

This document contains key information you should know about Horizons Active Floating Rate Preferred Share ETF. You can find more details about this exchange traded fund (ETF) in its prospectus. Ask your representative for a copy, contact Horizons ETFs Management (Canada) Inc. at info@horizonsetfs.com or 1-866-641-5739, or visit www.horizonsetfs.com.

**Before you invest, consider how the ETF would work with your other investments and your tolerance for risk.**

### Quick facts

<b>Date ETF started:</b>	October 1, 2013	<b>Fund manager:</b>	Horizons ETFs Management (Canada) Inc.
<b>Total value on December 31, 2018:</b>	\$135.9 Million	<b>Portfolio manager:</b>	Horizons ETFs Management (Canada) Inc.
<b>Management expense ratio (MER):</b>	0.62%	<b>Sub-advisor(s):</b>	Fiera Capital Corporation
		<b>Distributions:</b>	Monthly (if any)

### Trading information (12 months ending December 31, 2018)

<b>Ticker symbol:</b>	HFP	<b>Average daily volume:</b>	62,434 units
<b>Exchange:</b>	Toronto Stock Exchange (TSX)	<b>Number of days traded:</b>	251 out of 251 trading days
<b>Currency:</b>	Canadian dollars		

### Pricing information (12 months ending December 31, 2018)

<b>Market price:</b>	\$7.97 - \$10.03	<b>Average bid-ask spread:</b>	0.41%
<b>Net asset value {NAV}:</b>	\$7.99 - \$10.00		

### What does the ETF invest in?

The investment objective of the ETF is to generate income consistent with prevailing short-term preferred share yields while stabilizing the market value of the ETF from the effects of interest rate fluctuations. The ETF invests primarily in preferred shares of Canadian companies and may also invest in preferred shares of companies located in the United States, fixed-income securities of Canadian and U.S. issuers, including other income generating securities and certain listed funds. The ETF will generally maintain a portfolio duration of less than 2 years. The ETF may use derivatives, including interest rate swaps and futures contracts, to contribute to the ability of the ETF to seek to deliver a floating rate of income. The ETF, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure to the Canadian dollar at all times.

The charts below give you a snapshot of the ETF's investments on December 31, 2018. The ETF's investments will change.

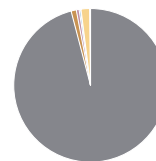
#### Top 10 investments in the underlying index (December 31, 2018)

1. Enbridge Inc.	9.4%
2. Toronto-Dominion Bank (The)	8.0%
3. Royal Bank of Canada	7.6%
4. BCE Inc.	6.3%
5. TransCanada Corp.	5.8%
6. Canadian Imperial Bank of Commerce	5.6%
7. Bank of Montreal	5.0%
8. Manulife Financial Corp.	4.8%
9. Bank of Nova Scotia (The)	4.7%
10. Brookfield Asset Management Inc.	4.5%

**Total percentage of top 10 investments 61.7%**

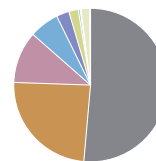
**Total number of investments: 249**

#### Investment mix (December 31, 2018)



##### Asset Mix

96.5%	Canadian Preferred Securities
1.1%	U.S. Fixed Income Securities
0.6%	Canadian Fixed Income Securities
0.3%	Global Fixed Income Securities
0.1%	U.S. Preferred Securities
-0.1%	Currency Forward Hedge
-0.5%	Interest Rate Swaps
1.8%	Cash and Cash Equivalents
0.2%	Other Assets less Liabilities



##### Sector Mix

51.7%	Financials
24.3%	Energy
11.0%	Utilities
6.3%	Communication Services
2.7%	Canadian Broad Equity
2.0%	Corporate Bonds
0.4%	Industrials
0.2%	Consumer Discretionary
-0.1%	Currency Forward Hedge
-0.5%	Interest Rate Swaps
1.8%	Cash and Cash Equivalents
0.2%	Other Assets less Liabilities

### How risky is it?

The value of the ETF can go down as well as up. You could lose money.

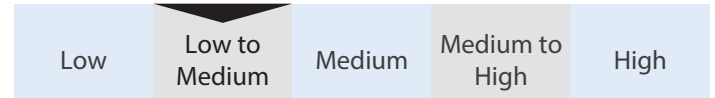
One way to gauge risk is to look at how much an ETF's returns change over time. This is called "volatility".

In general, ETF's with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. ETF's with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money.

### Risk rating

Horizons ETFs Management (Canada) Inc. has rated the volatility of this ETF as **Low to Medium**.

This rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.



For more information about the risk rating and specific risks that can affect the ETF's returns, see the "Risk Factors" section of the ETF's prospectus.

### No guarantees

ETFs do not have any guarantees. You may not get back the amount of money you invest.

### How has the ETF performed?

This section tells you how units of the ETF have performed over the past 5 years.

