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## PROSPECTUS

Continuous Offering

May 5, 2020

**Horizons Enhanced Income Equity ETF (“Horizons HEX”)  
Horizons Enhanced Income Energy ETF (“Horizons HEE”)  
Horizons Enhanced Income Financials ETF (“Horizons HEF”)  
Horizons Enhanced Income Gold Producers ETF (“Horizons HEP”)  
Horizons Enhanced Income US Equity (USD) ETF (“Horizons HEA.U”)  
Horizons Enhanced Income International Equity ETF (“Horizons HEJ”)**

**(together, the “ETFs” and each an “ETF”)**

The Horizons ETFs are exchange traded mutual funds established under the laws of Ontario. Class E units (“Units”) of each ETF are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of an ETF that may be issued. The Units of each ETF are offered for sale at a price equal to the net asset value of such Units next determined following the receipt of a subscription order.

Horizons HEA.U currently makes its Units available in both Canadian dollars (“Cdn\$ Units”) and U.S. dollars (“US\$ Units”). The base currency of the Units of Horizons HEA.U is U.S. dollars. Neither of the US\$ Units nor the Cdn\$ Units of Horizons HEA.U seek to hedge U.S. dollar currency exposure to the Canadian dollar. Subscriptions for Units of Horizons HEA.U may be made in either U.S. or Canadian currency. Holders of US\$ Units or Cdn\$ Units of Horizons HEA.U may request that their redemption proceeds be paid in either U.S. or Canadian currency.

Units of the ETFs are listed and trade on the Toronto Stock Exchange (the “TSX”).

The manager, investment manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. (“Horizons”, the “Investment Manager”, the “Manager” or the “Trustee”). See “Organization and Management Details of the ETFs”.

### **Investment Objectives**

#### *Horizons HEX*

The investment objective of Horizons HEX is to provide Unitholders (as defined below) with: (a) exposure to the performance of an equal weighted portfolio of large capitalization Canadian companies; and (b) monthly distributions of dividend and call option income. Horizons HEX will invest primarily in a portfolio of equity and equity related securities of Canadian companies that as at the Constituent Reset Date (as defined below) are amongst the largest by market capitalization and most liquid issuers on the TSX. Horizons HEX will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEX will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

### *Horizons HEE*

The investment objective of Horizons HEE is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of Canadian companies that are involved in the crude oil and natural gas industry; and (b) monthly distributions of dividend and call option income. Horizons HEE will invest primarily in a portfolio of equity and equity related securities of Canadian companies that are primarily involved in the crude oil and natural gas industry and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers on the TSX in their sector. Horizons HEE will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEE will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

### *Horizons HEF*

The investment objective of Horizons HEF is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of Canadian banking, finance and financial services companies; and (b) monthly distributions of dividend and call option income. Horizons HEF will invest primarily in a portfolio of equity and equity related securities of Canadian companies that are primarily exposed to Canadian banking, finance and financial services sectors and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers listed on the TSX in their sector. Horizons HEF will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEF will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

### *Horizons HEP*

The investment objective of Horizons HEP is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of North American listed gold mining and exploration companies; and (b) monthly distributions of dividend and call option income. Horizons HEP will invest primarily in a portfolio of equity and equity related securities of North American listed companies that are primarily exposed to gold mining and exploration and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers in their sector. Horizons HEP will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEP will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors. Any foreign currency gains or losses as a result of Horizons HEP's investment in non-Canadian issuers will be hedged back to the Canadian dollar to the best of its ability.

### *Horizons HEA.U*

The investment objective of Horizons HEA.U is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization U.S. companies; and (b) monthly U.S. dollar distributions of dividend and call option income. Horizons HEA.U will invest primarily in a portfolio of equity and equity related securities of U.S. companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid issuers on the New York Stock Exchange (the "NYSE") or the NASDAQ Stock Market ("NASDAQ"). Horizons HEA.U will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. Horizons HEA.U will not to seek to hedge its exposure to the U.S. dollar back to the Canadian dollar. To mitigate downside risk and generate income, Horizons HEA.U will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

## *Horizons HEJ*

The investment objective of Horizons HEJ is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization international, non-North American, companies; and (b) monthly distributions of dividend and call option income. Horizons HEJ will invest primarily in a portfolio of equity and equity related securities of companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid non-North American based issuers on the TSX, NYSE or NASDAQ. Horizons HEJ will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. Horizons HEJ will generally seek to hedge substantially all of its exposure to the U.S. dollar back to the Canadian dollar. To mitigate downside risk and generate income, Horizons HEJ will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

See “Investment Objectives”.

Investors can buy or sell Units of an ETF on the TSX in the applicable currency through registered brokers and dealers in the province or territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling Units.

Each ETF will issue Units directly to the Designated Broker and to Dealers. The Manager, on behalf of each ETF, has entered into and may enter into agreements with registered dealers (each a “**Designated Broker**” or “**Dealer**”) which, amongst other things, enables the Designated Broker and the Dealers to purchase and redeem Units in the applicable currency directly from the ETFs. No Designated Broker and/or Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and the securities regulatory authorities have provided the ETFs with a decision exempting the ETFs from the requirement to include a certificate of an underwriter in the prospectus. The Designated Broker and the Dealers are not underwriters of the ETFs in connection with the distribution by the ETFs of Units under this prospectus.

Holders of Units of an ETF (the “**Unitholders**”) will be able to redeem Units in the applicable currency in any number for cash at a redemption price per Unit of 95% of the closing price for the Unit in the applicable currency on the TSX on the effective day of redemption. Unitholders are advised to consult their brokers or investment advisers before redeeming Units for cash. Each ETF will also offer additional redemption or exchange options which are available where a Dealer, Designated Broker or Unitholder redeems a prescribed number of Units. See “Exchange and Redemption of Units”.

**For a discussion of the risks associated with an investment in Units of an ETF, see “Risk Factors”.**

Registrations and transfers of Units will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

Additional information about each ETF is or will be available in its most recently filed annual financial statements together with the accompanying independent auditors’ report, any interim financial statements of that ETF filed after these annual financial statements, its most recently filed annual and interim management reports of fund performance, and the most recently filed ETF Facts of that ETF. These documents are or will be incorporated by reference into this prospectus which means that they legally form part of this prospectus. For further details, see “Documents Incorporated by Reference”.

You can get a copy of these documents at your request, and at no cost, by calling the Manager toll-free at 1-866-641-5739 or from your dealer. These documents are or will also be available on the Manager’s website at [www.HorizonsETFs.com](http://www.HorizonsETFs.com), or by contacting the Manager by e-mail at [info@horizonsetfs.com](mailto:info@horizonsetfs.com). These documents and other information about the ETFs are or will also be available on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at [www.sedar.com](http://www.sedar.com).

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of Units of this distribution and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus or incorporated by reference in this prospectus. Capitalized terms not defined in this summary are defined in the Glossary.*

### **The ETFs**

The Horizons ETFs are exchange traded mutual funds established under the laws of Ontario. See “Overview of the Legal Structure of the ETFs”.

### **Investment Objectives**

#### Horizons HEX

The investment objective of Horizons HEX is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization Canadian companies; and (b) monthly distributions of dividend and call option income. Horizons HEX will invest primarily in a portfolio of equity and equity related securities of Canadian companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid issuers on the TSX. Horizons HEX will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEX will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

#### Horizons HEE

The investment objective of Horizons HEE is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of Canadian companies that are involved in the crude oil and natural gas industry; and (b) monthly distributions of dividend and call option income. Horizons HEE will invest primarily in a portfolio of equity and equity related securities of Canadian companies that are primarily involved in the crude oil and natural gas industry and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers on the TSX in their sector. Horizons HEE will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEE will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

#### Horizons HEF

The investment objective of Horizons HEF is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of Canadian banking, finance and financial services companies; and (b) monthly distributions of dividend and call option income. Horizons HEF will invest primarily in a portfolio of equity and equity related securities of Canadian companies that are primarily exposed to Canadian banking, finance and financial services sectors and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers listed on the TSX in their sector. Horizons HEF will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEF will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

### Horizons HEP

The investment objective of Horizons HEP is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of North American listed gold mining and exploration companies; and (b) monthly distributions of dividend and call option income. Horizons HEP will invest primarily in a portfolio of equity and equity related securities of North American listed companies that are primarily exposed to gold mining and exploration and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers in their sector. Horizons HEP will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEP will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors. Any foreign currency gains or losses as a result of Horizons HEP's investment in non-Canadian issuers will be hedged back to the Canadian dollar to the best of its ability.

### Horizons HEA.U

The investment objective of Horizons HEA.U is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization U.S. companies; and (b) monthly U.S. dollar distributions of dividend and call option income. Horizons HEA.U will invest primarily in a portfolio of equity and equity related securities of U.S. companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid issuers on the NYSE or the NASDAQ. Horizons HEA.U will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. Horizons HEA.U will not seek to hedge its exposure to the U.S. dollar back to the Canadian dollar. To mitigate downside risk and generate income, Horizons HEA.U will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

### Horizons HEJ

The investment objective of Horizons HEJ is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization international, non-North American, companies; and (b) monthly distributions of dividend and call option income. Horizons HEJ will invest primarily in a portfolio of equity and equity related securities of companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid non-North American based issuers on the TSX, NYSE or NASDAQ. Horizons HEJ will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. Horizons HEJ will generally seek to hedge substantially all of its exposure to the U.S. dollar back to the Canadian dollar. To mitigate downside risk and generate income, Horizons HEJ will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

See "Investment Objectives".

## **Investment Strategies**

Each ETF invests in its own portfolio of equity securities. Each ETF will also, to mitigate downside risk and generate income, generally write short-term, "out-of-the-money" covered call options on 100% of its portfolio securities. While providing hedging protection and generating income, the use of a covered call

strategy may, however, limit potential gains available to an ETF.

#### Horizons HEX

To achieve its investment objective Horizons HEX primarily invests in an equal weighted portfolio of large capitalization Canadian companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will select from the largest and most liquid Canadian issuers listed on the TSX and will invest Horizons HEX in each issuer equally. Horizons HEX will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEX's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities.

#### Horizons HEE and Horizons HEF

To achieve its investment objective, each of Horizons HEE and Horizons HEF invests in an equal weighted portfolio of Canadian companies in accordance with their respective investment objectives. Semi-annually, on the Constituent Reset Date, the Investment Manager will identify the largest and most liquid Canadian issuers listed on the TSX in their respective sectors and will invest Horizons HEE and Horizons HEF's portfolios accordingly in each issuer equally. Horizons HEE and Horizons HEF will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEE and Horizons HEF's portfolios until their next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities.

#### Horizons HEP

To achieve its investment objective Horizons HEP invests in an equal weighted portfolio of North American listed gold mining and exploration companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will identify the largest and most liquid North American listed issuers in the gold mining and exploration sector and will invest Horizons HEP's portfolio in each issuer equally. From time to time, Horizons HEP may also invest in equity and equity related securities of North American listed companies that are primarily exposed to the mining and exploration of precious metals other than gold. Horizons HEP will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEP's portfolio until its next rebalance date or Constituent Reset Date, other than when,



in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities. Any foreign currency gains or losses as a result of Horizons HEP's investment in non-Canadian issuers will be hedged back to the Canadian dollar to the best of its ability.

#### Horizons HEA.U

To achieve its investment objective Horizons HEA.U primarily invests in an equal weighted portfolio of large capitalization U.S. companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will select from the largest and most liquid U.S. companies listed on the NYSE or the NASDAQ and will invest Horizons HEA.U in each issuer equally. Horizons HEA.U will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEA.U's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities. Horizons HEA.U will not seek to hedge its exposure to the U.S. dollar back to the Canadian dollar.

#### Horizons HEJ

To achieve its investment objective Horizons HEJ primarily invests in an equal weighted portfolio of large capitalization international, non-North American, companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will select from the largest and most liquid international, non-North American, companies listed on the TSX, NYSE or NASDAQ and will invest Horizons HEJ in each issuer equally. Horizons HEJ will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEJ's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities. Horizons HEJ will generally seek to hedge substantially all of its exposure to the U.S. dollar back to the Canadian dollar.

#### All ETFs

Each ETF invests in a portfolio of securities and will generally write out of the money exchange traded or over-the-counter covered call options on 100% of its portfolio securities. Under these call options, each ETF will sell to the buyer of the option, for a premium, either the right to buy the security from the ETF at an

exercise price or, if the option is cash settled, the right to a payment from the ETF equal to the difference between the value of the security and the option exercise price. Covered call options partially hedge against declines in the price of the securities on which they are written to the extent of the premiums received by the ETF at the time the options are written by the ETF.

See “Investment Strategies”.

**Offering**

Units of each ETF will be offered for sale on a continuous basis by this prospectus, and there is no minimum number of Units of an ETF that may be issued. The Units shall be offered for sale at a price equal to the net asset value of the Units next determined following the receipt of a subscription order.

US\$ Units and Cdn\$ Units of Horizons HEA.U are offered by this prospectus. Neither the US\$ Units nor the Cdn\$ Units of Horizons HEA.U will seek to hedge U.S. dollar currency exposure to the Canadian dollar. Subscriptions for Units of Horizons HEA.U may be made in either U.S. or Canadian currency. Holders of US\$ Units or Cdn\$ Units of Horizons HEA.U may request that their redemption proceeds be paid in either U.S. or Canadian currency.

Units of the ETFs are listed and trade on the TSX.

See “Plan of Distribution”.

**Brokerage Arrangements**

The Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETFs.

**Special Considerations for Purchasers**

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, each ETF is entitled to rely on exemptive relief from the securities regulatory authorities to permit a Unitholder of that ETF to acquire more than 20% of the Units of that ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation.

See “Attributes of the Securities – Description of the Securities Distributed”.

**Distribution Policy**

Each ETF does not have a fixed distribution but pays distributions monthly. Distribution rates are generally based on the average current volatility of the securities held by the ETF. The amount of monthly cash distributions are expected to fluctuate from month to month and there can be no assurance that an ETF will make any distributions in any particular month or months. Each ETF may make additional distributions in any given year. Monthly distributions will be paid in cash, unless the investor has chosen to participate in the Reinvestment Plan.

To the extent required, each ETF will pay or make payable, after December 15 but on or before December 31 of each calendar year (in the case of a taxation year ending on December 15), or prior to the end of each taxation year (in any other case), sufficient net income (including net realized capital gains) for a year that has not previously been paid or made payable in that year so that the ETF will not be liable for non-refundable income tax thereon. Such distributions will be automatically reinvested on behalf of each Unitholder, net of any required withholdings, in additional Units of the ETF, or paid in Units of that ETF, which will immediately be consolidated so that the number of Units outstanding after the distribution is the same as the number of Units before the distribution.

It is anticipated that Horizons HEA.U will make distributions to its Unitholders on a monthly basis in U.S. Dollars. However, unless the Unitholder is participating in the Reinvestment Plan, such distributions from Horizons HEA.U to Unitholders of Cdn\$ Units will typically be converted to Canadian dollars by the Unitholder's account holder.

See "Distribution Policy".

**Distribution Reinvestment**

At any time, a Unitholder of an ETF may elect to participate in the Reinvestment Plan by contacting the CDS Participant(s) through which the Unitholder holds its Units. Under the Reinvestment Plan, monthly cash distributions will be used to acquire additional Units in the market or from treasury and will be credited to the account of the Unitholder through CDS.

See "Distribution Policy – Distribution Reinvestment Plan".

**Conflicts of Interest**

The ETFs are subject to certain conflicts of interest. See "Organization and Management Details of the ETF – Conflicts of Interest" and see "Relationship between the ETFs and Dealers".

**Redemptions**

In addition to the ability to sell Units of the ETFs on the TSX or redeem pursuant to a systematic withdrawal plan, Unitholders of the ETFs may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, where the Units being redeemed are not equal to a PNU or a multiple PNU.

Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer, subject only to customary brokerage commissions or redeem pursuant to a systematic withdrawal plan, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

The ETFs will also offer additional redemption or exchange options which are available where a Dealer, Designated Broker or Unitholder redeems or exchanges a PNU.

See "Exchange and Redemption of Units".

**Income Tax Considerations**

A Unitholder of an ETF who is resident in Canada will generally be required to include, in computing income for a taxation year, the amount of income

(including any taxable capital gains) that is paid or becomes payable to the Unitholder by that ETF in that year (including such income that is paid in Units or reinvested in additional Units of the ETF).

A Unitholder of an ETF who disposes of a Unit of that ETF that is held as capital property, including on a redemption or otherwise, will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the ETF which represents income or capital gains allocated and designated to the redeeming Unitholder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit disposed of.

Pursuant to the Trust Declaration, an ETF may distribute, allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any net income or net realized capital gains of the ETF to a Unitholder who has redeemed Units during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's net income and net realized capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such distributions, allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the value of property that the Unitholder will receive in respect of the redemption.

Proposed Tax Amendments that are applicable to trusts that are "mutual fund trusts" for purposes of the Tax Act throughout the taxation year would, effective for taxation years beginning on or after March 19, 2019, prohibit an ETF from allocating income to redeeming Unitholders of the ETF and, effective for taxation years beginning on or after March 20, 2020, limit the ability of the ETF to allocate capital gains to redeeming Unitholders as described above. If such Tax Amendments are enacted in their current form, the amounts and taxable component of distributions to non-redeeming Unitholders of an ETF may be greater than they would have been in the absence of such amendments.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units of an ETF by obtaining advice from his or her tax advisor.

See "Income Tax Considerations".

**Eligibility for Investment**

Provided that an ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, or the Units of the ETF are listed on a "designated stock exchange" within the meaning of the Tax Act, the Units of such ETF would, if issued on the date hereof, be on such date qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a deferred profit sharing plan, a registered education savings plan or a tax-free savings account.

**Documents Incorporated by Reference**

Additional information about each ETF is or will be available in its most recently filed annual and interim financial statements, its most recently filed annual and interim management report of fund performance, and its most recently filed ETF Facts. These documents will be incorporated by reference into this prospectus. Documents incorporated by reference into this prospectus legally form part of this prospectus just as if they were printed as part of this prospectus. These documents are or will be publicly available on the website of the ETFs at [www.HorizonsETFs.com](http://www.HorizonsETFs.com) and may be obtained upon request, at no cost, by calling toll-free 1-866-641-5739 or by contacting your dealer. These documents and other information about the ETFs are also publicly available at

www.sedar.com. See “Documents Incorporated by Reference”.

