

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This Prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and only by persons permitted to sell these securities.



## PROSPECTUS

*Continuous Offering*

May 5, 2023

**Horizons Active Cdn Dividend ETF (“HAL”)  
Horizons Active Global Dividend ETF (“HAZ”)  
Horizons Active Corporate Bond ETF (“HAB”)  
Horizons Active Ultra-Short Term US Investment Grade Bond ETF (“HUF.U”)  
Horizons Active Preferred Share ETF (“HPR”)  
Horizons Active Ultra-Short Term Investment Grade Bond ETF (“HFR”)  
Horizons Active High Yield Bond ETF (“HYI”)  
Horizons Active Cdn Bond ETF (“HAD”)  
Horizons Active Hybrid Bond and Preferred Share ETF (“HYBR”)  
Horizons Active Global Fixed Income ETF (“HAF”)  
Horizons Active Cdn Municipal Bond ETF (“HMP”)  
Horizons Active Floating Rate Senior Loan ETF (“HSL”)  
Horizons Active ESG Corporate Bond ETF (“HAEB”)**

**(the “ETFs” and each individually, an “ETF”)**

The ETFs are exchange traded mutual funds established under the laws of Ontario. Class E Units of each ETF (other than HAEB), and Class A Units of HAEB (together with the Class E Units, the “Units”, as applicable), are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of an ETF that may be issued. Units of each ETF are offered for sale at a price equal to the net asset value of such Units in the applicable currency next determined following the receipt of a subscription order.

HSL invests primarily in senior secured loans, which are generally rated below investment grade debt. Settlement periods for senior secured loans may be longer than for other types of debt securities, such as corporate bonds. HSL is not a substitute for holding cash or money market securities.

HUF.U currently makes its Units available in both Canadian dollars (“Cdn\$ Units”) and U.S. dollars (“US\$ Units”). The base currency of the Units of HUF.U is U.S. dollars. Neither the US\$ Units nor the Cdn\$ Units of HUF.U seek to hedge U.S. dollar currency exposure to the Canadian dollar. HAZ (together with HUF.U, the “Dual Currency ETFs”) may also make its Units available in U.S. dollars. As of the date of this prospectus, US\$ Units of HAZ are not offered. The Manager will issue a news release announcing the listing of any US\$ Units of HAZ on or prior to the applicable listing date.

Subscriptions for US\$ Units or Cdn\$ Units of a Dual Currency ETF are, or will be, available in either U.S. or Canadian currency. Holders of US\$ Units or Cdn\$ Units of a Dual Currency ETF may request that the cash portion of any redemption proceeds be paid in either U.S. or Canadian currency.

Units of the ETFs are currently listed and trading on the Toronto Stock Exchange (the “TSX”), and subject to satisfying TSX listing requirements, US\$ Units of HAZ may be listed and traded on the TSX.

### **Investment Objectives**

*HAL*

The investment objective of HAL is to seek long-term total returns consisting of regular dividend income and long-term capital growth. HAL invests primarily in equity securities of North American companies with above average dividend yields.

*HAZ*

The investment objective of HAZ is to seek long-term returns consisting of regular dividend income and modest long-term capital growth. HAZ invests primarily in equity and equity related securities of companies with operations located anywhere in the world.

*HAB*

The investment objective of HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds (as defined herein).

*HUF.U*

The investment objective of HUF.U is to generate income that is consistent with prevailing U.S. short-term corporate bond yields while reducing the potential effects of U.S. interest rate fluctuations on HUF.U. HUF.U invests primarily in a portfolio of U.S. corporate debt (including debt-like securities) directly, and hedges the portfolio's U.S. interest rate risk by maintaining a portfolio duration that is not more than one year. HUF.U may also invest in U.S. government debt securities, as well as debt securities of non-U.S. companies. HUF.U may also invest in debt indirectly through investments in securities of other investment funds, including Listed Funds. HUF.U uses derivatives, including interest rate swaps, to deliver a floating rate of income.

*HPR*

The investment objective of HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including LRCNs (as defined herein)) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

*HFR*

The investment objective of HFR is 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. 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 may also invest directly in debt of U.S. companies, as well as indirectly through investments in securities of Listed Funds. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

*HYI*

HYI's investment objectives are to provide Unitholders with: (i) high total return income; and (ii) monthly distributions. HYI invests, directly or indirectly, primarily in high-yield debt securities of North American companies. HYI may also invest, directly or indirectly, in convertible debentures, preferred shares (including securities convertible into preferred shares), mortgage backed securities and other income generating debt (including debt-like securities).

*HAD*

The investment objective of HAD is to seek long-term returns primarily through maximized interest income and capital appreciation. HAD invests primarily in a portfolio of Canadian debt (including debt-like securities) denominated in Canadian dollars.

*HYBR*

The investment objective of HYBR is to seek 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 (“**ATI**”) (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. HYBR may hedge some or all of its non-Canadian dollar currency exposure at the discretion of its Sub-Advisor.

*HAF*

The investment objective of HAF is to seek to provide Unitholders with: (i) a stable stream of monthly distributions; and (ii) the opportunity for capital appreciation through a tactical asset allocation strategy that includes managing the duration and yield of its exposure to debt (including debt-like securities) according to the prevailing interest rate environment.

*HSL*

The investment objective of HSL is to seek to provide Unitholders with a high level of current income by investing primarily in a diversified portfolio of U.S. senior secured floating rate loans and debt securities which are generally rated below investment grade (rated at or below BB+ by Standard & Poor’s, or a similar rating by a designated rating organization), with capital appreciation as a secondary objective.

*HMP*

The investment objective of HMP is to seek to provide unitholders with a high level of income by investing primarily in a portfolio of Canadian municipal bonds denominated in Canadian dollars.

*HAEB*

The investment objective of HAEB is to seek long-term moderate capital growth and generate high income. HAEB invests in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies directly, or through investments in securities of other investment funds, including exchange traded funds. Each security in HAEB’s portfolio must achieve minimum inclusion requirements based on the Sub-Advisor’s environmental, social and governance (“**ESG**”) screening process.

Each of HAL, HAB, HPR, HFR, HYI, HYBR, HSL, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure, if any, at all times. As HUF.U is denominated in U.S. dollars, HUF.U, to the best of its ability, seeks to hedge its Canadian dollar currency exposure, if any, to the U.S. dollar, at all times. HUF.U does not seek to hedge its U.S. dollar currency exposure to the Canadian dollar. The Sub-Advisor of HAF may, if it determines it would be in the best interests of HAF to do so, hedge some or all of its non-Canadian dollar currency exposure back to the Canadian dollar. Accordingly, the amount hedged is expected to vary from time to time. The Sub-Advisor of HAEB may, if it determines it would be in the best interests of HAEB to do so, hedge some or all of its U.S. dollar currency exposure back to the Canadian dollar.

See “Investment Objectives”.

The manager, investment manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. (“**Horizons**”, the “**Manager**” or the “**Trustee**”). The Manager is also responsible for engaging the services of the following portfolio managers to act as sub-advisors to certain of the ETFs, as follows (See “Organization and Management Details of the ETFs”):

<b>ETF</b>	<b>Sub-Advisor</b>
HAL	Guardian Capital LP (“ <b>Guardian Capital</b> ”)
HAZ	Guardian Capital
HAB	Fiera Capital Corporation (“ <b>Fiera</b> ”)

ETF	Sub-Advisor
HUF.U	Fiera
HPR	Fiera
HFR	Fiera
HYI	DMAT Capital Management Inc. (“DMAT”)
HAD	Fiera
HYBR	Fiera
HAF	Fiera
HSL	DMAT
HMP	Fiera
HAEB	Fiera

Investors can buy or sell Units of an ETF on the TSX through registered brokers and dealers in the province or territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling Units. The Manager, on behalf of each ETF, has entered into and may enter into agreements with registered dealers (each a “**Designated Broker**” or “**Dealer**”) which, amongst other things, enables the Designated Broker and the Dealers to purchase and redeem Units directly from the ETFs. Holders of Units of an ETF (the “**Unitholders**”) will be able to redeem Units in any number for cash at a redemption price of 95% of the closing price for the Unit on the TSX on the effective day of redemption. Unitholders are advised to consult their brokers or investment advisers before redeeming Units for cash. Each ETF will also offer additional redemption or exchange options which are available where a Dealer, Designated Broker or Unitholder redeems or exchanges a prescribed number of Units (a “**PNU**”). See “Exchange and Redemption of Units”.

The success of an ETF will depend on a number of conditions that are beyond the control of the ETF. There is a substantial risk that the investment objectives of an ETF will not be met. **For a discussion of the risks associated with an investment in Units of an ETF, see “Risk Factors”.**

No Designated Broker or Dealer has been involved in the preparation of this prospectus nor has any Designated Broker, Dealer or Sub-Advisor performed any review of the contents of this prospectus. The securities regulatory authorities have provided the ETFs with a decision exempting the ETFs from the requirement to include a certificate of an underwriter in the prospectus. The Designated Broker and the Dealers of the ETFs are not underwriters of the ETFs in connection with the distribution by the ETFs of their Units under this prospectus.

Registrations and transfers of Units will be effected only through the book-entry only system administered by CDS Clearing and Depository Services Inc. Beneficial owners will not have the right to receive physical certificates evidencing their ownership.

Although the ETFs are mutual funds under Canadian securities legislation and each ETF is considered to be a separate mutual fund under such legislation, certain provisions of such legislation and the policies of the Canadian Securities Administrators applicable to conventional mutual funds and designed to protect investors who purchase securities of mutual funds, do not apply. **Each ETF has also been granted exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.**

Additional information about each ETF is or will be available in its most recently filed annual financial statements together with the accompanying independent auditors’ report, any interim financial statements of that ETF filed after the respective financial statements, its most recently filed annual and interim management reports of fund performance, and the most recently filed ETF Facts. These documents are or will be incorporated by reference into this prospectus which means that they legally form part of this prospectus. For further details, see “Documents Incorporated by Reference”.

You can get a copy of these documents at your request, and at no cost, by calling the Manager toll-free at 1-866-641-5739 or from your dealer. These documents will also be available on the Manager’s website at

www.HorizonsETFs.com, or by contacting the Manager by e-mail at [info@HorizonsETFs.com](mailto:info@HorizonsETFs.com). These documents and other information about the ETFs are also available on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at [www.sedar.com](http://www.sedar.com).

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## PROSPECTUS SUMMARY

*The following is a summary of the principal features of this distribution and should be read together with the more detailed information, financial data and financial statements contained elsewhere in this prospectus or incorporated by reference in this prospectus. Capitalized terms not defined in this summary are defined in the Glossary.*

### **The ETFs**

The ETFs are exchange traded mutual funds established under the laws of Ontario. See “Overview of the Legal Structure of the ETFs”.

### **Investment Objectives**

#### *HAL*

The investment objective of HAL is to seek long-term total returns consisting of regular dividend income and long-term capital growth. HAL invests primarily in equity securities of North American companies with above average dividend yields.

#### *HAZ*

The investment objective of HAZ is to seek long-term returns consisting of regular dividend income and modest long-term capital growth. HAZ invests primarily in equity and equity related securities of companies with operations located anywhere in the world.

#### *HAB*

The investment objective of HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds (as defined herein).

#### *HUF.U*

The investment objective of HUF.U is to generate income that is consistent with prevailing U.S. short-term corporate bond yields while reducing the potential effects of U.S. interest rate fluctuations on HUF.U. HUF.U invests primarily in a portfolio of U.S. corporate debt (including debt-like securities) directly, and hedges the portfolio’s U.S. interest rate risk by maintaining a portfolio duration that is not more than one year. HUF.U may also invest in U.S. government debt securities, as well as debt securities of non-U.S. companies. HUF.U may also invest in debt indirectly through investments in securities of other investment funds, including Listed Funds. HUF.U uses derivatives, including interest rate swaps, to deliver a floating rate of income.

#### *HPR*

The investment objective of HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including LRCNs) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.



### *HFR*

The investment objective of HFR is 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. 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 may also invest directly in debt of U.S. companies, as well as indirectly through investments in securities of Listed Funds. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

### *HYI*

HYI's investment objectives are to provide Unitholders with: (i) high total return income; and (ii) monthly distributions. HYI invests, directly or indirectly, primarily in high-yield debt securities of North American companies. HYI may also invest, directly or indirectly, in convertible debentures, preferred shares (including securities convertible into preferred shares), mortgage backed securities and other income generating debt (including debt-like securities).

### *HAD*

The investment objective of HAD is to seek long-term returns primarily through maximized interest income and capital appreciation. HAD invests primarily in a portfolio of Canadian debt (including debt-like securities) denominated in Canadian dollars.

### *HYBR*

The investment objective of HYBR is to seek 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. HYBR may hedge some or all of its non-Canadian dollar currency exposure at the discretion of its Sub-Advisor.

### *HAF*

The investment objective of HAF is to seek to provide Unitholders with: (i) a stable stream of monthly distributions; and (ii) the opportunity for capital appreciation through a tactical asset allocation strategy that includes managing the duration and yield of its exposure to debt (including debt-like securities) according to the prevailing interest rate environment.

### *HSL*

The investment objective of HSL is to seek to provide Unitholders with a high level of current income by investing primarily in a diversified portfolio of U.S. senior secured floating rate loans and debt securities which are generally rated below investment grade (rated at or below BB+ by Standard & Poor's, or a similar rating by a designated rating organization), with capital appreciation as a secondary objective.

### *HMP*

The investment objective of HMP is to seek to provide unitholders with a high level of income by investing primarily in a portfolio of Canadian municipal bonds denominated in Canadian dollars.

### *HAEB*

The investment objective of HAEB is to seek long-term moderate capital growth and generate high income. HAEB invests in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies directly, or through investments in securities of other investment funds, including exchange traded funds. Each security in HAEB's portfolio must achieve minimum inclusion requirements based on the Sub-Advisor's environmental, social and governance ("ESG") screening process.

See "Investment Objectives".

Each of HAL, HAB, HPR, HFR, HYI, HYBR, HSL, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure, if any, at all times.

As HUF.U is denominated in U.S. dollars, HUF.U, to the best of its ability, seeks to hedge its Canadian dollar currency exposure, if any, to the U.S. dollar, at all times.

HUF.U does not seek to hedge its U.S. dollar currency exposure to the Canadian dollar.

The Sub-Advisor of HAF may, if it determines it would be in the best interests of HAF to do so, hedge some or all of its non-Canadian dollar currency exposure back to the Canadian dollar. Accordingly, the amount hedged is expected to vary from time to time.

The Sub-Advisor of HAEB may, if it determines it would be in the best interests of HAEB to do so, hedge some or all of its U.S. dollar currency exposure back to the Canadian dollar.

See "Investment Objectives".

## **Investment Strategies**

### HAL

The ETF's Sub-Advisor selects companies that, in its view, have good long-term prospects of increasing dividend payments. The portfolio investments are diversified among different companies and industry sectors.

HAL's investment process is primarily based on fundamental research as well as quantitative and technical factors. Investment decisions are ultimately based on an understanding of the company, its business and its outlook. The Sub-Advisor monitors and reviews this ETF's investments on an ongoing basis to try to ensure that the best relative values are identified.

To achieve its investment objective, the Sub-Advisor may also invest in fixed-income securities such as government bonds, corporate bonds or treasury bills. HAL may hold up to 10% of its portfolio in these debt securities. It is expected that the income earned on HAL's investments will be used to pay some or all of the ETF's expenses.

### HAZ

The ETF's Sub-Advisor selects dividend paying companies located globally that, in its view, demonstrate a consistent pattern of growing dividends. The portfolio investments are diversified among different companies and industry sectors. HAZ may hedge some or all of its non-Canadian dollar currency exposure at the discretion of the Sub-Advisor.

The Sub-Advisor primarily invests in equity securities listed on global exchanges, including ADRs listed on North American exchanges, and may also from time to time invest in preferred shares (including securities convertible into preferred shares), as well as debt securities (including debt-like securities) such as government bonds, corporate bonds or treasury bills. The Sub-Advisor may sell short equity securities it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

### HAB

The ETF's Sub-Advisor uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer superior risk adjusted returns relative to passively managed corporate bond indexes. When the Sub-Advisor believes that interest rates will increase, the Sub-Advisor may choose securities with shorter terms and when the Sub-Advisor believes that interest rates will decrease, the Sub-Advisor may choose securities with longer terms.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: in-depth fundamental credit research, view of market trends, analysis of the company's competitive position, and review of the return relative to the company's risk and general market conditions, to select securities for the ETF.

In order to manage the liquidity of the portfolio, the Sub-Advisor may, from time to time, invest in debt securities or money market instruments issued or guaranteed by the Government of Canada or the Government of a jurisdiction in Canada, or issued or guaranteed by the U.S. Government.

HAB may from time to time use derivative instruments, including futures contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk. HAB may also use derivatives to manage currency risk.

HAB may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HAB. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

### HUF.U

The ETF's Sub-Advisor uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region and will rely on its: in-depth fundamental credit research, view of market trends, analysis of the company's competitive position, and review of the return relative to the company's risk and general market conditions, to select securities for HUF.U with an emphasis on U.S. issuers and Canadian companies issuing U.S. dollar denominated securities in the U.S.

HUF.U enters into interest rate swap agreements pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed income securities in exchange for a floating rate of income, to maintain a portfolio duration that is not more than one year.

The Sub-Advisor may, from time to time, invest in U.S., Canadian and foreign government debt, Listed Funds, cash and cash equivalents which generally in aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HUF.U must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt securities rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt (including debt-like securities) will not exceed 5%, by value, of the securities held by HUF.U. The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

The Sub-Advisor of HUF.U may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HUF.U. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

HUF.U may also use both long and short derivative instruments, including future contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk.

#### HPR

The Sub-Advisor uses fundamental research to select the securities of 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. HPR primarily invests in the preferred shares, and securities convertible to preferred shares, of Canadian issuers whose debt, generally, at a minimum, has an investment grade rating at the time of purchase.

HPR may also invest in preferred shares (including securities convertible to preferred shares) of companies located in the United States debt (including LRCNs and other debt-like securities) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

In anticipation of, or in response to, adverse conditions or for defensive purposes, HPR may temporarily hold a portion of its assets in cash, money market instruments, bonds or other debt securities generally not to exceed 20% of the ETF's net assets.

The Sub-Advisor may purchase securities of issuers that are related or connected to the Sub-Advisor. The Sub-Advisor may also rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

HPR may also invest in derivatives for currency hedging purposes only.

#### HFR

The Sub-Advisor uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and

growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: in-depth fundamental credit research, view of market trends, analysis of the company's competitive position, and review of the return relative to the company's risk and general market conditions, to select securities for HFR.

HFR enters into interest rate swaps pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed-income securities in exchange for a floating rate of income to maintain a portfolio duration that is not more than one year.

The Sub-Advisor may, from time to time, invest in Canadian and foreign government debt, municipal bonds, Listed Funds, cash and cash equivalents which generally in the aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HFR must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt (including debt-like securities) rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt (including debt-like securities) will not exceed 5%, by value, of the securities held by HFR.

The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

The Sub-Advisor of HFR may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

HFR may also use both long and short derivative instruments, including future contracts, to manage duration, credit exposure, portfolio yield and currency risk.

### HYI

The Sub-Advisor actively manages a portfolio consisting primarily of debt (including debt-like securities) of North American high yield issuers. HYI's portfolio seeks to be primarily exposed, directly or indirectly, to high yield fixed income securities at all times.

To achieve HYI's investment objectives, the ETF's Sub-Advisor uses fundamental credit research to select companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region. In order to select securities for HYI, the Sub-Advisor will rely on its in-depth fundamental credit research, view of market trends, analysis of the company's competitive position and review of the return relative to the company's risk and general market conditions.

The Sub-Advisor may, from time to time, invest the ETF in investment grade debt (including debt-like securities), convertible debentures, preferred shares (including securities convertible into preferred shares), mortgage backed securities, Canadian and foreign government debt, Listed Funds, cash and cash equivalents which, generally, in aggregate will not exceed 40% of the ETF's net assets. The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist HYI in meeting its investment objectives.

The Sub-Advisor of HYI may rely on exemptions from the securities regulatory

authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

HYI may also use inverse ETFs as well as both long and short derivative instruments, including future contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, market risk and currency risk.

#### HAD

The Sub-Advisor uses research on Canadian economic conditions and their impact on interest rates to select debt (including debt-like securities) that, based on the Sub-Advisor's view, are believed to offer superior risk adjusted returns relative to passively managed Canadian bond indices. When the Sub-Advisor believes that interest rates will increase, the Sub-Advisor may choose securities with shorter terms and when the Sub-Advisor believes that interest rates will decrease, the Sub-Advisor may choose securities with longer terms.

HAD is substantially invested at all times in a portfolio primarily composed of Canadian federal and provincial government bonds, debt (including debt-like securities) of Canadian corporate issuers and municipal bonds. HAD may also from time-to-time invest in foreign government, foreign government-backed and debt (including debt-like securities) of non-Canadian corporate issuers denominated in Canadian dollars and certain high quality asset-backed securities.

HAD does not invest in securities denominated in currencies other than the Canadian dollar.

HAD may from time to time also use both long and short futures contracts and forwards to manage its duration objective and hedge any resulting non-Canadian currency exposure to the Canadian dollar.

HAD may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

#### HYBR

To achieve HYBR's investment objectives, HYBR'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 HYBR'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 HYBR.

HYBR primarily invests in a portfolio of corporate debt and debt-like securities, including but not limited to, Hybrids, AT1s (such as LRCNs), Non-viability contingent capital ("NVCC") that can be subordinated debt or preferred shares, preferred securities (fixed-rate perpetual, fixed floating rate, retractable and floating rate), and other income-generating securities of North American issuers.

HYBR may, from time to time, also invest in Hybrids, preferred shares and other income generating securities of non-North American issuers as well as Listed Funds. HYBR may invest in non-investment grade securities which generally in the aggregate will be less than 50% of HYBR's net assets at time of purchase.

In anticipation of, or in response to, adverse conditions or for defensive purposes, or to manage new subscription activity, HYBR may temporarily hold a portion of

its assets in cash, money market instruments, or other cash equivalents which, generally, in aggregate, will not exceed 20% of HYBR's net assets. HYBR may also invest in derivatives for currency hedging purposes.

HYBR may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

#### HAF

The returns to HAF and its Unitholders are based on the return of the debt (including debt-like securities) held directly or indirectly by HAF.

HAF employs a strategy which seeks to optimize tactical asset allocation among debt (including debt-like asset classes) and uses fundamental credit research to select issuers that, based on the Sub-Advisor's view, are believed to offer attractive risk adjusted returns. In order to maximize risk-adjusted returns, HAF employs a tactical asset allocation investment strategy that will use debt (including debt-like securities), as well as potentially Listed Funds, to provide exposure primarily to the returns of North American companies and foreign governments.

HAF may be exposed to exchange traded funds as well as debt (including debt-like securities) that provide exposure to global fixed income markets, which may include Canadian and foreign government bonds, investment grade and high-yield debt securities of North American companies, preferred shares (including securities convertible into preferred shares) as well as government treasury securities.

HAF is sub-advised by its Sub-Advisor's asset allocation team. The Sub-Advisor is a leading portfolio management firm in Canada and provides investment solutions to institutional clients and acts as sub-advisor for mutual funds and private wealth portfolios.

HAF's Sub-Advisor weights the investment portfolio of HAF amongst debt (including debt-like asset classes) based on its tactical asset allocation process, its analysis of sentiment indicators and its prevailing economic views. The Sub-Advisor's tactical asset allocation process employs a combination of fundamental economic and market research, including economic cycle and interest rate analysis. The duration, credit exposure, portfolio yield and market risk of the portfolio will be actively managed to capitalize on the Sub-Advisor's assessment of future interest rates and credit trends in order to establish an optimal risk/reward profile for HAF.

The investment portfolio of HAF may include the Leveraged ETFs. In accordance with exemptive relief obtained from the Canadian Securities Regulatory Authorities which allows HAF to invest up to 10% of its net assets in units of the Leveraged ETFs, HAF will not invest more than 10% of its net assets in units of the Leveraged ETFs that use financial instruments that correlate to the performance of a "permitted index", as defined in NI 81-102.

HAF may from time to time use derivative instruments, including futures contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk.

Many of the securities in which HAF directly or indirectly invests may be denominated in a currency other than the Canadian dollar. In some cases, the

currency in which HAF trades may also be different than the currency of the bonds in which it invests. Where the Sub-Advisor determines that it would be in the best interest of HAF to do so, the Sub-Advisor will use derivatives to hedge the value of the portfolio of HAF denominated in foreign currency back to the Canadian dollar. The amount hedged is expected to vary from time to time.

### HSL

HSL principally invests in a diversified portfolio of U.S. senior secured floating rate loans and debt securities which are generally rated below investment grade (rated at or below BB+ by Standard & Poor's, or a similar rating by a designated rating organization).

Senior loans, compared to equivalently rated unsecured high yield bonds, typically offer a higher recovery rate because of the added protection offered by their secured nature. This security may be achieved by liens on physical or non-physical assets and, even if not realized through liquidation, can increase recovery in a reorganisation scenario.

Under normal market conditions, HSL will have 50% or more of its net assets invested directly or indirectly in senior secured loans, which may include secured loans that have a lower than first lien priority on collateral of the borrower, secured loans to foreign borrowers, secured loans in foreign currencies and other secured loans with characteristics that HSL's Sub-Advisor believes qualify as senior secured loans. HSL may also invest in the debt securities of non-investment corporate issuers and collateralized loan obligations. The Sub-Advisor seeks to maintain borrower and industry diversification among HSL's senior loan portfolio. When selecting securities for the portfolio, the Sub-Advisor seeks to implement a fundamental analysis approach of risk/return characteristics. Debt securities may be purchased by the Sub-Advisor on the primary and secondary market as the opportunities for investment present themselves. Debt securities may be sold on the secondary market if, in the opinion of the Sub-Advisor, the risk-return profile deteriorates or to pursue more attractive investments.

HSL does not generally invest more than 5% of its assets in a single issue. HSL generally maintains an average rating for the portfolio above B- HSL primarily invests in issues with a minimum tranche size of USD \$400 million and does not invest in any issues where the tranche is less than USD \$100 million. The Sub-Advisor will manage the duration of the portfolio, so that the average duration of the ETF portfolio will generally not exceed two years.

HSL may invest up to 20% of its net assets in cash, cash equivalents and/or other floating rate debt instruments. HSL may also invest up to 20% of its net assets in investment grade corporate bonds. HSL may make these investments by investing in exchange traded funds that provide exposure to the applicable asset classes. At all times, at least 10% of HSL's portfolio will be comprised of cash and/or securities that settle within three business days.

### HMP

The Sub-Advisor uses in-depth credit analysis and other fundamental research to select debt securities for HMP's investment portfolio. HMP primarily invests in a portfolio of Canadian municipal bonds denominated in Canadian dollars and HMP is substantially invested under normal conditions. Municipal bonds, sometimes referred to as "munis," are debt securities generally issued by cities, municipalities or municipal finance authorities to finance local capital expenditures such as the construction of bridges, highways, airports or schools. Issuers of municipal bonds



may or may not be rated by a bond rating agency. The proportion of municipal bonds issued by unrated issuers in HMP's portfolio will not exceed 80% of the net assets of HMP.

The Sub-Advisor seeks diversification by issuer, and some diversification by geographic region, but the portfolio will generally be weighted more heavily towards Québec municipal bonds due to the predominance of Québec based issuers in the Canadian municipal bond market. A substantial number of municipal issuers, particularly in Québec, are not rated by any bond rating agency.

In order to manage the liquidity of the portfolio, HMP may invest up to 20% of its net assets in cash, cash equivalents, Canadian provincial government bonds and/or bonds issued by Canadian federal government agencies.

#### HAEB

HAEB's Sub-Advisor uses fundamental credit research to select debt or debt-like securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer superior risk adjusted returns relative to passively managed corporate bond indexes.

In order to select securities for HAEB, HAEB's Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: (i) in-depth fundamental credit research, (ii) view of market trends, (iii) analysis of an issuer's competitive position, and (iv) review of the return relative to an issuer's risk and general market conditions.

In order to be eligible for inclusion in HAEB's portfolio, each issuer will go through an ESG screening process which assigns a score to each issuer. Issuers that reach a minimum ESG score and have a strong relative ESG score to other issuers in their industry will be considered for inclusion in the portfolio.

