



GALILEO

## **U.S. Global GO Gold and Precious Metal Miners ETF**

Financial Statements

**June 30, 2018**

(unaudited)

The Financial Statements have not been reviewed by the auditor

# U.S. Global GO Gold and Precious Metal Miners ETF

## Statement of Financial Position

As at June 30, 2018 and December 31, 2017

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
		\$
<b>Assets</b>		
Investments	5,211,968	5,012,841
Cash	46,573	139,670
Accrued dividends receivable	-	192
Receivable for units issued	2,889,644	1,214,401
	<u>8,148,185</u>	<u>6,367,104</u>
<b>Liabilities</b>		
Payable for securities purchased	2,864,323	1,261,828
Distributions payable to holders of redeemable units	-	4,500
	<u>2,864,323</u>	<u>1,266,328</u>
<b>Net assets attributable to holder of redeemable units</b>	<u>5,283,862</u>	<u>5,100,776</u>
<b>Number of units outstanding</b>	500,000	500,000
<b>Net assets attributable to holder of redeemable units per unit (note 7)</b>		
Class A	10.57	10.20

The accompanying notes are an integral part of these financial statements

# U.S. Global GO Gold and Precious Metal Miners ETF

## Statement of Comprehensive Income

For the periods ended June 30, 2018 and July 13, 2017 to December 31, 2017

	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	\$	\$
<b>Income</b>		
Dividends	28,172	13,960
Other changes in fair value of investments:		
Net realized gain (loss) on sale of investments	5,756	3,504
Net gain (loss) on foreign currency	(651)	(339)
Change in unrealized appreciation (depreciation) of investments	185,337	105,100
	<u>218,614</u>	<u>122,225</u>
<b>Expenses</b>		
Management fees (note 8)	17,282	8,734
Custodial fees	40,263	11,249
Audit fees	34,868	4,153
Legal and regulatory fees	25,295	-
Commission and other portfolio transaction costs (note 9)	16,920	6,916
Withholding taxes	1,328	1,299
Independent review committee fees	6,969	-
Other fees	2,373	3,333
	<u>145,298</u>	<u>35,684</u>
<b>Expenses waived or absorbed by Manager</b> (note 8)	<u>(109,768)</u>	<u>(18,735)</u>
	<u>35,530</u>	<u>16,949</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b> (note 10)	<u>183,084</u>	<u>105,276</u>
<b>Increase (decrease) in net assets attributable to holders of redeemable units per unit</b>	0.37	0.21

The accompanying notes are an integral part of these financial statements

# U.S. Global GO Gold and Precious Metal Miners ETF

Statement of Changes in Net Assets Attributable to Holders of Redeemable Units  
For the periods ended June 30, 2018 and July 13, 2017 to December 31, 2017

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	<b>June 30, 2018</b>	<b>December 31, 2017</b>
	\$	\$
<b>Net assets attributable to holder of redeemable units, beginning of period</b>	5,100,779	-
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	183,084	105,276
<b>Distributions paid or payable to holders of redeemable units</b>		
From net investment income	-	(105,084)
	-	(105,084)
<b>Redeemable unit transactions (note 7)</b>		
Amounts received from issuance of units	-	5,000,000
Distributions reinvested	-	100,584
	-	5,100,584
<b>Increase (decrease) in net assets attributable to holders of redeemable units</b>	183,084	5,100,776
<b>Net assets attributable to holder of redeemable units, end of period</b>	5,283,863	5,100,776

