HORIZONS
GLOBAL SUSTAINABILITY LEADERS INDEX ETF (ETHI)

Gain exposure to 200 Sustainability Change Leaders in a single trade
**GENERAL INVESTMENT OBJECTIVE**

The Horizons Global Sustainability Leaders Index ETF (ETHI) is Horizons ETFs’ first ETF that invests solely in companies that meet Socially Responsible Investing ("SRI") standards. ETHI was chosen as its ticker symbol to let investors know they can feel confident that the ETF places ethics at its core.

ETHI seeks to replicate, to the extent possible, the performance of the Nasdaq Future Global Sustainability Leaders Index (the “Index”), net of expenses. The Index is designed to provide exposure to the performance of a basket of large-cap equity securities of companies that are global climate change leaders (as measured by their relative carbon efficiency), and are not materially engaged in activities deemed inconsistent with SRI considerations.

**ETF SNAPSHOT**

**Name:** Horizons Global Sustainability Leaders Index ETF  
**Launch Date:** November 1, 2018  
**Stock Exchange:** Toronto Stock Exchange  
**Ticker:** ETHI  
**Management Fee:** 0.45% (plus applicable taxes)  
Annual management fee reduced from 0.65% to 0.45%, effective November 1, 2019.  
**Investment Manager:** Horizons ETFs Management (Canada) Inc.  
**Underlying Index:** Nasdaq Future Global Sustainability Leaders USD Index TR  
**Bloomberg Index Ticker:** NQFGSLTD  
**Eligibility:** All registered and non-registered investment accounts

**NASDAQ FUTURE GLOBAL SUSTAINABILITY LEADERS INDEX**

Many SRI-targeted indices are focused on excluding companies, or negatively screening companies, that fail to meet minimum SRI standards. The Index holds a higher standard for inclusion. This Index seeks to hold the companies that are the world’s leaders in SRI business practices, rather than just excluding those companies that fail to meet basic SRI requirements.
What is Socially Responsible Investing?

Along with seeking to achieve positive returns, many people are also choosing to invest in strategies that have positive environmental and social impacts.

Often referred to as SRI, it is the practice of selecting investments in companies considered good corporate citizens. These companies embrace, reflect and promote the development of conditions aligned with important social, environmental and/or ethical business practices.

A Growing Investment Trend

While SRI has become more popular in recent years, it is not a new phenomenon. In the 20th century, pension funds helped spur the rise of ethical investing through the adoption of directives that channelled investments into companies aligned with the values their plan members deemed important to them. Global sustainable investment assets are worth at least US$26 trillion, according to the most recently available data from 2018. In Canada, SRI, most of which utilizes environmental, social and governance (ESG) practices, is estimated to total approximately C$2.1 trillion – up 41.6% from 2015.

Why Does it Matter?

For the majority of Canadians, investing in a manner that is consistent with their values is important. In 2018, the Responsible Investment Association reported that 66% of investors want to dedicate a portion of their investments in SRI.

In many ways, choosing your investments can be similar to voting in an election – selecting the candidate that you believe will best reflect your values and is most likely to achieve your economic goals are some of the same characteristics sought by investors when choosing a socially responsible investment.

Source: 2018 Global Sustainable Investment Review, Global Investment Alliance, as at April 1, 2019.
Source: 2018 Canadian Responsible Investment Trends Report, Responsible Investment Association, as at October 2018.
Principles for Responsible Investment

The Principles for Responsible Investment (“PRI”) is the world’s leading proponent of responsible investments. It is an independent, not-for-profit organization that encourages investors to use responsible investment to enhance returns and better manage risks. The PRI engages with global policymakers, but is not associated with any government. It is supported by, but not part of, the United Nations (“UN”). The PRI has two UN partners – the UN Environment Programme Finance Initiative and the UN Global Compact – which play an important role in integrating ESG considerations into their investment decision-making, including holding a seat each on the PRI Board, and providing additional avenues for signatories to learn, collaborate and take action towards responsible investment¹.

The chart below shows the growth in the number of the signatories of the “Six PRI’s Principles for Responsible Investment”⁵. Signatories account for more than US$80 trillion in global assets under management⁴.

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<thead>
<tr>
<th>Assets Under Management (USD $ trillion)</th>
<th>Number of Signatories</th>
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⁴Source: https://www.unpri.org/pri/about-the-pri

⁵The PRI’s ‘Six Principles for Responsible Investment’ are a voluntary and aspirational set of investment principles that offer a menu of possible actions for incorporating ESG issues into investment practice. Source: https://www.unpri.org/pri/about-the-pri.

Note: “Asset Owners” are organizations that represent the holders of long-term retirement savings, insurance and other assets. Examples include pension funds, sovereign wealth funds, foundations, endowments, insurance and reinsurance companies and other financial institutions that manage deposits. This is the principal category of signatory.

