No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.

HORIZONS EXCHANGE TRADED FUNDS

ACTIVE ✶ BENCHMARK ✶ BETAPRO

PROSPECTUS

Continuous Offering January 24, 2019

Horizons China High Dividend Yield Index ETF ("Horizons HCN" or the "ETF")

The Horizons ETFs are open-end mutual fund trusts established under the laws of Ontario, one of which is offered pursuant to this prospectus. Class A units ("**Units**") of the ETF are offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of the ETF that may be issued. The Units 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.

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

Investment Objective

The ETF seeks to replicate, to the extent possible, the performance of the Hang Seng High Dividend Yield Index (the "**Underlying Index**"), net of expenses, by investing primarily in the Underlying ETF (as defined herein). The Underlying Index is designed to measure the performance of Hong Kong listed equity securities characterized by high dividend yield.

See "Investment Objective".

The ETF will comply with all requirements of National Instrument 81-102 *Investment Funds* ("**NI 81-102**"), or an exemption therefrom. Units of the 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 ETF without regard to the control, concentration or "fund of funds" restrictions of NI 81-102. No purchase of Units of the ETF should be made solely in reliance on the above statements.

Units of the ETF are currently listed and traded on the Toronto Stock Exchange (the "**TSX**"). Investors are able to buy or sell Units of the 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 or selling Units.

The Manager, on behalf of the ETF, has entered into and may enter into agreements with registered dealers (each a "**Designated Broker**" or "**Dealer**") which, amongst other things, enables the Designated Broker and Dealers to purchase and redeem Units directly from the ETF. Holders of Units (the "**Unitholders**") will be able to redeem Units in any number for cash at a redemption price of 95% of the closing price for the Units on the TSX on the effective day of redemption. Unitholders are advised to consult their brokers or investment advisers before redeeming Units for cash. The ETF will also offer additional redemption or exchange options which are available where a Dealer, the Designated Broker or a Unitholder redeems or exchanges a prescribed number of Units (a "**PNU**"). See "Exchange and Redemption of Units".

None of the Designated Broker or any Dealer has been involved in the preparation of this prospectus nor has the Designated Broker or any Dealer performed any review of the contents of this prospectus and the Securities Regulatory Authorities (as hereafter defined) have provided the ETF with a decision exempting the ETF from the requirement to include a certificate of an underwriter in the prospectus. None of the Designated Broker or any Dealer is an underwriter of the ETF in connection with the distribution by the ETF of its Units under this prospectus.

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

Provided that Units of the ETF are listed on a “designated stock exchange” for purposes of the *Income Tax Act* (Canada) (the “**Tax Act**”) or the ETF qualifies as a “mutual fund trust” under the Tax Act, then Units of the ETF would, if issued on the date hereof, be on such date qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan or a tax-free savings account

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 the ETF is or will be available in its most recently filed annual financial statements together with the accompanying independent auditor’s report, any interim financial statements of the 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. 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 ETF are or will also be available on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

Horizons ETFs Management (Canada) Inc.
55 University Avenue, Suite 800
Toronto, Ontario, M5J 2H7
Tel: **416-933-5745**
Fax: **416-777-5181**
Toll Free: **1-866-641-5739**

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 ETF

The Horizons ETFs are open-end mutual fund trusts established under the laws of Ontario, of which Horizons HCN is offered pursuant to this prospectus. See "Overview of the Legal Structure of the ETF".

Investment Objective

The ETF seeks to replicate, to the extent possible, the performance of the Hang Seng High Dividend Yield Index (the "**Underlying Index**"), net of expenses, by investing primarily in the Underlying ETF (as defined herein). The Underlying Index is designed to measure the performance of Hong Kong listed equity securities characterized by high dividend yield.

See "Investment Objectives".

Investment Strategies

To achieve its investment objective, the ETF invests primarily in the Underlying ETF, a Hong Kong domiciled and listed exchange traded fund operated and managed by a Hong Kong based affiliate of the Manager. The Underlying ETF seeks to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index. The Underlying ETF generally invests all, or substantially all, of its assets directly in the Hong Kong listed constituent securities of the Underlying Index in substantially the same weightings as these securities have in the Underlying Index. The Underlying ETF manager may, at its discretion, employ a "sampling" strategy. Under this sampling strategy, the Underlying ETF may not hold all of the securities that are included in the Underlying Index, but instead will hold a representative sample of the Index Securities selected by the ETF manager using quantitative analytical models to derive a portfolio sample.

The Underlying ETF will not invest in mainland China listed "A-shares" of mainland China-based companies. "A-shares" is a term generally used to describe shares in mainland China based companies that are listed on mainland China exchanges and are only quoted in Chinese renminbi. As noted above, the Underlying ETF instead invests in Hong Kong listed equity securities of Hong Kong or mainland China based companies or REITs.

The ETF will not seek to hedge its foreign currency exposure.

See "Investment Strategies" and "Investment Restrictions".

Offering

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

Units of the ETF are currently listed and traded on the TSX.

Investors are able to purchase or sell Units on the TSX through a registered broker or dealer in the province or territory where the investor resides. Accordingly, investors may trade Units of the ETF 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 on the TSX. Dealers may purchase a PNU from the ETF at the

	net asset value per Unit of the ETF. See “Plan of Distribution” and “Attributes of the Securities”.
Special Considerations for Purchasers	Units of the 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 ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102. No purchase of Units of the ETF should be made solely in reliance on the above statements. The ETF, as a mutual fund subject to NI 81-102, is exempt from the so-called “early warning” requirements set out in Canadian securities legislation in connection with the acquisition of Units of the ETF. In addition, the Manager has obtained exemptive relief from the Securities Regulatory Authorities to permit a Unitholder to acquire more than 20% of the Units of the ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation. The Manager has also obtained exemptive relief from certain concentration and fund-on-fund restrictions under NI 81-102 in order to permit the ETF to invest primarily in the Underlying ETF, in accordance with its investment objectives and strategies. See “Purchases of Units – Buying and Selling Units of the ETF”, “Attributes of the Securities – Description of the Securities Distributed” and “Exemptions and Approvals”.
Conflicts of Interest	The ETF is subject to certain conflicts of interest. Units of the ETF may be sold by dealers that are related to the Manager. See “Organization and Management Details of the ETF – Conflicts of Interest” and “Relationship between the ETF and Dealers”.
Distribution Policy	It is anticipated that the ETF will make distributions to Unitholders on a quarterly basis. Such distributions will be paid in cash, unless the Unitholder is participating in the Reinvestment Plan. Distributions are not fixed or guaranteed. To the extent required, the ETF will also distribute, prior to the end of each taxation year, sufficient net income (including net capital gains) that has not previously been distributed so that the ETF will not be liable for ordinary income tax in any given year and year-end distributions, if any, may be automatically reinvested in Units of the ETF or paid in Units of the ETF, which will then be immediately consolidated such that the number of outstanding Units of the ETF held by each Unitholder on such day following the year-end distribution will equal the number of Units of the ETF held by the Unitholder prior to that 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” and “Income Tax Considerations – Tax Implications of the ETF’s Distribution Policy”.
Distribution Reinvestment	At any time, a Unitholder of may elect to participate in the Reinvestment Plan by contacting the CDS Participant(s) through which the Unitholder holds its Units. Under the Reinvestment Plan, cash distributions will be used to acquire additional Units of the ETF held by the Unitholder in the market or from treasury and will be credited to the account of the Unitholder through CDS. See “Distribution Policy – Distribution Reinvestment Plan”.

Purchase Options

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

On any Trading Day, the Designated Broker or a Dealer may place a subscription order for the PNU or multiple PNU of the ETF.

See “Purchases of Units”.

Redemptions of Units

In addition to the ability to sell Units of the ETF on the TSX or redeem Units pursuant to a systematic withdrawal plan, Unitholders of the ETF may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, where the Units being redeemed are not equal to a PNU or a multiple PNU.

Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer, subject only to customary brokerage commissions, or redeem Units pursuant to a systematic withdrawal plan, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

The ETF will also offer additional redemption or exchange options which are available where a Dealer, the Designated Broker or a Unitholder redeems or exchanges a PNU.

See “Redemption of Units”.

Termination

The ETF does not have a fixed termination date but 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 ETF”.

Income Tax Considerations

A Unitholder of the 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 the ETF in that year (including such income that is paid in Units or reinvested in additional Units of the ETF).

A Unitholder of the ETF who disposes of a Unit of the ETF that is held as capital property, including on a redemption or otherwise, will generally 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.

Pursuant to the Trust Declaration, the ETF may allocate and designate any income or capital gains realized by the ETF, or deemed to be realized by the 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, the ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder 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 that the Unitholder will receive in respect of the redemption.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units of the ETF by obtaining advice from his or her tax advisor.

See “Income Tax Considerations”.

Eligibility for Investment

Provided that Units of the 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 the 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 ETF”.

Documents Incorporated by Reference

Additional information about the 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. 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 ETF 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 ETF 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 ETF. These risks relate to the following factors:

- General Risks of Investments
- General Risks of Investing in an Index Fund and Passive Investment Risk
- Reliance on Foreign Domiciled Underlying ETF
- Foreign Securities Risk
- China Risk
- Hong Kong Risk
- Emerging Markets Risk
- Geographic Risk
- High-Dividend Yield Style Risk
- Risks Relating to Index Replication Strategies
- Calculation of Index Level and Termination of an Underlying Index
- The Underlying Index
- Licence to use the Underlying Index Risk
- Risk that Units Will Trade at Prices Other than Net Asset Value per Unit
- Issuer-Specific Risk
- Index Adjustments
- Liquidity Risk
- Borrowing Risk
- Currency Risk
- Real Estate Investment Trust Risk
- Risks Relating to Tax Changes
- Regulatory and Tax-Related Risks
- Cease Trading of Securities Risk
- General Risks of Equity Investments
- Voting of Index Securities Risk
- Exchange Risk
- Distributions Risk
- No Ownership Interest
- Market for Units
- Redemption Price
- Net Asset Value Fluctuation
- Liability of Unitholders
- Limited Operating History
- Restrictions on Certain Unitholders
- Reliance on Key Personnel
- Securities Lending

See “Risk Factors”.

