HORIZONS EXCHANGE TRADED FUNDS

ACTIVE ✶ BENCHMARK ✶ BETAPRO

PROSPECTUS

Continuous Offering August 21, 2018

Horizons S&P/TSX 60™ Index ETF (“Horizons HXT”)
Horizons S&P 500® Index ETF (“Horizons HXS”)
Horizons S&P/TSX Capped Energy Index ETF (“Horizons HXE”)
Horizons S&P/TSX Capped Financials Index ETF (“Horizons HXF”)
Horizons Cdn Select Universe Bond ETF (“Horizons HBB”)
Horizons US 7-10 Year Treasury Bond ETF (“Horizons HTB”)
Horizons NASDAQ-100® Index ETF (“Horizons HXQ”)
Horizons EURO STOXX 50® Index ETF (“Horizons HXX”)
Horizons Cdn High Dividend Index ETF (“Horizons HXH”)
Horizons S&P 500 CAD Hedged Index ETF (“Horizons HSH”)
Horizons US 7-10 Year Treasury Bond CAD Hedged ETF (“Horizons HTH”)
Horizons Intl Developed Markets Equity Index ETF (“Horizons HXDM”)

(together, the “ETFs” and each an “ETF”)

The ETFs are open-end mutual fund trusts established under the laws of Ontario. Class A units of each ETF are being offered for sale on a continuous basis in Canadian dollars by this prospectus (“**Cdn$ Units**”). Class A units of Horizons HXT, Horizons HXS, Horizons HTB, Horizons HXQ and Horizons HXDM (together with Horizons HXX, the “**Dual Currency ETFs**”) are also being offered, and Class A Units of Horizons HXX may also be offered, in U.S. dollars by this prospectus (“**US$ Units**”, and together with the Cdn$ Units, the “**Units**”). There is no minimum number of Units of an ETF that may be issued. The Units of each ETF are offered for sale at a price equal to the net asset value of such Units in the applicable currency next determined following the receipt of a subscription order. Subscriptions for US$ Units of a Dual Currency ETF can be made in either U.S. or Canadian dollars. Any exposure that the portfolio of each of Horizons HSH or Horizons HTH may have to the United States dollar will be hedged back to the Canadian dollar. The ETFs (other than Horizons HSH and Horizons HTH) will not hedge any foreign currency exposure back to the currency in which the applicable class of Units is denominated.

Units of the ETFs are listed and trade on the Toronto Stock Exchange (the “**TSX**”). The Manager will issue a news release announcing the listing of the US$ Units of Horizons HXX on or prior to the applicable listing date.

The manager, investment manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. (“**Horizons**”, the “**Manager**” or the “**Trustee**”). See “Organization and Management Details of the ETFs”.

Investment Objectives

Each ETF seeks to replicate, to the extent possible, the performance of its Underlying Index (as defined below), as more specifically described below.

Horizons HXT

Horizons 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 HXS

Horizons 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 HSH

Horizons 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 HXE

Horizons 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 HXF

Horizons 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 HBB

Horizons 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.

Horizons HTB

Horizons 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.

Horizons HTH

Horizons 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 US 7-10 Year Treasury Bond market, hedged to the Canadian dollar.

Horizons HXQ

Horizons 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 HXX

Horizons HXX seeks to replicate, to the extent possible, the performance of the EURO STOXX 50® Futures Roll Index (Total Return), net of expenses. The EURO STOXX 50® Futures Roll Index (Total Return) is designed to measure the performance of 50 of the largest companies that are sector leaders in the Eurozone.

Horizons HXH

Horizons 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 HXDM

Horizons 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.

See “Investment Objectives”.

Each of the ETFs will comply with all requirements of National Instrument 81-102 *Investment Funds* (“**NI 81-102**”), as such requirements may be modified by exemptive relief obtained on behalf of the ETFs. Units of each ETF are, in the opinion of the Manager, index participation units within the meaning of NI 81-102. Accordingly, in the opinion of the Manager, mutual funds may purchase Units of the ETFs without regard to the control, concentration or “fund of funds” restrictions of NI 81-102. No purchase of Units of an ETF should be made solely in reliance on the above statements.

The ETFs are subject to certain investment restrictions. See “Investment Restrictions”.

Investors can buy or sell, or will be able to buy or sell, Units of each ETF on the TSX through registered brokers and dealers in the province or territory where the investor resides. Investors will incur customary brokerage commissions in buying and/or selling Units of an ETF. The Manager, on behalf of each ETF, has entered into or will enter into agreements with registered dealers (each, a “**Designated Broker**” or “**Dealer**”), which amongst other things, enables or will enable such Dealers and the Designated Broker to purchase and redeem Units directly from an ETF. Holders of Units of an ETF (the “**Unitholders**”) may dispose of their Units in three ways: (i) by selling their Units on the TSX at the full market price, less any customary brokerage commissions and expenses; (ii) by redeeming or exchanging a prescribed number of Units (a “**PNU**”) for cash; or (iii) by redeeming Units for cash at a redemption price per Unit of 95% of the closing price for the applicable Units in the appropriate currency on the TSX on the effective day of redemption, subject to a maximum redemption price per Unit equal to the net asset value per Unit on the effective day of redemption. Holders of US$ Units of a Dual Currency ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. Unitholders are advised to consult their brokers or investment advisers before redeeming Units for cash. Each ETF will also offer additional redemption options which are available where a Unitholder redeems a PNU. See “Purchases of Units” and “Redemption of Units”.

No Designated Broker, Dealer and/or Counterparty has been involved in the preparation of this prospectus nor has any Designated Broker, Dealer and/or Counterparty performed any review of the contents of this prospectus and the Securities Regulatory Authorities (as hereafter defined) have provided the ETFs with a decision exempting the ETFs from the requirement to include a certificate of an underwriter in the prospectus. No Designated Broker, Dealer and/or Counterparty is an underwriter of the ETFs in connection with the distribution by the ETFs of their Units under this prospectus.

For a discussion of the risks associated with an investment in Units of an ETF, see “Risk Factors”.

Registrations and transfers of Units will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

Additional information about each ETF is or will be available in its most recently filed annual financial statements together with the accompanying independent auditors' report, any interim financial statements of that ETF filed after these annual financial statements, its most recently filed annual and interim management reports of fund performance, and the most recently filed ETF Facts documents of that ETF. These documents are or will be incorporated by reference into this prospectus which means that they legally form part of this prospectus. For further details, see "Documents Incorporated by Reference".

You can get a copy of these documents at your request, and at no cost, by calling the Manager at 416-933-5745 or toll-free at 1-866-641-5739, or from your dealer. These documents are or will also be available on the Manager's website at www.HorizonsETFs.com, or by contacting the Manager by e-mail at info@HorizonsETFs.com. These documents and other information about the ETFs are or will also be available on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

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TABLE OF CONTENTS

TABLE OF CONTENTS
(continued)

PROSPECTUS SUMMARY

The following is a summary of the principal features of this distribution and should be read together with the more detailed information and financial data and statements contained elsewhere in this prospectus or incorporated by reference in the prospectus. Capitalized terms not defined in this summary are defined in the Glossary.

The ETFs

The ETFs are open-end mutual fund trusts established under the laws of Ontario. See “Overview of the Legal Structure of the ETFs”.

Investment Objectives

Each ETF seeks to replicate, to the extent possible, the performance of its Underlying Index, as more specifically described below.

Horizons HXT

Horizons 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 HXS

Horizons 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 HSH

Horizons 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 HXE

Horizons 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 HXF

Horizons 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 HBB

Horizons 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.

Horizons HTB

Horizons 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.

Horizons HTH

Horizons 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 US 7-10 Year Treasury Bond market, hedged to the Canadian dollar.

Horizons HXQ

Horizons 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 HXX

Horizons HXX seeks to replicate, to the extent possible, the performance of the EURO STOXX 50® Futures Roll Index (Total Return), net of expenses. The EURO STOXX 50® Futures Roll Index (Total Return) is designed to measure the performance of 50 of the largest companies that are sector leaders in the Eurozone.

Horizons HXH

Horizons 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 HXDM

Horizons 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.

See “Investment Objectives”.

Investment Strategies

In order to achieve their investment objectives and obtain direct or indirect exposure to securities of their Underlying Index’s constituent issuers, the ETFs may use equity securities and derivatives, including swap agreements provided that the use of such derivative instruments is in compliance with NI 81-102 and is consistent with the investment objective of that ETF.

Each of the ETFs has entered into a Swap with a Counterparty or Counterparties pursuant to which each ETF seeks to gain exposure to the performance of its Underlying Index. Each Swap is a total return swap (which expression shall include a price return swap that results in the receipt of a total return) under which the ETFs will pay the Counterparty or Counterparties a floating amount based on prevailing short-term market interest rates and an equity amount based upon any negative return of the value of the reference assets and, in return, the Counterparty or Counterparties will pay the ETFs an equity amount based upon any positive return of the value of the reference assets. The ETFs also each intend to invest the net proceeds of Unit subscriptions in cash and short-term debt obligations to earn prevailing short-term market interest rates.

Each of the ETFs may also invest in and hold the securities of Constituent Issuers in substantially the same proportion as they are reflected in the applicable Underlying Index, or an ETF may invest in and hold index participation units of exchange traded funds that are based on the applicable Underlying Index. The ETFs will remain fully invested in or exposed to the markets at all times. The ETFs may also invest in futures contracts and forward agreements in order to provide exposure for other cash held by the ETFs and may also hold money market instruments, securities of money market funds or cash to meet their current obligations. See “Investment Strategies”.

Under a Swap, the daily marked-to-market value of the exposure of an ETF to any one Counterparty will, generally, not exceed 10% of the net asset value of that ETF and will, at all times, be in accordance with NI 81-102. An ETF may replace a Counterparty at any time or engage additional Counterparties at any time. The daily marked-to-market value of a Swap is or will be based upon the daily performance of the applicable Underlying Index.

See “Investment Strategies”.

Offering

Units of each ETF are offered, or will be offered, for sale on a continuous basis by this prospectus, and there is no minimum number of Units of an ETF that may be issued. Units of an ETF are offered, or will be offered, for sale at a price equal to the net asset value of the Units of the ETF in the applicable currency next determined following the receipt of a subscription order. Cdn$ Units of the ETFs are denominated and trade in Canadian dollars, and US$ Units of the Dual Currency ETFs are denominated and trade in U.S. dollars. The underlying exposure of Cdn$ Units and US$ Units of a Dual Currency ETF is the same. Subscriptions for US$ Units of a Dual Currency ETF can be made in either U.S. or Canadian dollars. Any exposure that the portfolio of each of Horizons HSH or Horizons HTH may have to the United States dollar will be hedged back to the Canadian dollar. The ETFs (other than Horizons HSH and Horizons HTH) will not hedge any foreign currency exposure back to the currency in which the applicable class of Units is denominated. See “Plan of Distribution”. The Manager will issue a news release announcing the listing of the US$ Units of Horizons HXX on or prior to the applicable listing date.

Investors are, or will be, able to purchase or sell Units of each ETF on the TSX through a registered broker or dealer in the province or territory where the investor resides. Accordingly, investors may trade Units of an ETF in the applicable currency in the same way as other securities listed on the TSX, including by using market orders and limit orders. Investors will incur customary brokerage commissions when buying or selling Units in the applicable currency on the TSX. Dealers may purchase a PNU from an ETF in the applicable currency at the net asset value per Unit of such ETF.
See “Attributes of the Securities”.

Special Considerations for Purchasers

Units of each ETF are, in the opinion of the Manager, index participation units within the meaning of NI 81-102. Accordingly, in the opinion of the Manager, mutual funds may purchase Units of an ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102. No purchase of Units of an ETF should be made solely in reliance on the above statements.

The ETFs, as mutual funds subject to NI 81-102, are exempt from the so-called “early warning” requirements set out in Canadian securities legislation in connection with the acquisition of Units of an ETF. In addition, the ETFs have obtained exemptive relief from the Securities Regulatory Authorities to permit a Unitholder to acquire more than 20% of the Units of an ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units of such ETF at any meeting of Unitholders of the ETF.

Units of each ETF are “tracking property” such that if such Units are “fair value property” of a Unitholder, the Units will be “mark-to-market property” of the Unitholder (in each case, for purposes of the “mark-to-market” rules in the Tax Act). These rules require taxpayers that are financial institutions within the meaning of the rules to recognize annually on income account any accrued gains and losses on securities that are “mark-to-market property”.

See “Purchases of Units”.

Conflicts of Interest

The ETFs are subject to certain conflicts of interest. Units of an ETF may be sold by dealers that are related to the Manager. See “Organization and Management Details of the ETFs” and “Relationship between the ETFs and Dealers”.

Distribution Policy

The ETFs will not make regular distributions. An ETF will, only when necessary, distribute income and/or net realized capital gains, if any, in the form of a distribution in Units or reinvested into Units of the ETF at the end of a taxation year, except as noted below. The Units of the ETF will then be consolidated so that the number of Units held by an investor after such a distribution will be equal to the number of Units they held the moment before the distribution. In the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly.

As long as a Swap is used as the sole investment strategy of the ETFs, the Manager anticipates that, prior to termination of the Swap, an ETF should only realize net income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager intends, on behalf of the ETF, to allocate and make payable for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Unitholder does not redeem his or her Units while the applicable ETF uses a Swap as its sole investment strategy, the Unitholder is not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

In the case of a taxation year ending on December 15, prior to the end of the calendar year in which such taxation year ends, or, in the case of taxation year ending on a date other than December 15, prior to the end of such taxation year, an ETF will ensure that the net income and net realized capital gains, if any, of the ETF have been paid or made payable to Unitholders of the ETF to such an extent that the ETF will not be liable for non-refundable income tax thereon. To the extent that an ETF has not paid or made payable the full amount of its net income and net capital gains in cash in any taxation year, the difference between such amount and the amount actually paid or made payable by the ETF in cash will be paid or made payable as a "reinvested distribution" or distributed in Units. Reinvested distributions will be reinvested automatically in additional Units of an ETF in the applicable currency at a price, or Units of an ETF in the applicable currency will be distributed at a price, equal to the net asset value per Unit of the ETF and the Units of the ETF will be immediately consolidated such that the number of outstanding Units of the ETF following the distribution will equal the number of Units of the ETF outstanding prior to the distribution. In the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly.

See "Distribution Policy".

Purchase Options

All orders to purchase Units directly from an ETF must be placed by a Designated Broker or Dealer in the applicable currency. Subscriptions for US$ Units of a Dual Currency ETF can be made in either U.S. or Canadian dollars. At the discretion of the manager, direct subscriptions for Cdn$ Units or US$ Units of Horizons HXX may, in the future, be permitted to be made in Euro. Each ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or Dealer. No fees will be payable by an ETF to a Designated Broker or Dealer in connection with the issuance of Units of such ETF.

On any Trading Day, a Designated Broker or Dealer may place a subscription order for the PNU or multiple PNU of an ETF. In respect of the Equity ETFs other than Horizons HXX, a subscription order may be a Cash Subscription or, at the sole discretion of the Manager, a Securities Subscription. In respect of Horizons HXX, a subscription order may only be a Cash Subscription. In respect of the Bond ETFs, a subscription order may be a Securities Subscription or, at the sole discretion of the Manager, a Cash Subscription.

See “Purchases of Units”.

Redemptions of Units

<u>Equity ETFs</u>

Unitholders of the Equity ETFs may redeem a PNU (or a whole multiple thereof) on any Trading Day for cash equal to the net asset value of that number of Units in the applicable currency.

Unitholders of the Equity ETFs may also, at the sole discretion of the Manager, redeem a PNU (or a whole multiple thereof) on any Trading Day in exchange for a combination of securities and cash equal to the net asset value of that number of Units in the applicable currency.

<u>Bond ETFs</u>

Unitholders of a Bond ETF may redeem a PNU (or a whole multiple thereof) on any Trading Day in exchange for a combination of securities and cash equal to the net asset value of that number of Units of the Bond ETF in the applicable currency, subject to any redemption charges that may be applied.

Unitholders of a Bond ETF may also, at the sole discretion of the Manager, redeem a PNU (or a whole multiple thereof) on any Trading Day for cash equal to the net asset value of that number of Units of the Bond ETF in the applicable currency, subject to any redemption charges that may be applied.

<u>All ETFs</u>

Unitholders of an ETF may also redeem Units of the ETF for cash at a redemption price per Unit equal to 95% of the closing price for the applicable Units in the appropriate currency on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the net asset value per Unit on the effective day of redemption. Holders of US$ Units of a Dual Currency ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars.

Unitholders of an ETF will generally be able to sell (rather than redeem) Units of the ETF at the full market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions. Therefore, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

As noted above, redemption charges may apply upon the redemption of Units of an ETF. However, no fees or expenses are paid by a Unitholder of any ETF to the Manager or the applicable ETF in connection with selling Units of an ETF on the TSX.

See "Redemption of Units".

Termination

The ETFs do not have a fixed termination date but an ETF may be terminated by Horizons in accordance with applicable law and the Trust Declaration on not less than 60 days' notice to Unitholders of the ETF.

See "Termination of the ETFs".

Income Tax Considerations

A Unitholder of an ETF who is resident in Canada will generally be required to include, in computing income for a taxation year, the amount of income (including any net realized taxable capital gains) that is paid or becomes payable to the Unitholder by that ETF in that year (including such income that is paid in Units or reinvested in additional Units of the ETF). A Unitholder of an ETF who disposes of a Unit of that ETF that is held as capital property, including on a redemption or otherwise, will realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the ETF which represents income or capital gains allocated and designated to the redeeming Unitholder), net of costs of disposition, exceed (or are less than) the adjusted cost base of the Unit disposed of.

As long as a Swap is used as the sole investment strategy of the ETFs, the Manager anticipates that, prior to termination of the Swap, an ETF should only realize net income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager intends, on behalf of the ETF, to allocate and make payable for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Unitholder does not redeem his or her Units while the applicable ETF uses a Swap as its sole investment strategy, the Unitholder is not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

See "Income Tax Considerations".

Eligibility for Investment

Provided that Units of an ETF are listed on a "designated stock exchange" for purposes of the Tax Act or the ETF qualifies as a "mutual fund trust" under the Tax Act, then Units of such ETF would, if issued on the date hereof, be on such date qualified investments under the Tax Act for Registered Plans.

See "Income Tax Considerations – Status of the ETFs".

Documents Incorporated by Reference

Additional information about each ETF is or will be available in its most recently filed annual and interim financial statements, its most recently filed annual and interim management report of fund performance, and its most recently filed ETF Facts documents. These documents are or will be incorporated by reference into this prospectus. Documents incorporated by reference into this prospectus legally form part of this prospectus just as if they were printed as part of this prospectus. These documents are, or will be, publicly available on the website of the ETFs at www.HorizonsETFs.com and may be obtained upon request, at no cost, by calling toll-free 1-866-641-5739 or by contacting your dealer. These documents and other information about the ETFs are also publicly available at www.sedar.com. See "Documents Incorporated by Reference".

Risk Factors

There are certain risk factors inherent to an investment in the ETFs. These risks relate to the following factors:

- general risks of investments;
- general risks of investing in an index fund and passive investment risk;
- risks relating to index replication strategies;
- calculation of Index Levels and termination of an Underlying Index;
- the Underlying Indexes;
- derivative investments;
- risk that Units will trade at prices other than net asset value per Unit;
- issuer concentration risk;
- sector risk (Horizons HXE and Horizons HXF);
- fixed income risk (Bond ETFs);
- Eurozone risk (Horizons HXX);
- International developed market risk (Horizons HXDM)
- U.S. Treasury securities risk (Horizons HTB and Horizons HTH);
- currency price fluctuations (Dual Currency ETFs);
- currency hedging risk (Horizons HSH and Horizon HTH)
- substantial sales of the U.S. dollar (Horizons HXS, Horizon HSH, Horizons HTB, Horizons HTH and Horizons HXQ);
- foreign exchange rate risk;
- foreign exchange and market risk (Horizons HXS, Horizons HSH, Horizons HTB, Horizons HTH, Horizons HXQ, Horizons HXX and Horizons HXDM);
- counterparty risk;
- index adjustments;
- liquidity risk;
- borrowing risk;
- risks relating to tax changes;
- regulatory and tax-related risks;
- cease trading of securities risk;
- general risks of equity investments (Equity ETFs);
- voting of Index Securities;
- income trust investments risks(Equity ETFs);
- exchange risk;
- liability of unitholders;
- reliance on key personnel; and
- securities lending.

See “Risk Factors”.

Organization and Management of the ETFs

The Manager and Trustee	Horizons ETFs Management (Canada) Inc., a corporation existing under the laws of Canada, is the manager, investment manager and trustee of each ETF. The Manager is responsible for providing or arranging for the provision of administrative services required by the ETFs. The Manager also provides investment advisory and investment management services to the ETFs. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. Horizons exists under the laws of Canada and was primarily organized for the purpose of managing investment products, including the ETFs. Horizons and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a subsidiary of Mirae Asset Global Investments Co., Ltd. ("**Mirae Asset**"). Mirae Asset is the Korea-based asset management entity of Mirae Asset Financial Group, one of the world's largest investment managers in emerging market equities. See "Organization and Management Details of the ETFs".
Custodian	CIBC Mellon Trust is the custodian of the ETFs and is independent of the Manager. CIBC Mellon Trust will provide custodial services to the ETFs and is located in Toronto, Ontario. Pursuant to the Sub-Custodian Agreements, CIBC Mellon Trust, with the consent of Horizons on behalf of the ETFs, has appointed RBC Investor Services and NBCN as sub-custodians of the ETFs. The sub-custodians are also independent of the Manager and are both located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Custodian".
Valuation Agent	CIBC Mellon Global has been retained to provide accounting valuation services to the ETFs. CIBC Mellon Global is located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Valuation Agent".
Auditors	KPMG LLP is responsible for auditing the annual financial statements of the ETFs. The auditors are independent of the Manager. The head office of the auditors is located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Auditors".
Promoter	Horizons is also the promoter of the ETFs. Horizons took the initiative in founding and organizing the ETFs and is, accordingly, the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. See "Organization and Management Details of the ETFs – Promoter".
Registrar and Transfer Agent	AST Trust Company (Canada) is the registrar and transfer agent for the Units of the ETFs pursuant to registrar and transfer agency agreements entered into by each ETF. AST Trust Company (Canada) is independent of the Manager. AST Trust Company (Canada) is located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Transfer Agent and Registrar".
Securities Lending Agent	The ETFs may engage NBCN Inc. ("**NBCN**") as a securities lending agent. NBCN is located in Toronto, Ontario. NBCN is not an affiliate of the Manager. See "Organization and Management Details of the ETFs – Securities Lending Agent".

Summary of Fees and Expenses

The following table lists the fees and expenses payable by each ETF, and the fees and expenses that Unitholders may have to pay if they invest in the ETFs. Unitholders may have to pay some of these fees and expenses directly. Alternatively, the ETFs may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the ETFs.

Fees and Expenses Payable by the ETFs

Type of Charge	Description
Management Fees	Horizons HXT pays an annual Management Fee to the Manager equal to 0.07% of the net asset value of Horizons HXT, together with applicable Sales Tax. Effective October 1, 2015, the Manager implemented a rebate of 0.04% percent of the Management Fee payable by Horizons HXT to the Manager (the "**Rebate**"). The Rebate will remain in effect until at least September 30, 2017. During the term of the Rebate, the effective Management Fee that Unitholders of Horizons HXT pay is reduced from 0.07% to 0.03% of the net asset value of Horizons HXT, together with applicable Sales Tax. The Manager may elect to extend the Rebate for another period beginning October 1, 2018. If the Manager elects to extend the Rebate, the Manager will announce such extension by press release prior to October 1, 2018. Horizons HXS pays an annual Management Fee to the Manager equal to 0.10% of the net asset value of Horizons HXS, together with applicable Sales Tax. Horizons HSH pays an annual Management Fee to the Manager equal to 0.10% of the net asset value of Horizons HSH, together with applicable Sales Tax. Horizons HXE pays an annual Management Fee to the Manager equal to 0.25% of the net asset value of Horizons HXE, together with applicable Sales Tax. Horizons HXF pays an annual Management Fee to the Manager equal to 0.25% of the net asset value of Horizons HXF, together with applicable Sales Tax. Horizons HBB pays an annual Management Fee to the Manager equal to 0.09% of the net asset value of Horizons HBB, together with applicable Sales Tax. Horizons HTB pays an annual Management Fee to the Manager equal to 0.15% of the net asset value of Horizons HTB, together with applicable Sales Tax. Horizons HTH pays an annual Management Fee to the Manager equal to 0.15% of the net asset value of Horizons HTH, together with applicable Sales Tax. Horizons HXQ pays an annual Management Fee to the Manager equal to 0.25% of the net asset value of Horizons HXQ, together with applicable Sales Tax. Horizons HXX pays an annual Management Fee to the Manager equal to 0.17% of the net asset value of Horizons HXX, together with applicable Sales

Tax.

Horizons HXH pays an annual Management Fee to the Manager equal to 0.10% of the net asset value of Horizons HXH, together with applicable Sales Tax.

Horizons HXDM pays an annual Management Fee to the Manager equal to 0.20% of the net asset value of Horizons HXDM, together with applicable Sales Tax.

The Management Fees are calculated and accrued daily and payable monthly in arrears in consideration for the services provided by the Manager to the ETFs as set out under “Organization and Management Details of the ETFs – Duties and Services to be Provided by the Manager”.

