



HORIZONS INDUSTRY 4.0 INDEX ETF (FOUR)

Gain exposure to companies involved in the development and creation of Industry 4.0.



HORIZONS ETFs
by Mirae Asset

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WHAT IS INDUSTRY 4.0?

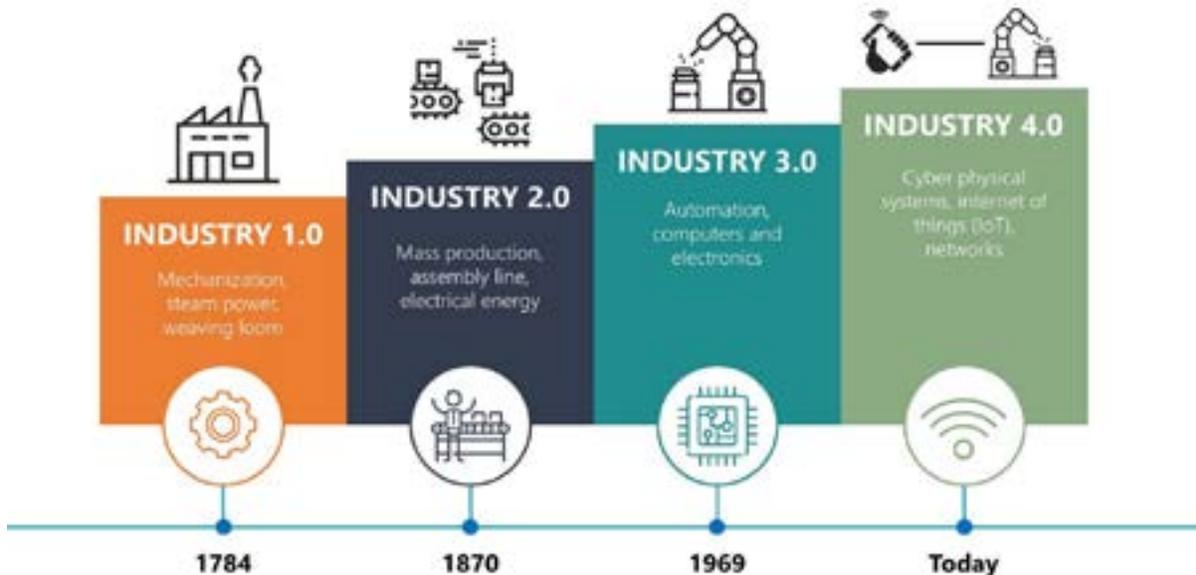
Since the end of the 18th century, the industrial world has been constantly evolving. Typically, we refer to the first 100 years of this industrialization as the Industrial Revolution. We are now in the fourth phase of industrialization known as the fourth Industrial Revolution, or “Industry 4.0”.

Industry 1.0 was precipitated by the invention of steam power and the weaving loom. Industry 2.0 went into effect with the harnessing and use of electricity. It gave rise to key economic cornerstones, such as the modern assembly line, which was central to the formation of the middle class in the developed world. Industry 3.0 started with the creation of the computer processor and its subsequent usage in the creation of personal computers (“PCs”) and the internet.

Industry 4.0 started around 2010 and it represents the merging of the physical with the digital world. Now that we have created the means to use microchips and processing power (and it is cost-effective enough to use in almost all industries), we can merge this technology to create more intelligent machines and work processes. One of the most important technological developments of Industry 4.0 is the ascendance of the smartphone.

Once technology became cost-effective enough to merge mobile phones with the internet, these pieces of technology became integral to almost all facets of daily modern life. The smartphone has replaced the PC as the key technology for communication and work for many people, and it is disrupting numerous established industries. When we merge the digital with the physical in other industries, such as automobiles, household appliances, medical equipment or even previously non-technological things like clothing, it creates numerous areas of disruption, and of course, compelling investment opportunities.

Today, Industry 4.0 focuses on key technological developments including: robotics and automation, artificial intelligence (“A.I.”) – often referred to as “RAAI technologies”. Other key emerging sectors in Industry 4.0 include Advanced Robotics, Cloud & Big Data, the Internet of Things (“IoT”), and Cyber Security, as well as Augmented Reality & 3D Printing.





