AN INTRODUCTION TO
HORIZONS BETAPRO ETFS

Designed for tactical investors. Includes leveraged, inverse and inverse leveraged ETFs.
Investing doesn’t have to be limited to buy-and-hold strategies. For investors who are willing to take on additional risk to seek out potentially greater short-term returns than traditional investment strategies, Horizons ETFs offers its family of BetaPro ETFs, which provide daily leveraged (up to 2x), inverse (-1x) and inverse leveraged (up to -2x) exposure to 15 different equity and commodity indices.

**What are leveraged ETFs and how do they work?**

Leveraged and inverse leveraged ETFs are a subset of ETFs typically used by ETF investors with a short-term trading horizon, looking to utilize a higher-risk profile to generate potentially higher short-term returns.

While most ETFs will provide you with the direct performance of the underlying securities held by the fund, one category of ETFs offers investors the opportunity to gain exposure to up to two-times, or up to minus two times the daily performance of an index or asset class: The BetaPro Daily Bull and BetaPro Daily Bear ETFs.

For a BetaPro Daily Bull ETF with its full 2x leverage exposure, if its underlying index goes up 1% on a day, the BetaPro Daily Bull ETF should gain approximately 2% that day. On a given day, if the underlying index of the BetaPro Daily Bull ETF goes down 1%, then the BetaPro Daily Bull ETF should decline approximately 2% that day.

As shown below, for a BetaPro Daily Bear ETF with its full -2x inverse leverage exposure, if the relevant index goes down 1% on a day, the BetaPro Daily Bear ETF should gain approximately 2% that day. If the underlying index of the BetaPro Daily Bear ETF goes up 1% on a day, then that ETF should decline approximately 2% that day.
What are inverse ETFs and how do they work?
Inverse ETFs aim to achieve -1x the daily performance of their respective underlying benchmark before fees and expenses.

If the relevant index of a -1x inverse ETF goes down 1% on a day, the ETF should gain approximately 1% that day. If the underlying index of the ETF goes up 1% on a day, then the ETF should decline approximately 1% that day.

Daily Rebalancing

The BetaPro ETFs are not designed to deliver investment returns that correspond to their investment objective for periods greater than one day. One of the key benefits of using these types of ETFs is that they do not require the use of shorting or margin on the part of the investor.

In order to limit the maximum amount of risk in these ETFs to the principal investment amount – investors can lose more than their principal investment when shorting or using margin - all of the BetaPro Leveraged, Inverse Leveraged and Inverse ETFs are rebalanced daily.

The rebalancing process for each ETF takes into account the daily net purchases or subscriptions, accrued interest and expenses and the market move of the benchmark. This process is repeated each trading day.

The rebalancing process helps limit investor’s risk to the current value of their invested capital. For each BetaPro Daily Bull ETF and BetaPro Daily Bear ETF, only up to 2x or up to -2x the value of the portfolio at the end of each day is reinvested.

Effects of Compounding

Compounding is the reinvestment of earnings from an investment back into the original investment, which is then subject to the full earnings and price fluctuations of that investment, potentially resulting in a larger annual return in a rising market, or averaging your cost down in a declining market.

Through the daily rebalancing process of the BetaPro ETFs, investor’s profits will increase their investment exposure on the upside and losses will reduce their investment exposure on the downside. In other words, for periods longer than one day, the return of the ETF is not expected to match the performance of the reference commodity, benchmark or index for the same period of time.

The simplified hypothetical examples below using a BetaPro Daily Bull ETF (with full 2x exposure), a BetaPro Bear ETF (with full -2x exposure) and a Horizons Inverse ETF (-1x) in different markets, show potential effects of compounding as a result of daily rebalancing.

### Scenario 1. An Up-Trend (5 “Up Days”)

<table>
<thead>
<tr>
<th>Start</th>
<th>Index Daily Return (%)</th>
<th>BetaPro Daily Bull ETF (2x)</th>
<th>BetaPro Inverse ETF (-1x)</th>
<th>BetaPro Daily Bear ETF (-2x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td></td>
<td>$120</td>
<td>$80</td>
<td>$80</td>
</tr>
<tr>
<td>End of Day 1</td>
<td>10%</td>
<td>$120</td>
<td>$90</td>
<td>$80</td>
</tr>
<tr>
<td>End of Day 2</td>
<td>10%</td>
<td>$144</td>
<td>$81</td>
<td>$64</td>
</tr>
<tr>
<td>End of Day 3</td>
<td>10%</td>
<td>$172.80</td>
<td>$72.90</td>
<td>$51.20</td>
</tr>
<tr>
<td>End of Day 4</td>
<td>10%</td>
<td>$207.36</td>
<td>$65.61</td>
<td>$40.96</td>
</tr>
<tr>
<td>End of Day 5</td>
<td>10%</td>
<td>$248.83</td>
<td>$59.05</td>
<td>$32.77</td>
</tr>
<tr>
<td>Return</td>
<td>61%</td>
<td>149%</td>
<td>-41%</td>
<td>-67%</td>
</tr>
</tbody>
</table>

