



AN INTRODUCTION TO HORIZONS COVERED CALL ETFs

The potential to reduce the risk of equity ownership
and earn additional income.



HORIZONS ETFs
by Mirae Asset

Innovation is our capital. Make it yours.

HorizonsETFs.com



COVERED CALL ETFs

Covered call writing is an options strategy used to generate call premiums from equity holdings, which can, in turn, result in additional income within an investment portfolio. Writing calls can be time-consuming, complex and costly for an individual investor.

By investing in a Horizons' covered call ETF, you free-up time by not having to manage individual option positions, while you receive institutional option pricing and expert trading execution – all in a convenient, low-fee¹ ETF structure.

Horizons ETFs offers one of the largest families of covered call ETFs in Canada giving you more “options” to meet your income needs.

Ticker	ETF Name	General Investment Objective	Management Fee ² (%)
HEX	Horizons Enhanced Income Equity ETF	Exposure to the performance of large-capitalization Canadian companies as well as distributions which generally reflect the dividend and option income for the period.	0.65
HEA ³	Horizons Enhanced Income US Equity (USD) ETF	Exposure to the performance of large U.S. companies and monthly distributions which generally reflect the dividend and option income for the period.	0.65
HEJ	Horizons Enhanced Income International Equity ETF	Exposure to the performance of large-capitalization international, non-North American companies and monthly distributions which generally reflect the dividend and option income for the period.	0.65
HEE	Horizons Enhanced Income Energy ETF	Exposure to the performance of Canadian companies involved in the crude oil and natural gas industry and monthly distributions which generally reflect the dividend and option income for the period.	0.65
HEF	Horizons Enhanced Income Financials ETF	Exposure to the performance of Canadian banking, finance and financial services companies and monthly distributions which generally reflect the dividend and option income for the period.	0.65
HEP	Horizons Enhanced Income Gold Producers ETF	Exposure to the performance of North American-based gold mining and exploration companies and monthly distributions which generally reflect the dividend and option income for the period.	0.65
HGY	Horizons Gold Yield ETF	Exposure to the performance of the returns of gold bullion and monthly distributions which generally reflect the option income for the period.	0.60
HNY	Horizons Natural Gas Yield ETF	Exposure to the performance of the returns of natural gas futures and monthly distributions which generally reflect the option income for the period.	0.85

¹Relative to the typical management fee of regular mutual funds. In Canada, the average management fee for F class mutual funds is 0.81%. Source: Morningstar Direct, as at January 2019.

²Plus applicable sales taxes.

³A U.S.-dollar trading version is also available.



A UNIQUE APPROACH TO COVERED CALL WRITING

While all of Horizons covered call ETFs are actively managed, they do follow some important investment rules which we believe optimize the performance of the strategy.

