Screening for the Best Canadian Stocks

The Horizons Inovestor Canadian Equity Index ETF (“INOC”) has a Canadian-focused equity mandate which aims to hold high-quality Canadian stocks by seeking to replicate the performance of the Nasdaq Inovestor Canada Index (the “Index”). The Index, made by Inovestor Asset Management Inc. (“Inovestor”) in partnership with NASDAQ, applies an innovative stock selection methodology based on quality and value metrics. INOC is sub-advised by Inovestor and invests and holds the equity securities of constituent issuers in substantially the same proportion as the Index.

Nasdaq Inovestor Canada Index Methodology

The Index is comprised of an equal-weighted portfolio of 25 large-capitalization, Canadian-listed companies, designed to provide exposure to high-quality firms that trade at a reasonable price with the best rankings in Inovestor’s stock selection model.

Searching for Canadian Value with Economic Profit

INOC’s factor-based index strategy searches for stocks with high levels of economic profit. The stock-selection process identifies stocks trading at attractive valuations ranked according to pre-defined factors.

Overview: Investment Process

1. Universe
   Define the investment environment in which companies are picked.

2. Top 100
   Top-100 securities by Economic Profit are determined using data from the latest quarter.

3. Weights
   Derive sector weights from Top 100 and proportionally fill sectors with 25 stocks.

4. Ranking
   Stocks are chosen from a StockPointer (SP) score, a composite of Quality at a Reasonable Price (QARP) factors.

5. Portfolio
   Build the live portfolio by investing real money in the defined strategy.

6. Monitoring
   Monitor the portfolio, rebalance and execute performance attribution.
Selection Criteria – StockPointer (SP) Scores for the 25 Best Canadian Stocks

- SP Score – 50% Performance Metrics and 50% Risk Metrics
- 25 Companies with the highest SP scores included in the portfolio
- Stocks are rebalanced quarterly

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Key Features:

- **Expertise of Inovestor**: Harnesses the stock selection power of Inovestor – a widely followed stock selection software service used by advisors across Canada
- **Diversification**: The strategy is expected to avoid permanent sector concentration issues associated with traditional indices
- **Performance Potential**: The Index has historically generated better risk-adjusted returns than the broad Canadian stock market, as well as many widely followed factor-based indices

Inovestor Asset Management Inc.

Founded in 1999, Inovestor is a leading provider of professional digital financial platforms and services such as the software platforms StockGuide and StockPointer. Leading Canadian investment advisors, banks, insurance companies and exchanges have been relying on Inovestor’s fundamental data and analytics to make optimal investment decisions. Inovestor has offices in Montreal and Toronto in Canada and Greenwich in the U.S.

To learn more, please visit [www.HorizonsETFs.com/INOC](http://www.HorizonsETFs.com/INOC)