**Termination** The ETFs do not have a fixed termination date but may be terminated at the discretion of the Manager in accordance with the terms of the Trust Declaration. See “Termination of the ETFs”.

**Risk Factors** There are certain risk factors inherent to an investment in the ETFs. See “Risk Factors”.

### ***Organization and Management of the ETFs***

**The Manager, Trustee and Investment Manager** Horizons ETFs Management (Canada) Inc., a corporation existing under the laws of Canada, is the manager, investment manager and trustee of the ETFs. The Manager is responsible for providing or arranging for the provision of administrative services required by the ETFs. The Manager will also provide investment advisory and portfolio management services to the ETFs. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

Horizons and its subsidiaries are innovative financial services organizations distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a wholly-owned subsidiary of Mirae Asset Global Investments Co., Ltd. (“**Mirae Asset**”).

Mirae Asset is the Korea-based asset management entity of Mirae Asset Financial Group, one of the world’s largest investment managers in emerging market equities.

See “Organization and Management Details of the ETFs – Manager”.

See “Organization and Management Details of the ETFs – Investment Manager”.

**Custodian** CIBC Mellon Trust is the custodian of the ETFs and is independent of the Manager. CIBC Mellon Trust provides custodial services to the ETFs. CIBC Mellon Trust is located in Toronto, Ontario.

See “Organization and Management Details of the ETFs – Custodian”.

**Valuation Agent** CIBC Mellon Global has been retained to provide accounting valuation services to the ETFs. CIBC Mellon Global is located in Toronto, Ontario.

See “Organization and Management Details of the ETFs – Valuation Agent”.

**Auditors** KPMG LLP is the auditor of the ETFs. The auditors are independent of the Manager. The head office of KPMG LLP is located in Toronto, Ontario.

See “Organization and Management Details of the ETFs – Auditors”.

**Registrar and Transfer Agent** TSX Trust Company, at its principal offices in Toronto, Ontario is the registrar and transfer agent for Units of the ETFs pursuant to registrar and transfer agency agreements. TSX Trust Company is independent of the Manager.

See “Organization and Management Details of the ETFs – Registrar and Transfer Agent”.

**Promoter** The Manager is also the promoter of the ETFs. The Manager took the initiative in founding and organizing the ETFs and is, accordingly, the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada.

See “Organization and Management Details of the ETFs – Promoter”.

**Securities Lending Agent** Canadian Imperial Bank of Commerce (“**CIBC**”) is a securities lending agent for

the ETFs. CIBC is located in Toronto, Ontario. CIBC is independent of the Manager.

See “Organization and Management Details of the ETFs – Securities Lending Agent”.

### ***Summary of Fees and Expenses***

The following table lists the fees and expenses payable by the ETFs, and the fees and expenses that Unitholders may have to pay if they invest in the ETFs. Unitholders may have to pay some of these fees and expenses directly. Alternatively, each ETF may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in that ETF.

#### *Fees and Expenses Payable by the ETFs*

<b>Type of Charge</b>	<b>Description</b>
<b>Management Fees</b>	Each ETF pays annual Management Fees, calculated and accrued daily and payable monthly in arrears, to the Manager equal to an annual percentage of the net asset value of the Units, plus applicable Sales Tax. The Management Fees of each ETF are as follows:

<b>ETF</b>	<b>Management Fees</b>
Horizons HEX	0.65% of net asset value
Horizons HEE	0.65% of net asset value
Horizons HEF	0.65% of net asset value
Horizons HEP	0.65% of net asset value
Horizons HEA.U	0.65% of net asset value
Horizons HEJ	0.65% of net asset value

#### *Management Fee Distributions*

The Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from an ETF with respect to large investments in the ETF by Unitholders. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed by the ETF to the applicable Unitholders as Management Fee Distributions.

See “Fees and Expenses”.

<b>Operating Expenses</b>	Unless otherwise waived or reimbursed by the Manager, an ETF pays all of its operating expenses, 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; annual stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; Unitholder reports and servicing costs; income taxes; Registrar and Transfer Agent fees; costs of the IRC; Sales Tax; brokerage expenses and commissions; and withholding taxes.
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Costs and expenses payable by the Manager include fees of a general

administrative nature.

See “Fees and Expenses”.

**Expenses of the Issue**

Apart from the initial organizational cost of the ETFs, all expenses related to the issuance of Units shall be borne by the ETFs unless otherwise waived or reimbursed by the Manager.

See “Fees and Expenses”.

*Fees and Expenses Payable Directly by Unitholders*

**Administration Charge**

As may be agreed between the Manager and a Designated Broker or Dealer, the Manager may charge the Designated Broker and Dealers of an ETF, at its discretion, an issue, exchange or redemption charge to offset certain transaction costs associated with the issuance, exchange or redemption of Units. Administration charges are variable, and the Manager will publish the current administration charges, if any, on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These administrative charges do not apply to Unitholders who buy and sell their Units on a stock exchange.

See “Fees and Expenses – Fees and Expenses Payable Directly by the Unitholders” and “Exchange and Redemption of Units – Administration Charge”.

## GLOSSARY

The following terms have the following meaning:

“**allowable capital loss**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of Holders”;

“**Approval Changes**” has the meaning ascribed to such term under the heading “Matters Requiring Unitholder Approval”;

“**Basket of Securities**” means a group of shares or other securities, including but not limited to one or more exchange traded funds or securities, determined by the Investment Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes;

“**Canadian securities legislation**” means the securities laws in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities in such jurisdictions;

“**capital gains refund**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of the ETFs”;

“**Cdn\$ Units**” means Canadian dollar Units of Horizons HEA.U;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participant**” means a participant in CDS that holds security entitlements in Units on behalf of beneficial owners of those Units;

“**CIBC Mellon Global**” means CIBC Mellon Global Securities Services Company;

“**CIBC Mellon Trust**” means CIBC Mellon Trust Company;

“**Constituent Reset Date**” means, in respect of an ETF, the Trading Day, occurring semi-annually, on which the Manager determines the constituent issuers to include in the ETF’s portfolio and rebalances those constituent issuers;

“**CRA**” means the Canada Revenue Agency;

“**CRS Rules**” has the meaning ascribed to that term under the heading “Unitholder Matters – Exchange of Tax Information”;

“**Custodian**” means CIBC Mellon Trust, in its capacity as custodian of each ETF pursuant to the Custodian Agreement;

“**Custodian Agreement**” means the Custodian Agreement dated June 4, 2012, as amended from time to time, between CIBC Mellon Global, Canadian Imperial Bank of Commerce, the Bank of New York Mellon, the Custodian, and each of the ETFs;

“**Dealer**” means a registered dealer (that may or may not be a Designated Broker) that has entered into a Dealer Agreement with the Manager, on behalf of an ETF, pursuant to which the Dealer may subscribe for Units of the ETF as described under “Purchases of Units”;

“**Dealer Agreement**” means an agreement between the Manager, on behalf an ETF, and a Dealer;



“**Designated Broker**” means a registered dealer that has entered into a Designated Broker Agreement with the Manager on behalf of the ETFs, pursuant to which the Designated Broker agrees to perform certain duties in relation to the ETFs;

“**Designated Broker Agreement**” means an agreement between the Manager, on behalf of the ETFs, and the Designated Broker;

“**DFA Rules**” has the meaning ascribed to that term under the heading “Risk Factors – Tax Risk”;

“**distribution record date**” means a date determined by the Manager as a record date for the determination of Unitholders of an ETF entitled to receive a distribution from the ETF;

“**DPSP**” means a deferred profit sharing plan within the meaning of the Tax Act;

“**equity related securities**” means securities that are either convertible into equity securities (e.g., subscription right or a warrant) or the underlying interest of which is an equity security, and may be exchange traded or traded over-the-counter;

“**ETFs**” means, collectively, Horizons HEX, Horizons HEE, Horizons HEF, Horizons HEP, Horizons HEA.U and Horizons HEJ and “**ETF**” means any one of them;

“**GST/HST**” means taxes exigible under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder;

“**Horizons**” means Horizons ETFs Management (Canada) Inc.;

“**Horizons HEA.U**” means the Horizons Enhanced Income US Equity (USD) ETF;

“**Horizons HEE**” means the Horizons Enhanced Income Energy ETF;

“**Horizons HEF**” means the Horizons Enhanced Income Financials ETF;

“**Horizons HEJ**” means the Horizons Enhanced Income International Equity ETF;

“**Horizons HEP**” means the Horizons Enhanced Income Gold Producers ETF;

“**Horizons HEX**” means the Horizons Enhanced Income Equity ETF;

“**IFRS**” means International Financial Reporting Standards;

“**IGA**” has the meaning ascribed to that term under the heading “Unitholder Matters – Exchange of Tax Information”;

“**Indemnified Persons**” means the Investment Manager and its directors, officers and employees;

“**Investment Manager**” means Horizons, in its capacity as investment manager of the ETFs;

“**IRC**” means the independent review committee of the ETFs established under NI 81-107;

“**LRE**” has the meaning ascribed to that term under the heading “Risk Factors – Tax Risk”;

“**Management Fee Distribution**”, as described under “Fees and Expenses”, means an amount equal to the difference between the Management Fee otherwise chargeable by the Manager and a reduced fee determined by the Manager, at its discretion, from time to time, and that is distributed by an ETF quarterly in cash, at the discretion of the Manager, to the applicable Unitholders who hold large investments in the ETF;

“**Management Fees**” means the annual management fees, calculated and accrued daily and payable monthly in arrears, to the Manager equal to an annual percentage of the net asset value of the Units, plus applicable Sales Tax;

“**Manager**” means Horizons, in its capacity as manager of the ETFs;

“**Mirae Asset**” means Mirae Asset Global Investments Co., Ltd.;

“**NASDAQ**” means the NASDAQ Stock Exchange;

“**NBF**” means National Bank Financial Inc.;

“**net asset value**” means the net asset value of an ETF as calculated on each Valuation Day in accordance with the Trust Declaration;

“**NI 81-102**” means National Instrument 81-102 *Investment Funds*, as it may be amended from time to time;

“**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds*, as it may be amended from time to time;

“**Non-Notice Changes**” has the meaning ascribed to such term under the heading “Amendments to the Trust Declaration”;

“**NYSE**” means the New York Stock Exchange;

“**Payment Date**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**Plan**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of Registered Plans”;

“**Plan Agent**” means the plan agent for the Reinvestment Plan which is TSX Trust Company;

“**Plan Participant**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**Plan Units**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**PNU**” means the prescribed number of Units of a class of an ETF as determined by the Manager from time to time for the purpose of subscription orders, redemptions or for other purposes;

“**Promoter**” means Horizons, in its capacity as promoter of the ETFs;

“**RDSP**” means a registered disability savings plan within the meaning of the Tax Act;

“**Registrar and Transfer Agent**” means TSX Trust Company;

“**Reinvestment Plan**” means the distribution reinvestment plan for the ETFs, as described under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**RESP**” means a registered education savings plan within the meaning of the Tax Act;

“**RRIF**” means a registered retirement income fund within the meaning of the Tax Act;

“**RRSP**” means a registered retirement savings plan within the meaning of the Tax Act;

“**S&P**” means S&P Dow Jones Indices LLC;

“**Sales Tax**” means all applicable provincial and federal sales, use, value-added or goods and services taxes, including GST/HST;

“**securities regulatory authorities**” means the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such jurisdictions;

“**substituted property**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of the ETFs”;

“**taxable capital gains**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of Holders”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended from time to time;

“**Tax Amendment**” means a proposed amendment to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof;

“**TFSA**” means a tax-free savings account within the meaning of the Tax Act;

“**Trading Day**” for an ETF, other than Horizons HEP, Horizons HEA.U and Horizons HEJ means a day on which a session of the TSX is held, and in respect of Horizons HEP, Horizons HEA.U and Horizons HEJ, means a day on which sessions of the TSX, NYSE and NASDAQ are each held;

“**Trust Declaration**” means the amended and restated declaration of trust establishing the ETFs, as supplemented, amended, or amended and restated from time to time;

“**Trustee**” means Horizons, in its capacity as trustee of each ETF pursuant to the Trust Declaration;

“**TSX**” means the Toronto Stock Exchange;

“**Unitholder**” means a holder of Units of an ETF;

“**Units**” means the Class E Units of the ETFs, and “**Unit**” means a Class E Unit of an ETF, as applicable;

“**US\$ Units**” means U.S. dollar Units of Horizons HEA.U;

“**Valuation Day**” for an ETF means a day upon which a session of the TSX is held; and

“**Valuation Time**” means, for each ETF, 4:00 p.m. (EST) on a Valuation Day.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE ETFs

The Horizons ETFs are exchange traded mutual fund trusts established under the laws of Ontario. The manager, investment manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc.

The ETFs that are offered pursuant to this prospectus are

Name of ETF	Abbreviated Name	Currency	TSX Ticker Symbol
Horizons Enhanced Income Equity ETF	Horizons HEX	Canadian \$	HEX
Horizons Enhanced Income Energy ETF	Horizons HEE	Canadian \$	HEE
Horizons Enhanced Income Financials ETF	Horizons HEF	Canadian \$	HEF
Horizons Enhanced Income Gold Producers ETF	Horizons HEP	Canadian \$	HEP
Horizons Enhanced Income US Equity (USD) ETF	Horizons HEA.U	U.S. \$	HEA.U
		Canadian \$	HEA
Horizons Enhanced Income International Equity ETF	Horizons HEJ	Canadian \$	HEJ

The ETFs were created pursuant to the Trust Declaration. The head office of the Manager and the ETFs is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. While each ETF is a mutual fund under the securities legislation of certain provinces and territories of Canada, each is entitled to rely on exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

## INVESTMENT OBJECTIVES

The fundamental investment objective of each ETF is set out below. Each ETF invests in a portfolio of between ten (10) and fifty (50) issuers' securities and will generally write short-term, "out-of-the-money" covered call options on 100% of these securities.

The fundamental investment objective of an ETF may not be changed except with the approval of Unitholders of that ETF. See "Unitholder Matters".

Covered call writing may mitigate downside risk associated with holding portfolio securities, generate cash flow and allow for capital appreciation. The level of covered call writing may vary depending on market volatility and other factors.

The ETFs, other than Horizons HEP and Horizons HEJ, will not use derivatives for any purpose other than covered call writing. Horizons HEP and Horizons HEJ will only use derivatives for covered call writing and to hedge their exposure to foreign currency gains or losses.

### Horizons HEX

#### *Investment Objective*

The investment objective of Horizons HEX is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization Canadian companies; and (b) monthly distributions of dividend and call option income. Horizons HEX will invest primarily in a portfolio of equity and equity related securities of Canadian companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid issuers on the TSX. Horizons HEX will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEX will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

## **Horizons HEE**

### *Investment Objective*

The investment objective of Horizons HEE is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of Canadian companies that are involved in the crude oil and natural gas industry; and (b) monthly distributions of dividend and call option income. Horizons HEE will invest primarily in a portfolio of equity and equity related securities of Canadian companies that are primarily involved in the crude oil and natural gas industry and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers on the TSX in their sector. Horizons HEE will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEE will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

## **Horizons HEF**

### *Investment Objective*

The investment objective of Horizons HEF is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of Canadian banking, finance and financial services companies; and (b) monthly distributions of dividend and call option income. Horizons HEF will invest primarily in a portfolio of equity and equity related securities of Canadian companies that are primarily exposed to Canadian banking, finance and financial services sectors and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers listed on the TSX in their sector. Horizons HEF will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEF will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

## **Horizons HEP**

### *Investment Objective*

The investment objective of Horizons HEP is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of North American listed gold mining and exploration companies; and (b) monthly distributions of dividend and call option income. Horizons HEP will invest primarily in a portfolio of equity and equity related securities of North American listed companies that are primarily exposed to gold mining and exploration and that, as at the Constituent Reset Date, are amongst the largest and most liquid issuers in their sector. Horizons HEP will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEP will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors. Any foreign currency gains or losses as a result of Horizons HEP's investment in non-Canadian issuers will be hedged back to the Canadian dollar to the best of its ability.

## **Horizons HEA.U**

### *Investment Objective*

The investment objective of Horizons HEA.U is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization U.S. companies; and (b) monthly U.S. dollar distributions of dividend and call option income. Horizons HEA.U will invest primarily in a portfolio of equity and equity related securities of U.S. companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid issuers on the NYSE or the NASDAQ. Horizons HEA.U will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. To mitigate downside risk and generate income, Horizons HEA.U will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

## **Horizons HEJ**

### *Investment Objective*

The investment objective of Horizons HEJ is to provide Unitholders with: (a) exposure to the performance of an equal weighted portfolio of large capitalization international, non-North American, companies; and (b) monthly distributions of dividend and call option income. Horizons HEJ will invest primarily in a portfolio of equity and equity related securities of companies that, as at the Constituent Reset Date, are amongst the largest by market capitalization and most liquid non-North American based issuers on the TSX, NYSE or NASDAQ. Horizons HEJ will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. Horizons HEJ will generally seek to hedge substantially all of its exposure to the U.S. dollar back to the Canadian dollar. To mitigate downside risk and generate income, Horizons HEJ will generally write covered call options on 100% of the portfolio securities. The level of covered call option writing may vary based on market volatility and other factors.

## **INVESTMENT STRATEGIES**

### ***General Investment Strategies***

Each ETF invests in its own portfolio of equity securities and, to mitigate downside risk and generate income, writes out-of-the-money covered call options on some or all of its portfolio securities, as applicable. While providing hedging protection and generating income, the use of a covered call strategy may, however, limit potential gains available to the ETFs.

An ETF may enter into securities lending transactions to the extent permitted by applicable securities laws, to earn additional income for the ETF.

Each ETF invests in a variety of portfolio securities and instruments which may include, but are not limited to, equity and equity related securities and options contracts. Equity securities held by the ETFs will typically include single issuer equity options and/or warrants.

An ETF may purchase units of other investment funds (in circumstances and to the extent permitted under NI 81-102, and as allowed pursuant to exemptive relief obtained by the ETF) to gain exposure to markets or investments that may not otherwise be easily and economically available to the ETF, or where insufficient diversification would result from any other stock-specific investment strategy.

