



AN INTRODUCTION TO HORIZONS **TOTAL RETURN INDEX ETFs**

Get the Total Return



HORIZONS ETFs
by Mirae Asset

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HorizonsETFs.com



TAX-EFFICIENT INVESTING

Horizons ETFs believes that investors should be able to access passive index strategies in the most cost and tax-efficient way possible. For this reason, each of Horizons Total Return Index ETFs (Horizons TRI ETFs) provides passive exposure to an index or benchmark from within a corporate class structure. Each Horizons TRI ETF is a separate corporate class, meaning its shares represent a specific class within a corporate structure. This structure allows these ETFs to seek to deliver greater tax-efficiency with less tracking error than traditional passive index or benchmark ETFs. Horizons TRI ETFs primarily utilize total return swaps, and are not expected to make taxable distributions.

The Horizons TRI ETFs that utilize total return swaps achieve tax-efficiency primarily by receiving the total return of the underlying index (before fees) – the value of the underlying index constituent distributions get reflected in the ETF's share price and are not distributed to share holders. This means that an investor is generally only expected to be taxed on any capital appreciation of the ETF if, and when, the shares of their ETF are sold.

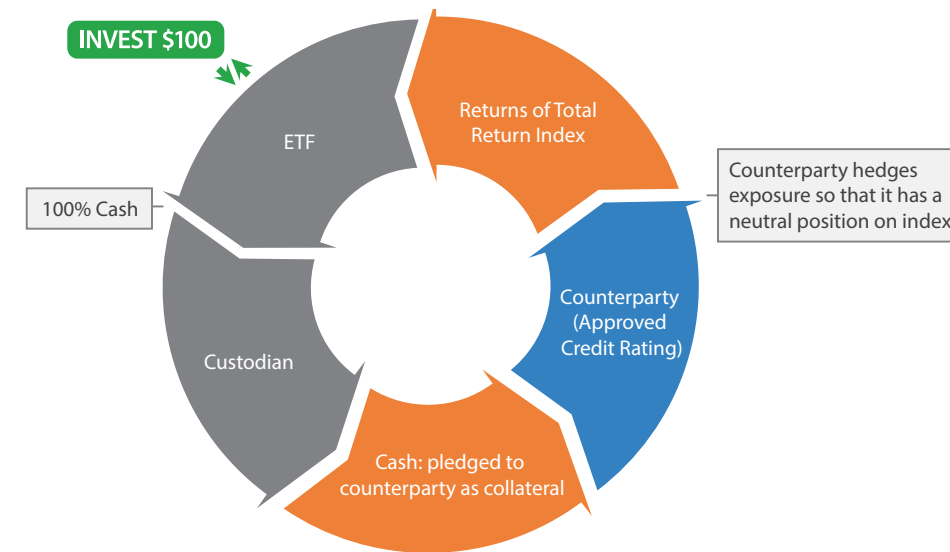
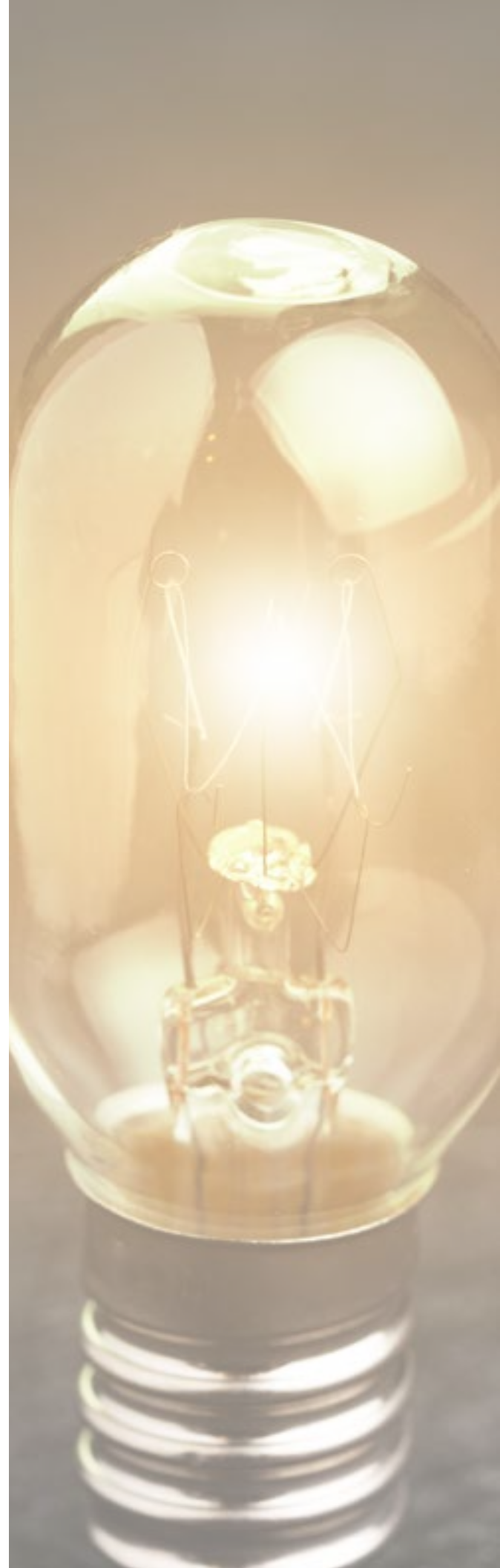
HOW DOES A HORIZONS TRI ETF WORK?