Organization and Management of the ETF

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 the ETF. The Manager is responsible for providing or arranging for the provision of administrative services and management functions required by the ETF. The Manager also provides investment advisory and portfolio management services to the ETF. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. Horizons was primarily organized for the purpose of managing investment products, including the ETF. Horizons is 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 ETF – Manager of the ETF".
Custodian	CIBC Mellon Trust is the custodian of the ETF and is independent of the Manager. CIBC Mellon Trust will provide custodial services to the ETF and is located in Toronto, Ontario. See "Organization and Management Details of the ETF– Custodian".
Valuation Agent	CIBC Mellon Global has been retained to provide accounting valuation services to the ETF. CIBC Mellon Global is located in Toronto, Ontario. See "Organization and Management Details of the ETF – Valuation Agent".
Auditors	KPMG LLP is responsible for auditing the annual financial statements of the ETF. KPMG LLP is independent of the Manager. The head office of the auditors is located in Toronto, Ontario. See "Organization and Management Details of the ETF – Auditors".
Promoter	Horizons is also the promoter of the ETF. Horizons took the initiative in founding and organizing the ETF and is, accordingly, the promoter of the ETF within the meaning of securities legislation of certain provinces and territories of Canada. See "Organization and Management Details of the ETF – Promoter".
Registrar and Transfer Agent	TSX Trust Company is the registrar and transfer agent for the Units of the ETF pursuant to registrar and transfer agency agreements entered into by the ETF. TSX Trust Company is independent of the Manager. TSX Trust Company is located in Toronto, Ontario. See "Organization and Management Details of the ETF – Transfer Agent and Registrar".
Securities Lending Agents	Canadian Imperial Bank of Commerce ("**CIBC**") is a securities lending agent for the ETF. CIBC is located in Toronto, Ontario. CIBC is independent of the Manager. See "Organization and Management Details of the ETF – Securities Lending Agent".

Summary of Fees and Expenses

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

Fees and Expenses Payable by the ETF

Type of Charge	**Description**
Management Fee	The ETF pays an annual Management Fee to the Manager equal to 0.70% of the net asset value of the ETF, together with applicable Sales Tax. The Management Fee is calculated and accrued daily and payable monthly in arrears in consideration for the services provided by the Manager to the ETF as set out under "Organization and Management Details of the ETF – 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 the 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 as Management Fee Distributions.
Underlying Fund Fees	The ETF will, in accordance with applicable Canadian securities legislation or an exemption therefrom, invest in exchange traded funds, mutual funds or other public investment funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying funds in addition to the fees and expenses payable by the ETF. With respect to such investments, no management fees or incentive fees are payable by the ETF that, to a reasonable person, would duplicate a fee payable by such underlying fund for the same service. The ETF will not pay any management fees to the Underlying ETF that are higher than the Management Fee of the ETF. Further, no sales fees or redemption fees are payable by the ETF in relation to purchases or redemptions of the securities of the underlying funds in which it invests if these funds are managed by the Manager or an affiliate or associate of the Manager.
Operating Expenses	Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to Unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; extraordinary expenses; Unitholder reports and servicing costs; registrar and transfer agent fees; costs of the IRC; income taxes; Sales Tax; brokerage expenses and commissions; and withholding taxes.
Expenses of the Issue	All expenses related to the issuance of Units of the ETF shall be borne by the Manager.

Fees and Expenses Payable Directly by Unitholders

Redemption Charge	The Manager may charge Unitholders of the ETF, at its discretion, a redemption charge of up to 0.25% of the redemption proceeds paid by the ETF. The Manager will publish the current redemption charge, if any, on its website, www.HorizonsETFs.com. See “Fees and Expenses - Fees and Expenses Payable Directly by the Unitholders - Redemption Charge”.

GLOSSARY

The following terms have the following meaning:

"**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;

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

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

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

"**CDS Participant**" means a participant in CDS that holds security entitlements in Units of the 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;

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

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

"**Custodian**" means CIBC Mellon Trust, in its capacity as custodian of the ETF 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 ETF, 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 ETF, pursuant to which the Dealer may subscribe for Units of the ETF as described under "Purchases of Units";

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

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

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

"**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 the ETF;

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

"**ETF**" or "**Horizons HCN**" means the Horizons China High Dividend Yield Index ETF;

"**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 ETF;

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

"**Index Provider**" means Hang Seng Indexes Company Limited, with which, or with an affiliate of which, Horizons has entered into licensing arrangements to use such Underlying Index and certain trademarks in connection with the operation of the ETF;

"**Index Securities**" means, with respect to the ETF, the securities of the Constituent Issuers included in the Underlying Index;

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

"**Management Fee**" means the annual management fee paid by the ETF to the Manager, equal to a percentage of the net asset value of the 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 to Unitholders of the ETF who hold large investments in the ETF;

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

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

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

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

"**net asset value**" or "**NAV**" means the net asset value of the ETF as calculated on each Valuation Day for the ETF in accordance with the Trust Declaration;

"**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;

"**Payment Date**" has the meaning ascribed to such term under the heading "Distribution Policy – Distribution Reinvestment Plan";

"**Plan Agent**" means TSX Trust Company, as plan agent for the Reinvestment Plan;

"**Plan Participant**" has the meaning ascribed to such term under the heading "Distribution Policy – Distribution Reinvestment Plan";

"**Plan Units**" has the meaning ascribed to such term under the heading "Distribution Policy – Distribution Reinvestment Plan";

"**PNU**" in relation to Units of the ETF, means the prescribed number of Units of the ETF, 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;

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

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

"**Registrar and Transfer Agent**" means TSX Trust Company;

"**Reinvestment Plan**" means the distribution reinvestment plan for the ETF, as described under the heading "Distribution Policy – Distribution Reinvestment Plan";

"**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;

"**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;

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

"**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 a day on which (i) a session of the TSX is held; (ii) the principal exchange for the securities to which the ETF is exposed is open for trading; and (iii) the Index Provider calculates and publishes data relating to the Underlying Index;

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

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

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

"**Underlying ETF**" means the Mirae Asset Horizons Hang Seng High Dividend Yield ETF, a Hong Kong domiciled and listed exchange traded fund operated and managed by a Hong Kong based affiliate of the Manager, or such other exchange traded fund or index participation unit in which the ETF may invest in accordance with Canadian securities laws, or an exemption therefrom;

"**Underlying Index**" means the Hang Seng High Dividend Yield Index;

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

"**Units**" means class A units of the ETF, and "**Unit**" means any one of them;

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

“**Valuation Day**” for the ETF 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 ETF

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

Horizons China High Dividend Yield Index ETF is offered pursuant to this prospectus.

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

Units of the ETF are currently listed and traded on the TSX under the ticker symbol "HCN".

INVESTMENT OBJECTIVE

The fundamental investment objective of the ETF is to seek to replicate, to the extent possible, the performance of the Hang Seng High Dividend Yield Index (the "**Underlying Index**"), net of expenses, by investing primarily in the Underlying ETF. The Underlying Index is designed to measure the performance of Hong Kong listed equity securities characterized by high dividend yield.

The fundamental investment objective of the ETF may not be changed except with the approval of Unitholders of the ETF. See "Unitholder Matters".

INVESTMENT STRATEGIES

To achieve its investment objective, the ETF invests primarily in units of the Underlying ETF. The Underlying ETF seeks to provide investment results that, before deduction of fees and expenses, closely correspond to the performance of the Underlying Index. The Underlying ETF generally invests all, or substantially all, of its assets directly in the Hong Kong listed constituent securities of the Underlying Index in substantially the same weightings as these securities have in the Underlying Index. The Underlying ETF manager may, at its discretion, employ a "sampling" strategy. Under this sampling strategy, the Underlying ETF may not hold all of the securities that are included in the Underlying Index, but instead will hold a representative sample of the Index Securities selected by the ETF manager using quantitative analytical models to derive a portfolio sample.

The Underlying ETF will not invest in mainland China listed "A-shares" of mainland China-based companies. "A-shares" is a term generally used to describe shares in mainland China based companies that are listed on mainland China exchanges and are only quoted in Chinese renminbi. As noted above, the Underlying ETF instead invests in Hong Kong listed equity securities of Hong Kong or mainland China based companies or REITs.

The ETF will not seek to hedge its foreign currency exposure.

Underlying ETF

The Underlying ETF tracks the net total return index of the Underlying Index. The Underlying Index reinvests dividends after deducting withholding taxes. Only cash dividend payments are included in the calculations of the Underlying Index and non-cash distributions are excluded.

Securities Lending

The 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 the 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 the ETF through securities lending will accrue to the ETF.

If the ETF carries out securities lending, the ETF will engage a lending agent with experience and expertise in completing such transactions.

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 the 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.

The Underlying ETF does not intend to engage in securities lending or repurchase transactions in respect of its portfolio.

OVERVIEW OF THE SECTORS THAT THE ETF INVESTS IN

Hang Seng High Dividend Yield Index

The Underlying Index is the Hang Seng High Dividend Yield Index. The Underlying Index aims to reflect the overall performance of high-yield securities listed on the Hong Kong Stock Exchange. It comprises 50 Constituent Issuers from its universe of mid and large capitalization equity securities, which can include stocks and real estate investment trusts that have their primary listings on the Hong Kong Stock Exchange. The Underlying Index excludes stocks that are secondary listings, companies based outside of Hong Kong or China, preference shares, debt securities, mutual funds and other derivatives. The Underlying Index is calculated and maintained by the Index Provider, Hang Seng Indexes Company Limited. The Index Provider is Hong Kong's leading index compiler covering Hong Kong and mainland China markets. The Underlying Index was launched on December 10, 2012 and the date against which the performance of the Underlying Index is measured is June 29, 2007.

Generally corporate or REIT issuers are eligible for selection as a Constituent Issuer if they meet the market value requirement, turnover requirement, dividend requirement and volatility screen, each described below.

Market Value Requirement

Eligible securities are large-cap or mid-cap constituents from the Hang Seng Composite Index.

Turnover Requirement

For each security, its turnover velocity in each of the past 12 months is calculated by dividing the median of daily traded shares in specific calendar month by the free float adjusted issued shares at month end. A security is regarded as passing the monthly turnover test if it attains a minimum velocity of 0.1% in that month.