### ***Covered Call Option Writing***

To seek to mitigate downside risks, generate cashflow and allow for modest capital appreciation, each ETF generally writes “out-of-the-money” covered call options on 100% of its portfolio securities. The call options are written with strike prices that are generally 5% above the current market price of an ETF’s portfolio securities on which call options are written, with terms of one to two months depending on the prevailing levels of volatility.

Each ETF's strategy does not involve managing its investment portfolio to achieve a specific distribution target, but seeks to generate attractive option premiums to provide downside protection, lower overall volatility of returns and increased cashflow available for distribution and reinvestment.

Call options sold by an ETF may be either options traded on a North American stock exchange or "over-the-counter" options sold pursuant to an agreement with a counterparty with a "designated rating" as defined in NI 81-102. Under these call options, an ETF will sell to the buyer of the option, for a premium, either the right to buy the security from the ETF at an exercise price or, if the option is cash settled, the right to a payment from the ETF equal to the difference between the value of the security and the option exercise price. Covered call options partially hedge against declines in the price of the securities on which they are written to the extent of the premiums received by an ETF at the time the options are written by the ETF. The Investment Manager intends that such options will be sold with a strike price which is generally "out-of-the-money" (that is generally 5% above the current market price of an ETF's portfolio securities on which call options are written) and with a term of one or two months. The Investment Manager intends to sell call options with a term of one to two months on approximately 100% of an ETF's portfolio securities. The Investment Manager intends to close out any outstanding options that are in-the-money prior to their expiry date to avoid having portfolio securities of an ETF called away pursuant to the terms of the option, but may allow portfolio securities of the ETF to be called away, at its discretion. The Investment Manager may decide, in its discretion, not to sell call options on securities of any portfolio issuer of an ETF at any time if it determines that market conditions render it impracticable to do so.

An ETF may also close out options in advance of year-end to reduce the likelihood that gains distributed by way of a special distribution in any year are reversed in a subsequent year. An ETF may also sell its portfolio securities that are in a loss position to reduce the capital gain that would otherwise be payable by the ETF by way of a special distribution in a particular year where the Investment Manager determines that it is in the best interest of the ETF to do so.

The writing of call options by an ETF involves the selling of call options in respect of the securities of portfolio issuers that it holds. Because call options are written only in respect of securities that are in the investment portfolio of an ETF and because the investment criteria of the ETF prohibit the sale of securities subject to an outstanding option, the call options will be covered at all times. If an option is denominated in U.S. dollars, except for Horizons HEA.U, an ETF will generally seek to hedge its exposure to the U.S. dollar back to the Canadian dollar.

The holder of a call option purchased from an ETF will have the option, exercisable during a specific time period or at expiry, to purchase the securities underlying the option from the ETF at the strike price per security. By selling call options, an ETF will receive option premiums, which are generally paid within one business day of the writing of the option. If at any time during the term of a call option or at expiry, the market price of the underlying securities is above the strike price, the holder of the option may exercise the option and the applicable ETF will be obligated to sell the securities to the holder at the strike price per security. If the call option may not be cash settled, each ETF intends to repurchase a call option which is in-the-money by paying the market value of the call option but, at the Manager's discretion, may allow portfolio securities of that ETF to be called away. If, however, the option is out-of-the-money at expiration of the call option, the holder of the option will likely not exercise the option and the option will expire. In each case, the applicable ETF will retain the option premium.

The amount of the option premium depends upon, among other factors, the expected volatility of the price of the underlying security. The higher the volatility, the higher the option premium. In addition, the amount of the option premium will depend upon the difference between the strike price of the option and the market price of the underlying security at the time the option is written. The smaller the positive difference (or the larger the negative difference), the more likely it is that the option will become in-the-money during the term and, accordingly, the greater the option premium. The Investment Manager intends to write out-of-the-money covered call options for each ETF with a term of one to two months on the securities in the portfolio issuers of that ETF with a strike price that is generally 5% higher than the current market price of the portfolio securities of that ETF depending on prevailing levels of volatility.

If a call option is written on a security in the investment portfolio of an ETF, the amounts that the ETF will be able to realize on the security during the term of the call option will be limited to the distributions received during such period plus an amount equal to the sum of the strike price and the premium received from writing the option. In

essence, each ETF forgoes potential returns resulting from any price appreciation of the security underlying the option above the strike price because the security will be called away or that ETF will pay to close out the option by cash settling or repurchasing the option at the then current market price of the option. The current market price of an in-the-money option may exceed the option premium received when the call option was sold.

### ***Specific Investment Strategies***

The specific investment strategies of each ETF are set out below.

#### **Horizons HEX**

To achieve its investment objective Horizons HEX primarily invests in an equal weighted portfolio of large capitalization Canadian companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will select from the largest and most liquid Canadian issuers listed on the TSX and will invest Horizons HEX in each issuer equally. Horizons HEX will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEX's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities.

#### **Horizons HEE and Horizons HEF**

To achieve its investment objective, each of Horizons HEE and Horizons HEF invests in an equal weighted portfolio of Canadian companies in accordance with their respective investment objectives. Semi-annually, on the Constituent Reset Date, the Investment Manager will identify the largest and most liquid Canadian issuers listed on the TSX in their respective sectors and will invest Horizons HEE and Horizons HEF's portfolios accordingly in each issuer equally. Horizons HEE and Horizons HEF will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEE and Horizons HEF's portfolios until their next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities.

#### **Horizons HEP**

To achieve its investment objective Horizons HEP invests in an equal weighted portfolio of North American listed gold mining and exploration companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will identify the largest and most liquid North American listed issuers in the gold mining and exploration sector and will invest Horizons HEP's portfolio in each issuer equally. From time to time, Horizons HEP may also invest in equity and equity related securities of North American listed companies that are primarily exposed to the mining and exploration of precious metals other than gold. Horizons HEP will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEP's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities. Any foreign currency gains or losses as a result of Horizons HEP's investment in non-Canadian issuers will be hedged back to the Canadian dollar to the best of its ability.



### **Horizons HEA.U**

To achieve its investment objective Horizons HEA.U primarily invests in an equal weighted portfolio of large capitalization U.S. companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will select from the largest and most liquid U.S. companies listed on the NYSE or the NASDAQ and will invest Horizons HEA.U in each issuer equally. Horizons HEA.U will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEA.U's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities. Horizons HEA.U will not seek to hedge its exposure to the U.S. dollar back to the Canadian dollar.

### **Horizons HEJ**

To achieve its investment objective Horizons HEJ primarily invests in an equal weighted portfolio of large capitalization international, non-North American, companies. Semi-annually, on the Constituent Reset Date, the Investment Manager will select from the largest and most liquid international, non-North American, companies listed on the TSX, NYSE or NASDAQ and will invest Horizons HEJ in each issuer equally. Horizons HEJ will rebalance, on an equal weight basis, the portfolio of constituent securities on each Constituent Reset Date. The number of issuers included in the portfolio may change on a Constituent Reset Date. Between Constituent Reset Dates, the allocation between each of these constituent securities will change due to market movement and the Investment Manager will typically not re-allocate, include or exclude issuers from Horizons HEJ's portfolio until its next rebalance date or Constituent Reset Date, other than when, in the opinion of the Investment Manager, circumstances necessitate a change (e.g. insufficient liquidity of an issuer's options). To mitigate downside risk and generate income, the Investment Manager actively manages a covered call strategy that will generally write out of the money covered call options on 100% of the portfolio securities. Horizons HEJ will generally seek to hedge substantially all of its exposure to the U.S. dollar back to the Canadian dollar.

## **OVERVIEW OF THE SECTORS THAT THE ETFs INVEST IN**

### **Canadian Oil and Gas Companies**

The Canadian Oil and Gas sector includes the securities of companies who are involved in Oil & Gas Drilling, Oil & Gas Equipment & Services, Integrated Oil & Gas, Oil & Gas Exploration & Production, Oil & Gas Refining & Marketing, and Oil & Gas Storage & Transportation.

### **Canadian Financial Services**

The Canadian financial services sector includes the securities of integrated financial services companies which provide banking, insurance, real-estate and investment products and services to Canadian consumers.

### **North American Gold Mining and Exploration**

The North American gold production sector includes the securities of companies whose businesses are primarily derived from gold mining and exploration in North America and abroad and whose primary market listings for their common shares are located in Canada or the United States.

## **INVESTMENT RESTRICTIONS**

The ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed in part to ensure that the investments of the ETFs are diversified and relatively liquid and to ensure the proper administration of the ETFs. The investment restrictions and practices applicable to the ETFs

which are contained in securities legislation, including NI 81-102, may not be deviated from without the prior consent of the Canadian securities regulatory authorities having jurisdiction over the ETFs.

Subject to the following, and the exemptive relief that has been obtained or has been applied for, the ETFs are managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102.

### ***Tax Related Investment Restrictions***

An ETF will not make an investment that would result in the ETF failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act or that would result in the ETF becoming subject to the tax for “SIFT trusts” within the meaning of the Tax Act. In addition, no ETF will make or hold any investment in property that would be “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof) if more than 10% of that ETF’s property consisted of such property.

## **FEES AND EXPENSES**

### **Fees and Expenses Payable by the ETFs**

#### *Management Fees*

Each ETF pays annual Management Fees, calculated and accrued daily and payable monthly in arrears, to the Manager equal to an annual percentage of the net asset value of the Units, plus applicable Sales Tax. The Management Fees of each ETF are as follows:

<b>ETF</b>	<b>Management Fees</b>
Horizons HEX	0.65% of net asset value
Horizons HEE	0.65% of net asset value
Horizons HEF	0.65% of net asset value
Horizons HEP	0.65% of net asset value
Horizons HEA.U	0.65% of net asset value
Horizons HEJ	0.65% of net asset value

The Management Fees are paid to the Manager in consideration for the services the Manager provides to the ETFs. Such services include, but are not limited to: negotiating contracts with certain third-party service providers, including, but not limited to, investment managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETFs; arranging for the maintenance of accounting records for the ETFs; preparing the reports to Unitholders of the ETFs and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders of the ETFs are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETFs comply with all other regulatory requirements including the continuous disclosure obligations of the ETFs under applicable securities laws; administering purchases, redemptions and other transactions in Units of the ETFs; arranging for any payments required upon termination of the ETFs; and dealing and communicating with Unitholders of the ETFs. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The Manager will also monitor the investment strategy of each ETF to ensure that each ETF complies with its investment objective, investment strategies and investment restrictions and practices.

### *Management Fee Distributions*

To encourage very large investments in an ETF and to ensure Management Fees are competitive for these investments, the Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from the ETF with respect to investments in the ETF by Unitholders that hold, on average during any period specified by the Manager from time to time, Units of the ETF having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the applicable ETF will be distributed no less than quarterly in cash by the ETF, at the discretion of the Manager, to those Unitholders as Management Fee Distributions.

The availability and amount of Management Fee Distributions with respect to Units of an ETF will be determined by the Manager. Management Fee Distributions for an ETF will generally be calculated and applied based on the Unitholder's average holdings of Units of the ETF over each applicable period as specified by the Manager from time to time. Management Fee Distributions will be available only to beneficial owners of Units of an ETF and not to the holdings of Units of the ETF by dealers, brokers or other CDS Participants that hold Units of the ETF on behalf of beneficial owners. Management Fee Distributions shall, at the discretion of the Manager, be payable out of the net income and net capital gains of the applicable ETF or, if these are at any time insufficient to discharge such ETF's liabilities to such Unitholders, out of the capital of the ETF. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units of an ETF must submit a claim for a Management Fee Distribution that is verified by a CDS Participant on the beneficial owner's behalf and provide the Manager with such further information as the Manager may require in accordance with the terms and procedures established by the Manager from time to time.

The Manager reserves the right to discontinue or change Management Fee Distributions at any time. The tax consequences of Management Fee Distributions made by an ETF will generally be borne by the Unitholders of the ETF receiving these distributions from the Manager.

### *Operating Expenses*

Unless otherwise waived or reimbursed by the Manager, an ETF pays all of its operating expenses, 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; annual stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; Unitholder reports and servicing costs; income taxes; Registrar and Transfer Agent fees; costs of the IRC; Sales Tax; brokerage expenses and commissions; and withholding taxes.

Costs and expenses payable by the Manager include fees of a general administrative nature.

### *Expenses of the Issue*

Apart from the initial organizational cost of the ETFs, all expenses related to the issuance of Units shall be borne by the ETFs unless otherwise waived or reimbursed by the Manager.

### **Fees and Expenses Payable Directly by the Unitholders**

#### *Administration Charge*

As may be agreed between the Manager and a Designated Broker or Dealer, the Manager may charge the Designated Broker and Dealers of an ETF, at its discretion, an issue, exchange or redemption charge to offset certain transaction costs associated with the issuance, exchange or redemption of Units. Administration charges are variable, and the Manager will publish the current administration charges, if any, on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These administrative charges do not apply to Unitholders who buy and sell their Units on a stock exchange.

## **RISK FACTORS**

There are certain risk factors that are inherent to an investment in the ETFs. These risks relate to the following factors:

### **Use of Options Risk**

Each ETF is subject to the full risk of its investment position in the securities in its portfolio, including the securities that are subject to call options written by the ETF, should the market price of such securities decline. In addition, the ETFs are not expected to participate in a gain on a security subject to a call option, if the gain results in the market price of the security exceeding the exercise price of the option. In such circumstances, the holder of the option will likely exercise the option. The premiums associated with writing covered call options may not exceed the returns that would have resulted if the ETF had remained directly invested in the securities subject to call options. The use of options may therefore have the effect of limiting or reducing the total returns of an ETF if the Investment Manager's expectations concerning future events or market conditions prove to be incorrect.

There can be no assurance that a liquid exchange or over-the-counter market will exist to permit each ETF to write covered call options on desired terms or to close out option positions should it desire to do so. The ability of an ETF to close out its positions may also be affected by exchange-imposed daily trading limits. In addition, exchanges may suspend the trading of options in volatile markets. If the ETF is unable to repurchase a call option that is in-the-money, it will be unable to realize its profits or limit its losses until such time as the option it has written becomes exercisable or expires.

Derivative transactions also involve the risk of the possible default by the other party to the transaction (whether a clearing corporation in the case of exchange-traded instruments or other third party in the case of over-the-counter instruments) as the other party may be unable to meet its obligations.

### **Stock Market Risk**

The value of most securities, in particular equity securities, change with stock market conditions. These conditions are affected by general economic and market conditions.

### **Specific Issuer Risk**

The value of all securities will vary positively or negatively with developments within the specific companies or governments that issue such securities.

### **Sector Risk – Horizons HEE, Horizons HEF and Horizons HEP**

Horizons HEE, Horizons HEF and Horizons HEP each invest in a specific sector of the stock market. Investing in one specific sector of the stock market entails greater risk than investing in all sectors of the stock market. If a sector declines or falls out of favour, the share values of most or all of the companies in that sector will generally fall faster than the market as a whole. A sector can be significantly affected by, among other things, supply and demand, speculation, international political and economic developments, energy conservation, environmental issues, increased competition from other providers of services, commodity prices, regulation by government authorities, government regulation of rates charged to customers, service interruption due to environmental, operational or other mishaps, changes in laws, regulatory policies and accounting standards, and general changes in market sentiment. Exposure to equity securities that have exposure to commodity markets may entail greater volatility than traditional securities. The value of securities exposed to commodity markets may be affected by commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity.

### **Concentration Risk**

The ETFs are generally concentrated in terms of the number of portfolio securities. Concentration in fewer portfolio securities may result in a greater degree of volatility in the net asset value of an ETF under specific market conditions and over time.

### **Regulatory Risk**

Legal and regulatory changes may occur, including income tax laws relating to the treatment of mutual fund trusts under the Tax Act, that may adversely affect the ETFs and which could make it more difficult, if not impossible, for the ETFs to operate or to achieve their investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETFs and what can be done, if anything, to try to limit such impact.

### **Corresponding Net Asset Value Risk**

The closing trading price of Units of an ETF may be different from the net asset value of that ETF. As a result, Dealers may be able to acquire or redeem a PNU at a discount or a premium to the closing trading price per Unit of an ETF. Such price differences may be due, in large part, to supply and demand factors in the secondary trading market for Units of an ETF being similar, but not identical, to the same forces influencing the price of the underlying securities of that ETF at any point in time. As Unitholders may redeem a PNU, the Manager expects that large discounts or premiums to the net asset value per Unit of an ETF will not be sustained.

### **Designated Broker/Dealer Risk**

As each ETF will only issue Units directly to the Designated Broker and the Dealers, in the event that a purchasing Designated Broker or Dealer is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the applicable ETF.

### **Cease Trading of Securities Risk**

If the securities of a constituent issuer of an ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its securities. Accordingly, Units of an ETF bear the risk of cease-trading orders against all of its constituent issuers, not just one. If securities of an ETF are cease-traded by order of a securities regulatory authority, if normal trading is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for securities, the ETF may suspend the right to redeem Units for cash, subject to any required prior regulatory approval. If the right to redeem Units for cash is suspended, an ETF may return redemption requests to Unitholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease trade order is lifted.

### **Exchange Risk**

In the event that the TSX closes early or unexpectedly on any day that it is normally open for trading, Unitholders will be unable to purchase or sell Units of an ETF on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the redemption of Units of the ETF may be suspended until the TSX reopens.

### **Early Closing Risk**

Unanticipated early closings of a stock exchange on which securities held by an ETF are listed may result in that ETF being unable to sell or buy securities on that day. If the TSX closes early on a day when an ETF needs to execute a high volume of securities trades late in the trading day, the ETF may incur substantial trading losses.

### **Market Disruptions Risk**

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally, including U.S., Canadian and other economies and securities markets. For example, the recent spread of coronavirus disease (COVID-19) has caused volatility in the global financial markets and a slowdown in the global economy. Coronavirus disease or any other disease outbreak may adversely affect the performance of the ETFs. The effects of future terrorist acts (or threats thereof), military action or similar unexpected disruptive events on the economies and

securities markets of countries cannot be predicted. These events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to the value of the portfolio of the ETFs.

Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest or disease outbreak, the impacted country may not efficiently and quickly recover from such event, which could have a materially adverse effect on borrowers and other developing economic enterprises in such country.

### **No Assurance of Meeting Investment Objectives**

The success of the ETFs will depend on a number of conditions that are beyond the control of the ETFs. There is a substantial risk that the investment objectives of the ETFs will not be met.

