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 August 21, 2018

Horizons Seasonal Rotation ETF
(the "ETF" or "Horizons HAC")

The ETF is an open-end mutual fund trust established under the laws of Ontario. The ETF is also a commodity pool established as a trust under the laws of Ontario. Class E units of the ETF ("**Units**") 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 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 trading on the Toronto Stock Exchange (the "**TSX**").

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

The investment objective of Horizons HAC is to seek to provide long term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. Horizons HAC's portfolio may from time to time also include a significant amount of cash and/or cash equivalents. See "Investment Objective" and "Investment Strategies".

No Designated Broker or Dealer (as hereinafter defined) has been involved in the preparation of this prospectus nor has any Designated Broker or 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. No Designated Broker or Dealer is an underwriter of the ETF in connection with the distribution by the ETF of its Units under this prospectus.

Each investor should carefully consider whether their financial condition and/or retirement savings objectives permit them to buy Units of the ETF. As the ETF is a commodity pool, Units may be viewed as being highly speculative and involving a high degree of risk. However, Horizons HAC voluntarily complies with the derivative requirements in sections 2.7 and 2.8 of National Instrument 81-102 *Mutual Funds* with respect to its non-hedging investment activities, similar to other mutual funds that are not commodity pools. Investors should be aware that an investment in the ETF does not by itself constitute a balanced investment plan, and that they may lose a portion or even all of the money that they invest in the ETF.

The risk of loss in trading derivatives can be substantial. In considering whether to buy Units, an investor should be aware that if the ETF uses derivatives it can lead to large losses as well as large gains. Such trading losses can reduce the net asset value of the ETF and consequently the value of an investor's Units. Market conditions could also make it difficult or impossible for the ETF to liquidate a position. See "Investment Strategies – Derivatives.

Participation in transactions by the ETF may involve the execution and clearing of trades on or subject to the rules of a foreign market. None of the Canadian securities regulatory authorities or Canadian exchanges regulates activities of any foreign markets, including the execution, delivery and clearing of transactions, or has the power to compel enforcement of the rule of a foreign market or any applicable foreign law. Generally, any foreign transaction will be governed by applicable foreign laws. This is true even if the foreign market is formally linked to a Canadian market so that a position taken on a market may be liquidated by a transaction on another market. Moreover, such laws or regulations will vary depending on the foreign country in which the transaction occurs. For these reasons, entities such as the ETF may not be afforded certain of the protective measures provided by Canadian legislation or Canadian exchanges. In particular, funds received from investors for transactions by the ETF on foreign exchanges may not be provided the same protection as funds received in respect of transactions by the ETF on Canadian exchanges.

THESE BRIEF STATEMENTS DO NOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF INVESTING IN THE ETF. AN INVESTOR SHOULD CAREFULLY READ THIS PROSPECTUS, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THE ETF, BEFORE INVESTING IN THE ETF.

The success of the ETF will depend upon a number of conditions that are beyond the control of the ETF. There is a substantial risk that the goals of this commodity pool will not be met. For a discussion of the risks associated with an investment in Units of the ETF, see “Risk Factors”.

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

While the ETF is a mutual fund under the securities legislation of certain provinces and territories of Canada, it is entitled to rely on exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds. Certain provisions of such legislation and the policies of the Canadian Securities Administrators applicable to conventional mutual funds and designed to protect investors who purchase securities of mutual funds, will also not apply.

Additional information about the ETF is or will be available in its most recently filed annual financial statements together with the accompanying independent auditors’ report, any interim financial statements of 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 of the ETF. These documents are or will be incorporated by reference into this prospectus which means that they legally form part of this prospectus. For further details, see “Documents Incorporated by Reference”.

You can get a copy of these documents at your request, and at no cost, by calling the Manager 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, financial data and financial statements contained elsewhere in this prospectus or incorporated by reference in this prospectus. Capitalized terms not defined in this summary are defined in the Glossary.

The ETF	The ETF is an open-end mutual fund trust established under the laws of Ontario. See "Overview of the Legal Structure of the ETF".
Investment Objective	The investment objective of Horizons HAC is to seek to provide long term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends. See "Investment Objective".
Investment Strategies	Horizons HAC invests in an actively managed portfolio of investments. Horizons HAC invests primarily in Exchange Traded Products and futures contracts to gain exposure to the performance of Broad Markets or Sector Markets that at various times of the year have historically performed favourably. During historically favourable periods of the year that a given Broad Market has produced higher rates of return and/or a higher frequency of positive performance compared with other periods of the year, Horizons HAC may allocate some or all of its exposure to Broad Markets. During historically favourable periods of the year that one or more Sector Markets have produced higher rates of return and/or have a higher frequency of positive performance compared with Broad Markets over the same period, Horizons HAC may allocate some of its exposure to those Sector Markets. During periods of the year when Broad Markets have historically underperformed when compared with Broad Markets during other periods of the year, Horizons HAC may allocate some of its portfolio to cash, cash equivalents or Exchange Traded Products that provide inverse exposure (including inverse leveraged exposure) to Broad Markets or one or more Sector Markets. At times, Horizons HAC will seek to profit from short-term strategic opportunities with long or short exposure to Broad Markets or Sector Markets. At any time, Horizons HAC may have a significant amount of its portfolio in fixed-income securities, cash or cash equivalents in order to react to market conditions and/or preserve capital. While Horizons HAC may seek to achieve its investment objective and implement these investment strategies by investing primarily in Exchange Traded Products that provide exposure to Broad Markets, Sector Markets, and fixed-income securities, Horizons HAC may seek exposure by investing directly or by employing indirect alternatives that are consistent with Horizons HAC's investment objectives. Horizons HAC may purchase Exchange Traded Products that issue index participation units and provide exposure to securities markets and Commodity Participation Units that provide exposure to commodities markets.

Horizons HAC has obtained exemptive relief to invest, subject to certain restrictions, up to 10% of its net assets from time to time in the Leveraged ETFs that provide leveraged, inverse leveraged and inverse exposure to underlying indexes, including gold.

Subject to certain terms and conditions, Horizons HAC is entitled to rely on relief that permits a limited amount of short selling. The aggregate market value of all securities sold short by Horizons HAC cannot exceed 40% of its total net assets on a daily marked-to market basis.

See "Investment Strategies".

Horizons HAC also voluntarily complies with the derivative requirements in sections 2.7 and 2.8 of NI 81-102 with respect to its non-hedging investment activities, similar to other mutual funds that are not commodity pools.

Horizons HAC is subject to certain investment restrictions. See "Investment Restrictions".

Currency Exposure

The ETF may from time to time be exposed to several different currencies. The Investment Manager may or may not elect to hedge the value of the ETF's portfolio denominated in currencies other than the Canadian dollar back to the Canadian dollar based on the views of the Investment Manager.

Use of Leverage

By engaging in short selling (of equity securities and Exchange Traded Products) or using futures contracts, Horizons HAC may achieve leverage. Horizons HAC's net un-hedged notional exposure (long or short) may not exceed 140% of its NAV at any time and accordingly, the maximum amount of leverage that Horizons HAC can currently employ is 1.40:1.

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 shall be offered for sale at a price equal to the net asset value of Units of the ETF next determined following the receipt of a subscription order.

Units of the ETF are currently trading on the TSX.

Special Considerations for Purchasers

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 is entitled to rely on 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, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units of the ETF at any meeting of Unitholders of the ETF.

Market participants are permitted to sell Units of the ETF short and at any price without regard to the restrictions of the Universal Market Integrity Rules that generally prohibit selling securities short on the TSX unless the price is at or above the last sale price.

See "Attributes of the Securities - Description of the Securities Distributed" and "Exemptions and Approvals".

Distributions and Automatic Reinvestment

In the case of a taxation year ending on December 15, prior to the end of the calendar year in which such taxation year ends, or, in the case of taxation year ending on a date other than December 15, prior to the end of such taxation year, the ETF will pay or make payable sufficient net income (including net capital gains) so that the ETF will not be liable for non-refundable income tax in any given taxation year. All distributions will be automatically reinvested on behalf of each Unitholder of the ETF in additional Units of the ETF or paid in Units, and in each case the Units of the ETF will immediately be consolidated so that the number of Units held by an investor after the consolidation will be equal to the number of Units held by the investor at the moment before the distribution.

See “Distribution Policy”.

Redemptions

In addition to the ability to sell Units of the ETF on the TSX, Unitholders of the ETF may redeem Units on any Trading Day 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, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

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

See “Exchange and Redemption of Units”.

Income Tax Considerations

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

A Unitholder 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.

Pursuant to the Trust Declaration, the ETF may allocate and designate any income or capital gains 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. The ETF also 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 by obtaining advice from his or her tax advisor. See "Income Tax Considerations".
Eligibility for Investment	Provided that the ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, or that Units of the ETF are listed on a "designated stock exchange" within the meaning of the Tax Act, 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 registered disability savings plan, a deferred profit sharing plan, a registered education savings plan, or a tax-free savings account.
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".
Termination	The ETF does not have a fixed termination date but may be terminated at the discretion of the Manager in accordance with the terms of the Trust Declaration. See "Termination of the ETF".
Risk Factors	An investment in Units of the ETF will be subject to certain risks. The risk factors are set out below in the body of this prospectus, with a more detailed description of each such risk factor following. Prospective investors should consider the risks of the ETF, among others, before subscribing for Units.

- Stock Market Risk
- Equity Risk
- Interest Rate Risk
- Commodity Risk
- Market and Market Volatility Risk
- Aggressive Investment Technique Risk
- Short Selling Risk
- Leverage Risk
- No Assurance of Meeting Investment Objective
- Reliance on Key Personnel
- Reliance on Historical Data Risk
- Foreign Currency Risk
- Hedging Risk
- Risks Relating to use of Derivatives
- Liquidity Risk
- Commodity Market Risk
- Credit Risk
- Foreign Security and Exchange Risk
- Risk Relating to the Failure of Futures Commission Merchant
- Exchange Traded Products Risk
- Leveraged ETFs Risk
- Securities Lending Risk/Repurchase and Reverse Repurchase Transaction Risk
- Regulatory Risk
- Exchange Risk
- Tax Risk
- Early Closing Risk
- Price Limit Risk
- Corresponding Net Asset Value Risk
- Cease Trading of Securities Risk
- Designated Broker/Dealer Risk
- Risk of Loss of Limited Liability for Unitholder

Organization and Management of the ETF

The Manager, Investment 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 required by the ETF. The Manager also provides investment advisory and investment management services to the ETF.

The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

Horizons and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a subsidiary of Mirae Asset Global Investments Co., Ltd. ("**Mirae Asset**").

Mirae Asset is the Korea-based asset management entity of Mirae Asset Financial Group, one of the world's largest investment managers in emerging market equities.

See "Organization and Management Details of the ETF – Manager of the ETF".