Management Fee Distributions

The Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from an ETF with respect to large investments in the ETF by Unitholders. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed to the applicable Unitholders by the ETF as Management Fee Distributions.

See “Fees and Expenses”.

Operating Expenses

The Trust Declaration requires that the Manager pay all the expenses of the ETFs other than the Management Fee, any Sales Taxes on the applicable Management Fee or any Swap costs as may be applicable. As a result the ETFs do not have, or will not have, any operating expenses other than Management Fees and any Swap costs as may be applicable.

See “Fees and Expenses”.

Expenses of the Issue

All expenses related to the issuance of Units of the ETFs shall be borne by the Manager.

See “Fees and Expenses”.

Swap Costs

Under the current Swaps for each of Horizons HXT, Horizons HXE and Horizons HXF, an ETF will not make any fee payments to a Counterparty in respect of the value of its Swap.

The Manager currently anticipates that under the Swap for Horizons HXH, the ETF will not make any fee payments to a Counterparty in respect of the value of its Swap.

Under the current Swap for Horizons HXS, and the Swap for Horizons HSH, each ETF pays to the Counterparty, monthly in arrears, a net amount equal to no more than 0.30% per annum of the notional value of the Swap calculated and applied daily in arrears.

Under the current Swap for Horizons HBB, the ETF pays to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.15% per annum of the notional value of the Swap calculated and applied daily in arrears, plus hedging costs, if any, incurred by the Counterparty. Hedging costs incurred by a Counterparty can be similar in nature to portfolio transaction costs that are incurred by an investment fund that holds portfolio securities directly. Currently, the Manager anticipates that, based on existing market conditions, the hedging costs, if any, for Horizons HBB could be between 0.00% and 0.10% of the notional exposure of any daily net subscription or redemption activity that results in changes to Horizons HBB's Swap. The actual hedging costs, if any, that may be incurred by a Counterparty and charged to Horizons HBB may be greater depending on market conditions and can change at any time.

Under the current Swap for Horizons HTB, and the Swap for Horizons HTH, each ETF pays to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.05% per annum of the notional value of the Swap calculated and applied daily in arrears, plus hedging costs, if any, incurred by the Counterparty. Hedging costs incurred by a Counterparty can be similar in nature to portfolio transaction costs that are incurred by an investment fund that holds portfolio securities directly. Currently, the Manager anticipates that, based on existing market conditions, the hedging costs, if any, for each of Horizons HTB and Horizons HTH could be between 0.00% and 0.10% of the notional exposure of any daily net subscription or redemption activity that results in changes to Horizons HTB's Swap or Horizons HTH's Swap, as applicable. The actual hedging costs, if any, that may be incurred by a Counterparty and charged to Horizons HTB or Horizons HTH, as applicable, may be greater depending on market conditions and can change at any time.

Under the current Swap for Horizons HXQ, the ETF will pay to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.375% per annum of the notional value of the Swap calculated and applied daily in arrears.

Under the current Swap for Horizons HXX, the ETF will pay to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.30% per annum of the notional value of the Swap calculated and applied daily in arrears.

Under the current Swap for Horizons HXDM, the ETF will pay to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.35% per annum of the notional value of the Swap calculated and applied daily in arrears.

A Swap may be amended or replaced at any time and the expenses incurred by an ETF in respect of a Swap may increase or decrease according to its terms.

Fees and Expenses Payable Directly by Unitholders of a Bond ETF

Creation Charge – Bond ETFs

Cash Subscriptions and Securities Subscriptions by Dealers or the Designated Broker for Units of a Bond ETF may, at the sole discretion of the Manager, be subject to a creation charge of up to 0.10% of the value of the subscription order, payable to the applicable Bond ETF. The Manager will publish the current creation charges for each Bond ETF on its website, www.HorizonsETFs.com. Additionally, the cost of a Cash Subscription for Units of a Bond ETF may be further adjusted (positively or negatively) based on the actual costs incurred by the Bond ETF in acquiring the partial or full exposure to its Underlying Index that could have otherwise been delivered as part of a Securities Subscription.

No fees or expenses are paid by a Unitholder of a Bond ETF to the Manager or to the Bond ETF in connection with purchasing Units of the Bond ETF on the TSX.

See “Purchases of Units”.

Redemption Charge – Bond ETFs

The Manager may, at its sole discretion, charge Unitholders of a Bond ETF a redemption charge, payable to the applicable Bond ETF, of up to 0.10% of their redemption proceeds in respect of a Cash Redemption of a PNU of the Bond ETF or a Securities Redemption of a PNU of the Bond ETF. The Manager will publish the current redemption charges for each Bond ETF on its website, www.HorizonsETFs.com. Additionally, the proceeds of a Cash Redemption for Units of a Bond ETF may be further adjusted (positively or negatively) based on the actual costs incurred by the Bond ETF in disposing of the partial or full exposure to its Underlying Index that could have otherwise been delivered as part of a Securities Redemption.

No fees or expenses are paid by a Unitholder of a Bond ETF to the Manager or to the Bond ETF in connection with selling Units of the Bond ETF on the TSX.

See “Redemption of Units”.

GLOSSARY

The following terms have the following meaning:

"**Acceptable Counterparty**" means a Canadian chartered bank that has a designated rating, or an affiliate of a Canadian chartered bank whose obligations are guaranteed by a Canadian chartered bank that has a designated rating;

"**Bond ETFs**" means, together, Horizons HBB, Horizons HTB and Horizons HTH; and "**Bond ETF**" means any one of them;

"**Canadian securities legislation**" means the securities laws in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the Securities Regulatory Authorities in such jurisdictions;

"**capital gains refund**" has the meaning ascribed to that term under the heading "Income Tax Considerations – Taxation of the ETFs".

"**Cash Redemption**" has the meaning ascribed to that term under "Redemptions of Units";

"**Cash Subscription**" means a subscription order for Units of an ETF that is paid in full in the applicable currency;

"**Cdn$ Units**" means Class A units of an ETF that are denominated in Canadian dollars;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a participant in CDS that holds security entitlements in Units of an ETF on behalf of beneficial owners of those Units;

"**CIBC Mellon Global**" means CIBC Mellon Global Securities Services Company;

"**CIBC Mellon Trust**" means CIBC Mellon Trust Company;

"**Committee**" means the S&P/TSX™ Index Policy Committee;

"**Constituent Issuers**" means the issuers that from time to time are included in an Underlying Index as selected by an Index Provider;

"**Counterparty**" means NBC, and any other Acceptable Counterparty with which an ETF will enter into a Swap;

"**CRA**" means the Canada Revenue Agency;

"**CRS Rules**" has the meaning ascribed to that term under the heading "Unitholder Matters – Exchange of Tax Information";

"**Custodian**" means CIBC Mellon Trust, in its capacity as custodian of the ETFs pursuant to the Custodian Agreement;

"**Custodian Agreement**" means the second amended and restated master custodial services agreement dated September 1, 2013, as amended from time to time, between the Manager, in its capacity as manager and trustee of the ETFs, CIBC Mellon Trust, The Bank of New York Mellon, Canadian Imperial Bank of Commerce and CIBC Mellon Global;

"**Dealer**" means a registered dealer (that may or may not be a Designated Broker) that has entered into a Dealer Agreement with the Manager, on behalf of the ETFs, pursuant to which the Dealer may subscribe for Units of an ETF as described under "Purchases of Units";

"**Dealer Agreement**" means an agreement between the Manager, on behalf of the ETFs, and a Dealer;

"**Designated Broker**" means a registered dealer that has entered into a Designated Broker Agreement pursuant to which a Designated Broker agrees to perform certain duties in relation to the ETFs;

"**Designated Broker Agreement**" means an agreement between the Manager, on behalf of the ETFs, and a Designated Broker;

"**designated rating**" has the meaning ascribed to that term in NI 81-102;

"**DFA Rules**" has the meaning ascribed to that term under the heading "Income Tax Considerations – Taxation of the ETFs";

"**Distribution Record Date**" means a date determined by the Manager as a record date for the determination of Unitholders entitled to receive a distribution from an ETF;

"**DPSP**" means a deferred profit sharing plan within the meaning of the Tax Act;

"**Dual Currency ETFs**" means, collectively, Horizons HXT, Horizons HXS, Horizons HTB, Horizons HXQ, Horizons HXX and Horizons HXDM (to the extent Canadian dollar and U.S. dollar denominated Class A Units of such ETFs are listed for trading on the TSX); and "**Dual Currency ETF**" means any one of them;

"**ETFs**" means, collectively, Horizons HXT, Horizons HXS, Horizons HSH, Horizons HXE, Horizons HXF, Horizons HBB, Horizons HTB, Horizons HTH, Horizons HXQ, Horizons HXX, Horizons HXH and Horizons HXDM; and "**ETF**" means any one of them;

"**Equity ETFs**" means, collectively, Horizons HXT, Horizons HXS, Horizons HSH, Horizons HXE, Horizons HXF, Horizons HXQ, Horizons HXX, Horizons HXH and Horizons HXDM; and "**Equity ETF**" means any one of them;

"**GST/HST**" means taxes exigible under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder;

"**Horizons**" means Horizons ETFs Management (Canada) Inc., the manager, investment manager, trustee and promoter of the ETFs, and the index provider for Horizons HXDM;

"**Horizons HBB**" means Horizons Cdn Select Universe Bond ETF;

"**Horizons HSH**" means Horizons S&P 500 CAD Hedged Index ETF;

"**Horizons HTB**" means Horizons US 7-10 Year Treasury Bond ETF;

"**Horizons HTH**" means Horizons US 7-10 Year Treasury Bond CAD Hedged ETF;

"**Horizons HXDM**" means Horizons Intl Developed Markets Equity Index ETF;

"**Horizons HXE**" means Horizons S&P/TSX Capped Energy Index ETF;

"**Horizons HXF**" means Horizons S&P/TSX Capped Financials Index ETF;

"**Horizons HXH**" means Horizons Cdn High Dividend Index ETF;

"**Horizons HXQ**" means Horizons NASDAQ-100® Index ETF;

"**Horizons HXS**" means Horizons S&P 500® Index ETF;

"**Horizons HXT**" means Horizons S&P/TSX 60™ Index ETF;

"**Horizons HXX**" means Horizons EURO STOXX 50® Index ETF;

"**ICE Trading Day**" means, in respect of Horizons HXDM, any day (a) on which the Intercontinental Exchange is open and publishes a contract settlement price for the relevant MSCI EAFE Index Futures; (b) that is a trading day on the TSX, and (c) is a day where both Canadian dollars and U.S. dollars can settle;

"**IGA**" has the meaning ascribed to that term under the heading "Unitholder Matters – Exchange of Tax Information";

"**Index Level**" means the level of an Underlying Index as calculated by an Index Provider from time to time;

"**Index Providers**" means, except in the case of Horizons HXDM, the third party providers of the Underlying Indexes, with which, or with an affiliate of which, Horizons has entered into licensing arrangements to use such Underlying Indexes and certain trademarks in connection with the operation of the ETFs, and "**Index Provider**" means any one of them, as applicable;

"**Index Securities**" means, with respect to an ETF, the securities of: (i) the Constituent Issuers included in its Underlying Index; or (ii) the exchange traded funds that issue index participation units and that are based on its Underlying Index;

"**IRC**" means the independent review committee of the ETFs established under NI 81-107;

"**Management Fee**" means the annual management fee paid by an ETF to the Manager, equal to a percentage of the net asset value of that ETF, calculated and accrued daily and payable monthly;

"**Management Fee Distribution**" is as described under "Fees and Expenses" and means an amount equal to the difference between the Management Fee otherwise chargeable by the Manager and a reduced fee determined by the Manager, at its discretion, from time to time, and that is distributed quarterly in cash by an ETF to Unitholders of the ETF who hold large investments in that ETF;

"**Manager**" means Horizons, in its capacity as manager of the ETFs, pursuant to the Trust Declaration;

"**Mirae Asset**" means Mirae Asset Global Investments Co., Ltd.;

"**NASDAQ**" means NASDAQ OMX Group, Inc., the Index Provider of the Underlying Index of Horizons HXQ;

"**NBC**" means National Bank of Canada, a Canadian chartered bank;

"**NBCN**" means NBCN Inc.;

"**NBCN Sub-Custodian Agreement**" means the sub-custodial services agreements made between the Manager, in its capacity as manager of the ETFs, the Custodian, CIBC Mellon Global, and NBCN;

"**NBF**" means National Bank Financial Inc.;

"**net asset value**" means the net asset value of an ETF as calculated on each Valuation Day for such ETF in accordance with the Trust Declaration and will be quoted in both Canadian and U.S. dollars, as applicable, and "**NAV**" shall have the same meaning;

"**NI 81-102**" means National Instrument 81-102 *Investment Funds*, as it may be amended from time to time;

"**NI 81-107**" means National Instrument 81-107 *Independent Review Committee for Investment Funds*, as it may be amended from time to time;

"**PNU**" in relation to Units of an ETF, means the prescribed number of Units of that ETF, in the applicable currency, determined by the Manager from time to time, whereby a dealer or a Unitholder may subscribe for, and/or redeem Units of the ETF or for such other purposes as the Manager may determine;

"**RBC Investor Services**" means RBC Investor Services Trust;

"**RBC Investor Services Sub-Custodian Agreement**" means the amended and restated sub-custodial services agreements made between the Manager, in its capacity as manager of the ETFs, the Custodian, CIBC Mellon Global, and RBC Investor Services;

"**RDSP**" means a registered disability savings plan within the meaning of the Tax Act;

"**Redemption Non-Standard Adjustment**" has the meaning ascribed to that term under "Redemptions of Units";

"**reference assets**" has the meaning ascribed to that term under "Investment Strategies";

"**Registered Plans**" means trusts governed by RDSPs, RESPs, RRIFs, RRSPs, DPSPs and TFSAs;

"**Registrar and Transfer Agent**" means AST Trust Company (Canada);

"**Relative Weight**" means in respect of an Underlying Index, the quoted market value of an individual Constituent Issuer or a potential Constituent Issuer of such Underlying Index, as applicable, divided by the aggregate quoted market value of that Underlying Index;

"**RESP**" means a registered education savings plan within the meaning of the Tax Act;

"**RRIF**" means a registered retirement income fund within the meaning of the Tax Act;

"**RRSP**" means a registered retirement savings plan within the meaning of the Tax Act;

"**S&P**" means Standard & Poor's Financial Services LLC; the Index Provider of the Underlying Indexes of Horizons HXT, Horizons HXS, Horizons HSH, Horizons HXE and Horizons HXF;

"**Sales Tax**" means all applicable provincial and federal sales, use, value added or goods and services taxes, including GST/HST;

"**Securities Redemption**" has the meaning ascribed to that term under "Redemptions of Units";

"**Securities Regulatory Authorities**" means the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such jurisdictions;

"**Securities Subscription**" means a subscription order for Units of an ETF other than Horizons HXX in the applicable currency that is paid in full with a combination of securities and cash;

"**Solactive**" means Solactive AG, the Index Provider for Underlying Indexes of Horizons HBB, Horizons HTB, Horizons HTH and Horizons HXH;

"**Sub-Custodian Agreements**" means, together, the RBC Investor Services Sub-Custodian Agreement and the NBCN Sub-Custodian Agreement, and "**Sub-Custodian Agreement**" means any one of them;

"**Sub-Custodians**" means, together, RBC Investor Services and NBCN, each in their capacities as sub-custodians of Horizons the ETFs pursuant to the applicable Sub-Custodian Agreement, and "**Sub-Custodian**" means either one of them;

"**Subscription Non-Standard Adjustment**" has the meaning ascribed to that term under "Purchases of Units";

"**Swap**" means a total return swap (which expression shall include a price return swap that results in the receipt of a total return) between an Acceptable Counterparty and an ETF, as applicable, pursuant to which such ETF seeks to gain exposure to the performance of its Underlying Index;

"**STOXX**" means STOXX Limited, the Index Provider of the Underlying Index of Horizons HXX;

"**Tax Act**" means the *Income Tax Act* (Canada) and the regulations thereunder as amended from time to time;

"**taxable capital gain**" has the meaning ascribed to that term under the heading "Income Tax Considerations – Taxation of Holders".

"**Tax Amendment**" means a proposed amendment to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof;

"**TFSA**" means a tax-free savings account within the meaning of the Tax Act;

"**Trading Day**" means, in respect of an Equity ETF, a day on which (i) a session of the TSX is held; (ii) the principal exchange for the securities to which the Equity ETFs are exposed is open for trading; and (iii) an Index Provider calculates and publishes data relating to the applicable Underlying Index; and means, in respect of a Bond ETF, a day on which (i) a session of the TSX is held; (ii) the principal market for the securities to which the Bond ETF is exposed is open for trading; (iii) the Index Provider calculates and publishes data relating to the applicable Underlying Index; and (iv) is a day that deposit taking banks in Canada are open for business.

"**Trust Declaration**" means the amended and restated declaration of trust establishing the ETFs, as supplemented, amended or amended and restated from time to time;

"**Trustee**" means Horizons, in its capacity as trustee of the ETFs pursuant to the Trust Declaration;

"**TSX**" means the Toronto Stock Exchange;

"**Underlying Index**" means the S&P/TSX 60™ Index (Total Return) in respect of Horizons HXT; the S&P 500® Index (Total Return) in respect of Horizons HXS; the S&P 500® CAD Hedged Index (Total Return) in respect of Horizons HSH; the S&P/TSX Capped Energy Index (Total Return) in respect of Horizons HXE; the S&P/TSX Capped Financials Index (Total Return) in respect of Horizons HXF; the Solactive Canadian Select Universe Bond Index (Total Return) in respect of Horizons HBB; the Solactive US 7-10 Year Treasury Bond Index (Total Return) in respect of Horizons HTB; the Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) in respect of Horizons HTH; the NASDAQ-100® Index (Total Return) in respect of Horizons HXQ; the EURO STOXX 50® Futures Roll Index (Total Return) in respect of Horizons HXX; the Solactive Canadian High Dividend Yield Index (Total Return) in respect of Horizons HXH; and the Horizons EAFE Futures Roll Index (Total Return) in respect of Horizons HXDM, and "**Underlying Indexes**" means more than one of them. Also see "Overview of the Sectors that the ETFs Invest In" and "Other Material Facts – Index Information";

"**Unitholder**" means a holder of Units of an ETF;

"**Units**" means Cdn$ Units of an ETF and US$ Units of a Dual Currency ETF, as applicable, and "**Unit**" means either one of them, as the context requires;

"**US$ Units**" means Class A units of a Dual Currency ETF that are denominated in U.S. dollars (to the extent such US$ Units are listed for trading on the TSX);

"**Valuation Agent**" means CIBC Mellon Global, who the Manager has retained to provide accounting and valuation services in respect of the ETFs;

"**Valuation Day**" for the ETFs means a day upon which a session of the TSX is held; and

"**Valuation Time**" means 4:00 p.m. (EST) on a Valuation Day.

OVERVIEW OF THE LEGAL STRUCTURE OF THE ETFs

The ETFs are open-end mutual fund trusts established under the laws of Ontario. The manager, investment manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. ("**Horizons**", the "**Manager**" or the "**Trustee**").

The ETFs that are offered pursuant to this prospectus are:

Name of ETF	Unit Currency	Ticker Symbol
Horizons S&P/TSX 60™ Index ETF	Canadian dollar	HXT
	U.S. dollar	HXT.U
Horizons S&P 500® Index ETF	Canadian dollar	HXS
	U.S. dollar	HXS.U
Horizons S&P 500 CAD Hedged Index ETF	Canadian dollar	HSH
Horizons S&P/TSX Capped Energy Index ETF	Canadian dollar	HXE
Horizons S&P/TSX Capped Financials Index ETF	Canadian dollar	HXF
Horizons Cdn Select Universe Bond ETF	Canadian dollar	HBB
Horizons US 7-10 Year Treasury Bond ETF	Canadian dollar	HTB
	U.S. dollar	HTB.U
Horizons US 7-10 Year Treasury Bond CAD Hedged ETF	Canadian dollar	HTH
Horizons NASDAQ-100® Index ETF	Canadian dollar	HXQ
	U.S. dollar	HXQ.U
Horizons EURO STOXX 50® Index ETF	Canadian dollar	HXX
Horizons Cdn High Dividend Index ETF	Canadian dollar	HXH
Horizons Intl Developed Markets Equity Index ETF	Canadian dollar	HXDM
	U.S. dollar	HXDM.U

The ETFs were created pursuant to the Trust Declaration. The manager, investment manager and trustee of the ETFs is Horizons. The head office of the Manager and the ETFs is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. While each ETF is or will be a mutual fund under the securities legislation of certain provinces and territories of Canada, each ETF is entitled to rely on exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

Units of each ETF are currently listed and trading on the TSX. The Manager will issue a news release announcing the listing of the US$ Units of Horizons HXX on or prior to the applicable listing date.

INVESTMENT OBJECTIVES

Each ETF seeks to replicate, to the extent possible, the performance of its Underlying Index, as more specifically described below. The fundamental investment objective of an ETF may not be changed except with the approval of Unitholders of that ETF. See “Unitholder Matters” for additional descriptions of the process for calling a meeting of Unitholders and requirements of Unitholder approval.

Horizons HXT

Horizons 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 HXS

Horizons 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 HSH

Horizons 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 HXE

Horizons 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 HXF

Horizons 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 HBB

Horizons 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.

Horizons HTB

Horizons 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.

Horizons HTH

Horizons 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 US 7-10 Year Treasury Bond market, hedged to the Canadian dollar.

Horizons HXQ

Horizons 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 HXX

Horizons HXX seeks to replicate, to the extent possible, the performance of the EURO STOXX 50® Futures Roll Index (Total Return), net of expenses. The EURO STOXX 50® Futures Roll Index (Total Return) is designed to measure the performance of 50 of the largest companies that are sector leaders in the Eurozone.

Horizons HXH

Horizons 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 HXDM

Horizons 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.

See "Overview of the Sectors that the ETFs Invest In".

INVESTMENT STRATEGIES

Overview of the Investment Structure

In order to achieve its investment objective and obtain direct or indirect exposure to securities of its Underlying Index's Constituent Issuers, the ETFs will follow the investment strategies as set out below.

As each ETF is seeking to replicate the performance of an Underlying Index, the Manager does not invest the assets of the ETFs on a discretionary basis or select securities based on the Manager's view of the investment merit of a particular security or company, nor does it conduct conventional stock research or analysis, or forecast stock market movement or trends in managing the assets of the ETF.

The ETFs may use equity securities and derivatives, including swap agreements provided that the use of such derivative instruments is in compliance with NI 81-102 and is consistent with the investment objective of these ETFs. The underlying exposure of Cdn$ Units and US$ Units of a Dual Currency ETF is the same. Any exposure that the portfolio of each of Horizons HSH or Horizons HTH may have to the United States dollar will be hedged back to the Canadian dollar. The ETFs (other than Horizons HSH and Horizons HTH) will not hedge any foreign currency exposure back to the currency in which the applicable class of Units is denominated.

Derivatives are instruments that derive their value from the market price, value or level of an underlying security, commodity, economic indicator, index or financial instrument and which enable investors to speculate on or hedge against future changes in the price or value of the underlying interest of the derivative. The underlying interests of derivatives include a wide variety of assets or financial instruments, such as agricultural products, energy products and base or precious metals (commonly called commodities), interest rates, currencies and stock indices. Each Swap (as described below) is a type of derivative instrument.

Each of the ETFs have entered into a Swap with a Counterparty or Counterparties pursuant to which each ETF seeks to gain exposure to the performance of its Underlying Index and invests the net proceeds of Unit subscriptions in cash and short-term debt obligations to earn prevailing short-term market interest rates. In respect of the Swap each has entered into, the ETFs may replace a Counterparty or engage additional Counterparties at any time. The reference assets of a Swap are a notional number of units the value of which is based on the value of the applicable index to which the ETF seeks to gain exposure pursuant to the Swap. Horizons HXS and Horizons HTB will invest the net proceeds of Unit subscriptions in cash in U.S. dollars.

An ETF may also invest in and hold the securities of the issuers contained in its Underlying Index in substantially the same proportion as they are reflected in the Underlying Index or an ETF may invest in and hold index participation units of exchange traded funds that are based on its Underlying Index. The ETFs will remain fully invested in or exposed to the markets at all times. The ETFs may also invest in futures contracts and forward agreements in order to provide market exposure for other cash held by the ETFs and may also hold money market instruments, securities of money market funds or cash to meet its current obligations.

As collateral for its obligations under the applicable Swap, each of the ETFs pledges its cash and short-term debt obligations to the Counterparty. The daily marked-to-market value of a Swap is based upon the performance of the applicable index to which the ETF seeks to gain exposure pursuant to the Swap.

Each ETF is subject to the terms and conditions of the applicable Swap, entitled to increase or decrease the notional exposure of the Swap from time to time as needed to manage Unit purchases and reinvestment of distributions, to fund Unit redemptions and market repurchases of Units, meet other liquidity needs and such other purposes as each may determine.

If the Manager believes it is appropriate in view of an ETF's investment objective, an ETF may hold a representative sample of the components in its Underlying Index. The sampling process typically involves selecting a representative sample of securities in the Underlying Index, principally to enhance liquidity and reduce transaction costs while seeking to maintain a high correlation with, and similar aggregate characteristics (e.g., market capitalization and industry weightings) to, the Underlying Index. In addition, each ETF may obtain exposure to components not included in its Underlying Index, invest in securities that are not included in its Underlying Index or may overweight or underweight certain components contained in such Underlying Index.