### **No Guaranteed Return**

There is no guarantee that an investment in an ETF will earn any positive return in the short or long-term. The value of Units of an ETF may increase or decrease depending on market, economic, political, regulatory and other conditions affecting the ETF's investments. An investment in Units of an ETF is more volatile and riskier than some other forms of investments. All prospective Unitholders should consider an investment in an ETF within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons.

### **Tax Risk**

It is anticipated that each ETF will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. For an ETF to qualify as a "mutual fund trust", among other things, it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of Units. An ETF will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless, at that time, all or substantially all of its property is property other than property that would be "taxable Canadian property" as defined in the Tax Act (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The current law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met. Each ETF has made an election in its first tax return so that it qualified under the Tax Act as a mutual fund trust from the commencement of its first taxation year. If an ETF were to cease to qualify as a mutual fund trust, the income tax considerations as described under "Income Tax Considerations" would in some respects be materially different.

Proposed Tax Amendments would, effective for taxation years beginning on or after March 19, 2019, prohibit an ETF (provided that it is a "mutual fund trust" for purposes of the Tax Act throughout its taxation year) from allocating income to redeeming Unitholders and would, effective for taxation years beginning on or after March 20, 2020, limit the ability of the ETF to allocate capital gains to redeeming Unitholders. If such Tax Amendments are enacted in their current form, the amounts and taxable component of distributions to non-redeeming Unitholders of the ETF may be greater than they would have been in the absence of such amendments. No assurance can be provided as to whether such proposed changes will be enacted in their current form.

There can be no assurance that Canadian federal and provincial income tax laws and administrative policies and assessing practices, including those relating to the treatment of mutual fund trusts under the Tax Act, will not be changed in a manner that adversely affects the ETFs or the Unitholders of the ETFs and which could make it more difficult, if not impossible, for the ETFs to operate or to achieve their investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETFs and what can be done, if anything, to try to limit such impact.

The Tax Act contains rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as "non-portfolio property". A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust's income earned from "non-

portfolio property” to the extent that such income is distributed to its unitholders. In particular, certain ETFs intend to take the position that they will not use the portfolio securities or any other property in the course of carrying on a business in Canada and will, therefore, not be “SIFT trusts” (as defined for the purposes of the Tax Act). On that basis, it is anticipated that each such ETF will make sufficient distributions in each year of any income (including taxable capital gains) realized by the ETF for Canadian tax purposes in the year so as to ensure that it will not be subject to non-refundable Canadian income tax on such income. However, if any ETF constitutes a SIFT trust in a particular year, any “non-portfolio earnings” (as defined for the purposes of the Tax Act) will generally be subject to tax under Part I of the Tax Act, even if distributed in full to Unitholders of the relevant ETF. No advance income tax ruling has been sought or obtained from the CRA in respect of the status of the ETFs and the CRA could seek to assess or re-assess an ETF (and Unitholders of that ETF) on the basis that the ETF was a SIFT trust. These rules will not impose any tax on the ETFs as long as the ETFs comply with their investment restrictions in this regard. If these rules apply to the ETFs, the after-tax return to Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

Pursuant to rules in the Tax Act, an ETF that experiences a “loss restriction event” (“**LRE**”) (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the ETF’s net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) will become subject to the LRE rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, an ETF will be subject to an LRE if a Unitholder of the ETF alone or together with affiliated persons or partnerships (or group of persons) acquires (or becomes a holder of) more than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the ETF. Please see “Income Tax Considerations – Taxation of Holders” for the tax consequences of an unscheduled or other distribution to Unitholders. Trusts that qualify as “investment funds” as defined in the rules in the Tax Act relating to LREs are generally excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not holding any property that it uses in the course of carrying on a business and complying with certain asset diversification requirements. If an ETF were not to qualify as an “investment fund”, it could potentially have an LRE and thereby become subject to the related tax consequences described above.

In determining its income for tax purposes, each ETF will treat option premiums received on the writing of covered call options and any gains or losses sustained on closing out such options as capital gains and capital losses in accordance with the CRA’s published administrative practice and, gains or losses in respect of currency hedges on covered call options on capital account to an ETF will constitute capital gains and capital losses to the ETF provided there is sufficient linkage. The Tax Act includes rules which clarify that the DFA Rules generally would not apply to such foreign currency hedges. The CRA’s practice is not to grant advance income tax rulings on the characterization of items as capital or income and no advance income tax ruling has been applied for or received from the CRA. If some or all of the transactions undertaken by an ETF in respect of covered options, currency hedges and securities in the ETF’s portfolio were treated on income rather than capital account, the net income of the ETF for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the ETF being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the net asset value of, or trading prices of, the Units.

The Tax Act contains rules (the “**DFA Rules**”) that target financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain options contracts). If the DFA Rules were to apply in respect of derivatives utilized by an ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. In general, the writing of a covered call option by an ETF in the manner described under the heading “Investment Strategies – Covered Call Option Writing” is not expected to be subject to the DFA Rules. It is not clear whether the writing of a covered call option, if coupled with certain other transactions, could be subject to the DFA Rules. The ETFs do not intend to write an option that would be subject to the DFA Rules.

Certain ETFs may invest in global equity securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends paid or credited to persons who are not resident in such countries. While the ETFs intend to make investments in such a manner as to minimize the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in global equity securities may subject the ETFs to foreign taxes on dividends paid or credited to them or any gains realized on the disposition of such securities. Any foreign taxes incurred by an ETF will generally reduce the value of its portfolio.

The ETFs are generally required to pay GST/HST on any management fees and most of the other fees and expenses that they have to pay. There may be changes to the way that the GST/HST and provincial Sales Taxes apply to fees and expenses incurred by mutual funds such as the ETFs and there may be changes in the rates of such taxes, which, accordingly, may affect the costs borne by the ETFs and their Unitholders.

### **Securities Lending, Repurchase and Reverse Repurchase Transaction Risk**

The ETFs are authorized to enter into securities lending, repurchase and reverse repurchase transactions in accordance with NI 81-102. In a securities lending transaction, an ETF lends its portfolio securities through an authorized agent to another party (often called a “counterparty”) in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, an ETF sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, an ETF buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase transactions:

- when entering into securities lending, repurchase and reverse repurchase transactions, an ETF is subject to the credit risk that the counterparty may default under the agreement and the ETF would be forced to make a claim in order to recover its investment;
- when recovering its investment on default, an ETF could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the ETF; and
- similarly, an ETF could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the ETF to the counterparty.

The ETFs may also engage in securities lending. When engaging in securities lending, an ETF will receive collateral in excess of the value of the securities loaned and, 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.

### **Liability of Unitholders**

The Trust Declaration provides that no Unitholder of an ETF will be subject to any personal liability whatsoever for any wilful or negligent acts or omissions or otherwise to any party in connection with the assets of the ETF or the affairs of the ETF. The Trust Declaration also provides that an ETF must indemnify and hold each Unitholder of the ETF harmless from and against any and all claims and liabilities to which such Unitholder may become subject by reason of being, or having been, a Unitholder of the ETF and must reimburse such Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty, outside of Ontario, that a claim will not be made against a Unitholder of an ETF for liabilities which cannot be satisfied out of the assets of the ETF.

### **Reliance on Key Personnel**

Unitholders will be dependent on the abilities of: (i) the Investment Manager in providing recommendations and advice in respect of the ETFs; and (ii) the Manager to effectively manage the ETFs in a manner consistent with their



investment objectives, investment strategies and investment restrictions. Implementation of an ETF's investment strategies will be dependent on the Investment Manager. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to an ETF will continue to be employed by the Manager. Moreover, no assurance can be given that the trading systems and strategies utilized by the Investment Manager or its successors will prove successful under all, or any, market conditions.

### **Derivatives Risk**

Any use of derivatives will be in accordance with the investment restrictions and practices of NI 81-102. The use of derivatives does not guarantee that there will not be a loss or that there will be a gain. The following are some examples of the risks associated with the use of derivatives by an ETF:

- in the case of over-the-counter options, there is no guarantee that a market will exist for these investments when the ETF wants to close out its position;
- in the case of exchange traded options, there may be a risk of a lack of liquidity when the ETF wants to close out its position;
- if the other party to the derivative, in the case of over-the-counter transactions, is unable to fulfil its obligations, the ETF could experience a loss or fail to realize a gain;
- if the ETF has an open position in an options contract with a dealer who goes bankrupt, the ETF could experience a loss; and
- if a derivative is based on a market index and trading is halted on a substantial number of securities in the index, or if there is a change in the composition of the index, it could have an adverse effect on the derivative.

### **Foreign Currency Risk – Horizons HEP and Horizons HEJ**

The portfolio of Horizons HEP may include, and the portfolio of Horizons HEJ includes, a significant proportion of securities valued in U.S. dollars or other foreign currencies. Accordingly, the net asset value per Unit of Horizons HEP and Horizons HEJ, when measured in Canadian dollars will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar. While Horizons HEP will, to the extent possible, seek to hedge any foreign currency gains or losses back to the Canadian dollar, and Horizons HEJ will generally seek to hedge substantially all of its exposure to the U.S. dollar back to the Canadian dollar, no assurance can be given that these ETFs will not be adversely impacted by changes in foreign exchange rates or other factors.

### **Foreign Currency Risk – Horizons HEA.U**

The portfolio of Horizons HEA.U will include a significant proportion of securities valued in U.S. dollars. Because Horizons HEA.U is denominated in U.S. dollars, it will not seek to hedge its exposure to the U.S. dollar back to the Canadian dollar. As a result, the returns of Horizons HEA.U will, when compared to the returns of a portfolio that is hedged to the Canadian dollar, reflect changes in the relative value of the Canadian and U.S. dollars. No assurance can be given that Horizons HEA.U will not be adversely impacted by changes in foreign exchange rates or other factors.

Additionally, as the base currency of Horizons HEA.U is U.S. dollars, an investor buying Cdn\$ Units of Horizons HEA.U may therefore experience a gain or loss due to a fluctuation in the relative value between the U.S. dollar and the Canadian dollar on any given day. A Unitholder buying or selling Cdn\$ Units of Horizons HEA.U on the TSX may also experience currency gains or losses due to differences in the exchange rates used in determining the net asset value of Horizons HEA.U in Canadian dollars.

Several factors may affect the relative value between the U.S. dollar and Canadian dollar, including, but not limited to: debt level and trade deficit; inflation and interest rates; investors' expectations concerning inflation or interest rates; and global or regional political, economic or financial events and situations. In addition, the U.S. dollar may not maintain its long-term value in terms of purchasing power in the future. **If the price of the U.S. dollar declines, the Manager expects the value of Cdn\$ Units of Horizons HEA.U to decline as well.**

### **Foreign Stock Exchange Risk**

Investments in foreign securities may involve risks not typically associated with investing in Canada. Foreign exchanges may be open on days when Horizons HEP, Horizons HEA.U and Horizons HEJ do not price their Units and, therefore, the value of the securities in the portfolios of these ETFs may change on days when investors will not be able to purchase or sell Units. Also, some foreign securities markets may be volatile, lack liquidity, or have higher transaction and custody costs than those of the TSX. Securities of some issuers are inter-listed on one or more foreign exchanges and may be traded on days when one or more of these foreign exchanges are open and the TSX is not or may not trade on those foreign exchanges on days when the TSX is open. In addition, foreign issuers listed on NYSE, NASDAQ and other foreign exchanges may trade on stock exchanges when the NYSE, NASDAQ and/or TSX is closed. As a result, changes in the value of the securities making up Horizons HEP, Horizons HEA.U and Horizons HEJ's portfolios may not be reflected in the value of these ETFs and the spread or difference between the value of the securities in these ETFs' portfolios and the market price of a Unit of these ETFs on the TSX may increase.

### **Suitability of Investment in Units**

An investor should reach a decision to invest in an ETF after careful consideration as to the suitability of the ETF in light of its investment objective and the information set out in this prospectus. No recommendation is made as to the suitability of any ETF for investment by any particular person.

### **Conflicts of Interest**

The ETFs are subject to certain conflicts of interest. See "Organization and Management Details of the ETFs – Conflicts of Interest".

### **Risk Ratings of the ETFs**

The investment risk level of each ETF is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the ETF, as measured by the 10-year standard deviation of the returns of the ETF. As the ETFs are fewer than 10 years old, the Manager calculates the investment risk level of each ETF using a reference index that is expected to reasonably approximate the standard deviation of the ETF. Once an ETF has 10 years of performance history, the methodology will calculate the standard deviation of the ETF using the return history of the ETF rather than that of the reference index. In each case, the ETFs are assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk. The investment risk rating of each ETF is disclosed in its ETF Facts document. The risk rating set forth in the ETF Facts document does not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances.

The following chart sets out the reference index used for each ETF:

<b>ETF</b>	<b>Reference Index</b>
Horizons HEX	S&P/TSX 60 Index
Horizons HEE	S&P/TSX Capped Energy Index
Horizons HEF	S&P/TSX Capped Financials Index
Horizons HEP	S&P/TSX Global Gold Index

<b>ETF</b>	<b>Reference Index</b>
Horizons HEA.U	S&P 500 Index
Horizons HEJ	MSCI Europe Index

In certain instances, the methodology described above may produce an investment risk level for an ETF which the Manager believes may be too low and not indicative of an ETF's future volatility. As a result, in addition to using the standardized risk classification methodology described above, the Manager may increase an ETF's investment risk level if it determines that to be reasonable in the circumstances, by taking into account other qualitative factors including, but not limited to, economic climate, portfolio management styles, sector concentration and types of investments made by an ETF.

Unitholders should know that other types of risks, both measurable and non-measurable, exist. Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The risk ratings of the ETFs are reviewed annually and anytime it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk ratings of the ETFs is available on request, at no cost, by calling toll-free 1-866-641-5739 or by writing to the Manager at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

### **DISTRIBUTION POLICY**

Each of the ETFs will not have a fixed distribution but will pay distributions monthly. Distribution rates will generally be based on the average current volatility of the securities in the Portfolios. The amount of monthly cash distributions will fluctuate from month to month and there can be no assurance that an ETF will make any distributions in any particular month or months. Each ETF may make additional distributions in any given year. Monthly distributions will be paid in cash, unless a Unitholder has chosen to participate in the Reinvestment Plan.

It is anticipated that Horizons HEA.U will make distributions to its Unitholders on a monthly basis in U.S. Dollars. However, unless the Unitholder is participating in the Reinvestment Plan, such distributions from Horizons HEA.U to Unitholders of Cdn\$ Units will typically be converted to Canadian dollars by the Unitholder's account holder.

To the extent required, each ETF will pay or make payable, after December 15 but on or before December 31 of each calendar year (in the case of a taxation year ending on December 15), or prior to the end of each taxation year (in any other case), sufficient net income (including net realized capital gains) for a year that has not previously been paid or made payable in that year so that the ETF will not be liable for non-refundable income tax thereon. Such distributions will be paid or made payable as a "reinvested distribution" or a distribution paid in Units of the ETF. Reinvested distributions on Units of an ETF, net of any required withholding, will be reinvested automatically in additional Units of the ETF at a price, or Units of the ETF will be distributed at a price, equal to the net asset value per Unit of the ETF on such day. 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. In the case of a non-resident Unitholder, if tax has to be withheld in respect of a distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly.

The Manager reserves the right to make additional distributions for any ETF in any year if determined to be appropriate. The tax treatment to Unitholders of the ETF of reinvested distributions or distributions paid in Units is discussed under the heading "Income Tax Considerations – Taxation of Holders".

### **Distribution Reinvestment Plan**

At any time, Unitholders of an ETF may elect to participate in the Manager's distribution reinvestment plan (the "**Reinvestment Plan**") by contacting the CDS Participant(s) through which the Unitholder holds its Units. Under the Reinvestment Plan, cash distributions will be used to acquire additional Units of the ETF (the "**Plan Units**") in the market or from treasury and will be credited to the account of the Unitholder (the "**Plan Participant**") through CDS.

Eligible Unitholders may elect to participate in, or withdraw from, the Reinvestment Plan by notifying CDS via the applicable CDS Participant(s) through which such Unitholder holds its Units of the Unitholder's intention to participate, or no longer participate, in the Reinvestment Plan. The CDS Participant must, on behalf of such Unitholder, provide a notice to CDS that the Unitholder wishes, or does not wish, to participate in the Reinvestment Plan by no later than 4:00 p.m. (Toronto time) at least two business days immediately prior to the applicable distribution record date in respect of the next expected distribution in which the Unitholder would be entitled to receive a distribution (reinvested or in cash, as the case may be). CDS shall, in turn, notify the Plan Agent no later than 5:00 p.m. (Toronto time) on the applicable distribution record date that such Unitholder does, or does not, wish to participate in the Reinvestment Plan.

#### *Fractional Units*

No fractional Plan Units will be issued under the Reinvestment Plan. Payment in cash for any remaining uninvested funds will be made in lieu of fractional Plan Units by the Plan Agent to CDS or CDS Participant, on a monthly or quarterly basis, as the case may be. Where applicable, CDS will, in turn, credit the Plan Participant via the applicable CDS Participant(s).

#### *Amendments, Suspension or Termination of the Reinvestment Plan*

As indicated above, Plan Participants will be able to terminate their participation in the Reinvestment Plan as of a particular distribution record date by notifying their CDS Participant(s) sufficiently in advance of that distribution record date to allow such CDS Participant to notify CDS and for CDS to notify the Plan Agent by 4:00 p.m. (Toronto time) at least two business days immediately prior to that distribution record date. Beginning on the first distribution payment date after such notice is delivered, distributions to such Unitholders will be in cash. The form of termination notice will be available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice will be for the account of the Plan Participant exercising its rights to terminate participation in the Reinvestment Plan.

The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days' notice to the Plan Participants and the Plan Agent, subject to any required regulatory approval. Subject to the prior approval of the TSX, the Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time, in its sole discretion, provided that it complies with certain requirements and gives notice of that amendment, modification or suspension to the Plan Participants and the Plan Agent, subject to any required regulatory approval, which notice may be given by issuing a press release containing a summary description of the amendment or in any other manner the Manager determines to be appropriate.

The Manager may from time to time adopt rules and regulations to facilitate the administration of the Reinvestment Plan. The Manager reserves the right to regulate and interpret the Reinvestment Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Reinvestment Plan.