### Scenario 2. A Down-Trend (9 “Down Days”)

<table>
<thead>
<tr>
<th>Start</th>
<th>Index Daily Return (%)</th>
<th>BetaPro Daily Bull ETF (2x)</th>
<th>BetaPro Inverse ETF (-1x)</th>
<th>BetaPro Daily Bear ETF (-2x)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$100</td>
<td></td>
<td>$80</td>
<td>$110</td>
<td>$120</td>
</tr>
<tr>
<td>End of Day 1</td>
<td>-10%</td>
<td>$80</td>
<td>$110</td>
<td>$120</td>
</tr>
<tr>
<td>End of Day 2</td>
<td>-10%</td>
<td>$64</td>
<td>$121</td>
<td>$144</td>
</tr>
<tr>
<td>End of Day 3</td>
<td>-10%</td>
<td>$51.20</td>
<td>$133.10</td>
<td>$172.80</td>
</tr>
<tr>
<td>End of Day 4</td>
<td>-10%</td>
<td>$40.96</td>
<td>$146.41</td>
<td>$207.36</td>
</tr>
<tr>
<td>End of Day 5</td>
<td>-10%</td>
<td>$32.77</td>
<td>$161.05</td>
<td>$248.83</td>
</tr>
<tr>
<td>End of Day 6</td>
<td>-10%</td>
<td>$26.21</td>
<td>$177.16</td>
<td>$298.60</td>
</tr>
<tr>
<td>End of Day 7</td>
<td>-10%</td>
<td>$20.97</td>
<td>$194.87</td>
<td>$358.32</td>
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<tr>
<td>End of Day 8</td>
<td>-10%</td>
<td>$16.78</td>
<td>$214.36</td>
<td>$429.98</td>
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<tr>
<td>End of Day 9</td>
<td>-10%</td>
<td>$13.42</td>
<td>$235.79</td>
<td>$515.98</td>
</tr>
<tr>
<td>Return</td>
<td>-61%</td>
<td>-87%</td>
<td>136%</td>
<td>416%</td>
</tr>
</tbody>
</table>
Betapro etfs

IMPORTANT RISK CONSIDERATIONS

Betapro 2X Daily Bull ETF

Leveraged (Equities) (2x) Mgmt Fee

HEU Betapro S&P/TSX Capped Energy™ 2x Daily Bull ETF 1.15%
HFD Betapro S&P/TSX Capped Financials™ 2x Daily Bull ETF 1.15%
HGD Betapro Canadian Gold Miners 2x Daily Bull ETF 1.15%
HDO Betapro Marijuana Companies 2x Daily Bull ETF 1.15%
HMJU Betapro NASDAQ 100® 2x Daily Bull ETF 1.15%
HSEU Betapro S&P 500® 2x Daily Bull ETF 1.15%
HMJU Betapro S&P/TSX 60™ 2x Daily Bull ETF 1.15%
HREU Betapro Equal Weight Canadian REIT 2x Daily Bull ETF 1.15%

Leveraged (Commodities) (2x)

HBU Betapro Gold Bullion 2x Daily Bull ETF 1.15%
HZU Betapro Silver 2x Daily Bull ETF 1.15%

Leveraged (Commodities) [up to 2x]

HMJU Betapro Natural Gas Leveraged Daily Bull ETF 1.15%
HMU Betapro Crude Oil Leveraged Daily Bull ETF 1.15%

Non-Leveraged (Volatility) (1x)

HUV Betapro S&P 500 VIX Short-Term Futures™ ETF 0.85%

Betapro 2X Daily Bear ETF

Inversely Leveraged (Equities) (-2x) Mgmt Fee

HDH Betapro S&P/TSX Capped Energy™ -2x Daily Bear ETF 1.15%
HDF Betapro S&P/TSX Capped Financials™ -2x Daily Bear ETF 1.15%
HDS Betapro Canadian Gold Miners -2x Daily Bear ETF 1.15%
HDOQ-HDOU* Betapro NASDAQ 100® -2x Daily Bear ETF 1.15%
HDE Betapro S&P 500® -2x Daily Bear ETF 1.15%
HDS Betapro S&P/TSX 60™ -2x Daily Bear ETF 1.15%
HREED Betapro Equal Weight Canadian REIT -2x Daily Bear ETF 1.15%