Custodian	CIBC Mellon Trust is the custodian of the ETF and is independent of the Manager. CIBC Mellon Trust provides custodial services to the ETF. CIBC Mellon Trust 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 services in respect of 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. The auditors are independent of the Manager. The head office of KPMG LLP is located in Toronto, Ontario. See “Organization and Management Details of the ETF – Auditors”.
Registrar and Transfer Agent	AST Trust Company (Canada), 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. AST Trust Company (Canada) is independent of the Manager. See “Organization and Management Details of the ETF – Registrar and Transfer Agent”.
Promoter	The Manager is also the promoter of the ETF. 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. See “Organization and Management Details of the ETF – Promoter”.
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. NBCN Inc. (“**NBCN**”) is also a securities lending agent for the ETF. NBCN is located in Toronto, Ontario. NBCN is not an affiliate 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.

Fees and Expenses Payable by the ETF

Type of Charge	**Description**
Management Fees	The ETF pays annual management fees (the "**Management Fees**") to the Manager equal to: 0.75% of the net asset value of the Units of the ETF, together with applicable Sales Tax. The Management Fees are calculated and accrued daily and payable monthly in arrears, in consideration for the services provided by the Manager to the ETF as set out under "Duties and Services Provided by the Manager". See "Fees and Expenses".
Performance Fee	The ETF also pays the Manager the Performance Fee, as described below. The Performance Fee is calculated and accrued daily. The Performance Fee is payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes. Horizons HAC pays to the Manager a Performance Fee, if any, equal to 20% of the amount by which the performance of Horizons HAC, at any date on which the fee is payable, (i) exceeds the High Water Mark and (ii) is greater than an annualized return of five percent (5%). The Performance Fee will be determined in accordance with the following formula: 20% x (A – (B x C)) x D where: A equals the Adjusted NAV per Unit as at the last day of the period in respect of which the calculation is being made; B equals the High Water Mark; C equals 1 plus an annualized return of five percent (5%) pro-rated for the number of days in the period; and D equals the number of Units outstanding as at the last day of the period in respect of which the calculation is being made. No Performance Fee will be payable on any payable date unless A exceeds B x C at that time. See "Fees and Expenses".
Management Fee	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

Distributions	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 by the ETF, at the discretion of the Manager, to the applicable Unitholders as Management Fee Distributions. See “Fees and Expenses”.
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; CDS fees; bank related fees and interest charges; Unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the IRC; income taxes; Sales Taxes; brokerage expenses and commissions; withholding taxes and extraordinary expenses. Costs and expenses payable by the Manager include fees of a general administrative nature. The Manager is responsible for fees payable to certain service providers retained by the Manager. See “Fees and Expenses”.
Expenses of the Issue	Apart from the initial organizational cost of the ETF, all expenses related to the issuance of Units shall be borne by the ETF unless otherwise waived or reimbursed by the Manager. See “Fees and Expenses”.

Fees and Expenses Payable Directly by Unitholders

Administrative Charge	The Manager may, at its discretion, charge Unitholders of the ETF an issue, exchange or redemption charge of up to 0.25% of the issue, exchange or redemption proceeds of the ETF. The Manager will publish the current administrative charge, if any, on its website, www.HorizonsETFs.com. See “Exchange and Redemption of Units”.

GLOSSARY

The following terms have the following meaning:

"**Adjusted NAV per Unit**" means the NAV per Unit as at a particular date without giving effect to the current day accrual of the applicable Performance Fee, if any, and including the aggregate amount of all distributions paid or payable during the period in respect of which the calculation is being made;

"**allowable capital loss**" has the meaning ascribed to that term under the heading "Income Tax Considerations – Taxation of Holders";

"**Basket of Securities**" means a group of securities determined by the Investment Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes;

"**Broad Markets**" means major North American equity markets;

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

"**Capital Gains Refund**" has the meaning ascribed to that term under the heading "Income Tax Considerations – Taxation of the ETF";

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

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

"**CFTC**" means the U.S. Commodity Futures Trading Commission;

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

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

"**Commodity Participation Unit**" means a security that is issued by an issuer, the only purpose of which is to hold:

(a) a physical commodity as defined in NI 81-102 (a "**Physical Commodity**") or more than one Physical Commodity;

(b) commodity futures that are widely quoted or used as the benchmark for pricing the future price of a Physical Commodity or more than one Physical Commodity; or

(c) specified derivatives that replicate the performance of a Physical Commodity or more than one Physical Commodity, or commodity futures, referred to in subparagraphs (a) and (b).

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

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

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

"**Custodian Agreement**" means the Custodian Agreement dated June 4, 2012, as supplemented, amended or amended and restated from time to time; between the Manager, CIBC Mellon Global, Canadian Imperial Bank of Commerce, the Bank of New York Mellon, the Custodian, and the ETF;

"**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 the ETF, and a Dealer;

"**Designated Broker**" means a registered dealer that has entered into a Designated Broker Agreement with the Manager, on behalf of the ETF, 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;

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

"**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**" means Horizons Seasonal Rotation ETF;

"**Exchange Traded Product**" means an exchange traded fund or an exchange traded note traded on a North American exchange;

"**Government of Canada Treasury Bill Rate**" means the interest rate for one year Government of Canada treasury bills as published daily each weekday morning by Bloomberg;

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

"**High Water Mark**" as described under "Fees and Expenses – Fees and Expenses Payable the ETF - Performance Fee" means the greater of: (i) $10.00; and (ii) the highest NAV per Unit previously utilized for the purposes of calculating a Performance Fee that was paid;

"**Horizons**" means Horizons ETFs Management (Canada) Inc.;

"**IFRS**" means International Financial Reporting Standards;

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

"**Investment Manager**" means Horizons ETFs Management (Canada) Inc., in its capacity as investment manager of the ETF;

"**Indemnified Persons**" means the Investment Manager and its directors, officers and employees;

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

"**Leveraged ETFs**" means the leveraged Exchange Traded Products managed by Horizons;

"**Management Fees"** means the annual management fees, calculated and accrued daily and payable monthly in arrears by the ETF to the Manager equal to an annual percentage of the net asset value of the Units of the ETF, together with applicable Sales Tax;

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

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

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

"**net assets**" means, when referred to in the audited interim financial statements incorporated into this prospectus only, the net asset value of the ETF prepared to in accordance with IFRS, as more particularly described under the heading "Valuation Policies and Procedures of the ETF";

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

"**NI 81-104**" means National Instrument 81-104 *Commodity Pools*, as it may be amended from time to time;

"**NI 81-106**" means National Instrument 81-106 *Investment Fund Continuous Disclosure*, 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;

"**OSC**" means the Ontario Securities Commission;

"**Performance Fee**" means the applicable performance fee for the ETF described under "Fees and Expenses – Performance Fee";

"**Plan**" means a trust governed by a RRSP, a RRIF, a DPSP, a RDSP, a RESP or a TFSA;

"**PNU**" means the prescribed number of Units of a class of the ETF as determined by the Manager from time to time for the purpose of subscription orders, redemptions or for other purposes;

"**Promoter**" means Horizons, in its capacity as promoter of the ETF;

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

"**Registrar and Transfer Agent**" means AST Trust Company (Canada) or any replacement registrar and transfer agent duly appointed by the Manager at its sole discretion;

"**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;

"**Sector Market**" means a specific commodity, currency, fixed-income or equity sector located anywhere in the world;

"**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;

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

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

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

"**Trading Day**" means a day on which (i) a session of the TSX is held; and in respect of Horizons HAC only (ii) if applicable, a session of the New York Stock Exchange is held;

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

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

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

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

"**Units**" means the Class E units of the ETF, and "**Unit**" means a Class E unit of the ETF;

"**Valuation Day**" 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 ETF is an exchange traded mutual fund trust established under the laws of Ontario. The manager, investment manager and trustee of the ETF is Horizons ETFs Management (Canada) Inc.

The ETF that is offered pursuant to this prospectus is:

Name of ETF	Abbreviated Name	TSX Ticker Symbol
Horizons Seasonal Rotation ETF	Horizons HAC	HAC

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

INVESTMENT OBJECTIVE

The investment objective of Horizons HAC is to seek to provide long term capital appreciation in all market cycles by tactically allocating its exposure amongst equities, fixed income, commodities and currencies during periods that have historically demonstrated seasonal trends.

The fundamental investment objective of the ETF may not be changed except with the approval of Unitholders of the ETF. See "Unitholder Matters" for additional descriptions of the process for calling a meeting of Unitholders and the requirements of Unitholder approval.

INVESTMENT STRATEGIES

Horizons HAC invests primarily in Exchange Traded Products and futures contracts to gain exposure to the performance of Broad Markets or Sector Markets that at various times of the year have historically performed favourably.

During historically favourable periods of the year that a given Broad Market has produced higher rates of return and/or a higher frequency of positive performance compared with other periods of the year, Horizons HAC may allocate some or all of its exposure to Broad Markets.

During historically favourable periods of the year that one or more Sector Markets have produced higher rates of return and or have a higher frequency of positive performance compared with Broad Markets over the same period, Horizons HAC may allocate some of its exposure to those Sector Markets.

During periods of the year when Broad Markets have historically underperformed when compared with Broad Markets during other periods of the year, Horizons HAC may allocate some of its portfolio to cash or cash equivalents or Exchange Traded Products that provide inverse exposure (including inverse leverage exposure) to Broad Markets or one or more Sector Markets.

In order to implement these investment strategies, the Investment Manager may employ investment techniques that include: (a) investing directly in securities, often referred to as a "long position"; (b) taking a position in a security whereby Horizons HAC will agree with another party to deliver that security to that party at a future date and future price, often referred to as a "short position"; and (c) take a long position and a short position in different securities or financial instruments that, in the opinion of the Investment Manager, reflect Broad Markets or Sector Markets that are traditionally inversely or directly correlated, often referred to as a "pair trade".

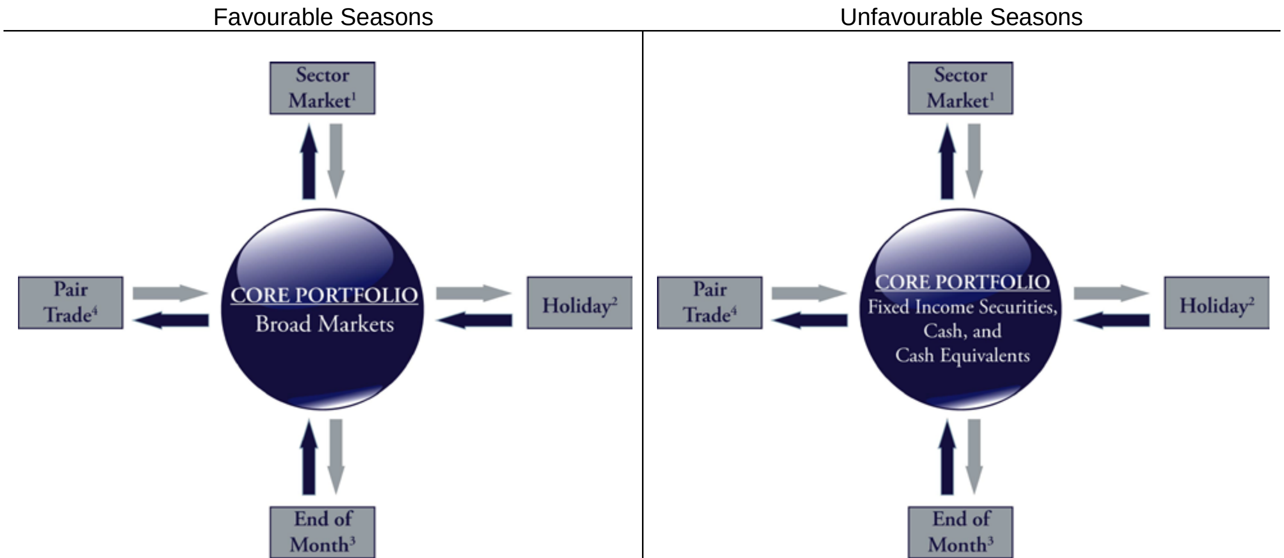
At times, Horizons HAC will seek to profit from short-term strategic opportunities with long or short exposure to Broad Markets or Sector Markets. At any time, Horizons HAC may have a significant amount of its portfolio in fixed-income securities, cash or cash equivalents in order to react to market conditions and/or preserve capital.