#### **Overview of the ESG Screening Process:**

- The Sub-Advisor's ESG score for issuers is based on publicly available ESG scores by an ESG research provider, subject to potential adjustments. The current ESG research provider is MSCI ESG Research LLC, but might change over time (the "**ESG Research Provider**"). The Sub-Advisor generally relies on the framework of the ESG Research Provider, which focuses its efforts on the materiality and relevancy of ESG factors for a given issuer according to its industry.
- Based on the framework, for each industry, key ESG issues are identified that can lead to substantial costs or opportunities for issuers (e.g., climate change, resource scarcity, demographic shifts). Generally, the key issues comprise environmental issues (including key issues related to the themes of climate change, natural capital (e.g., biodiversity & land use, raw material sourcing and water stress), pollution & waste and environmental opportunities (e.g., opportunities in clean technology, green building and renewable energy)), social issues (including key issues related to the themes of human capital, product liability, stakeholder opposition (e.g., controversial sourcing issues, community relations and social opportunities) and governance issues (including key issues related to the themes of corporate governance and corporate behaviour). Each issuer's exposure is rated to selected key issues based on the issuer's business segment and geographic risk, and the extent to which issuers have

developed robust strategies and programs to manage ESG risks and opportunities is analyzed. Issuers are scored based on both their risk exposure and risk management. To score well on a key issue, management practices, management performance (through demonstrated track record and other quantitative performance indicators), governance structures, and/or implications in controversies are assessed, which all may be taken as a proxy for overall management quality. Controversies (including, among other things, issues involving anti-competitive practices, toxic emissions and waste, and health and safety) occurring within the last three years lead to a deduction from the overall management score on each issue. Using a sector-specific key issue weighting model, issuers are rated and ranked in comparison to their industry peers.

- The Sub-Advisor, based on the Sub-Advisor’s analysis, may adjust the unadjusted scores provided by the ESG Research Provider by a maximum of +2 or -2 notches for each of the environmental, social and governance categories. The Sub-Advisor’s adjustment process is a judgement-based process that relies on the Sub-Advisor’s research on the applicable issuers and/or industries. In some cases, the Sub-Advisor’s ESG sub-committee may reach the conclusion that the ESG Research Provider’s score may be overweighting or underweighting some ESG issues that the Sub-Advisor deems should be more or less important for a given issuer and/or industry. The Sub-Advisor’s ESG sub-committee documents each of the instances where an adjustment is made to an ESG score (whether such adjustment is upwards or downwards). Governance of the Sub-Advisor’s ESG sub-committee is independent from the portfolio management team.
- For issuers that do not have a rating with the ESG Research Provider, global average scores based on the issuer’s industry are used, subject to adjustment based on the Sub-Advisor’s analysis.
- The investible universe for HAEB’s portfolio is based on the FTSE TMX Canada Corporate Bond Index (the “**Index**”) and is constrained based on the following criteria:
  - the investible universe is restricted to issuers that meet a minimum rating which is equivalent to BBB- on the rating scale of the ESG Research Provider, at the time of purchase;
  - the Sub-Advisor applies the following ethical filter: an issuer will be deemed ineligible if it derives more than 10% of its revenue, either directly or indirectly, from the following products or services:
    - Adult Entertainment;
    - Alcohol;
    - Cannabis;
    - Firearms;
    - Gambling;
    - Military Contracting; and/or
    - Tobacco.
- The Sub-Advisor aims to invest at least 50% of the corporate debt in HAEB’s portfolio in issuers with an internally driven ESG score that ranks within the top third of HAEB’s investment universe, as described

above. To achieve the Sub-Advisor's ESG scoring objective, a targeted positive index score ("TPIS") is calculated for HAEB's portfolio and the Index. The formula is as follows:  $([50\%] \times [\text{the overall ESG score of the top one-third scoring issuers in the benchmark}]) + ([50\%] \times [\text{the overall ESG score of the bottom two-thirds scoring issuers in the benchmark}])$ . The aggregate TPIS of HAEB's portfolio is maintained equal or above the TPIS of the Index. The TPIS is evaluated quarterly to demonstrate the implementation of the process and to allow three months for the Sub-Advisor to reposition the corporate bond portfolio as necessary. The TPIS methodology also allows for including non-index issuers (e.g., foreign bonds) to positively affect the score. The TPIS is recalculated at the start of each quarter based on the latest available data and the Sub-Advisor rebalances the portfolio within the quarter (if necessary) to make sure the TPIS of the portfolio is equal or above the TPIS of the Index at the end of the quarter.

- Engagement is a strategy employed by the Sub-Advisor on its own behalf and on behalf of certain funds managed by it. Such engagement is effected by way of investment meetings which occur during the issuer funding process. The Sub-Advisor engages with senior management of various issuers on ESG related subjects and monitors the results of such engagements.
- The Sub-Advisor aims for HAEB's portfolio to have a lower exposure to the fossil fuel industry than that of the broader Index. The specific amount of exposure that the portfolio will have may change over time.
- The Sub-Advisor applies each of the ESG strategies to HAEB's portfolio simultaneously and the ESG strategies form part of the Sub-Advisor's overall integrated investment process.

HAEB invests a minimum of 80% of the net asset value of its portfolio in Canadian and U.S. debt securities that are defined as investment grade (a minimum credit rating of BBB- or above).

Generally, at least 50% of the net asset value of HAEB's portfolio is invested in Canadian domiciled debt issuances. The allocation to non-Canadian debt securities is not anticipated to exceed 40% at any time.

The Sub-Advisor of HAEB may, if it determines it would be in the best interests of HAEB to do so, hedge some or all of its United States dollar currency exposure back to the Canadian dollar.

HAEB's Sub-Advisor may also invest up to 30% of the net asset value of the portfolio in government-backed debt-securities.

#### General Investment Strategies

Each of HAL, HAZ and HAF may invest in a variety of portfolio securities and instruments which may include, but are not limited to, equity and equity related securities, debt (including debt-like securities) futures contracts and Listed Funds, including the Leveraged ETFs. HAB, HPR, HFR, HYI, HUF.U, HAD, HYBR, HSL, HMP, and HAEB invest in a variety of portfolio securities and instruments which may include, but are not limited to, equity and equity related securities, debt (including debt-like securities), which includes LRCNs, investments in securities

of other investment funds, including Listed Funds (but will not invest in the Leveraged ETFs).

The use of derivatives will be in accordance with NI 81-102 subject to any exemptive relief granted by securities regulatory authorities. Equity related securities held by ETFs include but are not limited to convertible debentures, income trust units, single issuer equity options, preferred shares (including securities convertible into preferred shares) and warrants. The portfolio of each ETF may, from time to time, also include a significant amount of cash and/or cash equivalents.

In compliance with NI 81-102 or an exemption therefrom, HAZ, HFR, HUF.U, HYI, and HAF may engage in short selling.

Each of HAL, HAB, HPR, HFR, HYI, HYBR, HSL, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure, if any, at all times. As HUF.U is denominated in U.S. dollars, HUF.U, to the best of its ability, seeks to hedge its Canadian dollar currency exposure, if any, to the U.S. dollar, at all times. HUF.U does not seek to hedge its U.S. dollar currency exposure to the Canadian dollar. The Sub-Advisor of HAF may, if it determines it would be in the best interests of HAF to do so, hedge some or all of its non-Canadian dollar currency exposure back to the Canadian dollar. Accordingly, the amount hedged is expected to vary from time to time. The Sub-Advisor of HAEB may, if it determines it would be in the best interests of HAEB to do so, hedge some or all of its U.S. dollar currency exposure back to the Canadian dollar.

See “Investment Strategies”.

## Leverage

An ETF will not be exposed to leverage in excess of its net asset value. Any theoretical leverage obtained in respect of the use of options or short selling, or otherwise, by the ETFs will be in compliance with NI 81-102, or an exemption therefrom.

HSL has obtained exemptive relief from the securities regulatory authorities to permit borrowing up to a limit of 10% of its net asset value as a temporary measure to accommodate redemption requests.

See “Investment Strategies – General Investment Strategies”.

## Offering

Units of each ETF are offered for sale on a continuous basis by this prospectus, and there is no minimum number of Units of an ETF that may be issued. The Units are offered for sale at a price equal to the net asset value of the Units in the applicable currency next determined following the receipt of a subscription order.

HUF.U currently makes its Units available in both Canadian dollars (“**Cdn\$ Units**”) and U.S. dollars (“**US\$ Units**”). The base currency of the Units of HUF.U is U.S. dollars. Neither the US\$ Units nor the Cdn\$ Units of HUF.U seek to hedge U.S. dollar currency exposure to the Canadian dollar. HAZ (together with HUF.U, the “**Dual Currency ETFs**”) may also make its Units available in U.S. dollars. As of the date of this prospectus, US\$ Units of HAZ are not offered. The Manager will issue a news release announcing the listing of any US\$ Units of HAZ on or prior to the applicable listing date.

Subscriptions for US\$ Units or Cdn\$ Units of a Dual Currency ETF are, or will be, available in either U.S. or Canadian currency. Holders of US\$ Units or Cdn\$ Units of a Dual Currency ETF may request that the cash portion of any redemption proceeds be paid in either U.S. or Canadian currency.

Units of the ETFs are currently listed and trading on the Toronto Stock Exchange (the “**TSX**”), and subject to satisfying TSX listing requirements, US\$ Units of HAZ may be listed and traded on the TSX

**Special Considerations for Purchasers**

See “Plan of Distribution”.

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, each ETF is entitled to rely on exemptive relief from the securities regulatory authorities to permit a Unitholder of that ETF to acquire more than 20% of the Units of that ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation.

**Distributions and Automatic Reinvestment**

See “Attributes of the Securities - Description of the Securities Distributed”.

It is anticipated that HAB, HPR, HFR, HYI, HAD, HYBR, HAF, HSL, HMP and HAEB will make distributions to their Unitholders on a monthly basis. It is anticipated that HAL and HAZ may each make distributions to their Unitholders on a quarterly basis, at the discretion of the Manager. Such distributions from HAZ to Unitholders of US\$ Units, if any, will typically be converted to U.S. dollars by the Unitholder’s account holder.

It is anticipated that HUF.U will make distributions to its Unitholders on a monthly basis in U.S. dollars. However, unless the Unitholder is participating in the Reinvestment Plan, or holds their Units in a U.S. dollar account, such distributions from HUF.U to Unitholders of Cdn\$ Units will typically be converted to Canadian dollars by the Unitholder’s account holder.

To the extent required, each ETF will also pay or make payable after December 15 but on or before December 31 of that calendar year (in the case of a taxation year that ends on December 15), or by the end of the taxation year (in any other case), sufficient net income (including net capital gains) so that no ETF will be liable for non-refundable ordinary income tax in any given year. Such distributions, if any, and net of any required withholding tax, will be made in Units or reinvested in additional Units and then the Units will be consolidated unless the CDS Participant, on behalf of an investor, requests cash, in writing at least 10 business days prior to the declaration date.

Distributions are not fixed or guaranteed.

See “Distribution Policy – Distribution Reinvestment Plan” and “Distribution Policy”.

**Distribution Reinvestment**

At any time, a Unitholder of an ETF may elect to participate in the Reinvestment Plan by contacting the CDS Participant(s) through which the Unitholder holds its Units. Under the Reinvestment Plan, cash distributions will be used to acquire additional Units of the applicable ETF held by the Unitholder in the market or from treasury and will be credited to the account of the Unitholder through CDS. See “Distributions Policy – Distribution Reinvestment Plan”.

**Redemptions**

In addition to the ability to sell Units of the ETFs on the TSX, Unitholders of the ETFs may redeem Units for cash on any Trading Day at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption, where the Units being redeemed are not equal to a PNU or a multiple PNU.

Holders of US\$ Units or Cdn\$ Units of a Dual Currency ETF may request that their redemption proceeds be paid in either U.S. or Canadian currency.

Because Unitholders will generally be able to sell Units at the market price on the TSX through a registered broker or dealer, subject only to customary brokerage commissions, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash.

The ETFs will also offer additional redemption or exchange options which are available where a Dealer, Designated Broker or Unitholder redeems or exchanges a PNU or a multiple PNU.

See “Exchange and Redemption of Units”.

### **Income Tax Considerations**

A Unitholder of an ETF who is resident in Canada will generally be required to include, in computing income for a taxation year, the amount of income (including any net realized taxable capital gains) that is paid or becomes payable to the Unitholder by that ETF in that year (including such income that is paid in Units or reinvested in additional Units of the ETF).

A Unitholder of an ETF who disposes of a Unit of that ETF that is held as capital property, including on a redemption or otherwise, will generally realize a capital gain (or capital loss) to the extent that the proceeds of disposition (other than any amount payable by the ETF which represents income or capital gains allocated and designated to the redeeming Unitholder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit disposed of.

Pursuant to the Trust Declaration, an ETF may distribute, allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any net income or net realized capital gains of the ETF to a Unitholder who has redeemed Units of the ETF during a year in an amount equal to the Unitholder’s share, at the time of redemption, of the ETF’s net income and net realized capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the value of the property that the Unitholder will receive in respect of the redemption.

Provided an ETF is a “mutual fund trust” for purposes of the Tax Act throughout the taxation year, such ETF is prohibited from deducting in the computation of the ETF’s income, the portion of an amount paid to redeeming Unitholders of the ETF that is considered to be paid out of the income of the ETF. Moreover, under recent amendments to the Tax Act (the “**ATR Rule**”), amounts of taxable capital gains so allocated and designated to redeeming Unitholders are only deductible to the ETFs to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the applicable ETF for the year. Such income (including any taxable capital gains) that is not deductible by an ETF under the ATR Rule may be made payable to non-redeeming Unitholders so that the ETF will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions to non-redeeming Unitholders of an ETF may be greater than would have been the case in the absence of the ATR Rule.

Each investor should satisfy himself or herself as to the federal and provincial tax consequences of an investment in Units of an ETF by obtaining advice from his or her tax advisor.

See “Income Tax Considerations”.

### **Eligibility for Investment**

Provided that an ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units of the ETF are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), Units of that ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for a trust governed by a RRSP, RRIF, RDSP, DPSP, RESP, TFSA or

FHSA. See “Risk Factors – Tax Risk” and “Income Tax Considerations – Taxation of Registered Plans”.

**Documents Incorporated by Reference**

Additional information about each ETF is or will be available in its most recently filed annual and interim financial statements, its most recently filed annual and interim management report of fund performance, and its most ETF Facts. These documents are or will be incorporated by reference into this prospectus. Documents incorporated by reference into this prospectus legally form part of this prospectus just as if they were printed as part of this prospectus. These documents are or will be publicly available on the website of the ETFs at [www.HorizonsETFs.com](http://www.HorizonsETFs.com) and may be obtained upon request, at no cost, by calling toll-free 1-866-641-5739 or by contacting your dealer. These documents and other information about the ETFs are also publicly available at [www.sedar.com](http://www.sedar.com). See “Documents Incorporated by Reference”.

**Termination**

The ETFs do not have a fixed termination date but may be terminated at the discretion of the Manager in accordance with the terms of the Trust Declaration. See “Termination of the ETFs”.

**Risk Factors**

There are certain risk factors that are common to an investment in the ETFs, as well as risks that relate to certain ETFs. See “Risk Factors”.

***Organization and Management of the ETFs***

**The Manager and Trustee**

Horizons, a corporation incorporated under the laws of Canada, is the manager and trustee of the ETFs. The Manager is responsible for providing or arranging for the provision of administrative services required by the ETFs. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

Horizons is an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a subsidiary of Mirae Asset Global Investments Co., Ltd. (“**Mirae Asset**”). Mirae Asset is the Korea-based asset management entity of Mirae Asset Financial Group, one of the world’s largest investment managers in emerging market equities.

See “Organization and Management Details of the ETFs – Manager of the ETFs”.

**Investment Manager**

Horizons is also the investment manager of the ETFs. Certain investment advisory and portfolio management services will be provided to the ETFs by the Manager.

See “Organization and Management Details of the ETFs – Investment Manager”.

**Sub-Advisors**

Guardian Capital, a limited partnership established under the laws of Ontario, is the Sub-Advisor of HAZ and HAL. The principal office of Guardian Capital is located in Toronto, Ontario.

Fiera, a corporation incorporated under the laws of Ontario, is the Sub-Advisor of HAB, HPR, HFR, HUF.U, HAD, HYBR, HAF, HMP and HAEB. The principal office of Fiera is located in Montreal, Quebec.

DMAT is the Sub-Advisor of HYI and HSL. The principal office of DMAT is located in Toronto, Ontario.

See “Organization and Management Details of the ETFs – The Sub-Advisors”.

**Custodian**

CIBC Mellon Trust is the custodian of the ETFs and is independent of the Manager. CIBC Mellon Trust provides custodial services to the ETFs and is located in Toronto, Ontario.

See “Organization and Management Details of the ETFs – Custodian”.

<b>Valuation Agent</b>	CIBC Mellon Global has been retained to provide accounting services in respect of the ETFs. CIBC Mellon Global is located in Toronto, Ontario. See “Organization and Management Details of the ETFs – Valuation Agent”.
<b>Auditors</b>	KPMG LLP is responsible for auditing the annual financial statements of the ETFs. The auditors are independent of the Manager. The principal office of KPMG LLP is located in Toronto, Ontario. See “Organization and Management Details of the ETFs – Auditors”.
<b>Registrar and Transfer Agent</b>	TSX Trust Company, at its principal offices in Toronto, Ontario is the registrar and transfer agent for Units of the ETFs pursuant to registrar and transfer agency agreements. TSX Trust Company is independent of the Manager. See “Organization and Management Details of the ETFs – Registrar and Transfer Agent”.
<b>Promoter</b>	The Manager is also the promoter of the ETFs. The Manager took the initiative in founding and organizing the ETFs and is, accordingly, the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. See “Organization and Management Details of the ETFs – Promoter”.
<b>Securities Lending Agents</b>	Canadian Imperial Bank of Commerce (“CIBC”) is a securities lending agent for the ETFs. CIBC is located in Toronto, Ontario. CIBC is independent of the Manager.  NBF is also a securities lending agent for HAL, HAZ and HMP, and may also act as a securities lending agent for other ETFs. NBF is located in Toronto, Ontario. See “Organization and Management Details of the ETFs – Securities Lending Agents”

### ***Summary of Fees and Expenses***

The following table lists the fees and expenses payable by the ETFs, and the fees and expenses that Unitholders may have to pay if they invest in the ETFs. Unitholders may have to pay some of these fees and expenses directly. Alternatively, each ETF may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in that ETF.



*Fees and Expenses Payable by the ETFs*

**Type of Charge**

**Description**

**Management Fees**

Each ETF pays annual management fees (the “**Management Fees**”) to the Manager equal to an annual percentage of the net asset value of the Units of that ETF, together with applicable Sales Tax. The Management Fees of each ETF are as follows:

<b>ETF</b>	<b>Management Fees</b>
HAL	0.55% of the net asset value of HAL’s Units
HAZ	0.65% of the net asset value of HAZ’s Units
HAB	0.50% of the net asset value of HAB’s Units
HUF.U	0.40% of the net asset value of HUF.U’s Units
HPR	0.55% of the net asset value of HPR’s Units
HFR	0.40% of the net asset value of HFR’s Units
HYI	0.60% of the net asset value of HYI’s Units
HAD	0.42% of the net asset value of HAD’s Units
HYBR	0.55% of the net asset value of HYBR’s Units
HAF	0.45% of the net asset value of HAF’s Units
HSL	0.75% of the net asset value of HSL’s Units
HMP	0.29% of the net asset value of HMP’s Units
HAEB	0.55% of the net asset value of HAEB’s Units

The Management Fees are calculated and accrued daily and payable monthly in arrears.

*Management Fee Distributions*

The Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from an ETF with respect to large investments in the ETF by Unitholders. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed by the ETF, at the discretion of the Manager, to the applicable Unitholders as Management Fee Distributions.

See “Fees and Expenses”.

**Underlying Fund Fees**

If permitted by its investment strategy, an ETF may, in accordance with applicable Canadian securities legislation, invest in exchange traded funds, mutual funds or other public investment funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying funds in addition to the fees and expenses payable by an ETF. With respect to such investments, no management fees or incentive fees are payable by an ETF that, to a reasonable person, would duplicate a fee payable by such underlying fund for the same service. Further, no sales fees or redemption fees are payable by an ETF in relation to purchases

or redemptions of the securities of the underlying funds in which it invests if these funds are managed by the Manager or an affiliate or associate of the Manager.

**Operating Expenses**

Unless otherwise waived or reimbursed by the Manager, an ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to Unitholders; costs associated with meetings of Unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; extraordinary expenses; Unitholder reports and servicing costs; registrar and transfer agent fees; costs of the IRC; income taxes; Sales Tax; brokerage expenses and commissions; withholding taxes and fees payable to service providers in connection with regulatory compliance and tax matters in foreign jurisdictions.

Costs and expenses payable by the Manager, or an affiliate of the Manager, include the fees payable to the Investment Manager and the Sub-Advisors, as well as fees of a general administrative nature.

See “Fees and Expenses”.

**Expenses of the Issue**

Apart from the initial organizational cost of the ETFs, all expenses related to the issuance of Units shall be borne by the ETFs unless otherwise waived or reimbursed by the Manager.

See “Fees and Expenses”.

*Fees and Expenses Payable Directly by Unitholders*

**Administration Charges**

As may be agreed between the Manager and a Designated Broker or Dealer, the Manager may charge the Designated Broker and Dealers of an ETF, at its discretion, an issue, exchange or redemption charge to offset certain transaction costs associated with the issuance, exchange or redemption of Units. In respect of HSL and HMP, cash subscriptions by Dealers or the Designated Broker may, at the sole discretion of the Manager, be subject to an issuance charge of up to 0.25% of the value of the cash subscription order, payable to HSL or HMP, as applicable. Administration charges are variable, and the Manager will publish the current administration charges, if any, on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These administrative charges do not apply to Unitholders who buy and sell their Units on a stock exchange.

See “Fees and Expenses Payable Directly by the Unitholders” and “Redemption of Units - Costs Associated with Redemptions”.

## GLOSSARY

The following terms have the following meaning:

“**ADR**” means an American Depositary Receipt;

“**allowable capital loss**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of Holders”;

“**Basket of Securities**” means a group of shares, bonds or other securities, including but not limited to one or more exchange traded funds or securities, as determined by the Investment Manager from time to time for the purpose of subscription orders, exchanges, redemptions or for other purposes;

“**Canadian securities legislation**” means the securities laws in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the securities regulatory authorities in such jurisdictions;

“**capital gains refund**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of the ETFs”;

“**Cdn\$ Units**” means the Units of HUF.U that are denominated in Canadian dollars, and “**Cdn\$ Unit**” means one of them;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CDS Participant**” means a participant in CDS that holds security entitlements in Units on behalf of beneficial owners of those Units;

“**CIBC Mellon Global**” means CIBC Mellon Global Securities Services Company;

“**CIBC Mellon Trust**” means CIBC Mellon Trust Company;

“**CRA**” means the Canada Revenue Agency;

“**CRS Rules**” has the meaning ascribed to that term under the heading “Unitholder Matters – Exchange of Tax Information”;

“**Custodian**” means CIBC Mellon Trust, in its capacity as custodian of the ETFs pursuant to the Custodian Agreement;

“**Custodian Agreement**” means the custodian agreement dated June 4, 2012, as amended from time to time, between the Manager, CIBC Mellon Global, Canadian Imperial Bank of Commerce, the Bank of New York Mellon, the Custodian, and each of the ETFs;

“**DBRS**” means DBRS Limited;

“**Dealer**” means a registered dealer (that may or may not be a Designated Broker) that has entered into a Dealer Agreement with the Manager, on behalf of an ETF, pursuant to which the Dealer may subscribe for Units of the ETF as described under “Purchases of Units”;

“**Dealer Agreement**” means an agreement between the Manager, on behalf an ETF, and a Dealer;

“**Designated Broker**” means a registered dealer that has entered into a Designated Broker Agreement with the Manager on behalf of the ETFs, pursuant to which the Designated Broker agrees to perform certain duties in relation to the ETFs;

“**Designated Broker Agreement**” means an agreement between the Manager, on behalf of the ETFs, and the Designated Broker;

“**designated rating organization**” shall have the meaning ascribed to such term in NI 81-102;

“**DFA Rules**” has the meaning ascribed to that term under the heading “Risk Factors – Taxation of the ETFs”;

“**distribution record date**” means a date determined by the Manager as a record date for the determination of Unitholders of an ETF entitled to receive a distribution from the ETF;

“**DMAT**” means DMAT Capital Management Inc.;

“**DMAT Sub-Advisory Agreement**” means the second amended and restated portfolio sub-advisory agreement made November 5, 2020, between DMAT and the Manager, as supplemented, amended, or amended and restated from time to time;

“**DPSP**” means a deferred profit sharing plan within the meaning of the Tax Act;

“**Dual Currency ETFs**” means HUF.U and HAZ (to the extent Canadian dollar and U.S. dollar denominated Units of such ETFs are outstanding); and “**Dual Currency ETF**” means any one of them;

“**equity-related securities**” means securities that are either convertible into equity securities (e.g., a subscription right or a warrant) or the underlying interest of which is an equity security, and may be exchange traded or traded over-the-counter;

“**ETFs**” means HAL, HAZ, HAB, HUF.U, HPR, HFR, HYI, HAD, HYBR, HAF, HSL, HMP and HAEB, and “**ETF**” means any one of them;

“**Exchange/Redemption Deadline**” means, for an ETF, the applicable exchange/redemption deadline published by Horizons on its website at [www.horizonsetfs.com](http://www.horizonsetfs.com) from time to time, or such other time as may be acceptable to Horizons in its sole discretion;

“**FHSA**” means a first home savings account within the meaning of the Tax Act;

“**Fiera**” means Fiera Capital Corporation;

“**Fiera Sub-Advisory Agreement**” means the second amended and restated portfolio sub-advisory agreement made March 1, 2016, among Fiera, the Manager and the Investment Manager, as supplemented, amended, or amended and restated from time to time;

“**Fixed Income ETFs**” means exchange-traded fixed income exchange traded funds that are exposed to high yield fixed income securities, municipal bonds and senior loans;

“**GAAP**” means the generally accepted accounting principles as applicable to publicly accountable enterprises and set out in the Handbook of the Chartered Professional Accountants of Canada, as amended from time to time;

“**GST/HST**” means taxes exigible under Part IX of the *Excise Tax Act* (Canada) and the regulations made thereunder;

“**Guardian Capital**” means Guardian Capital LP;

“**Guardian Capital Sub-Advisory Agreement**” means the portfolio sub-advisory agreement made July 8, 2010 among Guardian Capital, the Manager and the Investment Manager, as supplemented, amended, or amended and restated from time to time;

“**Horizons**” means Horizons ETFs Management (Canada) Inc.;

“**HAB**” means Horizons Active Corporate Bond ETF;

“**HAD**” means Horizons Active Cdn Bond ETF;

“**HAEB**” means Horizons Active ESG Corporate Bond ETF

“**HAF**” means Horizons Active Global Fixed Income ETF;

“**HAL**” means Horizons Active Cdn Dividend ETF;

“**HAZ**” means Horizons Active Global Dividend ETF;

“**HYBR**” means Horizons Active Hybrid Bond and Preferred Share ETF;

“**HFR**” means Horizons Active Floating Rate Bond ETF;

“**HMP**” means Horizons Active Cdn Municipal Bond ETF;

“**HPR**” means Horizons Active Preferred Share ETF;

“**HSL**” means Horizons Active Floating Rate Senior Loan ETF;

“**HUF.U**” means Horizons Active US Floating Rate Bond (USD) ETF;

“**HYI**” means Horizons Active High Yield Bond ETF;

“**IGA**” has the meaning ascribed to that term under the heading “Unitholder Matters – Exchange of Tax Information”;

“**Indemnified Persons**” means the Investment Manager and its directors, officers and employees;

“**Investment Manager**” means Horizons, in its capacity as investment manager of each ETF;

“**IPUs**” shall have the meaning ascribed to the term “index participation units” in NI 81-102;

“**IRC**” means the independent review committee of the ETFs established under NI 81-107;

“**Leveraged ETFs**” means the leveraged exchange traded funds managed by Horizons that are designed to provide daily investment results, before fees and other expenses, that endeavour to correspond to twice the daily performance of, the inverse (opposite) of, or twice the inverse (opposite) daily performance of, a specified underlying index;

“**Listed Funds**” means exchange traded funds, including those managed by Horizons, and exchange traded funds in respect of which the Manager has obtained exemptive relief from certain of the control, concentration or “fund of funds” restrictions of NI 81-102;

“**LRCNs**” means limited recourse capital notes;

“**Management Fee Distribution**”, as described under “Fees and Expenses”, means an amount equal to the difference between the Management Fee otherwise chargeable by the Manager and a reduced fee determined by the Manager, at its discretion, from time to time, and that is distributed quarterly in cash, at the discretion of the Manager, to the applicable Unitholders who hold large investments in an ETF;

