Looking for a Safe Place to Park Your Cash?

Canadian investors have a wide range of cash investment alternatives available to them. While most of these options offer high levels of capital protection, they do offer different risk and reward profiles.

Investors looking to increase their return on cash holdings would typically look for three key features:

SAFETY Cash is an asset class that is meant to be used as the ultimate "safe haven" within a portfolio. Principal protection is a priority

YIELD Investors generally seek cash alternatives that provide higher income compared to traditional savings accounts

LIQUIDITY When it comes to cash, ready access to capital is often a priority for investors; therefore, a liquid investment vehicle is generally of high priority.

Cash alternative investments include High-interest Savings Accounts, GICs, and money market instruments including T-Bills and money market funds. A key differentiator between these vehicles is the level of credit risk and deposit insurance associated with them.

Let's look at cash investments alternatives, their associated risks, and features:

The table below (Figure 1) highlights the key differences between types of savings vehicles and cash alternatives. Some savings products have deposit insurance, which can provide credit protection up to a certain threshold (in Canada, $100,000 per individual deposit).

The Canada Deposit Insurance Corporation (CDIC) and Federal Deposit Insurance Corporation (FDIC) are government agencies that provide insurance on certain deposits in financial institutions such as banks, credit unions, and trust companies. These agencies protect the depositors from losses if the financial institution becomes insolvent or bankrupt. This is an important safety feature for deposits backed by private financial institutions but is not applicable for government-backed securities like Treasuries or T-Bills. These securities are explicitly back-stopped by federal governments.

FIGURE 1: Cash-Focused Investment Vehicle Comparison Table

Investment Vehicle	Credit Risk	Liquidity	Minimum Investment	Government Guarantee	Fees
T-Bill ETFs	Credit Rating of Government Issuer	Daily Liquidity	One ETF Unit	Underlying holdings	Yes – Management Fee & other Transaction fees
High-Interest Savings Accounts	Credit Rating of Deposit-Taking Institution	Daily – withdrawals may incur a penalty	Typically, $5000 or more to reduce fees	Up to CDIC limit	Account fees potentially on smaller balances
GICs	Credit Rating of Deposit-Taking Institution	Some are subject to a minimum holding period based on term	Yes	Up to CDIC limit	No
High-Interest Savings ETFs	Credit Rating of Deposit-Taking Institutions	Daily liquidity	One ETF Unit	No	Yes – Management Fee & other Transaction fees
Money Market Funds or ETFs	Credit Rating of underlying issuers (mix of government, lenders, and commercial paper)	Daily Liquidity	One ETF or fractional Fund Unit	Portion of underlying holdings	Yes – Management Fee & other Transaction fees

MONEY MARKET FUNDS:

Money Market Funds are funds that may invest in "ultra" short-term low-risk securities, commercial paper, unsecured short-term corporate debt, certificates of deposit (CDs), bank-issued savings certificates with short-term maturity, banker's acceptances (BA), short-term debt guaranteed by a commercial bank, repurchase agreements (Repo), short-term government securities, U.S. Treasuries, and short term government debt issues.

While money market funds are considered very safe, they are not insured by the CDIC or the FDIC. Only the underlying securities within the money market funds are backed by the credit rating of the issuer of the holdings. There is always a risk, although extremely low, that a creditor held in the fund could fail to honour its debt obligations.

BANK DEPOSIT PRODUCTS:

Most High-Interest Savings Accounts or **HISAs** are savings accounts that offer higher interest rates than traditional savings accounts. HISAs are insured by the CDIC or the FDIC. As with money market funds, if the financial institution offering the account becomes insolvent, you could potentially lose your money if more than the insured amount (typically over $100,000) is held in the deposit. HISAs are broadly considered very safe. Their primary drawback when compared to other savings vehicles is that they usually require a minimum account threshold (typically $5,000) and the rates they pay are set by the lender and can fluctuate.

Guaranteed Investment Certificates or **GICs** are another popular cash alternative bank vehicle. They are fixed-term deposits that offer a guaranteed rate of return. GICs are generally considered safe, as they are insured by the CDIC. However, it's important to note that if you need to access your money before the GIC's term is up, you may incur penalties or lose out on interest. While a GIC may offer a higher interest rate than a HISA, the deposit is typically "locked-up" for a specific term.