The accompanying notes are an integral part of these financial statements

# U.S. Global GO Gold and Precious Metal Miners ETF

## Statement of Cash Flows

For the periods ended June 30, 2018 and July 13, 2017 to December 31, 2017

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	June 30, 2018 \$	December 31, 2017 \$
<b>Cash flows from operating activities</b>		
Increase (decrease) in net assets attributable to holders of redeemable units	183,084	105,276
Adjustments for:		
Net realized (gain) loss on sale of investments	(5,756)	(3,504)
Change in unrealized (appreciation) depreciation of investments	(185,337)	(105,100)
Purchase of investments	(1,913,033)	(45,071)
Proceeds from the sale of investments	1,832,251	188,261
Dividends receivable	192	(192)
	<hr/>	<hr/>
	(88,599)	139,670
<b>Cash flows used in financing activities</b>		
Distribution to unitholders, net of reinvestments	(4,500)	-
	<hr/>	<hr/>
	(4,500)	-
Increase (decrease) in cash during the period	(93,099)	139,670
Cash, beginning of period	139,670	-
	<hr/>	<hr/>
<b>Cash, end of period</b>	46,571	139,670

The accompanying notes are an integral part of these financial statements

**U.S. Global GO Gold and Precious Metal Miners ETF**  
**Notes to Financial Statements**  
**For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

Number of shares/units	Description	Average cost \$	Fair value \$
<b>Canadian equities</b>			
<b>Materials (63.33%)*</b>			
60,486	Alacer Gold Corp.	132,270	146,981
21,299	Alamos Gold Inc., Class 'A'	159,743	159,530
58,939	Argonaut Gold Inc.	136,491	136,149
23,717	Avesoro Resources Inc.	110,915	110,691
46,472	B2Gold Corp.	158,934	158,470
13,708	Detour Gold Corp.	162,166	162,029
20,926	Fortuna Silver Mines Inc.	137,644	156,259
5,545	Franco-Nevada Corp.	536,764	532,042
28,172	IAMGOLD Corp.	216,079	215,798
39,007	Kinross Gold Corp.	197,776	193,085
5,809	Kirkland Lake Gold Ltd.	161,781	161,723
57,731	OceanaGold Corp.	200,999	210,718
140,240	Roxgold Inc.	154,432	157,069
33,575	Teranga Gold Corp.	151,006	157,467
13,661	Torex Gold Resources Inc.	160,107	159,970
18,197	Wheaton Precious Metals Corp.	435,171	528,077
		3,212,278	3,346,058
	Total Canadian equities (63.33%)*	3,212,278	3,346,058
<b>Foreign equities</b>			
<b>Materials (35.31%)*</b>			
3,284	Anglo American Platinum Ltd.	116,006	112,988
51,166	Centamin PLC	114,248	105,640
30,689	Evolution Mining Ltd.	67,556	104,800
40,501	Gold Fields Ltd. ADR	202,468	190,083
89,780	Harmony Gold Mining Co. Ltd. ADR	196,891	184,126
42,893	Highland Gold Mining Ltd.	105,656	106,420
371,431	Pantoro Ltd.	108,627	108,410
188,973	Ramelius Resources Ltd.	106,848	106,635
4,334	Royal Gold Inc.	471,325	528,973
50,571	Saracen Mineral Holdings Ltd.	67,483	107,750
182,567	Silver Lake Resources Ltd.	106,786	106,572
22,028	St. Barbara Ltd.	57,268	103,513
		1,721,162	1,865,910
	Total Foreign equities (35.31%)*	1,721,162	1,865,910
	Transaction costs	(11,908)	-
	Total investments (98.64%)*	4,921,532	5,211,968
	Other assets, net of liabilities (1.36%)*		71,894
	Total net assets (100.00%)*		5,283,862

\*Fair value as a percentage of net assets

# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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#### **1 The Fund**

The U.S. Global GO Gold and Precious Metal Miners ETF (“ETF”) (the “Fund”) is an open-ended exchange traded fund established under the laws of the Province of Ontario and is governed by the supplemental trust deed to the Amended and Restated Master Declaration of Trust dated July 13, 2017, as amended from time to time. The address of the Fund’s registered office is 47 Colborne Street, Toronto ON M5E 1P8.

The U.S. Global GO Gold and Precious Metal Miners ETF seeks to track, to the extent possible, the price and yield performance of the U.S. Global Go Gold and Precious Metal Miners Index provided by U.S. Global Indices, LLP, before fees and expenses.

