **National Instrument 81-107 *Independent Review Committee for Investment Funds*** (“NI 81-107” or the “Instrument”), Horizons ETFs Management (Canada) Inc. (the “Manager”) established an Independent Review Committee (the “Committee” or “IRC”) for the Funds 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, of 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 for the funds listed at the end of this Report (the “Funds”) covering the period from January 1, 2023, to December 31, 2023 (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 Manual” or “COIM”)

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, 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”). The SIs 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. (“IRI”) 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 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 Re-appointed for a two-year term until November 14, 2026
Melanie Ward Barrie, Ontario	Capital Markets Professional	Appointed effective September 1, 2023 for a period of three years
Michele McCarthy, Toronto, Ontario	President, McCarthy Law Professional Corp., and President Independent Review Inc.	Appointed effective September 1, 2023 for a period of two years
Gregory Chrispin, Boucherville, Quebec	Investment professional	Initial Appointment on November 15, 2021 for a two- year term  Resigned effective August 31, 2023
Edward Akkawi, Toronto ON.	Senior executive and lawyer in fund management	Initial Appointment on November 15, 2022 for a three year-term  Resigned effective August 31, 2023

Gregory Chrispin and Ed Akkawi resigned effective August 31, 2023. The IRC interviewed several candidates and on August 25, 2023 appointed Melanie Ward to the IRC for a period of three years and Michele McCarthy for a period of two years effective September 1, 2023.

## Compensation and Indemnification

### Review of Compensation

At least annually, the IRC reviews its compensation, considering 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 2023 for the Reporting Period, plus applicable taxes. Effective January 1, 2024, the compensation for the IRC will increase to \$50,000.

## **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 of December 31, 2023, the IRC members did not beneficially own, directly or indirectly:

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

## **Decisions and Approvals**

**On July 13, 2023**, the Manager proposed changes to the investment objective for Horizons Conservative Tri ETF Portfolio, the Horizons Balanced Tri ETF Portfolio and the Horizons Growth Tri ETF Portfolio (collectively, the “ETFs”), including changes to the hedging disclosure of each ETF and, in connection with, changes to the fee structure of each ETF. After reasonable enquiry and based on the information provided to the IRC by the Manager prior to and during the meeting (both verbally and in writing) the IRC determined that the Manager’s proposed course of action to change the investment objectives and a fee structure to the ETF’s achieves a fair and reasonable result for each ETF set out above.

**On September 8, 2023**, at an IRC meeting, the Manager informed the IRC that it conducted inter-fund trades for several of its funds and allowed its sub- advisors to also conduct inter-fund trades without a standing instruction or a report to the IRC. It has been doing so since the inception of the funds years ago.

This matter arose in August 2023 when IRI and Horizons’ General Counsel and Chief Compliance Officer (“CCO”) were completing a review of the firm’s COIM, along with its associated Standing Instructions (SIs). IRI noted that while the Horizons’ COIM contained a detailed and otherwise compliant section on inter-fund trades, the section did not require the approval of the IRC as required by section 6.1(2)(b) of National Instrument 81-107 (NI 81-107). In addition, the Manager did not have a standing instruction (“SI”) in place to conduct inter-fund trades in accordance with the NI 81-107.

In response to this disclosure, the IRC adopted a Standing Instruction for: Inter – fund Trades on that date. Over the next month, and in accordance with securities regulation, the IRC drafted a letter to the Ontario Securities Commission (“OSC”) informing them of the breach of securities regulations. The OSC requested further information which was provided to them. The OSC is now satisfied with the actions that the Manager has taken. The Manager and the IRC also determined the scope of the report certification under the SI and received reports on the inter-fund trades from the Manager.

## **Standing Instructions (“SI”) Approved**

The Manager can proceed with the specific action(s) set out in an SI 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. The SI required the Manager to comply with its related policy and procedures and to report periodically to the IRC.

In each case, the SI requires the Manager to comply with its related policy and procedures and to report periodically to the IRC.

The IRC, with the assistance of the Manager has reviewed all of its SIs this year and rescinded the ones that the Manager was not using and granted two additional SIs. Accordingly, the following SIs are currently in force:

**Standing Instruction Number 1:** *Omnibus (granted September 1, 2023)*

**Standing Instruction Number 2:** *Transactions in Exchange-Listed and 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:** *Inter—fund Trades (granted September 8, 2023)*

### **Manager’s Report on its Standing Instructions**

In accordance with the NI 81-107., the Manager provided a written report to the IRC describing its reliance on the SIs during the Reporting Period. The Manager relied on SIs No. 1 and 4 during the Reporting Period.