The Swap Agreements

Each of the ETFs have entered into a Swap with a Counterparty or Counterparties pursuant to which each ETF seeks to gain exposure to the performance of its Underlying Index. Each Swap is a total return swap under which the applicable ETF will pay the Counterparty a floating amount based upon prevailing short-term market interest rates computed upon an agreed notional amount and an equity amount based upon any decline in value of a notional investment in a notional number of units the value of each of which will equal the value of the applicable index to which the ETF seeks to gain exposure pursuant to the Swap (the "**reference assets**"). In return, the Counterparty or Counterparties will pay the applicable ETF an equity amount based upon any increase in value of the reference assets. The total return will be comprised of notional income which would be earned on a notional investment in the reference assets (which, by virtue of the operation of the Swap, will be notionally reinvested in further reference assets) plus any notional appreciation in the value of the reference assets or, as the case may be, minus any reduction in the value of the reference assets. Each of the ETFs also currently invests, or will invest, the net proceeds of Unit subscriptions in cash and short-term debt obligations to earn short-term market interest rates. Currently, the terms of each Swap of an Equity ETF, other than the Swap in respect of Horizons HXS, require the ETFs to pledge their cash in Canadian dollars and short-term debt obligations to the Counterparty to secure the payment of their payment obligations under the applicable Swap. The income earned on the cash in Canadian dollars and short-term debt obligations is expected to continue to be sufficient to fund the required floating payments by the applicable ETF (other than Horizons HXS and Horizons HTB) under the current Swaps.

Currently, the terms of the Swaps in respect of Horizons HXS, Horizons HTB, Horizons HXX and Horizons HXQ require each such ETF to pledge its cash in U.S. dollars and short-term debt obligations to the Counterparty to secure the payment of the ETF's payment obligations under the applicable Swap. The terms of the Swap in respect of Horizons HXDM require Horizons HXDM to pledge its cash in U.S. dollars and short-term debt obligations to the Counterparty to secure the payment of Horizons HXDM's payment obligations under the Swap.

In order to seek to replicate the Underlying Indexes of Horizons HSH and Horizons HTH, including the currency hedging requirements of such Underlying Indexes, the ETFs entered into Swaps that provide exposure to the performance of a custom index selected by the Manager from time to time that incorporates a currency hedging methodology, and is expected to substantially correspond to the performance of the applicable Underlying Index. Initially, Horizons HSH and Horizons HTH entered into Swaps that provide exposure to the performance of the Horizons S&P 500 CAD-Hedged Index (Total Return) (Bloomberg index ticker symbol: CMDYSPTR) and the Horizons US 7-10 Year Treasury Bond CAD-Hedged Index (Total Return) (Bloomberg index ticker symbol: CMDYUSTC), respectively. The values of these indexes are published by Bloomberg L.P. at the close of trading on each business day.

The income earned on the cash in U.S. dollars and short-term debt obligations is generally expected to continue to be sufficient to fund the required floating payments by Horizons HXS, Horizons HTB, Horizons HXX and Horizons HXQ under the applicable Swaps.

For information regarding Swap fees and hedging costs, please see "Fees and Expenses".

Each Swap has or will have a term of less than five (5) years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, each ETF has the ability to terminate its exposure under a Swap, in whole or in part, at any time. Events of default and/or termination events under a Swap include, among others: (i) a failure by a party to make a payment or perform an obligation when due under the Swap which is not cured within any applicable grace period; (ii) fundamental changes are made to the applicable ETF or the ETF's material contracts which have a material adverse effect on a party to the Swap; (iii) a party makes a representation which is incorrect or misleading in any material respect; (iv) a party defaults in respect of a specified transaction having a value in excess of a specified threshold, which default is not cured within any applicable grace period; (v) certain events related to the bankruptcy or insolvency of a party; (vi) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the Swap; (vii) any proposed change in law that prohibits or renders the transactions under the Swap unlawful; (viii) the occurrence or existence at any time of any event or condition arising from any transaction that results in a material adverse tax consequence to a party under the Swap, the Trustee, the applicable ETF or the Unitholders of the ETF; (ix) failure of the ETF to comply with its governing documents; (x) the inability of a Counterparty to the Swap to hedge its exposure to the securities subject to the Swap or an increase in the cost of such hedging that the ETF is unwilling to assume; (xi) a Counterparty or its guarantor ceases to have a designated rating, as the case may be; or (xii) certain regulatory, market disruption, credit or legal events occur which affect a party.

The obligations of a Counterparty to an ETF under a Swap are determined by reference to the performance of the reference assets, the value of each of which will equal the value of the applicable index to which the ETF seeks to gain exposure pursuant to the Swap. A Counterparty may hedge its exposure under a Swap to Index Securities. There is no assurance that a Counterparty will maintain a hedge or will do so with respect to the full amount or term of a Swap.

No Counterparty has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus. No Counterparty assumes any liability in connection with the administration, marketing or trading of the ETFs. The ETFs are not sponsored, endorsed, sold or promoted by any Counterparty. No Counterparty makes any representation or warranty, express or implied, to the holders of the units of the ETFs regarding the advisability of investing in the ETF or the ability of the applicable ETF to track its Underlying Index. No Counterparty has any obligation to take the needs of the ETF or Unitholder into consideration.

A Unitholder will not have any recourse against the assets of a Counterparty or any subsequent Acceptable Counterparty in respect of a Swap. If a Counterparty defaults on its obligations under a Swap, the applicable ETF will, however, have certain rights against the Counterparty and an unsecured claim against the Counterparty. As a counterparty under a Swap, the interests of a Counterparty differ from those of the ETFs. Units do not represent an interest in, or an obligation of, a Counterparty or any affiliate thereof and a Unitholder of an ETF will not have any recourse against a Counterparty or any affiliate thereof in respect of amounts payable by the ETF to the Unitholder or by a Counterparty to the ETF. A Counterparty can be expected to exercise its rights from time to time under a Swap in its own best interests. The legitimate exercise of these rights may be contrary to the interests of the applicable ETF and the Unitholders.

Each of the ETFs has entered into a Swap for the purpose of achieving its investment objective. If a Swap is terminated, the applicable ETF may either pursue the same or other alternative investment strategies with an Acceptable Counterparty, or make direct investments in Index Securities. There is no assurance that an ETF will be able to replace its Swap if the Swap is terminated.

In addition to assisting in the pursuit of the investment objectives of the ETFs, total return swap agreements may be entered into as a substitute for investing directly in securities or to hedge a position. In general, total return swap agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a day to more than one year. In a standard "total return swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized or lost on particular predetermined investments or instruments. The gross returns to be "swapped" or exchanged between the parties are calculated with respect to a "notional amount" invested in a "notional investment". For example, the return on or increase or decrease in the value of a particular dollar amount invested in a "basket" of securities.

Swap agreements entered into by an ETF will generally calculate and settle the obligations of the parties to the agreement on a "net basis" with a single payment. Consequently, an ETF's obligations (or rights) under a Swap will generally only equal the net amount to be paid or received under the agreement based on the relative values of such obligations (or rights). A Counterparty or an affiliate thereof may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

Direct Investment in the Index Securities

Each of the ETFs may, as an alternative to a Swap, invest directly in Index Securities. Securities of applicable Constituent Issuers may be held by an ETF in substantially the same proportion based on Relative Weight as such securities are reflected in the Underlying Index of such ETF.

An ETF may invest in futures contracts and forward agreements in order to provide market exposure for cash held by that ETF and may also hold money market instruments, securities of money market funds or cash to meet its current obligations.

Additional Investment Strategies of the ETFs

Each ETF may also employ a "stratified sampling" strategy. Under this stratified sampling strategy, an ETF may not hold all of the securities that are included in its Underlying Index, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the securities included in such Underlying Index.

Investment in Reverse Repurchase Transactions

Each ETF may enter into reverse repurchase transactions. The Manager has adopted policies and practice guidelines applicable to an ETF to manage the risks associated with investments in reverse repurchase transactions. Such policies and practice guidelines require that:

- investments in reverse repurchase transactions be consistent with the ETF's investment objective and policies;

- the risks associated with reverse repurchase transactions be adequately described in the ETF's prospectus;

- authorized officers or directors of the Manager approve the parameters, including transaction limits, under which reverse repurchase transactions are permitted for the ETF and that such parameters comply with applicable securities legislation;

- the operational, monitoring and reporting procedures in place ensure that all reverse repurchase transactions are completely and accurately recorded, in accordance with their approved use, and within the limits and regulatory restrictions prescribed for the ETF;

- the counterparties to reverse repurchase transactions must meet the Manager's quantitative and qualitative criteria regarding market making and credit worthiness, and be in good standing with all applicable regulators; and

- the Manager must review at least annually all reverse repurchase transactions to ensure that they are being conducted in accordance with applicable securities legislation.

All reverse repurchase transactions must be completed within 30 days.

Securities Lending

An ETF may lend securities to brokers, dealers and other financial institutions and other borrowers desiring to borrow securities provided that such securities lending qualifies as a "securities lending arrangement" for the purposes of the Tax Act. Securities lending may allow an ETF to earn additional income to offset its costs and help ensure the investment results of the ETF more closely correspond to its Underlying Index. All additional income earned by an ETF through securities lending will accrue to the ETF. The ETFs have received exemptive relief from the limitations in NI 81-102 so that each ETF may lend 100% of its investment portfolio to qualified borrowers.

If an ETF carries out securities lending, an ETF will engage a lending agent with experience and expertise in completing such transactions. Each ETF may engage affiliates of the Counterparty as a lending agent of the ETF.

Under applicable securities legislation, the collateral from securities lending is required to have an aggregate value of not less than 102% of the value of the loaned securities. Any cash collateral acquired by an ETF is permitted to be invested only in securities permitted under NI 81-102 and that have a remaining term to maturity of no longer than 90 days.

OVERVIEW OF THE SECTORS THAT THE ETFs INVEST IN

S&P/TSX 60™ Index (Total Return)

Horizons HXT uses the S&P/TSX 60™ Index (Total Return) as its Underlying Index. The S&P/TSX 60™ Index (Total Return) represents the total return of the large-cap market segment of the Canadian equity market.

The S&P/TSX 60™ Index is comprised of 60 of the largest (by market capitalization) and most liquid securities listed on the TSX, selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals with a view to matching the sector weights of the S&P TSX Composite Index. The S&P/TSX 60™ Index is a market capitalization –weighted index of securities of the Constituent Issuers.

S&P 500® Index (Total Return)

Horizons HXS uses the S&P 500® Index (Total Return) as its Underlying Index. The S&P 500® Index (Total Return) represents the total return of the S&P 500®.

The S&P 500® includes 500 leading companies in leading industries of the U.S. economy. The S&P 500® is also the U.S. component of the S&P Global 1200.

S&P 500® CAD Hedged Index (Total Return)

Horizons HSH uses the S&P 500® CAD Hedged Index (Total Return) as its Underlying Index. The S&P 500® CAD Hedged Index (Total Return) represents the total return of the S&P 500®, hedged to the Canadian dollar.

The S&P 500® includes 500 leading companies in leading industries of the U.S. economy. The S&P 500® covers approximately 80% of available U.S. market capitalization. The S&P 500® is also the U.S. component of the S&P Global 1200.

S&P/TSX Capped Energy Index (Total Return)

Horizons HXE uses the S&P/TSX Capped Energy Index (Total Return) as its Underlying Index. The S&P/TSX Capped Energy Index (Total Return) is comprised of S&P/TSX Composite Index securities that are classified in the energy sector, provided that securities classified by the Global Industry Classification Standard as “Oil & Gas Refining & Marketing”, “Oil & Gas Storage & Transportation”, or “Coal & Consumable Fuels” are excluded. The relative weight of any single index constituent is capped at 25%.

S&P/TSX Capped Financials Index (Total Return)

Horizons HXF uses the S&P/TSX Capped Financials Index (Total Return) as its Underlying Index. The S&P/TSX Capped Financials Index (Total Return) is comprised of S&P/TSX Composite Index securities that are classified in the financials sector, provided that securities classified by the Global Industry Classification Standard as “Real Estate” are excluded. The relative weight of any single index constituent is capped at 25%.

Solactive Canadian Select Universe Bond Index (Total Return)

Horizons HBB uses the Solactive Canadian Select Universe Bond Index as its Underlying Index. The Solactive Canadian Select Universe Bond Index is a rules-based index which is designed to measure the performance of the Canadian investment-grade fixed income market by selecting a representative group of government and corporate bonds. The Solactive Canadian Select Universe Bond Index constituents are selected based on size, rating and maturity criteria applied with a view to matching the duration and yield of the universe of eligible securities. The details of the criteria applied in this selection process are provided in the Guideline for the Solactive Canadian Select Universe Bond Index available on the Solactive website at www.solactive.com. The universe of eligible securities is composed of fixed income instruments which are denominated in Canadian dollars and are issued by the Government of Canada, a Canadian province or territory, a Canadian municipality, or a corporation incorporated under a Canadian federal, provincial or territorial jurisdiction. Corporate bonds must have an issue size of at least $100 million and government bonds must have an issue size of at least $50 million. Eligible securities must have a fixed coupon, an effective remaining time to maturity of at least one year and a rating of at least BBB(low) (or its equivalent) from a “designated rating organization” within the meaning of NI 81-102. The number of constituents selected for the Solactive Canadian Select Universe Bond Index is based on, among other things, the number of bonds that meet the above criteria. The composition and weighting of the Solactive Canadian Select Universe Bond Index is adjusted on the last business day of each month.

Solactive US 7-10 Year Treasury Bond Index (Total Return)

Horizons HTB uses the Solactive US 7-10 Year Treasury Bond Index as its Underlying Index. The Solactive US 7-10 Year Treasury Bond Index is a rules-based index which is designed to measure the performance of the US 7-10 Year Treasury bond market. The Solactive US 7-10 Year Treasury Bond Index constituents are selected based on size and maturity criteria, and generally have a maturity between 7 and 10 years at the time of inclusion. The criteria applied in this selection process is detailed in the Solactive US 7-10 Year Treasury Bond Index methodology available on the Solactive website at www.solactive.com. The eligible universe is made up of those U.S. Treasury securities which are U.S. dollar denominated, have a maturity between 7 and 10 years, have a fixed coupon, and are not convertible or callable. Solactive US 7-10 Year Treasury Bond Index constituent securities are generally deliverable against the U.S. 10-Year Treasury Note futures contract.

The U.S. federal government finances its expenditures in excess of tax receipts through the sale of debt obligations. The market for U.S. Treasury securities is one of largest, most active debt markets in the world. Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government. Because they are considered to have low credit or default risk, they generally offer lower yields relative to other bonds.

Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return)

Horizons HTH uses the Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) as its Underlying Index. The Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) is a rules-based index which is designed to measure the performance of the US 7-10 Year Treasury bond market, hedged to the Canadian dollar. The Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) constituents are selected based on size and maturity criteria, and generally have a maturity between 7 and 10 years at the time of inclusion. The criteria applied in this selection process is detailed in the Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) methodology available on the Solactive website at www.solactive.com. The eligible universe is made up of those U.S. Treasury securities which are U.S. dollar denominated, have a maturity between 7 and 10 years, have a fixed coupon, and are not convertible or callable. Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) constituent securities are generally deliverable against the U.S. 10-Year Treasury Note futures contract.

The U.S. federal government finances its expenditures in excess of tax receipts through the sale of debt obligations. The market for U.S. Treasury securities is one of largest, most active debt markets in the world. Treasuries are debt obligations issued and backed by the full faith and credit of the U.S. government. Because they are considered to have low credit or default risk, they generally offer lower yields relative to other bonds.

NASDAQ-100® Index (Total Return)

Horizons HXQ uses the NASDAQ-100® Index (Total Return) as its Underlying Index. The NASDAQ-100® Index (Total Return) includes 100 of the largest non-financial domestic and international issuers listed on The NASDAQ Stock Market. This index is calculated under a modified capitalization-weighted methodology. Reconstitution and rebalancing occurs on an annual, quarterly, and ongoing basis. To be eligible for inclusion, companies cannot be in bankruptcy proceedings and must meet certain additional criteria including trading volume and “seasoning” requirements. Further details regarding the methodology for this Underlying Index are available at https://indexes.nasdaqomx.com/docs/Methodology_NDX.pdf.

EURO STOXX 50® Futures Roll Index (Total Return)

Horizons HXX uses the EURO STOXX 50® Futures Roll Index (Total Return) as its Underlying Index. The EURO STOXX 50® Futures Roll Index (Total Return) is designed to reflect the returns generated over time through notional investments in a long position in a series of futures contracts on the EURO STOXX 50® Index. The EURO STOXX 50® Index is a leading blue-chip index for the 19 European Union countries which have adopted the Euro as their currency, and currently covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain. The EURO STOXX 50® Index uses the 19 EURO STOXX sector indices, and ranks its stocks by free float market capitalization.

The notional portfolio of the EURO STOXX 50® Futures Roll Index (Total Return) is invested into the first nearby futures contract on the EURO STOXX 50® Index, and then rolled into the next nearby contract over the four days preceding the expiry date of the futures contracts series, which is the third Friday in March, June, September and December. The roll period works as follows: until the Monday preceding the third Friday of a roll month, all of the index value is allocated to the first nearby futures contract. Starting Monday night, on a daily basis for four days, one fourth of the index value is shifted into the next nearby contract. With the open of trading on Friday morning, the roll is complete and all index value is allocated to the next nearby contract. Further details regarding the methodology for this Underlying Index, and for the EURO STOXX 50® Index, are available at www.stoxx.com/rulebooks.

The EURO STOXX 50® Futures Roll Index (Total Return) Bloomberg ticker is “SX5EFETR”, and the Thomson Reuters ticker is “.SX5EFETR”.

Solactive Canadian High Dividend Yield Index (Total Return)

Horizons HXH uses the Solactive Canadian High Dividend Yield Index as its Underlying Index. This Underlying Index is a rules based index which is designed to measure the performance of approximately 40 TSX-listed high dividend Canadian domiciled companies or REITs with significant anticipated yield, selected in accordance within three major sector categories described below. The universe of eligible securities for the Solactive Canadian High Dividend Yield Index is selected from 400 listed TSX-listed companies or REITs which later must meet a minimum size, and dividend paying requirements, which are further described below.

The Constituent Issuer selection process for this Underlying Index is to identify 40 cash dividend paying equity securities within the universe of eligible securities based upon three equally represented sectors: financials, energy and a “diversified sector” with securities chosen across all remaining industries. The selection criteria include a minimum market capitalization threshold, an expectation of cash dividends being paid over the next twelve months, and a minimum and maximum number of securities per sector. The eligible securities are then ranked based on their anticipated cash dividend yield to select the top 40 securities. In calculating the weight of a security within each equally weighted sector, the securities are float market-capitalization weighted.

This Underlying Index is rebalanced annually at the close of trading on each Rebalance Date. Further details regarding the methodology for this Underlying Index are available on the Solactive website at www.solactive.com.

Horizons EAFE Futures Roll Index (Total Return)

Horizons HXDM uses the Horizons EAFE Futures Roll Index (Total Return) as its Underlying Index. This Underlying Index is an index provided by Horizons that is designed to reflect the returns generated over time through long notional investments in a series of MSCI EAFE Index Futures that are in turn based on the performance of the MSCI EAFE Index. The MSCI EAFE Index Futures are listed on the Intercontinental Exchange. The Underlying Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, and excluding the U.S. and Canada. The Underlying Index encompasses a number of regions and market segments/sizes, and tracks a substantial portion of the free float-adjusted market capitalization in each of the 21 countries. As noted above, the Horizons EAFE Futures Roll Index (Total Return) is based in whole, or in part, on the MSCI EAFE Index Futures owned by ICE Data, LLP and its affiliates, and is used by Horizons with permission under license by ICE Data, LLP. See “Index Information”.

The notional portfolio of the Underlying Index is invested into the first nearby contract of the MSCI EAFE Index Futures, and then rolled into the next nearby contract over a four day period in each of March, June, September and December. The roll from the first nearby contract to the next nearby contract begins on the day that is the sixth ICE Trading Day prior to the last ICE Trading Day of the first nearby contract on the Intercontinental Exchange. Further details regarding the methodology for this Underlying Index are available on the Manager’s website at www.HorizonsETFs.com. The value of this Underlying Index will be published after the close of trading on each business day by Bloomberg L.P. under the ticker symbol <CMDYHXDM>.

Underlying Indexes

An Index Provider has the discretion to change the Constituent Issuers of an Underlying Index, including, but not limited to, adjustments made from time to time because of various events affecting Index Securities. These adjustments may require removing a Constituent Issuer from an Underlying Index and substituting a new Constituent Issuer while at the same time, if necessary, changing the number of Index Securities, thereby effectively increasing or decreasing the Relative Weight of the Constituent Issuer in this Underlying Index. These adjustments to an Underlying Index are expected to be made in such a way that the Index Levels will not be affected. If such events occur, the applicable ETF may implement these changes such that the direct or indirect exposure of such ETF to the Index Levels will match, as closely as possible, the Constituent Issuers in its Underlying Index with the overall goal of continuing to manage that ETF and meet its investment objective.

Change of an Underlying Index

The Manager may, subject to any required Unitholder approval, change an Underlying Index in order to provide investors with substantially the same exposure to which that ETF is currently exposed. If the Manager changes an Underlying Index, or any index replacing such Underlying Index, the Manager will issue a press release identifying and describing the new Underlying Index and specifying the reasons for the change in the Underlying Index.

Termination of an Underlying Index

Each Index Provider calculates, determines and maintains the applicable Underlying Index. If an Index Provider ceases to calculate an Index, or the applicable license agreement is terminated, the Manager may choose to: terminate the applicable ETF; change the applicable ETF's investment objective or to seek to replicate an alternative index (subject to any Unitholder approval required by the Trust Declaration or required by applicable law); or make such other arrangements as the Manager considers appropriate and in the best interests of applicable Unitholders in the circumstances.

Use of the Underlying Indexes

The ETFs are permitted by the applicable Index Providers to use their Underlying Indexes and to use certain trademarks in connection with their operation. The ETFs do not accept responsibility for or guarantee the accuracy or completeness of the Underlying Indexes or any data included in the Underlying Indexes.

INVESTMENT RESTRICTIONS

The ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102 and NI 81-107. The ETFs are managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by Canadian Securities Regulatory Authorities or as permitted by NI 81-107. See "Exemptions and Approvals". An ETF will not, at any time, hold more than 10% of its net assets in other mutual funds.

A change to the investment objective of an ETF would require the approval of Unitholders of that ETF. See "Unitholder Matters – Matters Requiring Unitholder Approval".

No ETF will make an investment that would result in that ETF failing to qualify as a "unit trust" or "mutual fund trust" within the meaning of the Tax Act or that would result in that ETF becoming subject to the tax for "SIFT" trusts within the meaning of the Tax Act. In addition, no ETF will make or hold any investment in property that would be "taxable Canadian property" (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof) if more than 10% of that ETF's property consisted of such property.

FEES AND EXPENSES

Fees and Expenses Payable by the ETFs

Management Fees

Horizons HXT pays an annual Management Fee to the Manager equal to 0.07% of the net asset value of Horizons HXT, together with applicable Sales Tax. Effective October 1, 2015, the Manager implemented a rebate of 0.04% percent of the Management Fee payable by Horizons HXT to the Manager (the "**Rebate**"). The Rebate will remain in effect until at least September 30, 2018. During the term of the Rebate, the effective Management Fee that Unitholders of Horizons HXT pay is reduced from 0.07% to 0.03% of the net asset value of Horizons HXT, together with applicable Sales Tax. The Manager may elect to extend the Rebate for another period beginning October 1, 2018. If the Manager elects to extend the Rebate, the Manager will announce such extension by press release prior to October 1, 2018.

Horizons HXS pays an annual Management Fee to the Manager equal to 0.10% of the net asset value of Horizons HXS, together with applicable Sales Tax.

Horizons HSH pays an annual Management Fee to the Manager equal to 0.10% of the net asset value of Horizons HSH, together with applicable Sales Tax

Horizons HXE pays an annual Management Fee to the Manager equal to 0.25% of the net asset value of Horizons HXE, together with applicable Sales Tax.

Horizons HXF pays an annual Management Fee to the Manager equal to 0.25% of the net asset value of Horizons HXF, together with applicable Sales Tax.

Horizons HBB pays an annual Management Fee to the Manager equal to 0.09% of the net asset value of Horizons HBB, together with applicable Sales Tax.

Horizons HTB pays an annual Management Fee to the Manager equal to 0.15% of the net asset value of Horizons HTB, together with applicable Sales Tax.

Horizons HTH pays an annual Management Fee to the Manager equal to 0.15% of the net asset value of Horizons HTH, together with applicable Sales Tax.

Horizons HXQ pays an annual Management Fee to the Manager equal to 0.25% of the net asset value of Horizons HXQ, together with applicable Sales Tax.

Horizons HXX pays an annual Management Fee to the Manager equal to 0.17% of the net asset value of Horizons HXX, together with applicable Sales Tax.

Horizons HXH pays an annual Management Fee to the Manager equal to 0.10% of the net asset value of Horizons HXH, together with applicable Sales Tax.

Horizons HXDM pays an annual Management Fee to the Manager equal to 0.20% of the net asset value of Horizons HXDM, together with applicable Sales Tax.

The Management Fees are calculated and accrued daily and payable monthly in arrears in consideration for the services provided by the Manager to the ETFs as set out under "Organization and Management Details of the ETFs – Duties and Services to be Provided by the Manager".