The majority of Horizons TRI ETFs utilize a synthetic structure, known as a total return swap.

Unlike a traditional physical replication ETF that typically purchases the securities found in the relevant index in the same proportions as the index, most Horizons TRI ETFs use a synthetic structure that never buys the securities of an index directly. Instead, the Horizons TRI ETFs receive the total return of the relevant index by entering into Total Return Swap agreements with one or more counterparties, typically large Canadian financial institutions, which provide the ETFs with the total return of the relevant index.

The Horizons TRI ETFs that utilize total return swaps achieve tax-efficiency primarily by receiving the total return of the underlying index (before fees) – the value of the underlying index constituent distributions get reflected in the ETF's share price and are not distributed to shareholders. This means that an investor is generally only expected to be taxed on any capital appreciation of their ETF shares if, and when, their shares of the ETF are sold.

To gain exposure to certain indices through a total return swap, counterparties may charge the Horizons TRI ETF a swap fee (depending on the underlying asset). The Horizons TRI ETFs that provide exposure to foreign equities and fixed income securities will typically be charged a swap fee. None of the Horizons TRI ETFs that provide exposure to Canadian equities and preferred shares currently have a swap fee associated with their total return swap.



TAX-EFFICIENT INVESTING

Each of the Horizons TRI ETFs is a class of shares in a corporate class structure, the Horizons ETF Corp. This simply means the ETFs are collectively structured as a single corporation, rather than individually as trusts, which was the traditional structure used by Canadian-listed ETFs and mutual funds.

NOTE: While the corporate class structure used by Horizons TRI ETFs is generally referred to as a mutual fund corporation, that is simply how it is classified for tax authorities. All of the products offered by Horizons ETFs are exchange traded funds, and not mutual funds offered via FundServ.

First established in 1987, mutual fund corporations are structured similarly to traditional corporations. Under one corporate structure, many different investment fund mandates (series or classes) can exist. In the case of Horizons ETF Corp., the different Horizons TRI ETFs are all held within the corporate structure, where each is a separate class of shares.

Within a Canadian mutual fund corporate structure, only capital gains and Canadian dividends can be distributed to investors. From a tax perspective, any other income and foreign dividends generated within any one class of the corporation can potentially be offset by income losses and expenses incurred in other class, which can, in certain circumstances, make the corporate class structure more tax-efficient than a traditional mutual fund trust.

According to research, more than \$160 billion is invested in corporate class mutual funds in Canada as at November 30, 2019. It is a structure widely-used by advisors in Canada and end-investors, primarily in taxable accounts, to achieve more tax-efficient returns.



WHAT MAKES THE HORIZONS TRI ETFS CORPORATE CLASS DIFFERENT?

The major difference between the Horizons TRI ETFs and other corporate class funds is that our ETFs primarily hold derivatives to achieve their investment returns, although physically-replicated Index ETFs can also be held within Horizons ETF Corp.

Within Horizons ETF Corp., the Horizons TRI ETFs offer distinct tax-efficiencies for investors. The tax-efficiency to investors is primarily achieved through our proprietary, synthetic Total Return structure, which is used by most of the Horizons TRI ETFs. There are also tax-efficiencies realized by Horizons ETF Corp. itself, when compared to a mutual fund trust structure, since the corporation can use widely-accepted corporate tax accounting options, such as the ability to use losses and expenses to offset income across all classes.