FOUR

GAIN EXPOSURE TO GLOBAL LEADERS INVOLVED IN BUILDING INDUSTRY 4.0

General Investment Objective

The Horizons Industry 4.0 Index ETF (“FOUR”) seeks to replicate, to the extent possible, the performance of the Solactive Industry 4.0 Index (the “Index”), net of expenses. The Index is designed to provide exposure to the performance of equity securities of companies that are involved in the transformation of manufacturing and the industrial market through the development or implementation of new technologies and innovations.

At the early stage of any industry cycle, it has been historically advantageous to invest in the companies that are actually building the infrastructure and technology to create the industry. For example, while we recognize companies like Apple, Facebook, Amazon, Google, and Netflix as key brands that have succeeded from the era of digital distribution, it’s important to recognize that these companies were only successful after the creation of the infrastructure that allowed them to flourish. For instance, Google needed people logged onto the internet and Apple needed people using mobile phones in order for their cornerstone businesses to succeed.

The companies that were instrumental in the early development of Industry 3.0 were the builders – companies like IBM, Microsoft, Sun Microsystems and Cisco Systems. They were crucial in creating the PC revolution and building the infrastructure for the internet.

FOUR’s index methodology seeks to identify the key global leaders today that are building Industry 4.0.

KEY DETAILS:

- **Name:** Horizons Industry 4.0 Index ETF
- **Launch Date:** November 6, 2018
- **Stock Exchange:** Toronto Stock Exchange
- **Ticker:** FOUR
- **Management Fee:** 0.45% (Plus applicable sales tax. Annual management fee reduced from 0.65% to 0.45%, effective November 1, 2019.)
- **Investment Manager:** Horizons ETFs Management (Canada) Inc.
- **Underlying Index:** Solactive Industry 4.0 Index
- **Bloomberg Index Ticker:** SOLIND4G
- **Rebalanced:** Quarterly
- **Currency Hedging:** Hedges U.S. dollar exposure of the underlying assets back into Canadian dollars to the best of its ability
- **Eligibility:** All registered and non-registered investment accounts



SOLACTIVE INDUSTRY 4.0 INDEX

The Index uses a flexible index methodology to find and invest in companies integral to various industry classifications of Industry 4.0. Currently, the Index is sub-divided into five categories: 1. Advanced Robotics, 2. IoT, 3. Cloud & Big Data, 4. Cyber Security and 5. Augmented Reality & 3D Printing.

To be included in the Index a company must meet the following requirements:

- Must be listed on a regulated stock exchange in one of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, United Kingdom and/or the United States
- Have a minimum security-level market capitalization of at least USD \$200 million
- Have a minimum average daily value traded of at least USD \$2 million over one month and over six months prior to and including the selection day

The Index seeks to assign an equal portion of the portfolio to each category, but there is a lot of overlap with many companies being involved in various aspects of Industry 4.0.

If a company is classified in multiple Index categories, the Index selects the top-10 companies within each Index category, and each company will remain in the Index category where the company has the biggest share of security-level market capitalization in comparison to the other Index categories. In all other Index categories, the company will be replaced by the next-following company according to the security-level market capitalization.

If in any category there are less than 10 stocks eligible for inclusion, the weight of that category gets scaled-down relative to the rest of the portfolio. Within each category, stocks are equally-weighted.

The Index reflects strong global diversification, with more than 30% invested internationally outside of the United States. There is a heavy sector allocation to information technology, but the exposure is very diversified across the sub-sectors of that industry classification.



TYPES OF 4.0 TECHNOLOGIES

1] Advanced Robotics

Most of this technology is focused on key areas of automation, as industries seek to improve the number of services they can offer, and reduce the overall cost of production by turning to various forms of automation.

The two key areas of *development* for Advanced Robotics are focused on A.I. integration, typically developing deep-learning machine technology and companies involved in the physical development of robotics technology.

- **Artificial Intelligence:** Companies involved in developing applications, technologies and products that utilize A.I. for data analysis, predictive analytics, task automation and other applications.
- **Robotics and Automation:** Companies involved in the design, creation and application of mechanical devices that can perform tasks and interact with their environments without human interaction.

This industry alone is estimated to be a USD \$1.2 trillion market by 2025¹, as a multitude of industries, particularly transportation, manufacturing, defense, healthcare and agriculture spend billions globally on automating key portions of their respective sectors.

