What is a single commodity ETF?
An exchange traded fund that invests in a physical commodity like natural gas, oil, silver or gold. A single commodity ETF can hold that particular commodity in physical storage, or may invest in futures contracts.

Why would an investor want to hold a single commodity ETF in their portfolio?
It is a more efficient way to gain exposure to a specific commodity in an investment portfolio than investing in a commodity producing company. Investing in a commodity company could prove to be a poor proxy for the commodity and potentially expose you to the particular risks associated with that company.

Moreover, commodities tend to have a low correlation with global stock markets; not necessarily moving in the same direction or by the same magnitude as stocks. Adding commodities to your portfolio can potentially reduce its overall volatility.

Who should buy them?
An investor looking to hedge against inflation, or against certain currencies, as they can be a source of value during times of financial, economic and political uncertainty.

They can also appeal to an investor looking for additional diversification for their portfolio to offset stock market volatility. Commodities generally have low correlation with most global equities, meaning that they do not necessarily move in the same direction, or by the same magnitude as stocks.

How do they work?
Horizons single commodity ETFs are based on futures contracts. Futures contracts are rolled from their specified delivery month to a subsequent delivery month before contract maturity (when the holder of the contract would be required to accept or make delivery of a physical commodity).

What are the implications of contango and backwardation?

**Contango** is a condition in which the price of a futures contract is trading above the expected spot price at contract maturity, and the futures curve is upward sloping. In a contango environment, an investor who is in long futures may experience negative “roll yield” if the contract is rolled after the futures price moves downward to converge with the expected spot price (assuming an unchanged spot price at maturity). Even if the commodity appreciates, as predicted by the futures curve at the time of the investment, the investor holding long futures may experience a loss. Typically, investors would want to be in short futures if the futures curve is in contango, unless they expect the commodity to appreciate by more than what is priced into the futures curve.

**Backwardation** is the inverse condition of contango, in which the price of a futures contract is trading below the expected spot price at contract maturity, and the futures curve is downward sloping. In a backwardation environment, an investor who is in long futures may experience positive “roll yield” if the contract is rolled after the futures price rises to converge with the expected spot price (assuming an unchanged spot price at maturity). Even if the commodity declines, as predicted by the futures curve at the time of the investment, the investor holding long futures may experience no loss. Typically, investors would therefore want to be long futures if the futures curve is in backwardation, unless they expect the commodity to decline by more than what is priced into the futures curve.
Canada’s Largest Family of single Commodity ETFs

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<thead>
<tr>
<th>Horizons Single Commodity ETFs</th>
<th>Ticker</th>
<th>Management Fee</th>
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<tbody>
<tr>
<td>Horizons Gold ETF</td>
<td>HUG</td>
<td>0.65%</td>
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<tr>
<td>Horizons Silver ETF</td>
<td>HUZ</td>
<td>0.65%</td>
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<tr>
<td>Horizons Crude Oil ETF</td>
<td>HUC</td>
<td>0.75%</td>
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<td>Horizons Natural Gas ETF</td>
<td>HUN</td>
<td>0.75%</td>
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Horizons Single Commodity ETFs attributes

- Trade on the Toronto Stock Exchange from 9:30 a.m. to 4:00 p.m. ET
- Currency hedged to the Canadian dollar
- Intraday liquidity
- Tax efficient
- Management fee ranges from 0.65% to 0.75%

To learn more, please visit [www.HorizonsETFs.com](http://www.HorizonsETFs.com)