“**Management Fees**” means the annual management fees, calculated and accrued daily and payable monthly in arrears by an ETF, to the Manager equal to an annual percentage of the net asset value of the Units of the ETF, together with applicable Sales Tax;

“**Manager**” means Horizons, in its capacity as manager of the ETFs pursuant to the Trust Declaration;

“**Mirae Asset**” means Mirae Asset Global Investments Co., Ltd.;

“**Moody’s**” means Moody’s Investors Service, Inc.;

“**NBF**” means National Bank Financial Inc.;

“**net asset value**” means the net asset value of an ETF as calculated on each Valuation Day in accordance with the Trust Declaration;

“**NI 81-102**” means National Instrument 81-102 *Investment Funds*, as it may be amended from time to time;

“**NI 81-106**” means National Instrument 81-106 *Investment Fund Continuous Disclosure*, as it may be amended from time to time;

“**NI 81-107**” means National Instrument 81-107 *Independent Review Committee for Investment Funds*, as it may be amended from time to time;

“**Payment Date**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**Plan Agent**” means TSX Trust Company, as plan agent for the Reinvestment Plan;

“**Plan Participant**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**Plan Units**” has the meaning ascribed to such term under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**Plans**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Status of the ETFs”;

“**PNU**” means the prescribed number of Units of a class of an ETF as determined by the Manager from time to time for the purpose of subscription orders, redemptions or for other purposes;

“**Promoter**” means Horizons, in its capacity as promoter of the ETFs;

“**RDSP**” means a registered disability savings plan within the meaning of the Tax Act;

“**Reinvestment Plan**” means the distribution reinvestment plan for the ETFs, as described under the heading “Distribution Policy – Distribution Reinvestment Plan”;

“**RESP**” means a registered education savings plan within the meaning of the Tax Act;

“**RRIF**” means a registered retirement income fund within the meaning of the Tax Act;

“**RRSP**” means a registered retirement savings plan within the meaning of the Tax Act;

“**S&P**” means S&P Dow Jones Indices LLP;

“**Sales Tax**” means all applicable provincial and federal sales, use, value-added or goods and services taxes, including GST/HST;

“**securities regulatory authorities**” means the securities commission or similar regulatory authority in each province and territory of Canada that is responsible for administering the Canadian securities legislation in force in such jurisdictions;

“**Sub-Advisor**” means, in respect of an ETF, the applicable Sub-Advisor set out on the table under “Organization and Management Details of the ETFs – The Sub-Advisors”;

“**Sub-Advisors**” means, collectively, Guardian Capital, Fiera and DMAT, and “**Sub-Advisor**” means one of them as applicable and as the context requires;

“**Sub-Advisory Agreements**” means the Guardian Capital Sub-Advisory Agreement, the Fiera Sub-Advisory Agreement, and the DMAT Sub-Advisory Agreement, and “**Sub-Advisory Agreement**” means any one of them, as applicable;

“**Subscription Deadline**” means, for an ETF, the applicable subscription deadline published by Horizons on its website at [www.horizonsetfs.com](http://www.horizonsetfs.com) from time to time, or such other time as may be acceptable to Horizons in its sole discretion;

“**taxable capital gains**” has the meaning ascribed to that term under the heading “Income Tax Considerations – Taxation of Holders”;

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder as amended from time to time;

“**Tax Amendment**” means a proposed amendment to the Tax Act publicly announced by the Minister of Finance (Canada) prior to the date hereof;

“**TFSA**” means a tax-free savings account within the meaning of the Tax Act;

“**Trading Day**” means a day on which (i) a session of the TSX is held, (ii) the principal exchanges for the securities to which the ETF is exposed are open for trading, and (iii) deposit taking banks in Canada are open for business;

“**Trust Declaration**” means the amended and restated declaration of trust establishing the ETFs as supplemented, amended, or amended and restated from time to time;

“**Trustee**” means Horizons, in its capacity as trustee of each ETF pursuant to the Trust Declaration;

“**TSX**” means the Toronto Stock Exchange;

“**Unitholder**” means a holder of Units of an ETF;

“**Units**” means, in respect of each ETF other than HAEB, Class E units, and in respect of HAEB, Class A units, as the context may require;

“**US\$ Units**” means Units of HUF.U and HAZ that are offered for sale in U.S. dollars (to the extent such US\$ Units are outstanding);

“**Valuation Day**” for an ETF means a day upon which a session of the TSX is held and any other day determined appropriate by Horizons; and

“**Valuation Time**” means for each ETF 4:00 p.m. (EST) on a Valuation Day or such other time determined appropriate by Horizons.

## OVERVIEW OF THE LEGAL STRUCTURE OF THE ETFs

The ETFs are exchange traded mutual funds established under the laws of Ontario. The manager and trustee of the ETFs is Horizons. The Manager also makes and executes investment decisions on behalf of the ETFs and is authorized to engage the services of a sub-advisor in respect of certain ETFs, as set out herein.

The ETFs that are offered pursuant to this prospectus are:

Name of ETF	Abbreviated Name	Currency	TSX Ticker Symbol
Horizons Active Cdn Dividend ETF	HAL	Canadian \$	HAL
	HAZ	Canadian \$	HAZ
Horizons Active Global Dividend ETF	HAZ	U.S. \$	HAZ.U
Horizons Active Corporate Bond ETF	HAB	Canadian \$	HAB
		U.S. \$	HUF.U
Horizons Active US Floating Rate Bond (USD) ETF	HUF.U	Canadian \$	HUF
Horizons Active Preferred Share ETF	HPR	Canadian \$	HPR
Horizons Active Floating Rate Bond ETF	HFR	Canadian \$	HFR
Horizons Active High Yield Bond ETF	HYI	Canadian \$	HYI
Horizons Active Cdn Bond ETF	HAD	Canadian \$	HAD
Horizons Active Hybrid Bond and Preferred Share ETF	HYBR	Canadian \$	HYBR
Horizons Active Global Fixed Income ETF	HAF	Canadian \$	HAF
Horizons Active Floating Rate Senior Loan ETF	HSL	Canadian \$	HSL
Horizons Active Cdn Municipal Bond ETF	HMP	Canadian \$	HMP
Horizons Active ESG Corporate Bond ETF	HAEB	Canadian \$	HAEB

As of the date of this prospectus, US\$ Units of HAZ are not offered.

The ETFs were created pursuant to the Trust Declaration. The manager and trustee of the ETFs is Horizons. The principal office of the Manager and the ETFs is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. While each ETF is a mutual fund under the securities legislation of certain provinces and territories of Canada, each ETF is entitled to rely on exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

## INVESTMENT OBJECTIVES

### *HAL*

The investment objective of HAL is to seek long-term total returns consisting of regular dividend income and long-term capital growth. HAL invests primarily in equity securities of North American companies with above average dividend yields.



### *HAZ*

The investment objective of HAZ is to seek long-term returns consisting of regular dividend income and modest long-term capital growth. HAZ invests primarily in equity and equity related securities of companies with operations located anywhere in the world.

### *HAB*

The investment objective of HAB is to seek long-term capital growth and generate high income. HAB invests primarily in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies, directly, or indirectly through investments in securities of other investment funds, including Listed Funds (as defined herein).

### *HUF.U*

The investment objective of HUF.U is to generate income that is consistent with prevailing U.S. short-term corporate bond yields while reducing the potential effects of U.S. interest rate fluctuations on HUF.U. HUF.U invests primarily in a portfolio of U.S. corporate debt (including debt-like securities) directly, and hedges the portfolio's U.S. interest rate risk by maintaining a portfolio duration that is not more than one year. HUF.U may also invest in U.S. government debt securities, as well as debt securities of non-U.S. companies. HUF.U may also invest in debt indirectly through investments in securities of other investment funds, including Listed Funds. HUF.U uses derivatives, including interest rate swaps, to deliver a floating rate of income.

### *HPR*

The investment objective of HPR is to provide dividend income while preserving capital by investing primarily in preferred shares (including securities convertible into preferred shares) of Canadian companies. HPR may also invest in preferred shares of companies located in the United States, debt securities (including LRCNs) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

### *HFR*

The investment objective of HFR is 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. 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 may also invest directly in debt of U.S. companies, as well as indirectly through investments in securities of Listed Funds. HFR uses derivatives, including interest rate swaps, to deliver a floating rate of income.

### *HYI*

HYI's investment objectives are to provide Unitholders with: (i) high total return income; and (ii) monthly distributions. HYI invests, directly or indirectly, primarily in high-yield debt securities of North American companies. HYI may also invest, directly or indirectly, in convertible debentures, preferred shares (including securities convertible into preferred shares), mortgage backed securities and other income generating debt (including debt-like securities).

### *HAD*

The investment objective of HAD is to seek long-term returns primarily through maximized interest income and capital appreciation. HAD invests primarily in a portfolio of Canadian debt (including debt-like securities) denominated in Canadian dollars.

### *HYBR*

The investment objective of HYBR is to seek 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 ("**ATI**") (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. HYBR may hedge some or all of its non-Canadian dollar currency exposure at the discretion of its Sub-Advisor.

#### *HAF*

The investment objective of HAF is to seek to provide Unitholders with: (i) a stable stream of monthly distributions; and (ii) the opportunity for capital appreciation through a tactical asset allocation strategy that includes managing the duration and yield of its exposure to debt (including debt-like securities) according to the prevailing interest rate environment.

#### *HSL*

The investment objective of HSL is to seek to provide Unitholders with a high level of current income by investing primarily in a diversified portfolio of U.S. senior secured floating rate loans and debt securities which are generally rated below investment grade (rated at or below BB+ by Standard & Poor's, or a similar rating by a designated rating organization), with capital appreciation as a secondary objective.

#### *HMP*

The investment objective of HMP is to seek to provide unitholders with a high level of income by investing primarily in a portfolio of Canadian municipal bonds denominated in Canadian dollars.

#### *HAEB*

The investment objective of HAEB is to seek long-term moderate capital growth and generate high income. HAEB invests in a portfolio of debt (including debt-like securities) of Canadian and U.S. companies directly, or through investments in securities of other investment funds, including exchange traded funds. Each security in HAEB's portfolio must achieve minimum inclusion requirements based on the Sub-Advisor's environmental, social and governance ("ESG") screening process.

Each of HAL, HAB, HPR, HFR, HYI, HYBR, HSL, to the best of its ability, seeks to hedge its non-Canadian dollar currency exposure, if any, at all times. As HUF.U is denominated in U.S. dollars, HUF.U, to the best of its ability, seeks to hedge its Canadian dollar currency exposure, if any, to the U.S. dollar, at all times. HUF.U does not seek to hedge its U.S. dollar currency exposure to the Canadian dollar. The Sub-Advisor of HAF and HAZ may, if it determines it would be in the best interests of the ETF to do so, hedge some or all of its non-Canadian dollar currency exposure back to the Canadian dollar. Accordingly, the amount hedged is expected to vary from time to time. The Sub-Advisor of HAEB may, if it determines it would be in the best interests of HAEB to do so, hedge some or all of its U.S. dollar currency exposure back to the Canadian dollar. Accordingly, the amount hedged is expected to vary from time to time.

The fundamental investment objective and currency hedging strategy of each may not be changed except with the approval of Unitholders of that ETF. See "Unitholder Matters".

## **INVESTMENT STRATEGIES**

### ***General Investment Strategies***

Each ETF invests in its own actively managed portfolio of investments.

Each of HAL, HAZ and HAF may invest in a variety of portfolio securities and instruments which may include, but are not limited to, equity and equity related securities, debt (including debt-like securities) futures contracts and Listed Funds, including the Leveraged ETFs. HAB, HPR, HFR, HYI, HUF.U, HAD, HYBR, HSL, HMP and HAEB invest in a variety of portfolio securities and instruments which may include, but are not limited to, equity and equity related securities, debt (including debt-like securities), which includes LRCNs, investments in securities of other investment funds, including Listed Funds (but will not invest in the Leveraged ETFs).

Subject to its investment restrictions, an ETF may use derivative instruments for hedging all or a portion of the value of the ETF's non-Canadian currency exposure (if any) back to the Canadian dollar. An ETF may also use derivative instruments to reduce transaction costs and increase the liquidity and efficiency of trading, in accordance with the ETF's investment restrictions. The ETFs may use various hedging activities to manage portfolio and currency risk. Any use of derivatives will be in accordance with NI 81-102.

An ETF may enter into securities lending transactions, repurchase and reverse repurchase transactions, to the extent permitted by applicable securities laws, to earn additional income for the ETF.

An ETF will not be exposed to leverage in excess of its net asset value. Any theoretical leverage obtained in respect of the use of options or short selling, or otherwise, by the ETFs will be in compliance with NI 81-102, or an exemption therefrom.

Equity related securities held by such ETFs include but are not limited to convertible debentures, income trust units, single issuer equity option, preferred shares and warrants.

The portfolio of each such ETF may, from time to time, also include a significant amount of cash and/or cash equivalents.

Each ETF may, in accordance with applicable Canadian securities legislation, invest in exchange traded funds, mutual funds or other public investment funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying funds in addition to the fees and expenses payable by an ETF. With respect to such investments, no management fees or incentive fees are payable by an ETF that, to a reasonable person, would duplicate a fee payable by such underlying fund for the same service. Further, no sales fees or redemption fees are payable by an ETF in relation to purchases or redemptions of the securities of the underlying funds in which it invests if these funds are managed by the Manager or an affiliate or associate of the Manager.

In compliance with NI 81-102 or an exemption therefrom, HAZ, HFR, HUF.U, HYI, and HAF may engage in short selling. Short selling (or "selling short") is an investment strategy whereby an ETF sells a security that it does not own on the basis that the Investment Manager or Sub-Advisor believes that the security is overvalued and that its market value will decline. The resulting trade creates a "short position" which will create a profit for the ETF if the market value of the security does, in fact, decline. A successful short strategy will allow an ETF to subsequently purchase the security (and thereby repay its "short position") at a price that is lower than the price the ETF received for selling the securities, thereby creating a profit for the ETF. Securities may be sold short only for cash and only if the ETF receives the cash proceeds within normal trading settlement periods for the market in which the short sale is made. All short sales are effected only through market facilities through which those securities normally are bought and sold and the ETF will short sell a security only if: (i) it is listed and posted for trading on a stock exchange; (ii) it is consistent with the ETF's fundamental investment objective; and (iii) the issuer of the security has a market capitalization of not less than \$100 million at the time the short sale is made. As well, at the time securities of a particular issuer are sold short, the aggregate market value of all securities of that issuer sold short by the ETF cannot exceed 5% of the total net assets of the ETF. The ETFs will place a "stop-loss" order (effectively a standing instruction) with a dealer to immediately repurchase the securities sold short if the trading price of the securities exceeds 120% (or a lower percentage determined by the Manager) of the price at which the securities were sold short. The aggregate market value of all securities sold short by each ETF cannot exceed 20% of its total net assets on a daily marked-to-market basis.

The ETFs may deposit assets with lenders in accordance with industry practice in relation to their obligations arising under short sale transactions. The ETFs also hold cash cover in an amount, including the ETFs' assets deposited with lenders, that is at least 150% of the aggregate market value of all securities they sold short on a daily marked-to-market basis. Where a short sale is effected in Canada, every dealer that holds assets of an ETF as security in connection with the short sale must be a registered dealer and a member of a self-regulatory organization that is a participating member of the Canadian Investor Protection Fund. Where a short sale is effected outside Canada, every dealer that holds assets of an ETF as security in connection with the short sale must be a member of a stock exchange and have a net worth in excess of the equivalent of \$100 million, determined from its most recent audited financial statements. The aggregate assets deposited by an ETF with any single dealer as security in connection with short sales will not exceed 10% of the ETF's total net assets at the time of deposit.

Written policies and procedures relating to short selling by the ETFs (including objectives, goals and risk management procedures) have been developed by the Manager. The policies and procedures that are applicable to the ETFs relating to short selling (including trading limits and controls in addition to those specified above) will be reviewed (and, if determined to be appropriate, revised) by the board of directors of the Manager on a semi-annual basis. Risk measurement procedures or simulations are not used to test the portfolio of the ETFs under stress conditions.

The decision to effect any particular short sale for an ETF will be made by the Investment Manager or the applicable Sub-Advisor. A risk management committee composed of at least two members of senior management of the Manager (the “**Risk Management Committee**”) is responsible for ensuring compliance with the terms of the short-selling relief. The Investment Manager will notify the Risk Management Committee in writing upon the establishment of any new short position and will produce reports (the “**Reports**”) setting out details of an ETF’s short selling activities. Copies of the Reports will be provided to the Risk Management Committee on a weekly basis. The Risk Management Committee will meet at least once a month to review all short positions.

In periods of little or negative corporate earnings growth and/or extreme market valuations, and in other circumstances when it appears likely that the market price of a particular security will decrease, short selling provides an opportunity for an ETF to control volatility and possibly enhance performance. The Manager, Investment Manager and Sub-Advisors (as applicable) are of the view that the ETFs can benefit from the implementation and execution of a controlled and limited short selling strategy. This strategy would operate as a complement to an ETF’s primary strategy of purchasing securities with the expectation that they will appreciate in market value.

### ***Specific Investment Strategies***

#### **HAL**

The Sub-Advisor selects companies that, in its view, have good long-term prospects of increasing dividend payments. The portfolio investments are diversified among different companies and industry sectors.

HAL’s investment process is primarily based on fundamental research as well as quantitative and technical factors. Investment decisions are ultimately based on an understanding of the company, its business and its outlook. The Sub-Advisor monitors and reviews this ETF’s investments on an ongoing basis to try to ensure that the best relative values are identified.

To achieve its investment objective, the Sub-Advisor may also invest in fixed-income securities such as government bonds, corporate bonds or treasury bills. HAL may hold up to 10% of its portfolio in these debt securities. It is expected that the income earned on HAL’s investments will be used to pay some or all of the ETF’s expenses.

HAL may enter into securities lending transactions to the extent permitted by applicable securities laws.

HAL may use derivatives for hedging purposes to protect against losses from changes in interest rates, market indices or foreign exchange rates. HAL may also use derivatives such as options, futures, forward contracts and swaps as a substitute for direct investment to efficiently adjust the ETF’s asset mix in a timely manner.

#### **HAZ**

The Sub-Advisor selects dividend paying companies located globally that, in its view, demonstrate a consistent pattern of growing dividends. The portfolio investments are diversified among different companies and industry sectors. HAZ may hedge some or all of its non-Canadian dollar currency exposure at the discretion of the Sub-Advisor.

HAZ’s investment process is primarily based on a robust systematic research process differentiated by a unique bottom-up analysis approach. Investment selections of the best dividend paying companies within specific sectors is ultimately based on three main drivers; growth, payout and sustainability of dividends. The Sub-Advisor employs a dynamic allocation model to determine and adjust investment weightings which adapts to economic regime and market environment changes. The Sub-Advisor monitors and reviews this ETF’s investments on an ongoing basis to try to ensure that the best relative values are identified.

HAZ may enter into securities lending transactions to the extent permitted by applicable securities laws.

The Sub-Advisor primarily invests in equity securities listed on global exchanges, including ADRs listed on North American exchanges, and may also from time to time invest in preferred shares (including securities convertible into preferred shares), as well as debt securities (including debt-like securities) such as government bonds, corporate bonds or treasury bills. The Sub-Advisor may sell short equity securities it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

## **HAB**

The Sub-Advisor uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer superior risk adjusted returns relative to passively managed corporate bond indexes. When the Sub-Advisor believes that interest rates will increase, the Sub-Advisor may choose securities with shorter terms and when the Sub-Advisor believes that interest rates will decrease, the Sub-Advisor may choose securities with longer terms.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: in-depth fundamental credit research, view of market trends, analysis of the company's competitive position, and review of the return relative to the company's risk and general market conditions, to select securities for the ETF.

In order to manage the liquidity of the portfolio, the Sub-Advisor may, from time to time, invest in debt securities or money market instruments issued or guaranteed by the Government of Canada or the Government of a jurisdiction in Canada, or issued or guaranteed by the U.S. Government.

HAB may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HAB. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

HAB may enter into securities lending transactions to the extent permitted by applicable securities laws.

HAB may from time to time use derivative instruments, including futures contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk. HAB may also use derivatives to manage currency risk.

## **HUF.U**

The Sub-Advisor uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region and will rely on its: in-depth fundamental credit research, view of market trends, analysis of the company's competitive position, and review of the return relative to the company's risk and general market conditions, to select securities for HUF.U with an emphasis on U.S. issuers and Canadian companies issuing U.S. dollar denominated securities in the U.S.

HUF.U enters into interest rate swap agreements pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed income securities in exchange for a floating rate of income, to maintain a portfolio duration that is not more than one year.

The Sub-Advisor may, from time to time, invest in U.S., Canadian and foreign government debt, Listed Funds, cash and cash equivalents which generally in aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HUF.U must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt (including debt-like securities) rated at least BB by S&P, BB by DBRS or Ba2 by Moody's. Such non-investment grade debt (including debt-like securities) will not exceed 5%, by value, of the securities held by HUF.U. The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist the ETF in meeting its investment objectives.

The Sub-Advisor of HUF.U may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. In particular, the investment must be consistent with, or necessary to meet, the investment objective of HUF.U. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed income related exchange traded funds including those managed by the Manager or its affiliates.

HUF.U may also use both long and short derivative instruments, including future contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk.

## **HPR**

The Sub-Advisor uses fundamental research to select the securities of 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. HPR primarily invests in the preferred shares, and securities convertible to preferred shares, of Canadian issuers whose debt, generally, at a minimum, has an investment grade rating at the time of purchase.

HPR may also invest in preferred shares (including securities convertible to preferred shares) of companies located in the United States debt (including LRCNs and other debt-like securities) of Canadian and U.S. issuers, other income generating securities, as well as Canadian equity securities and Listed Funds.

HPR may also invest in Canadian equity securities that have attractive dividend yields and Listed Funds that pay dividend income.

In anticipation of, or in response to, adverse conditions or for defensive purposes, HPR may temporarily hold a portion of its assets in cash, money market instruments, bonds or other debt securities generally not to exceed 20% of the ETF's net assets.

The Sub-Advisor may purchase securities of issuers that are related or connected to the Sub-Advisor. The Sub-Advisor may also rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

HPR may enter into securities lending transactions to the extent permitted by applicable securities laws. HPR may also invest in derivatives for currency hedging purposes only.

## **HFR**

The Sub-Advisor uses fundamental credit research to select the securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: in-depth fundamental credit research, view of market trends, analysis of the company's competitive position, and review of the return relative to the company's risk and general market conditions, to select securities for HFR.

HFR enters into interest rate swaps pursuant to which the ETF pays a counterparty a fixed return based on a portfolio of fixed-income securities in exchange for a floating rate of income to maintain a portfolio duration that is not more than one year.

The Sub-Advisor may, from time to time, invest in Canadian and foreign government debt, municipal bonds, Listed Funds, cash and cash equivalents which generally in the aggregate will not exceed 40% of the ETF's net assets. No less than 95%, by value, of the debt (including debt-like securities) held by HFR must be rated at or above investment grade (BBB- by S&P, BBB low by DBRS or Baa3 by Moody's). The Sub-Advisor may, from time to time, invest in non-investment grade debt (including debt-like securities) rated at least BB by S&P, BB by DBRS or Ba2 by Moody's.

Such non-investment grade debt (including debt-like securities) will not exceed 5%, by value, of the securities held by HFR.

The Sub-Advisor of HFR may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

The Sub-Advisor may sell short debt securities it believes will underperform on a relative basis.

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed income related exchange traded funds including those managed by the Manager or its affiliates.

HFR may also use both long and short derivative instruments, including futures contracts, to manage duration, credit exposure, portfolio yield and currency risk.

HFR may enter into securities lending transactions, repurchase and reverse repurchase transactions and interest rate derivatives, to the extent permitted by applicable securities laws, to earn additional income for HFR.

## **HYI**

The Sub-Advisor actively manages a portfolio consisting primarily of debt (including debt-like securities) of North American high yield issuers. HYI's portfolio seeks to be primarily exposed, directly or indirectly, to high yield fixed income securities at all times.

To achieve HYI's investment objectives, the ETF's Sub-Advisor uses fundamental credit research to select companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer attractive risk adjusted returns.

The Sub-Advisor seeks diversification by industry sector and geographic region. In order to select securities for HYI, the Sub-Advisor will rely on its in-depth fundamental credit research, view of market trends, analysis of the company's competitive position and review of the return relative to the company's risk and general market conditions.

The Sub-Advisor may, from time to time, invest the ETF in investment grade debt (including debt-like securities), convertible debentures, preferred shares (including securities convertible into preferred shares), mortgage backed securities, Canadian and foreign government debt, Listed Funds, cash and cash equivalents which, generally, in aggregate will not exceed 40% of the ETF's net assets. The Sub-Advisor may sell short debt (including debt-like securities) it believes will underperform on a relative basis or to otherwise assist HYI in meeting its investment objectives.

The Sub-Advisor of HYI may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

In lieu of specific security selections, from time to time the Sub-Advisor may purchase fixed income related exchange traded funds including those managed by the Manager or its affiliates.

HYI may also use inverse exchange traded funds as well as both long and short derivative instruments, including future contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, market risk and currency risk.

## **HAD**

The Sub-Advisor uses research on Canadian economic conditions and their impact on interest rates to select debt (including debt-like securities) that, based on the Sub-Advisor's view, are believed to offer superior risk adjusted returns relative to passively managed Canadian bond indices. When the Sub-Advisor believes that interest rates will increase, the Sub-Advisor may choose securities with shorter terms and when the Sub-Advisor believes that interest rates will decrease, the Sub-Advisor may choose securities with longer terms.

HAD is substantially invested at all times in a portfolio primarily composed of Canadian federal and provincial government bonds, debt (including debt-like securities) of Canadian corporate issuers and municipal bonds. HAD may also from time-to-time invest in foreign government, foreign government-backed and debt (including debt-like securities) of non-Canadian corporate issuers denominated in Canadian dollars and certain high quality asset-backed securities.

HAD does not invest in bonds denominated in currencies other than the Canadian Dollar.

HAD may from time to time also use both long and short futures contracts and forwards to manage its duration objective and hedge any resulting non-Canadian currency exposure to the Canadian dollar.

HAD may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

## **HYBR**

To achieve HYBR's investment objectives, HYBR'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 HYBR'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 HYBR.

HYBR primarily invests in a portfolio of corporate debt and debt-like securities, including but not limited to, Hybrids, ATIs (such as LRCNs), Non-viability contingent capital ("NVCC") that can be subordinated debt or preferred shares, preferred securities (fixed-rate perpetual, fixed floating rate, retractable and floating rate), and other income-generating securities of North American issuers.

HYBR may, from time to time, also invest in Hybrids, preferred shares and other income generating securities of non-North American issuers as well as Listed Funds. HYBR may invest in non-investment grade securities which generally in the aggregate will be less than 50% of HYBR's net assets at time of purchase.

In anticipation of, or in response to, adverse conditions or for defensive purposes, or to manage new subscription activity, HYBR may temporarily hold a portion of its assets in cash, money market instruments, or other cash equivalents which, generally, in aggregate, will not exceed 20% of HYBR's net assets. HYBR may also invest in derivatives for currency hedging purposes.

HYBR may rely on exemptions from the securities regulatory authorities allowing it to purchase securities of a related issuer of the Sub-Advisor if certain conditions are met. The investment must also be approved by the IRC and is subject to certain other provisions of NI 81-107.

## **HAF**

The returns to HAF and its Unitholders are based on the return of the debt (including debt-like securities) held directly or indirectly by HAF.

HAF employs a strategy which seeks to optimize tactical asset allocation among debt (including debt-like asset classes) and uses fundamental credit research to select issuers that, based on the Sub-Advisor's view, are believed to offer attractive risk adjusted returns. In order to maximize risk-adjusted returns, HAF employs a tactical asset allocation investment strategy that will use debt (including debt-like securities), as well as potentially Listed Funds, to provide exposure primarily to the returns of North American companies and foreign governments.

HAF may be exposed to exchange traded funds as well as debt (including debt-like securities) that provide exposure to global fixed income markets, which may include Canadian and foreign government bonds, investment grade and high-yield debt securities of North American companies, preferred shares (including securities convertible into preferred shares) as well as government treasury securities.



HAF is sub-advised by its Sub-Advisor's asset allocation team. The Sub-Advisor is a leading portfolio management firm in Canada and provides investment solutions to institutional clients and acts as sub-advisor for mutual funds and private wealth portfolios.