The Annual Report to Securityholders is available on the Manager’s website at [www.horizonsetfs.com](http://www.horizonsetfs.com) or you may request a copy, at no cost to you, by contacting Horizons ETFs Management (Canada) Inc. at 416.933.5745 or Toll Free at 1.866.641.5739, or by emailing [info@horizonsetfs.com](mailto:info@horizonsetfs.com). This document and other information about Horizons ETFs Management (Canada) Inc. are available on [www.sedarplus.com](http://www.sedarplus.com).

Yours truly,

*“Warren Law”*

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Warren Law, Chair

Horizons ETFs IRC

**Funds served by the IRC during the Reporting Period**

**LIST OF FUNDS AS OF DECEMBER 31, 2023 TO BE UPDATED**

Horizons Seasonal Rotation ETF  
Horizons Active Cdn Dividend ETF  
Horizons Active Global Dividend ETF  
Horizons Active Corporate Bond ETF  
Horizons Active Preferred Share ETF  
Horizons Active Ultra-Short Term Investment Grade Bond ETF  
Horizons Active Ultra-Short Term US Investment Grade Bond ETF  
Horizons Active High Yield Bond ETF  
Horizons Active Cdn Bond ETF  
Horizons Active Floating Rate Preferred Share ETF  
Horizons Canadian Large Cap Equity Covered Call ETF  
Horizons Canadian Oil and Gas Equity Covered Call ETF  
Horizons Equal Weight Canadian Bank Covered Call ETF  
Horizons Gold Producer Equity Covered Call ETF  
Horizons US Large Cap Equity Covered Call ETF  
Horizons NASDAQ-100 Covered Call ETF  
Horizons Active Global Fixed Income ETF  
Horizons Gold Yield ETF  
Horizons Morningstar Hedge Fund Index ETF  
Horizons Active Floating Rate Senior Loan ETF  
Horizons Active Cdn Municipal Bond ETF  
Horizons ReSolve Adaptive Asset Allocation ETF  
Horizons Absolute Return Global Currency ETF  
Horizons Active Intl Developed Markets Equity ETF  
Horizons Equal Weight Canada REIT Index ETF

Horizons Laddered Canadian Preferred Share Index ETF  
Horizons Equal Weight Canada Banks Index ETF  
Horizons US Marijuana Index ETF  
Horizons Global Uranium Index ETF  
BetaPro Marijuana Companies 2x Daily Bull ETF  
BetaPro Marijuana Companies Inverse ETF  
Horizons Growth TRI ETF Portfolio  
Horizons USD Cash Maximizer ETF  
Horizons Emerging Markets Equity Index ETF  
Horizons Psychedelic Stock Index ETF  
Horizons Global BBIG Technology ETF  
Horizons High Interest Savings ETF  
BetaPro Bitcoin ETF  
BetaPro Inverse Bitcoin ETF  
Horizons S&P Green Bond Index ETF  
Horizons Global Lithium Producers Index ETF  
Horizons Global Hydrogen Index ETF  
Horizons Global Semiconductor Index ETF  
Horizons North American Infrastructure Development Index ETF  
Horizons Global Vaccines and Infectious Diseases Index ETF  
Horizons GX Telemedicine and Digital Health Index ETF  
Horizons GX Cybersecurity Index ETF  
Horizons Global Metaverse Index ETF  
Horizons Carbon Credits ETF  
Horizons Copper Producers Index ETF  
Horizons Canadian Utility Services High Dividend Index ETF  
Horizons S&P 500® Index ETF  
Horizons S&P/TSX 60™ Index ETF  
Horizons S&P/TSX Capped Energy Index ETF  
Horizons S&P/TSX Capped Financials Index ETF  
Horizons Cdn Select Universe Bond ETF  
Horizons US 7-10 Year Treasury Bond ETF  
Horizons NASDAQ-100® Index ETF  
Horizons Europe 50 Index ETF  
Horizons Cdn High Dividend Index ETF  
Horizons S&P 500 CAD Hedged Index ETF