While Horizons HAC may seek to achieve its investment objective and implement these investment strategies by investing primarily in Exchange Traded Products that provide exposure to Broad Markets, Sector Markets, and fixed-income securities, Horizons HAC may seek exposure by investing directly or by employing indirect alternatives that are consistent with Horizons HAC’s investment objectives. Any investment in futures contracts for non-hedging purposes, including commodity futures by Horizons HAC will be subject to investment restrictions which ensure that Horizons HAC holds cash cover in an amount that, together with margin on account for the futures contract and the market value of the futures contract is not less than, on a daily mark to market basis, the underlying market exposure of the commodity future.

The Investment Manager’s Investment Philosophy

Investment markets follow seasonal trends and have seasonal rhythms. Some of these seasonal patterns occur over the course of weeks or months; others last only a few days. By rotating a portfolio in reaction to these seasonal patterns, a well-informed investor can realize returns that are superior to a static investment in Broad Markets and Sector Markets. One way to take advantage of these seasonal patterns is to create a core portfolio that is exposed to one or more Broad Markets and set aside a portion of the portfolio for seasonal rotation through one or more Sector Markets. As seasonal periods are never the same, the Investment Manager’s technical analyst, Brooke Thackray, will provide technical analysis to support the seasonal rotation strategy and identify and capitalize on seasonal patterns. See “Investment Manager”.

Current research supports the view that Broad Markets and Sector Markets may earn higher returns during certain periods of the year when compared to other periods of the same duration. The Investment Manager refers to those periods as “favourable market seasons”. During favourable market seasons Horizons HAC seeks to gain exposure to those Broad Markets and, if appropriate one or more Sector Markets. When a favourable season ends for a Broad Market, unless it is a favourable season for a different Broad Market, Horizons HAC may shift its core portfolio into fixed income securities, cash, and cash equivalents and from that core holding seek to gain exposure to one or more Sector Markets. Current research also supports the view that during certain periods of the year, Broad Markets may earn lower returns than they do during other periods of the year. The Investment Manager refers to those periods as “unfavourable market seasons”. By shifting its core portfolio from exposure to Broad Markets to a core portfolio of fixed income securities, cash and cash equivalents during unfavourable market seasons, Horizons HAC may be able to gain exposure to Sector Markets that, during those periods, may earn higher returns than Broad Markets. If it is also an unfavourable season for Sector Markets, Horizons HAC may remain invested in its core portfolio of fixed-income securities, cash, or cash equivalents.



[1] Investment in Sector Markets;
[2] Investment to take advantage of favourable market trends around certain holidays;
[3] Investment to take advantage of favourable market trends at certain month's end;
[4] Investment to take advantage of the spread between the performance of two markets;

This illustration demonstrates the difference between investment strategies during favourable and unfavourable seasons. The difference is the content of the core portfolio during favourable and unfavourable seasons. During an unfavourable season, the core portfolio may contain fixed-income securities, cash, cash equivalents and cash securities and during a favourable season the core portfolio may contain cash and exposure to Broad Markets. In order to benefit from the trends associated with unfavourable or favourable seasons, the Investment Manager may allocate Horizons HAC's portfolio from its core holdings into one or more Broad Markets or Sector Markets. In order to react to specific market opportunities, Horizons HAC may also seek exposure to Broad Markets or Sector Markets during periods that are not otherwise previously identified as favourable or unfavourable seasons.

Horizons HAC may purchase Exchange Traded Products that issue index participation units or Commodity Participation Units.

Horizons HAC also seeks exposure to commodities markets by investing in commodities futures for hedging and non-hedging purposes and will, in respect of its non-hedging commodity futures investments, hold cash cover in an amount that, together with margin on account for the futures contract and the market value of the futures contract, is not less than, on a daily mark to market basis, the underlying market exposure of the commodity future.

Horizons HAC has obtained exemptive relief to invest, subject to certain restrictions, up to 10% of its net assets from time to time in the Leveraged ETFs that provide leveraged, inverse leveraged and inverse exposure to underlying indexes, including gold. The Leveraged ETFs are commodity pools that use financial instruments that correlate to the performance of a "permitted index", as defined in NI 81-102.

Currency Exposure

Horizons HAC may from time to time be exposed to several different currencies. The Investment Manager may or may not elect to hedge the value of the ETF's portfolio denominated in currencies other than the Canadian dollar back to the Canadian dollar, based on its own views.

Use of Leverage

Through the use of future contracts and by engaging in short selling (of equity securities and Exchange Traded Products), the ETF may employ leverage.

Horizons HAC's net un-hedged notional exposure (long or short) may not exceed 140% of its NAV at any time and accordingly, the maximum amount of leverage that this ETF can currently employ is 1.40:1.

Derivatives

Subject to its investment restrictions, the ETF may use derivative instruments for hedging all or a portion of the value of the ETF's non-Canadian currency exposure back to the Canadian dollar. The ETF may also use derivative instruments for hedging and non-hedging purposes to reduce transaction costs and increase the liquidity and efficiency of trading, in accordance with the ETF's investment restrictions. The ETF uses various hedging activities to manage portfolio and currency risk. Any use of derivatives will be in accordance with NI 81-102, subject to any exemptive relief from NI 81-102 that has been obtained by the ETF.

Securities Lending

In order to generate additional returns, the ETF may lend portfolio securities to securities borrowers acceptable to the ETF pursuant to the terms of a securities lending agreement between the ETF and any such borrower under which: (i) the borrower will pay to the ETF a negotiated securities lending fee and will make compensation payments to the ETF equal to any distributions received by the borrower on the securities borrowed to which the ETF is otherwise entitled; (ii) the securities loans must qualify as "securities lending arrangements" for the purposes of the Tax Act; and (iii) the ETF will receive collateral security. If a securities lending agent is appointed for the ETF, such agent will be responsible for the ongoing administration of the securities loans, including the obligation to mark-to-market the collateral on a daily basis. The Custodian or a party related to the Manager may, from time to time, act as a prime broker to the ETF.

Short Selling

Subject to certain terms and conditions, the ETF may engage in short selling of securities. The aggregate market value of all securities sold short by Horizons HAC cannot exceed 40%, respectively, of its total net assets on a daily marked-to market basis. As well, at the time securities of a particular issuer are sold short, the aggregate market value of all securities of that issuer sold short by Horizons HAC cannot exceed 10% of its total net assets. See "Investment Restrictions".

Investment Portfolio

As soon as practicable following the end of each month, the Manager intends to publish on its website (www.HorizonsETFs.com) a summary of the investment portfolio disclosing the top ten positions (long and short) held by the ETF expressed as an absolute percentage of the net assets of the ETF.

INVESTMENT RESTRICTIONS

The ETF is subject to certain restrictions and practices contained in securities legislation, including NI 81-102 and NI 81-104, which are designed in part to ensure that the investments of the ETF are diversified and relatively liquid and to ensure the proper administration of the ETF. The investment restrictions and practices applicable to the ETF which are contained in securities legislation, including NI 81-102 and NI 81-104, may not be deviated from without the prior consent of the Canadian securities regulatory authorities having jurisdiction over the ETF.

Subject to the following, and the exemptive relief that has been obtained or has been applied for, the ETF is managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102 and NI 81-104. See “Exemptions and Approvals”.

Exchange Traded Products Investment

Horizons HAC has received exemptive relief to purchase Exchange Traded Products that issue Commodity Participation Units such as those that provide exposure to one or more commodities markets.

Commodity Futures Investment for Non-Hedging Purposes

Horizons HAC also seeks exposure to commodities markets by investing in commodities futures for hedging and non-hedging purposes and will, in respect of its non-hedging commodity futures investments, comply with the requirements of Sections 2.7 and 2.8 of NI 81-102 (notwithstanding the exemption provided to commodity pools from these investment restrictions in Part 2 of NI 81-104), including the requirement to hold cash cover in an amount that, together with margin on account for the futures contract and the market value of the futures contract, is not less than, on a daily mark to market basis, the underlying market exposure of the commodity future.

Short Selling

Horizons HAC is entitled to rely on relief that permits a limited amount of short selling. Horizons HAC may only engage in short selling within certain controls and limitations. Securities may be sold short only for cash if Horizons HAC receives the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales are effected only through market facilities through which those securities normally are bought and sold and Horizons HAC will short sell a security only if: (i) it is listed and posted for trading on a stock exchange and it is consistent with Horizons HAC’s fundamental investment objective and the issuer of the security has a market capitalization of not less than $300 million at the time the short sale is made. The aggregate market value of all securities sold short by Horizons HAC cannot exceed 40% of its total net assets on a daily marked-to market basis. As well, at the time securities of a particular issuer are sold short, the aggregate market value of all securities of that issuer sold short by Horizons HAC cannot exceed 10% of the total net assets of Horizons HAC.

Horizons HAC may deposit assets with lenders in accordance with industry practice in relation to its obligations arising under short sale transactions. Where a short sale is effected in Canada, every dealer that holds assets of Horizons HAC as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds assets of Horizons HAC as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of $50 million determined from its most recent audited financial statements. The aggregate assets deposited by Horizons HAC with any single dealer as security in connection with short sales will not exceed 10% of Horizons HAC’s total net assets at the time of deposit.

Written policies and procedures relating to short selling by Horizons HAC (including objectives, goals and risk management procedures) have been developed by the Manager. The policies and procedures that are applicable to Horizons HAC relating to short selling (including trading limits and controls in addition to those specified above) will be reviewed (and, if determined to be appropriate, revised) by the board of directors of the Manager on a semi-annual basis. Risk measurement procedures or simulations are not used to test the portfolio of Horizons HAC under stress conditions.

The decision to effect any particular short sale for Horizons HAC will be made by the Investment Manager. The Risk Management Committee will be responsible for ensuring compliance with the terms of the short-selling relief. The Investment Manager will notify the Risk Management Committee in writing upon the establishment of any new short position and will produce reports setting out details of Horizons HAC’s short selling activities. Copies of the

Reports will be provided to the Risk Management Committee on a weekly basis. The Risk Management Committee will meet at least once a month to review all short positions.