Dividend Requirement

Securities from the eligible list should have a cash dividend paid record of at least three consecutive fiscal years.

Volatility Screen

The top 25% of the eligible securities in terms of one-year historical volatility – i.e. standard deviation of daily logarithmic return for the past 12 months to the review cut-off date – will be excluded from constituent selection.

Final Constituent Selection

Securities satisfying these requirements will be ranked by net dividend yield and the top 50 securities in terms of net dividend yield will be selected as constituents of the Underlying Index.

Further details of the criteria applied in the selection process are provided about the Hang Seng High Dividend Yield Index including the index methodology, calculation and rebalancing, is available from Hang Seng Indexes on its website at www.hsi.com.hk.

Change of Underlying Index

The Manager may, subject to any required Unitholder approval, change the Underlying Index in order to provide investors with substantially the same exposure to which that ETF is currently exposed. If the Manager changes the 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 the Underlying Index

The Index Provider calculates, determines and maintains the Underlying Index. If the Index Provider ceases to calculate the Index, or the licence agreement is terminated, the Manager may choose to: terminate the ETF; change the 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 Unitholders in the circumstances.

Use of the Underlying Index

The ETF is permitted by the Index Provider to use the Underlying Index and to use certain trademarks in connection with their operation. The ETF does not accept responsibility for or guarantee the accuracy or completeness of the Underlying Index or any data included in the Underlying Index.

INVESTMENT RESTRICTIONS

The ETF is subject to certain restrictions and practices contained in securities legislation, including NI 81-102 and NI 81-107. The ETF is 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".

The ETF will not make an investment that would result in the ETF failing to qualify as a "unit trust" or "mutual fund trust" within the meaning of the Tax Act or that would result in the ETF becoming subject to the tax for "SIFT trusts" within the meaning of the Tax Act. In addition, the ETF will not 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 the ETF's property consisted of such property.

FEES AND EXPENSES

Fees and Expenses Payable by the ETF

Management Fee

The ETF pays an annual Management Fee to the Manager equal to 0.70% of the net asset value of the ETF, together with applicable Sales Tax.

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

Management Fee Distributions

To encourage very large investments in the ETF 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 the ETF with respect to investments in the 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 the 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 the ETF as Management Fee Distributions.

The availability and amount of Management Fee Distributions with respect to Units of the ETF will be determined by the Manager. Management Fee Distributions for the ETF will generally be calculated and applied based on a Unitholder's average holdings of Units of the 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 the ETF and not to the holdings of Units of the ETF by dealers, brokers or other CDS Participants that hold Units of the ETF on behalf of beneficial owners. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units of the 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 the ETF generally will be borne by the Unitholders of the ETF receiving these distributions from the Manager.

Underlying Fund Fees

The ETF will, in accordance with applicable Canadian securities legislation or an exemption therefrom, invest in exchange traded funds, mutual funds or other public investment funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying funds in addition to the fees and expenses payable by the ETF. With respect to such investments, no management fees or incentive fees are payable by the ETF that, to a reasonable person, would duplicate a fee payable by such underlying fund for the same service. The ETF will not pay any management fees to the Underlying ETF that are higher than the Management Fee of the ETF. Further, no sales fees or redemption fees are payable by the ETF in relation to purchases or redemptions of the securities of the underlying funds in which it invests if these funds are managed by the Manager or an affiliate or associate of the Manager.

Operating Expenses

Unless otherwise waived or reimbursed by the Manager, the ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to Unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; extraordinary expenses; Unitholder reports and servicing costs; registrar and transfer agent fees; costs of the IRC; income taxes; Sales Tax; brokerage expenses and commissions; and withholding taxes.

Expenses of the Issue

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

Fees and Expenses Payable Directly by the Unitholders

Redemption Charge

The Manager may charge Unitholders of the ETF, at its discretion, a redemption charge of up to 0.25% of the redemption proceeds paid by the ETF. The Manager will publish the current redemption charge on its website, www.HorizonsETFs.com.

RISK FACTORS

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

General Risks of Investments

An investment in the ETF should be made with an understanding that the value of the Index Securities for the ETF (whether held directly or indirectly) may fluctuate in accordance with changes in the financial condition of the Constituent Issuers of the Underlying Index (particularly those that are more heavily weighted in the 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.

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

Investments in the ETF should be made with an understanding that the Index Level of the 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 the ETF is to replicate the performance of its Underlying Index, the ETF is 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 the Underlying Index will not necessarily result in the elimination of exposure to its securities, whether direct or indirect, by the ETF unless the relevant Constituent Issuer is removed from the applicable Underlying Index.

Reliance on Foreign Domiciled Underlying ETF

The ETF invests in the Underlying ETF, which is a foreign listed fund. This Underlying ETF seeks to provide returns that closely correspond to the performance of the Underlying Index. The Underlying ETF may not achieve the same return as the Underlying Index due to differences in the actual weightings of securities held in the Underlying ETF versus the weightings in the Underlying Index and due to the operating and administrative expenses of the Underlying ETF.

Foreign Securities Risk

Foreign investments may be subject to different and, in some cases, less stringent regulatory and disclosure standards than Canadian investments. Also, political concerns, fluctuations in foreign currencies and differences in taxation, trading, settlement, custodial and other operational practices may result in foreign investments being more volatile and less liquid than Canadian investments. Foreign regulatory and fiscal policies may affect the ability to trade securities across markets. Foreign markets also may differ widely in trading and execution capabilities, liquidity and expenses, including brokerage and transaction costs. Brokerage and transaction costs are generally higher for foreign securities than for Canadian investments. Foreign investments typically are issued and traded in foreign currencies. As a result, their values may be affected significantly by changes in exchange rates between foreign currencies and the Canadian dollar.

China Risk

Investment exposure to China subjects the ETF and the Underlying ETF to risks specific to China. China may be subject to considerable degrees of economic, political and social instability. China is a developing market and demonstrates significantly higher volatility from time to time in comparison to developed markets. Over the past 25 years, the Chinese government has undertaken reform of economic and market practices and expansion of the sphere for private ownership of property in China. However, Chinese markets generally continue to experience inefficiency, volatility and pricing anomalies resulting from governmental influence, a lack of publicly available information and/or political and social instability. Internal social unrest or confrontations with other neighboring countries, including military conflicts in response to such events, may also disrupt economic development in China and result in a greater risk of currency fluctuations, currency convertibility, interest rate fluctuations and higher rates of inflation. Export growth continues to be a major driver of China's rapid economic growth. Reduction in spending on Chinese products and services, institution of tariffs or other trade barriers, or a downturn in any of the economies of China's key trading partners may have an adverse impact on the Chinese economy. A natural or other disaster could occur in the geographic region in which China is located, which could affect the economy or particular business operations of companies in the specific geographic region, causing an adverse impact on investments exposed to China. China has privatized, or has begun the process of privatizing, certain entities and industries. Privatized entities may lose money or be re-nationalized. China has experienced security concerns. Incidents involving China's security may cause uncertainty in these markets and may adversely affect their economies and the ETF's and the Underlying ETF's investments.

Hong Kong Risk

Investments in Hong Kong issuers subject the ETF and the Underlying ETF to legal, regulatory, political, currency, security, and economic risk specific to Hong Kong. Hong Kong investments involve special risks, in addition to the risks described above under "China Risk." China is Hong Kong's largest trading partner, both in terms of exports and imports. Any changes in the Chinese economy, trade regulations or currency exchange rates, or a tightening of China's control over Hong Kong, may have an adverse impact on Hong Kong's economy. Hong Kong has few natural resources. Any fluctuation or shortage in the commodity markets could have a negative impact on the Hong Kong economy.

Emerging Markets Risk

The risks of foreign investments are typically greater in less developed countries, which are sometimes referred to as emerging markets. For example, political and economic structures in these countries may be changing rapidly, which can cause instability and greater risk of loss. These countries are also more likely to experience higher levels of inflation, deflation or currency devaluation, which could hurt their economies and securities markets. For these and other reasons, investments in emerging markets are often considered speculative.

Geographic Risk

Investment funds, such as the ETF and the Underlying ETF, that are less diversified across countries or geographic regions are generally riskier than more geographically diversified funds. For example, a fund that focuses on a single country (e.g., China), or a specific region (e.g., Latin America or Africa) it is more exposed to that country's or region's economic cycles, currency exchange rates, stock market valuations and political risks compared with a more geographically diversified fund. The economies and financial markets of certain regions, such as Latin America, Asia or Eastern Europe, can be interdependent and may decline all at the same time. A natural or other disaster could occur in a geographic region in which the ETF invests, which could affect the economy or particular business operations of companies in the specific geographic region, causing an adverse impact on investments made in the affected region.

High-Dividend Yield Style Risk

While the ETF and the Underlying ETF may be exposed to securities of companies that have historically paid a high dividend yield, those companies may reduce or discontinue their dividends, reducing the yield of the ETF and the

Underlying ETF. Low priced securities in the ETF may be more susceptible to these risks. Past dividend payments are not a guarantee of future dividend payments. Also, the market return of high dividend yield securities, in certain market conditions, may perform worse than other investment strategies or the overall stock market.

Risks Relating to Index Replication Strategies

An investment in the ETF should be made with an understanding that the ETF will not replicate exactly the performance of the Underlying Index. The total return generated by the securities held directly or indirectly by the ETF will be reduced by any costs and expenses borne directly or indirectly by the ETF (and the Underlying ETF), whereas costs and expenses are not included in the calculation of the performance of the applicable Underlying Index.

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

If the ETF or the Underlying ETF makes direct investments in Index Securities, a deviation could also occur in the tracking of the 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 Underlying 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 Underlying ETF buys replacement Index Securities for more than the takeover bid proceeds). The Underlying ETF may not replicate exactly the composition of its Underlying Index, which may also lead to differences between the performance of the ETF and the performance of the Underlying Index.

Calculation of Index Level and Termination of an Underlying Index

The Underlying Index is maintained and calculated by the Index Provider. Trading in Units of the ETF may be suspended for a period of time if, for whatever reason, the calculation of the Index Level is delayed. In the event the Index Level ceases to be calculated or is discontinued, the Manager may choose to: terminate the ETF; change the 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 Unitholders in the circumstances.