Why it matters is ultimately a personal choice – there is no “socially responsible investment” that is applicable to every investor. Instead, finding an investment that you can feel confident will work for your portfolio and help match your values with the impact you want is an important factor when making an investment decision.
WHAT TYPES OF INVESTORS ARE BUYING ETHICAL FUNDS?

Pension Plans
In Canada, most of the $2.1 trillion in AUM in ethical investing mandates are currently driven by institutions. Many of Canada’s large pension funds have mandates to invest with SRI/ESG principles as part of their portfolio strategies.

Within its governing policies, the CPPIB integrates ESG policies into its investment management process and also takes an active role in voting on measures that align with those values, including improving diversity.

The Ontario Teachers’ Pension Plan has introduced four principles to guide its investing actions:

- Integrating ESG factors into their processes
- Being engaged owners
- Evolving their responsible investing practices
- Using its global influence to create a supportive and sustainable business

With member and publicly conscious investing initiatives, pension funds are expected to continue to be a leading contributor to SRI. Today, institutions account for approximately 75% of the Canadian responsible investment industry’s growth over the past two years.

Individual Investors
While institutional investors make up a larger portion of the global SRI assets, recent survey data from Ipsos Reid shows that millennials are twice as likely as baby boomers to be interested in investments dedicated to solving social or environmental problems. In fact, millennials are 65% more likely than baby boomers to consider ESG factors when making investment decisions.

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8Source: https://www.otpp.com/investments/responsible-investing/our-principled-approach
9Source: Millennials, Women and the Future of Responsible Investing, Responsible Investment Association, as at April 2016
THE CASE FOR socIALy RESPONSIBLE INVESTING

Cost
Some people think that when companies invest in their communities and pursue higher ethical standards, it’s just an added cost. But that’s not necessarily true – companies that focus ESG issues can achieve reduced costs, improved productivity from employees, mitigated risk, while creating revenue-generating opportunities.\(^\text{10}\)
Evidence suggests that even regulators will levy smaller fines to companies perceived to be more responsible.\(^\text{11}\)

Why ESG Matters
ESG issues are all-encompassing, including workplace safety and diversity, climate change impacts and human rights. A strategy that integrates ESG provides a competitive advantage both in the marketplace and among institutional investors.\(^\text{12}\)

Going beyond short-term quarterly pressures, ESG can create value in the long term. One study found that long-term equity investors would have benefitted from ESG investing due to mitigated price and earnings risk, avoiding 90% of bankruptcies analyzed between 2002 to 2015.\(^\text{12}\)

Potential Future Opportunities
Specific SRI strategies may also provide the opportunity for growth alongside technological innovation. With the development and adoption of technologies designed to alleviate environmental and social issues, investing in the companies providing these progressive solutions could potentially provide an opportunity to achieve a positive return and impact.

\(^{11}\)Source: https://hbr.org/2015/06/do-regulators-go-easier-on-socially-responsible-firms
\(^{12}\)Source: https://assets.kpmg/content/dam/kpmg/lu/pdf/lu-en-esg-strategy-framework-for-board-oversight.pdf
Traditionally, global ethical and SRI investment funds available to Canadian investors have been largely focused on small and mid-cap stocks, often with significant overweights. Construction of a portfolio like this can lead to tracking error relative to global indices and heavy reliance on the ability of fund managers to pick correct holdings.

The Responsible Investment Committee is an external advisory committee responsible for determining the list of securities that pass the “Climate Leader” and responsible investment screens outlined above. A company exposed to significant SRI-related reputational risk or controversy may also be excluded where the Responsible Investment Committee considers that its inclusion would be inconsistent with the values of the Index.

**Why Consider Investing in ETHI?**

With ETHI, investors can gain exposure to a diversified collection of large-cap global companies that are leaders in environmental sustainability practices. ETHI’s Index utilizes a rigorous screening process that selects and ensures that its constituents have a carbon efficiency that puts them in the top one-third of companies in their respective industries. Many of ETHI’s Index constituents have pioneered new environmental practices and standards within their sectors.

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While some other ETFs in Canada provide access to environmentally focused fund mandates, ETHI’s Index utilizes additional screens that restrict exposure to industries not considered “responsible investments”, ensure this ETF’s constituents are not only sustainability leaders, but also social and environmental exemplars. As well, with the addition of the gender diversity screen, which requires at least one female member as part of a company’s board to the methodology, ETHI is now even more comprehensive in its commitment to socially responsible leadership.

ETHI has also been approved for inclusion in the Responsible Investment Association (“RIA”) RI Marketplace, which is a digital hub designed for investors and advisors to access information about responsible investing products available in Canada. ETHI’s investment mandate and objectives were investigated by the RIA through a comprehensive review and deemed aligned with the principles of SRI.

