# Horizons Equal Weight Canada Banks Index ETF (HEWB)

## ETF Snapshot

**Name:**
Horizons Equal Weight Canada Banks Index ETF

**Launch Date:**
January 23, 2019

**Ticker:**
HEWB

**Management Fee:**[1]
0.25%

**Investment Manager:**
Horizons ETFs Management (Canada) Inc.

**Underlying Index:**
Solactive Equal Weight Canada Banks Index (Total Return)

**Bloomberg Index Ticker:**
SOLCBEW

**Currency Hedged:**
No

**Eligibility:**
All registered and non-registered investment accounts

[1] Plus applicable sales taxes. Annual management fee reduced from 0.30% to 0.25%, effective November 2, 2021.

### Get the Total Return of Canadian Banks

The Horizons Equal Weight Canada Banks Index ETF ("HEWB") seeks to replicate, to the extent possible, the performance of the Solactive Equal Weight Canada Banks Index (Total Return) (the "Index"), net of expenses. The Index is an equal-weight Index of equity securities of diversified Canadian banks.

HEWB provides exposure to Canada's six largest banks, commonly referred to as the "Big Six" These include: Royal Bank of Canada (RBC); Toronto-Dominion Bank (TD); Bank of Nova Scotia (Scotiabank); Bank of Montreal (BMO); Canadian Imperial Bank of Commerce (CIBC) and National Bank of Canada (National Bank).

### Key Features of HEWB:

- **The Total Return Index Advantage:** HEWB is part of Horizons Total Return Index family of ETFs ("Horizons TRI ETFs"). HEWB uses a total return swap contract to replicate the performance of the Index. This structure typically reduces tracking error associated with replicating an index and increases tax efficiency
- **Tax Efficiency:** HEWB is not expected to make taxable distributions, making it advantageous for taxable accounts
- **Automatic reinvestment:** The reinvestment of index constituent distributions are reflected in HEWB's Net Asset Value ("NAV") on their ex-date – which can result in more efficient compounding than ETFs that compound only quarterly or even monthly

### Total Return Index Structure†

HEWB does not physically hold the underlying constituent securities of the Index. Instead, its return is delivered via swap agreements with acceptable counterparties: Schedule 1 Canadian banks with a minimum A credit rating. The swap agreement is a binding contractual obligation to deliver the daily returns of the Index to the ETF, which is marked-to-market each day based on the change of the Index. Counterparties are legally obligated to deliver the exact Index returns, before fees.

### Corporate Class ETFs - Tax Efficiency

HEWB shares are a series of shares within a corporate class structure that allows the ETF to deliver its returns in a tax-efficient manner. Combined with the total return swap-based portfolio, investors are only expected to receive the total return of the Index, which is reflected in the ETF's unit price. Investors are not expected to receive any taxable distributions directly. This makes the ETF particularly advantageous if its shares are held in a taxable account, where tax on Canadian eligible dividend distributions could potentially be in excess of 30%, depending on the marginal tax rate of the investor.  With this ETF structure, investors can potentially defer incurring a tax liability until they sell the ETF, at which point proceeds from the sale of ETF units would likely be taxed as a capital gain.

# Horizons Equal Weight Canada Banks Index ETF (HEWB)

## Taxation on Canadian Bank ETFs

The following hypothetical example shows the tax impact on the returns of a Canadian bank ETF that earns annual dividends of 3.5%. This example does not take into account any management or operating fees, or expenses that would be associated with an ETF purchase. Both ETFs are held by an Ontario resident investor in the third-highest marginal tax bracket, who would have an income tax rate of 47.97% in 2020.

It is important to note that neither HEWB, nor any other Horizons TRI ETFs, re-characterize investment income as capital gains.

| | Physical-Replicated ETF | HEWB |
|---|---|---|
| Principal Investment | $100,000 | $100,000 |
| Market Return (0%) | $0 | $0 |
| Dividend Received (3.5%) | $3,500 | $3,500 |
| Pre-Tax Total Portfolio Value | $103,500 | $103,500 |
| Taxes on Dividends (31.67%)** | $1,108.45 | $0 |
| Total Tax Payable | $1,108.45 | $0 |
| Total After Tax Portfolio Return | $102,391.55 | $103,500 |
| Difference in return: | -$1,108.45 | |
| **Return Lost to Tax on Distributions** | **-1.11%** | 0% |

FOR ILLUSTRATIVE PURPOSES ONLY. The above illustrative example highlights the expected after-tax performance benefits of holding HEWB versus another Canadian domiciled physically replicated Canadian bank ETF in a non-registered account, assuming both ETFs earned/reflected a net 3.5% dividend and track the exact same universe of stocks. This example does not take into account any fees or expenses of the ETFs, or any commissions fees or expenses that would be associated with the purchase or sale of the ETF units/shares. The example also does not contemplate any sale of the ETF units/shares or any tax liability that would result.
** Both ETFs are held by an Ontario resident investor in the third-highest tax bracket, who would have a marginal tax rate of 47.97%, and an effective tax rate of 31.67% on eligible Canadian Dividends, in 2020. It also assumes no change in the market value of the Index constituents.

To learn more, please visit **www.HorizonsETFs.com/HEWB**

HORIZONS ETFs by Mirae Asset

†Horizons Total Return Index ETFs ("Horizons TRI ETFs") are generally index-tracking ETFs that use an innovative investment structure known as a Total Return Swap to deliver index returns in a low-cost and tax-efficient manner. Unlike a physical replication ETF that typically purchases the securities found in the relevant index in the same proportions as the index, most Horizons TRI ETFs use a synthetic structure that never buys the securities of an index directly. Instead, the ETF receives the total return of the index through entering into a Total Return Swap agreement with one or more counterparties, typically large financial institutions, which will provide the ETF with the total return of the index in exchange for the interest earned on the cash held by the ETF. Any distributions which are paid by the index constituents are reflected automatically in the net asset value (NAV) of the ETF. As a result, the Horizons TRI ETF receives the total return of the index (before fees), which is reflected in the ETF's share price, and investors are not expected to receive any taxable distributions. Certain Horizons TRI ETFs (Horizons Nasdaq-100 ® Index ETF and Horizons US Large Cap Index ETF) use physical replication instead of a total return swap. The Horizons Cash Maximizer ETF and Horizons USD Cash Maximizer ETF use cash accounts and do not track an index but rather a compounding rate of interest paid on the cash deposits that can change over time.

Commissions, management fees and expenses may be associated with an investment in the Horizons Equal Weight Canada Banks Index ETF (the "ETF") managed by Horizons ETFs Management (Canada) Inc. The ETF is not guaranteed, its value changes frequently and past performance may not be repeated. The prospectus contains important detailed information about the ETF. **Please read the prospectus before investing.**

The information contained herein reflects general tax rules only and does not constitute, and should not be construed as, tax advice. Investor situations may differ from those illustrated. Investors should consult with their tax advisors before making any investment decisions.

The financial instrument is not sponsored, promoted, sold or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade name or the Index Price at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the Issuer, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the financial instrument. Neither publication of the Index by Solactive AG nor the licensing of the Index or Index trade name for the purpose of use in connection with the financial instrument constitutes a recommendation by Solactive AG to invest capital in said financial instrument nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in this financial instrument.