Leveraged ETFs

The ETF has obtained relief from the Canadian securities regulatory authorities in order to invest up to 10% of its net assets from time to time in certain Leveraged ETFs. The Leveraged ETFs are Exchange Traded Products that seek to provide returns similar to a particular benchmark market, industry sector index, or commodity and magnify returns by either a multiple or an inverse multiple of that benchmark, index or commodity. The relief does not permit the ETF to invest in Leveraged ETFs that have an underlying index that is based on a:

1. physical commodity, other than gold; or

2. derivative, the underlying interest of which is a physical commodity, other than gold.

Tax Related Investment Restrictions

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 Fees

The ETF pays annual management fees (the "**Management Fees**") to the Manager equal to: 0.75% of the net asset value of the Units of the ETF, together with applicable Sales Tax.

The Management Fees are calculated and accrued daily and payable monthly in arrears. The Management Fees are paid to the Manager in consideration for the services the Manager provides to the ETF. Such services include, but are not limited to: negotiating contracts with certain third-party service providers, including, but not limited to, investment managers, custodians, registrars, transfer agents, auditors and printers; entering into and administering forward agreements on behalf of the ETF; authorizing the payment of operating expenses incurred on behalf of the ETF; arranging for the maintenance of accounting records for the ETF; preparing the reports to Unitholders 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 are provided with financial statements and other reports as are required from time to time by applicable law; 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; arranging for any payments required upon termination of the ETF; and dealing and communicating with Unitholders. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETF. The Manager also monitors the investment strategy of the ETF to ensure that the ETF complies with its investment objective, investment strategy and investment restrictions and practices.

Performance Fee

The ETF also pays the Manager the Performance Fee, as described below. The Performance Fee is calculated and accrued daily. The Performance Fee is payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes.

Horizons HAC will pay to the Manager a Performance Fee, if any, equal to 20% of the amount by which the performance of Horizons HAC, at any date on which the fee is payable, (i) exceeds the High Water Mark and (ii) is greater than an annualized return of five percent (5%).

The Performance Fee will be determined in accordance with the following formula:

20% x (A – (B x C)) x D

where:

A equals the Adjusted NAV per Unit as at the last day of the period in respect of which the calculation is being made;

B equals the High Water Mark;

C equals 1 plus an annualized return of five percent (5%) pro-rated for the number of days in the period; and

D equals the number of Units outstanding as at the last day of the period in respect of which the calculation is being made.

No Performance Fee will be payable on any payable date unless A exceeds B x C at that time.

The Performance Fee shall be calculated and accrued daily. The Performance Fee shall be payable at least quarterly in arrears on dates determined by the Manager, together with applicable taxes.

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 would otherwise 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 no less than quarterly in cash by the ETF, at the discretion of the Manager, to those Unitholders 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 the 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. Management Fee Distributions will be paid first out of net income of the ETF then out of capital gains of the ETF and thereafter out of capital. 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 will generally be borne by the Unitholders of the ETF receiving these distributions from 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; CDS fees; bank related fees and interest charges; Unitholder reports and servicing costs; registrar and transfer agent fees; costs associated with the IRC; income taxes; Sales Taxes; brokerage expenses and commissions; withholding taxes and extraordinary expenses.

The Manager is responsible for paying the fees certain service providers retained by the Manager, as well as fees of a general administrative nature.

Expenses of the Issue

Apart from the initial organizational cost of the ETF, all expenses related to the issuance of Units shall be borne by the ETF unless otherwise waived or reimbursed by the Manager.

Fees and Expenses Payable Directly by the Unitholders

Administrative Charge

The Manager may charge Unitholders of the ETF, at its discretion, an issue, exchange or redemption charge of up to 0.25% of the issue, exchange or redemption proceeds of the ETF. The Manager will publish the current administrative charge, if any, on its website, www.HorizonsETFs.com.

RISK FACTORS

An investment in Units of the ETF involves certain risks. Investing in Units of the ETF can be speculative, can involve a high degree of risk and may only be suitable for persons who are able to assume the risk of losing their entire investment. Prospective investors should consider the following risks, among other considerations, before subscribing for Units of the ETF.

Aggressive Investment Technique Risk

The ETF uses investment techniques and financial instruments that may be considered aggressive, including the use of futures contracts and similar instruments. Such techniques may expose the ETF to potentially dramatic changes or losses in the value of the instruments and imperfect correlation between the value of the instruments and the index, security, currency or commodity. The ETF’s investment in financial instruments may involve a small investment relative to the amount of risk assumed. Financial instruments are subject to a number of risks described elsewhere in this prospectus, such as liquidity risk, interest rate risk, credit risk and counterparty risk.

When the ETF uses derivatives or Exchange Traded Products to invest in securities, financial or commodities markets, such as when Horizons HAC uses these products and instruments to efficiently obtain Broad Market or Sector Market exposure, the use of aggressive investment techniques also exposes the ETF to risks different from, or possibly greater than, the risks associated with investing directly in the constituent securities, commodity or financial instruments, including: 1) credit, performance or documentation risk on the amount the ETF expects to receive from a counterparty; 2) the risk that securities prices, interest rates and currency markets will move adversely and the ETF will incur significant losses; 3) imperfect correlation between the price of the Exchange Traded Product, futures contract or financial instruments and movements in the prices of the Broad Market or Sector Market tracked; 4) the risk that the cost of holding an Exchange Traded Product, futures contract, or financial instrument might exceed its total return; and 5) the possible absence of a liquid secondary market for any particular Exchange Traded Product, futures contract or financial instrument and possible exchange imposed price fluctuation limits, both of which may make it difficult or impossible to adjust the ETF's position in a particular investment when desired.

Leveraged ETFs Risk

The ETF will rely on relief obtained from the Canadian securities regulatory authorities in order to invest up to 10% of their net assets from time to time in certain exchange traded funds managed by our affiliate, Horizons. The Leveraged ETFs are exchange traded funds that seek to provide returns similar to a particular benchmark market, industry sector index, or commodity and magnify returns by either an inverse, multiple or an inverse multiple of that benchmark, index or commodity. Investments in the Leveraged ETFs are highly speculative and involve a high degree of risk. These exchange traded funds are also subject to increased volatility as they seek to achieve an inverse, multiple or inverse multiple of a benchmark, index or commodity.

The relief does not permit the ETF to invest in Leveraged ETFs that have an underlying index that is based on a:

(a) physical commodity, other than gold; or

(b) derivative, the underlying interest of which is a physical commodity, other than gold.

Cease Trading of Securities Risk

If the securities of a constituent issuer of the ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its Units. Accordingly, Units of the ETF bear the risk of cease-trading orders against all of its constituent issuers, not just one. If securities of the 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 securities, the ETF may suspend the right to redeem Units for cash, subject to any required prior regulatory approval. If the right to redeem Units for cash is suspended, the ETF may return redemption requests to Unitholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease-trade order is lifted.

Commodity Market Risk

In the United States the CFTC has approved its final rule on speculative position limits for futures contracts in certain commodities, including futures contracts for crude oil, natural gas, silver and gold. Based on the current size of the ETF and commodity markets, these speculative limits are not currently expected to affect the ETF. If the ETF reaches a speculative position limit, the ETF's ability to seek additional exposure to that commodity position through futures contracts as a result of new subscriptions could be impaired and the ETF's ability to achieve its investment objective could be affected.

Commodity Risk

Commodities markets may be subject to greater volatility than traditional securities. The value of commodities markets, commodity futures and commodity linked Exchange Traded Products may be affected by changes in overall market movements, commodity price volatility, changes in interest rates, or sectors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments.

Corresponding Net Asset Value Risk

The closing trading price of a Unit of the ETF may be different from the net asset value per Unit of the ETF. As a result, Dealers may be able to acquire or redeem the PNU of the ETF at a discount or a premium to the closing trading price per Unit of the ETF. Such price differences may be due, in large part, to supply and demand factors in the secondary trading market for units of the ETF being similar, but not identical, to the same forces influencing the price of the underlying securities of the ETF at any point in time.

Credit Risk

The ETF may gain exposure to fixed income securities directly or through the use of futures and other derivative contracts. The value of fixed income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. Securities issued by issuers that have a low credit rating are considered to have a higher credit risk than securities issued by issuers with a high credit rating. In addition, although generally considered less volatile than equity markets, certain types of fixed income securities and certain market conditions may result in significant volatility in the value of one or more fixed income investments to which the ETF may be exposed.

Designated Broker/Dealer Risk

As the ETF will only issue Units directly to its Designated Broker and to Dealers, in the event that a Designated Broker or Dealer that is purchasing Units of the ETF is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the ETF.

Early Closing Risk

Unanticipated early closings of a stock exchange on which securities held by the ETF are listed may result in the ETF being unable to sell or buy securities on that day. If that stock exchange closes early on a day when the ETF needs to execute a high volume of securities trades late in the trading day, the ETF may incur substantial trading losses.

Equity Risk

The equity markets are volatile and the value of securities, futures, options contracts and other instruments correlated with the equity markets may fluctuate dramatically from day-to-day. This volatility may cause the value of one or more equity investments of the ETF to decrease.

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 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 may be suspended until the TSX reopens.

Exchange Traded Products Risk

The ETF may invest in Exchange Traded Products that issue index participation units and Commodity Participation Units and may also invest in Leveraged ETFs. Exchange Traded Products seek to provide returns similar to the performance of a Broad Market or Sector Market and may not achieve the same return as the underlying Broad Market or Sector Market due to differences in the actual weightings of issuers held directly or indirectly by the

Exchange Traded Product versus the weightings in the Broad Market or Sector Market indexes and due to the operating and administrative expenses of the Exchange Traded Product.

Foreign Currency Risk

The ETF's portfolio may include a significant proportion of securities valued in U.S. dollars or other foreign currencies. Accordingly, the NAV per Unit of the ETF, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar. The ETF's portfolio may not be hedged at all times and it is expected that distributions on securities held in the portfolio, if any, will never be hedged and, accordingly, no assurance can be given that the ETF will not be adversely impacted by changes in foreign exchange rates or other factors.

Foreign Security and Exchange Risk

Investments in foreign securities may involve risks not typically associated with investing in Canada. Foreign exchanges may be open on days when the ETF does not price its Units and, therefore, the value of the securities in the portfolio of the ETF may change on days when investors will not be able to purchase or sell Units. Also, some foreign securities markets may be volatile, lack liquidity, or have higher transaction and custody costs than those of the TSX. Also, securities of some Canadian issuers are inter-listed on a Canadian and a foreign exchange and may be traded on days when the foreign exchange is open and the TSX is not. In those circumstances changes in the value of those constituent securities in the Broad Market or Sector Market will not be reflected in the value of the ETF and the spread or difference between the value of the securities in the ETF's portfolio and the market price of a Unit of the ETF on the TSX may increase. Also in the event that the TSX is open on a day that a foreign exchange is closed, the spread or difference between the value of the securities in the ETF's portfolio and the market price of a Unit of the ETF on the TSX may increase.

Hedging Risk

The use of hedges involves special risks, including the possible default by the other party to the transaction, illiquidity, and the risk that the use of hedges could result in losses greater than if the hedging had not been used.