THE HORIZONS TAX ADVANTAGE: HOW OUR CORPORATE CLASS WORKS FOR YOU

The Canadian ETF universe has a large variety of traditional, physically-replicated benchmark index products that can offer investors comparatively low-cost exposure to major indices and benchmarks. However, distributions from these investment funds generally result in taxable events for investors. These taxable distributions can reduce an investor's potential after-tax return, when compared to the potential after-tax return on investment from owning a comparable Horizons TRI ETF.



PERFORMANCE COMPARISON BETWEEN A HORIZONS TRI BOND ETF AND A TRADITIONAL INDEX BOND ETF

Horizons TRI ETFs can offer a greater after-tax return on investment when held in a non-registered account, compared to a traditional, physically-replicated index ETF.

As an illustrative example only, assuming a 3% annual distribution yield, paid quarterly, on an initial investment of \$1 million, our Horizons TRI ETFs’ tax-efficient strategy could generate as much as \$77,463 in after-tax savings over a 10-year period, for an Ontario investor in the highest marginal tax bracket.

It is important to note that no Horizons TRI ETFs re-characterize investment income as capital gains.

Comparison Assumption:

| | |
|-----------------------------------|-------------|
| Investment Amount | \$1,000,000 |
| Annualized Yield of Underlying | 3.00% |
| Applicable Income Tax Rate | 53.53% |
| Foreign Withholding Tax Rate | 0.00% |
| Distribution Frequency (Physical) | Quarterly |
| Annualized Investment Return | 0.00% |
| Capital Gains Tax Rate | 26.76% |
| Total Investment Horizon (Years) | 10 |

| | |
|-------------------------------------|-------|
| Annual Investment Fees and Expenses | |
| Total Return Index ETF | 0.24% |
| Physical Investment ETF | 0.09% |

Canadian Bond Horizons TRI ETF vs. Traditional Physically-Replicated Canadian Bond Index ETF Tax Analysis (Illustrative Example)

| | Corporate Class | Traditional | Corporate Class minus Traditional |
|--------------------------------------|-----------------|----------------|-----------------------------------|
| Original Investment | \$1,000,000.00 | \$1,000,000.00 | - |
| Constituent Net Distributions (3.0%) | N/A | \$336,313.13 | - \$336,313.13 |
| Compounded Pre-tax Investment Value | \$1,317,834.11 | \$1,336,313.13 | - \$18,479.02 |

| | | | |
|--------------------------------------|--------|--------|--------|
| Cumulative Pre-tax Investment Return | 31.78% | 33.63% | -1.85% |
| Annualized Pre-tax Investment Return | 2.80% | 2.94% | -0.14% |

| | | | |
|-----------------------------------|--------------|--------------|----------------|
| Capital Gain (Loss Carry Forward) | \$317,834.11 | - | \$317,834.11 |
| Capital Gains Tax Payable | \$85,052.41 | - | \$85,052.41 |
| Distribution Tax Payable | - | \$180,028.42 | - \$180,028.42 |
| Total Tax Paid | \$85,052.41 | \$180,028.42 | - \$94,976.01 |

| | | | |
|--|----------------|----------------|-------------|
| After Tax Proceeds | \$1,232,781.70 | \$1,156,284.71 | \$76,496.99 |
| Cumulative After Tax Investment Return | 23.28% | 15.63% | 7.65% |
| Annualized After Tax Investment Return | 2.11% | 1.46% | 0.74% |

FOR ILLUSTRATIVE PURPOSES ONLY. The above example is for Illustrative Purposes Only, over a 10-year period, using the assumptions noted in the prior page and highlights the expected after-tax performance benefits of holding a Horizons TRI ETF (HBB) versus another Canadian-domiciled physically replicated Canadian bond ETF in a non-registered account, assuming both ETFs earned/ reflected a net 3% income distribution yield (in CAD) and track the exact same universe of bonds and assumes no changes to the market value of the Index constituents. This example does not take into account any fees or expenses of the ETFs, (aside from the stated investment fees and expenses) nor any commissions, fees or expenses that would be associated with a purchase or sale of ETF units/shares. The example does contemplate the sale of the ETF units/shares at the end of the period and the expected tax liability that would result.

*Both ETFs are held by an Ontario resident investor in the highest tax bracket, who would have a marginal tax rate of 53.53% in 2021.