Galileo Global Equity Advisors Inc. is the Manager and Trustee of the Fund and is responsible for the administration and operations of the Fund. The Manager may from time to time employ or retain any other person or entity, including the Portfolio Advisor, to assist the Manager in managing or providing administrative and investment advisory services to the Fund.

U.S. Global Investors, Inc. has been appointed by the Manager to act as Portfolio Adviser to the Fund. The Portfolio Advisor manages the investment portfolios of the Fund, provides analysis and makes investment decisions. The Portfolio Advisor is a registered investment advisor in the United States with its head office located in San Antonio, Texas.

#### **2 Basis of presentation**

These financial statements have been prepared in compliance with those requirements of International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). The statements of financial position have been prepared under the historical cost convention.

The net asset value (NAV) is the value of the total assets of a fund less the value of its total liabilities determined, on each valuation day, in accordance with Part 14 of National Instrument (NI) 81-106 Investment Fund Continuous Disclosure for the purpose of processing unitholder transactions. Net assets are determined in accordance with IFRS.

#### **3 Summary of significant accounting policies**

##### **Financial assets and financial liabilities at fair value through profit or loss**

###### *Classification*

The Fund classifies its investments in debt and equity securities, and derivatives, as financial assets or financial liabilities at fair value through profit or loss (FVTPL).

The Fund’s policy requires the Manager to evaluate the information about these financial assets and liabilities on a fair value basis together with other related financial information.

The Fund may make short sales in which a borrowed security is sold in anticipation of a decline in the market value of that security, or it may use short sales for various arbitrage transactions. Short sales are classified as financial liabilities.

# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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#### *a) Recognition, derecognition and measurement*

Regular purchases and sales of investments are recognized on the trade date - the date on which the Fund commits to purchase or sell the investment. Financial assets and financial liabilities at fair value through profit or loss are initially recognized at fair value.

Transaction and related costs are expensed as incurred in the Statements of Comprehensive Income. All other assets and liabilities, excluding net assets attributable to holders of redeemable units, are measured at amortized cost.

Financial assets are derecognized when the rights to receive cash flows from the investments have expired or the Fund has transferred substantially all risks and rewards of ownership.

The Fund may purchase an option and an amount equal to fair value which is based on the premium paid is recorded as an asset. The Fund may write an option and an amount equal to fair value which is based on the premium received by the Fund is recorded as a liability. When options are closed, the difference between the premium and the amount paid or received, net of brokerage commissions, or the full amount of the premium if the option expires worthless, is recognized as a gain or loss and is presented in the Statements of Comprehensive Income within net realized gain on sale of investments and derivatives.

Subsequent to initial recognition, all financial assets and financial liabilities at fair value through profit or loss are measured at fair value. Gains and losses arising from changes in the fair value of the 'financial assets or financial liabilities at fair value through profit or loss' category are presented in the Statements of Comprehensive Income within change in unrealized appreciation (depreciation) of investments and derivatives in the period in which they arise.

#### *b) Income Recognition*

Dividend income is recognized on the dividend date.

The interest for distribution purposes shown on the Statements of Comprehensive Income represents coupon interest received by the Fund on fixed income securities accounted for on an accrual basis.

The Fund does not amortize premiums paid or discounts received on the purchase of fixed income securities except for zero coupon bonds which are amortized on a straight-line basis.

Realized gain/loss on sale of investments and change in unrealized appreciation/depreciation in investments are determined on an average cost basis. Average cost does not include amortization of premiums or discounts on fixed income securities with the exception of zero coupon bonds.

#### **Fair value estimation**

The fair value of financial assets and liabilities traded in active markets (such as publicly traded derivatives and trading securities) are based on quoted market prices at the close of trading on the reporting date. The Fund uses last traded market price for both financial assets and financial liabilities where the last traded price falls within that day's bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager determines the point within the bid-ask spread that is most representative of fair value. The Fund's policy is to recognize transfers into and out of the fair value hierarchy levels as of the date of the event or change in circumstances giving rise to the transfer.



# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Valuation techniques used for non-standardized financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

For instruments for which there is no active market, the Fund may use internally developed models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. Valuation models are used primarily to value unlisted equity, debt securities and other debt instruments for which markets were or have been inactive during the financial year. Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Fund holds. Valuations are therefore adjusted, where appropriate, to allow for additional factors including model risk, liquidity risk and counterparty risk.

#### **Forward currency contracts**

The Fund may enter into forward contracts to manage risk or to achieve desired returns. Gains or losses are realized on the settlement term of the forward contracts and included in net realized gain (loss) on sale of investments and derivatives in the Statements on Comprehensive Income. The forward contracts are valued based on the difference between the contract rate and the current market prices for the underlying asset, adjusted to reflect credit risk and other relevant factors as applicable. The unrealized gain or loss is reflected in the Statements of Financial Position as Derivative assets and liabilities.

#### **Foreign currency translation**

The Fund's functional and presentation currency is Canadian dollars. Foreign currency transactions are translated using the exchange rates prevailing at the dates that transactions occur. Foreign currency assets and liabilities denominated in a foreign currency are translated using the exchange rate prevailing at the measurement date. Foreign exchange gains and losses relating to cash are presented as 'Net gain (loss) on foreign currency' and those relating to other financial assets and liabilities are presented within 'Net realized gain (loss) on sale of investments and derivatives' and 'Change in unrealized appreciation (depreciation) of investments and derivatives' in the Statements of Comprehensive Income.

#### **Cash**

Cash is comprised of deposits held with financial institutions.

# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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

The increase (decrease) in net assets attributable to holders of redeemable units per unit is calculated by dividing the increase (decrease) in net assets attributable to holders of redeemable units per class by the weighted average units outstanding per class during the year. Refer to Note 10 for the calculation.

#### **Net Assets attributable to holders of redeemable units**

The Fund issues redeemable shares, which are redeemable at the holder's option and do not have identical rights. Such shares are classified as financial liabilities. Redeemable shares can be put back to the Fund at any dealing date for cash equal to a proportionate share of the Fund's net asset value attributable to the share class.

The redeemable shares are carried at the redemption amount that is payable at the statement of financial position date if the holder exercises the right to put the share back to the Fund. Redeemable shares are issued and redeemed at the holder's option at prices based on the Fund's net asset value per share at the time of issue or redemption. The Fund's net asset value per share is calculated by dividing the net assets attributable to the holders of each class of redeemable shares with the total number of outstanding redeemable shares for each respective class. In accordance with the provisions of the Fund's regulations, investment positions are valued based on the last traded market price for the purpose of determining the net asset value per share for subscriptions and redemptions.

#### **Taxation**

The Fund is a unit trust under the Income Tax Act (Canada). All of the Fund's net income for tax purposes and sufficient net capital gains realized in any year are required to be distributed to unitholders such that no income tax is payable by the Fund. As a result, the Fund does not record income taxes. Since the Fund does not record income taxes, the tax benefit of capital and non-capital losses has not been reflected in the Statements of Financial Position as a deferred income tax asset.

#### **Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position where the Fund currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

#### **Accounting Changes**

##### **IFRS 9, Financial Instruments**

Effective 2018, the Fund adopted IFRS 9 Financial Instruments. The new standard requires assets to be carried at amortized cost, fair value, with changes in fair value recognized in profit and loss (FVTPL) or fair value through other comprehensive income (FVOCI) based on the entity's business model for managing financial assets and the contractual cash flow characteristics of the financial assets.

Assessment and decision on the business model approach used is an accounting judgement. The classification and measurement of liabilities remains generally unchanged with the exception of liabilities recorded at FVTPL. For these liabilities, fair value changes attributable to changes in the

# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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entity's own credit risk are to be presented in other comprehensive income unless they affect amounts recorded in income.