BetaPro NASDAQ-100® 2x Daily Bull ETF  
BetaPro NASDAQ-100® -2x Daily Bear  
ETF  
BetaPro S&P 500® 2x Daily Bull ETF  
BetaPro S&P 500® -2x Daily Bear ETF  
BetaPro S&P 500® Daily Inverse ETF  
BetaPro S&P/TSX 60™ -2x Daily Bear ETF  
BetaPro S&P/TSX 60™ 2x Daily Bull ETF  
BetaPro S&P/TSX 60™ Daily Inverse ETF  
BetaPro S&P/TSX Capped Energy™ -2x  
Daily Bear ETF  
BetaPro S&P/TSX Capped Energy™ 2x  
Daily Bull ETF  
BetaPro S&P/TSX Capped Financials™ -2x  
Daily Bear ETF  
BetaPro S&P/TSX Capped Financials™ 2x  
Daily Bull ETF  
BetaPro Canadian Gold Miners -2x Daily  
Bear ETF  
BetaPro Canadian Gold Miners 2x Daily  
Bull ETF  
BetaPro Gold Bullion 2x Daily Bull ETF  
BetaPro Gold Bullion -2x Daily Bear ETF  
BetaPro Silver 2x Daily Bull ETF  
BetaPro Silver -2x Daily Bear ETF  
BetaPro Crude Oil Leveraged Daily Bull  
ETF  
BetaPro Crude Oil Inverse Leveraged Daily  
Bear ETF  
BetaPro Natural Gas Leveraged Daily Bull  
ETF  
BetaPro Natural Gas Inverse Leveraged  
Daily Bear ETF  
BetaPro S&P 500 VIX Short-Term  
Futures™ ETF  
Horizons US Dollar Currency ETF  
Horizons Pipelines & Energy Services Index  
ETF

Horizons Gold ETF  
Horizons Silver ETF  
Horizons Crude Oil ETF  
Horizons Marijuana Life Sciences Index  
ETF  
Horizons Inovestor Canadian Equity Index  
ETF  
Horizons Robotics and Automation Index  
ETF  
Horizons Big Data & Hardware Index ETF  
Horizons Conservative TRI ETF Portfolio  
Horizons Balanced TRI ETF Portfolio  
Horizons Global Sustainability Leaders  
Index ETF  
Horizons Industry 4.0 Index ETF  
Horizons US Large Cap Index ETF  
Horizons S&P/TSX Capped Composite  
Index ETF  
Horizons Cash Maximizer ETF  
Horizons Emerging Markets Leaders ETF  
Horizons Active ESG Corporate Bond ETF  
Horizons Tactical Absolute Return Bond  
ETF  
BetaPro Equal Weight Canadian Bank 2x  
Daily Bull ETF  
BetaPro Equal Weight Canadian Bank -2x  
Daily Bear ETF  
BetaPro Equal Weight Canadian REIT 2x  
Daily Bull ETF  
BetaPro Equal Weight Canadian REIT -2x  
Daily Bear ETF  
Horizons USD High Interest Savings ETF  
(Final prospectus dated November 16, 2022  
has been filed, and the Fund exists, but has  
not yet launched on TSX)

### Schedule of the IRCs on which Members serve

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

- Investment funds that are reporting issuers managed by Hamilton Capital Partners Inc.
- Investment funds that are reporting issuers managed by the Horizons ETFs Management (Canada) Inc.
- Investment funds that are reporting issuers managed by Manulife Asset Management Limited.

**Edward Akkawi served as a member of the Independent Review Committees for the following funds:**

- Investment funds that are reporting issuers managed by the Horizons ETFs Management (Canada) Inc.  
*(resigned effective August 31<sup>st</sup>, 2023)*

**Gregory Chrispin served as a member of the Independent Review Committees for the following funds:**

- Investment funds that are reporting issuers managed by C.S.T. Consultants Inc.  
*(resigned effective June 18, 2023)*
- Investment funds that are reporting issuers managed by the Horizons ETFs Management (Canada) Inc.  
*(resigned effective August 31<sup>st</sup>, 2023)*

**Melanie Ward served as a member of the Independent Review Committees for the following funds:**

- Investment Funds that are reporting issuers managed by Forstrong Global Asset Management
- Investment Funds that are reporting issuers managed by Horizons ETFs Management (Canada) Inc. *(appointed effective September 1, 2023)*
- Investment Funds that are reporting issuers managed by Encasa Financial

**Michele McCarthy served as a member of the following Independent Review Committees for the following funds:**

- Investment funds that are reporting issuers managed by Addenda Capital Inc.
- Investment funds that are reporting issuers managed by Edgehill Partners L.P.
- Investment funds that are reporting issuers managed by Hazelview Securities Inc.  
*(retired effective August 24, 2023)*
- Investment funds that are reporting issuers managed by Horizons ETFs Management (Canada) Inc. *(appointed effective September 1, 2023)*
- Investment funds that are reporting issuers managed by Northwest & Ethical Investments L.P.
- Investment funds that are reporting issuers managed by PIMCO Canada Corp.
- Investment funds that are reporting issuers managed by Sprott Asset Management LP
- Investment funds that are reporting issuers managed by Willoughby Asset Management  
*(ceased to be a member effective December 27, 2023)*