Inversely Leveraged (Commodities) (-2x)

HDB Betapro Gold Bullion -2x Daily Bear ETF 1.15%
HCD Betapro Silver -2x Daily Bear ETF 1.15%

Inversely Leveraged (Commodities) [up to -2x]

HND Betapro Natural Gas Inverse Leveraged Daily Bear ETF 1.15%
HOD Betapro Crude Oil Inverse Leveraged Daily Bear ETF 1.15%

Inverse (Equities) [-1x]

HIX Betapro S&P/TSX 60™ Daily Inverse ETF 1.15%
HSE Betapro S&P 500® Daily Inverse ETF 1.15%
HMJU Betapro Marijuana Companies Inverse ETF 1.45%

Bitcoin

BITI/BITI.U* Betapro Inverse Bitcoin ETF 1.45%
MBIT/MBIT.U* Betapro Inverse Bitcoin ETF 1.00%

As of November 27, 2019, all of the Betapro ETFs, which were trusts, converted to a corporate class structure and are designed to provide market-savvy investors with leveraged, inverse and inverse leveraged exposure to various indices or commodities on a daily basis.

* Prices in U.S. dollars.

HMJU is very different from most other exchange-traded funds, and is permitted to use strategies generally prohibited by conventional mutual funds. While such strategies will only be used in accordance with the investment objective and strategy of the ETF, during certain market conditions they may accelerate the risk that an investment in the shares of the ETF decreases in value.

HMJU, before fees and expenses, does not and should not be expected to return the inverse (e.g. -100%) of the return of its Underlying Index over any period of time other than daily.

The returns of HMJU over periods longer than one day will, under most market conditions, be in the opposite direction from the performance of its Underlying Index for the same period. However, the deviation of returns of HMJU from the inverse performance of its Underlying Index can be expected to become more pronounced as the volatility of HMJU's Underlying Index, and/or the period of time increases.

Hedging costs charged to an ETF reduce the value of the forward price payable to that ETF. Due to the high cost of borrowing the securities of marijuana companies, the hedging costs charged to HMJU and indirectly borne by shareholders are anticipated to be material.

Although the hedging costs of HMJU are assessed on a monthly basis to reflect the current market conditions, these hedging costs are expected to materially reduce the daily returns of HMJU to shareholders and to materially impair the ability of HMJU to meet its investment objectives. Currently, Horizons ETFs Management (Canada) Inc. (the "Manager") anticipates that, in respect of HMJU, based on existing market conditions, the hedging costs charged to HMJU and indirectly borne by shareholders will be between 10.00% and 45.00% per annum of the aggregate notional exposure of HMJU’s Forward Documents. The hedging costs may increase beyond this range.

Although the Manager does not, as of the date of its most recent prospectus, anticipate suspending subscriptions for new shares, it is possible that due to a Counterparty’s difficulties and costs associated with shorting the securities of constituent issuers, including the potential inability of a Counterparty to borrow securities of constituent issuers in order to “short” such issuers, HMJU will be subject to the risk that one or more Counterparties could refuse to increase the ETF’s existing notional exposure under the current Forward Documents. If the ETF cannot increase its notional exposure under the Forward Documents, the Manager will accordingly suspend new subscriptions for shares of HMJU until such time as the Manager can increase the notional exposure under the Forward Documents. During a period of suspended subscriptions, investors should note that shares of HMJU are expected to trade at a premium or substantial premium to NAV. In such cases, investors are strongly discouraged from purchasing shares of HMJU on a secondary market.

Although the Manager does not, as of the date of its most recent prospectus, anticipate suspending subscriptions for new shares, it is possible that due to a Counterparty’s difficulties and costs associated with shorting the securities of constituent issuers, including the potential inability of a Counterparty to borrow securities of constituent issuers in order to “short” such issuers, HMJU will be subject to the risk that one or more Counterparties could refuse to increase the ETF’s existing notional exposure under the current Forward Documents. If the ETF cannot increase its notional exposure under the Forward Documents, the Manager will accordingly suspend new subscriptions for shares of HMJU until such time as the Manager can increase the notional exposure under the Forward Documents. During a period of suspended subscriptions, investors should note that shares of HMJU are expected to trade at a premium or substantial premium to NAV. In such cases, investors are strongly discouraged from purchasing shares of HMJU on a secondary market.

The suspension of subscriptions, if any, will not affect the ability of existing shareholders to sell their shares in the secondary market at a price reflective of the NAV per share. See “Significant Hedging Cost Risk and Risk of Suspended Subscriptions (HMJU)” in the prospectus.