The Underlying Index

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

Licence to use the Underlying Index Risk

Pursuant to an agreement between the Manager and the Index Provider, the Index Provider has granted the Manager the right to use the Underlying Index in connection with the ETF. The ETF may not be able to fulfil its objective and may be terminated if the arrangement between the Manager and the Index Provider is terminated. The ETF may also be terminated if the Underlying Index ceases to be compiled or published and there is no replacement Underlying Index using the same or substantially similar formula for the method of calculation as used in calculating the Underlying Index.

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

The Units may trade below, at, or above their net asset value. The net asset value per Unit will fluctuate with changes in the market value of the ETF's holdings. The trading prices of the Units 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 the Designated Broker or Dealers may subscribe for a PNU at the net asset value per Unit, the Manager believes that large discounts or premiums to the net asset value per Unit of the ETF should not be sustained.

If a Unitholder purchases Units 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 the 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-Specific Risk

The value of an individual security or particular type of security may be more volatile than the market as a whole and may perform differently from the value of the market as a whole. Changes in the financial condition or credit rating of an issuer of a security may cause the value of the security to decline. Shares will change in value, and you could lose money by investing in the ETF. The ETF may not achieve its investment objective.

Index Adjustments

Adjustments to the Underlying Index will require corresponding adjustments to the portfolio assets to which the ETF, and the Underlying ETF, is exposed. Such adjustments could cause a minor deviation in the tracking of the Index Level by the ETF.

Adjustments to the portfolio to which the ETF and the Underlying ETF is exposed necessitated by adjustments to the Underlying Index will depend on the ability of the Manager or the Underlying ETF manager to match these adjustments. To achieve this, the Underlying 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, the ETF may not be able to dispose of its investments quickly or at prices that represent the fair market value of such investments. Securities held by the ETF or securities to which the ETF is exposed may be illiquid, which may prevent the ETF from being able to limit its losses or realize gains.

Borrowing Risk

From time to time, the 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. The 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 the ETF. There is a risk that the 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, the ETF would be required to repay the borrowed amount by disposing of portfolio assets.

Currency 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.

The ETF intends to invest in the Underlying ETF, currently a Hong Kong domiciled exchange traded fund operated and managed by an affiliate of the Manager based in Hong Kong. Investments are generally purchased in Hong Kong dollars and the ETF's NAV is determined in Canadian dollars. Therefore, the ETF's NAV could decline if the currency of a foreign market in which the ETF invests depreciates versus the Canadian dollar. Capital controls may impose restrictions on the ETF's ability to repatriate investments or income. Such controls may also affect the value of the ETF's holdings.

The Hong Kong dollar is currently "pegged" to the United States dollar on the basis of one US dollar to between $7.75–7.85 Hong Kong dollars, but there is no certainty that the "peg" will continue to be maintained.

Real Estate Investment Trust Risk

Adverse economic, business or political developments affecting real estate could have a major effect on the value of real estate investment trusts ("**REITs**") included in the Underlying Index. Investing in REITs, directly or indirectly, subjects the ETF to risks associated with the direct ownership of real estate, such as decreases in real estate values, overbuilding, increased competition and other risks related to local or general economic conditions, increases in operating costs and property taxes, changes in zoning laws, casualty or condemnation losses, possible environmental liabilities, regulatory limitations on rent and fluctuations in rental income.

Risks Relating to Tax Changes

There can be no assurance that changes will not be made to the tax rules (including the tax rules of foreign jurisdictions) affecting the taxation of the ETF, the ETF's investments (including the investment in the Underlying ETF) or the Unitholders, or in the administration of such tax rules.

Regulatory and Tax-Related Risks

If the ETF 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 the 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. A trust 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" (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.

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

For example, the 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 ETF and there may be changes in the rates of such taxes, which, accordingly, may affect the costs borne by the ETF and its 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 the ETF as long as the ETF adheres to its investment restriction in this regard. If these rules apply to the ETF, the after-tax return to Unitholders could be reduced.

Pursuant to rules in the Tax Act, if the ETF experiences a "loss restriction event" ("**LRE**"), it (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, the ETF will be subject to an LRE if a person 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 generally are 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 using any property in the course of carrying on a business and complying with certain asset diversification requirements. The ETF is not currently expected to qualify as an "investment fund", and consequently it could potentially have an LRE and thereby become subject to the related tax consequences described above.

The ETF will be exposed to foreign equity 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 other distributions paid or credited to persons who are not resident in such countries. While the ETF intends 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 securities may subject the ETF to foreign taxes on dividends and other distributions paid or credited to the ETF or any gains realized on the disposition of such securities. Any foreign taxes incurred by the ETF will generally reduce the value of its portfolio.

The Tax Act contains rules regarding the taxation of investments in certain trusts that are not resident in Canada ("**non-resident trusts**") (the "**NRT Rules**"). The NRT Rules apply to a non-resident trust (other than an "exempt foreign trust" for purposes of the Tax Act) for which there is a "resident contributor" or a "resident beneficiary". The NRT Rules deem a non-resident trust to be resident in Canada for certain purposes of the Tax Act. Generally, the result of the application of such deeming provision to a non-resident trust is that certain of the trust's income will be subject to Canadian tax. As well, generally, subject to certain limitations, Canadian resident investors may be jointly and severally or solidarily liable with the non-resident trust and other "resident beneficiaries" and certain "resident contributors" for the non-resident trust's Canadian tax. Accordingly, if the Underlying ETF is a non-resident trust that is not an exempt foreign trust for purposes of the Tax Act, the ETF may be jointly and severally or solidarily liable with the Underlying ETF and other "resident beneficiaries" and certain "resident contributors" for the Canadian tax (including any interest and penalties in respect of such taxes) payable by the Underlying ETF. The Manager believes that the Underlying ETF is and will continue to be an exempt foreign trust for purposes of the Tax Act, although no assurances can be given in this regard.

Cease Trading of Securities Risk

Whenever the Underlying 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, the Underlying ETF, and the ETF, may halt trading in its units. Thus, Units of the ETF indirectly bear the risk of cease trading orders against all Constituent Issuers of its Underlying Index, as well as the Underlying ETF.

If Units of the ETF or the Underlying 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 the 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

The ETF is exposed to equity securities. 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 the ETF, distributions on the Units of the 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.

The risks inherent in investments in equity 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 the Underlying Index and thus in the value of Units of the 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.

Voting of Index Securities Risk

Unitholders will not have any right to vote Index Securities to which the ETF is exposed, while they would have the right to vote if they owned the Index Securities directly.

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 the 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. Unanticipated early closings of a stock exchange on which securities to which the ETF and the Underlying ETF is exposed may result in the Underlying ETF being unable to sell or buy securities on that day. If the Hong Kong Stock Exchange closes early on a day when the Underlying ETF needs to execute a high volume of securities trades late in the trading day, the Underlying ETF may incur substantial trading losses.

Distributions Risk

Distributions of income and gains by the ETF may be distributed in Units or reinvested in Units of the ETF that may be automatically consolidated. Income or taxable capital gains distributed to a Unitholder in Units or reinvested in Units of the ETF are nevertheless required to be included in the Unitholder’s income even though no cash will be distributed to fund any resulting tax payment.

No Ownership Interest

An investment in Units of the ETF does not constitute an investment by Unitholders in the securities held by the ETF or the Underlying ETF. Unitholders will not own the securities held by the ETF or the Underlying ETF.

Market for Units

There can be no assurance that an active public market for Units of the ETF will be sustained.

Redemption Price

Unitholders will not know in advance of giving a notice of redemption the price at which the Units will be redeemed. In the period after a notice of redemption for Units of the ETF has been given and before the applicable redemption date, the value of the ETF and therefore the redemption amount which will be payable to the Unitholder in respect of the Units being redeemed may change substantially due to market movements. Unitholders are not entitled to withdraw a request for redemption unless a suspension of redemptions has been declared. In various circumstances, the redemption of Units and the payment of redemption proceeds may be suspended.

Net Asset Value Fluctuation

The value of the investments of the ETF will change from day-to-day, reflecting changes of various factors including but not limited to general economic conditions, fluctuations in the securities markets, international developments and company news. The net asset value of the Units will fluctuate with changes in the market value of the ETF's investments. As a result, the value of an investment in the ETF may be more or less at the time of redemption than at the time of purchase.

Liability of Unitholders

The Trust Declaration provides that no Unitholder of the 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 the 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 the ETF for liabilities which cannot be satisfied out of the assets of the ETF.

Limited Operating History

Although all the persons involved in the management and administration of the ETF, including the service providers to the ETF, have significant experience in their respective fields of specialization, the ETF has limited operating and performance history upon which prospective investors can evaluate the ETF's performance.

Restrictions on Certain Unitholders

Under certain circumstances, non-residents of Canada, partnerships that are not "Canadian partnerships", or a combination of non-residents and such partnerships may not be the beneficial owner of a majority of Units of the ETF. This restriction may limit the rights of certain unitholders of the ETF, including non-residents of Canada. This restriction may also limit the demand for Units of the ETF by certain investors and thereby adversely affect the liquidity and market value of the Units of the ETF that are held by other investors.

Reliance on Key Personnel

Unitholders will be dependent on the abilities of: (i) the Manager in providing recommendations and advice in respect of the ETF; and (ii) the Manager to effectively manage the ETF in a manner consistent with their investment objectives, investment strategies and investment restrictions. Implementation of the 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 the ETF will continue to be employed by the Manager.

Securities Lending

The ETF may engage in securities lending. Although the 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, the 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, the ETF will bear the risk of loss of any investment of cash collateral.

The Underlying ETF does not intend to engage in securities lending or repurchase transactions in respect of its portfolio.

Risk Rating of the ETF

The investment risk level of the 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. As the ETF has less than 10 years of performance history, the Manager calculates the investment risk level of the ETF using a reference index that is expected to reasonably approximate the standard deviation of the ETF. Once the ETF has 10 years of performance history, the methodology will calculate the standard deviation of the ETF using the return history of the ETF rather than that of the reference index. In each case, the ETF is 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 the ETF is disclosed in its ETF Facts document. The risk rating set forth in the 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 reference index used by the ETF is the Hang Seng High Dividend Yield Index.

