

# How a Little Leverage Can Go A Long Way

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## Understanding Enhanced ETFs



**HORIZONS** ETFs  
by Mirae Asset



# How a Little Leverage Can Go A Long Way: Understanding Enhanced ETFs

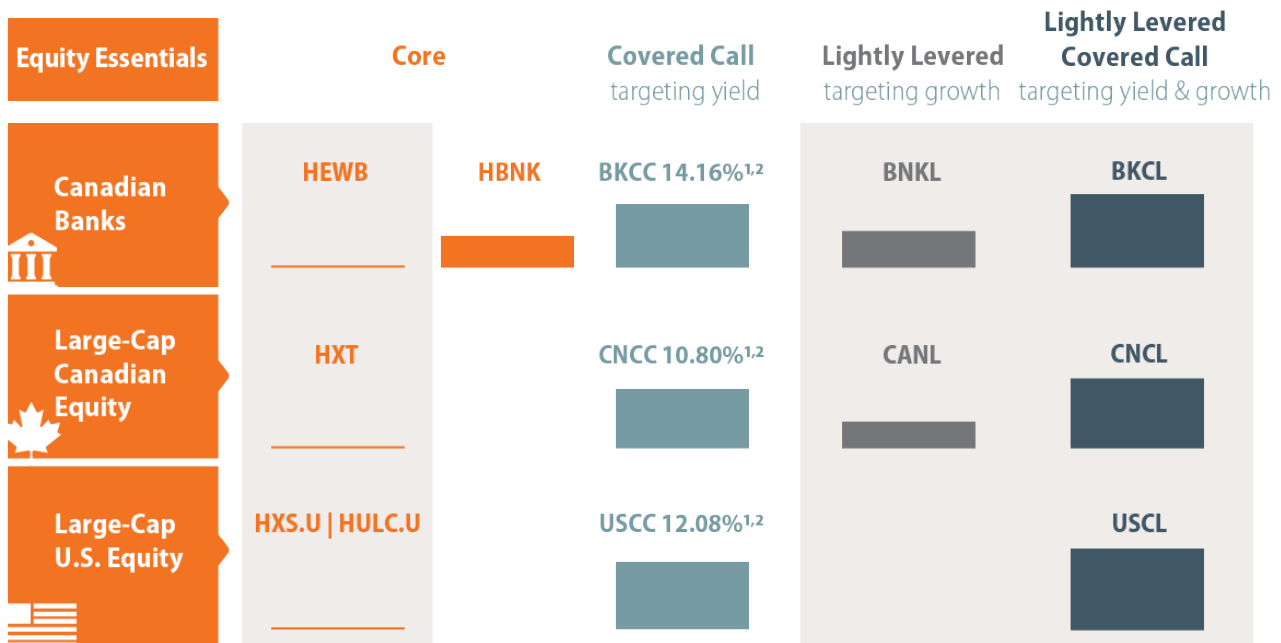
Using a little leverage can potentially enhance returns and provide income benefits for investors. Let's take a look at Horizons ETFs' new "Enhanced" lineup of Exchange Traded Funds (ETFs), which targets approximately 1.25 times (or about 1.25x) leverage, to understand how they work and how they could fit in your portfolio.

## The Highlights:

- ◆ Comprehensive and cost-effective lineup of Enhanced ETFs
- ◆ Enhanced income and growth prospects can be achieved through light leverage
- ◆ For every \$1 invested in the Enhanced ETFs, leverage is applied by borrowing approximately \$0.25 and combining the investment

## Greater Yield and Return Opportunities - More ways to potentially achieve your investment goals with our new Enhanced ETFs

Horizons ETFs now offers more ways to get exposure to Canadian Banks, Large-Cap Canadian companies, and Large-Cap U.S. companies through its Equity Essentials ETFs suite. The ETF offerings outlined below provide varying potential for yield generation and growth, while also offering different risk-return profiles.



Yield is included in the total return of the ETF. These ETFs are not expected to make taxable distributions.

Horizons Enhanced ETFs lineup applies approximately 25% leverage to the underlying assets in the strategy.

<sup>1</sup> Annualized Distribution Yield as at October 31 2023.

<sup>2</sup> Annual management fee reduced from 0.65% to 0.39%, effective July 6, 2023.

## How do these ETFs generate this additional performance?

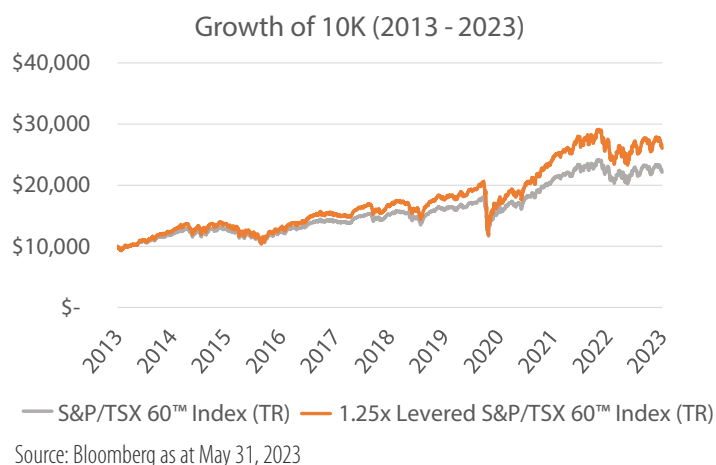
Light leverage (approximately 25%) is applied to select Horizons ETFs' covered call and equity ETFs to magnify exposure to their underlying index or assets. This strategy can increase the monthly income generated and can also provide more growth potential.