Upon transition to IFRS 9, the Fund's financial assets and financial liabilities previously classified as fair value through profit and loss (FVTPL) under IAS39 continued to be categorized as fair value through profit and loss. There were no changes in the measurement attributes for any of the financial assets and financial liabilities upon transition to IFRS 9.

#### **4 Critical accounting estimates and judgements**

The preparation of financial statements requires management to use judgment in applying its accounting policies and to make estimates and assumptions about the future. The following discusses the most significant accounting judgments and estimates that the Fund has made in preparing the financial statements:

##### *Fair value measurement of derivatives and securities not quoted in an active market*

The Fund may hold financial instruments that are not quoted in active markets, including derivatives. Fair values of such instruments are determined using valuation techniques and may be determined using reputable pricing sources (such as pricing agencies) or indicative prices from market makers. Broker quotes as obtained from the pricing sources may be indicative and not executable or binding. Where no market data is available, the Fund may value positions using its own models, which are usually based on valuation methods and techniques generally recognized as standard within the industry. The models used to determine fair values are validated and periodically reviewed by experienced personnel of the Manager, independent of the party that created them. The models used for private equity securities are based mainly on earnings multiples adjusted for a lack of marketability as appropriate.

Models use observable data, to the extent practicable. However, areas such as credit risk (both own and counterparty), volatilities and correlations require the Manager to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments. The Fund considers observable data that is readily available, regularly distributed and updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market. Refer to Note 5 for further information about the fair value measurement of the Fund's financial instruments.

##### *Classification and measurement of investments and application of the fair value option*

In classifying and measuring financial instruments held by the Fund, the Manager is required to make significant judgments about whether or not the business of the Fund is to invest on a total return basis for the purpose of applying the fair value option for financial assets under IFRS 9. The Manager has assessed the Fund's business model, the manner in which all financial instruments are managed and performance evaluated as a group on a fair value basis, and concluded the FVTPL in accordance with IFRS 9 provides the appropriate measurement and presentation of the Fund's financial instruments.

# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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#### **5 Risks associated with financial instruments**

##### **Risk factors**

The Fund exposes itself to a variety of risks associated with financial instruments, as follows: credit risk, liquidity risk and market risk (including price risk, foreign exchange risk and interest rate risk). The Fund's overall risk management program seeks to maximize the returns derived for the level of risk to which the Fund is exposed and seeks to minimize potential adverse effects on the Fund's financial performance. All investments result in a risk of loss of capital.

##### **Credit risk**

The U.S. Global GO Gold and Precious Metal Miners ETF is not subject to credit risk as at June 30, 2018 and December 31, 2017 given that the Fund had no significant investment in debt instruments.

All transactions in listed securities are settled or paid for on delivery using approved brokers. The credit risk related to associated receivables is considered limited, as delivery of securities sold is only made once the broker has received payment. Payment is made on a purchase once the securities have been received by the broker. The trade will fail if either party fails to meet its obligation. However, there are risks involved in dealing with custodians or prime brokers who settle trades and in rare circumstances, the securities and other assets deposited with the custodian or broker may be exposed to credit risk with regard to such parties. In addition, there may be practical problems or time delays associated with the Fund's rights to its assets in the case of an insolvency of any such party.

##### **Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations associated with financial liabilities. The Fund may be exposed to daily cash redemptions. The Fund's policy is to maintain at least 90% of their assets in liquid investments (i.e. investments that can be readily disposed of through market facilities). In addition, the Fund maintains sufficient cash on hand to fund anticipated redemptions and can borrow up to 5% of its NAV for the purposes of funding redemptions.

The Fund may invest in derivatives, debt securities and unlisted equity investments that are not traded in an active market. As a result, the Fund may not be able to quickly liquidate its investments in these instruments at amounts which approximate their fair values, or be able to respond to specific events such as deterioration in the creditworthiness of any particular issuer. In accordance with the Fund's policy, the Manager monitors the Fund's liquidity position on a daily basis.