HAF's Sub-Advisor weights the investment portfolio of HAF amongst debt (including debt-like asset classes) based on its tactical asset allocation process, its analysis of sentiment indicators and its prevailing economic views. The Sub-Advisor's tactical asset allocation process employs a combination of fundamental economic and market research, including economic cycle and interest rate analysis. The duration, credit exposure, portfolio yield and market risk of the portfolio will be actively managed to capitalize on the Sub-Advisor's assessment of future interest rates and credit trends in order to establish an optimal risk/reward profile for HAF.

The investment portfolio of HAF may include the Leveraged ETFs. In accordance with exemptive relief obtained from the Canadian Securities Regulatory Authorities which allows HAF to invest up to 10% of its net assets in units of the Leveraged ETFs, HAF will not invest more than 10% of its net assets in units of the Leveraged ETFs that use financial instruments that correlate to the performance of a "permitted index", as defined in NI 81-102.

HAF may from time to time use derivative instruments, including futures contracts and credit default swaps, to manage duration, credit exposure, portfolio yield, and market risk.

Many of the securities in which HAF directly or indirectly invests may be denominated in a currency other than the Canadian dollar. In some cases, the currency in which HAF trades may also be different than the currency of the bonds in which it invests. Where the Sub-Advisor determines that it would be in the best interest of HAF to do so, the Sub-Advisor will use derivatives to hedge the value of the portfolio of HAF denominated in foreign currency back to the Canadian dollar. The amount hedged is expected to vary from time to time.

## **HSL**

HSL principally invests in a diversified portfolio of U.S. senior secured floating rate loans and debt securities which are generally rated below investment grade (rated at or below BB+ by Standard & Poor's, or a similar rating by a designated rating organization).

Senior loans, compared to equivalently rated unsecured high yield bonds, typically offer a higher recovery rate because of the added protection offered by their secured nature. This security may be achieved by liens on physical or non-physical assets and, even if not realized through liquidation, can increase recovery in a reorganisation scenario.

Under normal market conditions, HSL will have 50% or more of its net assets invested directly or indirectly in senior secured loans, which may include secured loans that have a lower than first lien priority on collateral of the borrower, secured loans to foreign borrowers, secured loans in foreign currencies and other secured loans with characteristics that HSL's Sub-Advisor believes qualify as senior secured loans. HSL may also invest in the debt securities of non-investment corporate issuers and collateralized loan obligations. The Sub-Advisor seeks to maintain borrower and industry diversification among HSL's senior loan portfolio. When selecting securities for the portfolio, the Sub-Advisor seeks to implement a fundamental analysis approach of risk/return characteristics. Debt securities may be purchased by the Sub-Advisor on the primary and secondary market as the opportunities for investment present themselves. Debt securities may be sold on the secondary market if, in the opinion of the Sub-Advisor, the risk-return profile deteriorates or to pursue more attractive investments.

HSL does not generally invest more than 5% of its assets in a single issue. HSL generally maintains an average rating for the portfolio above B-. HSL primarily invests in issues with a minimum tranche size of USD \$400 million and does not invest in any issues where the tranche is less than USD \$100 million. The Sub-Advisor will manage the duration of the portfolio, so that the average duration of the ETF portfolio will generally not exceed two years.

HSL may invest up to 20% of its net assets in cash, cash equivalents and/or other floating rate debt instruments. HSL may also invest up to 20% of its net assets in investment grade corporate bonds. HSL may make these investments

by investing in exchange traded funds that provide exposure to the applicable asset classes. At all times, at least 10% of HSL's portfolio will be comprised of cash and/or securities that settle within three business days.

### ***HMP***

The Sub-Advisor uses in-depth credit analysis and other fundamental research to select debt securities for HMP's investment portfolio. HMP primarily invests in a portfolio of Canadian municipal bonds denominated in Canadian dollars and HMP is substantially invested under normal conditions. Municipal bonds, sometimes referred to as "munis," are debt securities generally issued by cities, municipalities or municipal finance authorities to finance local capital expenditures such as the construction of bridges, highways, airports or schools. Issuers of municipal bonds may or may not be rated by a bond rating agency. The proportion of municipal bonds issued by unrated issuers in HMP's portfolio will not exceed 80% of the net assets of HMP.

The Sub-Advisor seeks diversification by issuer, and some diversification by geographic region, but the portfolio will generally be weighted more heavily towards Québec municipal bonds due to the predominance of Québec based issuers in the Canadian municipal bond market. A substantial number of municipal issuers, particularly in Québec, are not rated by any bond rating agency.

In order to manage the liquidity of the portfolio, HMP may invest up to 20% of its net assets in cash, cash equivalents, Canadian provincial government bonds and/or bonds issued by Canadian federal government agencies.

### **HAEB**

HAEB's Sub-Advisor uses fundamental credit research to select debt or debt-like securities of companies that, based on the Sub-Advisor's view on the company's industry and growth prospects, are believed to offer superior risk adjusted returns relative to passively managed corporate bond indexes.

In order to select securities for HAEB, HAEB's Sub-Advisor seeks diversification by industry sector and geographic region and relies on its: (i) in-depth fundamental credit research, (ii) view of market trends, (iii) analysis of an issuer's competitive position, and (iv) review of the return relative to an issuer's risk and general market conditions.

In order to be eligible for inclusion in HAEB's portfolio, each issuer will go through an ESG screening process which assigns a score to each issuer. Issuers that reach a minimum ESG score and have a strong relative ESG score to other issuers in their industry will be considered for inclusion in the portfolio.

### **Overview of the ESG Screening Process:**

- The Sub-Advisor's ESG score for issuers is based on publicly available ESG scores by an ESG research provider, subject to potential adjustments. The current ESG research provider is MSCI ESG Research LLC, but might change over time (the "**ESG Research Provider**"). The Sub-Advisor generally relies on the framework of the ESG Research Provider, which focuses its efforts on the materiality and relevancy of ESG factors for a given issuer according to its industry.
- Based on the framework, for each industry, key ESG issues are identified that can lead to substantial costs or opportunities for issuers (e.g., climate change, resource scarcity, demographic shifts). Generally, the key issues comprise environmental issues (including key issues related to the themes of climate change, natural capital (e.g., biodiversity & land use, raw material sourcing and water stress), pollution & waste and environmental opportunities (e.g., opportunities in clean technology, green building and renewable energy)), social issues (including key issues related to the themes of human capital, product liability, stakeholder opposition (e.g., controversial sourcing issues, community relations and social opportunities) and governance issues (including key issues related to the themes of corporate governance and corporate behaviour)). Each issuer's exposure is rated to selected key issues based on the issuer's business segment and geographic risk, and the extent to which issuers have developed robust strategies and programs to manage ESG risks and opportunities is analyzed. Issuers are scored based on both their risk exposure and risk management. To score well on a key issue, management practices, management performance (through demonstrated track record and other quantitative performance indicators), governance structures, and/or implications in controversies

are assessed, which all may be taken as a proxy for overall management quality. Controversies (including, among other things, issues involving anti-competitive practices, toxic emissions and waste, and health and safety) occurring within the last three years lead to a deduction from the overall management score on each issue. Using a sector-specific key issue weighting model, issuers are rated and ranked in comparison to their industry peers.

- The Sub-Advisor, based on the Sub-Advisor’s analysis, may adjust the unadjusted scores provided by the ESG Research Provider by a maximum of +2 or -2 notches for each of the environmental, social and governance categories. The Sub-Advisor’s adjustment process is a judgement-based process that relies on the Sub-Advisor’s research on the applicable issuers and/or industries. In some cases, the Sub-Advisor’s ESG sub-committee may reach the conclusion that the ESG Research Provider’s score may be overweighting or underweighting some ESG issues that the Sub-Advisor deems should be more or less important for a given issuer and/or industry. The Sub-Advisor’s ESG sub-committee documents each of the instances where an adjustment is made to an ESG score (whether such adjustment is upwards or downwards). Governance of the Sub-Advisor’s ESG sub-committee is independent from the portfolio management team.
- For issuers that do not have a rating with the ESG Research Provider, global average scores based on the issuer’s industry are used, subject to adjustment based on the Sub-Advisor’s analysis.
- The investible universe for HAEB’s portfolio is based on the FTSE TMX Canada Corporate Bond Index (the “**Index**”) and is constrained based on the following criteria:
  - the investible universe is restricted to issuers that meet a minimum rating which is equivalent to BBB- on the rating scale of the ESG Research Provider, at the time of purchase;
  - the Sub-Advisor applies the following ethical filter: an issuer will be deemed ineligible if it derives more than 10% of its revenue, either directly or indirectly, from the following products or services:
    - Adult Entertainment;
    - Alcohol;
    - Cannabis;
    - Firearms;
    - Gambling;
    - Military Contracting; and/or
    - Tobacco.
- The Sub-Advisor aims to invest at least 50% of the corporate debt in HAEB’s portfolio in issuers with an internally driven ESG score that ranks within the top third of HAEB’s investment universe, as described above. To achieve the Sub-Advisor’s ESG scoring objective, a targeted positive index score (“**TPIS**”) is calculated for HAEB’s portfolio and the Index. The formula is as follows:  $([50\%] \times [\text{the overall ESG score of the top one-third scoring issuers in the benchmark}]) + ([50\%] \times [\text{the overall ESG score of the bottom two-thirds scoring issuers in the benchmark}])$ . The aggregate TPIS of HAEB’s portfolio is maintained equal or above the TPIS of the Index. The TPIS is evaluated quarterly to demonstrate the implementation of the process and to allow three months for the Sub-Advisor to reposition the corporate bond portfolio as necessary. The TPIS methodology also allows for including non-index issuers (e.g., foreign bonds) to positively affect the score. The TPIS is recalculated at the start of each quarter based on the latest available data and the Sub-Advisor rebalances the portfolio within the quarter (if necessary) to make sure the TPIS of the portfolio is equal or above the TPIS of the Index at the end of the quarter.
- Engagement is a strategy employed by the Sub-Advisor on its own behalf and on behalf of certain funds managed by it. Such engagement is effected by way of investment meetings which occur during the issuer funding process. The Sub-Advisor engages with senior management of various issuers on ESG related subjects and monitors the results of such engagements.

- The Sub-Advisor aims for HAEB's portfolio to have a lower exposure to the fossil fuel industry than that of the broader Index. The specific amount of exposure that the portfolio will have may change over time.
- The Sub-Advisor applies each of the ESG strategies to HAEB's portfolio simultaneously and the ESG strategies form part of the Sub-Advisor's overall integrated investment process.

HAEB invests a minimum of 80% of the net asset value of its portfolio in Canadian and U.S. debt securities that are defined as investment grade (a minimum credit rating of BBB- or above).

Generally, at least 50% of the net asset value of HAEB's portfolio is invested in Canadian domiciled debt issuances. The allocation to non-Canadian debt securities is not anticipated to exceed 40% at any time.

The Sub-Advisor of HAEB may, if it determines it would be in the best interests of HAEB to do so, hedge some or all of its United States dollar currency exposure back to the Canadian dollar.

HAEB's Sub-Advisor may also invest up to 30% of the net asset value of the portfolio in government-backed debt-securities.

## **OVERVIEW OF THE SECTORS THAT THE ETFs INVEST IN**

### **HSL**

The sector that HSL is primarily exposed to is the senior loan sector. Senior loans typically are of below investment grade quality and have below investment grade credit ratings. These loans, compared to equivalently rated unsecured high yield bonds, typically offer a much higher recovery rate because of the added protection offered by their secured nature. This security can be achieved by liens on physical or non-physical assets and, even if not realized through liquidation, can greatly increase recovery in a reorganisation scenario. HSL may also be exposed to cash, cash equivalents, other floating rate debt instruments, high yield debt securities and investment grade corporate bonds.

**HSL invests primarily in senior secured loans, which are generally rated below investment grade debt. Settlement periods for senior secured loans may be longer than for other types of debt securities, such as corporate bonds. HSL is not a substitute for holding cash or money market securities.**

### **HMP**

HMP primarily invests a portfolio of Canadian municipal bonds. Municipal bonds, sometimes referred to as "munis," are debt securities generally issued by cities, municipalities or municipal finance authorities to finance local capital expenditures such as the construction of bridges, highways, airports or schools.

For all other ETFs, please see "Investment Objectives" and "Investment Strategies".

## **INVESTMENT RESTRICTIONS**

The ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102, which are designed in part to ensure that the investments of the ETFs are diversified and relatively liquid and to ensure the proper administration of the ETFs. The investment restrictions and practices applicable to the ETFs which are contained in securities legislation, including NI 81-102, may not be deviated from without the prior consent of the Canadian securities regulatory authorities having jurisdiction over the ETFs.

Subject to the following, and the exemptive relief that has been obtained or has been applied for, the ETFs are managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102.

### ***Tax Related Investment Restrictions***

An ETF will not make an investment that would result in the ETF failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act or that would result in the ETF becoming subject to the tax for “SIFT trusts” within the meaning of the Tax Act. In addition, no ETF will make or hold any investment in property that would be “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof) if more than 10% of the ETF’s property consisted of such property.

## **FEES AND EXPENSES**

### **Fees and Expenses Payable by the ETFs**

#### *Management Fees*

Each ETF pays annual management fees (the “**Management Fees**”) to the Manager equal to an annual percentage of the net asset value of the Units of that ETF, together with applicable Sales Tax. The Management Fees of each ETF are as follows:

<b>ETF</b>	<b>Management Fees</b>
HAL	0.55% of the net asset value of HAL’s Units
HAZ	0.65% of the net asset value of HAZ’s Units
HAB	0.50% of the net asset value of HAB’s Units
HUF.U	0.40% of the net asset value of HUF.U’s Units
HPR	0.55% of the net asset value of HPR’s Units
HFR	0.40% of the net asset value of HFR’s Units
HYI	0.60% of the net asset value of HYI’s Units
HAD	0.42% of the net asset value of HAD’s Units
HYBR	0.55% of the net asset value of HYBR’s Units
HAF	0.45% of the net asset value of HAF’s Units
HSL	0.75% of the net asset value of HSL’s Units
HMP	0.29% of the net asset value of HMP’s Units
HAEB	0.55% of the net asset value of HAEB’s Units

The Management Fees are calculated and accrued daily and payable monthly in arrears. The Management Fees are paid to the Manager in consideration for the services the Manager provides to the ETFs. Such services include, but are not limited to: negotiating contracts with certain third-party service providers, including, but not limited to, portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETFs; arranging for the maintenance of accounting records for the ETFs; preparing the reports to Unitholders and to the applicable Securities Regulatory Authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that an ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in Units of an ETF; arranging for any payments required upon termination of an ETF; and dealing and communicating with Unitholders of the ETFs. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other

service provider to the ETFs. The Manager also monitors the investment strategies of the ETFs to ensure that each ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

#### *Management Fee Distributions*

To encourage very large investments in an ETF and to ensure Management Fees are competitive for these investments, the Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from the ETF with respect to investments in the ETF by Unitholders that hold, on average during any period specified by the Manager from time to time (currently a quarter), Units of the ETF having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the applicable ETF will be distributed no less than quarterly in cash by the ETF, at the discretion of the Manager, to those Unitholders as Management Fee Distributions.

The availability and amount of Management Fee Distributions with respect to Units of an ETF will be determined by the Manager. Management Fee Distributions for an ETF will generally be calculated and applied based on the Unitholder's average holdings of Units of the ETF over each applicable period as specified by the Manager from time to time. Management Fee Distributions will be available only to beneficial owners of Units of an ETF and not to the holdings of Units of the ETF by dealers, brokers or other CDS Participants that hold Units of the ETF on behalf of beneficial owners. In order to receive a Management Fee Distribution for any applicable period, a beneficial owner of Units of an ETF must submit a claim for a Management Fee Distribution that is verified by a CDS Participant on the beneficial owner's behalf and provide the Manager with such further information as the Manager may require in accordance with the terms and procedures established by the Manager from time to time.

The Manager reserves the right to discontinue or change Management Fee Distributions at any time. The tax consequences of Management Fee Distributions made by an ETF will generally be borne by the Unitholders of the ETF receiving these distributions from the Manager.

#### *Underlying Fund Fees*

If permitted by its investment strategy, an ETF may, in accordance with applicable Canadian securities legislation, invest in exchange traded funds, mutual funds or other public investment funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying funds in addition to the fees and expenses payable by an ETF. With respect to such investments, no management fees or incentive fees are payable by an ETF that, to a reasonable person, would duplicate a fee payable by such underlying fund for the same service. Further, no sales fees or redemption fees are payable by an ETF in relation to purchases or redemptions of the securities of the underlying funds in which it invests if these funds are managed by the Manager or an affiliate or associate of the Manager.

#### *Operating Expenses*

Unless otherwise waived or reimbursed by the Manager, an ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; costs associated with delivering documents to Unitholders; costs associated with meetings of Unitholders; listing and annual stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; extraordinary expenses; Unitholder reports and servicing costs; registrar and transfer agent fees; costs of the IRC; income taxes; Sales Tax; brokerage expenses and commissions; withholding taxes and fees payable to service providers in connection with regulatory compliance and tax matters in foreign jurisdictions.

Costs and expenses payable by the Manager, or an affiliate of the Manager, include the fees payable to the Investment Manager, the Sub-Advisors, as well as fees of a general administrative nature.

### *Expenses of the Issue*

Apart from the initial organizational cost of the ETFs, all expenses related to the issuance of Units shall be borne by the ETFs unless otherwise waived or reimbursed by the Manager.

### **Fees and Expenses Payable Directly by the Unitholders**

#### *Administration Charges*

As may be agreed between the Manager and a Designated Broker or Dealer, the Manager may charge the Designated Broker and Dealers of an ETF, at its discretion, an issue, exchange or redemption charge to offset certain transaction costs associated with the issuance, exchange or redemption of Units. In respect of HSL and HMP, cash subscriptions by Dealers or the Designated Broker may, at the sole discretion of the Manager, be subject to an issuance charge of up to 0.25% of the value of the cash subscription order, payable to HSL or HMP, as applicable. Administration charges are variable, and the Manager will publish the current administration charges, if any, on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These administrative charges do not apply to Unitholders who buy and sell their Units on a stock exchange.

Also see “Redemption of Units - Costs Associated with Redemptions”.

### **RISK FACTORS**

An investment in Units of the ETFs involves certain risks.

#### *General Risk Factors*

There are certain risk factors that are common to an investment in the ETFs. These risks relate to the following factors:

#### **Stock Market Risk**

The value of most securities, in particular equity securities, change with stock market conditions. These conditions are affected by general economic and market conditions.

#### **Specific Issuer Risk**

The value of all securities will vary positively or negatively with developments within the specific companies or governments that issue such securities.

#### **Legal and Regulatory Risk**

Legal and regulatory changes may occur that may adversely affect the ETFs and which could make it more difficult, if not impossible, for the ETFs to operate or to achieve their investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETFs and what can be done, if anything, to try to limit such impact.

For example, each ETF is also generally required to pay GST/HST on any management fees and most of the other fees and expenses that it has to pay. There may be changes to the way that the GST/HST and provincial sales taxes apply to fees and expenses incurred by mutual funds such as the ETFs and there may be changes in the rates of such taxes, which, accordingly, may affect the costs borne by the ETFs and their Unitholders.

#### **Market Disruptions Risk**

War and occupation, terrorism and related geopolitical risks may in the future lead to increased short-term market volatility and may have adverse long-term effects on world economies and markets generally, including U.S., Canadian and other economies and securities markets. The spread of coronavirus disease (COVID-19) has caused a slowdown in the global economy, and has caused volatility in global financial markets. Coronavirus disease or any

other disease outbreak may adversely affect the performance of the ETF. The effects of future terrorist acts (or threats thereof), military action or similar unexpected disruptive events on the economies and securities markets of countries cannot be predicted. These events could also have an acute effect on individual issuers or related groups of issuers. These risks could also adversely affect securities markets, inflation and other factors relating to value of the portfolio of the ETF.

Upon the occurrence of a natural disaster such as flood, hurricane, or earthquake, or upon an incident of war, riot or civil unrest or disease outbreak, the impacted country may not efficiently and quickly recover from such event, which could have a materially adverse effect on borrowers and other developing economic enterprises in such country.

### **Cyber Security Risk**

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. Failures or breaches of information technology systems (“**Cyber Security Incidents**”) can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). The primary risks from the occurrence of a Cyber Security Incident include disruption in an ETF’s operations, disclosure of confidential ETF information, reputational damage to the Manager, the incurrance of regulatory penalties by the Manager, additional compliance costs associated with corrective measures, and/or financial loss. Cyber Security Incidents of an ETF’s third-party service providers (e.g., valuation agents, transfer agents or custodians) or issuers that an ETF invests in can also subject an ETF to many of the same risks associated with direct Cyber Security Incidents. The Manager cannot control the cyber security plans and systems put in place by its service providers or any other third party whose operations may affect an ETF or its Unitholders. An ETF and its Unitholders could be negatively impacted as a result.

### **Listed Funds Risk**

The ETFs may invest in Listed Funds. Certain Listed Funds may issue index participation units. These Listed Funds seek to provide returns similar to the performance of a particular market index, industry sector index or index related to an investment in a particular commodity or commodities. These Listed Funds may not achieve the same return as their corresponding benchmark market or industry sector indices (if applicable) due to differences in the actual weightings of securities held in the Listed Fund versus the weightings in the relevant index and due to the operating and administrative expenses of the Listed Fund. Commodity-based Listed Funds may not achieve the same return as their corresponding commodity benchmark market indices due to differences in the actual investments of physical commodities held in a commodity-based exchange traded fund versus the investments in the applicable commodity benchmark index and due to the operating and management expenses of the commodity-based exchange traded funds.

### **Reliance on Historical Data Risk**

Past trends may not be repeated in the future. The accuracy of the historical data used by the Investment Manager and Sub-Advisors for research and development, which is often provided by third parties, cannot be guaranteed by the Investment Manager and Sub-Advisors. The Investment Manager and Sub-Advisors only seek to obtain such data from companies that they believe to be highly reliable and of high reputation.

### **Corresponding Net Asset Value Risk**

The net asset value per Unit of an ETF will be based on the market value of the ETF’s holdings. However, the trading price (including the closing trading price) of a Unit of an ETF on the TSX may be different from the actual net asset value of a Unit of the ETF. As a result, Dealers may be able to acquire a PNU of an ETF and Unitholders may be able to redeem a PNU of an ETF at a discount or a premium to the closing trading price per Unit of the ETF.



Such difference between the trading price of an ETF and its net asset value may be due, in large part, to supply and demand factors in the secondary trading market for Units of an ETF being similar, but not identical, to the same forces influencing the price of the underlying constituents of the ETF at any point in time.

Because Unitholders may acquire or redeem a PNU, the Manager expects that large discounts or premiums to the net asset value per Unit of the ETFs should not be sustainable.

### **Designated Broker/Dealer Risk**

As each ETF will only issue Units directly to the Designated Broker and to Dealers, in the event that a purchasing Designated Broker or Dealer is unable to meet its settlement obligations, the resulting costs and losses incurred will be borne by the applicable ETF.

### **Cease Trading of Securities Risk**

If securities held by an ETF are cease-traded by order of the relevant securities regulatory authority or are halted from trading by the relevant stock exchange, the ETF may halt trading in its securities. Accordingly, Units of an ETF bear the risk of cease-trading orders against all of securities, not just one. If securities of an ETF are cease-traded by order of a securities regulatory authority, if normal trading is suspended on the relevant exchange, or if for any reason it is likely there will be no closing bid price for securities, the ETF may suspend the right to redeem Units for cash, subject to any required prior regulatory approval. If the right to redeem Units for cash is suspended, an ETF may return redemption requests to Unitholders who have submitted them. If securities are cease-traded, they may not be delivered on an exchange of a PNU for a Basket of Securities until such time as the cease trade order is lifted.

### **Exchange Risk**

In the event that the TSX closes early or unexpectedly on any day that it is normally open for trading, Unitholders will be unable to purchase or sell Units of an ETF on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the exchange and redemption of Units of the ETF may be suspended until the TSX reopens.

### **Early Closing Risk**

Unanticipated early closings of a stock exchange on which securities held by an ETF are listed may result in that ETF being unable to sell or buy securities on that day. If the TSX closes early on a day when an ETF needs to execute a high volume of securities trades late in the trading day, the ETF may incur substantial trading losses.

### **No Assurance of Meeting Investment Objectives**

The success of the ETFs will depend on a number of conditions that are beyond the control of the ETFs. There is a substantial risk that the investment objectives of the ETFs will not be met.

### **Tax Risk**

If an ETF does not qualify or ceases to qualify as a mutual fund trust under the Tax Act, at all times, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects and the after-tax returns to Unitholders of that ETF may be reduced. For an ETF to qualify as a “mutual fund trust,” it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of its Units. A trust will be deemed not to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents of Canada unless, at that time, all or substantially all of its property is property other than property that would be “taxable Canadian property” (if the definition of such term in the Tax Act were read without reference to paragraph (b) thereof). The current law does not provide any means of rectifying a loss of mutual fund trust status if this requirement is not met.

Each of the ETFs (other than HAEB) currently meets all the requirements to qualify as a “mutual fund trust” for the purposes of the Tax Act and has elected to be deemed to be a “mutual fund trust” from inception. HAEB does not currently meet the requirements to qualify as a “mutual fund trust”.

There can be no assurance that tax laws and the administrative policies and assessing practices of the CRA or other applicable tax authorities respecting the treatment of mutual fund trusts or their unitholders will not be changed in a manner which adversely affects Unitholders of an ETF or the ETF itself.

In determining its income for tax purposes, each ETF intends to treat gains or losses on the disposition of securities in its portfolio as capital gains and losses (unless, in the case of an ETF that is a “financial institution”, such securities are mark-to-market property, or unless the DFA Rules, described herein, apply). If these dispositions are determined not to be on capital account, the net income of the relevant ETF for tax purposes and the taxable component of distributions to Unitholders could increase. Any such redetermination by the CRA may result in the ETF being liable for unremitted withholding taxes on prior distributions made to Unitholders who were not resident in Canada for the purposes of the Tax Act at the time of the distribution. Such potential liability may reduce the net asset value of, or trading prices of, the Units.

The Tax Act contains rules concerning the taxation of publicly-traded Canadian trusts and partnerships that own certain types of property defined as “non-portfolio property”. A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust’s income earned from “non-portfolio property” to the extent that such income is distributed to its unitholders. Further, pursuant to certain Tax Amendments released on March 28, 2023 in connection with the 2023 Federal Budget (Canada), a trust that is subject to these rules is also proposed to be subject to a 2% tax on the net value of the trust’s equity repurchases (i.e., redemptions) in a taxation year. These rules should not impose any tax on an ETF as long as the ETF adheres to its investment restriction in this regard. If these rules apply to an ETF, the after-tax returns to Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

Pursuant to rules in the Tax Act, an ETF that experiences a “loss restriction event” (“**LRE**”) (i) will be deemed to have a year-end for tax purposes (which would result in an unscheduled distribution of the ETF’s net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act), and (ii) will become subject to the LRE rules generally applicable to a corporation that experiences an acquisition of control, including a deemed realization of any unrealized capital losses and restrictions on its ability to carry forward losses. Generally, an ETF will be subject to an LRE if a Unitholder of the ETF alone or together with affiliated persons or partnerships (or group of persons) acquires (or becomes a holder of) more than 50% of the fair market value of all the interests in the income or capital, as the case may be, of the ETF. Please see “Income Tax Considerations – Taxation of Holders” for the tax consequences of an unscheduled or other distribution to Unitholders. Trusts that qualify as “investment funds” as defined in the rules in the Tax Act relating to LREs are generally excepted from the application of such rules. An “investment fund” for this purpose includes a trust that meets certain conditions, including satisfying certain of the conditions necessary to qualify as a “mutual fund trust” for purposes of the Tax Act, not holding any property that it uses in the course of carrying on a business and complying with certain asset diversification requirements. If an ETF were not to qualify as an “investment fund”, it could potentially have an LRE and thereby become subject to the related tax consequences described above.

Certain ETFs may invest in global equity or debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends and interest paid or credited to persons who are not resident in such countries. While the ETFs intend to make investments in such a manner as to minimize the amount of foreign taxes incurred under foreign tax laws and subject to any applicable Tax Treaties, investments in global equity and debt securities may subject the ETFs to foreign taxes on dividends and interest paid or credited to them or any gains realized on the disposition of such securities. Any foreign taxes incurred by an ETF will generally reduce the value of its portfolio.