#### *Other Provisions*

Participation in the Reinvestment Plan is restricted to Unitholders who are residents of Canada for the purposes of the Tax Act. Partnerships (other than "Canadian partnerships" as defined in the Tax Act) are not eligible to participate in the Reinvestment Plan. Upon becoming a non-resident of Canada or a partnership (other than a Canadian partnership), a Plan Participant shall notify its CDS Participant(s) and terminate participation in the Reinvestment Plan immediately.

The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions. Each Plan Participant will be mailed the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by each ETF, as applicable, to the Unitholder in the preceding taxation year.

## PURCHASES OF UNITS

### Issuance of Units of an ETF

#### *To the Designated Broker and the Dealers*

All orders to purchase Units directly from an ETF must be placed by a Designated Broker and/or a Dealer. The ETFs reserve the absolute right to reject any subscription order placed by a Designated Broker and/or a Dealer. No fees will be payable by an ETF to a Designated Broker or a Dealer in connection with the issuance of Units of the ETF. On the issuance of Units, the Manager may, at its discretion, charge an administrative fee to a Designated Broker or a Dealer to offset any expenses incurred in issuing the Units.

On any Trading Day, a Designated Broker or a Dealer may place a subscription order for the PNU or a whole multiple PNU of an ETF. If a subscription order is received by an ETF in the applicable currency by 9:30 a.m. on a Trading Day and accepted by the Manager, the ETF will issue to the Designated Broker or Dealer the PNU (or whole multiple thereof) of such ETF subscribed for generally by the first Trading Day after the date on which the subscription order is accepted. The number of Units issued will be based on the net asset value per Unit of each ETF, in the applicable currency, on the Trading Day on which the subscription is accepted by the Manager, provided that payment for such Units has been received.

Unless the Manager otherwise agrees or the Trust Declaration otherwise provides, as payment for a PNU of an ETF, a Designated Broker or Dealer must deliver subscription proceeds consisting of a Basket of Securities and/or cash in an amount sufficient so that the value of the Basket of Securities and/or cash delivered is equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order. The Manager may, at its sole discretion, accept securities of any other exchange traded fund (an “**Acceptable ETF**”) held to be acceptable by the Manager from time to time, so that the value of securities and/or cash delivered is equal to the net asset value of the PNU of the ETF next determined following the receipt of the subscription order. The value of the securities of an Acceptable ETF accepted by the Manager as subscription proceeds for a PNU of an ETF will be determined as at the close of business on the date the applicable subscription order is accepted.

The Manager may instead, in its complete discretion, accept subscription proceeds consisting of cash only in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order.

In any case in which a subscription order from a Dealer or Designated Broker is received by an ETF on or after the declaration date but before the ex-dividend date of a distribution, where such subscription is payable on or before the record date for that distribution (or such other date where the purchaser becomes entitled to rights connected to the Units subscribed) an additional amount equal to the amount per Unit of that distribution must be delivered in cash to the ETF in respect of each issued Unit.

The Manager will usually publish the applicable PNU for an ETF following the close of business on each Trading Day on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). The Manager may, at its discretion, increase or decrease the applicable PNU from time to time.

#### *To Unitholders of an ETF as Reinvested Distributions or Distributions Paid in Units*

Units of an ETF may be issued to Unitholders of an ETF on the automatic reinvestment of distributions or on a distribution paid in Units in accordance with the distribution policy of the ETFs. See “Distribution Policy”.

#### *To Unitholders of an ETF pursuant to a Distribution Reinvestment Plan*

Unitholders of an ETF that are Plan Participants in a Reinvestment Plan may make pre-authorized cash contributions under the Reinvestment Plan on a monthly or calendar quarterly basis. Plan Participants do not incur any brokerage commissions when acquiring Units of an ETF pursuant to a PAC Plan or Reinvestment Plan. See “Distribution Policy – Pre-Authorized Cash Contribution”.

## Buying and Selling Units of an ETF

Investors may trade Units of an ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders. An investor may buy or sell Units of an ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors may incur customary brokerage commissions when buying or selling Units of an ETF.

US\$ Units and Cdn\$ Units of Horizons HEA.U are offered by this prospectus. Neither the US\$ Units nor the Cdn\$ Units of Horizons HEA.U seek to hedge U.S. dollar currency exposure to the Canadian dollar. Subscriptions for Units of Horizons HEA.U may be made in either U.S. or Canadian currency. Holders of US\$ Units or Cdn\$ Units of Horizons HEA.U may request that their redemption proceeds be paid in either U.S. or Canadian currency. The ability to purchase Cdn\$ Units of Horizons HEA.U is being offered only as a convenience for investors.

The exchange rate used for an investor buying Cdn\$ Units of Horizons HEA.U is an exchange rate reasonably determined by the Manager in its discretion. Currently, the Manager employs an executable exchange rate provided daily by a Canadian chartered bank.

Units of the ETFs are listed on the TSX under the following ticker symbols:

Name of ETF	Abbreviated Name	Currency	TSX Ticker Symbol
Horizons Enhanced Income Equity ETF	Horizons HEX	Canadian \$	HEX
Horizons Enhanced Income Energy ETF	Horizons HEE	Canadian \$	HEE
Horizons Enhanced Income Financials ETF	Horizons HEF	Canadian \$	HEF
Horizons Enhanced Income Gold Producers ETF	Horizons HEP	Canadian \$	HEP
Horizons Enhanced Income US Equity (USD) ETF	Horizons HEA.U	U.S. \$	HEA.U
		Canadian \$	HEA
Horizons Enhanced Income International Equity ETF	Horizons HEJ	Canadian \$	HEJ

### *Special Considerations for Unitholders*

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, each ETF is entitled to rely on exemptive relief from the securities regulatory authorities to permit a Unitholder of that ETF to acquire more than 20% of the Units of that ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation.

## EXCHANGE AND REDEMPTION OF UNITS

### *Exchange of Units at Net Asset Value per Unit for Baskets of Securities and/or Cash*

Unitholders of an ETF may, at the discretion of the Manager, exchange the applicable PNU (or a whole multiple thereof) of the ETF on any Trading Day for Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. To effect an exchange of Units of an ETF, a Unitholder must submit an exchange request in the form prescribed by the ETF from time to time to the Manager at its office by 9:30 a.m. on a Trading Day. The exchange price will be equal to the net asset value of each PNU tendered for exchange on the effective day of the exchange request, payable by delivery of a Basket of Securities (constituted as published at the close of the trade date on which the exchange request is received and acknowledged) and/or cash. The Units will be redeemed in the exchange. The Manager will also make available to the Designated Broker and Dealers the applicable PNU to redeem Units of an ETF on each Trading Day.

If an exchange request is not received by 9:30 a.m. on a Trading Day, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for Baskets of Securities and/or cash will generally be made by the second Trading Day after the effective day of the exchange request.

If securities of any listed fund, leveraged exchange traded fund or other issuers in which an ETF has invested are cease-traded at any time by order of a securities regulatory authority, the delivery of Baskets of Securities to a Unitholder, Dealer or Designated Broker on an exchange in the PNU may be postponed until such time as the transfer of the Baskets of Securities is permitted by law.

As described under “Exchange and Redemption of Units – Book-Entry Only System”, registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant(s) through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant(s) through which they hold such Units sufficiently in advance of the cut-off times described below to allow such CDS Participant(s) to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

#### *Redemption of Units of an ETF for Cash*

Unitholders of an ETF may redeem:

- (i) on any Trading Day, 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 PNU or a multiple PNU;
- (ii) on any Trading Day, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of Units, less any applicable administrative charge as determined by the Manager in its sole discretion from time to time; or
- (iii) Units of the ETF for cash at a redemption price equal to the net asset value of the ETF if the redemption is made pursuant to a systematic withdrawal plan by a Reinvestment Plan participant.

As Unitholders of an ETF will generally be able to sell their Units of the ETF at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders of the ETF are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash unless they are redeeming a PNU of the ETF or pursuant to a systematic withdrawal plan. Holders of US\$ Units or Cdn\$ Units of Horizons HEA.U may request that their redemption proceeds be paid in either U.S. or Canadian currency.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the Manager with respect to the applicable ETF at its head office by 9:30 a.m. (Toronto time) on that day. If a cash redemption request is not received by 9:30 a.m. (Toronto time) on a Trading Day, the cash redemption request will be effective only on the next Trading Day. Payment of the redemption price will generally be made on the first Trading Day after the effective day of the redemption. Notwithstanding the foregoing, the ETF will make payment of the redemption price no later than the second Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or dealer.

Investors that redeem their Units of an ETF prior to the distribution record date for any distribution will not be entitled to receive that distribution.

In connection with the redemption of Units of an ETF, the ETF will generally dispose of securities or other financial instruments.

### *Suspension of Exchanges and Redemptions*

The Manager may suspend the exchange or redemption of Units of an ETF or payment of redemption proceeds of an ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the ETF; (ii) with the consent of the Ontario Securities Commission, or (iii) when required or permitted to do so under any exemptive relief granted by the CSA from Securities Legislation. The suspension may apply to all requests for exchange or redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first Valuation Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for exchange or redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the ETFs, any declaration of suspension made by the Manager shall be conclusive.

### *Administration Charge*

As may be agreed between the Manager and a Designated Broker or Dealer, the Manager may charge the Designated Broker and Dealers of an ETF, at its discretion, an issue, exchange or redemption charge to offset certain transaction costs associated with the issuance, exchange or redemption of Units. Administration charges are variable, and the Manager will publish the current administration charges, if any, on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These administrative charges do not apply to Unitholders who buy and sell their Units on a stock exchange. See also “Exchange and Redemption of Units – Short Term-Trading”.

### *Allocations of Income and Capital Gains to Redeeming Unitholders*

Pursuant to the Trust Declaration, an ETF may distribute, allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any net income or net realized capital gains of the ETF to a Unitholder who has redeemed Units during a year in an amount equal to the Unitholder’s share, at the time of redemption, of the ETF’s net income and net realized capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such distributions, allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the value of property that the Unitholder will receive in respect of the redemption.

Proposed Tax Amendments would, upon taking effect, prohibit an ETF (provided that it is a “mutual fund trust” for purposes of the Tax Act throughout its taxation year) from allocating income to redeeming Unitholders of the ETF and limit the ability of the ETF to allocate capital gains to redeeming Unitholders in the manner described above.

### **Book-Entry Only System**

Registration of interests in, and transfers of, Units of an ETF will be made only through the book-entry only system of CDS. Units of an ETF must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units of an ETF must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS or the CDS Participant(s) through which the owner holds such Units of the ETF. Upon buying Units of an ETF, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units of an ETF means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither an ETF nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units of the ETF or the book entry accounts maintained by CDS; (ii) maintaining, supervising or



reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units of an ETF to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

An ETF has the option to terminate registration of Units of the ETF through the book-entry only system in which case certificates for Units of the ETF in fully registered form will be issued to beneficial owners of such Units or to their nominees.

### Short-Term Trading

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the ETFs at this time as: (i) the ETFs are exchange traded funds that are primarily traded in the secondary market; and (ii) the few transactions involving Units of the ETFs that do not occur on the secondary market involve the Designated Broker and the Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a administration charge.

## PRIOR SALES

### Trading Price and Volume

The following table provides the price ranges and volume of Units of Horizons HEX traded on the TSX during the 12 months that preceded the date of this prospectus.

Month	Unit Price Range (\$)	Volume of Units Traded
May 2019	6.40 - 6.70	47,087
June 2019	6.37 - 6.58	29,940
July 2019	6.42 - 6.55	77,085
August 2019	6.24 - 6.38	184,649
September 2019	6.35 - 6.58	43,231
October 2019	6.19 - 6.30	39,475
November 2019	6.25 - 6.39	51,388
December 2019	6.24 - 6.42	40,696
January 2020	6.25 - 6.58	77,950
February 2020	5.78 - 6.39	39,398
March 2020	4.03 - 5.91	70,904
April 2020	4.70 - 5.19	35,669

The following table provides the price ranges and volume of Units of Horizons HEE traded on the TSX during the 12 months that preceded the date of this prospectus.

Month	Unit Price Range (\$)	Volume of Units Traded
May 2019	7.86 - 8.85	43,405
June 2019	7.42 - 7.85	57,176
July 2019	7.00 - 7.79	129,780
August 2019	6.54 - 7.17	106,263
September 2019	6.82 - 8.07	85,792
October 2019	6.61 - 7.24	64,670
November 2019	6.80 - 7.28	41,992
December 2019	6.77 - 7.88	81,474
January 2020	6.77 - 8.05	110,022
February 2020	5.66 - 6.94	128,710
March 2020	2.34 - 5.85	255,450

April 2020 3.02 - 4.13 141,543

The following table provides the price ranges and volume of Units of Horizons HEF traded on the TSX during the 12 months that preceded the date of this prospectus.

<u>Month</u>	<u>Unit Price Range (\$)</u>	<u>Volume of Units Traded</u>
May 2019	8.13 - 8.47	14,428
June 2019	8.23 - 8.41	29,503
July 2019	8.38 - 8.47	6,030
August 2019	7.98 - 8.16	14,367
September 2019	8.16 - 8.49	12,606
October 2019	8.26 - 8.50	23,285
November 2019	8.59 - 8.81	43,616
December 2019	8.57 - 8.64	11,877
January 2020	8.57 - 8.82	44,438
February 2020	8.07 - 8.90	24,299
March 2020	5.21 - 8.26	146,956
April 2020	6.00 - 6.74	17,668

The following table provides the price ranges and volume of Units of Horizons HEP traded on the TSX during the 12 months that preceded the date of this prospectus.

<u>Month</u>	<u>Unit Price Range (\$)</u>	<u>Volume of Units Traded</u>
May 2019	22.34 - 23.74	70,446
June 2019	24.18 - 26.93	354,351
July 2019	26.40 - 28.85	194,414
August 2019	28.79 - 31.66	460,399
September 2019	27.65 - 31.58	393,465
October 2019	27.13 - 29.12	385,289
November 2019	27.40 - 29.00	378,521
December 2019	28.40 - 30.58	131,722
January 2020	28.90 - 30.46	285,790
February 2020	26.65 - 31.75	241,141
March 2020	21.12 - 30.17	446,531
April 2020	25.61 - 34.56	511,104

The following table provides the price ranges and volume of Units of Horizons HEA.U traded on the TSX during the 12 months that preceded the date of this prospectus.

<u>Month</u>	<u>Unit Price Range (\$)</u>	<u>Volume of Units Traded</u>
May 2019	11.39 - 11.87	2,112
June 2019	11.49 - 11.82	1,139
July 2019	11.88 - 11.99	2,277
August 2019	11.36 - 11.87	1,762
September 2019	11.43 - 11.81	18,316
October 2019	11.25 - 11.91	9,723
November 2019	11.90 - 12.29	6,195
December 2019	11.88 - 12.75	7,721
January 2020	12.06 - 12.65	12,077
February 2020	10.88 - 12.42	1,472
March 2020	8.27 - 11.50	14,119
April 2020	10.05 - 10.15	1,200

The following table provides the price ranges and volume of Units of Horizons HEJ traded on the TSX during the 12 months that preceded the date of this prospectus.

<u>Month</u>	<u>Unit Price Range (\$)</u>	<u>Volume of Units Traded</u>
May 2019	5.54 - 5.81	88,802
June 2019	5.61 - 5.86	48,100
July 2019	5.67 - 5.96	59,078
August 2019	5.45 - 5.72	151,066
September 2019	5.53 - 5.71	55,417
October 2019	5.47 - 5.74	87,455
November 2019	5.69 - 5.80	46,787
December 2019	5.70 - 5.95	79,829
January 2020	5.67 - 5.97	104,233
February 2020	5.15 - 5.88	79,253
March 2020	3.99 - 5.38	135,411
April 2020	4.40 - 4.80	46,544

### INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act that generally apply to the acquisition, holding and disposition of Units of an ETF by a Unitholder of the ETF who acquires Units of the ETF pursuant to this prospectus. This summary only applies to a prospective Unitholder of an ETF who is an individual (other than a trust) resident in Canada for purposes of the Tax Act, who deals at arm's length with the ETF, the Designated Broker and the Dealers, who is not affiliated with the ETF, any Designated Broker or Dealer and who holds Units of the ETF as capital property, all within the meaning of the Tax Act (a "**Holder**").

Generally, Units of an ETF will be considered to be capital property of a Holder provided that the Holder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Assuming that an ETF is a "mutual fund trust" for purposes of the Tax Act, certain Holders who might not otherwise be considered to hold Units of the ETF as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a "derivative forward agreement" within the meaning of the Tax Act with respect to Units.

This summary is based on the assumption that each ETF will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and will not be subject to the tax for "SIFT trusts" within the meaning of the Tax Act. For an ETF to qualify as a "mutual fund trust", among other things, it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of Units. There can be no assurance that an ETF will maintain its status as a "mutual fund trust". **In the event an ETF were not to qualify as a mutual fund trust under the Tax Act at all times, or is a "SIFT trust," the income tax consequences described below would, in some respects, be materially different.**

This summary is also based on the assumptions that (i) none of the issuers of the securities in the portfolio of an ETF will be foreign affiliates of an ETF or of any Unitholder, or "SIFT trusts" or "SIFT partnerships" within the meaning of the Tax Act, (ii) none of the securities in the portfolio of an ETF will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, (iii) none of the securities in the portfolio of an ETF will be an offshore investment fund property (or an interest in a partnership that holds such property) that would require the ETF to include significant amounts in the ETF's income pursuant to section 94.1 of the Tax Act or an interest in a trust (or a partnership which holds such an interest) which would require the ETF (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an "exempt foreign trust" (or a partnership which holds such interest), and (iv) none of the ETFs will enter into any arrangement (including the acquisition of securities for an ETF's portfolio) where the result is a "dividend rental arrangement" for purposes of the Tax Act. This summary further assumes that each ETF will comply with its investment restrictions.

This summary is based on the current provisions of the Tax Act and an understanding of the current administrative policies and assessing practices of the CRA published prior to the date hereof. This summary takes into account the Tax Amendments. This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law or administrative policy or assessing practice whether by legislative, governmental or judicial action other than the Tax Amendments in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Tax Amendments will be enacted in the form publicly announced, or at all.

**This summary is not exhaustive of all possible Canadian federal income tax considerations that apply to an investment in Units of an ETF. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units of an ETF. The income and other tax consequences of investing in Units will vary depending on an investor's particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed as, legal or tax advice to any holder of Units of an ETF. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units of an ETF based on their particular circumstances and review "Risk Factors – Tax Risk".**

### **Status of the ETFs**

As noted above, this summary assumes that each ETF will qualify at all times as a "mutual fund trust" for purposes of the Tax Act, and will not be subject to the tax for "SIFT trusts" for purposes of the Tax Act.