The Fund maintains sufficient cash on hand to fund anticipated redemptions.

##### **Market risk**

The Fund's investments are subject to market risk which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The following include sensitivity analyses that show how the net assets attributable to holders of redeemable units would have been affected by a reasonably possible change in the relevant risk variable at each reporting date. In practice, the actual results may differ and the differences could be material.

# U.S. Global GO Gold and Precious Metal Miners ETF

## Notes to Financial Statements

For the periods June 30, 2018 and July 13, 2017 to December 31, 2017

### (a) Currency risk

The Fund invests in monetary and non-monetary assets denominated in currencies other than the Canadian dollar (CAD). These investments result in currency risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund may enter into foreign exchange forward contracts to reduce its foreign currency exposure.

The table below indicates the foreign currencies to which the U.S. Global GO Gold and Precious Metal Miners ETF had significant exposure at June 30, 2018 and December 31, 2017 in CAD terms, and the notional amounts of forward currency contracts. The table also illustrates the potential impact on the net assets attributable to holders of redeemable units if CAD had strengthened or weakened by 5% in relation to each of the other currencies, with all other variables held constant.

June 30, 2018	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-monetary	Total	Monetary	Non-monetary	Total
Australian Dollar	(174,607)	812,287	637,680	(8,730)	40,614	31,884
British Pound	(153,709)	476,460	322,751	(7,685)	23,823	16,138
Hong Kong Dollar	93,610	(93,610)	-	4,681	(4,681)	-
South African Rand	86,742	26,246	112,988	4,337	1,312	5,649
U.S. dollar	24,091	1,059,441	1,083,532	1,205	52,972	54,177
	(123,873)	2,280,824	2,156,951	(6,192)	114,040	107,848
% of net assets attributable to holders of redeemable units	(2.35%)	43.17%	40.82%	(0.12%)	2.16%	2.04%

December 31, 2017	Exposure			Impact on net assets attributable to holders of redeemable units		
	Monetary	Non-monetary	Total	Monetary	Non-monetary	Total
Australian Dollar	99,815	596,760	696,575	4,991	29,838	34,829
British Pound	133,859	204,679	338,538	6,693	10,234	16,927
Hong Kong Dollar	(104,998)	104,676	(322)	(5,250)	5,234	(16)
South African Rand	10,420	100,228	110,648	521	5,011	5,532
U.S. dollar	(333,134)	1,177,187	844,053	(\$16,657)	58,859	42,202
	(194,038)	2,183,530	1,989,492	(9,702)	109,177	99,475
% of net assets attributable to holders of redeemable units	(3.80%)	42.81%	39.01%	(0.19%)	2.14%	1.95%

### (b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund may hold securities with fixed interest rates that expose the Fund to fair value interest rate risk.

The Fund is not subject to interest rate risk as at June 30, 2018 and December 31, 2017.

# **U.S. Global GO Gold and Precious Metal Miners ETF**

## **Notes to Financial Statements**

### **For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

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#### *(c) Price risk*

The Fund is exposed to price risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk). The investments of the Fund are subject to the risk of changes in the prices of equity securities and convertible bonds. The Fund's policy is to manage price risk through guidelines within the Declaration of Trust and Simplified Prospectus.

If the fair value of the portfolio securities held had increased or decreased by 5% with all other variables held constant, the net assets attributable to holders of redeemable units of the U.S. Global GO Gold and Precious Metal Miners ETF as at June 30, 2018 would have increased or decreased by \$260,598 (December 31, 2017 - \$250,642).

#### **Concentration risk**

Concentration risk arises as a result of the concentration of exposures within the same category, whether it is geographical location, product type, industry sector or counterparty type.

Concentration risk for the U.S. Global GO Gold and Precious Metal Miners ETF is 100% in the Materials market sector as at June 30, 2018 and December 31, 2017.