The lock-up on GICs poses additional challenges in high-interest environments, as investors may miss out on further potential yield on their cash if locked in at a lower rate than prevailing market rates. When rates change, any GIC locked in at lower rates could become less attractive relative to products with better liquidity or those offering a higher yield.

TREASURY BILLS AND TREASURY BILL ETFS:

Treasury bills, also known as **T-Bills,** are short-term debt instruments issued by the government to raise capital. T-Bill maturities can range from just a few days up to a maximum of one year and are considered to be one of the safest investments available because they are backed by the full faith and credit of the government. T-Bills are the shortest-term marketable securities offered by the Government of Canada and the U.S. Government. Other Treasury securities with longer maturity terms include Treasury Notes and Treasury Bonds.

Unlike most other fixed-income securities, T-Bills do not pay coupons, as such they are issued at a discount to face value. As a T-Bill approaches maturity, it is "pulled to par", with an investor receiving the full face value of the T-bill at maturity. This means while T-Bills are issued for less than $1,000, the investor receives $1,000 at maturity. The accrual represents the implied interest rate. From a taxation perspective, income earned on a T-Bill is considered interest income.

Like HISA ETFs, T-Bills and T-Bill ETFs are not insured by the CDIC or the FDIC. However, T-Bills issued by the Government of Canada and the U.S. Government have F1+ credit rating - the highest available rating for short term securities[1]. As short-term investments, they are less sensitive to changes in interest rates than longer-term bonds, making them favourable for investors concerned about rising interest rates. Additionally, T-Bill ETFs are highly liquid and allow investors to park their money with the ability to invest more, or to sell throughout the trading day.

Cash and Cash-Alternative ETFs | Horizons ETFs has three ETFs that can be used as cash-alternatives for Canadian and U.S. dollar holdings.

CASH

The biggest challenge when parking cash is that interest rates offered by traditional liquid savings vehicles can be quite low. However, yields can potentially increase with the use of high-interest savings vehicles like GICs or high-interest savings accounts.

Unlike high-interest savings accounts, the **Horizons High Interest Savings ETF (CASH)**, provides daily liquidity through its ETF structure, while offering an interest rate that is competitive with other high-interest savings vehicles. CASH seeks to maximize monthly income for unitholders while preserving capital and liquidity by investing primarily in high-interest deposit accounts from Schedule 1 Canadian banks.

The yield offered by CASH is benchmarked to the Canadian overnight rate, which will generally rise (or fall) based on any changes made by the Bank of Canada.

[1]Source: Fitch Rating as at July 8, 2022

CBIL AND UBIL.U

The **Horizons 0-3 Month T-Bill ETF (CBIL)** and the **Horizons 0-3 Month U.S. T-Bill ETF (UBIL.U)** provide liquid and easy access to short-term Government of Canada and U.S. Government T-Bills. They can be used in a diversified investment portfolio to help reduce portfolio risk, meet short-term liquidity needs, and generate income in their issuing government's currency.

Treasury Securities ("Treasuries") issued by the Government of Canada and the U.S. Government are considered among the safest investments you can make. This is because they are backed by the full faith and credit of their respective government. T-Bills with less exposure to interest rate risk, are safer than Treasury Bonds since short-maturity fixed income is less sensitive to fluctuations in interest rates than longer-maturity securities. While T-Bills have maturities of less than 1 year, for CBIL, interest rate risk is not anticipated to be material since its weighted average maturity will always be less than 3 months.

Typically, these products would have a slightly lower yield than some of the other bank-backed savings products; however, there is almost no credit risk associated with CBIL and UBIL.U because the underlying T-Bills they hold are backed by the Government of Canada and the U.S. Government. These ETFs provide a comparable yield, with the initial target annualized net yield at launch as at April 13, 2023, for CBIL expected to be 4.23% and UBIL.U at 4.25%.

HFR

The **Horizons Active Ultra-Short Term Investment Grade Bond ETF (HFR)** is a high investment grade corporate bond ETF designed to pay a higher yield as interest rates rise. The market value of the ETF is less impacted by the effects, either negative or positive, of interest rate fluctuations.