In certain instances, the methodology described above may produce an investment risk level for the 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 the 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 rating of the ETF is reviewed annually, and any time 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 ETF 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

It is anticipated that the ETF will make distributions to its Unitholders on a quarterly basis. Such distributions will be paid in cash, unless a Unitholder is participating in the Reinvestment Plan.

Distributions are not fixed or guaranteed.

On or prior to the last day of each taxation year, the ETF will be required to pay or make payable the net income and net realized capital gains of the ETF to Unitholders of the ETF to such an extent that the ETF will not be liable for ordinary income tax thereon. To the extent that the ETF has not paid or made payable the full amount of its net income and net capital gains in cash in any year, the difference between such amount and the amount actually paid or made payable by the ETF in cash may be paid or made payable as a "reinvested distribution" or distributed in Units. Reinvested distributions will be reinvested automatically in additional Units of the ETF at a price, or Units 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 held by each Unitholder on such day following the distribution will equal the number of Units of the ETF outstanding and held by the Unitholder prior to the distribution except where withholding tax is required to be withheld in respect of the distribution. In the case of a Unitholder that is not resident in Canada, if tax has to be withheld in respect of the distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly.

The Manager reserves the right to make additional distributions for the ETF in any year if determined to be appropriate. The tax treatment to Unitholders of the ETF of reinvested distributions (including pursuant to the

Reinvestment Plan, as defined below) or distributions paid in Units is discussed under the heading "Income Tax Considerations".

Distribution Reinvestment Plan

At any time, Unitholders may elect to participate in the Manager's distribution reinvestment plan (the "**Reinvestment Plan**") by contacting the CDS Participant through which the Unitholder holds its Units. Under the Reinvestment Plan, cash distributions will be used to acquire additional Units of the ETF (the "**Plan Units**") in the market and will be credited to the account of the Unitholder (the "**Plan Participant**") through CDS.

Eligible Unitholders may elect to participate in, or withdraw from, the Reinvestment Plan by notifying CDS via the applicable CDS Participant(s) through which such Unitholder holds its Units of the Unitholder's intention to participate, or no longer participate, in the Reinvestment Plan. The CDS Participant must, on behalf of such Unitholder, provide a notice to CDS that the Unitholder wishes, or does not wish, to participate in the Reinvestment Plan by no later than 4:00 p.m. (Toronto time) at least 2 business days immediately prior to the applicable Distribution Record Date in respect of the next expected distribution in which the Unitholder would be entitled to receive a distribution (reinvested or in cash, as the case may be). CDS shall, in turn, notify the Plan Agent no later than 5:00 p.m. (Toronto time) on the applicable Distribution Record Date that such Unitholder does, or does not, wish to participate in the Reinvestment Plan.

Fractional Units

No fractional Plan Units will be issued under the Reinvestment Plan. Payment in cash for any remaining uninvested funds will be made in lieu of fractional Plan Units by the Plan Agent to CDS or CDS Participant, on a monthly or quarterly basis, as the case may be. Where applicable, CDS will, in turn, credit the Plan Participant via the applicable CDS Participant.

Amendments, Suspension or Termination of the Reinvestment Plan

As indicated above, Plan Participants will be able to terminate their participation in the Reinvestment Plan as of a particular Distribution Record Date by notifying their CDS Participant sufficiently in advance of that Distribution Record Date to allow such CDS Participant to notify CDS and for CDS to notify the Plan Agent by 4:00 p.m. (Toronto time) at least 2 business days immediately prior to that Distribution Record Date. Beginning on the first distribution payment date after such notice is delivered, distributions to such Unitholders will be in cash. The form of termination notice will be available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice will be for the account of the Plan Participant exercising its rights to terminate participation in the Reinvestment Plan.

The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days' notice to the Plan Participants and the Plan Agent, subject to any required regulatory approval. The Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it complies with certain requirements, gives notice of that amendment, modification or suspension to the Plan Participants and the Plan Agent, subject to any required regulatory approval, which notice may be given by issuing a press release containing a summary description of the amendment or in any other manner the Manager determines to be appropriate.

The Manager may from time to time adopt rules and regulations to facilitate the administration of the Reinvestment Plan. The Manager reserves the right to regulate and interpret the Reinvestment Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Reinvestment Plan.

Other Provisions

Participation in the Reinvestment Plan is restricted to Unitholders who are residents of Canada for the purposes of the Tax Act. Partnerships (other than "Canadian partnerships" as defined in the Tax Act) are not eligible to participate in the Reinvestment Plan. Upon becoming a non-resident of Canada or a partnership (other than a

Canadian partnership), a Plan Participant shall notify its CDS Participant and terminate participation in the Reinvestment Plan immediately.

The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions. Each Plan Participant will be mailed annually the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the ETF, to the Unitholder in the preceding taxation year.

PURCHASES OF UNITS

Issuance of Units of the ETF

To Designated Brokers and Dealers

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

On any Trading Day ("**T-1**"), a Designated Broker or a Dealer may place a subscription order for a PNU or multiple PNU of the ETF. The purchase price for the Units to be issued is based on the closing net asset value per Unit of the ETF 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 the ETF by 12:00 p.m. (Toronto time) on T-1, the ETF will issue to the Designated Broker or Dealer the number of Units of the ETF subscribed for generally on the first Trading Day ("**T+1**") after the Trade Date, provided that payment for such Units has been received.

In issuing Units of the ETF to a Designated Broker or Dealer, the Designated Broker or Dealer must deliver cash 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.

The Manager publishes the PNU for the ETF on its website, www.HorizonsETFs.com. The Manager may, at its discretion, increase or decrease the PNU of the ETF from time to time.

To Unitholders of the *ETF as Reinvested Distributions or Distributions Paid in Units*

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

Buying and Selling Units of the ETF

Units of the ETF are currently listed and traded on the TSX under the ticker symbol "HCN". An investor may buy or sell such Units on the TSX 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 the ETF (on either a number of Units or fair market value basis) at any time during which more than 10% of the property of the 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. The Underlying ETF should not be considered such property. If the Manager expects or believes that more than 10% of the ETF's property may consist of such property, the ETF and the Manager may inform the Registrar and Transfer Agent of the 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 the 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 the 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 the ETF 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 the 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 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 the ETF as a mutual fund trust for purposes of the Tax Act.

Special Considerations for Unitholders

Units of the 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 ETF without regard to the control, concentration or "fund of funds" restrictions of NI 81-102. No purchase of Units of the 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 ETF. In addition, the ETF has obtained exemptive relief from the Securities Regulatory Authorities to permit a Unitholder of the ETF to acquire more than 20% of the Units of the ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation.

Units of the 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 the ETF are 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 the ETF. Beneficial owners of Units of the ETF should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units 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.

On any Trading Day ("**T-1**"), Unitholders of the ETF may request to redeem: (i) Units of the ETF for cash at a redemption price per Unit equal to 95% of the closing price for Units of the ETF on the TSX on the effective day of the redemption, which will be the next Trading Day after T-1 (the "**Redemption Date**" or "**T**") plus any net income of the ETF accrued to such Units and not paid and less any applicable redemption charge; or (ii) less any applicable redemption charge determined by the Manager, in its sole discretion from time to time, a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of Units on the Redemption Date plus any net income of the ETF accrued to such Units and not paid. Because Unitholders of the ETF are generally able to sell their Units of the ETF at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders of the ETF are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash unless they are redeeming a PNU of the ETF.

A cash redemption request, in the form prescribed by the Manager from time to time, must be delivered to the Manager with respect to the ETF 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 the ETF on the Redemption Date or the net asset value of Units of the ETF 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 the ETF prior to the distribution record date for any distribution will not be entitled to receive that distribution.

Suspension of Redemptions

The Manager may suspend the redemption of Units of the ETF or payment of redemption proceeds of the ETF: (i) for any period when normal trading is suspended on any exchange within or outside Canada on which securities are listed and traded or on which specified derivatives are traded which represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities unless the securities or derivatives are traded on an exchange which is a reasonably practical alternative; (ii) with the consent of the Ontario Securities Commission; or (iii) when required or permitted to do so under any exemptive relief granted by the Securities Regulatory Authorities from Canadian securities legislation. 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 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, the ETF may allocate and designate any income or capital gains realized by the ETF, or deemed to be realized by the 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 the ETF whose Units are being redeemed. In addition, the ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder of the 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 that the Unitholder will receive in respect of the redemption.

Book-Entry Only System

Registration of interests in, and transfers of, Units of the ETF will be made only through the book-entry only system of CDS. Units of the ETF must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units of the 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 the ETF, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units of the ETF means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither the ETF nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units of the 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 the 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.

The ETF has the option to terminate registration of Units of the 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 ETF at this time as: (i) the ETF is an exchange traded fund that is primarily traded in the secondary market; and (ii) the few transactions involving Units of the ETF that do not occur on the secondary market involve the Designated Broker and Dealers, who can only purchase or redeem Units in a PNU, and on whom the Manager may impose a redemption fee.

PRIOR SALES

Trading Price and Volume

The following tables provide the price ranges and volume of Units of the ETF traded on the TSX during the 12 months that preceded the date of this prospectus.

Month	Unit Price Range ($)	Volume of Units Traded
January 2018	26.05 - 28.88	71,057
February 2018	25.53 - 27.84	82,603
March 2018	27.10 - 29.31	57,644
April 2018	26.56 - 27.41	33,217
May 2018	27.12 - 28.13	37,012
June 2018	25.42 - 27.86	78,150
July 2018	24.60 - 25.92	34,353
August 2018	24.38 - 25.44	37,866
September 2018	23.83 - 25.37	148,628
October 2018	22.80 - 24.70	125,324
November 2018	23.73 - 25.20	17,451
December 2018	23.79 - 24.97	13,705

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 the ETF by a Unitholder of the ETF who acquires Units of the ETF pursuant to this prospectus. This summary only applies to a prospective Unitholder of the 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 the 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 the 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.