Management Fee Distributions

To encourage very large investments in the ETFs and to ensure Management Fees are competitive for these investments, the Manager may at its discretion agree to charge a reduced fee as compared to the fee it otherwise would be entitled to receive from an ETF with respect to investments in such ETF by Unitholders that hold, on average during any period specified by the Manager from time to time (currently a quarter), Units of the ETF having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of such ETF under administration and the expected amount of account activity. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the ETF will be distributed quarterly in cash by the ETF to the Unitholders of that ETF as Management Fee Distributions.

The availability and amount of Management Fee Distributions with respect to Units of an ETF will be determined by the Manager. Management Fee Distributions for an ETF will generally be calculated and applied based on a Unitholder's average holdings of Units of such ETF over each applicable period as specified by the Manager from time to time. Management Fee Distributions will be available only to beneficial owners of Units of an ETF and not to the holdings of Units of the ETF by dealers, brokers or other CDS Participants that hold Units of such ETF on behalf of beneficial owners. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units of an ETF must submit a claim for a Management Fee Distribution that is verified by a

CDS Participant on the beneficial owner's behalf and provide the Manager with such further information as the Manager may require in accordance with the terms and procedures established by the Manager from time to time.

The Manager reserves the right to discontinue or change Management Fee Distributions at any time. The tax consequences of Management Fee Distributions made by an ETF generally will be borne by the Unitholders of such ETF receiving these distributions from the Manager.

Operating Expenses

The Trust Declaration requires that the Manager pay all the expenses of the ETFs other than the Management Fee, any Sales Taxes on the applicable Management Fee and any Swap costs as may be applicable. As a result the ETFs do not have, or will not have, any operating expenses other than Management Fees and any Swap costs as may be applicable.

Expenses of the Issue

All expenses related to the issuance of Units the ETFs shall be borne by the Manager.

Swap Costs

Under the current Swaps for each of Horizons HXT, Horizons HXE and Horizons HXF, an ETF will not make any fee payments to a Counterparty in respect of the value of its Swap.

The Manager currently anticipates that under the Swap for Horizons HXH, the ETF will not make any fee payments to a Counterparty in respect of the value of its Swap.

Under the current Swap for Horizons HXS, and the Swap for Horizons HSH, each ETF pays, or will pay, to the Counterparty, monthly in arrears, a net amount equal to no more than 0.30% per annum of the notional value of the Swap calculated and applied daily in arrears.

Under the current Swap for Horizons HBB, the ETF pays to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.15% per annum of the notional value of the Swap calculated and applied daily in arrears, plus hedging costs, if any, incurred by the Counterparty. Hedging costs incurred by a Counterparty can be similar in nature to portfolio transaction costs that are incurred by an investment fund that holds portfolio securities directly. Currently, the Manager anticipates that, based on existing market conditions, the hedging costs, if any, for Horizons HBB could be between 0.00% and 0.10% of the notional exposure of any daily net subscription or redemption activity that results in changes to Horizons HBB's Swap. The actual hedging costs, if any, that may be incurred by a Counterparty and charged to Horizons HBB may be greater depending on market conditions and can change at any time.

Under the current Swap for Horizons HTB, and the Swap for Horizons HTH, each ETF pays, or will pay, to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.05% per annum of the notional value of the Swap calculated and applied daily in arrears, plus hedging costs, if any, incurred by the Counterparty. Hedging costs incurred by a Counterparty can be similar in nature to portfolio transaction costs that are incurred by an investment fund that holds portfolio securities directly. Currently, the Manager anticipates that, based on existing market conditions, the hedging costs, if any, for each of Horizons HTB and Horizons HTH could be between 0.00% and 0.10% of the notional exposure of any daily net subscription or redemption activity that results in changes to Horizons HTB's Swap or Horizons HTH's Swap, as applicable. The actual hedging costs, if any, that may be incurred by a Counterparty and charged to Horizons HTB or Horizons HTH, as applicable, may be greater depending on market conditions and can change at any time.

Under the current Swap for Horizons HXQ, the ETF will pay to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.375% per annum of the notional value of the Swap calculated and applied daily in arrears.

Under the current Swap for Horizons HXX, the ETF will pay to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.30% per annum of the notional value of the Swap calculated and applied daily in arrears.

Under the current Swap for Horizons HXDM, the ETF will pay to the Counterparty or Counterparties, monthly in arrears, a net amount, in the aggregate, equal to no more than 0.35% per annum of the notional value of the Swap calculated and applied daily in arrears.

A Swap may be amended or replaced at any time and the expenses incurred by an ETF in respect of a Swap may increase or decrease according to its terms. A Counterparty or an affiliate thereof may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

Fees and Expenses Payable Directly by Unitholders of a Bond ETF

Creation Charge – Bond ETFs

Cash Subscriptions and Securities Subscriptions by Dealers or the Designated Broker for Units of a Bond ETF may, at the sole discretion of the Manager, be subject to a creation charge of up to 0.10% of the value of the subscription order, payable to the applicable Bond ETF. The Manager will publish the current creation charges for each Bond ETF on its website, www.HorizonsETFs.com. Additionally, the cost of a Cash Subscription for Units of a Bond ETF may be further adjusted (positively or negatively) based on the actual costs incurred by the Bond ETF in acquiring the partial or full exposure to its Underlying Index that could have otherwise been delivered as part of a Securities Subscription. See “Purchases of Units”.

No fees or expenses are paid by a Unitholder of a Bond ETF to the Manager or to the Bond ETF in connection with purchasing Units of the Bond ETF on the TSX.

Redemption Charge – Bond ETFs

The Manager may, at its sole discretion, charge Unitholders of a Bond ETF a redemption charge, payable to the applicable Bond ETF, of up to 0.10% of their redemption proceeds in respect of a Cash Redemption of a PNU of the Bond ETF or a Securities Redemption of a PNU of the Bond ETF. The Manager will publish the current redemption charges for each Bond ETF on its website, www.HorizonsETFs.com. Additionally, the proceeds of a Cash Redemption for Units of a Bond ETF may be further adjusted (positively or negatively) based on the actual costs incurred by the Bond ETF in disposing of the partial or full exposure to its Underlying Index that could have otherwise been delivered as part of a Securities Redemption.

See “Redemption of Units”.

No fees or expenses are paid by a Unitholder of a Bond ETF to the Manager or to the Bond ETF in connection with selling Units of the Bond ETF on the TSX.

RISK FACTORS

There are certain risk factors inherent to an investment in an ETF. These risks relate to the following factors:

General Risks of Investments

An investment in an ETF should be made with an understanding that the value of the Index Securities for such ETF (whether held directly or indirectly) may fluctuate in accordance with changes in the financial condition of the Constituent Issuers of the applicable Underlying Index (particularly those that are more heavily weighted in such Underlying Index). The value may also fluctuate in accordance with the condition of equity, bond and currency markets generally and other factors. The identity and weighting of the applicable Constituent Issuers and Index Securities may also change from time to time.

The risks inherent in investments in equity and bond securities (whether held directly or indirectly) include the risk that the financial condition of Constituent Issuers may become impaired or that the general condition of the stock market may deteriorate (either of which may cause a decrease in the value of an Underlying Index and thus in the value of Units of a related ETF). Equity securities are susceptible to general stock market fluctuations and the financial condition of the issuer. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises.

General Risks of Investing in an Index Fund and Passive Investment Risk

Investments in an ETF should be made with an understanding that the Index Level of the applicable Underlying Index may fluctuate in accordance with the financial condition of the its Constituent Issuers (particularly those that are more heavily weighted), the value of the securities generally and other factors.

Because the investment objective of an ETF is to replicate the performance of its Underlying Index, the ETFs are not actively managed by traditional methods, and the Manager will not attempt to take defensive positions in declining markets. Therefore, the adverse financial condition of a Constituent Issuer represented in an Underlying Index will not necessarily result in the elimination of exposure to its securities, whether direct or indirect, by an ETF unless the relevant Constituent Issuer is removed from the applicable Underlying Index.

Risks Relating to Index Replication Strategies

An investment in an ETF should be made with an understanding that an ETF will not replicate exactly the performance of its Underlying Index. The total return generated by the securities held directly or indirectly by an ETF will be reduced by any costs and expenses borne by such ETF, whereas costs and expenses are not included in the calculation of the returns of the applicable Underlying Index. The hedging strategies employed by Horizons HSH and Horizons HTH will also affect the ability of Horizons HSH and Horizons HTH to track their Underlying Indexes. See “Risk Factors – Currency Hedging Risk – Horizons HSH and Horizons HTH”.

Although the Manager deems it unlikely, it is also possible that an ETF may not fully replicate the performance of its Underlying Index due to extraordinary circumstances and whenever an ETF makes direct investments in applicable Index Securities, the temporary unavailability of certain securities or instruments in the secondary market or otherwise. It is also possible that an ETF will not fully replicate the performance of its Underlying Index where that ETF’s expenses exceed income received from the applicable underlying securities.

Whenever an ETF makes direct investments in Index Securities, a deviation could also occur in the tracking of such ETF with its Underlying Index due to timing differences with respect to corporate actions (such as mergers and spin-offs), index adjustments, and other timing variances (for example, where the ETF tenders under a successful takeover bid for less than all applicable Index Securities where the applicable Constituent Issuer is not taken out of the Underlying Index and the ETF buys replacement Index Securities for more than the takeover bid proceeds). An ETF may not replicate exactly the composition of its Underlying Index, which may also lead to differences between the performance of such ETF and the performance of its Underlying Index.

Calculation of Index Level and Termination of an Underlying Index

An Underlying Index is maintained and calculated by an Index Provider. Trading in Units of an ETF may be suspended for a period of time if, for whatever reason, the calculation of an Index Level is delayed. An ETF’s subscription and redemption activity may also be suspended for a period of time if, for whatever reason, the calculation of an Index Level is delayed, provided that any such suspension would in in accordance with NI 81-102. In the event an Index Level ceases to be calculated or is discontinued, the Manager may choose to: terminate the applicable ETF; change the applicable ETF’s investment objective or to seek to replicate an alternative index (subject to any Unitholder approval required by the Trust Declaration or required by applicable law); or make such other arrangements as the Manager considers appropriate and in the best interests of applicable Unitholders in the circumstances.

The Underlying Indexes

Each Index Provider has reserved the right to make adjustments to its Underlying Index or to cease calculating the Index Level without regard to the particular interests of the applicable ETF, Horizons, the Unitholders of the ETF or the Designated Broker and the Dealers, but rather solely with a view to the original purpose of such Underlying Index.

Derivative Investments

Currently, each ETF invests or will invest in derivatives to provide indirect exposure to the securities of its Underlying Index.

The ability of an ETF to close out its positions may also be affected by daily trading limits imposed by futures exchanges on certain derivatives. If an ETF is unable to close out a position, it will be unable to realize its profits or limit its losses until such time as the contract becomes exercisable, expires or matures, as the case may be. The inability to close out swap, futures and forward positions also could have an adverse impact on an ETF's ability to use derivative instruments to effectively implement its investment strategy.

There is no assurance that an ETF's use of derivatives will be effective. There may be an imperfect historical correlation between the behaviour of the derivative instrument and the underlying investment. Any historical correlation may not continue for the period during which the derivative instrument is used.

Risk that Units Will Trade at Prices Other than Net Asset Value per Unit

The Units of an ETF may trade below, at, or above their net asset value. The net asset value per Unit of an ETF will fluctuate with changes in the market value of such ETF's holdings. The trading prices of the Units of an ETF will fluctuate in accordance with changes in the ETF's net asset value per Unit, as well as market supply and demand on the TSX. However, given that a Designated Broker or Dealer may subscribe for a PNU at the net asset value per Unit in the applicable currency, the Manager believes that large discounts or premiums to the net asset value per Unit of an ETF should not be sustained.

If a Unitholder of an ETF purchases Units of such ETF in the applicable currency at a time when the market price of such Units is at a premium to the net asset value per Unit or sells Units of such ETF at a time when the market price of such Units is at a discount to the net asset value per Unit, the Unitholder may sustain a loss.

Issuer Concentration Risk

Each ETF may invest more of its net assets in one or more issuers than is permitted for actively managed mutual funds. This may increase the liquidity risk of an ETF which may, in turn, have an effect on such ETF's ability to satisfy redemption requests. This may also lower the diversification of the ETF and may make the general risk of equity investments, fixed income investments and the volatility of net asset value of the ETF relatively greater.

Sector Risk - Horizons HXE and Horizons HXF

As Horizons HXE and Horizons HXF are each invested in a certain economic sector, the values of these ETFs are expected to be more volatile than those of an investment fund with a more broadly diversified portfolio (such as Horizons HXS and Horizons HXT). This concentration of assets in a single sector also makes Horizons HXE and Horizons HXF subject to the risk that economic, political or other conditions that have a negative effect on that sector will negatively impact Horizons HXE and Horizons HXF to a greater extent than if the assets of these ETFs were invested in a wider variety of sectors.

The value of Units of Horizons HXE is expected to vary with changes in the price of energy and related commodities and/or changes in the prices of equity securities of companies in the energy sector. Energy prices and the prices of related commodities can change quickly. Because the energy industry is sensitive to changes in the global economy and because the economy is cyclical, the demand for energy industry products also moves in cycles which will affect the share price of issuers in this sector.

The profitability of financial sector issuers represented in Horizons HXF's Underlying Index depends, among other factors, on the availability and cost of capital funds, level of sector competition, fluctuation of asset values, and stability of interest rates. Losses resulting from bad loans can negatively impact financial sector issuers. Further, the comprehensive governmental regulation of the financial sector can affect financial sector issuer profitability.

Fixed Income Risk – Bond ETFs

The market value of fixed-income securities is generally inversely related to changes in the general level of interest rates (e.g. the interest rates charged by banks and other major commercial lenders). If the general level of interest rates increases, the market value of fixed-income securities can be expected to go down while the interest payments (also referred to as "coupon payments") remain fixed, all else being equal. If the general level of interest rates decreases, the market value of fixed-income securities can be expected to go up while the coupon payments remain fixed, all else being equal.

The value of fixed-income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. This ability will be affected by such factors as general economic conditions and the creditworthiness of the issuer. Securities issued by issuers that have a low credit rating are considered to have a higher credit risk than securities issued by issuers with a high credit rating. Although generally considered less volatile than equity markets, certain types of fixed-income securities and certain market conditions may result in significant volatility in the value of one or more fixed-income investments to which a Bond ETF may be exposed. In addition, from time to time investors may re-evaluate risk and, as a result, re-price risk in the credit market. Generally, the interest rate paid on corporate debt is higher than the interest rates paid on government debt, and corporate debt is generally considered a riskier investment than government debt. Any re-pricing of risk in the credit market could increase the spread between the interest rates paid on corporate debt securities and government-issued fixed-income securities, and may lead to more volatile returns for a Bond ETF.

Eurozone Risk – Horizons HXX

European countries will be exposed to the fiscal and monetary decisions of the European Monetary Union. Changes to laws, regulations, exports, imports, changes in the exchange rate of the euro and recessions among certain European countries are can adversely influence on the economies of other European countries including those of Eastern Europe. The markets in Eastern Europe remain relatively undeveloped as compared Western Europe, and can be more sensitive to economic and political change.

International Developed Market Risk – Horizons HXDM

Horizons HXDM's investment in issuers in developed countries may subject Horizons HXDM to regulatory, political, currency, security, economic and other risks associated with developed countries. Developed countries tend to represent a significant portion of the global economy and have generally experienced slower economic growth than some less developed countries. In addition, developed countries may be adversely impacted by changes to the economic conditions of certain key trading partners, regulatory burdens, debt burdens, natural disasters, and/or the price or availability of certain commodities.

U.S. Treasury securities risk - Horizons HTB and Horizons HTH

The public debt of the United States as a percentage of gross domestic product has grown since the beginning of the 2007-2009 financial downturn. High debt levels may create certain systemic risks. A high national debt level may increase market pressures to meet government funding needs, which may drive debt cost higher and cause the United States to sell additional debt, thereby increasing refinancing risk. A high national debt also raises concerns that a government will not be able to make principal or interest payments when they are due. In the worst case, unsustainably high debt levels can cause a decline in the value of the U.S. dollar, and can prevent the U.S. government from implementing effective fiscal policy in economic downturns.

On August 5, 2011, Standard & Poor's Ratings Services downgraded U.S. Treasury securities from AAA rating to AA+ rating. Standard & Poor's Ratings Services stated that its decision was prompted by its view on the rising public debt burden and its perception of greater policymaking uncertainty. A downgrade of the ratings of U.S. government debt obligations, which are often used as a benchmark for other borrowing arrangements, could result in higher interest rates for individual and corporate borrowers, cause disruptions in the international bond markets and have a negative effect on the U.S. economy. A downgrade of U.S. Treasury securities from another ratings agency or a further downgrade below AA+ rating by Standard & Poor's Ratings Services may cause the value of Horizons HTB's and Horizons HTH's U.S. Treasury obligations to decline.

Currency Price Fluctuations - Dual Currency ETFs

The performance of Cdn$ Units of Horizons HXS, Horizons HTB, Horizons HXQ, Horizons HXX and Horizons HXDM will generally correspond to the performance, in Canadian dollars, of their respective Underlying Indexes, net of expenses. An investor buying Cdn$ Units of Horizons HXS, Horizons HTB, Horizons HXQ, Horizons HXX or Horizons HXDM may therefore experience a gain or loss due to a fluctuation in the relative value between the applicable foreign currency, and the Canadian dollar on any given day. A Unitholder buying or selling Cdn$ Units of Horizons HXS, Horizons HTB, Horizons HXQ, Horizons HXX or Horizons HXDM on the TSX may also experience currency gains or losses due to differences in the exchange rates used in determining the NAV of the applicable ETF, in Canadian dollars. No currency hedging is used with respect to Units of Horizons HXS, Horizons HTB, Horizons HXQ, Horizons HXX or Horizons HXDM.

An investor buying US$ Units of Horizons HXT may experience a foreign currency gain or loss due to a fluctuation in the relative value between the U.S. dollar and the Canadian dollar on any given day. A Unitholder buying or selling US$ Units of Horizons HXT on the TSX may also experience foreign currency gains or losses due to timing differences as the base currency of Horizons HXT is Canadian dollars. No currency hedging is used with respect to Units of Horizons HXT.

With respect to Horizons HXS, Horizons HTB and Horizons HXQ, several factors may affect the relative value between the U.S. dollar and Canadian dollar, including, but not limited to: debt level and trade deficit; inflation and interest rates; investors' expectations concerning inflation or interest rates; and global or regional political, economic or financial events and situations. In addition, the U.S. dollar may not maintain its long-term value in terms of purchasing power in the future**. If the price of the U.S. dollar declines, the Manager expects the value of Cdn$ Units of Horizons HXS, Horizons HTB and Horizons HXQ** to **decline as well**.

With respect to Horizons HXX, several factors may affect the relative value between the Euro and the Canadian dollar, including, but not limited to: debt level and trade deficit; inflation and interest rates; investors' expectations concerning inflation or interest rates; and global or regional political, economic or financial events and situations. In addition, the Euro may not maintain its long-term value in terms of purchasing power in the future**. If the price of the Euro declines, the Manager expects the value of Units of Horizons HXX to decline as well**.

With respect to Horizons HXDM, several factors may affect the relative value between the applicable foreign currencies and the Canadian dollar, including, but not limited to: debt level and trade deficit; inflation and interest rates; investors' expectations concerning inflation or interest rates; and global or regional political, economic or financial events and situations. In addition, the applicable foreign currencies may not maintain their long-term value in terms of purchasing power in the future**. If the price of the applicable foreign currencies declines, the Manager expects the value of Units of Horizons HXDM to decline as well**.

Currency Hedging Risk – Horizons HSH and Horizons HTH

Each of Horizons HSH and Horizons HTH seek to hedge all or substantially all of their foreign currency exposure by tracking the performance an index pursuant to a Swap or Swaps that includes a hedging strategy. Although there is no assurance that this currency hedging strategy will be effective, the Manager expects the currency hedging to be substantially effective. However, some deviations from the returns of the applicable index pursuant to the Swap or the applicable Underlying Index will occur as a result of this currency hedging strategy.

The effectiveness of an ETF's currency hedging strategy may, in general, be affected by the volatility of the applicable Underlying Index, the volatility of the currency in which the Units of the ETF are denominated relative to other currencies, and the amount of subscription/redemption activity of an ETF. Increased volatility may reduce the effectiveness of the currency hedging strategy. The effectiveness of this currency hedging strategy may also be affected by any significant difference between the Canadian dollar and other currencies' interest rates.

Substantial Sales of the U.S. Dollar – Horizons HXS, Horizons HSH, Horizons HTB, Horizons HTH and Horizons HXQ

The official sector of the U.S. consists of central banks, other governmental agencies and multi-lateral institutions that buy, sell and hold currency in the U.S., as part of its reserve assets. Each official sector holds a significant amount of U.S. dollars that can be mobilized in the open market. In the event that future economic, political or social conditions or pressures require members of the official sector to sell the U.S. dollars each holds simultaneously or in an uncoordinated manner, the demand for U.S. dollars might not be sufficient to accommodate the sudden increase in the supply of U.S. dollars to the market. Consequently, the price of U.S. dollars could decline, which would adversely affect an investment in Units of Horizons HXS, Horizons HSH, Horizons HTB, Horizons HTH or Horizons HXQ.

Foreign Exchange Rate Risk

In general, foreign exchange rates are influenced by the factors identified immediately above and may also be influenced by: changing supply and demand for a particular currency; monetary policies of governments (including exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries); changes in balances of payments and trade; trade restrictions; and currency devaluation and revaluations. Also, governments from time to time intervene in the currency markets, directly and by regulation, in order to influence prices directly. These events and actions are unpredictable and could materially and adversely affect the performance of the Units.

Foreign Exchange and Market Risk – Horizons HXS, Horizons HSH, Horizons HTB, Horizons HTH, Horizons HXQ, Horizons HXX and Horizons HXDM

Investments in foreign securities may involve risks not typically associated with investing in Canada. Foreign stock exchanges or fixed-income markets may be open on days when Horizons HXS, Horizons HSH, Horizons HTB, Horizons HTH, Horizons HXQ, Horizons HXX and Horizons HXDM do not price their Units and, therefore, the value of the securities in the portfolios of these ETFs may change on days when investors will not be able to purchase or sell Units. Also, constituent securities traded on foreign exchanges or on foreign fixed-income markets may not be traded on days when the foreign exchange or fixed-income market is closed and a Canadian exchange or fixed-income market is open. In those circumstances the spread or difference between the reported net asset value of these ETF's portfolios, and the market price of a Unit of the corresponding ETF on the TSX, may increase.

Counterparty Risk

Each ETF will be subject to credit risk with respect to the amount an ETF expects to receive from counterparties to financial instruments entered into by the ETF or held by special purpose or structured vehicles. In accordance with NI 81-102, the marked-to-market value of the exposure of an ETF to any one counterparty will not exceed, for a period of 30 days or more, 10% of the net asset value of such ETF. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the value of an investor's investment in Units of an ETF may decline. An ETF may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding.

The counterparty of an ETF may also be adversely affected by regulatory or market changes which may make it difficult or impossible for the counterparty to hedge its obligations to the ETF, which may adversely affect the ETF's ability to achieve its investment objective.

Index Adjustments

Adjustments to the Underlying Index of an ETF will require corresponding adjustments to the portfolio assets held by such ETF, directly or indirectly. Such adjustments could cause a minor deviation in the tracking of the Index Level by the ETF.

Adjustments to the portfolio held directly or indirectly by an ETF necessitated by adjustments to its Underlying Index will depend on the ability of the Manager to match these adjustments. To achieve this, an ETF may be required to sell or purchase, as the case may be, applicable Index Securities in the market.

Liquidity Risk

Under certain circumstances, such as a market disruption, an ETF may not be able to dispose of its investments quickly or at prices that represent the fair market value of such investments. Certain securities or derivatives held by an ETF may be illiquid, which may prevent the ETF from being able to limit its losses or realize gains.

Borrowing Risk

From time to time, an ETF may borrow cash as a temporary measure to fund the portion of any distributions payable to its Unitholders that represent amounts that have not yet been received by the ETF. An ETF is limited to borrowing up to the amount of the unpaid distribution and, in any event, not more than five percent of the net assets of such ETF. There is a risk that an ETF will not be able to repay the borrowed amount because it is unable to collect the distribution from the applicable issuer. Under these circumstances, an ETF would be required to repay the borrowed amount by disposing of portfolio assets.

Risks Relating to Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of an ETF, an ETF's investments or the Unitholders, or in the administration of such tax rules.

Regulatory and Tax-Related Risks

If an ETF fails to or ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading "Income Tax Considerations" would be materially and adversely different in certain respects. For an ETF to qualify as a "mutual fund trust," it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of its Units. An ETF will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless, at that time, all or substantially all of its property is property other than property that would be "taxable Canadian property" as defined in the Tax Act (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The current law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met.

The ETFs will each recognize income under a Swap when it is realized by such ETF upon partial settlements or upon maturity of the Swap. This may result in significant gains being realized by the ETF at such times and such gains would be taxed as ordinary income. To the extent such income is not offset by any available deductions, it would be distributed to applicable Unitholders in the taxation year in which it is realized and included in such Unitholder's income for the year.

Legal and regulatory changes may occur, including income tax laws and administrative policies and assessing practices relating to the treatment of mutual fund trusts under the Tax Act, that may adversely affect the ETFs and which could make it more difficult, if not impossible, for the ETFs to operate or to achieve their investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETFs and what can be done, if anything, to try to limit such impact.