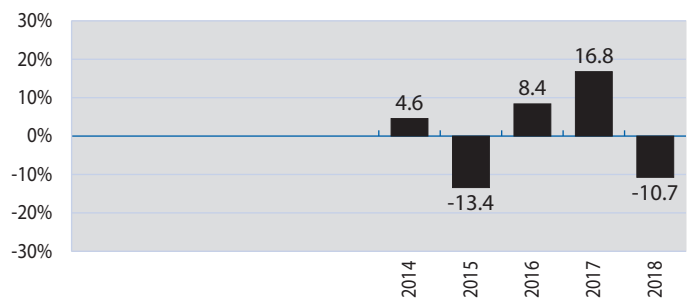
Returns<sup>1</sup> are after expenses have been deducted. These expenses reduce the ETF's returns.

<sup>1</sup> Returns are calculated using the ETF's net asset value (NAV).

#### Year-by-year returns

This chart shows how units of the ETF performed in each of the past 5 completed calendar years. The ETF dropped in value in 2 of the 5 years.

The range of returns and change from year to year can help you assess how risky the ETF has been in the past. It does not tell you how the ETF will perform in the future.



#### Best and worst 3-month returns

This table shows the best and worst returns for units of the ETF in a 3-month period over the past 5 calendar years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ending	If you invested \$1,000 at the beginning of the period
<b>Best return</b>	13.7%	April 27, 2016	Your investment would rise to \$1,137
<b>Worst return</b>	-13.0%	January 27, 2016	Your investment would drop to \$870

#### Average return

As at December 31, 2018, a person who invested \$1,000 in the ETF at inception now has \$1,031. This works out to an annual compound return of 0.6%.

### Trading ETFs

ETFs hold a basket of investments, like mutual funds, but trade on exchanges like stocks. Here are a few things to keep in mind when trading ETFs:

#### Pricing

ETFs have two sets of prices: market price and net asset value (NAV).

#### Market price

- ETFs are bought and sold on exchanges at the market price. The market price can change throughout the trading day. Factors like supply, demand, and changes in the value of an ETF's investments can effect the market price.
- You can get price quotes any time during the trading day. Quotes have two parts: **bid** and **ask**.

- The bid is the highest price a buyer is willing to pay if you want to sell your ETF units. The ask is the lowest price a seller is willing to accept if you want to buy ETF units. The difference between the two is called the “**bid-ask spread**”.
- In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.

**Net asset value (NAV)**

- Like mutual funds, ETFs have a NAV. It is calculated after the close of each trading day and reflects the value of an ETF’s investments at that point in time.
- NAV is used to calculate financial information for reporting purposes – like the returns shown in this document.

**Orders**

There are two main options for placing trades: market orders and limit orders. A market order lets you buy or sell units at the current market price. A limit order lets you set the price at which you are willing to buy or sell units.

**Timing**

In general, market prices of ETFs can be more volatile around the start and end of the trading day. Consider using a limit order or placing a trade at another time during the trading day.

**Who is this ETF for?****Investors who:**

- Suitable for investors who are looking to generate a floating rate of income
- Suitable for investors who want exposure to preferred shares.

**A word about tax**

In general, you’ll have to pay income tax on any money you make on an ETF. How much you pay depends on the tax laws where you live and whether or not you hold the ETF in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your ETF in a non-registered account, distributions from the ETF are included in your taxable income, whether you get them in cash or have them reinvested.

**How much does it cost?**

This section shows the fees and expenses you could pay to buy, own and sell units of the ETF. Fees and expenses, including any trailing commissions, can vary among ETFs.

Higher commissions can influence representatives to recommend one investment over another. Ask about other ETFs and investments that may be suitable for you at a lower cost.

**1. Brokerage commissions**

You may have to pay a commission every time you buy and sell units of the ETF. Commissions may vary by brokerage firm. Some brokerage firms may offer commission-free ETFs or require a minimum purchase amount.

**2. ETF expenses**

You don't pay these expenses directly. They affect you because they reduce the ETF's returns.

As of June 30, 2018, the ETF's expenses were 0.73% of its value. This equals \$7.30 for every \$1,000 invested.

	<b>Annual rate (as a % of the ETF's value)</b>
<b>Management expense ratio (MER)</b> This is the total of the ETF's management fee and operating expenses.	0.62%
<b>Trading expense ratio (TER)</b> These are the ETF's trading costs.	0.11%
<b>ETF expenses</b>	<b>0.73%</b>

**Trailing commission**

The trailing commission is an ongoing commission. It is paid for as long as you own the ETF. It is for the services and advice that your representative and their firm provide to you.

This ETF doesn't have a trailing commission.

**3. Other fees**

<b>FEE</b>	<b>WHAT YOU PAY</b>
<b>Redemption Fee</b>	The manager may charge unitholders of the ETF, at its discretion, a redemption fee of up to 0.25% of the value of the units you redeem or exchange. The manager will publish the current redemption fee, if any, on its website at <a href="http://www.horizonsetfs.com">www.horizonsetfs.com</a> .

**What if I change my mind?**

Under securities law in some provinces and territories, you have the right to cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the prospectus, ETF Facts or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

**For more information**

Contact Horizons ETFs Management (Canada) Inc. or your representative for a copy of the ETF's prospectus and other disclosure documents. These documents and the ETF Facts make up the ETF's legal documents.

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