

Horizons Laddered Canadian Preferred Share Index ETF (HLPR)

ETF Snapshot

Name:

Horizons Laddered Canadian Preferred Share Index ETF

Launch Date:

February 27, 2019

Ticker:

HLPR

Management Fee:¹

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 cost² 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.

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.



Horizons Laddered Canadian Preferred Share Index ETF (HLPR)

Tax Implications for Canadian Preferred Share ETFs – Illustrative Example Only

	Physically Replicated ETF	HLPR
Principal Investment	\$100,000	\$100,000
Market Return (0%)	\$0	\$0
Dividend Received (5.30%) ³	\$5,300	\$5,300
Pre-Tax Total Portfolio Value	\$105,300	\$105,300
Taxes on Dividends (29.52%) ⁴	\$1,564.56	\$0
Total After Tax Portfolio Return	\$103,735	\$105,160
Return Lost to Tax on Distributions	-1.56%	0%

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.

³5.30% is based on the weighted average of the index constituents' dividend yields as at January 16, 2019.

⁴Both 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



Commissions, management fees and applicable sales taxes all may be associated with an investment in the Horizons Laddered Canadian Preferred Share Index ETF managed by Horizons ETFs Management (Canada) Inc. (the "ETF"). 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.**

*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.

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.