For example, an ETF is also generally required to pay GST/HST on any management fees and most of the other fees and expenses that it has to pay. There may be changes to the way that the GST/HST and provincial sales taxes apply to fees and expenses incurred by mutual funds such as the ETFs and there may be changes in the rates of such taxes, which, accordingly, may affect the costs borne by the ETFs and their Unitholders.

The Tax Act contains rules concerning the taxation of publicly-traded Canadian trusts and partnerships that own certain types of property defined as “non-portfolio property”. A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust’s income earned from “non-portfolio property” to the extent that such income is distributed to its unitholders. These rules should not impose any tax on an ETF as long as the ETF adheres to its investment restriction in this regard. If these rules apply to an ETF, the after-tax return to Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident.

Pursuant to rules in the Tax Act, an ETF that experiences a “loss restriction event” (“**LRE**”) (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the ETF’s net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) will become subject to the LRE rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, an ETF will be subject to an LRE if a Unitholder of the ETF alone or together with affiliated persons or partnerships (or group of persons) acquires (or becomes a holder of) more than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the ETF. Please see “Income Tax Considerations – Taxation of Unitholders” for the tax consequences of an unscheduled or other distribution to Unitholders. Trusts that qualify as “investment funds” as defined in the rules in the Tax Act relating to LREs are generally excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not holding any property that it uses in the course of carrying on a business and complying with certain asset diversification requirements. If an ETF were not to qualify as an “investment fund”, it could potentially have an LRE and thereby become subject to the related tax consequences described above.

The ETFs (primarily Horizons HXS, Horizons HSH, Horizons HTB, Horizons HTH, Horizons HXQ, Horizons HXX and Horizons HXDM) may invest in global equity or debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends and interest paid or credited to persons who are not resident in such countries. While the ETFs intend to make investments in such a manner as to minimize the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in global equity and debt securities may subject the ETFs to foreign taxes on dividends and interest paid or credited to them or any gains realized on the disposition of such securities. Any foreign taxes incurred by an ETF will generally reduce the value of its portfolio.

Cease Trading of Securities Risk

Whenever an ETF makes direct investments in Index Securities, if the Index Securities are cease-traded by order of a securities regulatory authority or are halted from trading by the relevant exchanges, such ETF may halt trading in its Units. Thus, Units of an ETF bear the risk of cease trading orders against all Constituent Issuers of its Underlying Index, as well as exchange traded funds, the securities of which are Index Securities.

If Units of an ETF are cease-traded by order of a securities regulatory authority, if normal trading is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for Units of such ETF, the ETF may suspend the right to redeem Units of the ETF for cash, subject to prior regulatory approval. If the right to redeem Units for cash is suspended, the ETF will return redemption requests to its Unitholders who have submitted them.

General Risks of Equity Investments – Equity ETFs

Holders of equity securities of any given issuer incur more risk than holders of debt obligations of such issuer because shareholders, as owners of such issuer, have generally inferior rights to receive payments from such issuer in comparison with the rights of creditors of, or holders of debt obligations issued by, such issuer. Further, unlike debt securities, which typically have a stated principal amount payable at maturity (whose value, however, will be subject to market fluctuations prior thereto), equity securities have neither a fixed principal amount nor a maturity.

In the case of an ETF, distributions on the Units of such ETF will generally depend upon the declaration of dividends or distributions on the applicable Index Securities. The declaration of such dividends or distributions generally depends upon various factors, including the financial condition of the applicable Constituent Issuers and general economic conditions. Therefore, there can be no assurance that the Constituent Issuers will pay dividends or distributions on Index Securities.

Voting of Index Securities Risk

Unitholders of the ETFs will not have any right to vote Index Securities held by the ETFs, while they would have the right to vote if they owned the Index Securities directly.

Income Trust Investments Risks – Equity ETFs

Income trust securities may be Constituent Issuers that are included in an Underlying Index. The value of income trusts and the stability of distributions from income trusts may fluctuate in accordance with changes in the financial conditions of those income trusts, the condition of equity markets generally, economic conditions, interest rates and other factors.

Generally, the declaration of trust or trust agreement under which an income trust is governed provides that no unitholder of such income trust shall be subject to any liability whatsoever to any person in connection with a holding of units. In addition, legislation in force in the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan and Quebec provides that the holders of units of an income trust that is (i) governed under the laws of such province and (ii) a reporting issuer under the securities laws of such province are not, as beneficiaries, liable for any act, default, obligation or liability of the income trust. However, there remains a risk that, if an ETF holds units in an income trust that is governed under the laws of a jurisdiction other than the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan or Quebec, such ETF could be held liable for the obligations of such income trust to the extent that claims are not satisfied out of the assets of the income trust. Generally, income trusts publicly disclose that the risk of such liability is remote and undertake to manage their affairs to seek to minimize such risk wherever possible.

Exchange Risk

In the event that the TSX closes early or unexpectedly on any day that it is normally open for trading, Unitholders will be unable to purchase or sell Units of an ETF on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of Units of the ETF may be suspended until the TSX reopens.

Liability of Unitholders

The Trust Declaration provides that no Unitholder of an ETF will be subject to any personal liability whatsoever for any wilful or negligent acts or omissions or otherwise to any party in connection with the assets of the ETF or the affairs of the ETF. The Trust Declaration also provides that an ETF must indemnify and hold each Unitholder of the ETF harmless from and against any and all claims and liabilities to which such Unitholder may become subject by reason of being, or having been, a Unitholder of the ETF and must reimburse such Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty, outside of Ontario, that a claim will not be made against a Unitholder of an ETF for liabilities which cannot be satisfied out of the assets of the ETF.

Reliance on Key Personnel

Unitholders will be dependent on the abilities of: (i) the Manager in providing recommendations and advice in respect of the ETFs; and (ii) the Manager to effectively manage the ETFs in a manner consistent with their investment objectives, investment strategies and investment restrictions. Implementation of an ETF's investment strategies will be dependent on the Manager. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to an ETF will continue to be employed by the Manager.

Securities Lending

Each ETF may engage in securities lending. Although an ETF will receive collateral in excess of the value of the securities on loan in connection with all loans of securities, and such collateral is marked to market, an ETF would be exposed to the risk of loss should a borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. In addition, an ETF will bear the risk of loss of any investment of cash collateral.

Risk Ratings of the ETFs

The investment risk level of each ETF is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the ETF, as measured by the 10-year standard deviation of the returns of the ETF. If the ETF is fewer than 10 years old, the Manager calculates the investment risk level of each ETF using the return history of the ETF, and, for the remainder of the 10 year period, the return history of a reference index (set out in the table below) that is expected to reasonably approximate the standard deviation of the ETF. Once an ETF has 10 years of performance history, the methodology will calculate the standard deviation of the ETF using only the return history of the ETF rather than that of the ETF and the reference index. In each case, the ETFs are assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk. The investment risk rating of each ETF is disclosed in its ETF Facts document. The risk ratings set forth in each ETF Facts document do not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances.

The following chart sets out the reference index used for each ETF for the portion of the 10 year calculation period during which an ETF did not exist:

ETF	**Reference Index**
Horizons HXT	S&P/TSX 60™ INDEX (TOTAL RETURN)
Horizons HXS	S&P 500® INDEX (TOTAL RETURN)
Horizons HXE	S&P/TSX CAPPED ENERGY INDEX (TOTAL RETURN)
Horizons HXF	S&P/TSX CAPPED FINANCIALS INDEX (TOTAL RETURN)
Horizons HBB	SOLACTIVE CANADIAN SELECT UNIVERSE BOND INDEX (TOTAL RETURN)
Horizons HTB	SOLACTIVE US 7-10 YEAR TREASURY BOND INDEX (TOTAL RETURN)
Horizons HXQ	NASDAQ-100® INDEX (TOTAL RETURN)
Horizons HXX	EURO STOXX 50® FUTURES ROLL INDEX (TOTAL RETURN)
Horizons HXH	SOLACTIVE CANADIAN HIGH DIVIDEND YIELD INDEX (TOTAL RETURN)
Horizons HSH	S&P 500® CAD HEDGED INDEX (TOTAL RETURN)
Horizons HTH	SOLACTIVE US 7-10 YEAR TREASURY BOND CAD HEDGED INDEX (TOTAL

	RETURN)
Horizons HXDM	HORIZONS EAFE FUTURES ROLL INDEX (TOTAL RETURN) INDEX

In certain instances, the methodology described above may produce an investment risk level for an ETF which the Manager believes may be too low and not indicative of the ETF's future volatility. As a result, in addition to using the standardized risk classification methodology described above, the Manager may increase an ETF's investment risk level if it determines that to be reasonable in the circumstances by taking into account other qualitative factors including, but not limited to, economic climate, portfolio management styles, sector concentration and types of investments made by the ETF.

Unitholders should know that other types of risks, both measurable and non-measurable, exist. Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The risk ratings of the ETFs set out below are reviewed annually and anytime it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk ratings of the ETFs is available on request, at no cost, by calling toll-free 1-866-641-5739 or by writing to the Manager at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

DISTRIBUTION POLICY

The ETFs will not make regular distributions. An ETF will, only when necessary, distribute income in the form of a distribution in Units or reinvested into Units of the ETF at the end of a taxation year, except as noted below. The Units of the ETF will then be consolidated so that the number of Units held by an investor after such a distribution will be equal to the number of Units they held the moment before the distribution. In the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly.

As long as a Swap is used as the sole investment strategy of the ETFs, the Manager anticipates that, prior to termination of the Swap, an ETF should only realize net income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager intends, on behalf of the ETF, to allocate and make payable for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Unitholder does not redeem his or her Units while the applicable ETF uses a Swap as its sole investment strategy, the Unitholder is not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

In the case of a taxation year ending on December 15, prior to the end of the calendar year in which such taxation year ends, or, in the case of taxation year ending on a date other than December 15, prior to the end of such taxation year, an ETF will ensure that the net income and net realized capital gains of the ETF have been paid or made payable to Unitholders of the ETF to such an extent that the ETF will not be liable for non-refundable income tax thereon. To the extent that an ETF has not paid or made payable the full amount of its net income and net capital gains in cash in any taxation year, the difference between such amount and the amount actually paid or made payable by the ETF in cash will be paid or made payable as a "reinvested distribution" or distributed in Units. Reinvested distributions will be reinvested automatically in additional Units of an ETF in the applicable currency at a price, or Units of an ETF in the applicable currency will be distributed at a price, equal to the net asset value per Unit of the ETF and the Units of the ETF will be immediately consolidated such that the number of outstanding Units of the ETF following the distribution will equal the number of Units of the ETF outstanding prior to the distribution. In the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly.

PURCHASES OF UNITS

Issuance of Units of the ETFs

To the Designated Broker and Dealers

All orders to purchase Units directly from an ETF must be placed by a Designated Broker or Dealer in the applicable currency. Subscriptions for US$ Units of a Dual Currency ETF can be made in either U.S. or Canadian dollars. At the discretion of the manager, direct subscriptions for Cdn$ Units or US$ Units of Horizons HXX may, in the future, be permitted to be made in Euro. Each ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or Dealer for Units of an ETF, including, without limitation, if (a) the order is not in proper form; (b) the investor(s), upon obtaining the Units ordered, would own 50% or more of the currently outstanding Units of the ETF; (c) the acceptance of the order would otherwise, in the sole discretion of the Manager or, if applicable Investment Manager, have an adverse effect on the ETF or the rights of beneficial owners of Units; (d) the acceptance or receipt of the order would, in the opinion of counsel to the ETF, be unlawful; or (e) circumstances outside the control of the Manager, the Custodian, and/or the Registrar and Transfer Agent exist which make processing of the subscription order for all practical purposes not feasible. No fees will be payable by an ETF to a Designated Broker or Dealer in connection with the issuance of Units of an Equity ETF.

The Manager will publish the PNU for each ETF in each applicable currency following the close of business on each Trading Day on its website, www.HorizonsETFs.com. The Manager may, at its sole discretion, increase or decrease the PNU of an ETF from time to time.

<u>ETFs other than Horizons HXX</u>

On any Trading Day, a Designated Broker or Dealer may place a subscription order for the PNU or multiple PNU of an ETF in the applicable currency. In respect of the Equity ETFs other than Horizons HXX, a subscription order may be a Cash Subscription or, at the sole discretion of the Manager, a Securities Subscription. In respect of a Bond ETF, a subscription order may be a Securities Subscription or, at the sole discretion of the Manager, a Cash Subscription.

The Manager will, for each Trading Day, make available to the Designated Broker and the Dealers throughout the Trading Day information as to which securities will be accepted in respect of a Securities Subscription. The Manager may change the securities which will be accepted in respect of a Securities Subscription at any time throughout a Trading Day, in its sole discretion. The Manager may also, in its sole discretion, limit the number of PNUs of a Bond ETF which may be subscribed for pursuant to a subscription order.

If a Cash Subscription or a Securities Subscription is received by an ETF in the applicable currency by 12:00 p.m. (Toronto time) on a Trading Day when the principal exchange or market for the securities to which an ETF is exposed does not close early, and is accepted by the ETF, that ETF will issue to the Designated Broker or Dealer the number of Units of such ETF subscribed for generally by the second Trading Day after the date on which the subscription order is accepted. The number of Units issued will be based on the net asset value per Unit of the applicable ETF, in the applicable currency, at the close of the Trading Day on which the subscription is accepted by the Manager, provided that payment in full for such Units has been received. On days when the principal exchange or market for the securities to which an ETF is exposed closes early, a revised deadline for subscription orders in respect of such ETF will be communicated to the Designated Broker and the Dealers.

Notwithstanding the foregoing, an ETF will issue to the Designated Broker or Dealer the number of Units of the applicable ETF in the appropriate currency for which the Designated Broker or Dealer subscribed, by no later than the second Trading Day after the date on which the subscription order was accepted, provided that payment in full for such Units has been received.

Unless the Manager shall otherwise agree, or the Trust Declaration shall otherwise provide, as payment for a PNU of an ETF a Dealer or Designated Broker must deliver a Cash Subscription or a Securities Subscription, as applicable, in the appropriate currency in an amount sufficient so that the cash and/or securities delivered is equal to the net asset value of the PNU of the ETF in that currency next determined following the receipt of the subscription order. Subscriptions for US$ Units of a Dual Currency ETF can be made in either U.S. or Canadian dollars. The value of a Securities Subscription accepted by the Manager will be determined as at the close of business on the date the applicable subscription order is accepted.

Horizons HXX

All orders to purchase Units directly from Horizons HXX must be placed by a Designated Broker and/or the Dealers. Horizons HXX reserves the absolute right to reject any subscription order placed by a Designated Broker and/or a Dealer. No fees are payable by Horizons HXX to a Designated Broker or a Dealer in connection with the issuance of Units of Horizons HXX.

On any Trading Day ("**T-1**"), a Designated Broker or a Dealer may place a Cash Subscription order for a PNU or multiple PNU of Horizons HXX. The purchase price in the applicable currency for the Units to be issued is based on the closing net asset value per Unit of Horizons HXX on the first Trading Day after T-1 on which the subscription is accepted by the Manager (the "**Trade Date**" or "**T**"). If a subscription order is received by Horizons HXX by 12:00 p.m. (Toronto time) on T-1, Horizons HXX will issue to the Designated Broker or Dealer the number of Units of Horizons HXX subscribed for generally on the first Trading Day ("**T+1**") after the Trade Date, and no later than the second Trading Day after the Trade Date, provided that payment for such Units has been received.

In issuing Units of Horizons HXX to a Designated Broker or Dealer, the Designated Broker or Dealer must deliver cash in the applicable currency in exchange for the Units in an amount equal to the net asset value of such Units next determined following the receipt of the subscription order.

Creation Transaction Fees – Bond ETFs

Notwithstanding the foregoing, Cash Subscriptions and Securities Subscriptions for Units of a Bond ETF may, at the sole discretion of the Manager, be subject to a creation charge of up to 0.10% of the value of the subscription order, payable to the applicable Bond ETF. The Manager will publish the current creation charges for each Bond ETF on its website, www.HorizonsETFs.com. Additionally, the cost of a Cash Subscription for Units of a Bond ETF may be further adjusted (positively or negatively) based on the actual costs incurred by the Bond ETF in acquiring the partial or full exposure to its Underlying Index that could have otherwise been delivered as part of a Securities Subscription (the "**Subscription Non-Standard Adjustment**"). Depending on the prices at which a Bond ETF is able to execute such transactions, relative to its NAV valuation, the Subscription Non-Standard Adjustment applicable to a Cash Subscription may be positive or negative. That is, it may represent a debit or a credit to the settlement amount due from the subscribing Designated Broker or Dealer.

To Unitholders of an ETF as Reinvested Distributions or Distributions Paid in Units

Units of an ETF will be issued to Unitholders of the ETF on the automatic reinvestment of all distributions or on a distribution paid in Units, in each case in the applicable currency in accordance with the distribution policy of such ETF. See "Distribution Policy".

Buying and Selling Units of an ETF

Units of each ETF are currently listed and trading on the TSX. The Manager will issue a news release announcing the listing of the US$ Units of Horizons HXX on or prior to the applicable listing date.

An investor may buy or sell such Units on the TSX in the applicable currency only through a registered broker or dealer in the province or territory where the investor resides. Investors will incur customary brokerage commissions when buying or selling such Units.

Non-Resident Unitholders

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units of an ETF (on either a number of Units or fair market value basis) at any time during which more than 10% of the property of such ETF consists of property that would be "taxable Canadian property" if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof. None of the properties held by an ETF, including a Swap, should be considered such property. If the Manager expects or believes that more than 10% of an ETF's property may consist of such property at any time, the ETF and the Manager may inform the Registrar and Transfer Agent of such ETF of the restriction on who may be a beneficial owner of a majority of its Units.

If the Manager believes that more than 10% of an ETF's property is property that would be "taxable Canadian property" if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof and if the Manager determines that more than 40% of the Units of such ETF (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units of such ETF in the applicable currency or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units of such ETF and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of the applicable ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of such ETF as a mutual fund trust for purposes of the Tax Act.

Special Considerations for Unitholders

Units of each ETF are, in the opinion of the Manager, index participation units within the meaning of NI 81-102. Accordingly, in the opinion of the Manager, mutual funds may purchase Units of an ETF without regard to the control, concentration or "fund of funds" restrictions of NI 81-102. No purchase of Units of an ETF should be made solely in reliance on the above statements.

The provisions of the so-called "early warning" requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of the ETFs. In addition, the ETFs have obtained exemptive relief from the Securities Regulatory Authorities to permit a Unitholder of an ETF to acquire more than 20% of the Units of such ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units of such ETF at any meeting of Unitholders of that ETF.

Units of each ETF are "tracking property" such that if such Units are "fair value property" of a Unitholder, the Units will be "mark-to-market property" of the Unitholder (in each case, for purposes of the "mark-to-market" rules in the Tax Act). These rules require taxpayers that are financial institutions within the meaning of the rules to recognize annually on income account any accrued gains and losses on securities that are "mark-to-market property".

REDEMPTION OF UNITS

As described below under "Book-Entry Only System", registration of interests in, and transfers of, Units of an ETF in the applicable currency will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant through which the owner holds Units of an ETF. Beneficial owners of Units of an ETF should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units in the applicable currency sufficiently in advance of the cut-off times described below to allow such CDS Participant to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

ETFs other than Horizons HXX

On any Trading Day, Unitholders may redeem: (i) Units for cash at a redemption price per Unit equal to 95% of the closing price for the applicable Units in the applicable currency on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the net asset value per Unit on the effective day of redemption, (ii) for an Equity ETF, and at the sole discretion of the Manager for a Bond ETF, a PNU or a whole multiple PNU for cash in the applicable currency equal to the net asset value of that number of Units in such currency next determined following the receipt of the redemption request (a "**Cash Redemption**"), provided that a Cash Redemption in respect of a Bond ETF may be subject to redemption charges at the sole discretion of the Manager, or (iii) for a Bond ETF, and at the sole discretion of the Manager for an Equity ETF, a PNU or a whole multiple PNU in exchange for securities and cash in the applicable currency equal to the net asset value of that number of Units in such currency following the receipt of the redemption request (a "**Securities Redemption**"), provided that a Securities Redemption in respect of a Bond ETF may be subject to redemption charges at the sole discretion of the Manager. Holders of US$ Units of a Dual Currency ETF may request that the cash portion of their redemption proceeds be paid in U.S. or Canadian dollars. Because Unitholders will generally be able to sell (rather than redeem) Units at the applicable full market price in the applicable currency on the TSX through a registered broker or dealer subject only to customary brokerage commissions, unless they are redeeming a PNU, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash.

In order for a redemption in the applicable currency, whether it is a Cash Redemption or a Securities Redemption, to be effective on a Trading Day when the principal exchange or market for the securities to which an ETF is exposed does not close early, a redemption request in the form prescribed by the Manager from time to time must be delivered to an ETF at its head office by 12:00 p.m. (Toronto time) on that day. If a redemption request is not received by 12:00 p.m. (Toronto time) on a Trading Day, the redemption order will be effective only on the next Trading Day. Payment of the redemption price in the applicable currency will generally be made on the third Valuation Day after the effective day of the redemption. The redemption request forms may be obtained from any registered broker or dealer. On days when the principal exchange or market for the securities to which an ETF is exposed closes early, the earlier deadline for redemption requests in respect of such ETF will be made available to the Designated Broker and the Dealers.

All requests to redeem US$ Units of Horizons HXT in U.S. dollars will, if necessary, be converted at the end of the day on which the redemption request is effective into U.S. dollars using an exchange rate determined by the Manager for such time.

All requests to redeem Cdn$ Units of Horizons HTB, Horizons HXS or Horizons HXDM in Canadian dollars will, if necessary, be converted at the end of the day on which the redemption request is effective into Canadian dollars using an exchange rate determined by the Manager for such time.

Unitholders that have delivered a redemption request prior to the Distribution Record Date for any distribution will not be entitled to receive that distribution.

The Manager will, for each Trading Day, make available to the Designated Broker and the Dealers throughout the Trading Day information as to which securities will be delivered in respect of a Securities Redemption. The Manager may change the securities which will be delivered in respect of a Securities Redemption at any time throughout a Trading Day, in its sole discretion.

Horizons HXX

On any Trading Day ("**T-1**"), Unitholders of Horizons HXX may request to redeem: (i) Units of Horizons HXX for cash at a redemption price per Unit equal to 95% of the closing price for Units of Horizons HXX on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the net asset value per Unit on the effective day of redemption, which will be the next Trading Day after T-1 (the "**Redemption Date**" or "**T**"); or (ii) a PNU or a multiple PNU of Horizons HXX for cash equal to the net asset value of that number of Units on the Redemption Date. Because Unitholders of Horizons HXX are generally able to sell their Units of Horizons HXX at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders of Horizons HXX are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash unless they are redeeming a PNU of Horizons HXX.

A cash redemption request, in the form prescribed by the Manager from time to time, must be delivered to the Manager with respect to Horizons HXX at its head office by 12:00 p.m. (Toronto time) on a Trading Day. The effective day of the redemption for a cash redemption request will be the Redemption Date, and the redemption price will be determined using the closing price for Units of Horizons HXX on the Redemption Date or the net asset value of Units of Horizons HXX on the Redemption Date, as applicable. Payment of the redemption price will generally be made on the second Trading Day ("**T+2**") after the Redemption Date.

Investors that redeem their Units of Horizons HXX prior to the distribution record date for any distribution will not be entitled to receive that distribution.

Redemption Transaction Fees – Bond ETFs

The Manager may, at its sole discretion, charge Unitholders of a Bond ETF a redemption charge of up to 0.10% of the redemption proceeds of the applicable ETF in respect of a Cash Redemption or a Securities Redemption. The Manager will publish the current redemption charges for each Bond ETF on its website, www.HorizonsETFs.com. Additionally, the proceeds of a Cash Redemption for Units of a Bond ETF may be further adjusted based on the actual costs incurred by the applicable ETF in disposing of the partial or full exposure to its Underlying Index that could have otherwise been delivered as part of a Securities Redemption (the "**Redemption Non-Standard Adjustment**"). Depending on the prices at which a Bond ETF is able to execute such transactions, relative to its NAV valuation, the Redemption Non-Standard Adjustment applicable to such a Cash Redemption may be positive or negative. That is, it may represent a debit or a credit to the settlement amount due to the redeeming Unitholder.

Suspension of Redemptions

The Manager may suspend the redemption of Units of an ETF or payment of redemption proceeds of an ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by such ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for such ETF; or (ii) with the prior permission of the Securities Regulatory Authorities where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the ETF or which impair the ability of the Valuation Agent to determine the value of the assets of such ETF. The suspension may apply to all requests for redemptions received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption in the applicable currency will be effected at a price determined on the first Valuation Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the ETF, any declaration of suspension made by the Manager shall be conclusive.

Allocations of Income and Capital Gains to Redeeming Unitholders

Pursuant to the Trust Declaration, each ETF may allocate and designate any income or capital gains realized by such ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units of the ETF to a Unitholder of such ETF whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any income or capital gains of such ETF to a Unitholder of such ETF who has redeemed Units of the ETF during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's income and capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the fair market value of the securities that the Unitholder will receive in respect of the redemption.