Interest Rate Risk

The value of fixed income securities to which the ETF may be exposed will generally rise if interest rates fall (or if the markets expect an interest rate decrease) and, conversely, will generally fall if interest rates rise (or if the markets expect an interest rate increase). Changes in interest rates may also affect the value of equity securities.

Leverage Risk

The ETF obtains leverage through its use of derivatives, which may effectively provide exposure to positions with a gross value in excess of the ETF's assets. The use of leverage may cause the ETF to suffer losses.

Liquidity Risk

In certain circumstances, such as the disruption of the orderly markets for equity securities, currencies, commodities, derivatives and/or financial instruments in which the ETF invests, the ETF may not be able to dispose of certain holdings quickly or at prices that represent true market value. Certain derivative instruments that are held by the ETF may also be illiquid, which may prevent the ETF from being able to limit its losses or to realize gains.

Market and Market Volatility Risk

The ETF is subject to market risks that will affect the value of its Units, including general economic and market conditions, as well as developments that impact specific economic sectors, industries or companies. Volatility is a concept that relates to the frequency or magnitude in the fluctuation of the market value of securities. Securities values have over this past year experienced more frequent and pronounced fluctuations than in previous years and, generally the markets are expected to continue to experience significant volatility relative to historical levels in the foreseeable future.

No Assurance of Meeting Investment Objective

The success of the ETF will depend on a number of conditions that are beyond the control of the ETF. There is a risk that the ETF's investment objective will not be met.

Price Limit Risk

Some futures exchanges have regulations that limit the amount of fluctuation that may occur in futures contract prices during a single business day. The maximum or minimum price on a contract on any given day as a result of these limits is referred to as a "limit price". Once the limit price is reached on a contract, no trades may be made at a price beyond the limit. The limit price may preclude trading or force liquidation of a particular contract at potentially disadvantageous prices or times. Such circumstances could also adversely affect the value of a commodity based Exchange Traded Product, the net asset value of the ETF, and could also disrupt subscription and redemption requests.

Regulatory Risk

Legal and regulatory changes may occur, including income tax laws relating to the treatment of mutual fund trusts under the Tax Act, which may adversely affect the ETF and could make it more difficult, if not impossible, for the ETF to operate or to achieve their investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETF and what can be done, if anything, to try and 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. Ontario, New Brunswick, Newfoundland and Labrador, Nova Scotia and Prince Edward Island, and Québec have harmonized their provincial sales taxes with the GST/HST and it is possible that additional provinces will decide to harmonize their provincial sales taxes with the GST/HST. Further, British Columbia has de-harmonized, such that both the 5% GST and a 7% provincial sales tax will apply generally in the province. These changes may be accompanied by additional 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, which, accordingly, may affect the costs borne by the ETF and its Unitholders..

Reliance on Historical Data Risk

Past trends may not be repeated in the future. The accuracy of the historical data used by the Investment Manager for research and development, which is often provided by third parties, cannot be guaranteed by the Investment Manager. The Investment Manager only seeks to obtain such data from companies that it believes to be highly reliable and of high reputation.

Reliance on Key Personnel

Unitholders of the ETF are relying on the abilities of 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.

Past performance is not necessarily indicative of future results. No assurance can be given that the trading systems and strategies utilized by the Manager including, without limitation, the investment strategy, will prove successful under all or any market conditions.

Risk of Loss of Limited Liability for Unitholders

The ETF is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders of the ETF could not be made a party to a legal action in connection with the ETF. However, the Trust Declaration provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with the ETF's property or the obligations or the affairs of the ETF and all such persons are to look solely to the ETF's property for satisfaction of claims of any nature arising out of or in connection therewith and only the ETF's property will be subject to levy or execution. 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 that cannot be satisfied out of the assets of the ETF.

Risk Relating to the Failure of Futures Commission Merchant

There is a risk that assets of the ETF deposited on margin with a futures commission merchant may, in certain circumstances, be used to satisfy losses of other clients of the futures commission merchant which cannot be satisfied by such other clients or by the futures commission merchant. Under the terms of industry investor protection fund coverage in Canada and the United States (such as the Canadian Investor Protection Fund in Canada), assets of an insolvent futures commission investment are divided up, on a pro rata basis, among its clients. The Investment Manager is a Canadian Investor Protection Fund participant (for the purposes of such coverage, the ETF will be considered as one single client).

Risks Relating to use of Derivatives

The ETF will purchase and sell derivative instruments, including futures contracts. The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing in securities. Derivatives are subject to a number of risks, such as liquidity risk, interest rate risk, market risk, credit risk, leveraging risk and counterparty risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset.

The low margin deposits normally required in trading derivatives (typically between 2% and 15% of the value of the derivatives purchased) permit an extremely high degree of leverage. Accordingly, at the time of buying a derivative, a percentage of the price of the derivative is deposited as margin and a decrease in the price of the contract equal to such percentage will result in a total loss of the margin deposit. A decrease of more than the percentage deposited will result in a loss of more than the total margin deposit. Thus, like other leveraged investments, the use of derivatives may often result in losses in excess of the amount invested.

The ETF is subject to credit risk with respect to the amount that either expects to receive from counterparties to derivatives instruments they have entered into. If a counterparty becomes bankrupt or otherwise fails to perform its obligations under a derivative instrument, the net asset value per unit of the ETF may decline.

Securities Lending Risk/Repurchase and Reverse Repurchase Transaction Risk

The ETF is authorized to enter into securities lending, repurchase and reverse repurchase transactions in accordance with NI 81-102 and applicable exemptive relief, including exemptive relief to use a lending agent that is not the Custodian. In a securities lending transaction, the ETF lends its portfolio securities through an authorized agent to another party (often called a "counterparty") in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, the ETF sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a lower price) at a later date. In a reverse repurchase transaction, the ETF buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase transactions:

(a) when entering into securities lending, repurchase and reverse repurchase transactions, the ETF is subject to the credit risk that the counterparty may default under the agreement and the ETF would be forced to make a claim in order to recover its investment;

(b) when recovering its investment on default, the ETF could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the ETF; and

(c) similarly, the ETF could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the ETF to the counterparty.

The ETF may engage in securities lending. When engaging in securities lending, the ETF will receive collateral in excess of the value of the securities loaned, and although such collateral is marked to market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

Short Selling Risk

Subject to certain terms and conditions, the ETF is entitled to rely on relief that permits a limited amount of short selling. A “short sale” occurs when the ETF borrows securities from a lender which are then sold in the open market (or “sold short”). At a later date, the same number of securities are repurchased by the ETF and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the ETF pays fees to the lender. If the value of the securities declines between the time that the ETF borrows the securities (and sells short) and the time it repurchases and returns the securities, the ETF makes a profit for the difference (less any fees the ETF is required to pay to the lender).

Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the fees paid by the ETF and make a profit for the ETF, and securities sold short may instead appreciate in value. The ETF also may experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. The lender from whom the ETF has borrowed securities may go bankrupt and the ETF may lose the collateral it has deposited with the lender.

When the ETF engages in short selling, the ETF will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The ETF will also deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

Possible losses from short sales differ from losses that may be incurred from purchases of securities, because losses from short sales may be unlimited, whereas losses from purchases are limited to the total amount invested. To deliver securities to a purchaser, the ETF must arrange through a broker to borrow the securities, and, as a result, the ETF becomes obligated to replace the securities borrowed at the market price at the time of replacement, whatever that price may be. A short sale therefore involves the theoretically unlimited risk of loss occasioned by an increase in the market price of the security between the date of the short sale and the date on which the ETF covers its short position. In addition, the borrowing of securities entails the payment of a borrowing fee (which may increase during the borrowing period) and the payment of any dividends or interest payable on the securities until they are replaced. When the ETF is engaged in short selling it is required to maintain cash cover for its short positions and other investments may need to be sold quickly (and at potentially unattractive prices) in order to maintain sufficient cash cover.

Stock Market Risk

The value of most securities, in particular equity securities, change with stock market conditions. These conditions are affected by general economic and market conditions.

Tax Risks

It is anticipated that the ETF will qualify at all times as a “mutual fund trust” within the meaning of the Tax Act. In the event the ETF were not to qualify as a mutual fund trust under the Tax Act at all times, the after-tax returns to Unitholders may be reduced. 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. The ETF will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless, at that time, all or substantially all of its property is property other than property that would be “taxable Canadian property” as defined in the Tax Act (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The current law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met.

There can be no assurance that Canadian federal and provincial income tax laws and the administrative policies and assessing practices of the CRA, including those respecting the treatment of mutual fund trusts, will not be changed in a manner that adversely affects the Unitholders or the ETF.

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 of the ETF could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

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

In determining its income for tax purposes, the ETF will treat gains or losses on the disposition of securities in its portfolio as capital gains and losses. The ETF may use derivative instruments for hedging non-Canadian currency exposure back to the Canadian dollar. The ETF intends to take the position that gains or losses in respect of foreign currency hedges entered into in respect of amounts invested in the portfolio of the ETF will constitute capital gains and capital losses to the ETF if the securities in the portfolio are capital property to the ETF and there is sufficient linkage. Recent amendments to the Tax Act clarify that the DFA Rules generally would not apply to such foreign currency hedges. Designations with respect to the ETF’s income and capital gains will be made and reported to Unitholders on the foregoing basis. If these dispositions or transactions of the ETF are not on capital account (whether because of the DFA Rules or otherwise), the net income of the ETF for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the

ETF being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the NAV.

The ETF may invest in global equity or debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital ("**Tax Treaties**") to impose tax on dividends and interest paid or credited to persons who are not resident in such countries. While the 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 and debt securities may subject the ETF to foreign taxes on dividends and interest paid or credited to them or any gains realized on the disposition of such securities. Any foreign taxes incurred by the ETF will generally reduce the value 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. If the ETF is fewer than 10 years old, the Manager calculates the investment risk level of each ETF using the return history of the ETF, and, for the remainder of the 10 year period, the return history of a reference index (set out in the table below) that is expected to reasonably approximate the standard deviation of the ETF. Once the ETF has 10 years of performance history, the methodology will calculate the standard deviation of the ETF using only the return history of the ETF rather than that of the ETF and the reference index. In each case, the 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 does not necessarily correspond to an investor's risk tolerance assessment. Investors are advised to consult their financial advisor for advice regarding an individual investor's personal circumstances.

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

ETF	**Reference Index**
Horizons HAC	S&P 500 Total Return 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 anytime it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk rating 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

Any distributions on Units, which will be paid in Units or automatically be reinvested in additional Units and then, in each case, consolidated, are expected to be made at the end of each taxation year. The Manager reserves the right to make additional distributions in any year if determined to be appropriate.