**ANNUALIZED PERFORMANCE**

In the chart below, we’ve compared the performance of ETHI’s Index against the MSCI World Net Total Return Index to demonstrate that responsible investing can potentially make a difference for your portfolio’s returns as well.

Since its hypothetical inception, the Nasdaq Future Global Sustainability Leaders Index has outperformed the MSCI World Net Total Return USD Index by a noticeable margin. A big reason for this is the fact that the sectors which have done well from a performance basis over the last five years – predominantly technology stocks – have a lower carbon footprint. ETHI’s Index tends to overweight the technology sectors relative to their weights in the broader indices.

<table>
<thead>
<tr>
<th>Total Return Index</th>
<th>1 Month</th>
<th>3 Month</th>
<th>6 Month</th>
<th>YTD</th>
<th>1 Year</th>
<th>3 Year</th>
<th>5 Year</th>
<th>Since Common Inception*</th>
</tr>
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<tbody>
<tr>
<td>Horizons Global Sustainability Leaders Index ETF</td>
<td>3.88%</td>
<td>25.60%</td>
<td>8.62%</td>
<td>8.62%</td>
<td>22.48%</td>
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<td>20.75%</td>
</tr>
<tr>
<td>Nasdaq Future Global Sustainability Leaders USD TR Index</td>
<td>4.06%</td>
<td>27.10%</td>
<td>9.76%</td>
<td>9.76%</td>
<td>25.09%</td>
<td>18.20%</td>
<td>13.55%</td>
<td>23.86%</td>
</tr>
<tr>
<td>MSCI World Net Total Return USD Index</td>
<td>2.65%</td>
<td>19.36%</td>
<td>-5.77%</td>
<td>-5.77%</td>
<td>2.84%</td>
<td>6.70%</td>
<td>6.90%</td>
<td>7.29%</td>
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The indicated rates of return are the historical annual compounded total returns, including changes in unit value and reinvestment of all distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. Additionally, Index returns do not take into account management, operating or trading expenses or income taxes payable that may be incurred in replicating the index. The rates of return shown are not indicative of future returns. The ETF is not guaranteed, its value changes frequently, and past performance may not be repeated. The indices are not directly investible.

The Nasdaq Future Global Sustainability Leaders USD TR Index (NQFGGLTD) reflects performance for the period from June 30, 2015 and includes hypothetical back-tested data for the period from June 30, 2015 to November 9, 2018.
HOLDINGS SPOTLIGHT

The global portfolio of stocks contained within ETHI’s Index span a variety of diverse sectors and developed economies. In addition to meeting ETHI’s climate and social-screening criteria, many of the companies included within the Index dedicate significant resources to ESG and other philanthropic initiatives. Below, we’ve included some examples from an array of the larger holdings.

Innergex Renewables is a renewable energy producer which develops, acquires, owns and operates hydroelectric facilities, wind farms, and solar farms. Believing that renewable energy is part of combating climate change, the company works with local Indigenous communities in its projects, and produces energy exclusively from renewable energy sources.

Bell is a telecommunications provider that has spread mental health awareness through its Bell Let’s Talk initiative, which has invested $108,415,135 since 2010 and spurred conversations across the country about mental health issues. In March 2020, Bell extended the Let’s Talk mental health initiative for five more years, increasing its total funding commitment for Canadian mental health to at least $155 million.

As a Canadian food and pharmacy leader, Loblaw has several initiatives to operate sustainably. It’s committed to reducing food waste in retail operations by 2025, and has reduced its carbon footprint by 29.7% since 2011. For local communities, Loblaw has donated 5.7 million kilograms of food to food banks and food recovery agencies, while spearheading $89.9 million raised from customers, employees and partners towards charitable organizations.
THE POTENTIAL TO PROFIT FROM YOUR PRINCIPLES

What does it mean to be a good corporate citizen? As the size and role of companies grow, people across the world are becoming more aware of the effects their operations and presence have on our planet. Growing concern about the effects of climate change has galvanized many investors to seek ways to support businesses, initiatives and technologies that can help preserve and heal our environment.

We launched ETHI to give Canadians the chance to invest in a basket of companies that are leading the way today and for a better future. The Index’s rigorous screening methodology ensures that our ETF only includes those that are making a difference and paving the way to a healthier world. ETHI also ensures that principle doesn’t mean investors have to sacrifice other values through exposure to problematic industries.

MEMBER OF THE RESPONSIBLE INVESTING ASSOCIATION
Commissions, management fees and expenses all may be associated with an investment in the Horizons Global Sustainability Leaders Index ETF managed by Horizons ETFs Management (Canada) Inc. (the "ETF"). The ETF is not guaranteed, its values change frequently and past performance may not be repeated. The prospectus contains important detailed information about the ETF. Please read the prospectus before investing.