## **6 Financial instruments**

#### **Fair value hierarchy**

The Fund classifies fair value measurements within a hierarchy which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are:

- Level 1 Quoted prices (unadjusted) in active markets for identical financial assets or liabilities that the entity can access at the measurement date;
- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 Inputs are unobservable for the asset or liability.

If inputs of different levels are used to measure an asset's or liability's fair value, the classification within the hierarchy is based on the lowest level input that is significant to the fair value measurement.

The following table illustrates the classification of the U.S. Global Go Gold and Precious Metal Miners ETF assets and liabilities measured at fair value within the fair value hierarchy as at June 30, 2018 and December 31, 2017:

**U.S. Global GO Gold and Precious Metal Miners ETF**  
**Notes to Financial Statements**  
**For the periods June 30, 2018 and July 13, 2017 to December 31, 2017**

	<b>June 30, 2018</b>			
<b>Classification</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial Assets</b>				
Equities	5,211,968	-	-	5,211,968
Derivative Assets	-	-	-	-
<b>Total Financial Assets</b>	5,211,968	-	-	5,211,968
<b>Financial Liabilities</b>				
<b>Total Financial Liabilities</b>	-	-	-	-
<b>Total Financial Assets and Liabilities</b>	5,211,968	-	-	5,211,968

	<b>December 31, 2017</b>			
<b>Classification</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>Financial Assets</b>				
Equities	5,012,841	-	-	5,012,841
Derivative Assets	-	-	-	-
<b>Total Financial Assets</b>	5,012,841	-	-	5,012,841
<b>Financial Liabilities</b>				
<b>Total Financial Liabilities</b>	-	-	-	-
<b>Total Financial Assets and Liabilities</b>	5,012,841	-	-	5,012,841

All fair value measurements above are recurring. The carrying values of cash, subscriptions receivable, interest receivable, payable for investments purchased, redemptions payable, distributions payable, accrued liabilities approximate their fair values due to their short-term nature. Fair values are classified as Level 1 when the related security or derivative is actively traded and a quoted price is available. If an instrument classified as Level 1 subsequently ceased to be actively traded, it is transferred out of Level 1. In such cases, instruments are reclassified into Level 2, unless the measurement of its fair value requires the use of significant unobservable inputs, in which case it is classified as Level 3.

The Manager is responsible for performing the fair value measurements included in the financial statements of the Fund, including Level 3 measurements. The Manager monitors and reviews pricing from a third party pricing vendor.

a) Equities

The Fund's equity positions are classified as Level 1 when the security is actively traded and a reliable price is observable. The Fund may hold securities that do not trade frequently and therefore observable prices may not be available. In such cases, fair value is determined using observable market data (e.g., transactions for similar securities of the same issuer) and the fair value is classified as Level 2, unless the determination of fair value requires significant unobservable data, in which case the measurement is classified as Level 3.

# U.S. Global GO Gold and Precious Metal Miners ETF

## Notes to Financial Statements

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The Level 3 equities are valued at quotations supplied by third party broker dealers and other pricing vendors. The Manager does not alter the broker quotes as the quotes are obtained from accredited brokers. However, the quotes as well as the brokers are monitored periodically to make sure quotes are representative of fair market values.

b) Fixed income

Fixed income includes primarily government and corporate bonds, which are valued using models with inputs including interest rate curves, credit spreads and volatilities. The inputs that are significant to valuation are generally observable and therefore the Fund's bonds and short-term investments have been classified as Level 2.

c) Derivative assets and liabilities

Derivative assets and liabilities consist of options and/or foreign currency forward contracts which are valued based primarily on the contract notional amount, the difference between the contract rate and the forward market rate for the same currency, interest rates and credit spreads. Options and contracts for which counterparty credit spreads are observable and reliable, or for which the credit-related inputs are determined not to be significant to fair value, are classified as Level 2.

Previously IAS 39 required investment funds to disclose a more detailed break-out of categories either in a table or on a qualitative basis. Under IFRS 9 Net gain (loss) on Financial Instruments table is no longer required.