In the case of a taxation year ending on December 15, prior to the end of the calendar year in which such taxation year ends, or, in the case of taxation year ending on a date other than December 15, prior to the end of such taxation year, the ETF will ensure that sufficient net income (including net realized capital gains) for the year will be paid or made payable to Unitholders so that the ETF will not be liable for non-refundable income tax thereon. Such distributions will be paid as a "reinvested distribution" or distributed in Units. Reinvested distributions on Units of the ETF, net of any required withholding, will be reinvested automatically in additional Units of the ETF at a price, or Units will be distributed at a price, equal to the NAV per Unit of the ETF on such day and the Units will be immediately consolidated such that the number of outstanding Units held by each Unitholder of the ETF on such day following the distribution will equal the number of Units of the ETF held by the Unitholder prior to the distribution. In the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution, the Unitholder's dealer will invoice or debit the Unitholder's account directly. The tax treatment to Unitholders of reinvested distributions and distributions in Units is discussed under the heading "Income Tax Considerations".

PURCHASES OF UNITS

Issuance of Units

To Designated Brokers and Dealers

All orders to purchase Units directly from the ETF must be placed by a Designated Broker 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 will be payable by the ETF to a Designated Broker or a Dealer in connection with the issuance of Units. On the issuance of Units, the Manager may, at its discretion, charge a fee to a Dealer or Designated Broker to offset any expenses incurred in issuing the Units.

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

If a subscription order is received by Horizons HAC at or before 9:30 a.m. (Toronto time) on a Trading Day and is accepted by the Manager, the ETF will generally issue to the Dealer or Designated Broker the PNU (or a whole multiple thereof) within two Valuation Days from the Trading Day of the subscription. Horizons HAC must receive payment for the Units subscribed for generally within two Valuation Days from the Trading Day of the subscription order.

Unless the Manager shall otherwise agree or the Trust Declaration shall otherwise provide, as payment for a PNU of the ETF, a Dealer or Designated Broker must deliver subscription proceeds consisting of a Basket of Securities and/or cash in an amount sufficient so that the value of the Basket of Securities and/or cash delivered is equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order. The Manager may, in its complete discretion, instead accept subscription proceeds consisting of cash only in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order.

In any case in which a subscription order from a Dealer or Designated Broker is received by the ETF on or after the date of declaration of a distribution by the ETF payable in cash and on or before the ex-dividend date for that distribution (generally, the Valuation Day prior to the record date or such other date where the purchaser becomes entitled to rights connected to the Units subscribed), an additional amount equal to the amount of cash per Unit of that distribution must be delivered in cash to the ETF in respect of each issued Unit.

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

To Unitholders as Reinvested Distributions or Distributions Paid in Units

When the ETF makes a distribution payment, if any, the distribution is paid as a reinvested distribution or in additional Units of the ETF, and in each case, the Units are immediately consolidated so that the number of Units held by an investor after the consolidation will be equal to the number of Units held by the investor at the moment before the distribution. See "Distribution Policy".

Buying and Selling Units of the ETF

Investors may trade Units of the ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders. An investor may buy or sell Units of the ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors may incur customary brokerage commissions when buying or selling Units of the ETF.

Units of the ETF are listed on the TSX under the following ticker symbol:

Name of ETF	Abbreviated Name	TSX Ticker Symbol
Horizons Seasonal Rotation ETF	Horizons HAC	HAC

Special Considerations for Unitholders

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 is entitled to rely on exemptive relief from the securities regulatory authorities to permit Unitholders to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders.

Market participants are permitted to sell Units short and at any price without regard to the restrictions of the Universal Market Integrity Rules adopted by Canadian securities regulatory authorities that generally prohibit selling securities short unless the price is at or above the last sale price.

EXCHANGE AND REDEMPTION OF UNITS

Exchange of Units at Net Asset Value per Unit for Baskets of Securities and/or Cash

Unitholders of Horizons HAC may exchange the applicable PNU (or a whole multiple thereof) of Horizons HAC on any Trading Day for a Basket of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. The Manager may, in its complete discretion, pay exchange proceeds consisting of cash only in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the exchange request. The Manager will, upon receipt of the exchange request, advise the Unitholder submitting the request as to whether cash and/or a Basket of Securities will be delivered to satisfy the request.

To effect an exchange of Units of the ETF, a Unitholder of the ETF must submit an exchange request in the form prescribed by the ETF from time to time to the Manager at its office by 9:30 a.m. on a Trading Day. The exchange price will be equal to the net asset value of each PNU of the ETF tendered for exchange on the effective day of the exchange request, payable by delivery of a Basket of Securities (constituted as most recently published prior to the receipt of the exchange request) and/or cash. The Units will be redeemed in the exchange. The Manager will also make available to Dealers and the Designated Broker the applicable PNU to redeem Units of the ETF on each Trading Day.

If an exchange request is not received by 9:30 a.m. on a Trading Day, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for Baskets of Securities and/or cash will generally be made on the second Trading Day after the effective day of the exchange request.

If securities of any Exchange Traded Product, Leveraged ETF or other issuer in which the ETF has invested are cease-traded at any time by order of a securities regulatory authority, the delivery of Baskets of Securities to a Unitholder, Dealer or Designated Broker on an exchange in the PNU may be postponed until such time as the transfer of the Baskets of Securities is permitted by law.

As described below under "Book-Entry Only System", registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units 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.

Redemption of Units for Cash

On any Trading Day, Unitholders of the ETF may redeem:

(a) 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, where the Units being redeemed are not equal to a PNU or a multiple PNU; or

(b) a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of Units, less any applicable administrative charge as determined by the Manager in its sole discretion from time to time.

As Unitholders will generally be able to sell their Units at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash unless they are redeeming a PNU.

In order for a cash redemption to be effective on a Trading Day, 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 9:30 a.m. (Toronto time) on that day. If a cash redemption request is not received by 9:30 a.m. (Toronto time) on a Trading Day, the cash redemption request will be effective only on the next Trading Day. Payment of the redemption price will generally be made on the first Trading Day after the effective day of the redemption. Notwithstanding the foregoing, the ETF will make payment of the redemption price no later than the second Valuation Day after the effective day of the redemption.

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

In connection with the redemption of Units of the ETF, the ETF will generally dispose of securities or other financial instruments.

As described below under "Book-Entry Only System", registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units 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.

Suspension of Exchanges and Redemptions

The Manager may suspend the exchange or redemption of Units of the ETF or payment of redemption proceeds of the ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the ETF; (ii) with the prior permission of the securities regulatory authorities where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the ETF or which impair the ability of the Manager or its agent to determine the value of the assets of the ETF; or (iii) when permitted to do so under any exemptive relief granted by the securities regulatory authorities from Canadian securities legislation provided any such period does not exceed 30 days. The suspension may apply to all requests for exchange or redemption 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 exchange or 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 exchange or 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.

Costs Associated with Issuances, Exchanges or Redemptions

The Manager may charge to Unitholders of the ETF, at its discretion, an issue, exchange or redemption charge of up to 0.25% of their exchange or redemption proceeds of the ETF. The Manager will publish the current administrative charge, if any, on its website, www.HorizonsETFs.com.

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 as a result of any disposition of property of the ETF undertaken to permit or facilitate the exchange and/or 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 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, 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 the Units of the ETF 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 its Designated Broker and Dealers, who can only purchase or redeem Units of the ETF in a PNU and on whom the Manager may impose an administrative charge.

PRIOR SALES

Trading Price and Volume

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

Horizons HAC

Month	Unit Price Range ($)	Volume of Units Traded
August 2017	18.44 - 18.66	1,117,285
September 2017	18.44 - 18.68	529,840
October 2017	18.40 - 18.68	515,876
November 2017	18.42 - 18.99	868,708
December 2017	18.82 - 19.26	410,142
January 2018	19.22 - 19.89	774,151
February 2018	18.30 - 19.54	822,629
March 2018	18.96 - 19.71	462,165
April 2018	19.03 - 19.67	547,181
May 2018	19.53 - 19.86	452,142
June 2018	19.81 - 20.02	589,360
July 2018	20.03 - 20.32	443,099

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 by a Unitholder who acquires Units pursuant to this prospectus. This summary only applies to a prospective Unitholder 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 as capital property, all within the meaning of the Tax Act (a "**Holder**").

Generally, Units 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 or any Basket of Securities disposed of in exchange for Units.

This summary is based on the assumption that the ETF will qualify at all times as a “mutual fund trust” and will not be subject to the tax for “SIFT trusts”, all within the meaning of the Tax Act. For the ETF to qualify as a “mutual fund trust,” among other things, it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders and the dispersal of ownership of its Units. There can be no assurance that the ETF will maintain its status as a “mutual fund trust”. **In the event that the ETF were not to qualify as a mutual fund trust under the Tax Act at all times or is a “SIFT trust”, the income tax consequences described below would, in some respects, be materially different.**

This summary is also based on the assumptions that (i) none of the issuers of the securities in the portfolio will be foreign affiliates of the ETF or of any Unitholder, or “SIFT trusts” or “SIFT partnerships” within the meaning of the Tax Act, (ii) none of the securities in the portfolio will be a “tax shelter investment” within the meaning of section 143.2 of the Tax Act and (iii) none of the securities in the portfolio will be an offshore investment fund property (or an interest in a partnership that holds such property) that would require the ETF to include significant amounts in the ETF’s income pursuant to section 94.1 of the Tax Act or an interest in a trust (or a partnership which holds such an interest) which would require the ETF (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an “exempt foreign trust” (or a partnership which holds such interest). This summary further assumes that 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 herein. 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. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units. The income and other tax consequences of investing in Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, 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. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units based on their particular circumstances, and review the tax related risk factors set out above.

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, and will at no time be subject to the tax for “SIFT trusts” for purposes of the Tax Act.

Provided the Units 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 a trust governed by a Plan.

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

Taxation of the ETF

The ETF has elected have a taxation year that ends on December 15 of each calendar year. 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 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 requires that sufficient amounts be paid or made payable each year so that the ETF is not liable for any non-refundable income tax under Part I of the Tax Act.

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

The ETF is also required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

In general, the ETF will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio, 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 ETF were 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 security in a transaction or transactions considered to be an adventure or concern in the nature of trade. The ETF takes the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. In addition, the ETF has made an election under subsection 39(4) of the Tax Act so that all securities held by the ETF that are "Canadian securities" (as defined in the Tax Act), including Canadian securities acquired in connection with a short sale, will be deemed to be capital property to the ETF. The ETF will be entitled for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act 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 redemptions of Units during the year (the "**Capital Gains Refund**"). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the ETF for such taxation year which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units.

In general, gains and losses realized by the ETF from derivative transactions will be on income account except where such derivatives are used to hedge portfolio securities held on capital account provided there is sufficient linkage, subject to the DFA Rules discussed below, and the ETF will recognize such gains or losses for tax purposes at the time they are realized by the ETF. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the portfolio of the ETF will constitute capital gains and capital losses to the ETF if the securities in the ETF's portfolio are capital property to the ETF and provided there is sufficient linkage. Recent amendments to the Tax Act clarify that the DFA Rules generally would not apply to such foreign currency hedges.

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

Any gain or loss on the short sale of securities by the ETF will be treated and reported for purposes of the Tax Act on income account, unless the short sale is in respect of securities that are "Canadian securities" for purposes of the Tax Act.

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

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 by the ETF, or a person affiliated with the ETF, 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.

