# Horizons US Large Cap Index ETF (HULC)

## ETF Snapshot

**Name:**
Horizons US Large Cap Index ETF (HULC)

**Launch Date:**
February 6, 2020

**Ticker:**
HULC; HULC.U[1]

**Management Fee:**[2]
0.08%

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

**Underlying Index:**
The Solactive US Large Cap Index (CA NTR)

**Bloomberg Index Ticker:**
SOLUSLCC

**Currency Hedged:**
No

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

[1] Available in U.S. dollars.
[2] Plus applicable sales taxes.

### Get the Index Advantage on U.S. Equities

The Horizons US Large Cap Index ETF ("HULC") seeks to replicate, to the extent possible, the performance of the Solactive US Large Cap Index (CA NTR) (the "Index"), net of expenses. The Index is designed to measure the performance of the large-cap market segment of the U.S. equity market.

### Key Features of HULC

- **Tax Efficiency:** HULC is not expected to make taxable distributions, making it advantageous for taxable accounts where U.S. dividends are taxed at the full marginal income tax rate of a Canadian resident
- **Continuous Reinvestment:** Net distributions from Index constituents held by the ETF are reflected in HULC's net asset value ("NAV") on their ex-date and reinvested in the Index constituents on an ongoing basis when such distributions are received by the ETF, which can result in more efficient compounding than ETFs that re-invest only quarterly or monthly
- **Competitive Management Fee:** At 0.08%, HULC is tied with six other ETFs offering the third-lowest management fee of 98 Canadian-listed U.S. equity ETFs*

### Corporate Class ETFs - Tax Efficiency

HULC is a class of shares in a corporate class structure that allows the ETF to deliver its returns in a tax-efficient manner. With this structure, the ETF will receive the total return of the Index (less any withholding tax payable on constituent distributions), which is reflected in the NAV of the ETF. However, investors in HULC are not expected to receive any taxable distributions from the ETF.

This makes the ETF advantageous, particularly if its shares are held in a taxable account where tax on U.S. dividend distributions - which are not eligible for any dividend tax credit - could potentially be in excess of 50% depending on the marginal tax rate of the investor. With this ETF structure, investors can potentially defer incurring a tax liability until they sell their shares of the ETF, at which point they may realize a taxable capital gain.

### Top 10 Index Holdings

| | | | |
|---|---|---|---|
| Microsoft Corp | 4.92% | Alphabet Inc-Cl A | 1.57% |
| Apple Inc | 4.50% | JP Morgan Chase & Co | 1.53% |
| Amazon.Com Inc | 3.10% | Johnson & Johnson | 1.47% |
| Facebook Inc | 1.83% | Visa Inc-Class A Shares | 1.25% |
| Alphabet Inc C-Shares | 1.57% | Procter & Gamble Co | 1.13% |

As at February 5, 2020.

*Compared to other Canadian-listed ETFs in the "US Equity" Morningstar category, HULC tied with six other ETFs with the third-lowest management fee among a total of 98 ETFs, as at February 6, 2020.

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## Taxation on U.S. Equity ETFs

The following hypothetical example shows the potential tax impact on the returns of a Canadian-listed U.S. Equity ETF that earns annual dividends of 2.0%. 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 HULC, nor any other Horizons TRI ETFs, re-characterize investment income as capital gains.

### Tax Implications for Canadian-listed U.S. Equity ETFs – Illustrative Example Only

| | Non-Corporate Class ETF | HULC |
|---|---|---|
| Principal Investment | $100,000 | $100,000 |
| Market Return (0%) | $0 | $0 |
| Gross Dividends (2.0%) | $2,000 | $2,000 |
| Withholding Tax (15%) | $300 | $300 |
| Net Dividends Received | $1,700 | $1,700 |
| Pre-Tax Portfolio Value | $101,700 | $101,700 |
| Taxes on U.S. Dividends (47.97%)** | $815.49 | $0 |
| Total Tax Payable | $815.49 | $0 |
| Total After-Tax Portfolio Value | $100,884.51 | $101,700 |
| Difference in Return | $815.49 | |
| **Return Lost to Distributions** | **0.82%** | **0%** |

FOR ILLUSTRATIVE PURPOSES ONLY. The above illustrative example highlights the potential after-tax performance benefits of holding HULC versus another Canadian domiciled U.S. Equity ETF in a non-registered account, assuming both ETFs earned/reflected a net 1.70% dividend yield 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 a purchase or sale of ETF units/shares.

Where a Canadian ETF holds U.S. securities, non-resident taxes will be withheld from payments that are subject to U.S. withholding taxes (such as most dividends). Depending on the ETF, some Foreign Tax Credit may be passed on to unitholders. No Foreign Tax Credit is contemplated in this example.
**Both ETFs are held by an Ontario resident (non-U.S. citizen) investor in the third-highest tax bracket, who would have a marginal tax rate of 47.97% in 2020. The example does not contemplate the sale of the ETF units/shares or any tax liability that would result. It also assumes no change in the market value of the index constituents.

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

HORIZONS ETFs by Mirae Asset



[1] Horizons Total Return Index ETFs ("Horizons TRI ETFs") include ETFs that use physical replication instead of a total return swap to gain exposure to their benchmark index. These ETFs are a class of shares in a corporate class structure that allows the ETF to deliver its returns in a tax-efficient manner. With this structure, the ETF will receive the total return of the Index (less any withholding tax payable on constituent distributions if applicable), which is reflected in the NAV of the ETF. However, investors are not expected to receive any taxable distributions from these ETFs. 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.