This summary is based on the assumption that the ETF will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act. For the 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. In the event the ETF were not to qualify as a mutual fund trust under the Tax Act at all times, the income tax consequences described below would, in some respects, be materially different. This summary further assumes that the ETF will not be subject to a "loss restriction event" within the meaning of the Tax Act.

This summary is also based on the assumptions that (i) none of the issuers of the securities in the portfolio will be "SIFT trusts" or "SIFT partnerships" within the meaning of the Tax Act, (ii) none of the securities in the portfolio will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act, and (iii) none of the issuers of which the Underlying ETF holds securities are or will be "foreign affiliates" of the ETF for purposes of the Tax Act. This summary further assumes that the 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 the ETF. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units of the 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 the ETF. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units of the ETF based on their particular circumstances and review the risk factors related to tax set out above. See "Risk Factors – Regulatory and Tax-Related Risks".

Status of the ETF

As noted above, this summary assumes that the ETF qualifies at all times as a "mutual fund trust" for purposes of the Tax Act.

Provided the Units of the 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 the ETF will be qualified investments under the Tax Act for Registered Plans.

Units of the ETF are generally not prohibited investments for a "registered pension plan" under subsection 8514(1) of the regulations under the Tax Act unless the 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.

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

Taxation of the ETF

The 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 the 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 ETF requires that sufficient amounts be paid or made payable each taxation year so that the ETF is not liable for any income tax under Part I of the Tax Act.

The ETF is 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 Hong Kong dollars (or other foreign currency) by virtue of the fluctuation in the value of the Hong Kong dollar (or other foreign currency) relative to Canadian dollars.

Where the Underlying ETF is structured as a trust, the ETF will be required to include in the calculation of its income for a taxation year the net income for Canadian federal income tax purposes, including net taxable capital gains, paid or payable to the ETF by the Underlying ETF in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the Underlying ETF. Provided the units of the Underlying ETF are held by the ETF as capital property for purposes of the Tax Act, the ETF will be required to reduce the adjusted cost base of units of the Underlying ETF by an amount paid or payable by the Underlying ETF to the ETF, except to the extent that the amount was included in calculating the income 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.

In determining the income of the ETF, gains or losses realized upon dispositions of units of the Underlying ETF (or other 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 units (or other portfolio securities) in a transaction or transactions considered to be an adventure or concern in the nature of trade. The tax treatment of capital gains and losses of the ETF is generally as described below in respect of capital gains and losses of the Underlying ETF.

The 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.

The 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 the ETF for such taxation year.

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 the ETF since the ETF is not expected to have any income from "non-portfolio property." If these rules apply to the ETF, the after-tax return to Unitholders could be reduced.

In computing its income under the Tax Act, the ETF may deduct reasonable administrative and other expenses incurred to earn income from property or a business. The ETF may not deduct interest on borrowed funds, if any, that are used to fund redemptions of its Units. Losses incurred by the ETF in a taxation year cannot be allocated to Unitholders of the ETF, but may be deducted by the ETF in future years in accordance with the Tax Act.

The ETF is subject to the suspended loss rules contained in the Tax Act. A loss realized by the 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 within 30 days before and after the sale.

The 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.

The Offshore Investment Fund Property Rules

The Tax Act contains offshore investment fund property rules (the "**OIF Rules**") which, in certain circumstances, may require the ETF to include an amount in income in each taxation year in respect of the acquisition and holding of units of the Underlying ETF if it may reasonably be concluded that one of the main reasons for the ETF acquiring, holding or having such units was to derive a benefit from portfolio investments (which for this purpose include shares of the capital stock of one or more corporations and interests in one or more corporations, trusts, partnerships, organizations, funds or entities) in such a manner that the taxes, if any, on the income, profits and gains from such portfolio investments for any particular year are significantly less than the tax that would have been applicable under Part I of the Tax Act if the income, profits and gains had been earned directly by the ETF.

In making the determination in the preceding paragraph, the OIF Rules provide that regard must be had to all of the circumstances, including (i) the nature, organization and operation of any non-resident entity, including the Underlying ETF, and the form of, and the terms and conditions governing, the ETF's interest in, or connection with, any such non-resident entity, (ii) the extent to which any income, profits and gains that may reasonably be considered to be earned or accrued, whether directly or indirectly, for the benefit of any non-resident entity, including the Underlying ETF, are subject to an income or profits tax that is significantly less than the income tax that would be applicable to such income, profits and gains if they were earned directly by the ETF, and (iii) the extent to which any income, profits and gains of any non-resident entity, including the Underlying ETF, for any fiscal period are distributed in that or the immediately following fiscal period.

If applicable, the OIF Rules generally require the ETF to include in the ETF's income for each taxation year in which the ETF owns units of the Underlying ETF the amount, if any, by which (i) the total of all amounts each of which is the product obtained when the ETF's "designated cost" (as defined in the Tax Act) of such units at the end of a month in the year is multiplied by 1/12 of the aggregate of the prescribed rate of interest (two percent at the date of this prospectus**)** for the period including that month plus two percent exceeds (ii) any distributions or other amounts included in computing the ETF's income for the year (other than a capital gain) from such units determined without reference to the OIF Rules. Any amount required to be included in computing the ETF's income in respect of units of the Underlying ETF under these provisions will be added to the adjusted cost base and the designated cost of such units to the ETF. The prescribed rate of interest is linked to the yield on 90-day Government of Canada Treasury Bills and is adjusted quarterly. There is a risk that the prescribed rate of interest will increase which will require the ETF to include additional amounts in computing its income if the OIF Rules apply at a particular time.

The Manager currently anticipates that the distributions made by the Underlying ETF to the ETF will not be sufficient to ensure that the OIF Rules will not apply.

Notwithstanding the foregoing, the OIF Rules will not apply to the ETF's investment in the units of the Underlying ETF if the Underlying ETF is deemed to be a controlled foreign affiliate ("**CFA**") of the ETF for purposes of the Tax Act pursuant to section 94.2 of the Tax Act as discussed below. See "Taxation of the ETF – Section 94.2". The Manager currently expects that the Underlying ETF is and will be deemed to be a CFA pursuant to section 94.2 of the Tax Act and, accordingly, that the OIF Rules will not apply, although no assurances can be provided in this regard.

Section 94.2

This discussion under the heading "Taxation of the ETF – Section 94.2" only applies if the Underlying ETF is a trust for Canadian federal income tax purposes.

If the Underlying ETF (such as Mirae Asset Horizons Hang Seng High Dividend Yield ETF) is an "exempt foreign trust" for purposes of the Tax Act (as discussed below) and the total fair market value at any time of all fixed interests of a particular class in the Underlying ETF held by the ETF, persons or partnerships not dealing at arm's length with the ETF, or persons or partnerships that acquired their interests in the Underlying ETF in exchange for consideration given to the Underlying ETF by the ETF, is at least 10% of the total fair market value at that time of all fixed interests of the particular class of the Underlying ETF, the Underlying ETF will be a "foreign affiliate" of the ETF and will be deemed by section 94.2 of the Tax Act to be at that time a CFA of the ETF.

If the Underlying ETF is deemed to be a CFA of the ETF at the end of a particular taxation year of the Underlying ETF and earns income that is characterized as "foreign accrual property income" as defined in the Tax Act ("**FAPI**") in that taxation year of the Underlying ETF, the ETF's proportionate share of the FAPI (subject to deduction for grossed up "foreign accrual tax" as discussed below) must be included in computing the income of the ETF for Canadian federal income tax purposes for the taxation year of the ETF in which that taxation year of the Underlying ETF ends, whether or not the ETF actually receives a distribution of that FAPI. The Underlying ETF is currently deemed to be a CFA of the ETF and the Manager anticipates that the Underlying ETF will be deemed to be a CFA of the ETF at the Underlying ETF's next regular taxation year-end. Certain rules in the Tax Act, may cause the Underlying ETF to have a deemed taxation year-end at a time other than the regular taxation year-end if the ETF's percentage interest in a class of units of the Underlying ETF decreases by an amount in excess of a prescribed threshold. It is expected that the full amount of the income, as determined for Canadian federal income tax purposes, allocated or distributed to the Underlying ETF by the issuers that it holds securities of will be FAPI. Generally, there may be deducted in computing the FAPI of the Underlying ETF for a taxation year of the Underlying ETF the amount that otherwise would be the portion of the Underlying ETF's FAPI that would reasonably be considered to have been (assuming Part I of the Tax Act were to apply to all beneficiaries of the Underlying ETF) included in computing the income of any beneficiary of the Underlying ETF for the taxation year in which the taxation year of the Underlying ETF ends.

The Underlying ETF will realize a capital gain (or capital loss) on the sale of a security held by the Underlying ETF to the extent the proceeds of disposition net of any reasonable costs of disposition exceed (or are less than) the adjusted cost base of such security unless the Underlying ETF were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the Underlying ETF has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The Underlying ETF has purchased and will continue to purchase its portfolio securities with the objective of receiving distributions and income thereon and will take the position that gains and losses realized on the disposition thereof are capital gains and capital losses. For purposes of determining the amount of FAPI that will have to be included in the income of the ETF, capital gains and capital losses of the Underlying ETF will be computed under Canadian federal income tax principles.

One-half of the amount of capital gains ("**taxable capital gains**") realized by the Underlying ETF in a taxation year of the Underlying ETF on the disposition of interests in portfolio securities that are capital property of the Underlying ETF less one-half of the amount of any capital losses (an "**allowable capital loss**") realized by the Underlying ETF in that taxation year of the Underlying ETF on the disposition of interests in portfolio securities that are capital property of the Underlying ETF generally will be FAPI and will be required to be included in computing the income of the ETF for Canadian federal income tax purposes. Any such allowable capital losses for a taxation year of the Underlying ETF in excess of any such taxable capital gains for that year may be carried forward and deducted in any of the subsequent twenty taxation years against any such net realized taxable capital gains of the Underlying ETF in accordance with the provisions of the Tax Act.

To the extent an amount of FAPI will be required to be included in computing the income of the ETF for Canadian federal income tax purposes, a grossed-up amount may be deductible in respect of the "foreign accrual tax" as defined in the Tax Act ("**FAT**"), if any, applicable to the FAPI. Any amount of FAPI included in income (net of the amount of any FAT deduction) will increase the adjusted cost base to the ETF of its units of the Underlying ETF in respect of which the FAPI was included.