In the Advanced Robotics industry category, there are seven *sub-industries* which include:

- Factory Automation Equipment
- General Semiconductors
- Industrial Machine Parts and Support Equipment
- Processor Semiconductors
- Specialized Semiconductors
- Programmable Logic and ASIC Semiconductors
- Surgical Robotic Systems

Amongst the leading stocks in this category are semiconductor companies like NVIDIA, the world's leading producer of graphics processing units – which are integral to the development and usage of A.I. Keyence Technologies is one of the world's largest producers of sensor technologies used in robotics. Intuitive Surgical is a U.S.-based manufacturer of remote surgical systems that can be used in complex microsurgeries.

KEY REASONS TO OWN FOUR

- Gain diversified exposure to Industry 4.0 – potentially the biggest driver of economic growth over the next two decades
- Get exposure to 10 of the largest companies (in terms of market capitalization) in each industry of Robotics and A.I., IoT, Cloud & Big Data, Cyber Security, as well Augmented Reality & 3D Printing
- Stocks are held in equal weight and rebalanced quarterly, which creates a buy-low/sell-high discipline

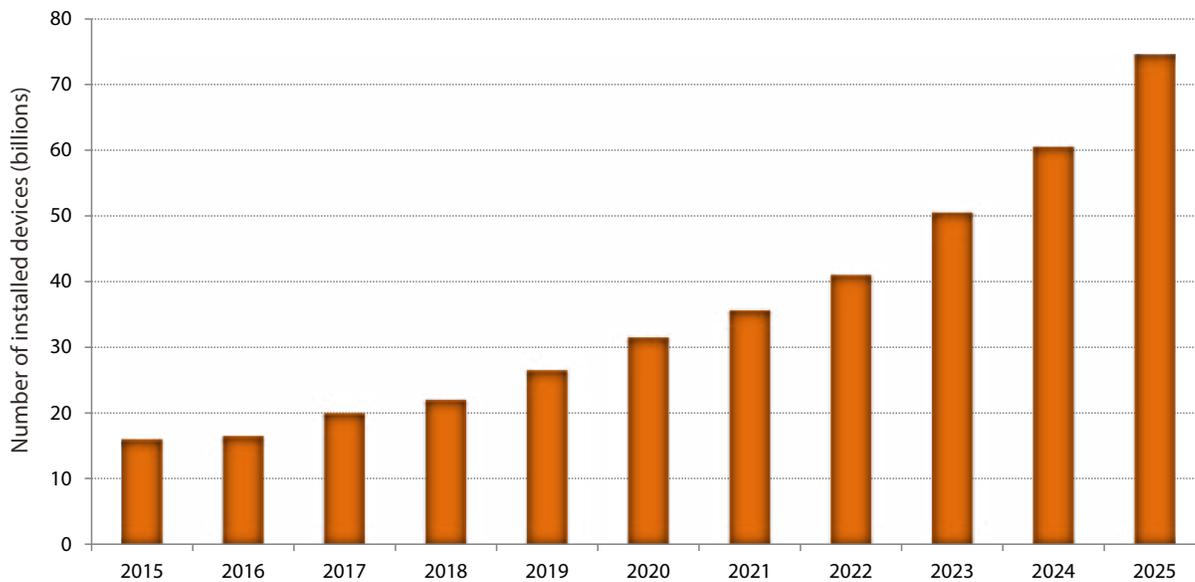
¹Source: Myria Research, January 2015.



2] Internet of Things [IoT]

IoT describes a growing network of connected devices and objects that use network-enabled sensors, chips and processors with the ability to interact with other devices on a network.

IoT Number of Global Market Installed Devices (Projected Growth)



Source: IHS Technology, IoT platforms: enabling the Internet of Things, March 2016.

According to IHS Technology, it is expected that more than 75 billion devices globally will be network-connected by 2025, from smartphones and automobiles to thermostats and refrigerators.

Central to this industry are the makers of processors and sensors that will be used in these items, so key semiconductor companies and sensor providers are integral to the development of IoT. In aggregate, the market cap of this industry was estimated at USD \$47 billion in 2015 and is expected to grow to USD \$122 billion by 2022¹.

3] Cloud and Big Data

The key determinant of success for the sectors in Industry 4.0 is their ability to harness the power of data and integrate it into physical systems. This makes companies that primarily focus on data storage and management absolutely vital to Industry 4.0. In order to successfully build Industry 4.0's infrastructure, it will be essential to have access to vast amounts of data and have the ability to process it quickly.