Pursuant to the Trust Declaration, an ETF may allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder who has redeemed Units of the ETF during a year in an amount equal to the Unitholder’s share, at the time of redemption, of the ETF’s income and capital gains for the

year or such other amount that is determined by the ETF to be reasonable. Any such allocations and designations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the value of the property that the Unitholder will receive in respect of the redemption. Provided an ETF is a “mutual fund trust” for purposes of the Tax Act throughout the taxation year, such ETF is prohibited from deducting in the computation of the ETF’s income, the portion of an amount paid to redeeming Unitholders of the ETF that is considered to be paid out of the income of the ETF. Moreover, under the ATR Rule, amounts of taxable capital gains so allocated and designated to redeeming Unitholders are only deductible to the ETFs to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the applicable ETF for the year. Such income (including any taxable capital gains) that is not deductible by an ETF under the ATR Rule may be made payable to non-redeeming Unitholders so that the ETF will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions to non-redeeming Unitholders of an ETF may be greater than would have been the case in the absence of the ATR Rule.

The Tax Act provides for a special tax on the designated income of certain trusts (other than a trust that was throughout the year a mutual fund trust) that have designated beneficiaries. The Manager intends to monitor the activities of any ETF that does not qualify as a mutual fund trust so as to ensure that such ETF does not earn any designated income for purposes of the Tax Act. On this basis, it is anticipated that the ETFs will not have any material liability with respect to this special tax. However, if an ETF is considered to be carrying on business in respect of any of its investing activities, the income related hereto may be designated income and may be subject to the above-noted special tax.

If an ETF does not qualify as a mutual fund trust under the Tax Act and more than 50% of the fair market value of all interests in the ETF are held by holders that are “financial institutions”, as such term is defined for purposes of the “mark-to-market property” rules in the Tax Act, the ETF will be a “financial institution” for purposes of these rules. If an ETF is a “financial institution” for purposes of the “mark-to-market property” rules in the Tax Act, among other things, gains and losses of such ETF on property that is “mark-to-market property” for purposes of these rules will be fully included in or deducted from income on an annual mark-to-market basis.

A trust that becomes or ceases to be a financial institution for the above purposes will be deemed to have a year-end for tax purposes at such time, and will be deemed to have disposed of certain properties at their fair market value and to have reacquired them immediately thereafter. A deemed taxation year-end would result in an unscheduled distribution of the ETF’s net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act. Please see “Income Tax Considerations – Taxation of Holders” for the tax consequences of an unscheduled or other distribution to Unitholders.

As of the date hereof, HAEB is a financial institution for purposes of the Tax Act, but it will cease to be a financial institution if and when not more than 50% of its Units are held by one or more financial institutions or it becomes a mutual fund trust. Given the manner in which the Units of the ETFs are distributed, there may be circumstances in which it may not be possible to identify whether an ETF has become, or ceased to be, a financial institution. As a result, there can be no assurance as to when and to whom any distributions arising on the change in financial institution status of an ETF will be made, or that the ETF will not be required to pay tax on any undistributed income or taxable capital gains realized on such event. The Manager has advised counsel that it intends to monitor the status of HAEB with a view to identifying any deemed taxation year-ends and allocating its net income and realized taxable capital gains for such taxation years to Unitholders, such that no non-refundable income tax should be payable by HAEB in respect of such deemed taxation year-ends. However, there can be no assurances in this regard.

If an ETF does not qualify as a mutual fund trust under the Tax Act throughout a taxation year, among other things, (a) the ETF may be liable to pay an alternative minimum tax under the Tax Act, and (b) it may be subject to the “anti-straddle” rules which would defer the ability to claim certain losses.

### **Securities Lending, Repurchase and Reverse Repurchase Transaction Risk**

The ETFs are authorized to enter into securities lending, repurchase and reverse repurchase transactions in accordance with NI 81-102. In a securities lending transaction, an ETF lends its portfolio securities through an authorized agent to another party (often called a “counterparty”) in exchange for a fee and a form of acceptable collateral. In a repurchase transaction, an ETF sells its portfolio securities for cash through an authorized agent while at the same time assuming an obligation to repurchase the same securities for cash (usually at a higher price) at a later date. In a

reverse repurchase transaction, an ETF buys portfolio securities for cash while at the same time agreeing to resell the same securities for cash (usually at a higher price) at a later date. The following are some examples of the risks associated with securities lending, repurchase and reverse repurchase transactions:

- when entering into securities lending, repurchase and reverse repurchase transactions, an ETF is subject to the credit risk that the counterparty may default under the agreement and the ETF would be forced to make a claim in order to recover its investment;
- when recovering its investment on default, an ETF could incur a loss if the value of the portfolio securities loaned (in a securities lending transaction) or sold (in a repurchase transaction) has increased in value relative to the value of the collateral held by the ETF; and
- similarly, an ETF could incur a loss if the value of the portfolio securities it has purchased (in a reverse repurchase transaction) decreases below the amount of cash paid by the ETF to the counterparty.

The ETFs may also engage in securities lending. When engaging in securities lending, an ETF will receive collateral in excess of the value of the securities loaned and, although such collateral is marked-to-market, the ETF may be exposed to the risk of loss should a borrower default on its obligations to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities.

### **Loss of Limited Liability**

Each ETF is a unit trust and as such its Unitholders do not receive the protection of statutorily mandated limited liability in some provinces as in the case of shareholders of most Canadian corporations. There is no guarantee, therefore, that Unitholders of an ETF could not be made party to a legal action in connection with the ETF. However, the Trust Declaration provides that no Unitholder, in its capacity as such, will be subject to any liability whatsoever, in tort, contract or otherwise, to any person in connection with an ETF's property or the obligations or the affairs of the ETF and all such persons are to look solely to the ETF's property for satisfaction of claims of any nature arising out of or in connection therewith and only the ETF's property will be subject to levy or execution.

Pursuant to the Trust Declaration, an ETF will indemnify and hold harmless each Unitholder from any costs, damages, liabilities, expenses, charges and losses suffered by a Unitholder resulting from or arising out of such Unitholder not having limited liability. Each Trust Declaration also provides that the Trustee and the Manager shall use reasonable efforts to cause to be inserted in each material written agreement, undertaking and obligation, signed by or on behalf of the applicable ETF a provision to the effect that such agreement, undertaking or obligation will not be binding upon Unitholders personally.

As a result of the foregoing, it is considered that the risk of any personal liability of Unitholders is minimal in view of the nature of its activities. In the event that a Unitholder should be required to satisfy any obligation of an ETF, the Unitholder will be entitled to reimbursement from any available assets of the ETF.

### **Reliance on Key Personnel**

Unitholders will be dependent on the abilities of: (i) the Investment Manager and the Sub-Advisors in providing recommendations and advice in respect of the ETFs; and (ii) the Manager to effectively manage the ETFs in a manner consistent with their investment objectives, investment strategies and investment restrictions. Implementation of an ETF's investment strategies will be dependent on the Investment Manager. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to an ETF will continue to be employed by the Manager and the Investment Manager.

There is also no certainty that the Sub-Advisors will be retained or that the key personnel of the Sub-Advisors will continue to be engaged by the Sub-Advisors throughout the existence of the ETFs. Moreover, no assurance can be given that the trading systems and strategies utilized by a Sub-Advisor or its successor will prove successful under all, or any, market conditions.

## **Distributions Risk**

Distributions of income and gains by an ETF may be paid in Units of the ETF or reinvested in Units of the ETF that may be automatically consolidated. Income or taxable capital gains distributed to a Unitholder in Units of an ETF or reinvested in Units of an ETF are nevertheless required to be included in the Unitholder's income even though no cash will be distributed to fund any resulting tax payment.

## **Conflicts of Interest**

The Manager, the Investment Manager and the Sub-Advisors (as applicable), their respective directors and officers and their respective affiliates and associates may engage in the promotion, management or investment management of other accounts, funds or trusts which invest primarily in the securities held by an ETF. Although officers, directors and professional staff of the Manager, the Investment Manager and the Sub-Advisors (as applicable) will devote as much time to an ETF as is deemed appropriate to perform their duties, the staff of the Manager, the Investment Manager and the Sub-Advisors may have conflicts in allocating their time and services among an ETF, and the other funds managed by the Manager, the Investment Manager or a Sub-Advisor (as applicable).

## **No Ownership Interest**

An investment in Units of an ETF does not constitute an investment by Unitholders in the securities held by the ETF. Unitholders will not own the securities held by an ETF.

## **Market for Units**

There can be no assurance that an active public market for Units of an ETF will be sustained.

## **Redemption Price**

Unitholders will not know in advance of giving a notice of redemption the price at which the Units will be redeemed. In the period after a notice of redemption for Units of an ETF has been given and before the applicable redemption date, the net asset value per Unit of the ETF or the trading price for a Unit of the ETF and therefore the redemption amount which will be payable to the Unitholder in respect of the Units being redeemed may change substantially due to market movements. Unitholders are not entitled to withdraw a request for redemption unless a suspension of redemptions has been declared. In various circumstances, the redemption of Units and the payment of redemption proceeds may be suspended.

## **Net Asset Value Fluctuation**

The value of the investments of an ETF will change from day-to-day, reflecting changes of various factors including but not limited to general economic conditions, fluctuations in the securities markets, international developments and company news. The net asset value of a class of Units of an ETF (the price of your units) will fluctuate with changes in the market value of the ETF's investments. As a result, the value of your investment in the ETF may be more or less when you redeem your Units than when you bought such Units.

## **Limited Operating History**

Although all the persons involved in the management and administration of the ETFs, including the service providers to the ETFs, have significant experience in their respective fields of specialization, certain ETFs may have limited or no operating or performance history upon which prospective investors can evaluate an ETF's performance.

## **Restrictions on Certain Unitholders**

At no time may non-residents of Canada, partnerships that are not Canadian partnerships, or a combination of non-residents and such partnerships (all as defined in the Tax Act) be the beneficial owner of a majority of Units of an ETF. This restriction may limit the rights of certain unitholders of an ETF, including non-residents of Canada. This

restriction may also limit the demand for Units of an ETF by certain investors and thereby adversely affect the liquidity and market value of the Units of the ETF that are held by other investors.

### Highly Volatile Markets

The profitability of an ETF's investment program may depend to a great extent on correct assessments of the future course of price movements of securities and other investments. There can be no assurance that a Sub-Advisor will be able to accurately predict these price movements. The securities markets have in recent years been characterized by great volatility and unpredictability. The investments of an ETF may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Each ETF is therefore exposed to some, and a times substantial, degree of market risk.

### No Guaranteed Return

There is no guarantee that an investment in an ETF will earn any positive return. The value of the Units may increase or decrease depending on market, economic, political, regulatory and other conditions affecting an ETF's investments. All prospective Unitholders should consider an investment in an ETF within the overall context of their investment policies. Investment policy considerations include, but are not limited to, setting objectives, defining risk/return constraints and considering time horizons.

### ETF Specific Risk Factors

In addition to the general risk factors applicable to all of the ETFs, there are certain risk factors that apply to investments in certain ETFs, as indicated in the table below:

	HAL	HAZ	HAB	HUFU	HPR	HFR	HYI	HAD	HYBR	HAF	HSL	HMP	HAEB
derivatives risk and counterparty risk	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓
interest rate risk			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
foreign currency risk		✓	✓	✓	✓	✓	✓		✓	✓	✓		✓
emerging markets risk		✓								✓			
credit risk			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Leveraged ETFs risk	✓	✓								✓			
income trust investment risk	✓	✓			✓				✓	✓	✓	✓	
foreign stock exchange risk	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓		✓
short selling risk		✓		✓		✓	✓			✓			
foreign currency denomination risk				✓									
currency price fluctuations - Dual Currency ETFs		✓		✓									

	HAL	HAZ	HAB	HUFU	HPR	HFR	HYI	HAD	HYBR	HAF	HSL	HMP	HAEB
high yield bond risk and risk of other lower rated investments							✓			✓	✓	✓	
senior loan credit risk							✓			✓	✓		
senior loan risk							✓			✓	✓		
senior loan settlement risk							✓			✓	✓		
income risk							✓			✓	✓		
call risk			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
risk of difference between quoted and actionable market price		✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
complexity											✓		✓
commodity price volatility risk	✓	✓											
liquidity risk			✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
municipal bond risk			✓					✓		✓		✓	✓
ESG Investing Risk													✓

### Derivatives Risk and Counterparty Risk

Any use of derivatives will be in accordance with the investment restrictions and practices of NI 81-102. The use of derivatives does not guarantee that there will not be a loss or that there will be a gain. The following are some examples of the risks associated with the use of derivatives by an ETF:

- in the case of over-the-counter options and forward contracts, there is no guarantee that a market will exist for these investments when the ETF wants to close out its position; in the case of exchange traded options and futures contracts, there may be a risk of a lack of liquidity when the ETF wants to close out its position;
- futures exchanges may impose daily trading limits on certain derivatives, which could prevent the ETF from closing out its position;
- if the other party to the derivative, in the case of over-the-counter transactions, is unable to fulfil its obligations, the ETF could experience a loss or fail to realize a gain;
- if a derivative is based on a market index and trading is halted on a substantial number of securities in the index, or if there is a change in the composition of the index, it could have an adverse effect on the derivative; and
- each ETF is subject to credit risk with respect to the amount that ETF expects to receive from counterparties to financial instruments entered into by that ETF or held by special purpose or structured vehicles. Additionally, an ETF could experience a loss of margin deposits with a counterparty who goes bankrupt. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the

value of an investor's investment in Units of an ETF may decline. An ETF may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding. An ETF may obtain only limited recovery or may obtain no recovery in such circumstances.

### **Interest Rate Risk**

The market value of fixed-income securities is inversely related to changes in the general level of interest rates (e.g. the interest rates charged by banks and other major commercial lenders). If the general level of interest rates increases, the market value of fixed-income securities will go down while the interest payments (also referred to as "coupon payments") remain fixed, all else equal. If the general level of interest rates decreases, the market value of fixed-income securities will go up while the coupon payments remain fixed, all else equal.

Floating-rate bonds act differently than traditional fixed-income securities when interest rates change. Generally, in periods when there are increases in short-term lending rates, the coupon payments of a floating-rate bond, which are linked to these rates, will increase while the market value will remain unchanged, all else equal. Conversely, in periods when short-term lending rates decrease, the coupon payments of a floating-rate bond will decrease while the market value will remain unchanged, all else equal.

Traditional fixed-income securities have risk associated with their market value, but not their coupon payments as interest rates change, while floating-rate bonds have risk associated with their coupon payments, but not their market value as interest rates change, all else equal.

Certain derivatives, such as interest rate swaps, can be used by investors to exchange fixed coupon payments and risks for floating-rate coupon payments and risks.

Changes in interest rates may also affect the value of dividend paying equity securities and preferred shares, which will experience a drop in market value as interest rates go up, and an increase in market value as interest rates go down, all else equal.

Changes in interest rates may also affect the relative value of foreign currencies.

### **Foreign Currency Risk**

The portfolio of an ETF may include a significant proportion of securities valued in U.S. dollars or other foreign currencies. Accordingly, the net asset value per Unit of an ETF, when measured in Canadian dollars, will, to the extent this has not been hedged against, be affected by changes in the value of the U.S. dollar or other foreign currencies relative to the Canadian dollar. No assurance can be given that an ETF will not be adversely impacted by changes in foreign exchange rates or other factors, regardless of whether such ETF attempts to hedge against the impact of such changes.

### **Emerging Markets Risk**

Investments in emerging markets are subject to heightened risk as compared to investments in developed markets.

The value of an ETF that is exposed to emerging markets may be adversely affected by, among other things, the following risks associated with emerging market economies:

- political and social instability;
- government involvement, including, but not limited to, currency controls and risk of expropriation;
- securities markets which are less liquid and which operate under different trading and market regulations;
- difficulties in enforcing contractual rights;
- currency volatility;
- risk of high inflation;



- infrastructure issues;
- greater susceptibility to commodity prices; and
- greater susceptibility to the economic performance of trading partners.

### **Credit Risk**

An ETF may gain exposure to fixed-income securities or currencies directly or through the use of futures and other derivative contracts. The value of fixed-income securities depends, in part, on the perceived ability of the government or company which issued the securities to pay the interest and to repay the original investments. Securities issued by issuers that have a low credit rating are considered to have a higher credit risk than securities issued by issuers with a high credit rating. Although generally considered less volatile than equity markets, certain types of fixed-income securities and certain market conditions may result in significant volatility in the value of one or more fixed-income investments to which an ETF may be exposed. In addition, from time to time investors may re-evaluate risk and, as a result, re-price risk in the credit market. Generally, the interest rate paid on corporate debt is higher than the interest rates paid on floating-rate debt and fixed-income debt. Any re-pricing of risk in the credit market could increase the spread between the interest rates paid on corporate debt securities, fixed-income securities and floating-rate securities. As a result, the market value of the fixed-income securities held by the ETF may be negatively impacted by an increase in the spread between the interest payable on corporate debt and floating-rate debt.

### **Leveraged ETFs Risk**

Each of HAL, HAZ, and HAF may invest in Leveraged ETFs, including Leveraged ETFs that are managed by the Manager. The Leveraged ETFs are exchange traded funds that seek to provide returns similar to a particular benchmark market, industry sector index, or commodity, and magnify returns by either a multiple, or an inverse multiple, of that benchmark, index or commodity. Investments in the Leveraged ETFs are highly speculative and involve a high degree of risk. These Leveraged ETFs are also subject to increased volatility as they seek to achieve a multiple, or inverse multiple, of a benchmark or index.

### **Income Trust Investment Risk**

Real estate, royalty, income and other investment trusts are investment vehicles in the form of trusts, rather than corporations. To the extent that claims, whether in contract, in tort, or as a result of tax or statutory liability, against an investment trust are not satisfied by the trust, investors in the investment trust, including the ETFs, could be held liable for such obligations. Investment trusts generally seek to make this risk remote in the case of contract by including provisions in their agreements that the obligations of the investment trust will not be binding on investors personally. However, investment trusts could still have exposure to damage claims such as personal injury and environmental claims. Certain jurisdictions have enacted legislation to protect investors in investment trusts from the possibility of such liability.

### **Foreign Stock Exchange Risk**

Investments in foreign securities may involve risks not typically associated with investing in Canada. Foreign exchanges may be open on days when the ETFs do not price the Units and, therefore, the value of the securities in the portfolios of an ETF may change on days when investors will not be able to purchase or sell Units. Also, some foreign securities markets may be volatile, lack liquidity, or have higher transaction and custody costs than those of the TSX. Securities of some Canadian issuers are inter-listed on a Canadian and a foreign exchange and may be traded on days when the foreign exchange is open and the TSX is not. In those circumstances, changes in the value of the securities making up an ETF's portfolio will not be reflected in the value of the ETF and the spread or difference between the value of the securities in the ETF's portfolio and the market price of a Unit of that ETF on the TSX may increase. Also, in the event that the TSX is open on a day that a foreign exchange is closed, the spread or difference between the value of the securities in the ETF's portfolio and the market price of a Unit of that ETF on the TSX may increase.

## Short Selling Risk

In compliance with NI 81-102 or an exemption therefrom, HAZ, HFR, HUF.U, HYI and HAF may engage in short selling. A “short sale” will occur when an ETF borrows securities from a lender which are then sold in the open market (or “sold short”). At a later date, the same number of securities are repurchased by the ETF and returned to the lender. In the interim, the proceeds from the first sale are deposited with the lender and the ETF pays fees to the lender. If the value of the securities declines between the time that the ETF borrows the securities (and sells short) and the time it repurchases and returns the securities, the ETF makes a gain for the difference (less any fees the ETF is required to pay to the lender). Short selling involves certain risks. There is no assurance that securities will decline in value during the period of the short sale sufficient to offset the fees paid by the ETF and make a gain for the ETF, and securities sold short may instead appreciate in value. An ETF may also experience difficulties repurchasing and returning the borrowed securities if a liquid market for the securities does not exist. Also, the lender from whom the ETF has borrowed securities may go bankrupt and the ETF may lose the collateral it has deposited with the lender.

If an ETF engages in short selling, the ETF will adhere to controls and limits that are intended to offset these risks by short selling only securities of larger issuers for which a liquid market is expected to be maintained and by limiting the amount of exposure for short sales. The ETF will also deposit collateral only with lenders that meet certain criteria for creditworthiness and only up to certain limits.

Possible losses from short sales differ from losses that may be incurred from purchases of securities because losses from short sales may be unlimited, whereas losses from purchases are limited to the total amount invested. To deliver securities to a purchaser, an ETF must arrange through a broker to borrow the securities, and, as a result, the ETF becomes obligated to replace the securities borrowed at the market price at the time of replacement, whatever that price may be. A short sale therefore involves the theoretically unlimited risk of loss occasioned by an increase in the market price of the security between the date of the short sale and the date on which the ETF covers its short position. In addition, the borrowing of securities entails the payment of a borrowing fee (which may increase during the borrowing period) and the payment of any dividends or interest payable on the securities until they are replaced. If an ETF is engaged in short selling it is required to maintain cash cover for its short positions and other investments may need to be sold quickly (and at potentially unattractive prices) in order to maintain sufficient cash cover.

## Foreign Currency Denomination Risk

The portfolio of HUF.U will include a significant proportion of securities valued in U.S. dollars. Because the base currency of HUF.U is U.S. dollars, HUF.U does not seek to hedge exposure to the U.S. dollar back to the Canadian dollar. As a result, the returns of HUF.U will, when compared to the returns of a portfolio that is hedged to the Canadian dollar, reflect changes in the relative value of the Canadian and U.S. dollars. No assurance can be given that HUF.U will not be adversely impacted by changes in foreign exchange rates or other factors.

## Currency Price Fluctuations - Dual Currency ETFs

Several factors may affect the relative value between the U.S. dollar and Canadian dollar, including, but not limited to: debt level and trade deficit; inflation and interest rates; investors' expectations concerning inflation or interest rates; and global or regional political, economic or financial events and situations. In addition, the U.S. dollar may not maintain its long-term value in terms of purchasing power in the future.

The base currency of HUF.U is U.S. dollars. An investor buying Cdn\$ Units of HUF.U may therefore experience a gain or loss due to a fluctuation in the relative value between the U.S. dollar and the Canadian dollar on any given day. A Unitholder buying or selling Cdn\$ Units of HUF.U on the Toronto Stock Exchange may also experience currency gains or losses due to differences in the exchange rates used in determining the net asset value of HUF.U in Canadian dollars. No currency hedging is used with respect to Cdn\$ Units of HUF.U. **If the price of the U.S. dollar relative to the Canadian dollar declines, the Manager expects the value of Cdn\$ Units of HUF.U to decline as well.**

The base currency of HAZ is Canadian dollars. An investor buying US\$ Units, if any, of HAZ may therefore experience a gain or loss due to a fluctuation in the relative value between the U.S. dollar and the Canadian dollar on any given day. A Unitholder buying or selling US\$ Units of HAZ on the Toronto Stock Exchange may also experience currency gains or losses due to differences in the exchange rates used in determining the net asset value of the ETF in Canadian dollars.

### **High Yield Bond Risk and Risks of other Lower Rated Investments**

Certain ETFs may invest in high yield bonds (commonly referred to as “junk bonds”) and other lower rated investments, including, in the case of HSL, senior loans. These investments that are rated below investment grade include those bonds rated lower than “BBB-” by Standard & Poor’s® Rating Services, a division of The McGraw-Hill Companies, Inc., and Fitch Rating Service Inc. or “Baa3” by Moody’s® Investor’s Services, Inc., or are unrated but judged to be of comparable quality, at the time of purchase, may be more volatile than higher-rated securities of similar maturity. Investments rated below investment grade and comparable unrated investments have speculative characteristics because of the credit risk associated with their issuers. Changes in economic conditions or other circumstances typically have a greater effect on the ability of issuers of lower rated investments to make principal and interest payments than they do on issuers of higher rated investments. An economic downturn generally leads to a higher non-payment rate, and a lower rated investment may lose significant value before a default occurs. Lower rated investments typically are subject to greater price volatility and illiquidity than higher rated investments.

### **Senior Loan Credit Risk**

Loan credit risk refers to the possibility that the borrower of a loan will be unable to make timely interest payments and/or repay the principal on its obligation. Default in the payment of interest or principal on a loan may result in a reduction in the value of the loan and consequently a reduction in the value of investments in loans and a potential decrease in the net asset value of HSL and/or HAF.

All or a significant portion of the loans in which HSL and HAF will invest, or be exposed to, will be non-investment grade. These securities are subject to the increased risk of a borrower’s or issuer’s inability to meet principal and interest payment obligations. These securities may be subject to greater price volatility due to such factors as specific corporate developments, negative perceptions of the non-investment grade securities markets generally, real or perceived adverse economic and competitive industry conditions and less secondary market liquidity.

### **Senior Loan Risk**

HSL, and to a lesser extent, HAF, invest, directly or indirectly through other investment vehicles, in senior loans. There is less readily available information about most senior loans than is the case for many other types of securities. An economic downturn generally leads to a higher non-payment rate, and a senior loan may lose significant value before a default occurs. Moreover, any specific collateral used to secure a senior loan may decline in value or become illiquid, which would adversely affect the senior loan’s value. No active trading market may exist for certain senior loans, which may impair the ability of HSL to realize full value in the event of the need to sell a senior loan. Although senior loans in which HSL and HAF will invest or be exposed to generally will be secured by specific collateral, there can be no assurance that liquidation of such collateral would satisfy the borrower’s obligation in the event of non-payment of scheduled interest or principal or that such collateral could be readily liquidated. To the extent that a senior loan is collateralized, such collateral may lose value in the event of the bankruptcy of a borrower. Uncollateralized senior loans involve a greater risk of loss. The senior loans in which HSL and HAF invest, or are exposed to, are usually rated below investment grade.

### **Senior Loan Settlement Risk**

Portfolio transactions in loans take an approximate average of three weeks to settle, and in some cases much longer. Unlike the securities markets, there is no central clearinghouse for loan trades, and the loan market has not established enforceable settlement standards or remedies for failure to settle.

## **Use of Options Risk**

Each ETF is subject to the full risk of its investment position in the securities and/or index funds in its portfolio, as applicable, including the securities that are subject to the put and call option positions held by the ETF, should the market price of such securities change adversely. In addition, the ETFs are not expected to participate in a gain in the applicable Index, if the gain results in the Index level exceeding the exercise price of an option written on such Index. In such circumstances, the holder of the option will likely exercise the option. The use of options may have the effect of limiting or reducing the total returns of an ETF if the Sub-Advisor's expectations concerning future events or market conditions prove to be incorrect.

## **Income Risk**

If interest rates fall, the income from an ETF's portfolio of floating rate investments will decline. HSL primarily holds floating rate debt that will adjust lower with falling interest rates. For loans, interest rates typically can reset every day or up to every 180 days. Certain other ETFs may also hold floating rate investments.

## **Call Risk**

During periods of falling interest rates, an issuer of a callable bond may "call" or repay a security before its stated maturity, which may result in an ETF (or an underlying investment of an ETF) having to reinvest the proceeds at lower interest rates, resulting in a decline in the ETF's income.

## **Risk of Difference between Quoted and Actionable Market Price**

In the case of certain less conventional instruments, such as loans, the prices quoted by dealers for informational purposes may materially exceed the prices at which the same dealers are willing actually to enter into transactions. This discrepancy can cause material disruptions and unexpected net asset value declines when a fund is required to sell a position which it had been valuing based on the quoted prices of dealers.

## **Complexity**

The Investment Manager and Sub-Advisor's systems and operations are dynamic and complex. Certain of their operations interface with and depend on systems operated by third parties, including prime brokers, administrators, market counterparties and their sub-custodians and other service providers, and the Investment Manager and/or Sub-Advisor may not be able to quantify the risks or verify the reliability of such third-party systems. Certain operational risks may be intrinsic to the Investment Manager and Sub-Advisor's operations and may impact its financial, accounting or data processing or other systems, especially given the volume, diversity and complexity of the Investment Manager's and the Sub-Advisor's daily transactions. Periods of market dislocation or abrupt regulatory change may exacerbate operational risk. The failure of one or more systems or operations or the inability of those systems or operations to meet the ETFs' evolving demands could have a material adverse affect on the ETFs.

## **Commodity Price Volatility Risk**

It can be expected that factors affecting the price of commodities will affect the net asset value of the ETFs. The price of commodities may be affected at any time by various unpredictable international, economic, monetary and political considerations including:

- (a) global supply and demand, which is influenced by such factors as: forward selling by commodity producers, purchases made by commodity producers to unwind hedge positions, central bank purchases and sales, the investment and trading activities of hedge funds and commodity funds, and production and cost levels in major commodity-producing countries;
- (b) investors' expectations with respect to future inflation rates;
- (c) interest rate volatility; and

(d) unexpected global, or regional, political or economic events, including banking crises and international conflicts.

Changing tax, royalty and land and mineral, crude oil and natural gas rights ownership and leasing regulations under different political regimes can also impact market functions and expectations for future commodity supply.