Taxation of Holders

A Holder 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, including any Management Fee Distributions (whether in cash or whether such amount is paid in Units or automatically reinvested in additional Units of the ETF). The non-taxable portion of the 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 that 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 the 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 the ETF. To the extent that the adjusted cost base of a Unit of the ETF would otherwise be 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 increased by the amount of such deemed capital gain.

Provided that appropriate designations are made by the ETF, such portion of the net realized taxable capital gains of the ETF and the foreign source income of the ETF as is paid or becomes payable to a Holder and the amount of foreign taxes 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.

Any loss of the 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, the 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 and net taxable capital gains annually. In such circumstances, the amount distributed to a Holder of the 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 the 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 (which does not include any amount payable by the ETF which represents income or capital gains allocated and designated to the redeeming Unitholder), 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 the ETF, when additional Units of the ETF are acquired by the Holder (as a result of a distribution by the ETF in the form of Units, a reinvestment in Units of the ETF pursuant to the Reinvestment Plan or otherwise), the cost of the newly acquired Units of the ETF will be averaged with the adjusted cost base of all Units of the ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of the 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 the 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. Any additional Units acquired by a Holder on the reinvestment of distributions will generally have a cost equal to the amount reinvested. If a Holder participates in the Reinvestment Plan and the Holder acquires a Unit from the ETF at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Holder must include the difference in income and that the cost of the Unit will be correspondingly increased.

Pursuant to the Trust Declaration, the ETF may allocate and designate any income or capital gains realized by the ETF, or deemed to be realized by the 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, the ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder of the 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 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 the ETF or designated by the ETF in respect of the Holder for 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 the 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 net realized taxable capital gains in accordance with the provisions of the Tax Act.

Amounts designated by the ETF to a Holder of the ETF as taxable capital gains 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 the 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 an 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, annuitant of an RRSP or RRIF or a subscriber of a RESP that holds Units will be subject to an additional tax as set out in the Tax Act if the Units are “prohibited investments” for the TFSA, RRSP, RRIF, RDSP or RESP. In general, a “prohibited investment” includes a unit of a trust which does not deal at arm’s length with the holder, annuitant or subscriber, as the case may be, or in which the holder, annuitant or subscriber has a “significant interest”, which, in general terms, means the ownership of 10% or more of the fair market value of the ETF’s outstanding Units by the holder, annuitant or subscriber, either alone or together with persons and partnerships with whom the holder, annuitant or subscriber does not deal at arm’s length. In addition, the Units of the 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, RRSP, RRIF, RDSP or RESP. Holders are advised to consult their own tax advisors regarding the “prohibited investment” rules.

Tax Implications of the ETF’s Distribution Policy

The net asset value per Unit of the 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 the 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 the 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.

ORGANIZATION AND MANAGEMENT DETAILS OF THE ETF

Manager of the ETF

Horizons ETFs Management (Canada) Inc., a corporation existing under the laws of Canada, is the manager, investment manager and trustee of the ETF. The Manager is responsible for providing or arranging for the provision of administrative services and management functions required by the ETF. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. 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 ETF.

Horizons is 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.

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 810 employees, including more than 180 investment professionals (as of September 30, 2018), Mirae Asset Financial Group 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 Financial Group manages approximately US$402 billion in assets globally as of September 30, 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	Position with Manager	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).
Peter Lee, North Bergen, New Jersey	August 31, 2018	Director	Chief Executive Officer and Chief Investment Officer, Mirae Asset Global Investments (USA) LLC (since 2016); Chief Investment Officer, Global Equities, Mirae Asset Global Investments (since 2012); Director, Horizons (Since 2018).
Steven J. Hawkins, Toronto, Ontario	February 8, 2016	Director, Chief Executive Officer, President and Ultimate Designated Person	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).
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).

Name and Municipality of Residence	Date Individual became a Director	Position with Manager	Principal Occupation
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, and the start dates generally refer to the date of the first position held 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 ETF, see "Organization and Management Details of the ETF – 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 ETF to make all decisions regarding the business of the ETF and to bind the ETF. 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 ETF to do so.

The Manager 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, Designated Brokers, Dealers, auditors and printers; authorizing the payment of operating expenses; preparing the reports to Unitholders of the ETF and to the applicable Securities Regulatory Authorities; calculating the amount and determining the frequency of distributions by the ETF; preparing financial statements, income tax returns and financial and accounting information as required by the ETF; ensuring that Unitholders of the 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 ETF; ensuring that the ETF complies with all other regulatory requirements including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in Units of the ETF; arranging for any payments required upon termination of the ETF; and dealing and communicating with Unitholders of the ETF. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager will also monitor the investment strategy of the ETF to ensure that the 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 ETF, 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 ETF or to any Unitholder of the ETF or any other person for any loss or damage relating to any matter regarding the ETF, including any loss or diminution of value of the assets of the 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 ETF 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 ETF as long as the person acted honestly and in good faith with a view to the best interests of the ETF.

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 ETF, the Manager is entitled to receive a Management Fee from the ETF.

The Manager also serves as the investment manager to the ETF. 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 ETF. The senior officers of the Manager principally responsible for providing investment advice to the ETF 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 Brokers

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

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

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

The 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 ETF. 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 ETF. The ETF Managers therefore will have conflicts of interest in allocating management time, services and functions to the ETF 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 ETF utilizing trading and investment strategies which are the same as or different from the ones to be utilized in making investment decisions for the ETF. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of the ETF. 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, the 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 the 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 ETF. 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 the ETF to recover damages from or to require an accounting by the ETF Manager. Unitholders should be aware that the performance by each ETF Manager of its responsibilities to the ETF will be measured in accordance with (i) the provisions of the agreement by which the ETF Manager has been appointed to its position with the 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, an ETF or its 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 ETF, the Manager may receive a portion of the affiliate's revenue that it receives for those services.

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

NBF's potential roles as the Designated Broker and a Dealer of the ETF will not be as an underwriter of the 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 the 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 the ETF, the issuers of securities making up the investment portfolio of the 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 ETF, establish an IRC and that the Manager must refer all conflict of interest matters in respect of the ETF 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 the 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 ETF;
- 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 ETF compensates 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 the ETF is calculated by dividing the total net assets of the 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 ETF 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 the ETF within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders of the ETF may call a meeting of Unitholders 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 the 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 ETF, 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 ETF.

Custodian

CIBC Mellon Trust is the custodian of the assets of the ETF 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, the 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. The 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 ETF, as such requirements are set out in NI 81-102 and National Instrument 41-101 - *General Prospectus Requirements*.

Valuation Agent

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

Auditors

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

Transfer Agent and Registrar

TSX Trust Company, at its principal offices in Toronto, Ontario is the registrar and transfer agent for Units of the ETF pursuant to registrar and transfer agency agreements. TSX Trust Company is independent of the Manager.

Promoter

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

Securities Lending Agents

Canadian Imperial Bank of Commerce ("**CIBC**") is a securities lending agent for the ETF pursuant to a securities lending agreement (the "**CIBC SLA**").

CIBC is located in Toronto, Ontario. CIBC is independent of the Manager. The CIBC SLA requires 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 best market practices). The CIBC SLA requires CIBC and certain CIBC affiliates to indemnify the ETF against, among other things, the failure of CIBC to perform its obligations under the CIBC SLA. A party to the CIBC SLA may terminate the CIBC SLA upon 30 days' notice.

CALCULATION OF NET ASSET VALUE

The NAV per Unit of the ETF will be computed in Canadian dollars by adding up the cash, securities and other assets of the 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 the ETF is made. The NAV per Unit of the ETF will be calculated on each Valuation Day.

Typically, the NAV per Unit of the 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 ETF

The following valuation procedures will be taken into account in determining the "NAV" and "NAV per Unit" of the 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 the 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 the 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 the 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 the 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 the 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 the ETF, Units subscribed for will be deemed to be outstanding and an asset of the ETF as of the time a subscription for such Units is received by, accepted and valued by the Manager. Units of the ETF that are being redeemed will only be deemed to be outstanding until (and not after) the close of business on the day on which such Units of the ETF are redeemed and the redemption proceeds thereafter, until paid, will be a liability of the ETF.

For the purposes of financial statement reporting, the 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 the 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 the ETF will be calculated on each Valuation Day.

ATTRIBUTES OF THE SECURITIES

Description of the Securities Distributed

The 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 the ETF.

Units of the ETF are currently listed and traded on the TSX under the ticker symbol "HCN".

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. The ETF will be a reporting issuer under the *Securities Act* (Ontario), prior to the initial issuance of Units of the ETF, and the ETF is governed by the laws of Ontario by virtue of the provisions of the Trust Declaration.

Each Unit of the ETF entitles the owner to one vote at meetings of Unitholders of the ETF. Each Unit of the ETF is entitled to participate equally with all other Units of the 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 the 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 the ETF for cash at a redemption price per Unit equal to 95% of the closing price for the Units of the ETF on the TSX on the effective day of the redemption. Unitholders will generally be able to sell (rather than redeem) Units 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. No fees or expenses are paid by a Unitholder to Horizons or the 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 the 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 the ETF will not require notice to existing Unitholders of the 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 the ETF, or the termination of a class of the 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 the ETF.

All other rights attached to the Units of the 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 the 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 the ETF.

Matters Requiring Unitholder Approval

NI 81-102 requires a meeting of Unitholders of the 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 the 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 the ETF will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders of the 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 the 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 the 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 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 the ETF shall be bound by an amendment affecting the 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 the 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 the 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 the ETF, will in accordance with applicable laws furnish to each Unitholder of the ETF, unaudited semi-annual financial statements and an interim management report of fund performance for the 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 the ETF will contain a statement of financial position, a statement of comprehensive income, a statement of changes in financial position, a statement of cashflows 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 ETF 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 the 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 imposes due diligence and reporting obligations on "reporting Canadian financial institutions" in respect of their "U.S. reportable accounts". The ETF is a "reporting Canadian financial institution" but as long as Units continue to be registered in the name of CDS, the ETF should not have any "U.S. reportable accounts" and, as a result, should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units 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. If a Unitholder is a U.S. person (including a U.S. citizen) 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 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 will be exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard in which the account holders or such controlling persons are resident. Under the CRS Rules, Unitholders may be required to provide certain information regarding their investment in the ETF to any applicable Canadian financial institution (for instance by completing a Declaration of Tax Residence or similar form) for the purpose of complying with the CRS Rules and, where applicable, such information exchange (which information is initially required to be provided to the CRA by May 1, 2018), unless the investment is held within a Registered Plan.