## Historical return trajectory of the S&P/TSX 60™ Index with and without the usage of 1.25x leverage.

As evidenced in the chart, on a historical basis, employing light leverage would have resulted in a greater total return on the S&P/TSX 60™ Index between May 31, 2013 and May 31, 2023.

The use of leverage can be particularly beneficial in favourable market conditions. However, leverage can also magnify negative performance when the benchmark falls.



**FOR ILLUSTRATIVE PURPOSES ONLY. THE GROWTH OF \$10K CHART FOR THE 1.25X LEVERAGED S&P/TSX 60™ Index (TR) IS HYPOTHETICAL**

The Growth of 10K chart is based on the S&P/TSX 60™ Index (TR) historical annual compounded total return including changes in index unit value and reinvestment of all distributions and does not take into account sales, transaction, brokerage, redemption, distribution or optional charges or income taxes payable by any investor or investment fund in replicating the S&P/TSX 60™ Index (TR), that would have reduced returns. The S&P/TSX 60™ Index (TR) is not directly investible. Index returns are not guaranteed, their values change frequently and past performance may not be repeated.

## Key Benefits:



**Own major banks and/or large cap companies**



**Enhance their yield and/or growth potential**



**Keep it simple, liquid and low cost**



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Horizons ETFs Equity Essentials ETFs names, tickers and management fees (%):

HEWB	0.25 <sup>1,5</sup>	Horizons Equal Weight Canada Banks Index ETF	BNKL	0.35 <sup>1</sup>	Horizons Enhanced Equal Weight Banks Index ETF
HXT	0.07 <sup>1,4</sup>	Horizons S&P/TSX 60™ Index ETF	CANL	0.35 <sup>1</sup>	Horizons Enhanced S&P/TSX 60 Index ETF
HXS.U	0.10 <sup>1</sup>	Horizons S&P 500® Index ETF	BKCL	0.65 <sup>1</sup>	Horizons Enhanced Equal Weight Canadian Banks Covered Call ETF
HULC.U	0.08 <sup>1</sup>	Horizons US Large Cap Index ETF	CNCL	0.65 <sup>1</sup>	Horizons Enhanced Canadian Large Cap Equity Covered Call ETF
HBNK	0.09 <sup>1,3</sup>	Horizons Equal Weight Banks Index ETF	USCL	0.65 <sup>1</sup>	Horizons Enhanced US Large Cap Equity Covered Call ETF
BKCC	0.39 <sup>1,2</sup>	Horizons Equal Weight Canadian Bank Covered Call ETF			
CNCC	0.39 <sup>1,2</sup>	Horizons Canadian Large Cap Equity Covered Call ETF			
USCC.U	0.39 <sup>1,2</sup>	Horizons US Large Cap Equity Covered Call ETF			

<sup>1</sup>Management Fee plus applicable Sales Tax

<sup>2</sup>Annual management fee reduced from 0.65% to 0.39%, effective July 6, 2023

<sup>3</sup>Annual management fee rebated by 0.09bps (0.09%) to an effective management fee of 0.00bps, or 0% until July 31, 2024

<sup>4</sup>Rebate to the Management Fee expired on December 31, 2022. Effective January 1, 2023, the Annual Management Fee of HXT will be 0.07%, plus applicable sales tax.

<sup>5</sup>Annual management fee reduced from 0.30% to 0.25%, effective November 2, 2021.

## Disclaimer

Commissions, management fees and expenses all may be associated with an investment in exchange traded products managed by Horizons ETFs Management (Canada) Inc. (the "Horizons Exchange Traded Products"). The Horizons Exchange Traded Products are not guaranteed, their value changes frequently and past performance may not be repeated. Certain Horizons Exchange Traded Products may have exposure to leveraged investment techniques that magnify gains and losses and which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk. Such risks are described in the prospectus. The prospectus contains important detailed information about the Horizons Exchange Traded Products. **Please read the relevant prospectus before investing.**

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BNKL, CANL, BKCL, CNCL, and USCL (or the "Enhanced ETFs") are alternative mutual funds within the meaning of NI 81-102, and are permitted to use strategies generally prohibited by conventional mutual funds, such as the ability to invest more than 10% of the Enhanced ETF's net asset value in securities of a single issuer, the ability to borrow cash and to employ leverage. While these strategies will only be used in accordance with the applicable investment objectives and strategies of the Enhanced ETFs, during certain market conditions they may accelerate the risk that an investment in Units of such Enhanced ETF decreases in value.

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