Book-Entry Only System

Registration of interests in, and transfers of, Units of an ETF will be made only through the book-entry only system of CDS. Units of an ETF must be purchased, transferred and surrendered for redemption in the applicable currency only through a CDS Participant. All rights of an owner of Units of an ETF must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by, CDS or the CDS Participant through which the owner holds such Units of the ETF. Upon buying Units of an ETF in the applicable currency, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units of an ETF means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither the ETFs nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units of an ETF or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units of an ETF to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

Each ETF has the option to terminate registration of Units of such ETF through the book-entry only system in which case certificates for Units of the ETF in fully registered form will be issued to beneficial owners of such Units or to their nominees.

Short-Term Trading

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the ETFs at this time as: (i) the ETFs are exchange traded funds that are primarily traded in the secondary market; and (ii) the few transactions involving Units of an ETF that do not occur on the secondary market involve the Designated Broker and the Dealers, who can only purchase or redeem Units in a PNU, and on whom the Manager may impose a redemption fee in respect of a Bond ETF.

PRIOR SALES

Trading Price and Volume

The following tables provide the price ranges and volume of Units traded on the TSX for each of the ETFs, during the 12 months (or such shorter period as indicated) that preceded the date of this prospectus, as applicable.

Horizons HXT

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	30.36 - 31.01	13,380,831
September 2017	30.35 - 31.87	15,497,690
October 2017	32.02 - 32.85	10,457,233
November 2017	32.70 - 33.14	13,158,688
December 2017	32.86 - 33.48	12,818,684
January 2018	32.98 - 33.95	18,109,504
February 2018	31.07 - 32.80	14,526,795

March 2018	31.45 - 32.64	16,219,434
April 2018	31.48 - 32.55	23,064,889
May 2018	32.47 - 33.77	16,182,788
June 2018	33.47 - 34.41	16,817,694
July 2018	34.02 - 34.84	12,127,685

Horizons HXS

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	56.88 - 58.60	296,649
September 2017	55.72 - 58.63	439,648
October 2017	59.06 - 62.07	1,474,960
November 2017	61.22 - 64.02	1,650,507
December 2017	62.51 - 64.88	1,739,381
January 2018	63.17 - 66.35	819,619
February 2018	61.26 - 66.20	1,277,548
March 2018	62.70 - 67.76	919,507
April 2018	62.52 - 64.70	591,365
May 2018	63.68 - 66.93	2,010,913
June 2018	66.87 - 69.59	2,492,700
July 2018	67.86 - 70.35	1,993,406

Horizons HXE

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	17.34 - 18.54	717,823
September 2017	17.97 - 20.13	82,836
October 2017	18.99 - 20.33	264,742
November 2017	19.49 - 21.28	390,105
December 2017	19.00 - 20.31	356,196
January 2018	19.57 - 21.10	152,256
February 2018	17.51 - 19.45	825,144
March 2018	17.86 - 19.11	859,616
April 2018	18.46 - 21.33	332,916
May 2018	20.94 - 22.35	1,105,667
June 2018	20.63 - 21.96	57,383
July 2018	21.78 - 22.55	52,162

Horizons HXF

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	37.70 - 38.43	34,224
September 2017	37.34 - 39.79	18,148
October 2017	39.99 - 41.59	50,354
November 2017	41.16 - 41.79	818,678
December 2017	41.41 - 42.07	776,558
January 2018	41.79 - 42.81	15,306
February 2018	39.77 - 42.09	19,559
March 2018	40.15 - 41.78	35,180
April 2018	39.36 - 40.78	1,048,945
May 2018	40.35 - 41.84	1,029,429
June 2018	41.10 - 42.17	28,376
July 2018	41.23 - 42.28	30,911

Horizons HBB

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	44.13 - 44.47	804,598
September 2017	43.77 - 44.41	762,745
October 2017	43.86 - 44.54	271,112

November 2017	44.52 - 44.91	343,613
December 2017	44.67 - 45.11	392,962
January 2018	44.24 - 44.60	509,527
February 2018	43.98 - 44.38	474,112
March 2018	44.20 - 44.75	478,315
April 2018	44.14 - 44.64	432,600
May 2018	43.92 - 44.75	887,112
June 2018	44.49 - 45.09	1,090,448
July 2018	44.50 - 45.04	819,775

Horizons HTB

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	51.42 - 52.25	59,187
September 2017	50.14 - 51.52	80,418
October 2017	50.85 - 52.55	97,121
November 2017	51.68 - 52.61	102,025
December 2017	51.01 - 52.65	18,828
January 2018	49.00 - 50.93	124,702
February 2018	48.82 - 50.59	59,940
March 2018	50.65 - 51.81	33,883
April 2018	49.90 - 51.04	124,374
May 2018	49.79 - 52.09	464,613
June 2018	51.09 - 53.40	637,018
July 2018	51.54 - 52.68	307,613

Horizons HXQ

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	40.35 - 41.73	27,254
September 2017	40.00 - 41.37	52,571
October 2017	41.57 - 44.76	36,486
November 2017	44.35 - 45.76	61,880
December 2017	44.24 - 46.66	68,099
January 2018	45.28 - 48.12	66,889
February 2018	44.37 - 49.23	102,787
March 2018	46.58 - 51.14	193,895
April 2018	45.77 - 48.12	149,607
May 2018	47.64 - 50.65	95,255
June 2018	51.12 - 54.13	138,980
July 2018	51.81 - 54.47	110,052

Horizons HXH

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	29.26 - 30.11	141,465
September 2017	29.33 - 30.86	31,865
October 2017	30.92 - 31.58	52,832
November 2017	31.53 - 32.01	73,276
December 2017	31.71 - 32.15	176,223
January 2018	31.18 - 32.33	65,694
February 2018	29.00 - 30.95	190,523
March 2018	29.27 - 30.21	141,069
April 2018	29.03 - 31.12	58,504
May 2018	30.71 - 32.06	45,950
June 2018	31.20 - 32.47	78,199
July 2018	32.44 - 33.16	30,685

Horizons HXX

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	29.39 - 30.25	395,801
September 2017	29.07 - 30.69	218,923
October 2017	30.51 - 32.10	254,795
November 2017	30.69 - 32.03	373,747
December 2017	30.55 - 31.72	302,367
January 2018	30.52 - 32.57	255,951
February 2018	29.89 - 31.87	301,911
March 2018	30.15 - 32.08	523,189
April 2018	30.40 - 32.05	505,475
May 2018	30.43 - 32.16	850,167
June 2018	30.81 - 32.03	208,328
July 2018	30.94 - 31.92	149,823

Horizons HSH

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	57.37 - 58.55	15,848
September 2017	58.08 - 59.55	32,921
October 2017	59.86 - 61.16	249,836
November 2017	60.92 - 62.77	64,747
December 2017	62.42 - 63.97	39,693
January 2018	63.98 - 68.11	78,906
February 2018	61.54 - 67.20	116,533
March 2018	61.75 - 66.22	192,249
April 2018	61.45 - 64.61	45,774
May 2018	62.48 - 65.22	62,688
June 2018	64.38 - 66.44	222,042
July 2018	64.14 - 67.63	60,960

Horizons HTH

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	49.04 - 49.29	18,497
September 2017	49.59 - 49.59	229
October 2017	48.55 - 48.86	779
November 2017	48.34 - 48.94	3,123
December 2017	48.36 - 48.67	24,081
January 2018	47.78 - 48.35	1,821
February 2018	47.15 - 47.56	21,248
March 2018	47.19 - 47.73	3,376
April 2018	46.99 - 47.69	325
May 2018	46.90 - 47.30	10,080
June 2018	47.27 - 47.66	10,793
July 2018	47.32 - 47.69	1,284,688

Horizons HXDM

Month	Unit Price Range ($)	Volume of Units Traded
September 2017	31.03 - 31.22	110,900
October 2017	31.53 - 33.08	268,363
November 2017	32.25 - 33.29	227,193
December 2017	32.47 - 33.54	232,088
January 2018	32.90 - 34.54	376,168
February 2018	31.92 - 33.89	137,970
March 2018	32.40 - 34.26	315,978
April 2018	32.83 - 33.88	464,551

May 2018	33.16 - 34.15	264,687
June 2018	33.27 - 34.18	415,885
July 2018	33.15 - 34.00	166,545

INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act that generally apply to the acquisition, holding and disposition of Units of an ETF by a Unitholder of an ETF who acquires Units of the ETF pursuant to this prospectus. This summary only applies to a prospective Unitholder of an ETF who is an individual (other than a trust) resident in Canada for purposes of the Tax Act, who deals at arm's length with the ETF, the Designated Broker and the Dealers, who is not affiliated with the ETF, the Designated Broker or any Dealer and who holds Units of the ETF as capital property, all within the meaning of the Tax Act (a "**Holder**").

Generally, Units of an ETF will be considered to be capital property to a Holder provided that the Holder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Assuming that an ETF is a "mutual fund trust" for purposes of the Tax Act, certain Holders who might not otherwise be considered to hold Units as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a "derivative forward agreement" within the meaning of the Tax Act with respect to Units or any securities disposed of in exchange for Units.

This summary is based on the assumption that each ETF will qualify or be deemed to qualify at all times as a "unit trust" and a "mutual fund trust", and will at no time be subject to the tax for "SIFT trusts", all within the meaning of the Tax Act. For an ETF to qualify as a "mutual fund trust", among other things, it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of its Units. Each ETF has made, or is expected to make, an election under the Tax Act in its first return of income so that it qualified, or will quality, under the Tax Act as a "mutual fund trust" from the commencement of its first taxation year. There can be no assurance that an ETF will maintain its status as a "mutual fund trust". In the event an ETF were not to qualify as a mutual fund trust under the Tax Act at all times or is a "SIFT trust", the income tax consequences described below would, in some respects, be materially different.

This summary is also based on the assumptions that (i) none of the issuers of the securities in the portfolio of an ETF will be foreign affiliates of the ETF or of any Unitholder, or "SIFT trusts" or "SIFT partnerships" within the meaning of the Tax Act, (ii) none of the securities in the portfolio of an ETF will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act and (iii) none of the securities in the portfolio of an ETF will be an offshore investment fund property (or an interest in a partnership that holds such property) that would require the ETF to include significant amounts in the ETF's income pursuant to section 94.1 of the Tax Act or an interest in a trust (or a partnership which holds such an interest) which would require the ETF (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an "exempt foreign trust" (or a partnership which holds such interest). This summary further assumes that each ETF will comply with its investment restrictions.

This summary is based on the current provisions of the Tax Act and an understanding of the current published administrative and assessing practices and policies of the CRA made publicly available prior to the date hereof. This summary takes into account the Tax Amendments. This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law whether by legislative, governmental or judicial action other than the Tax Amendments in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed in this prospectus. There can be no assurance that the Tax Amendments will be enacted in the form publicly announced, or at all.

This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units of an ETF. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units of an ETF. This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any holder of Units of an ETF. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units of an ETF based on their particular circumstances and review the risk factors related to tax set out above.

Status of the ETFs

As noted above, this summary assumes that each ETF qualifies at all times as a "mutual fund trust" for purposes of the Tax Act and is not a "SIFT trust" for purposes of the Tax Act.

Provided the Units of an ETF are listed on a "designated stock exchange" (within the meaning of the Tax Act) or the ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, Units of such ETF will be qualified investments under the Tax Act for Registered Plans.

Units of an ETF are generally not prohibited investments for a "registered pension plan" under subsection 8514(1) of the regulations under the Tax Act unless such ETF is (a) an employer who participates in the plan; (b) a person connected with such an employer for purposes of these rules; (c) a person that controls, directly or indirectly, in any manner whatsoever, such an employer or connected person; or (d) a person that does not deal at arm's length with a member of the plan or with any person described in (a), (b) or (c) above.

In the case of a Securities Redemption, the investor may receive securities that may or may not be qualified investments under the Tax Act for Registered Plans or registered pension plans. If such securities are not qualified investments for Registered Plans, such Registered Plans (and, in the case of certain Registered Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments for Registered Plans or registered pension plans.

For certain tax consequences of holding Units in a Registered Plan, see "Income Tax Considerations – Taxation of Registered Plans".

Taxation of the ETFs

Each ETF has elected to have a taxation year that ends on December 15 of each calendar year. Each ETF must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable to its Unitholders in the year. An amount will be considered to be payable to a Unitholder of an ETF in a taxation year if it is paid to the Unitholder in that year by the ETF or if the Unitholder is entitled in that year to enforce payment of the amount. The Trust Declaration for the ETFs requires that sufficient amounts be paid or made payable each year so that no ETF is liable for any non-refundable income tax under Part I of the Tax Act.

The ETFs are required to compute all amounts in Canadian dollars for purposes of the Tax Act and accordingly may realize gains or losses for tax purposes under the Tax Act in respect of its investments and income denominated in a foreign currency by virtue of the fluctuation in the value of such foreign currency relative to Canadian dollars.

In general, gains and losses realized by the ETFs from derivative transactions will be on income account, except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and the applicable ETF will recognize such gains or losses for tax purposes at the time they are realized by such ETF. Payments received by an ETF under a Swap will be on income account and the applicable ETF will recognize such income when it is realized by such ETF upon partial settlements or upon maturity of the Swap. Accordingly, an ETF may have a large unrealized gain upon maturity of an applicable Swap.

The Tax Act contains rules (the "**DFA Rules**") that target certain financial arrangements (referred to as "derivative forward agreements") that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted and could apply to other agreements or transactions. If the DFA Rules were to apply to derivatives used by an ETF, returns realized in respect of the property underlying such derivatives would be treated as ordinary income or losses rather than capital gains and capital losses. The Tax Act exempts the application of the DFA Rules on currency forward contracts or certain other derivatives that are entered into in order to hedge foreign exchange risk in respect of an investment held as capital property.

In determining the income of an ETF, gains or losses realized upon dispositions of portfolio securities held by the ETF which are not the subject of short sales will constitute capital gains or capital losses of the ETF in the year realized unless the ETF is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the ETF has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. If an ETF makes an election in accordance with the Tax Act, each of its "Canadian securities" (as defined in the Tax Act), including Canadian securities acquired in connection with a short sale, will be deemed to be capital property of the ETF.

With respect to indebtedness, each ETF is required to include in its income for each taxation year all interest that accrues to it or is deemed to accrue to it to the end of the year (or until disposition of the indebtedness in the year), or becomes receivable or is received by it before the end of the year including on a conversion, redemption or at maturity, except to the extent that such interest was included in computing its income for a preceding taxation year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the ETF.

Each ETF will be required to include in its income for a taxation year all dividends received (or deemed to be received) in the year on shares of corporations that it holds in its portfolio of assets.

To the extent an ETF holds trust units issued by a trust resident in Canada that is not at any time in the relevant taxation year a "SIFT trust" and held as capital property for purposes of the Tax Act, the ETF will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the ETF by such trust in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, net taxable capital gains realized by the trust, foreign source income of the trust and taxable dividends from taxable Canadian corporations received by the trust that are paid or payable by the trust to the ETF will effectively retain their character in the hands of the ETF. The ETF will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by the trust to the ETF except to the extent that the amount was included in calculating the income of the ETF or was the ETF's share of the non-taxable portion of capital gains of the trust, the taxable portion of which was designated in respect of the ETF. If the adjusted cost base to the ETF of such units becomes a negative amount at any time in a taxation year of the ETF, that negative amount will be deemed to be a capital gain realized by the ETF in that taxation year and the ETF's adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

Each ETF will be entitled for each taxation year throughout which it is a mutual fund trust to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemption of its Units during the year ("**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of an ETF for such taxation year which may arise upon the sale or other dispositions of investments in the ETF in connection with the redemption of Units.

The Tax Act contains rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as "non-portfolio property." A trust that is subject to these rules is subject to trust level taxation (a "**SIFT tax**"), at rates comparable to those that apply to corporations, on the trust's income earned from "non-portfolio property" to the extent that such income is distributed to its unitholders. These rules should not impose any SIFT tax on an ETF since the ETFs are not expected to have any income from "non-portfolio property." If these rules apply to an ETF, the after-tax return to Unitholders could be reduced.

An ETF may not deduct interest on borrowed funds, if any, that are used to fund redemptions of its Units. Losses incurred by an ETF in a taxation year cannot be allocated to Unitholders of such ETF, but may be deducted by the ETF in future years in accordance with the Tax Act.

Each ETF is subject to the suspended loss rules contained in the Tax Act. A loss realized by an ETF on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the ETF, or a person affiliated with the ETF, acquires a property (a "**substituted property**") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the ETF, or a person affiliated with the ETF, owns the substituted property 30 days after the original disposition. If a loss is suspended, the ETF cannot deduct the loss from the ETF's capital gains until the substituted property is sold and is not reacquired by the ETF, or a person affiliated to the ETF, within 30 days before and after the sale.

An ETF may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that any such foreign tax paid by the ETF exceeds 15% of the amount included in the ETF's income from such investments, such excess may generally be deducted by the ETF in computing its net income for the purposes of the Tax Act. To the extent that any such foreign tax paid does not exceed 15% of such amount and has not been deducted in computing the ETF's income, the ETF may designate, in respect of a Unitholder, a portion of its foreign source income which can reasonably be considered to be part of the ETF's income distributed to such Unitholder so that such income, and a portion of the foreign tax paid by the ETF, may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

If an ETF does not qualify as a mutual fund trust under the Tax Act throughout a taxation year, among other things, the ETF may be liable to pay an alternative minimum tax under the Tax Act and tax under Part XII.2 of the Tax Act. If an ETF is not a "mutual fund trust" it may be subject to the "mark-to-market" rules in the Tax Act if more than 50% of the fair market value of its units are held by "financial institutions".

Taxation of Holders

A Holder of an ETF will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the ETF for that particular taxation year, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in the year, including any Management Fee Distributions (whether paid in cash or in Units or automatically reinvested in additional Units of the ETF). Amounts paid or payable by the ETF to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15. The non-taxable portion of an ETF's net realized capital gains, the taxable portion of which was designated in respect of a Holder for a taxation year, that is paid or becomes payable to the Holder in the taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of an ETF for a taxation year that is paid or becomes payable to the Holder in the year (i.e., returns of capital) will not generally be included in the Holder's income for the year, but will reduce the adjusted cost base of the Holder's Units of an ETF. To the extent that the adjusted cost base of a Unit of an ETF would otherwise become a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be reset to nil.

Provided that appropriate designations are made by an ETF, such portion of the net realized taxable capital gains of the ETF, the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations, and the foreign source income of the ETF as is paid or becomes payable to a Holder, and the amount of foreign taxes paid or deemed to be paid by the ETF, if any, will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. A Holder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply (including the rules in respect of "eligible dividends"). As noted above, payments received by an ETF under a Swap will be on income account and distributions (if any) of such income by an ETF to a Holder will be fully taxable as ordinary income.

Any loss of an ETF for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

Under the Tax Act, an ETF is permitted to deduct, in computing its income for a taxation year, an amount that is less than the amount of its distributions of income and net taxable capital gains for the year to the extent necessary to enable the ETF to use, in the taxation year, losses from prior years without affecting the ability of the ETF to distribute its income or net taxable capital gains annually. In such circumstances, the amount distributed to a Holder of an ETF, but not deducted by the ETF, will not be included in the Holder's income. However, the adjusted cost base of a Holder's Units in the ETF will be reduced by such amount.

On the disposition or deemed disposition of a Unit of an ETF, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the ETF on the redemption which represents income or capital gains allocated and designated to the redeeming Holder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit of the ETF. For the purpose of determining the adjusted cost base of a Holder's Units of an ETF, when additional Units of the ETF are acquired by the Holder, the cost of the newly acquired Units of the ETF will be averaged with the adjusted cost base of all Units of such ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of an ETF that have been issued on a distribution or issued on a reinvested distribution will generally be equal to the amount of the distribution. A consolidation of Units of an ETF as described under "Distribution Policy" following a distribution in Units or reinvested distribution will not be regarded as a disposition of Units of the ETF and will not affect the aggregate adjusted cost base to a Holder.

In the case of a Securities Redemption, a Holder's proceeds of disposition of Units would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received, less any capital gain realized by the ETF on the disposition of such distributed property. The cost to a Holder of any property received from the ETF upon the Securities Redemption will generally be equal to the fair market value of such property at the time of the distribution.

Pursuant to the Trust Declaration, an ETF may allocate and designate any income or capital gains realized by such ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any income or capital gains of such ETF to a Unitholder of such ETF who has redeemed Units of the ETF during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's income and capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the fair market value of the securities that the Unitholder will receive in respect of the redemption.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder on the disposition of Units of an ETF or designated by an ETF in respect of the Holder in a taxation year will be included in computing the Holder's income for that year and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder on the disposition of Units of an ETF in a taxation year generally must be deducted from taxable capital gains realized by the Holder or designated by the ETF in respect of the Holder in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

Each Holder who subscribes for Units under a Securities Subscription and is delivering securities will be disposing of securities in exchange for Units. Assuming that such securities are held by the Holder as capital property for purposes of the Tax Act, the Holder generally will realize a capital gain (or a capital loss) in the taxation year of the Holder in which the disposition of such securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such securities to the Holder. For this purpose, the proceeds of disposition to the Holder will equal the aggregate of the fair market value of the Units received for the securities. Where the securities delivered are debt obligations, a Holder will generally be required to include in income the amount of interest accrued (or deemed to have accrued) on the obligation from the last interest payment date to the time of transfer to the extent that such amount has not otherwise been included in the Holder's income. Such amount will be excluded in computing the Holder's proceeds of disposition of the debt obligation. The cost to a Holder of Units of an ETF acquired under a Securities Subscription will be equal to the aggregate of the cash paid (if any) to the ETF plus the fair market value of the securities disposed of in exchange for Units of such ETF at the time of disposition, which sum would generally be equal to or would approximate the fair market value of the Units received as consideration under the Securities Subscription.

A Holder will be required to compute all amounts, including distributions, the adjusted cost base of Units of an ETF and proceeds of disposition, in Canadian dollars in accordance with the detailed rules in the Tax Act. For example, if a Holder acquires US$ Units, the Holder may realize gains or losses by virtue of the fluctuation in the value of the U.S. dollar relative to the Canadian dollar.

Amounts, if any, designated by an ETF to a Holder of such ETF as taxable capital gains or dividends from taxable Canadian corporations, and taxable capital gains realized on the disposition of Units of the ETF may increase the Holder's liability for alternative minimum tax.

Taxation of Registered Plans

Distributions received by Registered Plans on Units of an ETF while the Units are a qualified investment for Registered Plans will be exempt from income tax in the plan, as will capital gains realized by the plan on the disposition of such Units. Withdrawals from such plans (other than a TFSA and certain withdrawals from a RESP or RDSP) are generally subject to tax under the Tax Act. Unitholders should consult their own advisers regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Registered Plan.

A Holder who is a holder of a TFSA or RDSP, subscriber of an RESP or annuitant of an RRSP or RRIF that holds Units will be subject to an additional tax as set out in the Tax Act if the Units are "prohibited investments" for such TFSA, RDSP, RESP, RRSP or RRIF. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, subscriber or annuitant, or in which the holder, subscriber or annuitant has a significant interest, which, in general terms, means the ownership of 10% or more of the fair market value of an ETF's outstanding Units by the holder, subscriber or annuitant, either alone or together with persons and partnerships with whom the holder, subscriber or annuitant does not deal at arm's length. In addition, the Units of an ETF will not be a prohibited investment if such Units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RDSP, RESP, RRSP or RRIF. Holders are advised to consult their own tax advisors regarding the "prohibited investment" rules.

Tax Implications of the Fund's Distribution Policy

The net asset value per Unit of an ETF will, in part, reflect any income and gains of the ETF that have accrued or been realized, but have not been made payable at the time Units of the ETF were acquired. Accordingly, a Holder of an ETF who acquires Units of the ETF, including on a reinvestment of distributions or a distribution in Units, may become taxable on the Holder's share of such income and gains of the ETF. In particular, an investor who acquires Units of an ETF shortly before a distribution is paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) regardless of the fact that the investor only recently acquired such Units. Further, where a Holder acquires Units in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired. In addition, there may be significant accrued gains in a Swap held by an ETF which, unless its term is extended, will be realized by the ETF as ordinary income in any year that the Swap matures or is otherwise settled. Such income will be distributed by the applicable ETF to its Unitholders in such year.

As long as the Swap is used as the sole investment strategy by an ETF, the Manager anticipates that prior to termination of the Swap the ETF should only realize income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager intends, on behalf of the ETF, to allocate for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Holder does not redeem his or her Units of an ETF that uses a Swap as its sole investment strategy, the Holder is generally not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

ORGANIZATION AND MANAGEMENT DETAILS OF THE ETFs

Manager of the ETFs

Horizons ETFs Management (Canada) Inc., a corporation existing under the laws of Canada, is the manager, investment manager and trustee of each ETF. The Manager is responsible for providing or arranging for the provision of administrative services and management functions required by the ETFs. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5E 1S2. Horizons was originally incorporated under the laws of Canada under the name BetaPro Management Inc. and was primarily organized for the purpose of managing investment products, including the ETFs.

Horizons and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a wholly-owned subsidiary of Mirae Asset.

Mirae Asset is the Korea-based asset management entity of Mirae Asset Financial Group, one of the world's largest investment managers in emerging market equities. With over 740 employees, including more than 165 investment professionals (as of March 31, 2018), Mirae Asset has a presence in Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Korea, Taiwan, the United Kingdom, the United States, and Vietnam. Headquartered in Seoul, South Korea, Mirae Asset manages approximately US$408 billion in assets globally as of March 31, 2018.