TERMINATION OF THE ETF

Subject to complying with applicable securities law, the Manager may terminate the 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 the ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination of the ETF. Prior to terminating the ETF, the Trustee may discharge all of the liabilities of the ETF and distribute the net assets of the ETF to the Unitholders.

Upon termination of the ETF, each Unitholder shall be entitled to receive at the Valuation Time on the termination date out of the assets of the 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 the ETF, at the date of termination of the 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 the ETF are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of the ETF that may be issued. The Units of the 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 the ETF are currently listed and traded on the TSX.

RELATIONSHIP BETWEEN THE ETF AND DEALERS

The Manager, on behalf of the ETF, may enter into various Dealer Agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units of the 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 the ETF and such subscription has been accepted by Horizons.

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

PRINCIPAL HOLDERS OF UNITS OF THE ETF

CDS & Co., the nominee of CDS, is the registered owner of the Units of the ETF, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, a designated broker, dealer 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 the ETF.

PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD

The Manager is responsible for all securities voting in respect of securities held by the ETF and exercising responsibility with the best economic interests of the ETF and the Unitholders of the ETF. The Manager has established proxy voting policies, procedures and guidelines (the "Proxy Voting Policy") for securities held by the ETF 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 ETF and the Unitholders of the ETF, while intending to defend, reflect and promote decisions or actions which meet generally accepted standards of Environmental, Social, and Governance ("**ESG**") criteria established by the Manager, or are expected to move a company closer to these goals.

The Manager believes in taking an active role in the corporate governance of the underlying investments of the ETF, through the corporate proxy and voting processes of those underlying investments. When voting the proxies relating to the companies that are the underlying investments of the ETF, Horizons will, among other things, be focused on supporting and promoting the options that, in the Manager's view, reflect the Manager's pre-determined ESG standards and also achieve the best result for the ETF and the Unitholders of the ETF. ESG refers to the three central factors in measuring the sustainability and ethical impact of a company or business. As a general matter, the Proxy Voting Policies of the Manager promote companies that (i) engage in activities or changes that can result in a decrease in pollution and carbon footprint, sustaining biodiversity, improving waste disposal and forest management and more effective land management, (ii) implement employment practices and policies that promote women in management and on boards of directors, promote equality, inclusion and that protect members of the public regardless of age, sex, marital status, colour, race, ethnicity, sexual orientation, gender or gender identity, religion or disability of any nature, and (iii) practice "good governance", including through compliance, promotion of fair and impartial rules, consensus oriented management, principles of transparency, accountability, effective risk management and efficient management and processes.

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 ETF receives proxy materials. Issuers' proxies most frequently contain routine proposals to elect directors, to appoint independent auditors, establish independent compensation committees, to approve executive compensation and stock-based compensation plans and to amend the capitalization structure of the issuer. Specific details on the Manager's consideration of these routine matters are discussed in greater detail in the Proxy Voting Policy, which is available upon request at no cost by calling or emailing the Manager as further described below. Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are assessed by the Manager on a case-by-case basis with a focus on the potential impact of the vote on the Proxy Voting Policy's ESG objectives and the best interests of the ETF and the Unitholders of the ETF.

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

MATERIAL CONTRACTS

The only contracts material to the ETF are the following:

(i) **Trust Declaration.** Horizons acts as the manager, investment manager and trustee of the ETF 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 ETF – The Trustee", "Organization and Management Details of the ETF **-** Duties and Services to be Provided by the Manager", "Attributes of the Securities – Modification of Terms" and "Unitholder Matters – Amendments to the Trust Declaration; and

(ii) **Custodian Agreement.** For additional disclosure related to the Custodian Agreement, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETF – Custodian".

Copies of these agreements may be examined at the head office of the ETF, 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7, during normal business hours.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

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

EXPERTS

KPMG LLP, the auditors of the ETF, has consented to the use of their report dated March 14, 2018 to the Unitholders of the ETF. KPMG LLP has confirmed that they are independent with respect to the ETF 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 ETF is 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. See “Purchases of Units – Buying and Selling Units of the ETF”;

(b) relieve the ETF from the requirement that the prospectus of the ETF include an underwriter’s certificate; and

(c) relieve the ETF from the dealer registration requirement provided that the Manager complies with Part 15 of NI 81-102; and

(d) relieve the ETF from certain concentration and fund-on-fund restrictions contained in NI 81-102 in order to permit the ETF to invest primarily in the Underlying ETF, in accordance with its investment objectives and strategies.

OTHER MATERIAL FACTS

Index Information

1. Hang Seng High Dividend Yield Index

The ETF’s Underlying Index is the Hang Seng High Dividend Yield Index. The Underlying Index aims to reflect the overall performance of high-yield securities listed on the Hong Kong Stock Exchange. It comprises 50 Constituent Issuers from its universe of mid and large capitalization equity securities, which can include stocks and real estate investment trusts that have their primary listings on the Hong Kong Stock Exchange. The Underlying Index excludes stocks that are secondary listings, companies based outside of Hong Kong or China, preference shares, debt securities, mutual funds and other derivatives. The Underlying Index is calculated and maintained by the Index Provider, Hang Seng Indexes Company Limited. The Index Provider is Hong Kong’s leading index compiler covering Hong Kong and mainland China markets. The Underlying Index was launched on December 10, 2012 and the date against which the performance of the Underlying Index is measured is June 29, 2007.

Index Disclaimer:

The Underlying Index is published and compiled by the Index Provider pursuant to a licence from Hang Seng Data Services Limited. The mark and name of the Underlying Index are proprietary to Hang Seng Data Services Limited. The Index Provider and Hang Seng Data Services Limited are expected to agree to the use of, and reference to, the Underlying Index by the Manager in connection with the ETF, **BUT NEITHER THE INDEX PROVIDER NOR HANG SENG DATA SERVICES LIMITED WARRANTS OR REPRESENTS OR GUARANTEES TO ANY DEALER OR UNITHOLDER OF THE ETF OR ANY OTHER PERSON (i) THE ACCURACY OR COMPLETENESS OF ANY OF THE UNDERLYING INDEX AND ITS COMPUTATION OR ANY INFORMATION RELATED THERETO; OR (ii) THE FITNESS OR SUITABILITY FOR ANY PURPOSE OF ANY OF THE UNDERLYING INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT; OR (iii) THE RESULTS WHICH MAY BE OBTAINED BY ANY PERSON FROM THE USE OF ANY OF THE UNDERLYING INDEX OR ANY COMPONENT OR DATA COMPRISED IN IT FOR ANY PURPOSE, AND NO WARRANTY OR REPRESENTATION OR GUARANTEE OF ANY KIND WHATSOEVER RELATING TO ANY OF THE UNDERLYING INDEX IS GIVEN OR MAY BE IMPLIED.** The process and basis of computation and compilation of any of the Underlying Index and any of the related formula or formulae, constituent stocks and factors may at any time be changed or altered by the Index Provider without notice. **TO THE EXTENT PERMITTED BY APPLICABLE LAW, NO RESPONSIBILITY OR LIABILITY IS ACCEPTED BY THE INDEX PROVIDER OR HANG SENG DATA SERVICES LIMITED (i) IN RESPECT OF THE USE OF AND/OR REFERENCE TO ANY OF THE UNDERLYING INDEX BY THE MANAGER IN CONNECTION WITH THE ETF; OR (ii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES OR ERRORS OF THE INDEX PROVIDER IN THE COMPUTATION OF THE UNDERLYING INDEX; OR**

(iii) FOR ANY INACCURACIES, OMISSIONS, MISTAKES, ERRORS OR INCOMPLETENESS OF ANY INFORMATION USED IN CONNECTION WITH THE COMPUTATION OF ANY OF THE UNDERLYING INDEX WHICH IS SUPPLIED BY ANY OTHER PERSON; OR (iv) FOR ANY ECONOMIC OR OTHER LOSS WHICH MAY BE DIRECTLY OR INDIRECTLY SUSTAINED BY ANY DEALER OR UNITHOLDER OF THE ETF OR ANY OTHER PERSON DEALING WITH THE ETF AS A RESULT OF ANY OF THE AFORESAID, AND NO CLAIMS, ACTIONS OR LEGAL PROCEEDINGS MAY BE BROUGHT AGAINST THE INDEX PROVIDER AND/OR HANG SENG DATA SERVICES LIMITED in connection with the ETF in any manner whatsoever by any Dealer, Unitholder or other person dealing with the ETF. Any Dealer, Unitholder or other person dealing with the ETF does so therefore in full knowledge of this disclaimer and can place no reliance whatsoever on the Index Provider and Hang Seng Data Services Limited. For the avoidance of doubt, this disclaimer does not create any contractual or quasi-contractual relationship between any Dealer, Unitholder or other person and the Index Provider and/or Hang Seng Data Services Limited and must not be construed to have created such relationship.

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 purchaser's province or territory for the particulars of these rights or should consult with a legal adviser.

DOCUMENTS INCORPORATED BY REFERENCE

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

(a) the most recently filed ETF Facts of the ETF;

(b) the most recently filed comparative annual financial statements of the ETF, together with the accompanying independent auditor's report;

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

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

(e) any interim management report of fund performance of the ETF filed after the most recently filed annual management report of fund performance of the 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 ETF at www.HorizonsETFs.com. These documents and other information about the ETF 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 ETF after the date of this prospectus and before the termination of the distribution of the ETF are deemed to be incorporated by reference into this prospectus.

HORIZONS CHINA HIGH DIVIDEND YIELD INDEX ETF
(the "ETF")

CERTIFICATE OF THE ETF, THE MANAGER AND PROMOTER

Dated: January 24, 2019

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 ETF

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