Provided the Units of an ETF are listed on a "designated stock exchange" (within the meaning of the Tax Act) or the ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, Units of that ETF will be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a RDSP, a DPSP, a RESP or a TFSA (the "Plans").

In the case of an exchange of Units for a Basket of Securities, the Holder may receive securities that may or may not be qualified investments under the Tax Act for Plans or registered pension plans. If such securities are not qualified investments for Plans, such Plans (and, in the case of certain Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments for Plans or registered pension plans.

Units of an ETF are generally not prohibited investments for a "registered pension plan" under subsection 8514(1) of the regulations under the Tax Act unless that ETF is: (a) an employer who participates in the plan; (b) a person connected with such an employer for purposes of these rules; (c) a person that controls, directly or indirectly, in any manner whatsoever, such an employer or connected person; or (d) a person that does not deal at arm's length with a member of the plan or with any person described in (a), (b) or (c) above.

For certain tax consequences of holding Units in a Plan, see "Income Tax Considerations – Taxation of Registered Plans".

### **Taxation of the ETFs**

Each ETF has elected to have a taxation year that ends on December 15 of each calendar year. An ETF must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable to its Unitholders, whether in cash or in Units, in the year. An amount will be considered to be paid or payable to a Unitholder of an ETF in a taxation year if it is paid to the Unitholder in that year by the ETF or if the Unitholder is entitled in that year to enforce payment of the amount. The Trust Declaration for the ETFs requires that sufficient amounts be paid or made payable each taxation year so that no ETF is liable for any non-refundable income tax under Part I of the Tax Act.

An ETF is required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

In general, an ETF will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio, to the extent the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security, unless the ETF were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities, or the ETF has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. Each ETF takes the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. In addition, as applicable, each ETF has made an election under subsection 39(4) of the Tax Act so that all securities held by the ETF that are “Canadian securities” (as defined in the Tax Act) are deemed to be capital property of the ETF. An ETF will be entitled, for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act, to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the ETF for such taxation year, which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units.

Premiums received on covered call options written by an ETF that are not exercised prior to the end of a year will constitute capital gains of the ETF in the year received, unless such premiums are received by the ETF as income from a business of buying and selling securities or the ETF has engaged in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Manager takes the position that the ETFs purchase their portfolio of securities with the objective of earning dividends thereon over the life of the ETF and write covered call options with the objective of increasing the yield on the portfolio beyond the dividends and other distributions received on such securities. Based on the foregoing and in accordance with the CRA’s published administrative practices, transactions undertaken by the ETFs in respect of securities comprising the portfolio and options on such securities are treated and reported by the ETFs as arising on capital account. Premiums received by the ETFs on covered call options that are subsequently exercised will be added in computing the proceeds of disposition to the ETFs of the securities disposed of by the ETF upon the exercise of such call options. In addition, where the premium was in respect of an option granted in a previous year so that it constituted a capital gain of the ETF in the previous year, such capital gain will be reversed.

In general, gains and losses realized by an ETF from derivative transactions will be on income account except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and will be recognized for tax purposes at the time they are realized by the ETF. Similarly, gains or losses in respect of currency hedges entered into in respect of covered call options or amounts invested in the portfolio of an ETF will constitute capital gains and capital losses to the ETF if the subject of the currency hedge is on capital account to the ETF and provided there is sufficient linkage. The Tax Act includes rules which clarify that the DFA Rules generally would not apply to such foreign currency hedges.

The Tax Act contains rules (the “**DFA Rules**”) that target financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broad in scope and could apply to other agreements or transactions (including certain options contracts). If the DFA Rules were to apply in respect of derivatives utilized by an ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains. In general, the writing of a covered call option by an ETF in the manner described under the heading “Investment Strategies – Covered Call Option Writing” is not expected to be subject to the DFA Rules. It is not clear whether the writing of a covered call option, if coupled with certain other transactions, could be subject to the DFA Rules. The ETFs do not intend to write an option that would be subject to the DFA Rules

To the extent an ETF holds trust units issued by a trust resident in Canada that is not at any time in the relevant taxation year a “SIFT trust” and held as capital property for purposes of the Tax Act, the ETF will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the ETF by such trust in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, net taxable capital gains realized by the

trust, foreign source income of the trust and taxable dividends from taxable Canadian corporations received by the trust that are paid or payable by the trust to the ETF will effectively retain their character in the hands of the ETF. The ETF will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by the trust to the ETF except to the extent that the amount was included in calculating the income of the ETF or was the ETF's share of the non-taxable portion of capital gains of the trust, the taxable portion of which was designated in respect of the ETF. If the adjusted cost base to the ETF of such units becomes a negative amount at any time in a taxation year of the ETF, that negative amount will be deemed to be a capital gain realized by the ETF in that taxation year and the ETF's adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

A loss realized by an ETF on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the ETF, or a person affiliated with the ETF, acquires a property (a "**substituted property**") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the ETF, or a person affiliated with the ETF, owns the substituted property 30 days after the original disposition. If a loss is suspended, the ETF cannot deduct the loss from the ETF's capital gains until the substituted property is sold and is not reacquired by the ETF, or a person affiliated with the ETF, within 30 days before and after the sale.

An ETF may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that any such foreign tax paid by the ETF exceeds 15% of the amount included in the ETF's income from such investments, such excess may generally be deducted by the ETF in computing its net income for the purposes of the Tax Act. To the extent that any such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the ETF's income, the ETF may designate, in respect of a Holder, a portion of its foreign source income which can reasonably be considered to be part of the ETF's income distributed to such Holder so that such income, and a portion of the foreign tax paid by the ETF, may be regarded as foreign source income of, and foreign tax paid by, the Holder for the purposes of the foreign tax credit provisions of the Tax Act.

An ETF is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units of the ETF that is not reimbursed. Such issue expenses will be deductible by the ETF ratably over a five-year period subject to reduction in any taxation year which is less than three hundred and sixty-five (365) days. In computing its income under the Tax Act, an ETF may deduct reasonable administrative and other expenses incurred to earn income from property or a business. An ETF may not be permitted to deduct interest on borrowed funds that are used to fund redemptions of its Units.

An ETF will be required to compute all amounts in Canadian dollars for purposes of, and in accordance with the detailed rules in, the Tax Act and accordingly may realize gains or losses by virtue of the fluctuation in the value of the foreign currencies relative to Canadian dollars.

Losses incurred by an ETF in a taxation year cannot be allocated to Unitholders, but may be deducted by the ETF in future years in accordance with the Tax Act. Further, where a Holder acquires Units in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

If an ETF does not qualify as a "mutual fund trust" under the Tax Act throughout a taxation year, among other things, the ETF may be liable to pay an alternative minimum tax under the Tax Act. If an ETF is not a "mutual fund trust" it may be subject to the "mark-to-market" rules in the Tax Act if more than 50% of the fair market value of its units are held by "financial institutions".

### **Taxation of Holders**

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the ETF for that particular taxation year, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in the year, including any Management Fee Distributions (whether paid in cash, in Units or automatically reinvested in additional Units of the ETF). Amounts paid or payable by an ETF to a Holder after December 15 and before the end of the calendar year are deemed to

have been paid or become payable to the Holder on December 15. The non-taxable portion of an ETF's net realized capital gains, the taxable portion of which was designated in respect of a Holder for a taxation year, that is paid or becomes payable to the Holder in that taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of an ETF for a taxation year that is paid or becomes payable to the Holder in the year (i.e. returns of capital) will not generally be included in the Holder's income for the year, but will reduce the adjusted cost base of the Holder's Units of the ETF. To the extent that the adjusted cost base of a Unit of an ETF would otherwise become a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be reset to nil.

Provided that appropriate designations are made by an ETF, such portion of the net realized taxable capital gains of the ETF; the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations; and the foreign source income of the ETF as is paid or becomes payable to a Holder and the relevant portion of foreign taxes paid or deemed to be paid by the ETF, if any, will effectively retain their character and be treated as such in the hands of the Holder for purposes of the Tax Act. A Holder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply.

Any loss of an ETF for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

Under the Tax Act, an ETF is permitted to deduct, in computing its income for a taxation year, an amount that is less than the amount of its distributions of income and net taxable capital gains for the year to the extent necessary to enable the ETF to use, in the taxation year, losses from prior years without affecting the ability of the ETF to distribute its income and net taxable capital gains annually. In such circumstances, the amount distributed to a Holder of an ETF, but not deducted by the ETF, will not be included in the Holder's income. However, the adjusted cost base of a Holder's Units in the ETF will be reduced by such amount.

On the disposition or deemed disposition of a Unit of an ETF, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the ETF which represents income or capital gains allocated and designated to the redeeming Holder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit of the ETF. For the purpose of determining the adjusted cost base of a Holder's Units of an ETF, when additional Units of that class of the ETF are acquired by the Holder, the cost of the newly acquired Units of the ETF will be averaged with the adjusted cost base of all Units of the same class of the ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of the ETF that have been issued on a distribution will generally be equal to the amount of the distribution. A consolidation of Units of an ETF as described under "Distribution Policy" following a distribution paid in the form of additional Units of the ETF or a reinvested distribution will not be regarded as a disposition of Units of the ETF and will not affect the aggregate adjusted cost base to a Holder. Any additional Units acquired by a Holder on the reinvestment of distributions will generally have a cost equal to the amount reinvested. If a Holder participates in the Reinvestment Plan and the Holder acquires a Unit from the ETF at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Holder must include the difference in income and that the cost of the Unit will be correspondingly increased. The redemption of any fraction of a Unit will likely result in a capital gain (or capital loss) for the redeeming Holder.

In the case of an exchange of Units for a Basket of Securities, a Holder's proceeds of disposition of Units would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the ETF on the disposition of such distributed property. The cost to a Holder of any property received from the ETF upon the exchange will generally be equal to the fair market value of such property at the time of the distribution.

Pursuant to the Trust Declaration, an ETF may distribute, allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any net income or net realized capital gains of the ETF to a Unitholder who has redeemed Units of the ETF during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's

net income and net realized capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such distributions, allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the value of the property that the Unitholder will receive in respect of the redemption. Proposed Tax Amendments that are applicable to trusts that are “mutual fund trusts” for purposes of the Tax Act throughout the taxation year would, effective for taxation years beginning on or after March 19, 2019, prohibit the ETF from allocating income to redeeming Holders and, effective for taxation years beginning on or after March 20, 2020, limit the ability of the ETF to allocate capital gains to redeeming Holders as described above. If such Tax Amendments are enacted in their current form, the amounts and taxable component of distributions to non-redeeming Holders may be greater than they would have been in the absence of such amendments.

In general, one-half of any capital gain (a “**taxable capital gain**”) realized by a Holder on the disposition of Units of an ETF, or designated by the ETF in respect of the Holder, in a taxation year will be included in computing the Holder’s income for that year and one-half of any capital loss (an “**allowable capital loss**”) realized by the Holder in a taxation year generally must be deducted from taxable capital gains realized by the Holder, or designated by the ETF in respect of the Holder, in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

A Holder will be required to compute all amounts, including distributions, the adjusted cost base of Units of the applicable ETF and proceeds of disposition, in Canadian dollars for purposes of the Tax Act using the appropriate exchange rate determined in accordance with the detailed rules in the Tax Act in that regard and may, as a result, realize foreign exchange gains or losses. For example, if a Unitholder acquires US\$ Units of HEA.U, because the proceeds of disposition would be valued in U.S. dollars, the Unitholder may realize a foreign exchange gain or loss if the exchange rate between the Canadian and U.S. dollar at the time of purchase of the US\$ Units differs from the exchange rate at the time such US\$ Units are disposed of.

Amounts designated by an ETF to a Holder of the ETF as taxable capital gains or dividends from taxable Canadian corporations and taxable capital gains realized on the disposition of Units of an ETF may increase the Holder’s liability, if any, for alternative minimum tax.

### **Taxation of Registered Plans**

Distributions received by Plans on Units while the Units are a qualified investment for such Plans will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Units. Withdrawals from Plans (other than a TFSA and certain withdrawals from a RESP or RDSP) are generally subject to tax under the Tax Act. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan.

If Units are “prohibited investments” for a TFSA, RRSP, RRIF, RDSP or RESP a Unitholder who holds Units in such TFSA, RRSP, RRIF, RDSP or RESP will be subject to an additional tax as set out in the Tax Act. A “prohibited investment” includes a unit of a trust which does not deal at arm’s length with the holder, annuitant or subscriber, or in which the holder, annuitant or subscriber has a significant interest. A significant interest, in general terms, means the ownership of 10% or more of the fair market value of an ETF’s outstanding Units by the holder, annuitant or subscriber, either alone or together with persons and partnerships with whom the holder, annuitant or subscriber does not deal at arm’s length. In addition, the Units of an ETF will not be a prohibited investment if such Units are “excluded property” as defined in the Tax Act for trusts governed by a TFSA, RRSP, RRIF, RDSP or RESP. Holders are advised to consult their own tax advisors regarding the application of the prohibited investment rules in their particular circumstances.

### **Tax Implications of the ETF’s Distribution Policy**

The net asset value per Unit of an ETF will, in part, reflect any income and gains of the ETF that have accrued or been realized, but have not been made payable at the time Units of the ETF were acquired by a Holder. Accordingly, a Holder of an ETF who acquires Units of the ETF, including on a reinvestment of distributions or a distribution



paid in Units, may become taxable on the Holder's share of such income and gains of the ETF. In particular, an investor who acquires Units of the ETF at any time in the year prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution), regardless of the fact that the investor only recently acquired such Units. Further, where a Holder acquires Units in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE ETFs**

### **Manager**

Horizons ETFs Management (Canada) Inc., a corporation existing under the laws of Canada, is the manager, investment manager and trustee of each ETF. The Manager is responsible for providing or arranging for the provision of administrative services and management functions required by the ETFs. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. Horizons was originally incorporated under the laws of Canada under the name BetaPro Management Inc. and was primarily organized for the purpose of managing investment products, including the ETFs.

Horizons and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a wholly-owned subsidiary of Mirae Asset.

Mirae Asset is the asset management entity of the Mirae Asset Financial Group, a global financial group providing comprehensive services to clients worldwide – including asset management, wealth management, investment banking, life insurance and venture capital. With over 12,700 employees, the Mirae Asset Financial Group has a presence in America, Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Indonesia, Japan, Mongolia, Singapore, the United Kingdom and Vietnam. Headquartered in Seoul, South Korea, the Mirae Asset Financial Group is one of the largest independent financial groups in Asia and manages approximately US\$398 billion in assets globally as of December 31, 2019.

The Manager will perform or arrange for the performance of management services for the ETFs, and is responsible for the administration of the ETFs. The Manager will be entitled to receive fees as compensation for management services rendered to the ETFs.

### **Officers and Directors of the Manager**

The name, municipality of residence, office and principal occupation of the officers and directors of the Manager are as follows:

<b>Name and Municipality of Residence</b>	<b>Date Individual became a Director</b>	<b>Position with Manager</b>	<b>Principal Occupation</b>
Thomas Park, New York, New York	November 14, 2011	Director and Chief Corporate Development Officer	Director, Horizons (since 2011); Chief Corporate Development Officer, Horizons (since 2015); Executive Managing Director, Mirae Asset MAPS Global Investments (since 2008); Associate, Goldman Sachs International (2006, 2007-2008); Senior Consultant, KPMG Consulting (Bearing Point) (2001-2005).
Wan Youn Cho, Toronto, Ontario	February 20, 2020	Director	Managing Director, Mirae Asset Global Investments (Hong Kong) Ltd. (since 2009).

<b>Name and Municipality of Residence</b>	<b>Date Individual became a Director</b>	<b>Position with Manager</b>	<b>Principal Occupation</b>
Jooyoung Yun, Tokyo, Japan	February 20, 2020	Director	Head of ETF Mangement Division, Mirae Asset (since 2011).
Steven J. Hawkins, Toronto, Ontario	February 8, 2016	Director, Chief Executive Officer, President and Ultimate Designated Person	Chief Executive Officer and President, Horizons (since 2009); Director, Horizons (since 2016).
Kevin S. Beatson, Oakville, Ontario	N/A	Chief Operating Officer and Chief Compliance Officer	Chief Operating Officer and Chief Compliance Officer, Horizons (since 2009).
Julie Stajan, Oakville, Ontario	N/A	Chief Financial Officer	Chief Financial Officer, Horizons (since 2015); Senior Vice President, Finance and Contoller, Horizons (since 2012); Senior Vice President, Finance & Investment Funds, Horizons Investment Management Inc. (2011-2012).
Jaime P.D. Purvis, Toronto, Ontario	N/A	Executive Vice President	Executive Vice President, Horizons (since 2006).
Jeff Lucyk, Toronto, Ontario	N/A	Senior Vice President, Head of Retail Sales	Senior Vice President, Head of Retail Sales, Horizons (since 2016); Senior Vice President, Vice President, National Sales Manager, Norrep Capital Management Ltd. (2009-2016).
McGregor Sainsbury, Toronto, Ontario	N/A	General Counsel and Secretary	General Counsel and Secretary, Horizons (since 2011).

Where a person has held multiple positions within a company, the above table generally sets out only the current or most recently held position or positions held at that company, while the start dates generally refer to the date of the first position held at that company or the first of the listed positions held by the person at that company. Each director will hold his or her position until the next annual general meeting of the Manager at which time he/she may be re-elected.

#### **Ownership of Securities of the Manager**

No securities of the Manager are owned of record or beneficially by any of the directors or executive officers of the Manager.

For a description of the compensation arrangements of the independent review committee of the ETF, see “Organization and Management Details of the ETFs – Independent Review Committee”.

#### **Duties and Services to be Provided by the Manager**

Pursuant to the Trust Declaration, the Manager has full authority and responsibility to manage and direct the business and affairs of the ETFs, to make all decisions regarding the business of the ETFs and to bind the ETFs.

The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the ETFs to do so.