[WHO SHOULD CONSIDER CORPORATE CLASS ?]

| Investors using a Non-Registered Account | Seniors |
|---|--|
| Enjoy the Benefits of Tax Deferral | Preventing Income from Impacting Old Age Security |
| <p>Canadian investors that have already made the maximum allowable contributions to their registered investment accounts and tax-free savings accounts (TFSAs) who are seeking to invest more, will likely have to do so through a non-registered account.</p> <p>Unlike registered accounts and TFSAs, non-registered accounts generally don't provide the same taxation benefits and require you to pay taxes on any distributions you've received on an annual basis. As the Horizons TRI ETFs are not expected to make distributions, an investor is generally only expected to be taxed on any capital appreciation if their shares of the ETF are sold.</p> | <p>For seniors receiving Old Age Security (OAS), "clawback" on OAS payments can occur if the individual is receiving income, including dividend income, greater than \$77,580 (2019).</p> <p>With Horizons TRI ETFs, constituent distributions are instead reflected as part of the ETF's total return. This means that seniors seeking to ensure their OAS payments aren't impacted by the income they receive from their investments can alternatively consider using our Horizons TRI ETFs.</p> |

| In-trust Accounts | Small Business Owners |
|--|--|
| Ensure Your Nest Egg Stays Strong for Generations | Tax-Efficiency for Corporate Accounts |
| <p>For those investing for minor dependents or relatives through an in-trust account, it's important to know that in-trust investments are typically subject to income attribution, meaning the onus to pay taxes on the income the trust generates will be on the contributor to the trust rather than the beneficiary of the trust. However, this doesn't apply to capital gains. As the Horizons TRI ETFs are not expected to make distributions, an investor is generally only expected to be taxed on any capital appreciation if their shares of the ETF are sold.</p> | <p>If you're a small business owner looking to invest with your corporate account, it's important to know that passive investment income can reduce your Small Business Deduction (SBD) tax credit, at a rate of \$5 for every \$1 of investment income above the \$50,000 threshold.</p> <p>Horizons TRI ETFs offer small business owners a way to potentially grow their corporate account portfolios without negatively affecting their SBD tax credit.</p> |

CORPORATE CLASS

TOTAL RETURN INDEX ETF LIST



Canadian Equity

| Fund Name | Ticker | Management Fee | Swap Fee – If applicable | Investment Objective |
|---|--------|--|--------------------------|--|
| Horizons S&P/TSX 60™ Index ETF† | HXT | 0.07% rebated by 0.03% to an effective management fee of 0.04%, until at least December 31, 2021 (Plus applicable sales taxes) | N/A | HXT seeks to replicate, to the extent possible, the performance of the S&P/TSX 60™ Index (Total Return), net of expenses. The S&P/TSX 60™ Index (Total Return) is designed to measure the performance of the large-cap market segment of the Canadian equity market. |
| Horizons Cdn High Dividend Index ETF† | HXH | 0.10% (Plus applicable sales taxes) | N/A | HXH seeks to replicate, to the extent possible, the performance of the Solactive Canadian High Dividend Yield Index (Total Return), net of expenses. The Solactive Canadian High Dividend Yield Index (Total Return) is designed to measure the performance of Canadian-listed equity securities characterized by high dividend yield. |
| Horizons S&P/TSX Capped Energy Index ETF† | HXE | 0.25% (Plus applicable sales taxes) | N/A | HXE seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Energy Index (Total Return), net of expenses. The S&P/TSX Capped Energy Index (Total Return) is designed to measure the performance of Canadian energy sector equity securities included in the S&P/TSX Composite Index. The relative weight of any single index constituent security is capped. |
| Horizons S&P/TSX Capped Financials Index ETF† | HXF | 0.25% (Plus applicable sales taxes) | N/A | HXF seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Financials Index (Total Return), net of expenses. The S&P/TSX Capped Financials Index is designed to measure the performance of Canadian financial sector equity securities included in the S&P/TSX Composite Index. The relative weight of any single index constituent security is capped. |
| Horizons Equal Weight Canada Banks Index ETF† | HEWB | 0.30% (Plus applicable sales taxes) | N/A | HEWB seeks to replicate, to the extent possible, the performance of the Solactive Equal Weight Canada Banks Index (Total Return), net of expenses. The Solactive Equal Weight Canada Banks Index (Total Return) is an equal weight index of equity securities of diversified Canadian banks. |
| Horizons Equal Weight Canada REIT Index ETF† | HCRE | 0.30% (Plus applicable sales taxes) | N/A | HCRE seeks to replicate, to the extent possible, the performance of the Solactive Equal Weight Canada REIT Index (Total Return), net of expenses. The Solactive Equal Weight Canada REIT Index (Total Return) is an equal weight index of Canadian-listed real estate investment trust equity securities. |
| Horizons S&P/TSX Capped Composite Index ETF† | HXCN | 0.05% (Plus applicable sales taxes) | N/A | HXCN seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Composite Index (Total Return) (the “Index”), net of expenses. The Index is designed to measure the performance of the broad large-cap market segment of the Canadian equity market, with a capped weight of 10% on all constituent issuers. |