In computing its income under the Tax Act, the ETF may deduct reasonable administrative and other expenses incurred to earn income from property. The ETF may not deduct interest on borrowed funds that are used to fund redemptions of its Units. The ETF is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units of the ETF that is not reimbursed. Such issue expenses will be deductible by the ETF rateably over a five-year period subject to reduction in any taxation year which is less than three hundred and sixty-five (365) days.

The ETF will be required to compute all amounts in Canadian dollars for purposes of the Tax Act in accordance with the detailed rules in that regard and accordingly may realize gains or losses by virtue of the fluctuation in the value of the foreign currencies relative to Canadian dollars.

Losses incurred by the ETF in a taxation year cannot be allocated to Unitholders, but may be deducted by the ETF in future years in accordance with the Tax Act.

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

Taxation of Holders

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the ETF for that particular taxation year, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in the year, including any Management Fee Distributions, (whether paid in cash or in Units or automatically reinvested in additional Units). Amounts paid or payable by the ETF to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15. The non-taxable portion of the ETF's net realized capital gains for a taxation year, the taxable portion of which was designated in respect of a Holder for the taxation year, that is paid or becomes payable to the Holder in the taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of the ETF for a taxation year that is paid or becomes payable to the Holder in the year (i.e. a return 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. To the extent that the adjusted cost base of a Unit would otherwise become a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be 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, the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations and the foreign source income of the ETF as is paid or becomes payable to a Holder and the relevant portion of foreign taxes paid or deemed to be paid by the ETF, if any, will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. A Holder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply including the enhanced gross-up and dividend tax credit rules in respect of "eligible dividends".

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

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

Pursuant to the Trust Declaration, the ETF may allocate and designate any income or capital gains 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 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 or designated by the ETF in respect of the Holder in a taxation year will be included in computing the Holder's income for that year and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder on the disposition of Units 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 taxable capital gains in accordance with the provisions of the Tax Act.

A Holder will be required to compute all amounts, including distributions, the adjusted cost base of Units of the ETF and proceeds of disposition, in Canadian dollars in accordance with the detailed rules in the Tax Act.

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

Taxation of Registered Plans

Distributions received by Plans on Units while the Units are a qualified investment for such 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 Plans (other than a TFSA and certain withdrawals from a RESP or RDSP) are generally subject to tax under the Tax Act. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan.

If Units are "prohibited investments" for a TFSA, RDSP, RRSP, RRIF or RESP, a Holder who holds Units in such TFSA, RDSP, RRSP, RRIF or RESP will be subject to an additional tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, annuitant or subscriber, or in which the holder, annuitant or subscriber has a significant interest. A significant interest in the ETF, 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 will not be a prohibited investment if the Units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RDSP, RRSP, RRIF or RESP. Holders are advised to consult their own tax advisors regarding the potential application of these rules based on their own personal circumstances.

Tax Implications of the ETF's Distribution Policy

The NAV per Unit 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 were acquired. Accordingly, a Holder who acquires Units, 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, if the ETF adheres to its distribution policy of paying distributions at the end of each taxation year, an investor who acquires Units late in the year but prior to the distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution) regardless of the fact that the investor only recently acquired such Units. Further, where a Holder acquires Units in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

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

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

Officers and Directors of the Manager

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

Name and Municipality of Residence	Date Individual became a Director	Office	Principal Occupation
Thomas Park, New York, New York	November 14, 2011	Director and Chief Corporate Development Officer	Director, Horizons (Since 2011); Chief Corporate Development Officer, Horizons (Since 2015); Executive Managing Director, Mirae Asset MAPS Global Investments (since 2008); Associate, Goldman Sachs International (2006, 2007-2008); Senior Consultant, KPMG Consulting (Bearing Point) (2001-2005).

Name and Municipality of Residence	Date Individual became a Director	Office	Principal Occupation
Taeyong Lee, Frederick, Maryland	November 14, 2011	Executive Chairman, Co-Chief Executive Officer and Director	Executive Chairman, Co-Chief Executive Officer and Director, Horizons (since 2011); Executive Vice President, Mirae Asset MAPS Global Investments (since 2010).
Steven J. Hawkins, Toronto, Ontario	February 8, 2016	Director, Co-Chief Executive Officer and President	Co-Chief Executive Officer and President, Horizons (since 2009); Director, Horizons (since 2016).
Kevin S. Beatson, Oakville, Ontario	N/A	Chief Operating Officer and Chief Compliance Officer	Chief Operating Officer and Chief Compliance Officer, Horizons (since 2009).
Julie Stajan, Oakville, Ontario	N/A	Chief Financial Officer	Chief Financial Officer, Horizons (since 2015); Senior Vice President, Finance and Controller, Horizons (since 2012); Senior Vice President, Finance & Investment Funds, Horizons Investment Management Inc. (2011-2012).
Jaime P.D. Purvis, Toronto, Ontario	N/A	Executive Vice President	Executive Vice President, Horizons (since 2006).
Jeff Lucyk, Toronto, Ontario	N/A	Senior Vice President, Head of Retail Sales	Senior Vice President, Head of Retail Sales, Horizons (Since 2016); Senior Vice President, Vice President, National Sales Manager, Norrep Capital Management Ltd. (2009-2016).
McGregor Sainsbury, Toronto, Ontario	N/A	General Counsel and Secretary	General Counsel and Secretary, Horizons (since 2011).

Where a person has held multiple positions within a company, the above table sets out only the current or most recently held position or positions held at that company, and the start dates refer to the date of the first position held or the first of the listed positions held by the person at that company. A director will hold his position until the next annual general meeting of the Investment Manager at which time he 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 or executive officers of the Manager.

For a description of the compensation arrangements of the independent review committee of the ETF, see “Independent Review Committee”.

Duties and Services 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, custodians, registrars, transfer agents, the Designated Broker, Dealers, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETF; maintaining accounting records for the ETF; preparing the reports to Unitholders 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 are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETF comply with all other regulatory requirements including their continuous disclosure obligations under applicable securities laws; administering purchases, redemptions and other transactions in Units; arranging for any payments required upon termination of the ETF; and dealing and communicating with Unitholders. 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 strategies 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, 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 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 as manager of the ETF 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. See "Fees and Expenses".

The Manager is entitled to fees for its services as manager under the Trust Declaration as described under "Fees and Expenses" and will be reimbursed for all reasonable costs and expenses incurred by the Manager on behalf of the ETF. The Manager may, in its discretion, terminate the ETF without the approval of Unitholders of the ETF if, in its opinion, it is no longer economically feasible to continue the ETF and/or it would otherwise be in the best interests of Unitholders to terminate the ETF.

The administration and management services of the Manager under the Trust Declaration are not exclusive and nothing in the Trust Declaration prevents the Manager from providing similar administrative and management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the ETF) or from engaging in other activities.

Investment Manager

The Manager also serves as the Investment Manager to the ETF.

The Manager operates as, among other things, an investment fund manager and a portfolio manager in Ontario under the *Securities Act* (Ontario) and in certain other provinces pursuant to applicable legislation, and as a commodity trading manager under the *Commodity Futures Act* (Ontario). The principal office of the Investment 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 advice to the ETF are as follows:

Name	**Position with the Investment Manager**	**Principal Occupation**
Steven J. Hawkins	Co-Chief Executive Officer, President and Director	Co-Chief Executive Officer and President, Horizons (since 2009); Director, Horizons (since 2016); previously, Managing Partner and Director, JovFunds (2005-2011).
David Kunselman	Vice President, Product Management	Vice President, Product Management, the Manager (since 2015); previously, Senior Portfolio Manager & Chief Compliance Officer, Excel Investment Counsel Inc. (2011-2015).

Where a person has held multiple positions within a company, the above table sets out only the current or most recently held position or positions held at that company, and the start dates refer to the date of the first position held or the first of the listed positions held by the person at that company.

Other Key Personnel of the Investment Manager

The Investment Manager's technical analyst, Brooke Thackray, will provide technical analysis to identify and capitalize on seasonal patterns in respect of Horizons HAC.

Brooke Thackray, CFP, CIM

Brooke Thackray has more than 15 years of investment related experience, most recently as President of MountAlpha Media, where he has written and published several books, including *Thackray's 2017 Investor's Guide* and *Thackray's 2018 Investor's Guide*. He is also the author of a monthly newsletter, Thackray Market Letter. He is a monthly columnist for the Globe and Mail Gold Line Investor and is a regular guest on the Business News Network ("**BNN**"). Previously he was an Investment Advisor at major brokerage firms, including TD Waterhouse, RBC Investments and TD Evergreen. He also co-founded UpWave Media Inc., a financial publishing company. Mr. Thackray has an MBA from York University and has several financial designations, including Certified Financial Planner (CFP), and Canadian Investment Manager (CIM).

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 in respect of the ETF 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 within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five

Unitholders 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 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 it 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 but will be reimbursed for all expenses and liabilities that it properly incurs in carrying out activities on behalf of the ETF.

Designated Broker

The Manager, on behalf of the ETF, has entered into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker agrees 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 must be made by the Designated Broker, and Units will be issued, by no later than the Valuation Day after the subscription notice has been delivered.

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

Units do not represent an interest in, or an obligation of, a Designated Broker or Dealer 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 a Designated Broker or Dealers.

Dealers

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

Conflicts of Interest

The Manager and its respective 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 ETF's accounts 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 Investment 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.

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 applicable ETF Manager. Unitholders should be aware that the performance by an 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, the 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 ETF 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 a 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. 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.

The ETF is not sponsored, endorsed, or promoted by NBF. NBF does not make any representation or warranty, express or implied, to the Unitholders regarding the advisability of investing in the ETF, nor does it assume any liability in connection with the administration, marketing or trading of the ETF. NBF’s potential roles as a 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 and the securities regulatory authorities have provided the ETF with a decision exempting the ETF from the requirement to include a certificate of an underwriter in the prospectus. NBF has not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus.

NBF and its 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 its 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.

If the ETF invests in the Leveraged ETFs, Horizons, an affiliate of the Manager, will receive management fees in respect of the ETF’s assets invested in such Leveraged ETFs.

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.

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. 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.

Under the Custodian Agreement, the ETF shall pay fees to the Custodian at such rate as determined by the parties from time to time and the Custodian shall be reimbursed for all reasonable expenses incurred in the performance of its duties under the Custodian Agreement. The ETF shall 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 NI 41-101 – *General Prospectus Requirements*.

Valuation Agent

The Manager has retained CIBC Mellon Global to provide accounting services in respect of the ETF pursuant to a valuation services agreement. CIBC Mellon Global is located in Toronto, Ontario.

Auditors

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

Registrar and Transfer Agent

AST Trust Company (Canada) is the registrar and transfer agent for Units of the ETF pursuant to registrar and transfer agency agreements. AST Trust Company (Canada) is independent of the Manager and is located in Toronto, Ontario.

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 promoter will not receive any benefits, directly or indirectly, from the issuance of securities offered hereunder other than as described under "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.

NBCN Inc. ("**NBCN**") is also a securities lending agent for the ETF pursuant to a securities lending agency agreement (the "**NBCN SLAA**").