The Manager is entitled to the Management Fee in consideration of the services it provides to an ETF. Such services include, but are not limited to, negotiating contracts with certain third-party service providers, including, but not limited to, investment managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETFs; arranging for the maintenance of accounting records for the ETFs; preparing the reports to Unitholders of the ETFs and to the applicable securities regulatory authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders of the ETFs are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETFs comply with all other regulatory requirements including the continuous disclosure obligations of the ETFs under applicable securities laws; administering purchases, redemptions and other transactions in Units of the ETFs; arranging for any payments required upon termination of the ETFs; and dealing and communicating with Unitholders of the ETFs. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The Manager will also monitor the investment strategy of each ETF to ensure that each ETF complies with its investment objective, investment strategies and investment restrictions and practices.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders of the ETFs, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Manager will not be liable to an ETF, any Unitholder of the ETF or any other person for any loss or damage relating to any matter regarding the ETF, including any loss or diminution of value of the assets of the ETF, if it has satisfied its standard of care set forth above.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of an ETF from, and against, all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for, or in respect of, any act, deed, matter or thing whatsoever made, done or omitted in, or in relation to, the execution of its duties to the ETF as long as the person acted honestly and in good faith with a view to the best interests of the ETF.

The Manager may resign upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation. As compensation for the management services it provides to an ETF, the Manager is entitled, under the Trust Declaration, to receive a Management Fee from the ETF and will be reimbursed for all reasonable costs and expenses incurred on behalf of the ETFs.

The Manager may, in its discretion, terminate an ETF without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the ETF and/or it would otherwise be in the best interests of Unitholders to terminate the ETF.

The administration and management services of the Manager under the Trust Declaration are not exclusive and nothing in the Trust Declaration prevents the Manager from providing similar administrative and management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the ETFs) or from engaging in other activities.

### **Investment Manager**

The Manager also serves as the Investment Manager to the ETFs.

The Manager operates as, among other things, an investment fund manager and a portfolio manager in Ontario under the *Securities Act* (Ontario) and in certain other provinces pursuant to applicable legislation, and as a commodity trading manager under the *Commodity Futures Act* (Ontario). The principal office of the Investment Manager is at

55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. The Manager provides investment advisory and portfolio management services to the ETFs. The senior officers of the Manager principally responsible for providing advice to the ETFs are as follows:

<b>Name</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
Steven J. Hawkins	Chief Executive Officer, President, and Director	Chief Executive Officer and President, Horizons (since 2009); Director, Horizons (since 2016).
Nicolas Piquard	Vice President, Portfolio Manager and Options Strategist	Vice President, Portfolio Manager and Options Strategist, Horizons (since 2013); Senior Trader and Associate Portfolio Manager, Highstreet Asset Management (2012-2013); Director - Equity Derivatives Trading, Scotia Capital (2007-2011).
Hans Albrecht	Vice President, Portfolio Manager and Options Strategist	Vice President, Portfolio Manager and Options Strategist, Horizons (since 2013); Senior Volatility Trader and Manager, DV Trading (2013); Senior Option Trader and Volatility Trader, NBF (1995-2012).
David Kunselman	Senior Vice President, Product Management	Senior Vice President, Product Management, Horizons (since 2015); Senior Portfolio Manager and Chief Compliance Officer, Excel Investment Counsel Inc. (2011 to 2015).

Where a person has held multiple positions within a company, the above table sets out only the current or most recently held position or positions held at that company, and the start dates refer to the date of the first position held or the first of the listed positions held by the person at that company.

### **Designated Broker**

The Manager, on behalf of each ETF, has entered into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker agrees to perform certain duties relating to that ETF including, without limitation: (i) to subscribe for a sufficient number of Units of that ETF to satisfy the TSX's original listing requirements; (ii) to subscribe for Units of that ETF on an ongoing basis, and (iii) to post a liquid two way market for the trading of Units of that ETF on the TSX. Payment for Units of an ETF must be made by the Designated Broker and Units of the ETF will be issued by no later than the second Trading Day after the subscription notice has been delivered.

The Designated Broker may terminate the Designated Broker Agreement at any time by giving Horizons at least six (6) months' prior written notice of such termination. Horizons may terminate the Designated Broker Agreement at any time, without prior notice, by sending a written notice of termination to the Designated Broker.

Units do not represent an interest in, or an obligation of, the Designated Broker or Dealer or any affiliate thereof and a Unitholder of an ETF will not have any recourse against any such parties in respect of amounts payable by the ETF to the Unitholder.

### **Conflicts of Interest**

The Manager and its respective principals and affiliates (each an "ETF Manager") do not devote their time exclusively to the management of the ETFs. The ETF Managers perform similar or different services for others and may sponsor or establish other investment funds (public and private) during the same period that they act on behalf of the ETFs. The ETF Managers therefore will have conflicts of interest in allocating management time, services and functions to the ETFs and the other persons for which they provide similar services.

The ETF Managers may trade and make investments for their own accounts, and such persons currently trade and manage and will continue to trade and manage accounts other than an ETF's accounts utilizing trading and investment strategies which are the same as, or different from, the ones to be utilized in making investment decisions for the ETF. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of an ETF. Furthermore, all of the positions held by accounts owned, managed or controlled by the Manager will be aggregated for purposes of applying certain exchange position limits. As a result, an ETF may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the ETF and such other accounts, would exceed applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades. See "Risk Factors".

In evaluating these conflicts of interest, potential investors should be aware that the ETF Managers have a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the ETFs. In the event that a Unitholder of an ETF believes that one of the ETF Managers has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of the ETF to recover damages from, or to require an accounting by, the applicable ETF Manager. Unitholders should be aware that the performance by an ETF Manager of its responsibilities to an ETF will be measured in accordance with: (i) the provisions of the agreement by which the ETF Manager has been appointed to its position with the ETF; and (ii) applicable laws.

The Manager is a wholly-owned subsidiary of Mirae Asset. Affiliates of the Manager may earn fees and spreads, directly and indirectly, in connection with various services provided to, or transactions with, an ETF or its service providers, including in connection with brokerage transactions, prime brokerage services and securities lending transactions, subject always to approval by the IRC of the ETFs and compliance with applicable law (or exemptive relief therefrom), and applicable internal policies and procedures. In effecting ETF portfolio transactions, the Manager places brokerage business with various broker-dealers on the basis of best execution, which includes a number of considerations such as price, speed, certainty of execution and total transaction cost. The Manager uses the same criteria in selecting all of its broker-dealers, regardless of whether the broker-dealer is an affiliate of the Manager. Subject to compliance with NI 81-102 and in accordance with the terms of the standing instructions of the IRC, to the extent that an affiliate of the Manager provides advisory services to a securities lending agent of the ETFs, the Manager may receive a portion of the affiliate's revenue that it receives for those services.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). These relationships may create actual or perceived conflicts of interest which investors should consider in relation to an investment in an ETF. In particular, by virtue of these relationships, NBF may profit from the sale and trading of Units. NBF, as market maker of the ETFs in the secondary market, may therefore have economic interests which differ from, and may be adverse to, those of Unitholders.

The ETFs are not sponsored, endorsed, or promoted by NBF. NBF does not make any representation or warranty, express or implied, to the Unitholders regarding the advisability of investing in the ETFs, nor does it assume any liability in connection with the administration, marketing or trading of the ETFs. NBF's potential roles as a Designated Broker and a Dealer of the ETFs will not be as an underwriter of the ETFs in connection with the distribution of Units under this prospectus. The Designated Broker and the Dealers are not underwriters of the ETFs in connection with the distribution by the ETFs of their respective Units under this prospectus. The securities regulatory authorities have provided the ETFs with a decision exempting the ETFs from the requirement to include a certificate of an underwriter in the prospectus. No Designated Broker and/or Dealer has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus.

NBF and its affiliates may, at present or in the future, engage in business with the ETFs, the issuers of securities making up the investment portfolio of the ETFs, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between NBF and its affiliates and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

The ETFs have obtained exemptive relief to permit them to invest in active exchange traded funds managed by the Manager or affiliates of the Manager.

### **Independent Review Committee**

NI 81-107 requires that all publicly offered investment funds, such as the ETFs, establish an IRC. The Manager must refer all conflict of interest matters for review or approval to the IRC. NI 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three (3) independent members, and is subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the ETF and to its Unitholders in respect of those functions. The most recent report prepared by the IRC is available on the Manager's website ([www.horizonsetfs.com](http://www.horizonsetfs.com)), or at a Unitholder's request at no cost, by contacting the ETF at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7; telephone: 416-933-5745; toll free: 1-866-641-5739; fax: 416-777-5181.

Warren Law, Sue Fawcett and Michael Gratch are the current members of the IRC.

The IRC:

- reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;
- reviews conflict of interest matters referred to it by the Manager and makes recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for the ETFs;
- considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- performs such other duties as may be required of the IRC under applicable securities laws.

The ETFs compensate the IRC members for their participation on the IRC through member fees and, if applicable, meeting fees. Sue Fawcett and Michael Gratch receive \$12,500 per year in member fees, while Warren Law, as chairperson of the IRC, receives \$15,000 per year. The IRC's secretariat receives \$21,000 per year for administrative services. An additional fee of \$3,000 per meeting is charged by the IRC for each IRC meeting in excess of two per year. The total fees payable in respect of the IRC by a particular ETF is calculated by dividing the total net assets of the particular ETF by the total net assets of all of the mutual funds for which the IRC is responsible and then multiplying the resulting value by the total dollar value due to the IRC member by the ETF for that particular period.

### **The Trustee**

Horizons is also the trustee of the ETFs pursuant to the Trust Declaration. The Trustee may resign and be discharged from all further duties under the Trust Declaration upon 90 days' prior written notice to the Manager or upon such lesser notice as the Manager may accept. The Manager shall make every effort to select and appoint a successor trustee prior to the effective date of the Trustee's resignation. If the Manager fails to appoint a successor trustee within 90 days after notice is given or a vacancy occurs, the Manager shall call a meeting of Unitholders of the ETFs within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders of an ETF may call a meeting of Unitholders of the ETF within 31 days after notice is given or a vacancy occurs for the purpose of appointing a successor trustee. In each case, if, upon the expiry of a further 30 days, neither the Manager nor the Unitholders of an ETF have appointed a successor trustee, the ETF shall be terminated and the property of the ETF shall be distributed in accordance with the terms of the Trust Declaration.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the ETFs, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Trustee will not be liable in carrying out its duties under the Trust Declaration as long as the Trustee has adhered to its standard of care set out above. In

addition, the Trust Declaration contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee will not receive any fees from the ETFs but will be reimbursed for all expenses and liabilities that it properly incurs in carrying out activities on behalf of the ETFs.

### **Custodian**

CIBC Mellon Trust is the custodian of each ETF's assets pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario. Pursuant to the Custodian Agreement, the Custodian is required to exercise its duties with the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances.

Under the Custodian Agreement, an ETF shall pay fees to the Custodian at such rate as determined by the parties from time to time and the Custodian shall be reimbursed for all reasonable expenses incurred in the performance of its duties under the Custodian Agreement. Each ETF shall also indemnify and hold harmless the Custodian, CIBC Mellon Global, Canadian Imperial Bank of Commerce, and the Bank of New York Mellon from any direct loss, damage or expense, including reasonable counsel fees and expenses, arising in connection with the Custodian Agreement, except to the extent such direct loss, damage or expense, including reasonable counsel fees and expenses is caused by a breach of the Standard of Care by the Custodian, CIBC Mellon Global, Canadian Imperial Bank of Commerce, and the Bank of New York Mellon, or a permitted agent or assignee of the foregoing.

The parties to the Custodian Agreement may terminate the Custodian Agreement without any penalty upon at least ninety (90) days' written notice to the other parties, or immediately, if any party becomes insolvent, or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or against that party and is not discharged within thirty (30) days, or proceedings for the appointment of a receiver for that party are commenced and not discontinued within thirty (30) days. The Manager may terminate the Custodian Agreement immediately upon written notice to the other parties and without penalty if the Custodian no longer satisfies the requirements to act as a custodian of the ETFs, as such requirements are set out in NI 81-102 and NI 41-101.

### **Valuation Agent**

The Manager has retained CIBC Mellon Global, to provide accounting services in respect of the ETFs pursuant to a valuation services agreement.

### **Auditors**

KPMG LLP is the auditor of the ETFs. The office of the Auditors is located at 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5.

### **Registrar and Transfer Agent**

TSX Trust Company, at its principal offices in Toronto, Ontario is the registrar and transfer agent for Units of the ETFs pursuant to registrar and transfer agency agreements. TSX Trust Company is independent of the Manager.

### **Promoter**

The Manager took the initiative in founding and organizing the ETFs and is accordingly the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the ETFs, receives compensation from the ETFs.

### **Securities Lending Agents**

Canadian Imperial Bank of Commerce ("CIBC") is a securities lending agent for the ETFs pursuant to a securities lending agreement (the "CIBC SLA").

CIBC is located in Toronto, Ontario. CIBC is independent of the Manager. The CIBC SLA requires that the collateral delivered in connection with a securities loan have an aggregate value of not less than 102% of the value of the loaned securities (or, if higher, the percentage of the aggregate market value of loaned securities in accordance with prevailing best market practices). The CIBC SLA requires CIBC and certain CIBC affiliates to indemnify each ETF against, among other things, the failure of CIBC to perform its obligations under the CIBC SLA. A party to the CIBC SLA may terminate the CIBC SLA upon 30 days' notice.

### **Accounting and Reporting**

An ETF's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as that ETF elects. The annual financial statements of an ETF shall be audited by that ETF's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS. The Manager will arrange for an ETF's compliance with all applicable reporting and administrative requirements.

The Manager will keep, or arrange for the keeping of, adequate books and records reflecting the activities of an ETF. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of an ETF during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of an ETF.

### **CALCULATION OF NET ASSET VALUE**

The net asset value per unit of an ETF will be computed by adding up the cash, securities and other assets of the ETF, less the liabilities and dividing the value of the net assets of the ETF by the total number of Units of the ETF that are outstanding. The net asset value per Unit of an ETF so determined will be adjusted to the nearest cent per Unit and will remain in effect until the time as at which the next determination of the net asset value per Unit of the ETF is made. The net asset value per Unit of an ETF will be calculated on each Valuation Day. The base currency of each ETF other than Horizons HEA.U is Canadian dollars. The base currency of Horizons HEA.U is U.S. dollars.

The net asset value per Cdn\$ Unit of Horizons HEA.U will be calculated in Canadian dollars using the U.S. dollar net asset value of Horizons HEA.U and an exchange rate reasonably determined by the Manager in its discretion. Currently, the Manager employs an executable exchange rate provided daily by a Canadian chartered bank.

Typically, the net asset value per Unit of an ETF will be calculated at its applicable Valuation Time. The net asset value per Unit of an ETF may be determined at an earlier Valuation Time if the TSX and/or the principal exchange for the securities held by the ETF closes earlier on that Valuation Day.

### **Valuation Policies and Procedures of the ETFs**

The Manager will use the following valuation procedures in determining an ETF's "**net asset value**" and "**net asset value per Unit**" on each Valuation Day:

1. The value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends to be received and interest accrued and not yet received, will be deemed to be the face amount thereof, unless the Manager determines that any such deposit, call loan, bill, note or account receivable is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as the Manager determines, on such basis and in such manner as may be approved by the board of directors of the Manager to be the reasonable value thereof.
2. The value of any security, commodity or interest therein which is listed or dealt in upon a stock exchange will be determined by:
  - (a) in the case of securities which were traded on that Valuation Day, the price of such securities as determined at the applicable Valuation Time; and



- (b) in the case of securities not traded on that Valuation Day, a price estimated to be the true value thereof by the Manager on such basis and in such manner as may be approved of by the board of directors of the Manager, such price being between the closing asked and bid prices for the securities or interest therein as reported by any report in common use or authorized as official by a stock exchange.
3. Long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants will be valued at the current market value thereof. Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from any revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of such instrument. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at the current market value. The fair value of a futures contract, swap or forward contract is the gain or loss with respect thereto that would be realized if, on that Valuation Day, the position in the futures contract, swap or forward contract, as the case may be, were to be closed out unless, in the case of a futures contract or forward contract, "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest. Margin paid or deposited in respect of futures contracts and forward contracts are reflected as an account receivable and margin consisting of assets other than cash is noted as held as margin.
4. In the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Manager, where applicable, in accordance with the principles described in paragraph 2(b) above, except that the Manager may use, for the purpose of determining the sale price or the asked and bid price of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable, in such manner as may be approved of by the board of directors of the Manager.
5. The liabilities of an ETF will include:
- all bills, notes and accounts payable of which the ETF is an obligor;
  - all brokerage expenses of the ETF;
  - all Management Fees of the ETF;
  - all contractual obligations of the ETF for the payment of money or property, including the amount of any unpaid distribution credited to Unitholders of the ETF on or before that Valuation Day;
  - all allowances of the ETF authorized or approved by the Manager for taxes (if any) or contingencies; and
  - all other liabilities of the ETF of whatsoever kind and nature.
6. Each transaction of purchase or sale of a portfolio asset effected by an ETF shall be reflected by no later than the next time that the net asset value of the ETF and the net asset value per Unit of the ETF is calculated.

In calculating the net asset value of an ETF, the ETF will generally value its investments based on the market value of its investments at the time the net asset value of the ETF is calculated. If no market value is available for an investment of the ETF or if the Manager determines that such value is inappropriate in the circumstances (i.e. when the value of an investment of the ETF has been materially changed by effects occurring after the market closes), the Manager will value such investments using methods that have generally been adopted by the marketplace. Fair valuing the investments of an ETF may be appropriate if: (i) market quotations do not accurately reflect the fair

value of an investment; (ii) an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded; (iii) a trading halt closes an exchange or market early; or (iv) other events result in an exchange or market delaying its normal close. The risk in fair valuing an investment of an ETF is that the value of the investment may be higher or lower than the price that the ETF may be able to realize if the investment had to be sold.

In determining the net asset value of an ETF, Units of the ETF subscribed for will be deemed to be outstanding and an asset of the ETF as of the time a subscription for such Units is received by and accepted by the Manager. Units of an ETF that are being redeemed will only be deemed to be outstanding until (and not after) the close of business on the day on which such Units of the ETF are redeemed and the redemption proceeds thereafter, until paid, will be a liability of the ETF.

For the purposes of financial statement reporting, an ETF is required to calculate net asset value in accordance with International Financial Reporting Standards ("IFRS") and National Instrument 81-106 *Investment Fund Continuous Disclosure*.