Foreign Equity

| Fund Name | Ticker | Management Fee | Swap Fee – If applicable | Investment Objective |
|---|--------|-------------------------------------|--------------------------|--|
| Horizons S&P 500® Index ETF† | HXS | 0.10% (Plus applicable sales taxes) | No more than 0.30% | HXS seeks to replicate, to the extent possible, the performance of the S&P 500® Index (Total Return), net of expenses. The S&P 500® Index (Total Return) is designed to measure the performance of the large-cap market segment of the U.S. equity market. |
| Horizons S&P 500 CAD Hedged Index ETF† | HSH | 0.10% (Plus applicable sales taxes) | No more than 0.30% | HSH seeks to replicate, to the extent possible, the performance of the S&P 500® CAD Hedged Index (Total Return), net of expenses. The S&P 500® CAD Hedged Index (Total Return) is designed to measure the performance of the large-cap market segment of the U.S. equity market, hedged to the Canadian dollar. |
| Horizons NASDAQ-100® Index ETF | HXQ | 0.25% (Plus applicable sales taxes) | N/A | HXQ seeks to replicate, to the extent possible, the performance of the NASDAQ-100® Index (Total Return), net of expenses. The NASDAQ-100® Index (Total Return) includes 100 of the largest domestic and international non-financial companies listed on The NASDAQ Stock Market. |
| Horizons Intl Developed Markets Equity Index ETF† | HXDM | 0.20% (Plus applicable sales taxes) | 0.30% | HXDM seeks to replicate, to the extent possible, the performance of the Horizons EAFE Futures Roll Index (Total Return), net of expenses. The Horizons EAFE Futures Roll Index (Total Return) is designed to measure the performance of large and mid-cap securities across 21 developed markets including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. |
| Horizons Emerging Markets Equity Index ETF† | HXEM | 0.25% (Plus applicable sales taxes) | 0.35% | HXEM seeks to replicate, to the extent possible, the performance of the Horizons Emerging Markets Futures Roll Index (Total Return) (the “Index”), net of expenses. The Index is designed to measure the performance of large- and mid-cap securities across 26 emerging markets countries. |
| Horizons Europe 50 Index ETF† | HXX* | 0.17% (Plus applicable sales taxes) | No more than 0.30% | HXX seeks to replicate, to the extent possible, the performance of the Solactive Europe 50 Rolling Futures Index (Total Return), net of expenses. HXX provides a way for investors to get exposure to the performance of the largest 50 stocks listed in the Eurozone. |
| Horizons US Large Cap Index ETF | HULC | 0.08% (Plus applicable sales taxes) | N/A | HULC seeks to replicate, to the extent possible, the performance of the Solactive US Large Cap Index (CA NTR) (the “Index”), net of expenses. The Index is designed to measure the performance of the large-cap market segment of the U.S. equity market. |

*As of December 1, 2020, the ETF’s underlying index was changed. Subsequent to regulatory approval, the ETF’s name was changed effective December 2, 2020.