Officers and Directors of the Manager

The name, municipality of residence, office and principal occupation of the executive officers and directors of the Manager are as follows:

Name and Municipality of Residence	**Date Individual became a Director**	**Office**	**Principal Occupation**
Thomas Park, New York, New York	November 14, 2011	Director and Chief Corporate Development Officer	Director, Horizons (Since 2011); Chief Corporate Development Officer, Horizons (Since 2015); Executive Managing Director, Mirae Asset MAPS Global Investments (since 2008); Associate, Goldman Sachs International (2006, 2007-2008); Senior Consultant, KPMG Consulting (Bearing Point) (2001-2005).
Taeyong Lee, Frederick, Maryland	November 14, 2011	Executive Chairman, Co-Chief Executive Officer and Director	Executive Chairman, Co-Chief Executive Officer and Director, Horizons (since 2011); CEO, Mirae Asset Global ETFs Holdings Ltd. (since 2016).
Steven J. Hawkins, Toronto, Ontario	February 8, 2016	Director, Co-Chief Executive Officer and President	Co-Chief Executive Officer and President, Horizons (since 2009); Director, Horizons (since 2016).
Kevin S. Beatson, Oakville, Ontario	N/A	Chief Operating Officer and Chief Compliance Officer	Chief Operating Officer and Chief Compliance Officer, Horizons (since 2009).

Name and Municipality of Residence	Date Individual became a Director	Office	Principal Occupation
Julie Stajan, Oakville, Ontario	N/A	Chief Financial Officer	Chief Financial Officer, Horizons (since 2015); Senior Vice President, Finance and Controller, Horizons (since 2012); Senior Vice President, Finance & Investment Funds, Horizons Investment Management Inc. (2011-2012).
Jaime P.D. Purvis, Toronto, Ontario	N/A	Executive Vice President	Executive Vice President, Horizons (since 2006).
Jeff Lucyk, Toronto, Ontario	N/A	Senior Vice President, Head of Retail Sales	Senior Vice President, Head of Retail Sales, Horizons (Since 2016); Senior Vice President, Vice President, National Sales Manager, Norrep Capital Management Ltd. (2009-2016).
McGregor Sainsbury, Toronto, Ontario	N/A	General Counsel and Secretary	General Counsel and Secretary, Horizons (since 2011).

Where a person has held multiple positions within a company, the above table generally sets out only the current or most recently held position or positions held at that company, while the start dates generally refer to the date of the first position held at that company or the first of the listed positions held by the person at that company. Each director will hold his or her position until the next annual general meeting of the Manager at which time he/she may be re-elected.

Ownership of Securities of the Manager

No securities of the Manager are owned of record or beneficially by any of the directors and executive officers of the Manager.

For a description of the compensation arrangements of the independent review committee of the ETFs, see “Organization and Management Details of the ETFs – Independent Review Committee”.

Duties and Services to be Provided by the Manager

Pursuant to the Trust Declaration, the Manager has full authority and responsibility to manage and direct the business and affairs of the ETFs, to make all decisions regarding the business of the ETFs and to bind the ETFs. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the ETFs to do so.

The Manager’s is entitled to the Management Fee in consideration of the services it provides to the ETF. Such services include negotiating contracts with certain third-party service providers, including, but not limited to, investment managers, counterparties, custodians, registrars, transfer agents, valuation agents, the Designated Broker, Dealers, auditors and printers; authorizing the payment of operating expenses; preparing the reports to Unitholders of the ETFs and to the applicable Securities Regulatory Authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders of each ETF are provided with financial statements and other reports as are required from time to time by applicable law; ensuring the maintenance of accounting records for the ETFs; ensuring that each ETF complies with all other regulatory requirements including the continuous disclosure obligations of such ETF under applicable securities laws; administering purchases, redemptions and other transactions in Units of each ETF; arranging for any payments required upon termination of an ETF; and dealing and communicating with Unitholders of the ETFs. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The

Manager will also monitor the investment strategy of each ETF to ensure that each ETF complies with its investment objective, investment strategies and investment restrictions and practices.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders of the ETFs, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Manager will not be liable to the ETFs or to any Unitholder of an ETF or any other person for any loss or damage relating to any matter regarding an ETF, including any loss or diminution of value of the assets of such ETF if it has satisfied its standard of care set forth above.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of the ETFs from and against all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for or in respect of any act, deed, matter or thing whatsoever made, done or omitted in or in relation to the execution of its duties to the ETFs as long as the person acted honestly and in good faith with a view to the best interests of the ETFs.

The Manager may resign upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation. As compensation for the management services it provides to the ETFs, the Manager is entitled to receive a Management Fee from the ETFs. See "Fees and Expenses".

The Manager has also serves as the investment manager to the ETFs. The Manager operates as a portfolio manager under the Securities Act (Ontario) and in certain other provinces pursuant to applicable legislation. The Manager also operates as a commodity trading manager under the Commodity Futures Act (Ontario). The principal office of the Manager is at 55 University Avenue, Suite 800, Toronto, Ontario M5J 2H7. The Manager provides investment advisory and portfolio management services to the ETFs. The senior officers of the Manager principally responsible for providing investment advice to the ETFs are Steven J. Hawkins and David Kunselman. David Kunselman is the Vice President, Product Management of the Manager, and previously served as the Senior Portfolio Manager and Chief Compliance Officer of Excel Investment Counsel Inc. from 2011 to 2015.

Designated Broker

The Manager, on behalf of the ETFs, has entered, or will enter, into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker agrees to perform certain duties relating to the ETFs including, without limitation: (i) to subscribe for a sufficient number of Units of an ETF to satisfy the TSX's original listing requirements; (ii) to subscribe for Units of an ETF on an ongoing basis, and (iii) to post a liquid two way market for the trading of Units of an ETF on the TSX. Payment for Units of an ETF must be made by the Designated Broker, and Units of an ETF will be issued, by no later than the second Trading Day after the subscription notice has been delivered.

A Designated Broker may terminate a Designated Broker Agreement at any time by giving Horizons at least six months' prior written notice of such termination. Horizons may terminate a Designated Broker Agreement at any time, without prior notice, by sending a written notice of termination to the Designated Broker.

Units of an ETF do not represent an interest or an obligation of any Designated Broker or Dealer or any affiliate thereof and a Unitholder of an ETF will not have any recourse against any such parties in respect of amounts payable by the ETF to such Designated Broker or Dealers.

A Designated Broker may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

Conflicts of Interest

The Manager and its principals and affiliates (each, an "**ETF Manager**") do not devote their time exclusively to the management of the ETFs. The ETF Managers perform similar or different services for others and may sponsor or establish other investment funds (public and private) during the same period that they act on behalf of the ETFs.

The ETF Managers therefore will have conflicts of interest in allocating management time, services and functions to the ETFs and the other persons for which they provide similar services.

The ETF Managers may trade and make investments for their own accounts, and such persons currently trade and manage and will continue to trade and manage accounts other than the accounts of the ETFs utilizing trading and investment strategies which are the same as or different from the ones to be utilized in making investment decisions for the ETFs. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of the ETFs. Furthermore, all of the positions held by accounts owned, managed or controlled by the Manager will be aggregated for purposes of applying certain exchange position limits. As a result, an ETF may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the ETF and such other accounts, would exceed applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades. See “Risk Factors”.

The ETF Managers may at times have interests that differ from the interests of the Unitholders of an ETF.

In evaluating these conflicts of interest, potential investors should be aware that the ETF Managers have a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the ETFs. In the event that a Unitholder believes that one of the ETF Managers has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of an ETF to recover damages from or to require an accounting by such ETF Manager. Unitholders should be aware that the performance by each ETF Manager of its responsibilities to an ETF will be measured in accordance with (i) the provisions of the agreement by which such ETF Manager has been appointed to its position with such ETF; and (ii) applicable laws.

The Manager is a wholly-owned subsidiary of Mirae Asset. Affiliates of the Manager may earn fees and spreads, directly and indirectly, in connection with various services provided to, or transactions with, the ETFs or their service providers, including in connection with brokerage transactions, prime brokerage services and securities lending transactions, subject always to approval by the IRC of the ETFs and compliance with applicable law (or exemptive relief therefrom), and applicable internal policies and procedures. In effecting ETF portfolio transactions, the Manager places brokerage business with various broker-dealers on the basis of best execution, which includes a number of considerations such as price, speed, certainty of execution and total transaction cost. The Manager uses the same criteria in selecting all of its broker-dealers, regardless of whether the broker-dealer is an affiliate of the Manager. Subject to compliance with NI 81-102 and in accordance with the terms of the standing instructions of the IRC, to the extent that an affiliate of the Manager provides advisory services to a securities lending agent of the ETFs, the Manager may receive a portion of the affiliate’s revenue that it receives for those services.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). An affiliate of NBF may from time to time act as a Counterparty. These relationships may create actual or perceived conflicts of interest which investors should consider in relation to an investment in an ETF. In particular, by virtue of these relationships, NBF may profit from the sale and trading of Units of an ETF. NBF, as market maker of the applicable ETF(s) in the secondary market, may therefore have economic interests which differ from and may be adverse to those of Unitholders of the ETFs.

NBF’s potential roles as a Designated Broker and a Dealer of the applicable ETF(s) will not be as an underwriter of such ETF in connection with the primary distribution of Units under this prospectus. NBF have not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus. NBF in its role as Designated Broker may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

NBF and their affiliates may, at present or in the future, engage in business with an ETF, the issuers of securities making up the investment portfolio of an ETF, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between NBF and their affiliates, and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

Independent Review Committee

NI 81-107 requires that all publicly offered investment funds, such as the ETFs, establish an IRC and that the Manager must refer all conflict of interest matters in respect of the ETFs for review or approval by the IRC. NI 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three (3) independent members, and is subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to an ETF and to its Unitholders in respect of those functions. The most recent report prepared by the IRC is available on the Manager's website (www.horizonsetfs.com), or at a Unitholder's request at no cost, by contacting the ETF at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7; telephone: 416-933-5745; toll free: 1-866-641-5739; fax: 416-777-5181.

Warren Law, Sue Fawcett and Michael Gratch are the current members of the IRC.

The IRC:

- reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;

- reviews conflict of interest matters referred to it by the Manager and makes recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for the ETFs;

- considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and

- performs such other duties as may be required of the IRC under applicable securities laws.

The ETFs compensate the IRC members for their participation on the IRC through member fees and, if applicable, meeting fees. Sue Fawcett and Michael Gratch receive $12,500 per year in member fees, while Warren Law, as chairperson of the IRC, receives $15,000 per year. The IRC's secretariat receives $21,000 per year for administrative services. An additional fee of $3,000 per meeting is charged by the IRC for each IRC meeting in excess of two per year. The total fees payable in respect of the IRC by a particular ETF is calculated by dividing the total net assets of the particular ETF by the total net assets of all of the mutual funds for which the IRC is responsible and then multiplying the resulting value by the total dollar value due to the IRC member by the ETF for that particular period.

The Trustee

Horizons is also the trustee of the ETFs pursuant to the Trust Declaration. The Trustee may resign and be discharged from all further duties under the Trust Declaration upon 90 days' prior written notice to the Manager or upon such lesser notice as the Manager may accept. The Manager shall make every effort to select and appoint a successor trustee prior to the effective date of the Trustee's resignation. If the Manager fails to appoint a successor trustee within 90 days after notice is given or a vacancy occurs, the Manager shall call a meeting of Unitholders of each of the ETFs within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders of an ETF may call a meeting of Unitholders of such ETF within 31 days after notice is given or a vacancy occurs for the purpose of appointing a successor trustee. In each case, if, upon the expiry of a further 30 days, neither the Manager nor the Unitholders of an ETF have appointed a successor trustee, the ETF shall be terminated and the property of the ETF shall be distributed in accordance with the terms of the Trust Declaration.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the ETFs, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Trustee will not be liable in carrying out its duties under the Trust Declaration as long as the Trustee has adhered to its standard of care set out above. In addition, the Trust Declaration contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee will not receive any fees from the ETFs.

Custodian

CIBC Mellon Trust is the custodian of the assets of the ETFs pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario and is independent of the Manager. Pursuant to the Custodian Agreement, the Custodian is required to exercise its duties with the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances, or, if higher, the degree of care, diligence and skill that each Custodian uses in respect of its own property of a similar nature in its custody (the "**Standard of Care**").

Under the Custodian Agreement, an ETF pays fees to the Custodian at such rate as determined by the parties from time to time and the Custodian is reimbursed for all reasonable expenses incurred in the performance of its duties under the Custodian Agreement. Each ETF will also indemnify and hold harmless the Custodian, CIBC Mellon Global, Canadian Imperial Bank of Commerce, and the Bank of New York Mellon from any direct loss, damage or expense, including reasonable counsel fees and expenses, arising in connection with the Custodian Agreement, except to the extent such direct loss, damage or expense, including reasonable counsel fees and expenses is caused by a breach of the Standard of Care by the Custodian, CIBC Mellon Global, Canadian Imperial Bank of Commerce, and the Bank of New York Mellon, or a permitted agent or assignee of the foregoing.

The parties to the Custodian Agreement may terminate the Custodian Agreement without any penalty upon at least ninety (90) days' written notice to the other parties, or immediately, if any party becomes insolvent, or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or against that party and is not discharged within thirty (30) days, or proceedings for the appointment of a receiver for that party are commenced and not discontinued within thirty (30) days. The Manager may terminate the Custodian Agreement immediately upon written notice to the other parties and without penalty if the Custodian no longer satisfies the requirements to act as a custodian of the ETFs, as such requirements are set out in NI 81-102 and National Instrument 41-101 - *General Prospectus Requirements*.

CIBC Mellon Trust, at the direction of Horizons, on behalf of the ETFs, has appointed RBC Investor Services and NBCN as sub-custodians of the ETFs. Each Sub-Custodian is qualified to act as a sub-custodian of a mutual fund pursuant to the requirements of NI 81-102. The Sub-Custodians are also independent of the Manager and are both located in Toronto, Ontario. Pursuant to the Sub-Custodian Agreements, each Sub-Custodian will be responsible for a portion of the portfolio assets of each of the ETFs and each Sub-Custodian shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or at least the same degree of care, diligence and skill that the Sub-Custodian exercises with respect to its own property of a similar kind, if this is a higher degree of care. Under the Sub-Custodian Agreements, the Manager shall pay the Sub-Custodians' fees at such rate as determined by the parties from time to time and shall reimburse the Sub-Custodians for all reasonable expenses and disbursements incurred in the performance of its duties under the applicable Sub-Custodian Agreement. Each Sub-Custodian may hold assets of an ETF until its fees are paid by Horizons.

Valuation Agent

The Manager has retained CIBC Mellon Global to provide accounting and valuation services to the ETFs.

Auditors

KPMG LLP is the auditor of the ETFs. The office of the auditors is located at 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5.

Transfer Agent and Registrar

AST Trust Company (Canada), at its principal offices in Toronto, Ontario is the registrar and transfer agent for Units of the ETFs pursuant to registrar and transfer agency agreements. AST Trust Company (Canada) is independent of the Manager.

Promoter

The Manager took the initiative in founding and organizing the ETFs and is, accordingly, the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the ETFs, receives compensation from the ETFs. See "Fees and Expenses".

Securities Lending Agent

The ETFs may engage NBCN Inc. ("**NBCN**") as a securities lending agent.

NBCN is located in Toronto, Ontario. NBCN is not an affiliate of the Manager. If the ETFs engage NBCN as a securities lending agent, it is expected that the securities lending agency agreement ("**SLAA**") would require that the collateral delivered in connection with a securities loan have an aggregate value of not less than 102% of the value of the loaned securities (or, if higher, the percentage of the aggregate market value of loaned securities in accordance with prevailing market practice). It is expected that, subject to certain exceptions, the SLAA would require NBCN to indemnify each ETF against any loss suffered directly by an ETF as a result of a securities loan effected by NBCN. It is expected that a party to the SLAA would be able to terminate an SLAA upon 5 business days' notice.

The ETFs have received exemptive relief from the limitations in NI 81-102 so that an ETF may lend 100% of its investment portfolio to qualified borrowers.

CALCULATION OF NET ASSET VALUE

The NAV per Unit of the ETFs other than Horizons HTB, Horions HXQ, and Horizons HXDM is computed in Canadian dollars. The NAV per Unit of Horizons HTB, Horions HXQ, and Horizons HXDM is computed in U. S. dollars. In each case, the NAV per Unit of an ETF will be calculated by adding up the cash, securities and other assets of such ETF, less the liabilities and dividing the value of the net assets of the ETF by the total number of Units that are outstanding. The NAV per Unit so determined will be adjusted to the nearest cent per Unit and will remain in effect until the time as at which the next determination of the NAV per Unit of such ETF is made. The NAV per Unit of an ETF will be calculated on each Valuation Day. Initially, the entire net asset value of an ETF will be derived from the daily mark-to-market value of the applicable Swap, its deposits and other cash on hand.

The NAV per Unit of each Dual Currency ETF will also be calculated in the applicable alternate currency based on prevailing market rates as determined by the Manager. Such market rates may be executable exchange rates provided by one or more Canadian chartered banks, or exchange rates provided by recognized sources such as Bloomberg or Reuters.

Typically, the NAV per Unit of an ETF will be calculated at the Valuation Time. The NAV per Unit may be determined at an earlier Valuation Time if the TSX and/or the principal exchange for the securities held by the ETF closes earlier on that Valuation Day.

Valuation Policies and Procedures of the ETFs

The following valuation procedures will be taken into account in determining the "NAV" and "NAV per Unit" of an ETF on each Valuation Day:

(i) the value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends to be received and interest accrued and not yet received, will be deemed to be the face amount thereof, unless the Valuation Agent determines that any such deposit, call loan, bill, note or account receivable is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as the Valuation Agent determines to be the reasonable value thereof;

(ii) the value of any security, commodity or interest therein which is listed or dealt in upon a stock exchange will be determined by:

(A) in the case of securities which were traded on that Valuation Day, the price of such securities as determined at the applicable Valuation Time; and

(B) in the case of securities not traded on that Valuation Day, a price estimated to be the true value thereof by the Valuation Agent, such price being between the closing asked and bid prices for the securities or interest therein as reported by any report in common use or authorized as official by a stock exchange;

(iii) long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants will be valued at the current market value thereof. Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from any revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of such instrument. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at the current market value. The value of a future contract or a swap or forward contract shall be the gain or loss with respect thereto that will be realized if, on that Valuation Day, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless "daily limits" are in effect, in which case fair value shall be based on the current market value of the underlying interest. Margin paid or deposited in respect of futures contracts and forward contracts shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;

(iv) in the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Valuation Agent, where applicable, in accordance with the principles described in paragraph (ii) above, except that the Valuation Agent may use, for the purpose of determining the sale price or the asked and bid price of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable; and

(v) the liabilities of an ETF will include:

- all bills, notes and accounts payable of which the ETF is an obligor;

- all Management Fees of the ETF;

- all contractual obligations of the ETF for the payment of money or property, including the amount of any unpaid distribution credited to Unitholders of the ETF on or before that Valuation Day;

- all allowances of the ETF authorized or approved by the Manager for taxes (if any) or contingencies; and

- all other liabilities of the ETF of whatsoever kind and nature.

In calculating the NAV of an ETF, the ETF will generally value its investments based on the market value of such investments at the time the NAV is calculated. If no market value is available for an investment of an ETF or if the Valuation Agent determines that such value is inappropriate in the circumstances (i.e., when the value of an investment of the ETF has been materially changed by events occurring after the market closes), the Valuation Agent will value such investments using methods that have generally been adopted by the marketplace. Fair valuing the investments of an ETF may be appropriate if: (i) market quotations do not accurately reflect the fair value of an investment; (ii) an investment's value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded; (iii) a trading halt closes an exchange or market early; or (iv) other events result in an exchange or market delaying its normal close. The risk in fair valuing an investment of an ETF is that the value of the investment may be higher or lower than the price that the ETF may be able to realize if the investment had to be sold.

In determining the net asset value of an ETF, Units subscribed for will be deemed to be outstanding and an asset of such ETF after (and not before) the close of business and the striking of the current day valuation on the day on which the subscription order for such Units of the ETF is received by and accepted by the Manager. Units of an ETF that are being redeemed will only be deemed to be outstanding until (and not after) the close of business and the striking of the current day valuation on the day on which the redemption order for such Units of the ETF is received and accepted by the Manager, and the redemption proceeds thereafter, until paid, will be a liability of such ETF.

For the purposes of reporting in connection with the ETFs financial statements, an ETF is required to calculate net asset value in accordance with International Financial Reporting Standards ("**IFRS**") and National Instrument 81-106 *Investment Fund Continuous Disclosure.*

Reporting of Net Asset Value

Persons or companies that wish to be provided with the most recent net asset value per Unit of an ETF may call the Manager at 416-933-5745 or at 1-866-641-5739, or check the Manager's website at www.HorizonsETFs.com. The net asset value per Unit of an ETF will be calculated on each Valuation Day.

ATTRIBUTES OF THE SECURITIES

Description of the Securities Distributed

Each ETF is authorized to issue an unlimited number of redeemable, transferable Units pursuant to this prospectus, each of which represents an equal, undivided interest in the net assets of such ETF.

Units of each ETF are currently listed and trading on the TSX. The Manager will issue a news release announcing the listing of the US$ Units of Horizons HXX on or prior to the applicable listing date.

On December 16, 2004, the *Trust Beneficiaries' Liability*, 2004 (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any, default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. Each ETF will be a reporting issuer under the *Securities Act* (Ontario), prior to the initial issuance of Units of such ETF, and each ETF is governed by the laws of Ontario by virtue of the provisions of the Trust Declaration.

Each Unit of an ETF entitles the owner to one vote at meetings of Unitholders of such ETF. Each Unit of an ETF is entitled to participate equally with all other Units of such ETF with respect to all payments made to Unitholders of the ETF, other than Management Fee Distributions and income or capital gains allocated and designated as payable to a redeeming Unitholder, whether by way of income or capital gains distributions and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to Units of the ETF. All Units will be fully paid, when issued, in accordance with the terms of the Trust Declaration. Unitholders of an ETF are entitled to require the ETF to redeem their Units of the ETF as outlined under the heading "Redemption of Units".

Redemptions of Units for Cash

On any Trading Day, Unitholders may redeem Units of an ETF for cash in the applicable currency at a redemption price per Unit equal to 95% of the closing price for the Units of such ETF on the TSX on the effective day of the redemption, subject to a maximum redemption price per Unit equal to the net asset value per Unit on the effective day of redemption. Holders of US$ Units of a Dual Currency ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. Unitholders will generally be able to sell (rather than redeem) Units at the full market price in the applicable currency on the TSX through a registered broker or dealer subject only to customary brokerage commissions. Therefore, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash. No fees or expenses are paid by a Unitholder to Horizons or an ETF in connection with selling Units on the TSX. See “Redemption of Units”.

Stock Exchange Sponsored Net Asset Value Execution Program

Subject to regulatory and other necessary third party approvals, a stock exchange sponsored execution program may become available which would allow investors to purchase and sell Units of each ETF based on transaction prices calculated as at the end-of-day net asset value, plus any fee payable to the investor’s Dealer for the Dealer’s facilitation of the purchase or sale. The Manager will issue a news release announcing the details of any such stock exchange sponsored execution program.

Modification of Terms

Any amendment to the Trust Declaration that creates a new class of Units of an ETF will not require notice to existing Unitholders of such ETF unless such amendment in some way affects the existing Unitholders’ rights or the value of their investment. An amendment such as the re-designation of a class of an ETF, or the termination of a class of an ETF, which has an effect on a Unitholder’s holdings will only become effective after 30 days’ notice to Unitholders of the applicable classes of such ETF.

All other rights attached to the Units of an ETF may only be modified, amended or varied in accordance with the terms of the Trust Declaration. See “Unitholder Matters – Amendments to the Trust Declaration”.

UNITHOLDER MATTERS

Meetings of Unitholders

Meetings of Unitholders of an ETF will be held if called by the Manager or upon the written request to the Manager of Unitholders of the ETF holding not less than 25% of the then outstanding Units of such ETF.

Matters Requiring Unitholder Approval

NI 81-102 requires a meeting of Unitholders of an ETF to be called to approve certain changes as follows:

(a) the basis of the calculation of a fee or expense that is charged to the ETF or its Unitholders is changed in a way that could result in an increase in charges to the ETF or to its Unitholders, except where:

    (i) the ETF is at arm’s length with the person or company charging the fee; and

    (ii) the Unitholders have received at least 60 days’ notice before the effective date of the change;

(b) a fee or expense, to be charged to the ETF or directly to its Unitholders by the ETF or the Manager in connection with the holding of Units of the ETF that could result in an increase in charges to the ETF or its Unitholders, is introduced;

(c) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;

(d) the fundamental investment objective of the ETF is changed;

(e) the ETF decreases the frequency of the calculation of its net asset value per Unit;

(f) the ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the ETF becoming securityholders in the other mutual fund, unless:

  (i) the IRC of the ETF has approved the change in accordance with NI 81-107;

  (ii) the ETF is being reorganized with, or its assets are being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply, and that is managed by the Manager, or an affiliate of the Manager;

  (iii) the Unitholders have received at least 60 days' notice before the effective date of the change; and

  (iv) the transaction complies with certain other requirements of applicable securities legislation;

(g) the ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders of the ETF, and the transaction would be a material change to the ETF;

(h) the ETF implements a restructuring into a non-redeemable investment fund or a restructuring into an issuer that is not an investment fund; or

(i) any matter which is required by the constitutive documents of the ETF; by the laws applicable to the ETF or by any agreement to be submitted to a vote of the Unitholders of the ETF.

