Get the Total Return on Canadian Financial Stocks
Horizons S&P/TSX Capped Financials Index ETF ("HXF") seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Financials Index (Total Return) (the "Index"), net of expenses. The S&P/TSX Capped Financials Index is designed to measure the performance of Canadian financial sector equity securities included in the S&P/TSX Composite Index. The relative weight of any single index constituent security is capped.

Financial companies represent one of the largest economic sectors in Canada, accounting for approximately 1/3 of the market capitalization of the S&P/TSX Composite Index (as at November 30, 2019).

Key Features of HXF
- **The Total Return Index Advantage:** HXF is part of Horizons Total Return Index family of ETFs (“Horizons TRI ETFs”). HXF 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:** HXF is not expected to make taxable distributions.
- **Automatic Reinvestment:** The reinvestment of Index constituent distributions are reflected in HXF’s net asset value (“NAV”) on their ex-date – which can result in more efficient compounding than ETFs that compound only quarterly or monthly.

Total Return Index Structure
HXF 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
HXF is a corporate class ETF, meaning its shares represent a specific class within a corporate structure. 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.

1 Plus applicable sales taxes.
Horizons S&P/TSX Capped Financials Index ETF (HXF)

Taxation on Canadian Financial Equity ETFs
The following hypothetical example shows the tax impact on the returns of a Canadian financial equity 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 HXF, nor any other Horizons TRI ETFs, re-characterize investment income as capital gains.

<table>
<thead>
<tr>
<th></th>
<th>Physically-Replicated ETF</th>
<th>HXF</th>
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</thead>
<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 (3.5%)</td>
<td>$3,500</td>
<td>$3,500</td>
</tr>
<tr>
<td>Pre-Tax Total Portfolio Value</td>
<td>$103,500</td>
<td>$103,500</td>
</tr>
<tr>
<td>Taxes on Dividends (31.67%)**</td>
<td>$1,108.45</td>
<td>$0</td>
</tr>
<tr>
<td>Total Tax Payable</td>
<td>$1,108.45</td>
<td>$0</td>
</tr>
<tr>
<td>Total After Tax Portfolio Return</td>
<td>$102,391.55</td>
<td>$103,500</td>
</tr>
<tr>
<td>Difference in Return</td>
<td>-$1,108.45</td>
<td>$0</td>
</tr>
</tbody>
</table>

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 HXF versus another Canadian domiciled physically replicated Canadian financial equity ETF in a non-registered account, assuming both ETFs earned/reflected a net 3.5% dividend (eligible Canadian Dividends) 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/HXF

* The Launch Date shown is the launch date of the predecessor ETF of the same name which was structured as a trust. On November 29, 2019, after receiving unitholder approval, the predecessor ETF merged into a class of shares of a corporate fund structure. In accordance with exemptive relief, any historical data of the ETF presented here includes the historical data of the predecessor ETF in order to provide full and transparent disclosure of the ETF's data.

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. Some Horizons TRI ETFs use physically replication instead of the total return swap.

Commissions, management fees and applicable sales taxes all may be associated with an investment in the Horizons S&P/TSX Capped Financials Index ETF managed by Horizons ETFs Management (Canada) Inc. (“the ETF”). The ETF is not sponsored, endorsed, sold, or promoted by the S&P/TSX or their affiliated companies and none of these parties make any representation, warranty or condition regarding the advisability of buying, selling or holding units/shares of the ETF. Complete trademark and service mark information is available at www.HorizonsETFs.com/pub/enTrademark.aspx.

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