## 7 Redeemable units

### Capital risk management

Units issued and outstanding are considered to be the capital of the Fund. The Fund does not have any specific capital requirements on the subscription and redemption of units, other than certain minimum subscription requirements. On any trading day, Unitholders may redeem Units of the ETF in any number for cash at a redemption price per Unit equal to the lesser of (i) 95% of the closing price on the ETF's primary listing exchange for the Units on the effective day of redemption and (ii) the net asset value per Unit on the effective day of the redemption.

Unitholders are entitled to require payment of the net asset value per unit of the Fund for all or any of the units of such unitholder by giving written notice to the Manager. The written notice must be received no later than 4:00 p.m., EST, on the valuation day upon which the units are to be redeemed. Additionally, the notice must be irrevocable and the signature thereon must be guaranteed by a Canadian chartered bank, a trust company or an investment dealer acceptable to the Manager. The units are redeemable for cash equal to a pro rata share of the Fund's net asset value (NAV).

During the periods ended June 30, 2018 and December 31, 2017, the number of issued, redeemed and outstanding units, were as follows:

					June 30, 2018
Units outstanding December 31, 2017	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on re- investments	Units Outstanding at June 30, 2018	
500,000	-	-	-	500,000	



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					December 31, 2017
Units outstanding at July 13, 2017	Redeemable units issued	Redeemable units redeemed	Redeemable units issued on re- investments	Units Outstanding at December 31, 2017	
-	500,000	-	-	500,000	

## 8 Related party transactions

The Fund's Manager, its officers and directors may invest in units of the Fund, from time to time, in the normal course of business. As at June 30, 2018 the Manager held 0.06% (December 31, 2017 – 0.06%) of the U.S. Global GO Gold and Precious Metal Miners ETF.

### (a) Management fees

Under the terms of the management agreement dated July 13, 2017, the Fund has appointed the Manager to provide management services including key management personnel and is entitled to a management and investment advisory fee of 0.60% of the NAV of the Fund. This monthly fee is calculated as 1/12 of the annual rate applied against the monthly average daily net assets plus applicable taxes. The fees are calculated daily and paid monthly.

In an effort to encourage large investments in the Fund, the Manager may from time to time in its sole discretion, but is not obligated to, effect a reduction in the Management Fee that it charges in respect of any particular investor's investment in the Fund by paying a corresponding amount to the investor as a special distribution. The level of reduction in the Management Fee of the Fund is negotiable between the Manager and the investor, and will depend on the size of the investor's investment, the number of transactions, the extent of the services required by the investor and the fees the Manager pays to the investor's dealer. The Manager may, without notice, terminate an investor's Management Fee Distribution at any time. Management Fee Distributions are paid first out of net income and net realized capital gains of the Fund and thereafter out of capital.

### (b) Independent Review Committee fees

The total remuneration paid to members of the Independent Review Committee during the period ended June 30, 2018 was \$6,969 (December 31, 2017: nil) and consisted only of fixed fees.

## 9 Brokerage commissions and soft dollars

The Manager may select brokers who charge a commission in 'soft dollars' if they determine in good faith that the commission is reasonable in relation to the order execution and research services utilized. The ascertainable soft dollar value received as a percentage of total brokerage commissions paid during the periods ended June 30, 2018 and December 31, 2017 is disclosed below:

	June 30, 2018	December 31, 2017
Soft dollars	-	1,972
Percentage of total transaction costs (%)	0.0%	28.5%

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**10 Increase (decrease) in net assets attributable to holder of redeemable units**

The increase (decrease) in net assets attributable to holder of redeemable units for the periods ended June 30, 2018 and December 31, 2017 for the U.S. Global GO Gold and Precious Metal Miners ETF is as follows.

	June 30, 2018	December 31, 2017
Increase (decrease) in net assets attributable to holders of redeemable units	183,084	105,276
Weighted average units outstanding during the period	500,000	500,000
Increase (decrease) in net assets attributable to holders of redeemable units per unit	0.37	0.21