### **Liquidity Risk**

Liquidity issues can reduce returns because an ETF may be unable to transact at advantageous times or prices. HMP invests a significant portion of its portfolio in municipal bonds, which may be less liquid than other types of government bonds.

### **Municipal Bond Risk**

Municipal bond securities can be significantly affected by political or economic events as well as uncertainties in the municipal bond market related to taxation, legislative changes or the rights of municipal security holders. Municipal securities that are backed by current or anticipated revenues from a specific project or specific assets can be negatively affected by the inability to collect revenues for the project or from the assets.

HMP will, and HAF, HAB and HAD may, invest in municipal bonds that are unrated, and unrated investments have speculative characteristics because of the credit risk associated with their issuers. Unrated investments typically are subject to greater price volatility and illiquidity than highly rated investments.

### **ESG Investing Risk**

An ETF may apply environmental, social and governance (“ESG”) metrics as part of their investment strategy. The use of a responsible investing approach may limit the number and type of investments in which an ETF can invest. The composition of the investment portfolio of an ETF may differ from those of a given benchmark or a similar fund not using ESG metrics and as a result, the return of an ETF may differ or underperform other funds that do not have a similar focus or that apply different criteria.

In addition, information and data used to evaluate certain ESG characteristics of a company or sector may be incomplete, inaccurate or unavailable, which may impact the Manager’s and/or Sub-Advisor’s investment assessment. Investors may also have different views on what constitutes positive or negative ESG characteristics. An ETF’s methodology may not reflect the values of any particular investor or eliminate the possibility of exposure to issuers that exhibit negative ESG or responsible investing characteristics. The ESG methodology applicable to an ETF, if any, may change from time to time, at the discretion of Manager and/or Sub-Advisor.

### **Risk Ratings of the ETFs**

The investment risk level of each ETF is required to be determined in accordance with a standardized risk classification methodology that is based on the historical volatility of the ETF, as measured by the 10-year standard deviation of the returns of the ETF. As the ETFs are fewer than 10 years old, the Manager calculates the investment risk level of each ETF using a reference index that is expected to reasonably approximate the standard deviation of the ETF. Once an ETF has 10 years of performance history, the methodology will calculate the standard deviation of the ETF using the return history of the ETF rather than that of the reference index. In each case, the ETFs are assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high, or high risk.

The following chart sets out the name of the reference index used for each ETF

<b>ETF</b>	<b>Reference Index</b>
HAL	S&P/TSX Canadian Dividend Aristocrats Index
HAZ	MSCI World Index
HAB	FTSE TMX Canada All Corporate Bond Index
HUF.U	6-Month U.S. T-Bill Yield
HPR	S&P/TSX Preferred Share Index
HFR	6-Month Canadian T-Bill Yield
HYI	iBoxx High Yield Index
HAD	Merrill Lynch Canadian Broad Market Index
HYBR	S&P/TSX Preferred Share Index
HAF	2/3 FTSE TMX Canada All Corporate Bond Index & 1/3 Barclays Capital High Yield Very Liquid Index
HSL	Credit Suisse Leveraged Loan Index (CAD \$)
HMP	1/2 FTSE TMX Canada All Corporate Bond Index & 1/2 FTSE TMX Canada Universe Bond Index
HAEB	70% FTSE Canada All Corporate Bond Index™ and 30% Markit iBoxx® USD Liquid Investment Grade Index

Unitholders should know that other types of risks, both measurable and non-measurable, exist. Also, just as historical performance may not be indicative of future returns, historical volatility may not be indicative of future volatility. The risk ratings of the ETFs are reviewed annually and anytime it is no longer reasonable in the circumstances. A more detailed explanation of the risk classification methodology used to identify the risk ratings of the ETFs is available on request, at no cost, by calling toll-free 1-866-641-5739 or by writing to the Manager at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7.

## **DISTRIBUTION POLICY**

### **Distributions**

It is anticipated that HAB, HPR, HFR, HYI, HAD, HYBR, HAF, HSL, HMP and HAEB will make distributions to their Unitholders on a monthly basis. It is anticipated that HAL and HAZ may each make distributions to their Unitholders on a quarterly basis, at the discretion of the Manager. Such distributions from HAZ to Unitholders of US\$ Units, if any, will typically be converted to U.S. dollars by the Unitholder's account holder.

It is anticipated that HUF.U will make distributions to its Unitholders on a monthly basis in U.S. dollars. However, unless the Unitholder is participating in the Reinvestment Plan, or holds their Units in a U.S. dollar account, such distributions from HUF.U to Unitholders of Cdn\$ Units will typically be converted to Canadian dollars by the Unitholder's account holder.

To the extent required, each ETF will also pay or make payable after December 15 but on or before December 31 of that calendar year (in the case of a taxation year that ends on December 15), or by the end of the taxation year (in any other case), sufficient net income (including net realized capital gains) so that none will be liable for non-refundable ordinary income tax in any given taxation year. Such distributions, if any, will be paid within the times noted above

as a “reinvested distribution” or distributed in Units of the ETF unless the CDS Participant, on behalf of an investor, requests cash, in writing at least 10 business days prior to the declaration date. Reinvested distributions on Units of an ETF, net of any required withholding, will be reinvested automatically in additional Units of the ETF at a price, or Units will be distributed at a price, equal to the net asset value per Unit of the ETF on such day. The Units of the ETF will be immediately consolidated such that the number of outstanding Units of the ETF held by each Unitholder on such day following the distribution will equal the number of Units of the ETF held by the Unitholder prior to the distribution. In the case of a non-resident Unitholder, if tax has to be withheld in respect of the distribution, the Unitholder’s dealer will invoice or debit the Unitholder’s account directly.

Distributions are not fixed or guaranteed.

The Manager reserves the right to make additional distributions for any ETF in any year if determined to be appropriate. The tax treatment to Unitholders of an ETF of reinvested distributions or distributions in Units of the ETF is discussed under the heading “Income Tax Considerations – Taxation of Holders”.

### **Distribution Reinvestment Plan**

At any time, eligible Unitholders of an ETF may elect to participate in the Manager’s distribution reinvestment plan (the “**Reinvestment Plan**”) by contacting the CDS Participant(s) through which the Unitholder holds its Units. Under the Reinvestment Plan, cash distributions will be used to acquire additional Units of the applicable ETF (the “**Plan Units**”) in the market or from treasury and will be credited to the account of the Unitholder (the “**Plan Participant**”) through CDS.

Eligible Unitholders may elect to participate in, or withdraw from, the Reinvestment Plan by notifying CDS via the applicable CDS Participant(s) through which such Unitholder holds its Units of the Unitholder’s intention to participate, or no longer participate, in the Reinvestment Plan. The CDS Participant must, on behalf of such Unitholder, provide a notice to CDS that the Unitholder wishes, or does not wish, to participate in the Reinvestment Plan by no later than 4:00 p.m. (Toronto time) at least two Business Days immediately prior to the applicable distribution record date in respect of the next expected distribution in which the Unitholder would be entitled to receive a distribution (reinvested or in cash, as the case may be). CDS shall, in turn, notify the Plan Agent no later than 5:00 p.m. (Toronto time) on the applicable distribution record date that such Unitholder does, or does not, wish to participate in the Reinvestment Plan.

#### *Fractional Units*

No fractional Plan Units will be issued under the Reinvestment Plan. Payment in cash for any remaining uninvested funds will be made in lieu of fractional Plan Units by the Plan Agent to CDS or CDS Participant, on a monthly or quarterly basis, as the case may be. Where applicable, CDS will, in turn, credit the Plan Participant via the applicable CDS Participant(s).

#### *Amendments, Suspension or Termination of the Reinvestment Plan*

As indicated above, Plan Participants will be able to terminate their participation in the Reinvestment Plan as of a particular distribution record date by notifying their CDS Participant(s) sufficiently in advance of that distribution record date to allow such CDS Participant to notify CDS and for CDS to notify the Plan Agent by 4:00 p.m. (Toronto time) at least two business days immediately prior to that distribution record date. Beginning on the first distribution payment date after such notice is delivered, distributions to such Unitholders will be in cash. The form of termination notice will be available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice will be for the account of the Plan Participant exercising its rights to terminate participation in the Reinvestment Plan.

The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days’ notice to the Plan Participants and the Plan Agent, subject to any required regulatory approval. Subject to the prior approval of the TSX, the Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time, in its sole discretion, provided that it complies with certain requirements and gives notice of that amendment, modification or

suspension to the Plan Participants and the Plan Agent, subject to any required regulatory approval, which notice may be given by issuing a press release containing a summary description of the amendment or in any other manner the Manager determines to be appropriate.

The Manager may from time to time adopt rules and regulations to facilitate the administration of the Reinvestment Plan. The Manager reserves the right to regulate and interpret the Reinvestment Plan as it deems necessary or desirable to ensure the efficient and equitable operation of the Reinvestment Plan.

#### *Other Provisions*

Participation in the Reinvestment Plan is restricted to Unitholders who are residents of Canada for the purposes of the Tax Act. Partnerships (other than “Canadian partnerships” as defined in the Tax Act) are not eligible to participate in the Reinvestment Plan. Upon becoming a non-resident of Canada or a partnership (other than a Canadian partnership), a Plan Participant shall notify its CDS Participant(s) and terminate participation in the Reinvestment Plan immediately.

The automatic reinvestment of the distributions under the Reinvestment Plan will not relieve Plan Participants of any income tax applicable to such distributions. Annually, each Plan Participant will be mailed the information necessary to enable such Unitholder to complete an income tax return with respect to amounts paid or payable by the applicable ETF to the Unitholder in the preceding taxation year.

## **PURCHASES OF UNITS**

### **Issuance of Units of an ETF**

#### *To the Designated Broker and the Dealers*

All orders to purchase Units directly from an ETF must be placed by the Designated Broker and/or the Dealers. The ETFs reserve the absolute right to reject any subscription order placed by a Designated Broker and/or a Dealer. No fees will be payable by an ETF to a Designated Broker or a Dealer in connection with the issuance of Units of the ETF. On the issuance of Units, the Manager may, at its discretion, charge an administrative charge to a Designated Broker or a Dealer to offset any expenses incurred in issuing the Units. See “Fees and Expenses”.

On any Trading Day, a Designated Broker or a Dealer may place a subscription order for the PNU or a whole multiple PNU of an ETF.

For each ETF, if a subscription order is received by an ETF at or before the Subscription Deadline on a Trading Day and accepted by the Manager, the ETF will generally issue the PNU (or whole multiple thereof) to the Designated Broker or Dealer within three (3) Trading Days from the Trading Day of the subscription. The Manager may, at its sole discretion, accept a subscription order after the Subscription Deadline. The ETF must receive payment for the Units subscribed for generally within two (2) Trading Days from the Trading Day of the subscription order.

Unless the Manager shall otherwise agree or the Trust Declaration shall otherwise provide, as payment for a PNU of an ETF, a Designated Broker or Dealer must deliver subscription proceeds consisting of, at the Manager’s sole discretion, a Basket of Securities and/or cash in an amount sufficient so that the value of the Basket of Securities and/or cash delivered is equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order, plus any administrative charge that may be applicable.

The Manager may instead, in its complete discretion, accept subscription proceeds consisting of: (i) cash only in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order, plus any administrative charge that may be applicable; or (ii) a combination of securities and cash, as determined by the Manager, in an amount equal to the net asset value of the applicable PNU of the ETF next determined following the receipt of the subscription order, plus any administrative fee that may be applicable.

In any case in which a subscription order from a Designated Broker or Dealer is received by an ETF on or after the date of declaration of a distribution by the ETF, payable in cash, and on or before the ex-dividend date for that



distribution (generally, the second Trading Day prior to the record date or such other date where the purchaser becomes entitled to rights connected to the Units subscribed), an additional amount equal to the amount of cash per Unit of that distribution must be delivered in cash to the ETF in respect of each issued Unit.

The Manager will usually publish the Basket of Securities for an ETF (if any) following the close of business on each Trading Day on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). The Manager may, at its discretion, increase or decrease the applicable PNU from time to time.

*To Unitholders of an ETF as Reinvested Distributions or a Distribution Paid in Units*

Units of an ETF may be issued to Unitholders of an ETF on the automatic reinvestment of distributions or on a distribution paid in Units in accordance with the distribution policy of the ETFs. See “Distribution Policy”.

*To Unitholders of an ETF pursuant to a Distribution Reinvestment Plan*

Unitholders of an ETF that are Plan Participants in a Reinvestment Plan may make pre-authorized cash contributions under the Reinvestment Plan on a monthly or calendar quarterly basis. Plan Participants do not incur any brokerage commissions when acquiring Units of an ETF pursuant to a Reinvestment Plan. See “Pre-Authorized Cash Contribution”.

**Buying and Selling Units of an ETF**

Investors may trade Units of an ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders. An investor may buy or sell Units of an ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides.

Class E Units of HUF.U are currently available in Cdn\$ Units and US\$ Units. The base currency of the Units of HUF.U is U.S. dollars. HAZ may also make its Class E Units available in US\$ Units. As of the date of this prospectus, US\$ Units of HAZ are not offered. The ability to purchase Cdn\$ Units of HUF.U and US\$ Units of HAZ is, or may be, offered only as a convenience for investors.

The underlying exposure of Canadian dollar denominated Units and US\$ Units of a Dual Currency ETF is the same. Subscriptions for Units of a Dual Currency ETF can be made in either U.S. or Canadian currency. Holders of US\$ Units or Cdn\$ Units of a Dual Currency ETF may request that their redemption proceeds be paid in either U.S. or Canadian currency.

Investors may incur customary brokerage commissions when buying or selling Units of an ETF.

Units of the ETFs are listed on the TSX, and US\$ Units of HAZ may also be listed on the TSX, under the following ticker symbols:

Name of ETF	Abbreviated Name	Currency	TSX Ticker Symbol
Horizons Active Cdn Dividend ETF	HAL	Canadian \$	HAL
Horizons Active Global Dividend ETF	HAZ	Canadian \$	HAZ
	HAZ	U.S. \$	HAZ.U
Horizons Active Corporate Bond ETF	HAB	Canadian \$	HAB
Horizons Active US Floating Rate Bond (USD) ETF	HUF.U	U.S. \$	HUF.U
	HUF.U	Canadian \$	HUF
Horizons Active Preferred Share ETF	HPR	Canadian \$	HPR
Horizons Active Floating Rate Bond ETF	HFR	Canadian \$	HFR

Name of ETF	Abbreviated Name	Currency	TSX Ticker Symbol
Horizons Active High Yield Bond ETF	HYI	Canadian \$	HYI
Horizons Active Cdn Bond ETF	HAD	Canadian \$	HAD
Horizons Active Hybrid Bond and Preferred Share ETF	HYBR	Canadian \$	HYBR
Horizons Active Global Fixed Income ETF	HAF	Canadian \$	HAF
Horizons Active Floating Rate Senior Loan ETF	HSL	Canadian \$	HSL
Horizons Active Cdn Municipal Bond ETF	HMP	Canadian \$	HMP
Horizons Active ESG Corporate Bond ETF	HAEB	Canadian \$	HAEB

The Manager will issue a news release announcing the listing of the US\$ Units of HAZ on or prior to the applicable listing date.

#### *Special Considerations for Unitholders*

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, each ETF is entitled to rely on exemptive relief from the securities regulatory authorities to permit a Unitholder of that ETF to acquire more than 20% of the Units of that ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation.

### **EXCHANGE AND REDEMPTION OF UNITS**

#### *Exchange of Units at Net Asset Value per Unit for Baskets of Securities and/or Cash*

Unitholders of an ETF may, at the discretion of the Manager, exchange the applicable PNU (or a whole multiple thereof) of the ETF on any Trading Day for Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. To effect an exchange of Units of an ETF, a Unitholder must submit an exchange request in the form prescribed by the ETF from time to time to the Manager at its office by the Exchange/Redemption Deadline on a Trading Day. The exchange price will be equal to the net asset value of each PNU tendered for exchange on the effective day of the exchange request, payable by delivery of a Basket of Securities (constituted as most recently published prior to the receipt of the exchange request) and/or cash. The Units will be redeemed in the exchange. The Manager will also make available to the Designated Broker and to Dealers the applicable PNU to redeem Units of an ETF on each Trading Day. On the exchange of Units, the Manager may, at its discretion, charge an administrative charge to a Designated Broker or a Dealer. See “Fees and Expenses”.

If an exchange request is not received by the Exchange/Redemption Deadline on a Trading Day, the exchange order will be effective only on the next Trading Day. Settlement of exchanges for Baskets of Securities and/or cash will generally be made by the second Trading Day after the effective day of the exchange request.

If securities of any Listed Fund, Leveraged ETF or other issuers in which an ETF has invested are cease-traded at any time by order of a securities regulatory authority, the delivery of Baskets of Securities to a Unitholder, Dealer or Designated Broker on an exchange in the PNU may be postponed until such time as the transfer of the Baskets of Securities is permitted by law.

As described under “Book-Entry Only System”, registration of interests in, and transfers of, Units will be made only through the book-entry only system of CDS. The redemption rights described below must be exercised through the CDS Participant(s) through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant(s) through which they hold such Units sufficiently in advance of the

cut-off times described below to allow such CDS Participant(s) to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

HSL has obtained exemptive relief from the securities regulatory authorities to permit borrowing up to a limit of 10% of its net asset value as a temporary measure to accommodate redemption requests.

On any Trading Day, Unitholders of an ETF may redeem:

- (i) Units of the ETF for cash at a redemption price per Unit equal to 95% of the closing price for Units of the ETF on the TSX on the effective day of the redemption, where the Units being redeemed are not equal to a PNU or a multiple PNU; or
- (ii) a PNU or a multiple PNU of the ETF for cash equal to the net asset value of that number of Units, less any applicable redemption charge as determined by the Manager in its sole discretion from time to time.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the Manager with respect to the applicable ETF at its head office by the Exchange/Redemption Deadline on that day. If a cash redemption request is not received by the Exchange/Redemption Deadline on a Trading Day, the cash redemption request will be effective only on the next Trading Day. Where possible, payment of the redemption price will be made no later than the second Trading Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or dealer. On the redemption of Units, the Manager may, at its discretion, charge an administrative charge to a Designated Broker or a Dealer. See "Fees and Expenses".

As Unitholders of an ETF will generally be able to sell their Units of the ETF at the market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions, Unitholders of the ETF are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash unless they are redeeming a PNU of the ETF.

Investors that redeem their Units of an ETF prior to the distribution record date for any distribution will not be entitled to receive that distribution.

In connection with the redemption of Units of an ETF, the ETF will generally dispose of securities or other financial instruments.

#### *Suspension of Exchanges and Redemptions*

The Manager may suspend the exchange or redemption of Units of an ETF or payment of redemption proceeds of an ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by the ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for the ETF; or (ii) with the prior permission of the securities regulatory authorities, where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the ETF or which impair the ability of CIBC Mellon Global, the valuation agent, to determine the value of the assets of the ETF. The suspension may apply to all requests for exchange or redemption received prior to the suspension for which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the exchange or redemption will be effected at a price determined on the first Valuation Day following the termination of the suspension. All such Unitholders shall have, and shall be advised that they have, the right to withdraw their requests for exchange or redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over an ETF, any declaration of suspension made by the Manager shall be conclusive.

### *Costs Associated with Redemptions*

The Manager may charge to Unitholders of an ETF, at its discretion, a redemption charge of up to 0.25% of their exchange or redemption proceeds. The Manager will publish the current redemption charge, if any, on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com).

### *Allocations of Income and Capital Gains to Redeeming Unitholders*

Pursuant to the Trust Declaration, an ETF may allocate and designate any income or capital gains realized by the ETF, as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units, to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any net income or net realized capital gains of the ETF to a Unitholder who has redeemed Units during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's net income and net realized capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such allocations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash or the value of the property that the Unitholder will receive in respect of the redemption.

Provided an ETF is a "mutual fund trust" for purposes of the Tax Act throughout the taxation year, such ETF is prohibited from deducting in the computation of the ETF's income, the portion of an amount paid to redeeming Unitholders of the ETF that is considered to be paid out of the income of the ETF. Moreover, under the ATR Rule, amounts of taxable capital gains so allocated and designated to redeeming Unitholders are only deductible to the ETFs to the extent of the redeeming Unitholders' pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the applicable ETF for the year. Such income (including any taxable capital gains) that is not deductible by an ETF under the ATR Rule may be made payable to non-redeeming Unitholders so that the ETF will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions to non-redeeming Unitholders of an ETF may be greater than would have been the case in the absence of the ATR Rule.

### **Book-Entry Only System**

Registration of interests in, and transfers of, Units of an ETF will be made only through the book-entry only system of CDS. Units of an ETF must be purchased, transferred and surrendered for redemption only through a CDS Participant. All rights of an owner of Units of an ETF must be exercised through, and all payments or other property to which such owner is entitled will be made or delivered by CDS or the CDS Participant(s) through which the owner holds such Units of the ETF. Upon buying Units of an ETF, the owner will receive only the customary confirmation. References in this prospectus to a holder of Units of an ETF means, unless the context otherwise requires, the owner of the beneficial interest of such Units.

Neither an ETF nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units of the ETF or the book entry accounts maintained by CDS; (ii) maintaining, supervising or reviewing any records relating to such beneficial ownership interests; or (iii) any advice or representation made or given by CDS and made or given with respect to the rules and regulations of CDS or any action taken by CDS or at the direction of the CDS Participants.

The ability of a beneficial owner of Units of an ETF to pledge such Units or otherwise take action with respect to such owner's interest in such Units (other than through a CDS Participant) may be limited due to the lack of a physical certificate.

An ETF has the option to terminate registration of Units of the ETF through the book-entry only system in which case certificates for Units of the ETF in fully registered form will be issued to beneficial owners of such Units or to their nominees.

### **Short-Term Trading**

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the ETFs at this time as: (i) the ETFs are exchange traded funds that are primarily traded in the secondary market; and (ii) the few

transactions involving Units of the ETFs that do not occur on the secondary market involve the Designated Broker and Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a redemption charge.

## PRIOR SALES

### Trading Price and Volume

The following charts provide the price ranges and volume of Units traded on the TSX for each of the ETFs during the 12 months that preceded the date of this prospectus.

#### HAL

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	20.96 - 22.13	207,308
May 2022	20.26 - 21.79	189,916
June 2022	19.13 - 22.04	128,392
July 2022	18.78 - 20.64	82,751
August 2022	20.05 - 20.96	88,375
September 2022	18.82 - 20.88	102,921
October 2022	18.90 - 19.96	217,281
November 2022	19.90 - 20.97	278,435
December 2022	19.55 - 20.91	185,300
January 2023	19.18 - 20.43	212,242
February 2023	19.74 - 20.33	210,629
March 2023	18.86 - 20.16	201,433
April 2023	19.48 - 19.93	106,946

#### HAZ

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	27.44 - 28.59	59,954
May 2022	26.23 - 28.05	116,245
June 2022	25.07 - 27.31	75,207
July 2022	25.48 - 26.87	15,281
August 2022	26.20 - 27.58	54,722
September 2022	24.97 - 26.81	34,375
October 2022	24.80 - 26.62	24,648
November 2022	25.98 - 28.06	122,831
December 2022	26.84 - 28.26	128,637
January 2023	26.66 - 27.47	101,779
February 2023	27.26 - 27.64	117,598
March 2023	27.09 - 27.82	51,597
April 2023	27.93 - 28.92	43,417

#### HAB

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	9.80 - 10.19	820,842
May 2022	9.75 - 9.93	262,555
June 2022	9.47 - 9.79	176,972
July 2022	9.60 - 9.93	127,567
August 2022	9.63 - 9.92	143,475
September 2022	9.50 - 9.70	300,639
October 2022	9.26 - 9.54	356,229
November 2022	9.24 - 9.66	387,666
December 2022	9.61 - 9.81	360,597
January 2023	9.55 - 9.90	149,328
February 2023	9.60 - 9.85	164,664

March 2023	9.59 - 9.90	111,368
April 2023	9.64 - 9.84	172,097

#### HPR

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	8.35 - 9.34	3,239,927
May 2022	8.47 - 8.92	2,390,281
June 2022	8.42 - 9.10	2,379,967
July 2022	8.09 - 8.40	1,744,607
August 2022	8.34 - 8.59	938,775
September 2022	7.80 - 8.42	1,130,079
October 2022	7.48 - 7.83	2,129,220
November 2022	7.44 - 7.65	2,859,861
December 2022	7.38 - 7.59	4,389,979
January 2023	7.43 - 8.07	2,777,724
February 2023	7.81 - 8.05	1,798,413
March 2023	7.43 - 7.86	1,830,154
April 2023	7.41 - 7.62	1,099,447

#### HUF.U

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	9.88 - 9.96	1,700
May 2022	9.82 - 9.91	20,500
June 2022	9.75 - 9.88	8,255
July 2022	9.75 - 9.85	12,860
August 2022	9.82 - 9.87	5,110
September 2022	9.73 - 9.85	49,755
October 2022	9.72 - 9.75	17,660
November 2022	9.69 - 9.84	20,670
December 2022	9.77 - 9.85	18,846
January 2023	9.82 - 9.90	11,930
February 2023	9.86 - 9.91	5,912
March 2023	9.84 - 9.98	40,375
April 2023	9.84 - 9.90	42,087

#### HFR

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	9.78 - 9.89	462,070
May 2022	9.76 - 9.81	364,852
June 2022	9.67 - 9.75	430,924
July 2022	9.69 - 9.76	386,838
August 2022	9.73 - 9.76	259,076
September 2022	9.67 - 9.74	290,590
October 2022	9.63 - 9.67	790,664
November 2022	9.61 - 9.71	859,339
December 2022	9.68 - 9.75	645,716
January 2023	9.69 - 9.80	593,044
February 2023	9.77 - 9.83	553,884
March 2023	9.71 - 9.84	567,551
April 2023	9.72 - 9.80	450,916

#### HYI

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	8.29 - 8.58	68,650
May 2022	8.03 - 8.35	175,545
June 2022	7.68 - 8.22	226,437

July 2022	7.64 - 8.03	305,981
August 2022	7.70 - 8.11	131,609
September 2022	7.45 - 7.84	222,071
October 2022	7.43 - 7.65	547,446
November 2022	7.46 - 7.67	259,655
December 2022	7.51 - 7.71	195,474
January 2023	7.55 - 7.75	590,536
February 2023	7.53 - 7.72	207,153
March 2023	7.46 - 7.66	181,555
April 2023	7.61 - 7.68	86,343

#### HAD

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	9.08 - 9.43	35,162
May 2022	8.91 - 9.13	11,545
June 2022	8.53 - 8.99	4,275
July 2022	8.76 - 9.19	2,657
August 2022	8.88 - 9.17	8,962
September 2022	8.73 - 8.93	13,441
October 2022	8.42 - 8.83	31,525
November 2022	8.48 - 8.98	18,014
December 2022	8.73 - 9.11	21,582
January 2023	8.77 - 9.13	16,090
February 2023	8.72 - 9.09	9,392
March 2023	8.68 - 9.14	3,207
April 2023	8.91 - 9.10	6,836

#### HYBR

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	8.57 - 9.49	121,875
May 2022	8.61 - 9.09	211,672
June 2022	8.62 - 9.23	73,925
July 2022	8.29 - 8.69	25,674
August 2022	8.54 - 8.79	37,549
September 2022	8.07 - 8.71	52,248
October 2022	7.76 - 8.08	58,774
November 2022	7.64 - 7.90	81,130
December 2022	7.59 - 7.85	208,162
January 2023	7.65 - 8.17	27,711
February 2023	8.04 - 8.20	46,762
March 2023	7.66 - 8.05	72,478
April 2023	7.63 - 7.83	61,412

#### HAF

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	7.12 - 7.35	8,188
May 2022	7.05 - 7.16	18,048
June 2022	6.88 - 7.10	15,917
July 2022	6.91 - 7.11	53,833
August 2022	6.97 - 7.16	12,939
September 2022	6.72 - 6.98	14,715
October 2022	6.63 - 6.80	14,723
November 2022	6.68 - 6.97	23,238
December 2022	6.92 - 7.06	15,014
January 2023	6.96 - 7.14	11,715
February 2023	6.89 - 7.13	124,152

March 2023	6.86 - 6.96	31,145
April 2023	6.94 - 7.01	96,792

#### HSL

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	9.18 - 9.24	7,902
May 2022	9.03 - 9.18	26,668
June 2022	8.92 - 9.12	12,609
July 2022	8.86 - 9.04	11,963
August 2022	9.01 - 9.11	5,610
September 2022	8.85 - 9.06	11,700
October 2022	8.83 - 8.98	7,617
November 2022	8.82 - 8.96	8,700
December 2022	8.91 - 8.97	53,484
January 2023	8.92 - 9.10	25,746
February 2023	8.99 - 9.09	17,200
March 2023	8.80 - 8.98	10,576
April 2023	8.86 - 8.94	12,749

#### HMP

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	9.41 - 9.49	94,283
May 2022	9.37 - 9.49	28,060
June 2022	9.24 - 9.40	14,905
July 2022	9.29 - 9.40	61,905
August 2022	9.22 - 9.43	49,450
September 2022	9.17 - 9.25	44,516
October 2022	9.08 - 9.27	62,667
November 2022	9.11 - 9.29	60,382
December 2022	9.19 - 9.37	68,326
January 2023	9.20 - 9.38	51,362
February 2023	9.21 - 9.35	153,265
March 2023	9.19 - 9.41	151,560
April 2023	9.25 - 9.38	71,944

#### HAEB

Month	Unit Price Range (\$)	Volume of Units Traded
April 2022	8.86 - 9.19	6
May 2022	8.77 - 8.89	705
June 2022	8.53 - 8.79	14
July 2022	8.62 - 8.89	0
August 2022	8.70 - 8.92	2,000
September 2022	8.32 - 8.71	0
October 2022	8.32 - 8.59	6
November 2022	8.33 - 8.70	663
December 2022	8.56 - 8.82	70
January 2023	8.59 - 8.85	9
February 2023	8.61 - 8.85	0
March 2023	8.58 - 8.88	3
April 2023	8.68 - 8.81	5

### INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units of an ETF by a Unitholder of the



ETF who acquires Units of the ETF pursuant to this prospectus. This summary only applies to a prospective Unitholder of an ETF who is an individual (other than a trust) resident in Canada for purposes of the Tax Act, who deals at arm's length with the ETF, the Designated Broker and the Dealers, who is not affiliated with the ETF, the Designated Broker or any Dealer, and who holds Units of the ETF as capital property, all within the meaning of the Tax Act (a "**Holder**").