In addition, the auditors of an ETF may not be changed unless:

    (A) the IRC of the ETF has approved the change; and

    (B) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders of an ETF will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders of such ETF, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

Amendments to the Trust Declaration

If a Unitholder meeting is required to amend a provision of the Trust Declaration, no change proposed at a meeting of Unitholders of an ETF shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at a meeting of Unitholders of such ETF or, if separate class meetings are required, at meetings of each class of Unitholders of the ETF.

Subject to any longer notice requirements imposed under securities legislation, the Trustee is entitled to amend the Trust Declaration by giving not less than 30 days' notice to Unitholders of the ETF affected by the proposed amendment in circumstances where:

  (a) the securities legislation requires that written notice be given to Unitholders of the ETF before the change takes effect; or

  (b) the change would not be prohibited by the securities legislation; and

(c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders of the ETF, so that it is equitable to give Unitholders of the ETF advance notice of the proposed change.

All Unitholders of an ETF shall be bound by an amendment affecting such ETF from the effective date of the amendment.

The Trustee may amend the Trust Declaration, without the approval of or prior notice to any Unitholders of an ETF, if the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders of such ETF or that the proposed amendment is necessary to:

(a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of Units of the ETF;

(b) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Declaration and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;

(c) make any change or correction in the Trust Declaration which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;

(d) facilitate the administration of the ETF as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the ETF or its Unitholders; or

(e) for the purposes of protecting the Unitholders of the ETF.

Reporting to Unitholders

The Manager, on behalf of each ETF, will in accordance with applicable laws furnish to each Unitholder of an ETF, unaudited semi-annual financial statements and an interim management report of fund performance for such ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each taxation year or such other time as required by applicable law. Both the semi-annual and the annual financial statements of an ETF will contain a statement of financial position, a statement of comprehensive income, a statement of changes in financial position, a statement of cash flows and a schedule of investment portfolio.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns in connection with their investment in Units will also be distributed to them within 90 days after the end of each taxation year of the ETFs or such other time as required by applicable law. Neither the Manager nor the Registrar and Transfer Agent are responsible for tracking the adjusted cost base of a Unitholder’s Units. Unitholders should consult with their tax or investment adviser in respect of how to compute the adjusted cost base of their Units and in particular how designations made by the ETF to a Unitholder affect the Unitholder’s tax position.

The net asset value per Unit of each ETF will be determined by the Manager on each Valuation Day and will usually be published daily in the financial press.

Exchange of Tax Information

Part XVIII of the Tax Act, which was enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement (the “**IGA**”), imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. Each ETF is a “reporting Canadian financial institution” but as long as Units continue to be registered in the name of CDS or are “regularly traded” on an "established securities market" (which currently includes the TSX), the ETFs should not have any "U.S. reportable accounts" and, as a result, an ETF should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units of an ETF are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units or otherwise identify "US reportable accounts". If a Unitholder is a U.S. person (including a U.S. citizen), Units are otherwise "US reportable accounts" or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act will generally require information about the Unitholder's investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Registered Plan. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

Reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Cooperation and Development Common Reporting Standard (the "**CRS Rules**"). Pursuant to the CRS Rules, Canadian financial institutions (as defined the CRS Rules) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities any of whose "controlling persons" are resident in a foreign country (other than the U.S.) and to report the required information to the CRA. Such information is exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard and in which the account holders or such controlling persons are resident. Under the CRS Rules, Unitholders are required to provide such information regarding their investment in an ETF to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan.

TERMINATION OF THE ETFs

Subject to complying with applicable securities law, the Manager may terminate an ETF at its discretion. In accordance with the terms of the Trust Declaration and applicable securities law, Unitholders will be provided 60 days advance written notice of the termination.

If an ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination of such ETF. Prior to terminating an ETF, the Trustee may discharge all of the liabilities of such ETF and distribute the net assets of the ETF to the Unitholders.

Upon termination of an ETF, each Unitholder shall be entitled to receive at the Valuation Time on the termination date out of the assets of such ETF: (i) payment for that Unitholder's Units at the NAV per Unit for that class of Units determined at the Valuation Time on the termination date; plus (ii) where applicable, any net income and net realized capital gains that are owing to or otherwise attributable to such Unitholder's Units that have not otherwise been paid to such Unitholder; less (iii) any taxes that are required to be deducted. Payment shall be made by cheque or other means of payment payable to such Unitholder and drawn on the ETF's bankers and may be mailed by ordinary post to such Unitholder's last address appearing in the registers of Unitholders or may be delivered by such other means of delivery acceptable to both the Manager and such Unitholder.

Procedure on Termination

The Trustee shall be entitled to retain out of any assets of an ETF, at the date of termination of such ETF, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with or arising out of the termination of the ETF and the distribution of its assets to the Unitholders. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands.

PLAN OF DISTRIBUTION

Units of each ETF are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of an ETF that may be issued. The Units of each ETF are offered for sale at a price equal to the net asset value of such Units next determined following the receipt of a subscription order.

Units of each ETF are currently listed and trading on the TSX. The Manager will issue a news release announcing the listing of the US$ Units of Horizons HXX on or prior to the applicable listing date.

RELATIONSHIP BETWEEN THE ETFs AND DEALERS

The Manager, on behalf of an ETF, may enter into various Dealer Agreements with registered dealers (that may or may not be a Designated Broker) pursuant to which the Dealers may subscribe for Units of such ETF as described under "Purchases of Units".

A Dealer Agreement may be terminated by the registered dealer at any time by notice to Horizons, provided that, except in certain conditions, no such termination will be permitted after the registered dealer has subscribed for Units of an ETF and such subscription has been accepted by Horizons.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). See "Organization and Management Details of the ETFs – Conflicts of Interest".

PRINCIPAL HOLDERS OF UNITS OF THE ETFs

CDS & Co., the nominee of CDS, is the registered owner of the Units of the ETFs, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, a Designated Broker, an ETF or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units of an ETF.

PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD

The Manager is responsible for all securities voting in respect of securities held by the ETFs and exercising responsibility with the best economic interests of the ETFs and the Unitholders of the ETFs. The Manager has established proxy voting policies, procedures and guidelines (the "**Proxy Voting Policy**") for securities held by the ETFs to which voting rights are attached. The Proxy Voting Policy is intended to provide for the exercise of such voting rights in accordance with the best interests of the ETFs and the Unitholders of the ETFs.

The Proxy Voting Policy sets out the guidelines and procedures that the Manager will follow to determine whether and how to vote on any matter for which the ETFs receive proxy materials. Issuers' proxies most frequently contain proposals to elect corporate directors, to appoint external auditors and set their compensation, to adopt or amend management compensation plans, and to amend the capitalization of the company.

Pursuant to the Proxy Voting Policy, the Manager will generally cause the ETFs to vote on these matters as follows:

(i) **Board of directors** – The Manager supports establishing a majority of independent directors and independent committee chairs. Boards are required to act in the best interests of all shareholders. This can be achieved by ensuring that the majority of directors are independent. The Manager will not normally vote against a slate of directors because they are not independent. However, it will do so if corporate performance is unsatisfactory over a reasonable period of time.

(ii) **Contested director elections –** In the case of contested board elections, the nominees' qualifications and the performance of the incumbent board will be evaluated, as well as the rationale behind the dissidents' campaign, to determine the outcome that will maximize shareholder value.

(iii) **Classified boards –** Proposals to declassify existing boards (whether proposed by management or shareholders) will generally be supported, and efforts by companies to adopt classified board structures, in which only part of the board is elected each year, will be resisted.

(iv) **Director/Officer indemnification** – Proposals to indemnify directors and officers will generally be supported to ensure the companies can recruit the most qualified individuals. Individuals may be reluctant to serve as a director or officer if they were to be personally liable for all lawsuits and legal costs.

(v) **Director ownership** – Proposals that will require independent directors to hold a minimum amount of company stock as individuals will generally be opposed. Such a requirement raises questions about directors' independence, and qualified candidates may be reluctant to accept directorships in the face of such a requirement.

(vi) **Director qualifications** – The Manager supports establishing minimum standards for directors and disclosing the directors' qualifications to shareholders. The Manager supports boards that consist of experienced individuals with the appropriate business and professional credentials. Elected directors should have general business acumen, company specific knowledge, and should make informed and independent judgments. The proxy circular should set out the minimum qualifications and standards for directors and a brief description of the business and professional credentials of each director.

(vii) **Independent advisors –** The Manager supports empowering boards, board committees and individual directors to retain (at the subject company's expense) outside legal counsel and other advisors to assist them with their responsibilities.

(viii) **Separation of chair and chief executive officer –** The Manager supports, where possible, separating the chair and chief executive officer roles. The board chair should be an independent executive director. Generally, the Manager will not vote against a slate of directors if the board and management roles are not separated. However, the Manager will do so if corporate performance over a reasonable period of time is unsatisfactory or if there are continuing issues relating to corporate governance matters.

(ix) **Approval of independent auditors** – The relationship between a company and its auditors should be limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence. Management's recommendation for the ratification of the auditors, except in instances where audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm, will generally be supported. Instances in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) will be evaluated on a case-by-case basis to determine whether there is a concern that independence has been compromised.

(x) **Executive compensation** – The Manager supports establishing an independent compensation committee to ensure that executive compensation is competitive and fair. Although, management should be competitively compensated, an independent compensation committee should review compensation arrangements and make recommendations to the board of directors. Shareholders should be allowed to vote on all equity based compensation plans (including option plans) because of the potential dilutive effect on their existing ownership.

(xi) **Stock-Based compensation plans** – An independent compensation committee should have significant latitude to deliver varied compensation to motivate the company's employees. However, all compensation proposals will be evaluated in the context of several factors (a company's industry, market capitalization, competitors for talent, etc.) to determine whether a particular plan or proposal balances the perspectives of employees and the company's other shareholders. Each proposal will be evaluated on a case-by-case basis, taking all material facts and circumstances into account.

(xii) **Bonus plans –** Bonus plans, which must be periodically submitted for shareholder approval, should have clearly defined performance criteria and maximum awards expressed in dollars. Bonus plans with awards that are excessive in both absolute terms and relative to a comparative group generally will not be supported.

(xiii) **Employee stock purchase plans** – The use of employee stock purchase plans to increase company stock ownership by employees will generally be supported provided that shares purchased under the plan are acquired for no less than 85% of their market value and that shares reserved under the plan comprise less than 5% of the outstanding shares.

(xiv) **Executive severance agreements** – While executives' incentives for continued employment should be more significant than severance benefits, there are instances, particularly in the event of a change in control, in which severance arrangements may be appropriate. The Manager will generally, without submission to shareholders, cause an ETF to vote in favour of approving severance benefits triggered by a change in control that do not exceed three times an executive's salary and bonus. The Manager will generally not approve, without shareholder approval, any severance arrangement under which the beneficiary receives more than three times salary and bonus or where severance is guaranteed absent a change in control.

(xv) **Shareholder rights plans** – In evaluating the approval of proposed shareholder rights plans, the following factors will be considered: the length of the plan, whether the plan requires shareholder approval for renewal, whether the plan incorporates review by a committee of independent directors at least every three years, whether the plan includes permitted bid/qualified offer features that mandate a shareholder vote in certain situations, whether the ownership trigger is reasonable and the level of independence of the board that is proposing such plan.

(xvi) **Crown jewel defence** – The sale of assets to "friendly" companies in an effort to frustrate a takeover will generally be opposed as this action could impair shareholder value.

(xvii) **Cumulative voting** – Cumulative voting will generally be opposed on the basis that it allows shareholders a voice in director elections that is disproportionate to their economic investment in the corporation.

(xviii) **Supermajority vote requirements** – Shareholders' ability to approve or reject matters presented for a vote based on a simple majority will be supported. Accordingly, proposals to remove supermajority requirements will be supported, and proposals to impose them will be opposed.

(xix) **Right to call meetings and act by written consent** – Shareholders' rights to call special meetings of the board (for good cause and with ample representation) and to act by written consent will generally be supported. Proposals to grant these rights to shareholders will be supported, and proposals to abridge these rights will be opposed.

(xx) **Confidential voting** – The integrity of the voting process is enhanced substantially when shareholders (both institutions and individuals) can vote without fear of coercion or retribution based on their votes. As such, proposals to provide confidential voting will be supported.

(xxi) **Dual classes of stock** – Dual-class capitalization structures that provide disparate voting rights to different groups of shareholders with similar economic investments are objectionable. As such, the creation of separate classes with different voting rights will be opposed, and the dissolution of such classes will be supported.

(xxii) **Corporate and social policy issues** – Proposals in this category, initiated primarily by shareholders, typically request that the company disclose or amend certain business practices. These are "ordinary business matters" that are primarily the responsibility of management and should be evaluated and approved solely by the corporation's board of directors. An ETF will typically abstain from voting on these proposals absent a compelling economic impact on shareholder value (e.g., proposals to require expensing of stock options).

(xxiii) **Increase in authorized shares** – The Manager supports only issuing additional common shares for good business reasons. Additional common shares should be issued only for sound business reasons. A 20% or greater increase in authorized common shares should be avoided unless there is a good reason for doing so.

Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value.

The ETFs may limit their voting on foreign holdings in instances where the issues presented are unlikely to have a material impact on shareholder value, since the costs of voting (e.g., custodian fees, vote agency fees) in foreign markets may be substantially higher than for Canadian holdings.

If the potential for conflict of interest arises in connection with proxy voting and if deemed advisable to maintain impartiality, the Proxy Voting Policy provides that the Manager may choose to seek out and follow the voting recommendation of an independent proxy search and voting service.

The Proxy Voting Policy is available on request, at no cost, by calling the Manager toll-free at 1-866-641-5739 or emailing the Manager at info@HorizonsETFs.com.

The proxy voting record of an ETF for the annual period from July 1 to June 30 will be available free of charge to any investor of an ETF upon request at any time after August 31 following the end of that annual period. The proxy voting record of an ETF will also be available on our Internet site at www. HorizonsETFs.com.

MATERIAL CONTRACTS

The only contracts material to the ETFs are the following:

(i) **Trust Declaration.** Horizons acts as the manager, investment manager and trustee of the ETFs pursuant to the Trust Declaration. For additional disclosure related to the Trust Declaration, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETFs – The Trustee”, “Organization and Management Details of the ETFs – Duties and Services to be Provided by the Manager”, “Attributes of the Securities – Modification of Terms” and “Unitholder Matters – Amendments to the Trust Declaration;

(ii) **Custodian Agreements.** For additional disclosure related to the Custodian Agreements, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETFs – Custodian”;

(iii) **Sub-Custodian Agreements.** For additional disclosure related to the Sub-Custodian Agreements, including relevant termination provisions and other key terms of the agreements, see “Organization and Management Details of the ETFs – Custodian”; and

(iv) **Swaps.** For additional disclosure related to a Swap, see “Investment Strategies”.

Copies of these agreements may be examined at the head office of the ETFs, 55 University Avenue, Suite 800, Toronto, Ontario, M5E 1S2, during normal business hours.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

The ETFs are not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving the ETFs.

EXPERTS

KPMG LLP, the auditors of the ETFs, have consented to the use of their reports dated March 14, 2018 to the Unitholders of the ETFs. KPMG LLP has confirmed that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

EXEMPTIONS AND APPROVALS

The ETFs are entitled to rely on exemptive relief from the Canadian Securities Regulatory Authorities to:

(a) permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation provided the Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders. See "Purchases of Units – Buying and Selling Units of an ETF";

(b) permit the redemption of less than a PNU at a price equal to 95% of the closing price for such Units on the TSX on the effective date of redemption;

(c) allow an ETF to lend 100% its investment portfolio to qualified borrowers;

(d) relieve the ETFs from the requirement that the prospectus of the ETFs include an underwriter's certificate; and

(e) relieve the ETFs from the dealer registration requirement provided that the Manager complies with Part 15 of NI 81-102.

Additionally, certain dealers of the ETFs, including the Designated Broker and Dealers of the ETFs, have received exemptive relief from the Securities Regulatory Authorities from the requirement that a dealer, not acting as agent of the purchaser, who receives an order or subscription for a security offered in a distribution to which the prospectus requirement of the securities legislation of the provinces and territories apply, send or deliver to the purchaser or its agent, unless the dealer has previously done so, the latest prospectus and any amendment either before entering into an agreement of purchase and sale resulting from the order or subscription, or not later than midnight on the second business day after entering into that agreement. As a condition of this exemptive relief, the dealer is required to deliver a copy of the ETF Facts document of the applicable ETF to a purchaser if the dealer does not deliver a copy of this prospectus. This relief will expire upon the coming-into-force of amendments to National Instrument 41-101 General Prospectus Requirements which will codify the exemptive relief. Currently, the amendments are expected to come-into-force on December 10, 2018.

OTHER MATERIAL FACTS

Index Information

1. S&P/TSX 60™ Index (Total Return)

The S&P/TSX 60™ Index (Total Return) is a measure of large-cap Canadian stock market performance. The index shares underlying the S&P/TSX 60™ Index represent sixty of the largest (by market capitalization) and most liquid stocks listed for trading on the TSX. The S&P/TSX 60™ Index is a market capitalization weighted index.

The Committee is responsible for selecting and determining the index shares, setting policy with respect to the composition, calculation, maintenance and administration of the index generally and for making adjustments to such index. The Committee is composed of seven members, a majority of whom are employees of Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and the remainder of whom are employees of the TSX. The Chief Economist of Standard & Poor's is currently the Chair of the Committee. The Committee usually meets monthly, but may also meet more frequently as required.

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2. S&P 500® Index (Total Return) and S&P 500® CAD Hedged Index (Total Return)

The S&P 500® Index (Total Return) and S&P 500® CAD Hedged Index (Total Return) represent the total return of the S&P 500®. The S&P 500® includes 500 leading companies in leading industries of the U.S. economy. The market capitalization values of the companies that constitute the S&P 500® range from $1.1 billion to $338.5 billion. The S&P 500® is also the U.S. component of the S&P Global 1200.

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3. S&P/TSX Capped Energy Index (Total Return) and S&P/TSX Capped Financials Index (Total Return)

S&P/TSX Capped Energy Index (Total Return)

The S&P/TSX Capped Energy Index (Total Return) is a constrained market capitalization-weighted index that consists of Canadian energy sector companies listed on the TSX. Companies are selected for this index using Standard & Poor's industrial classifications and guidelines for evaluating company capitalization, liquidity and fundamentals. In the S&P/TSX Capped Energy Index, the weight of any one company, in terms of market capitalization, is limited to 25%.

S&P/TSX Capped Financials Index (Total Return)

The S&P/TSX Capped Financials Index (Total Return) is a constrained market capitalization-weighted index that consists of Canadian financial sector companies listed on the TSX. Companies are selected for this index using Standard & Poor's industrial classifications and guidelines for evaluating company capitalization, liquidity and fundamentals. In the S&P/TSX Capped Financials Index, the weight of any one company, in terms of market capitalization, is limited to 25%.

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4. Solactive Canadian Select Universe Bond Index (Total Return)

The Solactive Canadian Select Universe Bond Index is a rules-based index which is designed to measure the performance of the Canadian investment-grade fixed income market by selecting a representative group of government and corporate bonds. The Solactive Canadian Select Universe Bond Index constituents are selected based on size, rating and maturity criteria applied with a view to matching the duration and yield of the universe of eligible securities. The details of the criteria applied in this selection process are provided in the Guideline for the Solactive Canadian Select Universe Bond Index available on the Solactive website at http://www.solactive.com. The universe of eligible securities is composed of fixed income instruments which are denominated in Canadian dollars and are issued by the Government of Canada, a Canadian province or territory, a Canadian municipality, or a corporation incorporated under a Canadian federal, provincial or territorial jurisdiction. Corporate bonds must have an issue size of at least $100 million and government bonds must have an issue size of at least $50 million. Eligible securities must have a fixed coupon, an effective remaining time to maturity of at least one year and a rating of at least BBB(low) (or its equivalent) from a "designated rating organization" within the meaning of NI 81-102. The number of constituents selected for the Solactive Canadian Select Universe Bond Index is based on, among other things, the number of bonds that meet the above criteria. The composition and weighting of the Solactive Canadian Select Universe Bond Index is adjusted on the last business day of each month.

5. Solactive US 7-10 Year Treasury Bond Index (Total Return) and Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return)

The Solactive US 7-10 Year Treasury Bond Index and Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) are each a rules-based index which is designed to measure the performance of the US 7-10 Year Treasury bond market. The Solactive US 7-10 Year Treasury Bond Index (Total Return) constituents and the Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) constituents are selected based on size and maturity criteria, and generally have a maturity between 7 and 10 years at the time of inclusion. The criteria applied in this selection process is detailed in the Solactive US 7-10 Year Treasury Bond Index (Total Return) methodology and Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) methodology are available on the Solactive website at www.solactive.com. The eligible universe is made up of those U.S. Treasury securities which are U.S. dollar denominated, have a maturity between 7 and 10 years, have a fixed coupon, and are not convertible or callable. Constituent securities of the Solactive US 7-10 Year Treasury Bond Index (Total Return) and Solactive US 7-10 Year Treasury Bond CAD Hedged Index (Total Return) are generally deliverable against the U.S. 10-Year Treasury Note futures contract.

6. Solactive Canadian High Dividend Yield Index (Total Return)

Horizons HXH uses the Solactive Canadian High Dividend Yield Index as its Underlying Index. This Underlying Index is a rules based index which is designed to measure the performance of approximately 40 TSX-listed high dividend Canadian domiciled companies or REITs with significant anticipated yield. See "Overview of the Sectors that the ETFs Invest In."

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7. NASDAQ-100® Index (Total Return)

The NASDAQ-100® Index (Total Return) includes 100 of the largest non-financial domestic and international issuers listed on The NASDAQ Stock Market. This index is calculated under a modified capitalization-weighted methodology. Reconstitution and rebalancing occurs on an annual, quarterly, and ongoing basis. To be eligible for inclusion, companies cannot be in bankruptcy proceedings and must meet certain additional criteria including trading volume and "seasoning" requirements.

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8. EURO STOXX 50® Futures Roll Index (Total Return)

Horizons HXX uses the EURO STOXX 50® Futures Roll Index (Total Return) as its Underlying Index. The EURO STOXX 50 Futures Roll Index (Total Return) is designed to reflect the returns generated over time through notional investments in a long position in a series of futures contracts on the EURO STOXX 50® Index. The EURO STOXX 50® Index is a leading blue-chip index for the 19 European Union countries which have adopted the Euro as their currency, and currently covers 50 stocks from 12 Eurozone countries: Austria, Belgium, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

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9. Horizons EAFE Futures Roll Index (Total Return)

Horizons HXDM uses the Horizons EAFE Futures Roll Index (Total Return) as its Underlying Index. This Underlying Index is an index provided by Horizons that is designed to reflect the returns generated over time through long notional investments in a series of MSCI EAFE Index Futures. The MSCI EAFE Index Futures are listed on the Intercontinental Exchange. The Underlying Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, and excluding the U.S. and Canada.

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PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

DOCUMENTS INCORPORATED BY REFERENCE

Additional information about each ETF is or will be available in the following documents:

(a) the most recently filed comparative annual financial statements of that ETF, together with the accompanying report of the auditor;

(b) any interim financial statements of that ETF filed after the most recently filed annual financial statements of that ETF;

(c) the most recently filed annual management report of fund performance of that ETF;

(d) any interim management report of fund performance of that ETF filed after the most recently filed annual management report of fund performance of that ETF; and

(e) the most recently filed ETF Facts of that ETF.

These documents are or will be incorporated by reference into this prospectus, which means that they will legally form part of this document just as if they were printed as part of this document. You can obtain a copy of these documents, at your request, and at no cost, by calling toll-free: 1-866-641-5739 or by contacting your dealer. These documents are available on the Internet site of the ETFs at www.HorizonsETFs.com. These documents and other information about the ETFs will also be available on the Internet at www.sedar.com.

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the ETFs after the date of this prospectus and before the termination of the distribution of the ETFs are deemed to be incorporated by reference into this prospectus.

HORIZONS S&P/TSX 60™ INDEX ETF
HORIZONS S&P 500® INDEX ETF
HORIZONS S&P/TSX CAPPED ENERGY INDEX ETF
HORIZONS S&P/TSX CAPPED FINANCIALS INDEX ETF
HORIZONS CDN SELECT UNIVERSE BOND ETF
HORIZONS US 7-10 YEAR TREASURY BOND ETF
HORIZONS NASDAQ-100® INDEX ETF
HORIZONS EURO STOXX 50® INDEX ETF
HORIZONS CDN HIGH DIVIDEND INDEX ETF
HORIZONS S&P 500 CAD HEDGED INDEX ETF
HORIZONS US 7 – 10 YEAR TREASURY BOND CAD HEDGED ETF
HORIZONS INTL DEVELOPED MARKETS EQUITY INDEX ETF

(THE "ETFs")

CERTIFICATE OF THE ETFs, THE MANAGER AND PROMOTER

Dated: August 21, 2018

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

HORIZONS ETFs MANAGEMENT (CANADA) INC.,
AS TRUSTEE, MANAGER AND PROMOTER OF THE ETFs

(signed) "*Taeyong Lee*" Taeyong Lee Executive Chairman and Co-Chief Executive Officer	(signed) "*Julie Stajan*" Julie Stajan Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS
OF HORIZONS ETFs MANAGEMENT (CANADA) INC.

(signed) *"Steven J. Hawkins"* Steven J. Hawkins Director	(signed) *"Thomas Park"* Thomas Park Director