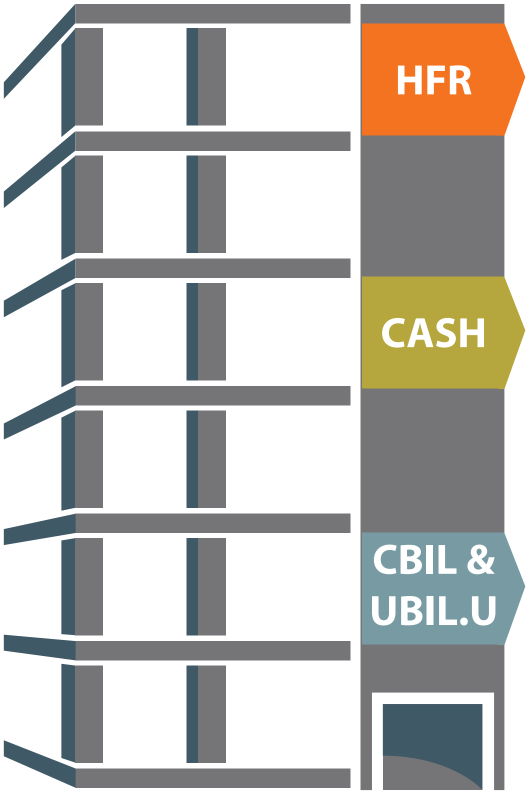
HFR seeks to generate income that is consistent with prevailing Canadian short-term corporate bond yields. HFR invests primarily in a portfolio of Canadian debt (including debt-like securities) directly and hedges the portfolio's interest rate risk by maintaining a portfolio duration that is not more than one year.

HFR generates a yield that is reflective of changes to key short-term lending rates. When interest rates change, the yield on the ETF is also expected to change. By doing this, HFR can offer investors higher yields associated with corporate bond investing, with some downside price protection from rising interest rates.

Although HFR would have substantially higher credit risk than CASH, CBIL, or UBIL.U, investors are compensated for this credit risk with a higher yield. The other major risk of fixed income investing – interest rate risk – is largely reduced since the ETF has little to no duration.

HFR would not be a suitable cash alternative for investors looking for a short-term holding, but the higher yield it offers might make it a compelling option for longer holding periods, generally a year or more.

Cash Alternatives Garage



Consider Parking if Seeking:

Backed By Corporate Credit

Horizons Active Ultra-Short Term Investment Grade Bond ETF

HFR can be used to generate a higher yield than traditional savings vehicles. Investors need to be comfortable with the credit risk associated with investment-grade corporate credit. Interest risk is immaterial due to HFR's ultra-short duration.

Backed By the Banks

Horizons High Interest Savings ETF

CASH seeks to maximize monthly income while preserving capital and liquidity through high-interest deposit accounts with Canadian banks. CASH would be expected to provide a higher interest rate than traditional savings accounts, and unlike GICs and High Interest Savings Accounts, there are no minimum holding periods or minimum investment. CASH is not CDIC insured.

Backed By the Government

Horizons 0-3 Month T-Bill ETF | Horizons 0-3 Month U.S. T-Bill ETF

CBIL and UBIL.U seek to provide interest income through exposure to Government Treasury Bills with remaining maturities generally less than 3 months. There is almost no credit or default risk with CBIL and UBIL.U beyond the credit rating of their respective federal governments. There is almost no interest rate risk, since both ETFs have a weighted average duration of less than 3 months.

Ticker	EAY**	Dist. Frequency	Mgmt. Fee[1]	Exposure	Investment Objective	Inception Date
HFR	5.53%	Monthly	0.40%	Canadian Corporate Credit Securities	HFR seeks to generate income that is consistent with prevailing Canadian short-term corporate bond yields while reducing the potential effects of Canadian interest rate fluctuations on HFR.	10-Dec-10
CASH	4.94%	Monthly	0.10%	Canadian high-interest savings accounts	CASH seeks to maximize monthly income for unitholders while preserving capital and liquidity by investing primarily in high-interest deposit accounts with Canadian banks.	01-Nov-21
CBIL	4.23%*	Monthly	0.10%	Government of Canada Treasury Bills	CBIL seeks to provide interest income through exposure to Government of Canada Treasury Bills with remaining maturities generally less than 3 months.	12-Apr-23
UBIL.U	4.25%*	Monthly	0.12%	0-3 Month U.S. T-Bills	UBIL.U seeks to provide interest income through exposure to U.S. Treasury Bills with remaining maturities generally less than 3 months.	12-Apr-23