Generally, Units of an ETF will be considered to be capital property of a Holder provided that the Holder does not hold such Units in the course of carrying on a business of buying and selling securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Assuming that an ETF is a "mutual fund trust" for purposes of the Tax Act, certain Holders who might not otherwise be considered to hold Units of the ETF as capital property may, in certain circumstances, be entitled to have such Units and all other "Canadian securities" owned or subsequently acquired by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary does not apply to a Holder who has entered or will enter into a "derivative forward agreement" within the meaning of the Tax Act with respect to Units.

This summary is based on the assumptions that each ETF will qualify at all times as a "unit trust" and will not be a "SIFT Trust" within the meaning of the Tax Act. Except as indicated otherwise, this summary is also based on the assumption that each ETF qualifies at all times as a "mutual fund trust" within the meaning of the Tax Act. For an ETF to qualify as a "mutual fund trust", among other things, it must comply on a continuous basis with certain requirements relating to the qualification of its Units for distribution to the public, the number of Unitholders of the ETF and the dispersal of ownership of its Units. Each of the ETFs offered pursuant to this prospectus (other than HAEB) has made an election in its first tax return so that it qualified under the Tax Act as a mutual fund trust from the commencement of its first taxation year. There can be no assurance that an ETF that so qualifies initially will maintain its status as a "mutual fund trust". **In the event an ETF were not to qualify as a mutual fund trust under the Tax Act at all times or were a SIFT Trust, the income tax consequences described below would, in some respects, be materially different than would be the case if it were a mutual fund trust.**

This summary is also based on the assumptions that (i) none of the issuers of the securities in the portfolio of an ETF will be foreign affiliates of the ETF or of any Unitholder, or "SIFT trusts" or "SIFT partnerships" within the meaning of the Tax Act (ii) none of the securities in the portfolio of an ETF will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act (iii) none of the securities in the portfolio of an ETF will be an offshore investment fund property (or an interest in a partnership that holds such property) that would require the ETF (or the partnership) to include significant amounts in income pursuant to section 94.1 of the Tax Act or an interest in a trust (or a partnership which holds such an interest) which would require the ETF (or the partnership) to report significant amounts of income in connection with such interest pursuant to the rules in section 94.2 of the Tax Act, or an interest in a non-resident trust other than an "exempt foreign trust" (or a partnership which holds such interest) and (iv) none of the ETFs will enter into any arrangement (including the acquisition of securities for an ETF's portfolio) where the result is a "dividend rental arrangement" for purposes of the Tax Act. This summary further assumes that each ETF will comply with its investment restrictions.

This summary is based on the facts disclosed herein, the current provisions of the Tax Act and an understanding of the current published administrative policies and assessing practices of the CRA made publicly available prior to the date hereof. This summary takes into account the Tax Amendments. This description is not exhaustive of all Canadian federal income tax consequences and does not take into account or anticipate changes in the law or administrative policy or assessing practice whether by legislative, governmental or judicial action other than the Tax Amendments in their present form, nor does it take into account provincial, territorial or foreign tax considerations which may differ significantly from those discussed herein. There can be no assurance that the Tax Amendments will be enacted in the form publicly announced, or at all.

For purposes of the Tax Act, all amounts relating to the acquisition, holding or disposition of Units of an ETF (including distributions) must be expressed in Canadian dollars using the appropriate rate of exchange determined in accordance with the detailed rules in the Tax Act in that regard. The amount of income, gains and losses realized by an ETF may be affected by fluctuations in the value of foreign currencies relative to the Canadian dollar.

**This summary is not exhaustive of all possible Canadian federal income tax considerations applicable to an investment in Units of an ETF. This summary does not address the deductibility of interest on any funds borrowed by a Unitholder to purchase Units of an ETF. The income and other tax consequences of investing in**

**Units will vary depending on an investor’s particular circumstances including the province or territory in which the investor resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed as, legal or tax advice to any holder of Units of an ETF. Prospective investors should consult their own tax advisors with respect to the income tax consequences to them of an acquisition of Units of an ETF based on their particular circumstances and they should review the tax risk factors set out above. Please see “Risk Factors – Tax Risk”.**

### **Status of the ETFs**

As noted above, this summary assumes (a) that each ETF will qualify at all times as a “unit trust” for purposes of the Tax Act, (b) that, except as indicated otherwise, each ETF qualifies and will continue to qualify at all times as a “mutual fund trust” for purposes of the Tax Act, and (c) that none of the ETFs is or will be a “SIFT trust” for purposes of the Tax Act. HAEB does not currently meet the requirements to qualify as a “mutual fund trust”.

Provided the Units of an ETF are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), or the ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, Units of that ETF will be qualified investments under the Tax Act for a trust governed by a RRSP, a RRIF, a RDSP, a DPSP, a RESP, a TFSA or an FHSA (“Plans”).

In the case of an exchange of Units for a Basket of Securities, the investor may receive securities that may or may not be qualified investments under the Tax Act for Plans or registered pension plans. If such securities are not qualified investments for Plans, such Plans (and, in the case of certain Plans, the annuitants, beneficiaries or subscribers thereunder or holders thereof) may be subject to adverse tax consequences. Investors should consult their own tax counsel for advice on whether or not such securities would be qualified investments for Plans or registered pension plans.

Units of an ETF are generally not prohibited investments for a “registered pension plan” under subsection 8514(1) of the regulations under the Tax Act unless that ETF is: (a) an employer who participates in the plan; (b) a person connected with such an employer for purposes of those rules; (c) a person or partnership that controls, directly or indirectly, in any manner whatsoever, such an employer or connected person; or (d) a person or partnership that does not deal at arm’s length with a member of the plan or with any person or partnership described in (a), (b) or (c) above.

### **Taxation of the ETFs**

Based on information provided by the Manager, each of the ETFs (other than HAEB) has elected to have a taxation year that ends on December 15 of each calendar year. An ETF that has not validly made such election will have a taxation year that ends on December 31 of each calendar year. An ETF must pay tax on its net income (including net realized taxable capital gains) for a taxation year, less the portion thereof that it deducts in respect of the amount paid or payable (or deemed to be paid or payable) to its Unitholders in the year. An amount will be considered to be paid or payable to a Unitholder of an ETF in a taxation year if it is paid to the Unitholder in that year by the ETF or if the Unitholder is entitled in that year to enforce payment of the amount. The Trust Declaration for the ETFs requires that sufficient amounts be paid or made payable each year so that no ETF is liable for any non-refundable income tax under Part I of the Tax Act.

With respect to indebtedness, an ETF is required to include in its income for each taxation year all interest that accrues (or is deemed to accrue) to it before the end of the year (or until disposition of the indebtedness in the year), or becomes receivable or is received by it before the end of the year including on a conversion, redemption or at maturity, except to the extent that such interest was included in computing its income for a preceding taxation year and excluding any interest that accrued prior to the time of the acquisition of the indebtedness by the ETF.

An ETF will also be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

In general, an ETF will realize a capital gain (or capital loss) upon the actual or deemed disposition of a security included in its portfolio, to the extent the proceeds of disposition net of any reasonable costs of disposition exceed (or

are less than) the adjusted cost base of such security, unless the ETF were considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities, or the ETF has acquired the security in a transaction or transactions considered to be an adventure or concern in the nature of trade. Each ETF generally takes the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. In addition, each ETF has made an election under subsection 39(4) of the Tax Act, if applicable, so that all securities held by the ETF that are “Canadian securities” (as defined in the Tax Act), including Canadian securities acquired in connection with a short sale, will be deemed to be capital property of the ETF. Such election will affect a disposition of securities if, at the time of such disposition, the ETF is a mutual fund trust for purposes of the Tax Act or is not (i) a financial institution for purposes of the “mark-to-market property” rules in the Tax Act, nor (ii) a trader or dealer in securities.

An ETF will be entitled, for each taxation year throughout which it is a mutual fund trust for purposes of the Tax Act, to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized capital gains by an amount determined under the Tax Act based on the redemptions of Units during the year (the “**Capital Gains Refund**”). The Capital Gains Refund in a particular taxation year may not completely offset the tax liability of the ETF for such taxation year which may arise upon the sale or other disposition of securities included in the portfolio in connection with the redemption of Units. HAEB is not currently a mutual fund trust and, as such, cannot make use of the Capital Gains Refund mechanism.

In general, gains and losses realized by an ETF from derivative transactions will be on income account except where such derivatives are used to hedge portfolio securities held on capital account provided the ETF is not a financial institution and there is sufficient linkage, subject to the DFA Rules discussed below, and will be recognized for tax purposes at the time they are realized by the ETF in accordance with the CRA’s published administrative practice. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the portfolio of an ETF will constitute capital gains and capital losses to the ETF if the securities in the ETF’s portfolio are capital property to the ETF and provided the ETF is not a financial institution and there is sufficient linkage. The Tax Act includes rules which clarify that the DFA Rules generally should not apply to such foreign currency hedges.

The Tax Act contains rules (the “**DFA Rules**”) that target certain financial arrangements (referred to as “derivative forward agreements”) that seek to reduce tax by converting, through the use of derivative contracts, the return on an investment that would otherwise have the character of ordinary income to a capital gain. The DFA Rules are broadly drafted and could apply to other agreements or transactions. If the DFA Rules were to apply to derivatives used by an ETF, returns realized in respect of the property underlying such derivatives would be treated as ordinary income or losses rather than capital gains and capital losses. Any gain or loss on the short sale of securities by an ETF will be treated and reported for purposes of the Tax Act on income account, unless the short sale is in respect of securities that are “Canadian securities” for purposes of the Tax Act and the ETF has validly made an election under subsection 39(4) of the Tax Act.

To the extent an ETF holds trust units issued by a trust resident in Canada that is not at any time in the relevant taxation year a “SIFT trust” and held as capital property for purposes of the Tax Act, the ETF will be required to include in the calculation of its income the net income, including net taxable capital gains, paid or payable to the ETF by such trust in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, generally net taxable capital gains realized by the trust, foreign source income of the trust and taxable dividends from taxable Canadian corporations received by the trust that are paid or payable by the trust to the ETF will effectively retain their character in the hands of the ETF. The ETF will be required to reduce the adjusted cost base of units of such trust by any amount paid or payable by the trust to the ETF except to the extent that the amount was included in calculating the income of the ETF or was the ETF’s share of the non-taxable portion of capital gains of the trust, the taxable portion of which was designated in respect of the ETF. If the adjusted cost base to the ETF of such units becomes a negative amount at any time in a taxation year of the ETF, that negative amount will be deemed to be a capital gain realized by the ETF in that taxation year and the ETF’s adjusted cost base of such units will be increased by the amount of such deemed capital gain to zero.

Where an ETF holds interests in an issuer structured as a trust that is not resident in Canada, an ETF will be required to include in the calculation of its income for a taxation year the net income for Canadian federal income tax purposes, including net taxable capital gains, paid or payable to the ETF by the issuer in the year, notwithstanding that certain of such amounts may be reinvested in additional units of the issuer. Provided the units of the issuer are held by the

ETF as capital property for purposes of the Tax Act, the ETF will be required to reduce the adjusted cost base of units of the issuer by an amount paid or payable by the issuer to the ETF, except to the extent that the amount was included in calculating the income of the ETF. If the adjusted cost base to the ETF of such units becomes a negative amount at any time in a taxation year of the ETF, that negative amount will be deemed to be a capital gain realized by the ETF in that taxation year and the ETF's adjusted cost base of such units will be reset to zero.

With respect to an issuer that is a limited partnership the securities of which are included in an ETF's portfolio and held as capital property for the purposes of the Tax Act, and that is not subject in a taxation year to the tax under the rules in the Tax Act applicable to SIFT trusts and SIFT partnerships, the ETF is required to include or, subject to certain restrictions, is entitled to deduct, in computing its income, its share of the net income or loss for tax purposes of the issuer allocated to the ETF for the fiscal period of the issuer ending in the ETF's taxation year, whether or not a distribution is received. In general, the adjusted cost base of such securities is the cost of such securities to the ETF plus the share of the income and capital gains of the issuer allocated to the ETF for fiscal years of the issuer ending before the particular time less the share of losses and capital losses of the issuer allocated to the ETF for fiscal years of the issuer ending before the particular time, and less the ETF's share of any distributions received from the issuer before the particular time. If the adjusted cost base to the ETF of the securities of such an issuer would otherwise be less than zero at the end of the fiscal year of the limited partnership, the negative amount is deemed to be a capital gain realized by the ETF and the ETF's adjusted cost base of such securities will be reset to zero.

A loss realized by an ETF on a disposition of capital property will be a suspended loss for purposes of the Tax Act if the ETF, or a person affiliated with the ETF, acquires a property (a "**substituted property**") that is the same as or identical to the property disposed of, within 30 days before and 30 days after the disposition and the ETF, or a person affiliated with the ETF, owns the substituted property 30 days after the original disposition. If a loss is suspended, the ETF cannot deduct the loss from the ETF's capital gains until the substituted property is sold and is not reacquired within 30 days before and after the sale.

An ETF may derive income or gains from investments in countries other than Canada, and as a result, may be liable to pay income or profits tax to such countries. To the extent that any such foreign tax paid by an ETF exceeds 15% of the amount included in the ETF's income from such investments, such excess may generally be deducted by the ETF in computing its net income for the purposes of the Tax Act. To the extent that any such foreign tax paid does not exceed 15% of the amount included in an ETF's income from such investments and has not been deducted in computing the ETF's income, the ETF may designate, in respect of a Unitholder, a portion of its foreign source income which can reasonably be considered to be part of the ETF's income distributed to such Unitholder so that such income, and a portion of the foreign tax paid by the ETF, may be regarded as foreign source income of, and foreign tax paid by, the Unitholder for the purposes of the foreign tax credit provisions of the Tax Act.

In computing its income under the Tax Act, an ETF may deduct reasonable administrative and other expenses incurred to earn income from property or a business. An ETF may not deduct interest on borrowed funds that are used to fund redemptions of its Units. An ETF is entitled to deduct an amount equal to the reasonable expenses that it incurs in the course of issuing Units of the ETF that is not reimbursed. Such issue expenses will be deductible by the ETF ratably over a five-year period subject to reduction in any taxation year which is less than three hundred and sixty-five (365) days.

An ETF will be required to compute all amounts in Canadian dollars for purposes of the Tax Act in accordance with the detailed rules in the Tax Act in that regard and accordingly may realize gains or losses by virtue of the fluctuation in the value of the foreign currencies relative to Canadian dollars.

Losses incurred by an ETF in a taxation year cannot be allocated to Unitholders of such ETF, but may be deducted by the ETF in future years in accordance with the Tax Act.

The Tax Act provides for a special tax on the designated income of certain trusts (other than a trust that was throughout the year a mutual fund trust) that have designated beneficiaries. The Manager intends to monitor the activities of any ETF that does not qualify as a mutual fund trust so as to ensure that such ETF does not earn any designated income for purposes of the Tax Act. On this basis, it is anticipated that the ETFs will not have any material liability with respect to this special tax. However, if an ETF is considered to be carrying on business in respect of any of its investing activities, the income related hereto may be designated income and may be subject to the above-noted special tax.

If an ETF does not qualify as a mutual fund trust under the Tax Act and more than 50% of the fair market value of all interests in the ETF are held by holders that are “financial institutions”, as such term is defined for purposes of the “mark-to-market property” rules in the Tax Act, the ETF will be a “financial institution” for purposes of these rules. If an ETF is a “financial institution” for purposes of the “mark-to-market property” rules in the Tax Act, among other things, gains and losses of such ETF on property that is “mark-to-market property” for purposes of these rules will be fully included in or deducted from income on an annual mark-to-market basis.

A trust that becomes or ceases to be a financial institution for the above purposes will be deemed to have a year-end for tax purposes at such time, and will be deemed to have disposed of certain properties at their fair market value and to have reacquired them immediately thereafter. A deemed taxation year-end would result in an unscheduled distribution of the ETF’s net income and net realized capital gains, if any, at such time to Unitholders so that the ETF is not liable for income tax on such amounts under Part I of the Tax Act.

As of the date hereof, HAEB is a financial institution for purposes of the Tax Act, but it will cease to be a financial institution if and when not more than 50% of its Units are held by one or more financial institutions or it becomes a mutual fund trust. The Manager has advised counsel that it intends to monitor the status of HAEB with a view to identifying any deemed taxation year-ends and allocating its net income and realized taxable capital gains for such taxation years to Unitholders, such that no non-refundable income tax should be payable by HAEB in respect of such deemed taxation year-ends. However, there can be no assurances in this regard.

In addition, if an ETF does not qualify as a mutual fund trust under the Tax Act throughout a taxation year, among other things, (a) the ETF may be liable to pay an alternative minimum tax under the Tax Act, and (b) it may be subject to the “anti-straddle” rules which would defer the ability to claim certain losses.

#### **Taxation of Holders**

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of an ETF, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in that year, including any Management Fee Distributions, (whether paid in cash or in Units or automatically reinvested in additional Units of the ETF). In the case of an ETF that has validly elected to have a taxation year that ends on December 15 of each calendar year, amounts paid or payable by the ETF to a Holder after December 15 and before the end of the calendar year are deemed to have been paid or become payable to the Holder on December 15.

The non-taxable portion of an ETF’s net realized capital gains, the taxable portion of which was designated in respect of a Holder for a taxation year, that is paid or becomes payable to the Holder in that taxation year will not be included in computing the Holder’s income for the year. Any other amount in excess of a Holder’s share of the net income of an ETF for a taxation year that is paid or becomes payable to the Holder in the year (i.e. returns of capital) will not generally be included in the Holder’s income for the year, but will reduce the adjusted cost base of the Holder’s Units of the ETF. To the extent that the adjusted cost base of a Unit of an ETF would become a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be reset to zero.

Provided that appropriate designations are made by an ETF, such portion of the net realized taxable capital gains of the ETF, the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations, the foreign source income of the ETF as is paid or becomes payable to a Holder and the relevant portion of foreign taxes paid or deemed to be paid by the ETF, if any, will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. A Holder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply.

Any loss of an ETF for purposes of the Tax Act cannot be allocated to, and cannot be treated as a loss of, a Holder.

Under the Tax Act, an ETF is permitted to deduct, in computing its income for a taxation year, an amount that is less than the amount of its distributions of income and net taxable capital gains for the year, to the extent necessary to

enable the ETF to use, in the taxation year, losses from prior years without affecting the ability of the ETF to distribute its income and net taxable capital gains annually. In such circumstances, the amount distributed to a Holder of an ETF, but not deducted by the ETF, will not be included in the Holder's income. However, the adjusted cost base of a Holder's Units in the ETF will be reduced by such amount.

On the disposition or deemed disposition of a Unit of an ETF, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the ETF on a redemption which represents income or capital gains allocated and designated to the redeeming Holder), net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of the Unit of the ETF. For the purpose of determining the adjusted cost base of a particular class of a Holder's Units of an ETF, when additional Units of that class of the ETF are acquired by the Holder, the cost of the newly acquired Units of the ETF will be averaged with the adjusted cost base of all Units of the same class of the ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of an ETF that have been issued on a distribution or issued on a reinvested distribution will generally be equal to the amount of the distribution. A consolidation of Units of an ETF as described under "Distribution Policy" following a distribution paid in the form of additional Units of the ETF or a reinvested distribution will not be regarded as a disposition of Units of the ETF and will not affect the aggregate adjusted cost base to a Holder. Any additional Units acquired by a Holder on the reinvestment of distributions will generally have a cost equal to the amount reinvested. If a Holder participates in the Reinvestment Plan and the Holder acquires a Unit from an ETF at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Holder must include the difference in income and that the cost of the Unit will be correspondingly increased.

In the case of an exchange of Units for a Basket of Securities, a Holder's proceeds of disposition of Units would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received. The cost to a Holder of any property received from an ETF upon the exchange will generally be equal to the fair market value of such property at the time of the distribution.

Pursuant to the Trust Declaration, an ETF may allocate and designate any income or capital gains realized by the ETF, as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units, to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any net income or net realized capital gains of the ETF to a Unitholder who has redeemed Units of the ETF during a year in an amount equal to the Unitholder's share, at the time of redemption, of the ETF's net income and net realized capital gains for the year or such other amount that is determined by the ETF to be reasonable. Any such allocations will reduce the redemption price otherwise payable to the redeeming Unitholder, but, for greater certainty, will not reduce the amount of cash of the value of property that the Unitholder will receive in respect of the redemption.

Provided an ETF is a "mutual fund trust" for purposes of the Tax Act throughout the taxation year, such ETF is prohibited from deducting in the computation of the ETF's income, the portion of an amount paid to redeeming Unitholders of the ETF that is considered to be paid out of the income of the ETF. Moreover, under the ATR Rule, amounts of taxable capital gains so allocated and designated to redeeming Unitholders are only deductible to the ETFs to the extent of the redeeming Unitholders' pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the applicable ETF for the year. Such income (including any taxable capital gains) that is not deductible by an ETF under the ATR Rule may be made payable to non-redeeming Unitholders so that the ETF will not be liable for non-refundable income tax thereon. Accordingly, the amounts and taxable component of distributions to non-redeeming Unitholders of an ETF may be greater than would have been the case in the absence of the ATR Rule.

In general, one-half of any capital gain (a "**taxable capital gain**") realized by a Holder on the disposition of Units of an ETF, or designated by the ETF in respect of the Holder, in a taxation year will be included in computing the Holder's income for that year and one-half of any capital loss (an "**allowable capital loss**") realized by the Holder in a taxation year generally must be deducted from taxable capital gains realized by the Holder, or designated by the ETF in respect of the Holder, in accordance with the detailed provisions of the Tax Act. Allowable capital losses for a taxation year in excess of taxable capital gains for that taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year against taxable capital gains in accordance with the provisions of the Tax Act.

A Holder will be required to compute all amounts, including distributions, adjusted cost base of Units of the applicable ETF and proceeds of disposition, in Canadian dollars for purposes of the Tax Act in accordance with the detailed rules in the Tax Act in that regard and may as a result realize foreign exchange gains or losses.

Amounts designated by an ETF to a Holder of the ETF as taxable capital gains or dividends from taxable Canadian corporations and taxable capital gains realized on the disposition of Units of an ETF may increase the Holder's liability, if any, for alternative minimum tax.

### **Taxation of Registered Plans**

Distributions received by Plans on Units of an ETF while the Units are a qualified investment for such Plans will be exempt from income tax in the Plan, as will capital gains realized by the Plan on the disposition of such Units. Withdrawals from Plans (other than a TFSA and certain withdrawals from a RESP, RDSP or FHSA) are generally subject to tax under the Tax Act. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan.

If Units are "prohibited investments" for a TFSA, RRSP, RRIF, RESP, RDSP or FHSA, a Unitholder who holds Units in such TFSA, RRSP, RRIF, RESP, RDSP or FHSA will be subject to an additional tax as set out in the Tax Act. A "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, subscriber or annuitant, or in which the holder, subscriber or annuitant has a significant interest. A significant interest, in general terms, means the ownership of 10% or more of the fair market value of an ETF's outstanding Units by the holder, subscriber or annuitant, either alone or together with persons and partnerships with whom the holder, subscriber or annuitant does not deal at arm's length. In addition, the Units of an ETF will not be a prohibited investment if such Units are "excluded property" as defined in the Tax Act for trusts governed by a TFSA, RRSP, RRIF, RESP, RDSP or FHSA. Unitholders are advised to consult their own tax advisors with respect to the application of the prohibited investment rules in their particular circumstances.

### **Tax Implications of each ETF's Distribution Policy**

The net asset value per Unit of an ETF will, in part, reflect any income and gains of the ETF that have accrued or been realized, but have not been made payable at the time Units of the ETF were acquired by a Holder. Accordingly, a Holder of an ETF who acquires Units of the ETF, including on a reinvestment of distributions or a distribution of Units, may become taxable on the Holder's share of such income and gains of the ETF. In particular, an investor who acquires Units of an ETF at any time in the year prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution), regardless of the fact that such amounts may have been reflected in the price paid by the Holder for the Units. Further, in the case of an ETF that has validly elected to have a December 15 taxation year-end, where a Holder acquires Units in a calendar year after December 15 of such year, such Holder may become taxable on income earned or capital gains realized in the taxation year ending on December 15 of such calendar year but that had not been made payable before the Units were acquired.

## **ORGANIZATION AND MANAGEMENT DETAILS OF THE ETFs**

### **Manager of the ETFs**

Horizons is the manager, investment manager and trustee of the ETFs and its principal office is at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. The Manager is an innovative financial services company and was primarily organized for the purpose of managing investment products, including exchange traded funds.

Horizons is an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a subsidiary of Mirae Asset.

Mirae Asset is the asset management entity of the Mirae Asset Financial Group, a global financial group providing comprehensive services to clients worldwide – including asset management, wealth management, investment banking, life insurance and venture capital. With over 12,500 employees, the Mirae Asset Financial Group has a presence in America, Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Indonesia, Japan, Mongolia, Singapore, the

United Kingdom and Vietnam. Headquartered in Seoul, South Korea, the Mirae Asset Financial Group is one of the largest independent financial groups in Asia and manages approximately US\$482 billion in assets globally as of September 30, 2022.

The Manager will perform or arrange for the performance of management services for the ETFs, is responsible for the administration of the ETFs and will retain the Investment Manager pursuant to the Trust Declaration. The Manager will be entitled to receive fees as compensation for management services rendered to the ETFs.

### Officers and Directors of the Manager

The name, municipality of residence, office and principal occupation of the executive officers and directors of the Manager are as follows:

<b>Name and Municipality of Residence</b>	<b>Date Individual became a Director</b>	<b>Position with Manager</b>	<b>Principal Occupation</b>
Rohit Mehta Toronto, Ontario	May 1, 2023	Director, President, Chief Executive Officer and Ultimate Designated Person ( <i>subject to pending regulatory approval</i> )	Director, President, Chief Executive Officer and Ultimate Designated Person, Horizons (since May, 2023); Senior Vice President, Head of Distribution, Guardian Retail Asset Management, Guardian Capital LP (2020-2023); Executive Vice-President, Head of Marketing, Product and Data Analytics, CI Financial Corp. (2017-2020) President, First Asset Investment Management Inc. (2017-2020)
Thomas Park, New York, New York	November 14, 2011	Director and Chief Corporate Development Officer	Director, Horizons (since 2011); Chief Corporate Development Officer, Horizons (since 2015); President, Mirae Asset Global Investments (USA) (Since 2020); Executive Managing Director, Mirae Asset Global Investments (2008-2020); Associate, Goldman Sachs International (2006, 2007-2008); Senior Consultant, KPMG Consulting (Bearing Point) (2001-2005).
Young Kim, Seoul, South Korea	December 1, 2021	Director	Director, Horizons (since 2021); Managing Director, Head of Global Business, Mirae Asset Global Investments (since 2017).
Jooyoung Yun, Tokyo, Japan	February 20, 2020	Director	CIO and Head of Investment Solutions Department, Global X Japan (since 2020); Head of ETF Management Division, Mirae Asset Global Investments (2011-2020).
Julie Stajan, Oakville, Ontario	N/A	Chief Financial Officer	Chief Financial Officer, Horizons (since 2015); Senior Vice President, Finance and Controller, Horizons (since 2012); Senior Vice President, Finance & Investment Funds, Horizons Investment Management Inc. (2011-2012).