CORPORATE CLASS

TOTAL RETURN INDEX ETF LIST

Fixed Income

| Fund Name | Ticker | Management Fee | Swap Fee – If applicable | Investment Objective |
|---|--------|---|--------------------------|--|
| Horizons Laddered Canadian Preferred Share Index ETF [†] | HLPR | 0.30% (Plus applicable sales taxes) | N/A | HLPR seeks to replicate, to the extent possible, the performance of the Solactive Laddered Canadian Preferred Share Index (Total Return), net of expenses. The Solactive Canadian Preferred Share Index (Total Return) is an index of Canadian preferred shares that generally have an adjustable dividend rate. |
| Horizons Cdn Select Universe Bond ETF [†] | HBB | 0.09% (Plus applicable sales taxes) | No more than 0.15% | HBB seeks to replicate, to the extent possible, the performance of the Solactive Canadian Select Universe Bond Index (Total Return), net of expenses. The Solactive Canadian Select Universe Bond Index (Total Return) is designed to measure the performance of the Canadian investment-grade fixed income market. The ETF uses derivatives, such as a swap agreement or multiple swap agreements, to obtain exposure to its underlying index without investing directly in the securities that make up its underlying index. |
| Horizons US 7-10 Year Treasury Bond ETF [†] | HTB | 0.15% (Plus applicable sales taxes) | No more than 0.05% | HTB seeks to replicate, to the extent possible, the performance of the Solactive US 7-10 Year Treasury Bond Index (Total Return), net of expenses. The Solactive US 7-10 Year Treasury Bond Index (Total Return) is designed to measure the performance of the US 7-10 Year Treasury Bond market. The ETF uses derivatives, such as a swap agreement or multiple swap agreements, to obtain exposure to its underlying index without investing directly in the securities that make up its underlying index. |
| Horizons US 7-10 Year Treasury Bond CAD Hedged ETF [†] | HTH | 0.15% (Plus applicable sales taxes) | No more than 0.05% | HTH seeks to replicate, to the extent possible, the performance of the Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return), net of expenses. The Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) is designed to measure the performance of the large-cap market segment of the U.S. equity market, hedged to the Canadian dollar. The ETF uses derivatives, such as a swap agreement or multiple swap agreements, to obtain exposure to its underlying index without investing directly in the securities that make up its underlying index. |
| Horizons Cash Maximizer ETF [‡] | HSAV | 0.18% rebated 0.10% to an effective management fee of 0.08%, effective April 1, 2020, until further notice. (Plus applicable sales taxes) | N/A | HSAV seeks to generate modest capital growth by investing primarily in high interest deposit accounts with Canadian banks. While any decision to pay dividends or other distributions is within the discretion of the Manager, HSAV is not currently expected to make any regular distributions. |
| Horizons Cash Maximizer ETF [‡] | HSUV.U | 0.18% (maximum MER will not exceed 0.18%) | N/A | HSUV.U seeks to generate modest capital growth by investing primarily in high interest U.S. dollar deposit accounts with Canadian banks. While any decision to pay dividends or other distributions is within the discretion of the Manager, the ETF is not currently expected to make any regular distributions. |

[†]This ETF uses derivatives, such as a swap agreement or multiple swap agreements, to obtain exposure to its underlying index without investing directly in the securities that make up the underlying index.
[‡]Although HSAV and HSUV.U primarily invest in bank deposit accounts, HSAV and HSUV.U are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.



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Horizons Total Return Index ETFs ("Horizons TRI ETFs") are generally index-tracking ETFs that use an innovative investment structure known as a Total Return Swap to deliver index returns in a low-cost and tax-efficient manner. Unlike a physical replication ETF that typically purchases the securities found in the relevant index in the same proportions as the index, most Horizons TRI ETFs use a synthetic structure that never buys the securities of an index directly. Instead, the ETF receives the total return of the index through entering into a Total Return Swap agreement with one or more counterparties, typically large financial institutions, which will provide the ETF with the total return of the index in exchange for the interest earned on the cash held by the ETF. Any distributions which are paid by the index constituents are reflected automatically in the net asset value (NAV) of the ETF. As a result, the Horizons TRI ETF receives the total return of the index (before fees), which is reflected in the ETF's share price, and investors are not expected to receive any taxable distributions. Certain Horizons TRI ETFs (Horizons Nasdaq-100[®] Index ETF and Horizons US Large Cap Index ETF) use physical replication instead of a total return swap. The Horizons Cash Maximizer ETF and Horizons USD Cash Maximizer ETF use cash accounts and do not track an index but rather a compounding rate of interest paid on the cash deposits that can change over time.

If HSAV/HSUV.U experience a significant increase in total NAV, the Manager may, at its sole discretion and if determined to be in the best interests of shareholders, decide to suspend subscriptions for new ETF shares of either ETF if considered necessary or desirable in order to manage potential tax implications and/or to permit the ETF(s) to achieve, or continue to achieve, its(their) investment objective(s). During a period of suspended subscriptions, if any, investors should note that ETF shares of HSAV/HSUV.U would be expected to trade at a premium or substantial premium to the NAV per ETF Share of HSAV/HSUV.U. During such periods, investors are strongly discouraged from purchasing ETF shares of HSAV/HSUV.U on a stock exchange. Any suspension of subscriptions or resumption of subscriptions will be announced by press release and announced on the Manager's website. A suspension of subscriptions, if any, will not affect the ability of existing Shareholders to sell their ETF Shares in the secondary market at a price reflective, or potentially higher than, the NAV per ETF Share.

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