### ETF Snapshot

**Name:** Horizons Laddered Canadian Preferred Share Index ETF  
**Launch Date:** February 27, 2019  
**Ticker:** HLPR  
**Management Fee:** 0.30%  
**Investment Manager:** Horizons ETFs Management (Canada) Inc.  
**Underlying Index:** Solactive Laddered Canadian Preferred Share Index (Total Return)  
**Bloomberg Index Ticker:** SOLADPRF  
**Currency Hedge:** No  
**Eligibility:** All registered and non-registered investment accounts

### Gain Tax-Efficient Exposure to Canadian Preferred Shares
The Horizons Laddered Canadian Preferred Share Index ETF (“HLPR”) seeks to replicate, to the extent possible, the performance of the Solactive Laddered Canadian Preferred Share Index (Total Return) (the “Index”), net of expenses. The Index tracks Toronto Stock Exchange-listed preferred shares that generally have an adjustable dividend rate and are laddered using equal weights in annual reset term buckets.

Generally issued by large, well-established companies, preferred shares are securities that include characteristics of both bonds and equities. Like bonds, preferred shares pay a fixed or adjustable dividend over a set term – but also have the potential for price appreciation (or decline) like a stock. The shares are “preferred” because they have a claim on income and assets that is senior to that of common shares.

### Key Features of HLPR:
- **The TRI advantage:** HLPR is part of Horizons ETFs Total Return Index (“TRI”) family of ETFs. HLPR uses a total return swap contract to replicate the performance of the Index. This structure typically reduces the cost and tracking error associated with replicating an index and increases tax efficiency.
- **Tax-efficient access:** HLPR is not expected to make taxable distributions.
- **Automatic reinvestment:** The reinvestment of index constituent distributions are reflected in HLPR’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.

### More about HLPR’s TRI Structure
HLPR 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.

### Tax Advantages
HLPR does not directly receive any distributions from index constituents and is therefore not expected to make any distributions. Investors who hold HLPR still get full exposure to the total return of the Index through its TRI structure, where the value of dividends is reflected in the ETF’s NAV rather than being received into the ETF as cash and then paid out as taxable distributions.

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1. Plus applicable sales taxes.  
2. Compared to other Canadian physically replicated ETFs in the “Preferred Share Fixed Income” Morningstar category. HLPR holds the lowest management fee among a total of 21 ETFs, as at January 16, 2019.
### Tax Implications for Canadian Preferred Share ETFs – Illustrative Example Only

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<thead>
<tr>
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<th>Physically Replicated ETF</th>
<th>HLPR</th>
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<tbody>
<tr>
<td>Principal Investment</td>
<td>$100,000</td>
<td>$100,000</td>
</tr>
<tr>
<td>Market Return (0%)</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Dividend Received (5.30%)</td>
<td>$5,300</td>
<td>$5,300</td>
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<tr>
<td>Pre-Tax Total Portfolio Value</td>
<td>$105,300</td>
<td>$105,300</td>
</tr>
<tr>
<td>Taxes on Dividends (29.52%)</td>
<td>$1,564.56</td>
<td>$0</td>
</tr>
<tr>
<td>Total After Tax Portfolio Return</td>
<td>$103,735</td>
<td>$105,160</td>
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<tr>
<td>Return Lost to Tax on Distributions</td>
<td>-1.56%</td>
<td>0%</td>
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The above illustrative example highlights the expected after-tax performance benefits of holding a Horizons TRI ETF (HLPR) which invests in Canadian-eligible preferred shares versus another Canadian physically replicated Canadian preferred share equity ETF in a non-registered account. It assumes both ETFs earned/reflected a hypothetical net 5.30% distributions and track the exact same universe of stocks and assumes no changes to the market value of the index constituents. 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. The example also does not contemplate any sale of the ETF units or any tax liability that would result.

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

1 5.30% is based on the weighted average of the index constituents’ dividend yields as at January 16, 2019.

4 Both ETFs are assumed to be held by an Ontario resident investor in the fourth-highest tax bracket, who would have an effective tax rate of 29.52% on eligible Canadian dividends.

To learn more, please visit [www.HorizonsETFs.com/HLPR](http://www.HorizonsETFs.com/HLPR)