*Initial Target Annualized Net Yield : The amount of the monthly distributions of an ETF, and therefore the initial targeted annualized net yield and the ongoing annualized net yield of an ETF, may fluctuate based on market conditions, including changes to interest rates. There can be no assurance that an ETF will make any distribution in any particular period or periods. The Manager may, in its complete discretion, change the frequency of these distributions, and any such change will be announced by press release.

**Estimate Annualized Yield: An estimate of the annualized yield an investor would receive if the most recent distribution rate stayed the same for the next twelve months, stated as a percentage of the net asset value per unit on the date before the ex-dividend date of the current distribution.

(1)Plus applicable Sales Tax.

HORIZONS ETFs
by Mirae Asset

Disclaimer

Commissions, management fees, and expenses all may be associated with an investment in the Horizons High Interest Savings ETF ("CASH"), the Horizons 0-3 Month T-Bill ETF ("CBIL"), and the Horizons 0-3 Month U.S. T-Bill ETF ("UBIL.U") (collectively, the "ETFs") managed by Horizons ETFs Management (Canada) Inc. The ETFs are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the ETFs will be able to maintain their net asset value per security at a constant amount or that the full amount of your investment in the ETF will be returned to you. Past performance may not be repeated. The prospectus contains important detailed information about the ETF. **Please read the prospectus before investing.**

Commissions, management fees and expenses all may be associated with an investment in the Horizons Active Ultra-Short Term Investment Grade Bond ETF ("HFR") managed by Horizons ETFs Management (Canada) Inc. HFR is not guaranteed, its value changes frequently and past performance may not be repeated. The prospectus contains important detailed information about HFR. **Please read the relevant prospectus before investing.**

CASH uses cash accounts and does not track a traditional benchmark but rather receives interest paid on cash deposits that can change over time. CASH primarily invests in bank deposit accounts and is not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

CBIL & UBIL.U may be susceptible to an increased risk of loss, including losses due to adverse events because fund assets are concentrated in a particular issue, issuer or issuers, country, market segment, or asset class. While U.S. Treasury and Canadian Treasury obligations are fully backed by the respective governments, such securities are nonetheless subject to credit risk (i.e. the risk that the issuing government may be, or be perceived to be, unable or unwilling to honour its financial obligations, such as making payments). For a full description of the associated risks, please refer to the funds' prospectus at www.horizonsetfs.com.

The payment of distributions, if any, is not guaranteed and may fluctuate at any time. The payment of distributions should not be confused with an Exchange Traded Fund's ("ETF") performance, rate of return, or yield. If distributions paid by the ETF are greater than the performance of the ETF, distributions paid may include a return of capital and an investor's original investment will decrease. A return of capital is not taxable to the investor, but will generally reduce the adjusted cost base of the securities held for tax purposes. Distributions are paid as a result of capital gains realized by an ETF, and income and dividends earned by an ETF are taxable to the investor in the year they are paid. The investor's adjusted cost base will be reduced by the amount of any returns of capital. If the investor's adjusted cost base goes below zero, investors will realize capital gains equal to the amount below zero. Future distribution dates may be amended at any time. To recognize that these distributions have been allocated to investors for tax purposes the amounts of these distributions should be added to the adjusted cost base of the units held. The characterization of distributions, if any, for tax purposes, (such as dividends/other income/capital gains, etc.) will not be known for certain until after the ETF's tax year-end. Therefore, investors will be informed of the tax characterization after year-end and not with each distribution if any. For tax purposes, these amounts will be reported annually by brokers on official tax statements. Please refer to the applicable ETF distribution policy in the prospectus for more information.

Certain statements may constitute a forward-looking statement, including those identified by the expression "expect" and similar expressions (including grammatical variations thereof). The forward-looking statements are not historical facts but reflect the author's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date hereof and the authors do not undertake to update any forward-looking statement that is contained herein, whether as a result of new information, future events or otherwise, unless required by applicable law.

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