

# Horizons NASDAQ-100<sup>®</sup> Index ETF (HXQ; HXQ.U)

## ETF Snapshot

**Name:**

Horizons NASDAQ-100<sup>®</sup> Index ETF

**Launch Date:\***

April 20, 2016

**Ticker:**

HXQ, HXQ.U<sup>1</sup>

**Management Fee:<sup>2</sup>**

0.25%

**Investment Manager:**

Horizons ETFs Management  
(Canada) Inc.

**Underlying Index:**

NASDAQ-100<sup>®</sup> Index

**Bloomberg Index Ticker:**

XNDX

**Distribution Frequency:**

Annually (if any)

**Currency Hedge:**

No

**Eligibility:**

All registered and non-registered  
investment accounts

### Get The Total Return of the NASDAQ-100<sup>®</sup> Index

The Horizons NASDAQ-100<sup>®</sup> Index ETF ("HXQ") seeks to replicate, to the extent possible, the performance of the NASDAQ-100<sup>®</sup> Index (Total Return) – (the "Index") – net of expenses. The Index includes 100 of the largest U.S. and international non-financial companies listed on the NASDAQ Stock Market.

A U.S.-dollar-denominated version of HXQ is also available under the ticker symbol HXQ.U, which can be used by investors with U.S. dollar investment accounts.

### Key Features of HXQ

- **Tax Efficiency:** HXQ 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 are reflected in HXQ's Net Asset Value ("NAV") on their ex-date (and are reinvested in the Index constituents on an ongoing basis) which can result in more efficient compounding than ETFs that re-invest only quarterly or monthly
- **Direct Exposure to NASDAQ-100<sup>®</sup>:** The Index includes some of the best-known growth companies in the world. Exposure to the NASDAQ-100<sup>®</sup> Index can complement domestic exposure to Canadian equities, which is heavily weighted towards financials and energy
- **Low Management Fee:** HXQ is the lowest-cost NASDAQ-100<sup>®</sup> Index ETF listed in Canada<sup>3</sup>

### Corporate Class: Tax Efficiency

HXQ 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 HXQ 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 the ETF, at which point proceeds from the sale of the ETF units would likely be taxed as a capital gain.

<sup>1</sup>Trades in U.S. Dollars.

<sup>2</sup>Plus applicable sales taxes.

<sup>3</sup>Compared to all other Canadian ETFs tracking the NASDAQ-100<sup>®</sup> Index, HXQ has the lowest management fee and MER among a total of 4 ETFs, as at November 30, 2019, and is expected to have the lowest overall cost, which includes the trading expense ratio (TER), as at December 31, 2020, based on current competitor fees.



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## Taxation on U.S. Equity ETFs

The following hypothetical example shows the tax impact on the returns of a U.S. Equity ETF that earns annual dividends of 1.5%. 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 HXQ, nor any other Horizons TRI ETFs, re-characterize investment income as capital gains.

	Non-Corporate Class ETF	HXQ
Principal Investment	\$100,000	\$100,000
Market Return (0%)	\$0	\$0
Gross Dividends (1.5%)	\$1,500	\$1,500
Withholding Tax (15%)	\$225	\$225
Net Dividends Received	\$1,275	\$1,275
Pre-Tax Portfolio Value	\$101,275	\$101,275
Taxes on U.S. Dividends (47.97%)**	\$611.62	\$0
Total Tax Payable	\$611.62	\$0
Total After-Tax Portfolio Value	\$100,663.38	\$101,275
Difference in Return	\$611.62	
<b>Return Lost to Distributions</b>	<b>0.61%</b>	

FOR ILLUSTRATIVE PURPOSES ONLY. The above illustrative example highlights the expected after-tax performance benefits of holding HXQ versus another Canadian domiciled U.S. Equity ETF in a non-registered account, assuming both ETFs earned/reflected a net 1.5% 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/HXQ](http://www.HorizonsETFs.com/HXQ)



**HORIZONS** ETFs  
by Mirae Asset

\* 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.

Commissions, management fees and applicable sales taxes all may be associated with an investment in the Horizons Nasdaq-100<sup>®</sup> Index ETF (HXQ) managed by Horizons ETFs Management (Canada) Inc. (the "ETF"). The ETF is not guaranteed, its values change 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. Some Horizons TRI ETFs use physically replication instead of the total return swap.

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

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