Investors should read the prospectus to understand the risks, and monitor their investments in the ETF at least daily.
The BetaPro Products are not guaranteed, their values change frequently and past performance may not be repeated. The prospectus contains important detailed information about the BetaPro Products. Please read the prospectus before investing.

The Horizons Exchange Traded Products include our BetaPro products (the “BetaPro Products”). The BetaPro Products are alternative mutual funds within the meaning of National Instrument 81–102 Investment Funds, and are permitted to use strategies generally prohibited by conventional mutual funds: the ability to invest more than 10% of their net asset value in securities of a single issuer, to employ leverage, and engage in short selling to a greater extent than is permitted in conventional mutual funds. While these strategies will only be used in accordance with the investment objectives and strategies of the BetaPro Products, during certain market conditions they may accelerate the risk that an investment in shares of a BetaPro Product decreases in value. The BetaPro Products consist of our Daily Bull and Daily Bear ETFs ("Leveraged and Inverse Leveraged ETFs"), Inverse ETFs ("Inverse ETFs") and our BetaPro S&P 500 VIX Short-Term Futures™ ETF (the "VIX ETF"). Included in the Leveraged and Inverse Leveraged ETFs and the Inverse ETFs are the BetaPro Marijuana Companies 2x Daily Bull ETF ("HMJU") and BetaPro Marijuana Companies Inverse ETF ("HMJI"), which track the North American MOC Marijuana Index (NTR) and North American MOC Marijuana Index (TR), respectively. The Leveraged and Inverse Leveraged ETFs and certain other BetaPro Products use leveraged investment techniques that can magnify gains and losses and may result in greater volatility of returns. These BetaPro Products are subject to leverage risk and may be subject to aggressive investment risk and price volatility risk, among other risks, which are described in their respective prospectuses. Each Leveraged and Inverse Leveraged ETF seeks a return, before fees and expenses, that is either up to, or equal to, either 200% or –200% of the performance of a specified underlying index, commodity futures index or benchmark (the "Target") for a single day. Each Inverse ETF seeks a return that is –100% of the performance of its Target. Due to the compounding of daily returns a Leveraged and Inverse Leveraged ETFs or Inverse ETF's returns over periods other than one day will likely differ in amount and, particularly in the case of the Leveraged and Inverse Leveraged ETFs, possibly different from the performance of their respective Target(s) for the same period. For certain Leveraged and Inverse Leveraged ETFs that seek up to 200% or up to or -200% leverage exposure, the Manager anticipates, under normal market conditions, managing the leverage ratio as close to two times (200%) as practicable however, the Manager may, at its sole discretion, change the leverage ratio based on its assessment of the current market conditions and negotiations with the respective ETF’s counterparties at that time. Hedging costs charged to BetaPro Products reduce the value of the forward price payable to that ETF. Due to the high cost of borrowing the securities of marijuana companies in particular, the hedging costs charged to HMJU are expected to be material and are expected to materially reduce the returns of HMJU to shareholders and materially impair the ability of HMJU to meet its investment objectives. Currently, the manager expects the hedging costs to be charged to HMJU and borne by shareholders will be between 10.00% and 45.00% per annum of the aggregate notional exposure of HMJU's forward documents. The hedging costs may increase above this range. The manager publishes on its website, the updated monthly hedging cost for HMJU for the upcoming month as negotiated with the counterparty to the forward documents, based on the then current market conditions. The VIX ETF, which is a 1x ETF, as described in the prospectus, is a speculative investment tool that is not a conventional investment. The VIX ETF’s Target is highly volatile. As a result, the VIX ETF is not intended as a stand-alone long-term investment. Historically, the VIX ETF’s Target has tended to revert to a historical mean. As a result, the performance of the VIX ETF’s Target is expected to be negative over the longer term and neither the VIX ETF nor its target is expected to have positive long-term performance. BetaPro Bitcoin ETF (“HBIT”), and BetaPro Inverse Bitcoin ETF (“BITI”), which are a 1X ETF, and an up to -1X ETF, respectively, as described in the prospectus, are speculative investment tools that are not conventional investments. Their Target, an index which replicates exposure to rolling Bitcoin Futures and not the spot price of Bitcoin, is highly volatile. As a result, neither ETF is intended as a stand-alone investment. There are inherent risks associated with products linked to crypto-assets, including Bitcoin Futures. While Bitcoin Futures are traded on a regulated exchange and cleared by regulated central counterparties, direct or indirect exposure to the high level of risk of Bitcoin Futures will not be suitable for all types of investors. An investment in any of the BetaPro Products is not intended as a complete investment program and is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment. Please read the full risk disclosure in the prospectus before investing. Investors should monitor their holdings in BetaPro Products and their performance at least as frequently as daily to ensure such investment(s) remain consistent with their investment strategies.

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