NBCN is located in Toronto, Ontario. NBCN is not an affiliate of the Manager. The NBCN SLAA 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 market practice). Subject to certain exceptions, the NBCN SLAA requires NBCN to indemnify the ETF against any loss suffered directly by the ETF as a result of a securities loan effected by NBCN. A party to the NBCN SLAA may terminate the NBCN SLAA upon 5 business days' notice.

Accounting and Reporting

The ETF's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as the ETF elects. The annual financial statements of the ETF shall be audited by the ETF's auditors in accordance with Canadian generally accepted auditing standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with IFRS The Manager will arrange for the ETF's compliance with all applicable reporting and administrative requirements.

The Manager will keep, or arrange for the keeping of, adequate books and records reflecting the activities of the ETF. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of the ETF during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of the ETF.

CALCULATION OF NET ASSET VALUE

The NAV per Unit of the ETF will be computed 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 of the ETF 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 of the ETF 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 take into account in determining the "NAV" of the ETF and "NAV per Unit" of the ETF on each Valuation Day:

(a) 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 person to whom the Manager has charged with the determination of the NAV (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;

(b) bonds, debentures, notes, money market instruments and other debt securities shall be valued at the sale price (or such other value as the Canadian Securities Administrators may permit) last reported at the Valuation Time on the Valuation Day if no sale price is available then the closing bid price will be used;

(c) short term investments including notes and money market instruments shall be valued at cost plus accrued interest;

(d) any security that is listed or dealt in on a stock exchange shall be valued at the sale price (or such other value as the Canadian Securities Administrators may permit) last reported at the Valuation Time on the Valuation Day on the principal stock exchange on which such security is traded, or, if no sale price is available at that time, the last closing price quoted for the security, but if bid and ask quotes are available, at the average of the latest bid and asked prices rather than at the last quoted closing price;

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

(f) any security purchased, the purchase price of which has not been paid, shall be included for valuation purposes as a security held, and the purchase price, including brokers' commissions and other expenses, shall be treated as a liability of the ETF; any security sold but not delivered, pending receipt of the proceeds, shall be valued at the net sale price;

(g) illiquid securities shall be valued at the lesser of the value thereof based on reported quotations in common use and that percentage of the market value of securities of the same class, the trading of which is not restricted or limited by reason of any representation, undertaking or agreement or by law, equal to the percentage that the ETF's acquisition cost was of the market value of such securities at the time of acquisition; provided that a gradual taking into account of the actual value of such securities may be made where the date on which the restriction will be lifted is known;

(h) the value of any futures contract or forward contract or swap shall be the gain or loss with respect thereto that would be realized if, on the 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;

(i) 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 (d) above except that the Manager may use, for the purpose of determining the sale price or the asked and bid prices of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable, the Valuation Agent shall make such valuation as it considers reasonable;

(j) the value of all assets of the ETF quoted or valued in terms of foreign currency, the value of all funds on deposit and contractual obligations payable to the ETF in foreign currency and the value of all liabilities and contractual obligations payable by the ETF in foreign currency shall be determined using the applicable rate of exchange current at, or as nearly as practicable to, the applicable date on which NAV is determined; and

(k) estimated operating expenses payable by the ETF shall be accrued to the date as of which the NAV is being determined.

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

For the purposes of financial statement reporting, an ETF is required to calculate net asset value in accordance with 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 NAV per Unit may call the Manager at 416-933-5745 or at 1-866-641-5739, or check the Manager's website at www.HorizonsETFs.com.

ATTRIBUTES OF THE SECURITIES

Description of the Securities Distributed

The ETF is authorized to issue an unlimited number of redeemable, transferable Units designated as Class E units pursuant to this prospectus, each of which represents an equal, undivided interest in the net assets of the ETF.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 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 is a reporting issuer under the *Securities Act* (Ontario) and 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 (1) vote at meetings of Unitholders of the ETF or of that class of Units. Each Unit of the ETF is entitled to participate equally with all other Units of the ETF of the same class with respect to all payments made to Unitholders of that class 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 that class 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.

Exchanges of Units for Baskets of Securities

Unitholders of the ETF may exchange the applicable PNU (or a whole multiple thereof) of the ETF on any Trading Day for Baskets of Securities and/or cash subject to the requirement that a minimum PNU be exchanged. The Manager may, in its sole discretion, elect to exchange Units on a cash only basis. See "Exchange and 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. See "Exchange and 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 a Trust Declaration of the ETF that creates a new class of units 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 units of the ETF, or the termination of a class of units 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 units 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".

Voting Rights in the Portfolio Securities

Holders of Units of the ETF will not have any voting rights in respect of the ETF's portfolio securities.

UNITHOLDER MATTERS

Meetings of Unitholders

A meeting of Unitholders of the ETF or any class of the ETF may be convened by the Manager by a written requisition specifying the purpose of the meeting and must be convened if requisitioned by Unitholders holding not less than 25% of the Units of the ETF or the class, as applicable, then outstanding by a written requisition specifying the purpose of the meeting. Not less than 21 days' and not more than 50 days' notice will be given of any meeting of Unitholders of the ETF or a class of the ETF.

The ETF does not intend to hold annual meetings of Unitholders.

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 NAV 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 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, 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.

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 will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, 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 the 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 affected by the proposed amendment in circumstances where:

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

(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, so that it is equitable to give Unitholders 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 or that the proposed amendment is necessary:

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

(b) to 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) to 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) to 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.

Reporting to Unitholders

The Manager, on behalf of the ETF, will, in accordance with applicable laws, furnish to each Unitholder, 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 financial year. 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 cash flows and a schedule of investments.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns under the Tax Act in respect of 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 NAV per Unit will be determined by the Manager on each Valuation Date and will usually be published daily in the financial press.

Exchange of Tax Information

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

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

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) and the Manager shall inform the Registrar and Transfer Agent of the ETF of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (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 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 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.

TERMINATION OF THE ETF

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

Upon termination of the ETF or a class of the ETF, each Unitholder of the ETF or the class, as applicable, shall be entitled to receive at the Valuation Time on the termination date out of the assets of the ETF or the class: (i) payment for that Unitholder's Units at the NAV per Unit for that class of Units of the ETF 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 applicable administrative charges and 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 are offered for sale on a continuous basis by this prospectus and there is no minimum number of Units that may be issued. The Units shall be offered for sale at a price equal to the net asset value of such Units next determined following the receipt of a subscription order.

BROKERAGE ARRANGEMENTS

Subject to the prior written approval of the Manager, the Investment Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETF. The Investment Manager intends to use a number of clearing brokers to transact trades in futures contracts on behalf of the ETF. Once such brokerage accounts are established, the Investment Manager is authorized to negotiate commissions and fees to be paid on such brokerage transactions, subject to a continuing obligation to seek and obtain the best price, execution and overall terms.

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 a Designated Broker) pursuant to which the Dealers may subscribe for Units of the ETF as described under "Purchases of Units". Such registered dealers may be related to the Manager. See "Organization and Management Details of the ETF - Conflicts of Interest".

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 and such subscription has been accepted by Horizons.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). Accordingly, the ETF may be considered to be a connected issuer of NBF under applicable securities laws. NBF's potential role as a Dealer of the ETF will not be as an underwriter of the ETF in connection with the distribution of Units of the ETF under this prospectus. NBF has not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus. 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 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, an ETF or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units of 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 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 Unitholders of the ETF.

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 proposals to elect corporate directors, to appoint external auditors and set their compensation, to adopt or amend management compensation plans, and to amend the capitalization of the company.

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

(a) **Board Of Directors** – The Manager supports establishing a majority of independent directors and independent committee chairs. Boards are required to act in the best interests of all shareholders. This can be achieved by ensuring that the majority of directors are independent. The Manager will not normally vote against a slate of directors because they are not independent.

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

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

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

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

(f) **Director Qualifications** – The Manager supports establishing minimum standards for directors and disclosing the directors' qualifications to shareholders. In addition, the Manager supports boards that consist of experienced individuals with the appropriate business and professional credentials. Elected directors should have general business acumen and company specific knowledge, and should make informed and independent judgments.

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

(h) **Separation of Chair and Chief Executive Officer –** The Manager supports, where possible, separating the chair and chief executive officer roles. The board chair should be an independent executive director.

(i) **Approval of Independent Auditors –** The relationship between a company and its auditors should be limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence. Management's recommendation for the ratification of the auditors, except in instances where audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm, will generally be supported.

(j) **Executive Compensation –** The Manager supports establishing an independent compensation committee to ensure that executive compensation is competitive and fair.

(k) **Stock-Based Compensation Plans –** An independent compensation committee should have significant latitude to deliver varied compensation to motivate the company's employees. However, all compensation proposals will be evaluated in the context of several factors (a company's industry, market capitalization, competitors for talent, etc.) to determine whether a particular plan or proposal balances the perspectives of employees and the company's other shareholders.

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

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

(n) **Executive Severance Agreements** – While executives' incentives for continued employment should be more significant than severance benefits, there are instances, particularly in the event of a change in control, in which severance arrangements may be appropriate. The Manager will generally, without submission to shareholders, cause the ETF to vote in favour of approving severance benefits triggered by a change in control that do not exceed three times an executive's salary and bonus.

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

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

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

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

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

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

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

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

(w) **Increase in Authorized Shares** – The Manager supports only issuing additional common shares for good business reasons.

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

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

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

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

The ETF's proxy voting record 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 ETF's proxy voting record will also be available on our Internet site at www.HorizonsETFs.com.

MATERIAL CONTRACTS

The only contracts material to the ETF are the:

(a) **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", "Attributes of Securities – Modification of Terms" and "Unitholder Matters – Amendments to the Trust Declaration"; and

(b) **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 Manager 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 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 provided the Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders. See "Purchases of Units – Buying and Selling Units of the ETF";

(b) permit the ETF to invest in the Leveraged ETFs. See "Investment Restrictions";

(c) permit, subject to certain limits, the ETF to obtain short positions in securities that are listed on a major stock exchange and are consistent with the ETF's investment objective. See "Investment Restrictions;

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

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

(f) permit the ETF to invest in Exchange Traded Products that issue Commodity Participation Units;

(g) permit the ETF to lend securities with a lending agent that is not the Custodian; and

(h) relieve the ETF from the requirement that the prospectus of the ETF include an underwriter's certificate.

The ETF may also apply for exemptive relief from the Canadian securities regulatory authorities to permit the ETF to invest in leveraged exchange traded funds other than the Leveraged ETFs.

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

PURCHASERS' STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

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

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

DOCUMENTS INCORPORATED BY REFERENCE

Additional information about the ETF is available in the following documents:

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

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

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

(d) 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; and

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

These documents are or will be incorporated by reference into this prospectus, which means that they 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 Manager's Internet site at www.HorizonsETFs.com. These documents and other information about the ETF are also 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.

CERTIFICATE OF HORIZONS SEASONAL ROTATION ETF, THE MANAGER AND PROMOTER

Dated: August 21, 2018

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

HORIZONS ETFs MANAGEMENT (CANADA) INC., AS MANAGER AND PROMOTER OF THE HORIZONS SEASONAL ROTATION ETF

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

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

"Thomas Park"	*"Steven J. Hawkins"*
Thomas Park Director	Steven J. Hawkins Director