### **Reporting of Net Asset Value**

Persons or companies that wish to be provided with the most recent net asset value per Unit of an ETF may call the Manager at 416-933-5745 or at 1-866-641-5739, or check the Manager's website at [www.HorizonsETFs.com](http://www.HorizonsETFs.com).

## **ATTRIBUTES OF THE SECURITIES**

### **Description of the Securities Distributed**

Each ETF is authorized to issue an unlimited number of redeemable, transferable Units designated as Units pursuant to this prospectus, each of which represents an equal, undivided interest in the net assets of the ETF.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any, default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. Each ETF is a reporting issuer under the *Securities Act* (Ontario) prior to the initial issuance of Units of each such ETF and each ETF is governed by the laws of Ontario by virtue of the provisions of the Trust Declaration.

Each Unit of an ETF entitles the owner to one vote at meetings of Unitholders of the ETF or of that class of Units. Each Unit of an ETF is entitled to participate equally with all other Units of the ETF of the same class with respect to all payments made to Unitholders of the ETF, other than Management Fee Distributions and income or capital gains allocated and designated as payable to a redeeming Unitholder, whether by way of income or capital gains 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, when issued, in accordance with the terms of the Trust Declaration. Unitholders of an ETF are entitled to require the ETF to redeem their Units of the ETF as outlined under the heading "Exchange and Redemption of Units".

### **Exchange of Units for Baskets of Securities**

Unitholders may exchange the applicable PNU (or a whole multiple thereof) of an ETF on any Trading Day for, subject to the Manager's discretion, Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. See "Exchange and Redemption of Units".

### **Redemption of PNU(s) for Cash**

Unitholders may redeem the applicable PNU (or a whole multiple thereof) of an ETF on any Trading Day for cash, subject to the requirement that a minimum PNU be redeemed. See "Exchange and Redemption of Units".

### **Redemption of Units for Cash pursuant to a Systematic Withdrawal Plan**

Unitholders of an ETF who are participants in the Reinvestment Plan may redeem Units of the ETF for cash at a redemption price equal to the net asset value of the ETF if the redemption is made pursuant to a systematic withdrawal plan. See “Redemption of Units of an ETF for Cash” and “Distribution Policy – Systematic Withdrawal Plan”.

### **Redemptions of Units for Cash**

On any Trading Day, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. See “Exchange and Redemption of Units”.

### **Stock Exchange Sponsored Net Asset Value Execution Program**

Subject to regulatory and other necessary third party approvals, a stock exchange sponsored execution program may become available which would allow investors to purchase and sell Units of each ETF based on transaction prices calculated as at the end-of-day net asset value, plus any fee payable to the investor’s Dealer for the Dealer’s facilitation of the purchase or sale. The Manager will issue a news release announcing the details of any such stock exchange sponsored execution program.

### **Modification of Terms**

Any amendment to the Trust Declaration that creates a new class of Units of an ETF will not require notice to existing Unitholders of the ETF unless such amendment in some way affects the existing Unitholders’ rights or the value of their investment. An amendment such as the re-designation of a class of an ETF, or the termination of a class of the ETF, which has an effect on a Unitholder’s holdings will only become effective after 30 days’ notice to Unitholders of the applicable classes of the ETF.

All other rights attached to the Units of an ETF may only be modified, amended or varied in accordance with the terms of the Trust Declaration. See “Unitholder Matters – Amendments to the Trust Declaration”.

### **Voting Rights in the Portfolio Securities**

Holders of Units will not have any voting rights in respect of the securities in an ETF’s portfolio.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

Meetings of Unitholders of an ETF, or any class of an ETF, will be held if called by the Manager or upon the written request to the Manager of Unitholders holding not less than 25% of the then outstanding Units of the ETF or the class, as applicable.

### **Matters Requiring Unitholder Approval**

NI 81-102 requires a meeting of Unitholders of an ETF to be called to approve certain changes as follows:

- (i) the basis of the calculation of a fee or expense that is charged to the ETF or its Unitholders is changed in a way that could result in an increase in charges to the ETF or to its Unitholders, except where:
  - (A) the ETF is at arm’s length with the person or company charging the fee; and
  - (B) the Unitholders have received at least 60 days’ notice before the effective date of the change;

- (ii) a fee or expense, to be charged to an ETF or directly to its Unitholders by the ETF or the Manager in connection with the holding of Units of the ETF that could result in an increase in charges to the ETF or its Unitholders, is introduced;
- (iii) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;
- (iv) the fundamental investment objective of the ETF is changed;
- (v) the ETF decreases the frequency of the calculation of its net asset value per Unit;
- (vi) the ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the ETF becoming securityholders in the other mutual fund, unless:
  - (A) the IRC of the ETF has approved the change in accordance with NI 81-107;
  - (B) the ETF is being reorganized with, or its assets are being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply, and that is managed by the Manager, or an affiliate of the Manager;
  - (C) the Unitholders have received at least 60 days' notice before the effective date of the change; and
  - (D) the transaction complies with certain other requirements of applicable securities legislation;
- (vii) the ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders, and the transaction would be a material change to the ETF; or
- (viii) any matter which is required by the constitutive documents of the ETF; by the laws applicable to the ETF or by any agreement to be submitted to a vote of the Unitholders;

(the “**Approval Changes**”)

In addition, the auditors of an ETF may not be changed unless:

- (i) the IRC of the ETF has approved the change; and
- (ii) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

#### **Amendments to the Trust Declaration**

If a Unitholder meeting is required to amend a provision of the Trust Declaration, no change proposed at a meeting of Unitholders of an ETF shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at a meeting of Unitholders of the ETF or, if separate class meetings are required, at meetings of each class of Unitholders of the ETF.

Subject to any longer notice requirements imposed under securities legislation, the Trustee is entitled to amend the Trust Declaration by giving not less than 30 days' notice to Unitholders of each ETF affected by the proposed amendment in circumstances where:

- (a) the securities legislation requires that written notice be given to Unitholders of that ETF before the change takes effect;
- (b) the change would not be prohibited by the securities legislation; and
- (c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders of that ETF, so that it is equitable to give Unitholders of that ETF advance notice of the proposed change.

All Unitholders of an ETF shall be bound by an amendment affecting the ETF from the effective date of the amendment.

The Trustee may amend the Trust Declaration, without the approval of, or prior notice to, any Unitholders, if the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders of the ETF or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of its Units;
- (b) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Declaration and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;
- (c) make any change or correction in the Trust Declaration which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the ETF as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the ETF or its Unitholders; or
- (e) for the purposes of protecting the Unitholders of the ETF.

### **Reporting to Unitholders**

The Manager, on behalf of an ETF, will, in accordance with applicable laws, furnish to each Unitholder, unaudited semi-annual financial statements and an interim management report of fund performance for the ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of the ETF will contain a statement of net assets, a statement of operations, a statement of changes in net assets, a statement of cash flows (unless it is not required by IFRS) and a statement of investment portfolio.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns in respect of their investment in Units will also be distributed to them within 90 days after the end of each taxation year of the ETFs or such other time as required by applicable law. Neither the Manager nor the Registrar and Transfer Agent are responsible for tracking the adjusted cost base of a Unitholder's Units. Unitholders should consult with their tax or investment adviser in respect of how to compute the adjusted cost base of their Units and in particular how designations made by the ETF to a Unitholder affect the Unitholder's tax position.

The net asset value per Unit of each ETF will be determined by the Manager on each Valuation Day and will usually be published daily in the financial press.

## **Non-Resident Unitholders**

At no time may: (i) non-residents of Canada; (ii) partnerships that are not Canadian partnerships; or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act), be the beneficial owners of a majority of the Units of an ETF (on either a number of Units or fair market value basis) and the Manager shall inform the Registrar and Transfer Agent of the ETF of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of an ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the ETF as a mutual fund trust for purposes of the Tax Act.

## ***Exchange of Tax Information***

Part XVIII of the Tax Act imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. Each ETF is a “reporting Canadian financial institution” but as long as Units are regularly traded on an “established securities market” (which currently includes the TSX), or are registered in the name of CDS, the ETFs should not have any “U.S. reportable accounts” and, as a result, should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units or otherwise identify “U.S. reportable accounts”. If a Unitholder is a U.S. person (including a U.S. citizen), Units are otherwise “U.S. reportable accounts” or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

Part XIX of the Tax Act implements the Organization for Economic Co-operation and Development Common Reporting Standard (the “**CRS Legislation**”). Pursuant to the CRS Legislation, “Canadian financial institutions” (as defined in the CRS Legislation) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information is exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard and in which the account holders or such controlling persons are resident. Under the CRS Legislation, Unitholders are required to provide certain information regarding their investment in an ETF for the purpose of such information exchange unless the investment is held within a Plan.

## **TERMINATION OF THE ETFs**

Subject to complying with applicable securities law, the Manager may terminate an ETF or a class of an ETF at its discretion. In accordance with the terms of the Trust Declaration and applicable securities law, Unitholders of an ETF will be provided 60 days' advance written notice of the termination.

If an ETF or a class of an ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination. Prior to terminating an ETF or a class, the Trustee may discharge all of the liabilities of the ETF or the class, as applicable, and distribute the net assets of the ETF or the class to the Unitholders.

Upon termination of an ETF or a class of an ETF, each Unitholder of the ETF or the class, as applicable, shall be entitled to receive, at the Valuation Time on the termination date, out of the assets of the ETF or the class: (i) payment for that Unitholder's Units at the net asset value per Unit for that class of Units of the ETF determined at the Valuation Time on the termination date; plus (ii) where applicable, any net income and net realized capital gains that are owing to, or otherwise attributable to, such Unitholder's Units that have not otherwise been paid to such Unitholder; less (iii) any applicable administration charges and any taxes that are required to be deducted. Payment shall be made by cheque or other means of payment payable to such Unitholder and drawn on the ETF's bankers and may be mailed by ordinary post to such Unitholder's last address appearing in the registers of Unitholders of that ETF or may be delivered by such other means of delivery acceptable to both the Manager and such Unitholder.

### **Procedure on Termination**

The Trustee shall be entitled to retain out of any assets of an ETF, at the date of termination of the ETF, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with, or arising out of, the termination of the ETF and the distribution of its assets to the Unitholders of the ETF. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands.

## **PLAN OF DISTRIBUTION**

Units of each ETF are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of an ETF that may be issued. The Units of each ETF shall be offered for sale at a price equal to the net asset value of such Units next determined following the receipt of a subscription order. Units of the ETFs are listed and trade on the TSX. The net asset value per Unit of Horizons HEA.U is calculated in U.S. dollars US\$ Units and Cdn\$ Units of Horizons HEA.U are offered by this prospectus.

## **BROKERAGE ARRANGEMENTS**

The Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETFs. The Manager intends to use a number of clearing brokers to transact trades in futures contracts on behalf of the ETFs. Once such brokerage accounts are established, the Manager is authorized to negotiate commissions and fees to be paid on such brokerage transactions, subject to a continuing obligation to seek and obtain the best price, execution and overall terms.

## **RELATIONSHIP BETWEEN THE ETFs AND DEALERS**

The Manager, on behalf of an ETF, may enter into various Dealer Agreements with registered dealers (that may or may not be a Designated Broker) pursuant to which the Dealers may subscribe for Units of the ETF as described under "Purchases of Units". Such registered dealers may be related to the Manager.

A Dealer Agreement may be terminated by the registered dealer at any time by notice to Horizons, provided that, except in certain conditions, no such termination will be permitted after the registered dealer has subscribed for Units of the ETF and such subscription has been accepted by Horizons.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). Accordingly, the ETFs may be considered to be connected issuers of NBF under applicable securities laws. NBF's potential role as a Dealer of an ETF will not be as an underwriter of the ETF in connection with the distribution of Units of the ETF under this prospectus. NBF has not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus. See "Organization and Management Details of the ETFs – Conflicts of Interest".

### **PRINCIPAL HOLDERS OF UNITS OF THE ETFs**

CDS & Co., the nominee of CDS, is the registered owner of the Units the ETFs, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, the designated broker, an ETF or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units of an ETF.

### **PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD**

The Manager is responsible for all securities voting in respect of securities held by the ETFs and exercising responsibility with the best economic interests of the ETFs and the Unitholders of the ETFs. The Manager has established proxy voting policies, procedures and guidelines (the "**Proxy Voting Policy**") for securities held by the ETFs to which voting rights are attached. The Proxy Voting Policy is intended to provide for the exercise of such voting rights in accordance with the best interests of the ETFs and the Unitholders of the ETFs, while intending to defend, reflect and promote decisions or actions which meet generally accepted standards of Environmental, Social, and Governance ("**ESG**") criteria established by the Manager, or are expected to move a company closer to these goals.

The Manager believes in taking an active role in the corporate governance of the underlying investments of the ETFs, through the corporate proxy and voting processes of those underlying investments. When voting the proxies relating to the companies that are the underlying investments of the ETFs, Horizons will, among other things, be focused on supporting and promoting the options that, in the Manager's view, reflect the Manager's pre-determined ESG standards and also achieve the best result for the ETFs and the Unitholders of the ETFs. ESG refers to the three central factors in measuring the sustainability and ethical impact of a company or business. As a general matter, the Proxy Voting Policies of the Manager promote companies that (i) engage in activities or changes that can result in a decrease in pollution and carbon footprint, sustaining biodiversity, improving waste disposal and forest management and more effective land management, (ii) implement employment practices and policies that promote women in management and on boards of directors, promote equality, inclusion and that protect members of the public regardless of age, sex, marital status, colour, race, ethnicity, sexual orientation, gender or gender identity, religion or disability of any nature, and (iii) practice "good governance", including through compliance, promotion of fair and impartial rules, consensus oriented management, principles of transparency, accountability, effective risk management and efficient management and processes.

The Proxy Voting Policy sets out the guidelines and procedures that the Manager will follow to determine whether and how to vote on any matter for which the ETF receives proxy materials. Issuers' proxies most frequently contain routine proposals to elect directors, to appoint independent auditors, establish independent compensation committees, to approve executive compensation and stock-based compensation plans and to amend the capitalization structure of the issuer. Specific details on the Manager's consideration of these routine matters are discussed in greater detail in the Proxy Voting Policy, which is available upon request at no cost by calling or emailing the Manager as further described below. Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are assessed by the Manager on a case-by-case basis with a focus on the potential impact of the vote on the Proxy Voting Policy's ESG objectives and the best interests of the ETFs and the Unitholders of the ETFs.

If the potential for conflict of interest arises in connection with proxy voting and if deemed advisable to maintain impartiality, the Proxy Voting Policy provides that the Manager may choose to seek out and follow the voting recommendation of an independent proxy search and voting service.

The Proxy Voting Policy is available on request, at no cost, by calling the Manager toll-free at 1-866-641-5739 or emailing the Manager at [info@HorizonsETFs.com](mailto:info@HorizonsETFs.com). The proxy voting record of the ETFs for the annual period from July 1 to June 30 will be available free of charge to any investor of the ETFs upon request at any time after August



31 following the end of that annual period. The proxy voting record of the ETFs will also be available on our Internet site at [www.HorizonsETFs.com](http://www.HorizonsETFs.com).

### MATERIAL CONTRACTS

The only contracts material to the ETF are the:

- (a) **Trust Declaration.** For additional disclosure related to the Trust Declaration, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETFs – The Trustee”, “Attributes of the Securities – Modification of Terms” and “Unitholder Matters – Amendments to the Trust Declaration”; and
- (c) **Custodian Agreement.** For additional disclosure related to the Custodian Agreement, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETF – Custodian”.

Copies of these agreements may be examined at the head office of the Manager, 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, during normal business hours.

### LEGAL AND ADMINISTRATIVE PROCEEDINGS

The ETFs are not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving any of the ETFs.

### EXPERTS

KPMG LLP, the auditors of the ETFs, has consented to the use of their reports each dated March 11, 2020 to the Unitholders of the ETFs. KPMG LLP has confirmed that they are independent with respect to the ETFs within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

### EXEMPTIONS AND APPROVALS

The ETFs will rely on exemptive relief that has been obtained from the Canadian securities regulatory authorities to:

- (a) permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation;
- (b) permit the ETFs to accept a combination of cash and securities as subscription proceeds for Units;
- (c) relieve the ETFs from the dealer registration requirement provided that the Manager complies with Part 15 of NI 81-102;
- (d) permit the ETFs to lend securities with a lending agent that is not the Custodian; and
- (e) permit the ETFs to invest in active exchange traded funds managed by the Manager or an affiliate of the Manager.

### PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for

rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Additional information about each ETF is or will be available in the following documents:

- (a) the most recently filed comparative annual financial statements of that ETF, together with the accompanying report of the auditor;
- (b) any interim financial statements of that ETF filed after the most recently filed annual financial statements of that ETF;
- (c) the most recently filed annual management report of fund performance of that ETF;
- (d) any interim management report of fund performance of that ETF filed after the most recently filed annual management report of fund performance of that ETF; and
- (e) the most recently filed ETF Facts of that ETF.

These documents are incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can obtain a copy of these documents, at your request, and at no cost, by calling toll-free: 1-866-641-5739 or by contacting your dealer. These documents are available on the ETFs' Internet site at [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These documents and other information about the ETFs are also available on the Internet at [www.sedar.com](http://www.sedar.com).

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the ETFs after the date of this prospectus and before the termination of the distribution of the ETFs are deemed to be incorporated by reference into this prospectus.

**HORIZONS ENHANCED INCOME EQUITY ETF  
HORIZONS ENHANCED INCOME ENERGY ETF  
HORIZONS ENHANCED INCOME FINANCIALS ETF  
HORIZONS ENHANCED INCOME GOLD PRODUCERS ETF  
HORIZONS ENHANCED INCOME US EQUITY (USD) ETF  
HORIZONS ENHANCED INCOME INTERNATIONAL EQUITY ETF**

**(the “ETFs”)**

**CERTIFICATE OF THE ETFs, MANAGER AND PROMOTER**

Dated: May 5, 2020

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

**HORIZONS ETFs MANAGEMENT (CANADA) INC.,  
AS TRUSTEE, MANAGER AND PROMOTER OF THE ETFs**

(signed) “Steven J. Hawkins”

Steven J. Hawkins  
Chief Executive Officer

(signed) “Julie Stajan”

Julie Stajan  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF HORIZONS ETFs MANAGEMENT (CANADA) INC.**

(signed) “Wan Youn Cho”

Wan Youn Cho  
Director

(signed) “Thomas Park”

Thomas Park  
Director