Companies leading the charge on this data management side include large enterprise data management firms like Salesforce and SAP, as well as commercial cloud storage and data delivery providers like Akamai Technologies and Citrix.

4] Cyber Security

If data is crucial to the development of Industry 4.0, protecting it is essential. Cyber-security firms that offer online and digital solutions to protect proprietary data and client information will be critical to the success of Industry 4.0 initiatives.

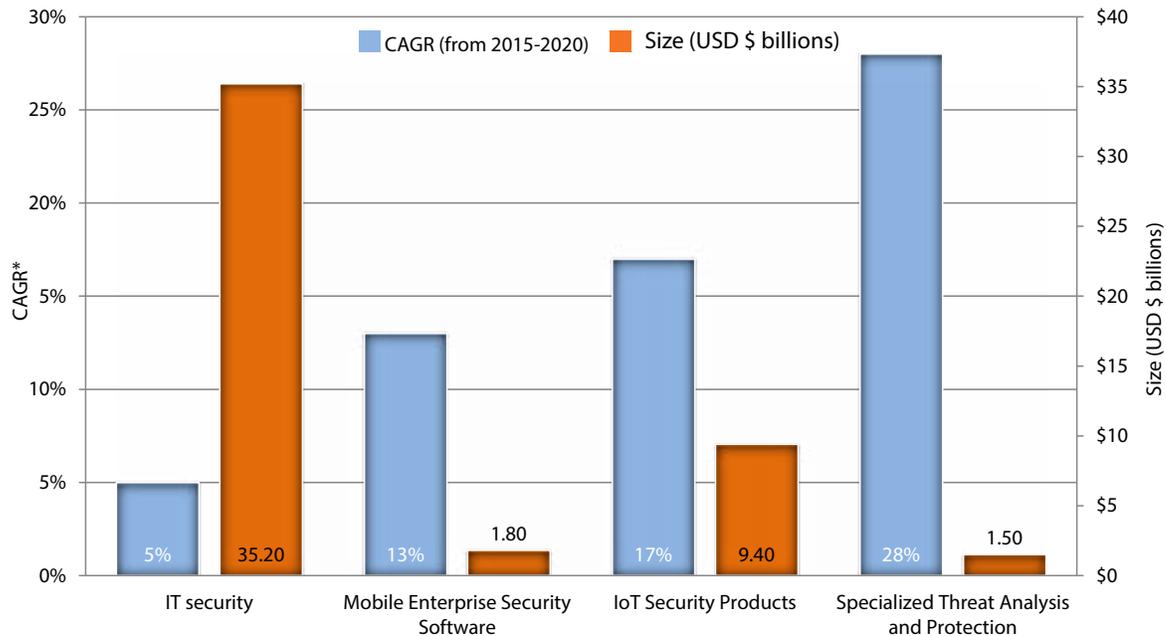
¹Source: Global X, March 30, 2017.



The cyber-security market is projected to be worth in excess of USD \$205 billion by 2024 as the threats of cyber-crime and hacking increase¹. It's one thing to have data breaches on websites, but the potential to have the hacking of smart devices (such as industrial robots or automobiles) significantly intensifies the impact of these crimes and is expected to increase investment exponentially.

¹Source: Grand View Market Research, August 2016.

Market Size and Growth



*Compound Annual Growth Rate.

Chart source: Bloomberg Intelligence (Anurag Rana – Senior Industry Analyst), September 22, 2016 and IDC.

Key stocks in this industry include Symantec, Palo Alto Networks, Fortinet and Booz Allen Hamilton (cyber-security provider to the U.S. government).

5] Augmented Reality & 3D Printing

Using smart A.I. processes and software-driven 3D design may take a central role in Industry 4.0.

According to Technavio Research, the current market for this is relatively small, but could grow at an annual compounded rate of nearly 65% between 2016-2020¹. According to Orbis Research, this would put the market in the USD \$65-70 billion range within the next decade³.

Projected Growth

Product	CAGR 2016-2020 ²
Mobile Devices	77.54%
Smart Glasses	69.05%
Head-Mounted Displays	35.26%

Some of the key developers of software and hardware in this area include big technology names, Google and Qualcomm, as well as software providers like Dassaults Systems SA and 3D Systems Corporation.

²Source: Technavio, as at January, 2017.

³Source: Orbis Research, as at May, 2017.



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