Attractive Yields, Interest Rate Protected

Horizons Active Hybrid Bond and Preferred Share ETF is an actively managed ETF that provides Canadian investors exposure to hybrid securities, such as preferred shares, hybrid bonds and limited recourse capital notes ("LRCNs"). These types of securities are generally referred to as hybrid securities, as they typically offer a combination of shared features with both traditional fixed income and equities.

These securities are a form of debt that are typically lower in seniority than traditional bonds, but higher than common equity, and have many of the pricing and coupon features of traditional fixed income securities. Historically, these types of securities are more closely correlated to equities than bonds would be, and similar to equities they do not always have clearly defined maturity dates. They may or may not have conversion features to another type of security.

HYBR seeks to provide unitholders with a high level of income by investing in a portfolio of debt and other debt-like securities, including but not limited to hybrid corporate debt ("Hybrids"), Alternative Tier 1 Capital ("AT1") such as LRCNs, and income-generating equities, including but not limited to preferred securities (fixed-rate perpetual, fixed floating rate, retractable and floating rate), of Canadian and U.S. companies. The ETF may hedge some or all of its non-Canadian dollar currency exposure at the discretion of Fiera, the Sub-Advisor.

To achieve the ETF's investment objectives, the ETF's Sub-Advisor uses fundamental research to select companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, should be included in the ETF's investment portfolio. An extensive credit analysis for each security as well as an assessment of each company's risk profile is completed in order to confirm the selection and relative weight of each security held by the ETF.

Key Features of Hybrid Securities

Hybrid securities in Canada generally include preferred shares, hybrid bonds and LRCNs. Some of their key features include:

- **Fixed or predefined coupon payments.** Due to the terms defined in the agreements on preferred shares and other hybrid fixed income securities, companies are less likely to miss a coupon payment than with their common shares.

- **Potentially benefits from rising interest rates.** Most of the securities held by HYBR will have a rate-reset feature, where the coupon rate paid by the security will reset at a specified date ("the reset date") to a pre-determined spread over a government benchmark bond rate. This feature means the price of these securities will historically rise with corresponding interest rates, it does also means that these securities are negatively impacted by declining interest rates and historically see valuations decrease during declining interest rates.

- **Potentially attractive yield.** Since preferred shares and other hybrid fixed income securities sit lower on the capital structure than traditional bonds, they typically pay a more attractive yield than traditional corporate bonds.

*As of March 10, 2021, the ETF name and ticker were changed. The ETF was previously named Horizons Active Floating Rate Preferred Share ETF (HFP). Subsequent to shareholder approval, the Investment Objective and Strategy of the ETF was also changed as of March 4, 2021.*
Horizons Active Hybrid Bond and Preferred Share ETF (HYBR)

Get the Active Advantage
HYBR is sub-advised by the Integrated Fixed Income Team (“IFI”) at Fiera Capital. This team oversees more than $20 billion in corporate fixed income and preferred shares as at December 31, 2020.

- Fiera Capital is not constrained by an index methodology; it can choose which types of securities to buy or sell, and when to buy or sell them
- Fiera Capital uses a dynamic asset allocation, where they can overweight or underweight the different type of securities based on the macroeconomic and fundamental outlook for issues (ie: can overweight preferred shares vs. LRCNs for example)
- Each security in HYBR’s portfolio undergoes extensive independent credit analysis by the IFI team at Fiera

Types of Securities Held in HYBR
Rate-Reset Preferred Shares: A rate-reset preferred share offers a fixed dividend payment where the rate of that payment is reset upon a specific date, typically every five years. Generally, the rate will be a pre-determined spread above a government bond with a similar term.

Hybrid Bonds: These are bonds issued by non-financial corporations that offer most of the features of a traditional bond, such as regular coupon payments of income, but these bonds generally have equity characteristics which include modified repayment terms, such as extended or perpetual maturity dates, with the right to redeem the instrument at the discretion of the issuer.

LRCNs: The LRCNs are a type of over-the-counter bond. They are a debt instrument, and because they pay interest instead of income, they are much cheaper for the Banks (and likely the insurers) to offer with yields that are slightly lower than preferred shares but very attractive relative to traditional corporate bonds. Like a rate-reset preferred share, they have a coupon rate reflecting a spread above a predetermined government bond benchmark. In the event of default, the LRCN holders would receive preferred shares.

To learn more, please visit www.HorizonsETFs.com/HYBR

Commissions, management fees and expenses all may be associated with an investment in Horizons Active Hybrid Bond and Preferred Share ETF (the “ETF”) managed by Horizons ETFs Management (Canada) Inc. 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.

The sub-advisor and investment manager have a direct interest in the management fees of the ETF, and may, at any given time, have a direct or indirect interest in the ETF or its holdings.