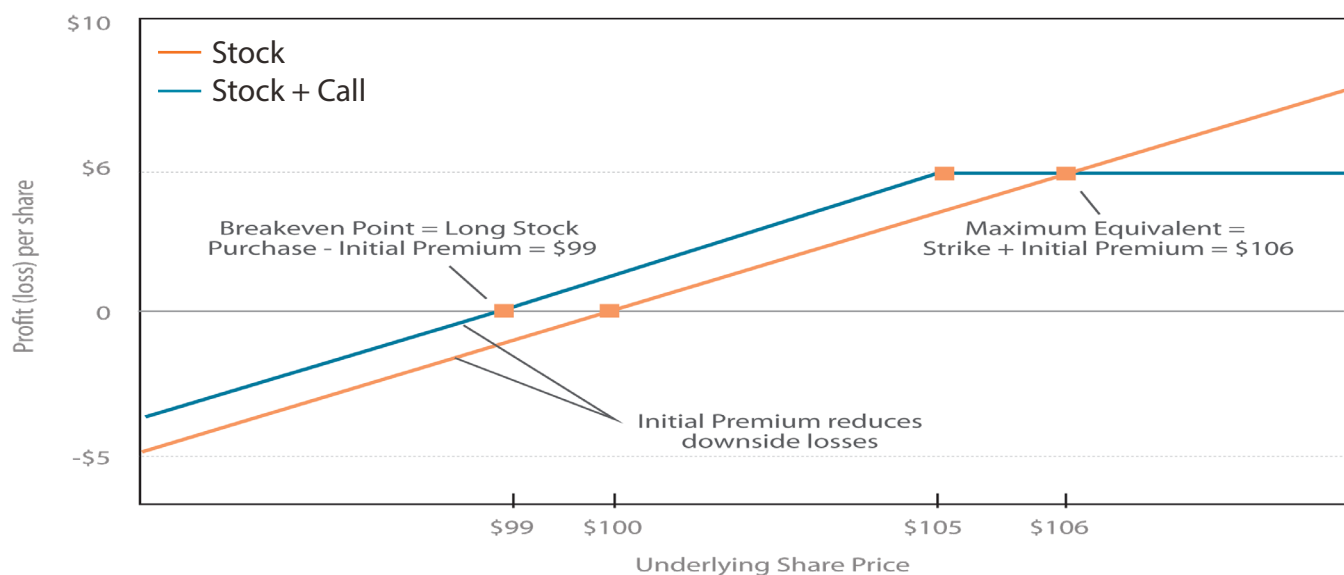
All equity-focused covered call ETFs generally write shorter-dated (less than two-month expiry), out-of-the-money (OTM) covered calls. The preference for the shorter-dated options is to maximize the benefits of rapid time decay. Shorter-dated options tend to provide a balance between earning an attractive level of premium while increasing the likelihood that the options will expire OTM (a positive trait for covered call writers).

The preference for writing options OTM is to preserve a portion of the upside price potential of the underlying securities. For this reason, these ETFs should have a strong correlation to the underlying securities upon which they are writing calls and investors should typically expect to generate a portion of the performance trajectory of the underlying securities—plus additional income from the premium option generated from writing calls. At the same time, investors should also anticipate that the risk profile of covered call ETFs that use OTM options will be very similar to the underlying securities the ETF invests in. For example, the Horizons Enhanced Equity Income ETF (HEX) would be expected to have a similar risk profile to large-cap Canadian equities.

The example below illustrates how an OTM strategy seeks to generate a total return that is comprised primarily of a portion of the price return of the underlying security that the covered call is written on, plus the value of any premium generated from the option.

HOW AN OTM COVERED CALL OPTION WORKS

Assumptions: Stock purchased at \$100. Call Option written at \$105 strike. Premium received is \$1.00





BUY-WRITE STRATEGY

How a Buy-Write Strategy Can Typically be Expected to Perform in the Following Markets

During bear markets, range-bound markets and modest bull markets, a covered call strategy generally tends to outperform its underlying securities. During strong bull markets, when the underlying securities may rise more frequently through their strike prices, covered call strategies historically have lagged. Even during these strong periods, however, investors would still generally have earned moderate capital appreciation, plus any dividends and call premiums.



FOR ILLUSTRATIVE PURPOSES ONLY.

Characteristics of the Horizons Covered Call Strategy

- Earns call option premium income on those securities that do not typically pay any dividends (and on those that do)
- Uses a dynamic call-writing approach that seeks to optimize option premium income
- Uses OTM calls to allow investors to participate in the upside potential of the underlying securities to a greater extent than do at-the-money calls
- Uses short-term calls to increase the potential for the options to expire without being exercised, thereby allowing new calls to be written (sold) on the same underlying securities and potentially more premiums to be harvested
- Employs full active management provided by an experienced options management team

For more information, visit www.HorizonsETFs.com



Commissions, management fees and expenses all may be associated with an investment in exchange traded products managed by Horizons ETFs Management (Canada) Inc. (the "Horizons Exchange Traded Products"). The Horizons Exchange Traded Products are not guaranteed, their values change frequently and past performance may not be repeated. The prospectus contains important detailed information about Horizons Exchange Traded Products. **Please read the relevant prospectus before investing.**