<b>Name and Municipality of Residence</b>	<b>Date Individual became a Director</b>	<b>Position with Manager</b>	<b>Principal Occupation</b>
Jasmit Bhandal Toronto, Ontario	November 22, 2022	Director and Chief Operating Officer	Chief Operating Officer, Horizons (since 2020); Interim President and Chief Executive Officer, Horizons (2022-2023); Vice-President, Head of Canada ETF Product Strategy & Development, Invesco Canada (2017-2020); Vice-President, ETFs, Mackenzie Investments (2015-2016).
Jeff Lucyk, Toronto, Ontario	N/A	Senior Vice President, Head of Retail Sales	Senior Vice President, Head of Retail Sales, Horizons (since 2016); Senior Vice President, Vice President, National Sales Manager, Norrep Capital Management Ltd. (2009-2016).
McGregor Sainsbury, Toronto, Ontario	N/A	General Counsel, Secretary and Chief Compliance Officer	General Counsel, Secretary and Chief Compliance Officer, Horizons (since 2011).

Where a person has held multiple positions within a company, the above table sets out only the current or most recently held position or positions held at that company, and the start dates refer to the date of the first position held or the first of the listed positions held by the person at that company. Each director will hold his or her position until the next annual general meeting of the Manager at which time he/she may be re-elected.

#### **Duties and Services to be Provided by the Manager**

Pursuant to each Trust Declaration, the Manager has full authority and responsibility to manage and direct the business and affairs of the ETFs, to make all decisions regarding the business of the ETFs and to bind the ETFs. The Manager may delegate certain of its powers to third parties where, in the discretion of the Manager, it would be in the best interests of the ETFs to do so.

The Manager is entitled to the Management Fee in consideration of the services it provides to an ETF. Such services include, but are not limited to: negotiating contracts with certain third-party service providers, including, but not limited to, portfolio managers, custodians, registrars, transfer agents, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETFs; arranging for the maintenance of accounting records for the ETFs; preparing the reports to Unitholders and to the applicable Securities Regulatory Authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that an ETF complies with all other regulatory requirements, including the continuous disclosure obligations of the ETF under applicable securities laws; administering purchases, redemptions and other transactions in Units of an ETF; arranging for any payments required upon termination of an ETF; and dealing and communicating with Unitholders of the ETFs. The Manager provides office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The Manager also monitors the investment strategies of the ETFs to ensure that each ETF complies with its investment objectives, investment strategies and investment restrictions and practices.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders of the ETFs, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Manager will not be liable to an ETF,

any Unitholder of the ETF or any other person for any loss or damage relating to any matter regarding the ETF, including any loss or diminution of value of the assets of the ETF, if it has satisfied its standard of care set forth above.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of an ETF from, and against, all claims whatsoever, including costs, charges and expenses in connection therewith, brought, commenced or prosecuted against it for, or in respect of, any act, deed, matter or thing whatsoever made, done or omitted in, or in relation to, the execution of its duties to the ETF as long as the person acted honestly and in good faith with a view to the best interests of the ETF.

The Manager may resign as manager of the ETFs upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation. As compensation for the management services it provides to an ETF, the Manager is entitled, under the Trust Declaration, to receive a Management Fee from the ETF and will be reimbursed for all reasonable costs and expenses incurred on behalf of the ETFs. See "Fees and Expenses".

The Manager may, in its discretion, terminate an ETF without the approval of Unitholders if, in its opinion, it is no longer economically feasible to continue the ETF and/or it would otherwise be in the best interests of Unitholders to terminate the ETF.

The administration and management services of the Manager under the Trust Declaration are not exclusive and nothing in the Trust Declaration prevents the Manager from providing similar administrative and management services to other investment funds and other clients (whether or not their investment objectives and policies are similar to those of the ETFs) or from engaging in other activities.

## **Portfolio Management**

### *Certain Officers of the Manager*

The Manager also serves as the investment manager to the ETFs. The Manager operates as a portfolio manager under the *Securities Act* (Ontario) and in certain other provinces pursuant to applicable legislation. The Manager also operates as a commodity trading manager under the *Commodity Futures Act* (Ontario). The principal office of the Manager is at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. The Manager provides investment advisory and portfolio management services to the ETFs in its capacity as investment manager.

The name, title and length of service of the employees of the Manager principally responsible for providing investment advice to the ETFs is as follows:

<b>Name and Municipality of Residence</b>	<b>Position with the Manager</b>	<b>Principal Occupation</b>
Andrew Albrecht	Senior Investment Operations Analyst & Portfolio Manager	Senior Investment Operations Analyst & Portfolio Manager, Horizons
Alek Riley	ETF Product Specialist & Associate Portfolio Manager	ETF Product Specialist & Associate Portfolio Manager, Horizons

Where a person has held multiple positions within a company, the above table generally sets out only the current or most recently held position or positions held at that company, and the start dates generally refer to the date of the first position held or the first of the listed positions held by the person at that company.

## **The Sub-Advisors**

The Investment Manager is permitted to engage the services of portfolio sub-advisors in connection with any investment advice and/or portfolio management services required by the ETFs. In connection with the following ETFs, the Investment Manager has engaged the services of sub-advisors for each ETF, as described below:

<b>ETF</b>	<b>Sub-Advisor</b>
HAL	Guardian Capital
HAZ	Guardian Capital
HAB	Fiera
HUF.U	Fiera
HPR	Fiera
HFR	Fiera
HYI	DMAT
HAD	Fiera
HYBR	Fiera
HAF	Fiera
HSL	DMAT
HMP	Fiera
HAEB	Fiera

#### *Guardian Capital*

Guardian Capital is a limited partnership established under the laws of Ontario with its head office in Toronto, Ontario. Guardian Capital is a wholly owned subsidiary of Guardian Capital Group Limited, a publicly listed company that trades on the Toronto Stock Exchange and the successor to its original investment management business, which was founded in 1962. As of December 31, 2022, the Guardian Capital Group of companies had \$45.8<sup>1</sup> billion in assets under management.

#### *Key Employees of Guardian Capital*

Srikanth G. Iyer, MBA: Managing Director – Head of i<sup>3</sup> Investments™

Srikanth (Sri) Iyer is Lead Portfolio Manager and Managing Director, Head of i<sup>3</sup> Investments™ for Guardian Capital LP. He joined Guardian in 2001 to lead the development and implementation of Guardian Capital's proprietary systematic strategies. Subsequently, this led to the creation of the i<sup>3</sup> Investments™ team. He brings over 25 years of experience managing quantitative investments and risk management to guide the overall development and implementation of systematic strategies for the firm. Sri graduated from the University of Bombay (1989) with a Bachelor of Commerce and earned the Chartered Cost and Works Accountant (India) designation. He received an MBA in Applied Finance and Statistics from Rutgers Graduate School of Management.

Fiona Wilson, MBA, CFA: Senior Portfolio Manager – i<sup>3</sup> Investments™

Fiona joined Guardian Capital LP's i<sup>3</sup> Investments™ team in 2011. As a Senior Portfolio Manager, Fiona brings over 25 years of global experience. Her responsibilities include portfolio and risk management for the suite dividend mandates. Fiona has co-managed the global, US and Canadian dividend strategy since 2011. Fiona entered the financial services industry in 1989, when she joined CIBC as an options trader. Fiona graduated from the University

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<sup>1</sup> Assets include assets from Guardian Capital LP and its subsidiaries, GuardCap Asset Management Limited, Alta Capital Management, L.L.C. and Agincourt Capital Management, LLC.

of Western Ontario with a BA, and obtained an Honours Bachelor of Commerce and MBA from the University of Windsor. She is a CFA® Charterholder.

Adam Cilio, MMF, CFA, FRM: Senior Portfolio Manager and Engineer – i<sup>3</sup> Investments™

Adam joined Guardian Capital LP's i<sup>3</sup> Investments™ team in 2008. Adam has over 15 years of experience in portfolio engineering and data science. As a Senior Portfolio Manager and Engineer, his responsibilities include portfolio and risk management for the suite of growth mandates. Adam has co-managed the global, US and International quality growth strategies since 2016. Adam is responsible for the integrity of the statistical, machine learning and AI models. Adam graduated from the University of Toronto with a Bachelor of Applied Science (Industrial Engineering) and earned a Master's degree (Mathematical Finance). He is a CFA® Charterholder and Financial Risk Manager.

### *Fiera*

Fiera is a leading independent asset management firm with approximately \$158.5 billion as at December 31, 2022. The head office of Fiera is located at 1981 McGill College Avenue, Suite 1500, Montréal, Québec and its registered office is located at 200 Bay Street, Suite 3800 South Tower, Toronto, Ontario. Fiera is registered in the categories of portfolio manager and exempt market dealer in all provinces and territories of Canada. Fiera is also registered in the category of investment fund manager in the Provinces of Ontario, Québec and Newfoundland and Labrador. In addition, Fiera is registered in Québec as a derivatives portfolio manager pursuant to the Derivatives Act (Québec), and in Ontario as a commodity trading manager pursuant to the Commodity Futures Act (Ontario). Fiera offers multi-style investment solutions through diversified investment strategies to institutional investors, private wealth clients and financial intermediaries.

### *Key Employees of Fiera*

#### HAD

Charles Lefebvre, Senior Portfolio Manager, is the lead of the Active and Strategic Fixed Income team. Mr. Lefebvre has more than 28 years of industry experience and has held a variety of portfolio management roles focused primarily on the fixed income space, most recently serving as Chief Investment Officer at a competitor. Mr. Lefebvre obtained his Chartered Financial Analyst designation in 2001. He is a 1992 graduate of the Bachelor of Actuarial Studies from Université Laval.

#### HAF

Lead management responsibility for HAF, currently resides with the Active and Strategic Fixed Income Team. The strategy is managed by Nicolas Vaugeois and Alexandre Cousineau.

Nicolas Vaugeois, Portfolio Manager, Fixed Income. Nicolas Vaugeois is a member of the Active and Strategic Fixed Income Team. In his role, he is involved in the management of the Fiera Global Multi-Sector Income Fund, global fixed income strategies and participates in the management and analysis of various fixed income strategies of the Active and Strategic Fixed Income Team. Mr. Vaugeois has more than 11 years of experience in the investment management industry and joined the firm in 2013. Prior to his current role, he was Assistant Portfolio Manager, Non-Traditional Income. Mr. Vaugeois graduated from HEC Montréal with a Bachelor of Business Administration (BBA) majoring in Finance and holds a Master's in Finance (M.Sc.) from HEC Montréal. He obtained the Chartered Financial Analyst (CFA) designation.

Alexandre Cousineau, Portfolio Manager, Fixed Income. Alexandre Cousineau is a member of the Active and Strategic Fixed Income Team. In his role, he is involved in the management of infrastructure debt strategies, co-lead the management of the Fiera Global Multi-Sector Income Fund and participates in the management and analysis of various fixed income strategies of the Active and Strategic Fixed Income Team. Prior to joining Fiera in 2014, Mr. Cousineau worked as an analyst for one of Canada's largest public pension plans. Mr. Cousineau graduated from Université de Montréal with a Bachelor of Actuarial Mathematics (B.Sc.) as well as a Master's in Financial Engineering (M.Sc.) from HEC Montréal.

## HPR, HYBR

Lead management responsibility for HPR and HYBR currently resides with the Fiera IFI team (Integrated Fixed Income). The IFI Team preferred strategies is managed by Nicolas Normandeau with the support of the 2 senior portfolio managers, 1 associate portfolio manager and 2 credit analysts of the IFI Team. Current IFI Team members supporting Nicolas Normandeau are portfolio managers Philippe Ouellette, Jeff Seaver, associate portfolio manager Jasper Beerepoot, senior analyst Charles Grenier and analyst Patrick Szydlowski.

Nicolas Normandeau, Portfolio Manager, Fixed Income. Nicolas Normandeau is a member of the Integrated Fixed Income team and is a portfolio manager for the Integrated Fixed Income strategies, including the team's Preferred Shares portfolios. Mr. Normandeau has 18 years of industry experience and has been with the firm and a predecessor since 2009. Prior experiences include positions as Wealth Management Analyst for a leading Canadian financial institution and a consulting firm. Mr. Normandeau graduated from the Université de Sherbrooke with a Bachelor of Business Administration (BBA), majoring in Finance. He later received a Master's in Management degree (MSc) in Finance from the Université de Sherbrooke as well as the Chartered Financial Analyst (CFA) designation.

Philippe Ouellette, Senior Portfolio Manager, Fixed Income. Philippe Ouellette is a member of the Integrated Fixed Income team and is a portfolio manager for the Integrated Fixed Income strategies. Mr. Ouellette has 28 years of industry experience and has been with the firm and a predecessor since 1995. Prior experiences include positions as Portfolio Manager and Analyst, Fixed Income at a major investment management firm. Mr. Ouellette graduated from the University of Moncton with a Bachelor of Business Administration (BBA) majoring in Finance as well as a Master's in Management degree (MSc) in Finance from Université de Sherbrooke. He later received the Chartered Financial Analyst (CFA) designation.

Jeff Seaver, Portfolio Manager, Fixed Income. Jeff Seaver is a member of the Integrated Fixed Income team and is a portfolio manager for the Integrated Fixed Income strategies. Mr. Seaver has 32 years of industry experience and has been with the firm and a predecessor since 1991. Prior experiences include positions as Portfolio Manager and Analyst at a major investment management firm. Mr. Seaver graduated from York University with a Bachelor of Arts (BA) majoring in Economics. He later received the Chartered Financial Analyst (CFA) designation.

Jasper Beerepoot, Associate Portfolio Manager, Fixed Income. Jasper Beerepoot is a member of the Integrated Fixed Income team. He has more than 12 years of experience in the Banking and Investment industry and is responsible for reviewing and maintaining investment recommendations for the Banking Sector covering banks in Canada, the U.S., Europe and Australia. Mr. Beerepoot completed his MBA at the University of Oxford.

Charles Grenier, Senior Analyst, Fixed Income. Charles Grenier is a member of the Integrated Fixed Income team and participates in the analysis of corporate issuers and sectors as well as the monitoring of credit risks across mandates. Mr. Grenier graduated from Sherbrooke University with a Bachelor in Business Administration as well as a Master's in Finance.

Patrick Szydlowski, Analyst, Fixed Income. Patrick Szydlowski is a member of the Integrated Fixed Income team and participates in the analysis of corporate issuers and sectors as well as the monitoring of credit risks across mandates. Mr. Szydlowski graduated from McMaster University with a Bachelor of Science in Chemistry as well as a Master of Business Administration (MBA) from DeGroote School of Business. Mr. Szydlowski later received the Chartered Financial Analyst (CFA) designation.

## HFR, HUF.U, HAB, HAEB and HMP

Lead management responsibility for HFR, HUF.U, HAB and HAEB currently resides with the Fiera IFI team (Integrated Fixed Income). The IFI Team strategies are managed by a team of 3 portfolio managers supported by 1 associate portfolio manager and 2 credit analysts. Current portfolio managers are Philippe Ouellette, Jeff Seaver and Nicolas Normandeau, supported by associate portfolio manager Jasper Beerepoot, senior analyst Charles Grenier, and analyst Patrick Szydlowski. Their biographical details are set out above.

## *DMAT*

DMAT, the Sub-Advisor of HYI, was incorporated under the *Business Corporations Act* (Ontario) on September 4, 2019. The principal place of business of DMAT is 200 Bay Street - Suite 2350, Toronto, Ontario, M5J 2J2. DMAT is, among other registrations, registered as a portfolio manager in Ontario.

#### *Key Employee of DMAT*

Barry Allan is the Founder, President, Chief Executive Officer, Chief Investment Officer and Chief Compliance Officer of DMAT. Barry's 38-plus years of industry experience runs the full spectrum of the fixed income world, from government bonds, investment grade bonds, high yield bonds and distressed bonds. Barry's focus been and continues to risk adjusted returns, targeting volatilities well below the investment strategy's respective benchmarks. In 2000, Barry founded and built Marret Asset Management, a full-service asset management firm. In 2019, Barry left Marret Asset Management Inc. Prior to founding the Sub-Advisor and Marret Asset Management Inc., Barry held increasingly senior positions with Altamira Management Ltd., where he managed a wide range of global fixed income mandates, and Nesbitt Burns, where he was a proprietary trader, director and head of fixed income derivatives. Barry has an undergraduate degree from the University of British Columbia and an MBA from the University of Arizona.

#### *Details of the Sub-Advisory Agreements*

Pursuant to the Sub-Advisory Agreements, each Sub-Advisor provides the Investment Manager with advice and recommendations on the selection of securities for an ETF, and in the case of HAB, HUF.U, HPR, HFR, HYI, HAD, HYBR, HAF, HSL, HMP, and HAEB, the applicable Sub-Advisors will also manage the execution of portfolio transactions. The services provided by the Sub-Advisors to the Investment Manager are not exclusive and nothing prevents any of the Sub-Advisors from providing similar services to others (whether or not their investment objectives, strategies or criteria are similar to those of an ETF) or from engaging in other activities.

Under the Sub-Advisory Agreements, each Sub-Advisor is required to act at all times on a basis that is fair and reasonable to an ETF, to act honestly and in good faith with a view to the best interests of an ETF and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Each Sub-Advisory Agreement provides that a Sub-Advisor shall not be liable in any way for any default, failure or defect in any of the securities of the applicable ETF, nor will it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above. A Sub-Advisor will, however, incur liability in cases of wilful misconduct, bad faith, negligence or breach of its obligations under the applicable Sub-Advisory Agreement.

A Sub-Advisory Agreement, unless terminated as described below, will continue in effect until the applicable ETF is terminated. The Manager and/or the Investment Manager may terminate a Sub-Advisory Agreement (other than the Fiera Sub-Advisory Agreement) upon providing the relevant Sub-Advisor not less than 90 days' prior written notice. The Fiera Sub-Advisory Agreement provides for longer notice periods termination notice periods. The Manager and/or the Investment Manager may terminate a Sub-Advisory Agreement in certain additional circumstances, including if the Sub-Advisor is not registered or exempt from registration as an advisor under applicable laws or if the Sub-Advisor has committed certain events of bankruptcy or insolvency or is in material breach or default of the provisions thereof and such breach or default has not been cured within 20 business days after written notice thereof has been given by the Manager or the Investment Manager to the Sub-Advisor.

A Sub-Advisor may terminate its Sub-Advisory Agreement (other than the Fiera Sub-Advisory Agreement) upon providing the Manager and the Investment Manager not less than 90 days' prior written notice. The Fiera Sub-Advisory Agreement provides for longer notice periods termination notice periods A Sub-Advisor may terminate its Sub-Advisory Agreement in certain additional circumstances, including if the Manager or the Investment Manager has committed certain events of bankruptcy or insolvency or if the Manager or the Investment Manager is in material breach or default of the provisions thereof and such breach or default has not been cured within 20 business days after written notice thereof has been given to the Manager or the Investment Manager.

Pursuant to each Sub-Advisory Agreement, the Manager is responsible for the fees of the Investment Manager and the Investment Manager is responsible for the fees of the Sub-Advisors which are all, ultimately, paid out of the Manager's fees. There are no additional fees payable by an ETF to its Sub-Advisor. See "Fees and Expenses".

## **Designated Broker**

The Manager, on behalf of each ETF, has entered into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker agrees to perform certain duties relating to that ETF including, without limitation: (i) to subscribe for a sufficient number of Units of that ETF to satisfy the TSX's original listing requirements; (ii) to subscribe for Units of that ETF on an ongoing basis, and (iii) to post a liquid two way market for the trading of Units of that ETF on the TSX. Payment for Units of an ETF must be made by the Designated Broker and Units of the ETF will be issued by no later than the second Trading Day after the subscription notice has been delivered.

A Designated Broker may terminate a Designated Broker Agreement at any time by giving the Manager at least six (6) months' prior written notice of such termination. The Manager may terminate a Designated Broker Agreement at any time, without prior notice, by sending a written notice of termination to the Designated Broker.

Units do not represent an interest in, or an obligation of, any Designated Broker or Dealer or any affiliate thereof and a Unitholder of an ETF will not have any recourse against any such parties in respect of amounts payable by the ETF to the Unitholder.

## **Conflicts of Interest**

The Manager, the Investment Manager, the Sub-Advisors and their respective principals and affiliates (each an "**ETF Manager**") do not devote their time exclusively to the management of the ETFs. The ETF Managers perform similar or different services for others and may sponsor or establish other investment funds (public and private) during the same period that they act on behalf of the ETFs. The ETF Managers therefore will have conflicts of interest in allocating management time, services and functions to the ETFs and the other persons for which they provide similar services.

The ETF Managers may trade and make investments for their own accounts, and such persons currently trade and manage and will continue to trade and manage accounts other than an ETF's accounts utilizing trading and investment strategies which are the same as, or different from, the ones to be utilized in making investment decisions for the ETF. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of an ETF. Furthermore, all of the positions held by accounts owned, managed or controlled by the Investment Manager will be aggregated for purposes of applying certain exchange position limits. As a result, an ETF may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the ETF and such other accounts, would exceed applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades. See "Risk Factors".

In evaluating these conflicts of interest, potential investors should be aware that the ETF Managers have a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the ETFs. In the event that a Unitholder of an ETF believes that one of the ETF Managers has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of the ETF to recover damages from, or to require an accounting by, the applicable ETF Manager. Unitholders should be aware that the performance by an ETF Manager of its responsibilities to an ETF will be measured in accordance with: (i) the provisions of the agreement by which the ETF Manager has been appointed to its position with the ETF; and (ii) applicable laws.

The Manager is a wholly-owned subsidiary of Mirae Asset. Affiliates of the Manager may earn fees and spreads, directly and indirectly, in connection with various services provided to, or transactions with, an ETF or its service providers, including in connection with brokerage transactions, prime brokerage services and securities lending transactions, subject always to approval by the IRC of the ETFs and compliance with applicable law (or exemptive relief therefrom), and applicable internal policies and procedures. In effecting ETF portfolio transactions, the Manager places brokerage business with various broker-dealers on the basis of best execution, which includes a number of considerations such as price, speed, certainty of execution and total transaction cost. The Manager uses the same criteria in selecting all of its broker-dealers, regardless of whether the broker-dealer is an affiliate of the Manager. Subject to compliance with NI 81-102 and in accordance with the terms of the standing instructions of the IRC, to the

extent that an affiliate of the Manager provides advisory services to a securities lending agent of the ETF, the Manager may receive a portion of the affiliate's revenue that it receives for those services.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). These relationships may create actual or perceived conflicts of interest which investors should consider in relation to an investment in an ETF. In particular, by virtue of these relationships, NBF may profit from the sale and trading of Units. NBF, as market maker of the ETFs in the secondary market, may therefore have economic interests which differ from, and may be adverse to, those of Unitholders.

NBF's potential roles as a Designated Broker and a Dealer of the ETFs will not be as an underwriter of the ETFs in connection with the distribution of Units under this prospectus and the securities regulatory authorities have provided the ETFs with a decision exempting the ETFs from the requirement to include a certificate of an underwriter in the prospectus. No Designated Broker or Dealer has been involved in the preparation of this prospectus nor has any Designated Broker, Dealer or Sub-Advisor performed any review of the contents of this prospectus.

Fiera, the Sub-Advisor of HAB, HUF.U, HPR, HFR, HYI, HYBR, HAF, HMP and HAEB, is an associate of NBF. Fiera, on behalf of its other client accounts, may from time to time purchase units of HAB, HUF.U, HPR, HFR, HYI, HYBR, HAF, HMP and HAEB.

NBF, Fiera and their affiliates may, at present or in the future, engage in business with the ETFs, the issuers of securities making up the investment portfolio of the ETFs, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services. In addition, the relationship between NBF, Fiera and their affiliates and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

If an ETF invests in Leveraged ETFs managed by the Manager, Horizons will receive management fees in respect of the ETF's assets invested in such Leveraged ETFs.

### **Independent Review Committee**

NI 81-107 requires that all publicly offered investment funds, such as the ETFs, establish an IRC. The Manager must refer all conflict of interest matters for review or approval to the IRC. NI 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three (3) independent members, and is subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the ETF and to its Unitholders in respect of those functions. The most recent report prepared by the IRC is available on the Manager's website ([www.horizonsetfs.com](http://www.horizonsetfs.com)), or at a Unitholder's request at no cost, by contacting an ETF at 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7; telephone: 416-933-5745; toll free: 1-866-641-5739; fax: 416-777-5181.

Warren Law, Michael Gratch and Gregory Chrispin are the current members of the IRC. The IRC:



- reviews and provides input on the Manager's written policies and procedures that deal with conflict of interest matters;
- reviews conflict of interest matters referred to it by the Manager and makes recommendations to the Manager regarding whether the Manager's proposed actions in connection with the conflict of interest matter achieves a fair and reasonable result for an ETF;
- considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- performs such other duties as may be required of the IRC under applicable securities laws.

The ETFs compensate the IRC members for their participation on the IRC through member fees and, if applicable, meeting fees. Michael Gratch and Gregory Chrispin each receive \$12,500 per year in member fees, while Warren Law, as chairperson of the IRC, receives \$15,000 per year. The IRC's secretariat receives \$21,000 per year for administrative services. An additional fee of \$750 per meeting is charged by the IRC for each IRC meeting in excess of two per year, and each IRC member receives \$750 for each IRC meeting in excess of four per year. The total fees payable in respect of the IRC by an ETF is calculated by dividing the total net assets of the ETF by the total net assets of all of the mutual funds for which the IRC is responsible and then multiplying the resulting value by the total dollar value due to the IRC member by the ETF for that particular period.

### **The Trustee**

Horizons is also the trustee of the ETFs pursuant to the Trust Declaration. The Trustee may resign and be discharged from all further duties under the Trust Declaration upon 90 days' prior written notice to the Manager or upon such lesser notice as the Manager may accept. The Manager shall make every effort to select and appoint a successor trustee prior to the effective date of the Trustee's resignation. If the Manager fails to appoint a successor trustee within 90 days after notice is given or a vacancy occurs, the Manager shall call a meeting of Unitholders of the ETFs within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders of an ETF may call a meeting of Unitholders of the ETF within 31 days after notice is given or a vacancy occurs for the purpose of appointing a successor trustee. In each case, if, upon the expiry of a further 30 days, neither the Manager nor the Unitholders of an ETF have appointed a successor trustee, the ETF shall be terminated and the property of the ETF shall be distributed in accordance with the terms of the Trust Declaration.

The Trustee is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the ETFs, and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Trustee will not be liable in carrying out its duties under the Trust Declaration as long as the Trustee has adhered to its standard of care set out above. In addition, the Trust Declaration contain other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

The Trustee will not receive any fees from the ETFs but will be reimbursed for all expenses and liabilities that it properly incurs in carrying out activities on behalf of the ETFs.

### **Custodian**

CIBC Mellon Trust is the custodian of the ETFs' assets pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario. Pursuant to the Custodian Agreement, the Custodian is required to exercise its duties with the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances. Provided the Custodian has not breached its standard of care as set out in the Custodian Agreement, the Custodian shall not be responsible for the holding or control of any property of an ETF which is not directly held by the Custodian, including any property of the ETF that is loaned or pledged to a counterparty.

Under the Custodian Agreement, an ETF shall pay fees to the Custodian at such rate as determined by the parties from time to time and shall reimburse the Custodian for all reasonable expenses and disbursements incurred in the

performance of its duties under the Custodian Agreement. An ETF shall also indemnify the Custodian or any of its officers, directors, employees or agents for any loss, damage, liability, actions, suits, claims, costs and expenses arising in the course of performing the duties of the Custodian Agreement unless arising from negligence, fraud, bad faith, wilful default or breach of the Custodian's standard of care. Either party may terminate the Custodian Agreement in the event that the other party violates any material provision of the Custodian Agreement by giving written notice to the violating party, provided the violating party has not cured or made substantial progress to cure the violation within 90 days of receipt of such written notice.

### **Valuation Agent**

The Manager has retained CIBC Mellon Global, to provide accounting services in respect of the ETFs pursuant to a valuation services agreement.

### **Auditors**

KPMG LLP is the auditor of the ETFs. The principal office of the auditors is located at 333 Bay Street, Suite 4600, Toronto, Ontario, M5H 2S5.

### **Registrar and Transfer Agent**

TSX Trust Company, at its principal offices in Toronto, Ontario is the registrar and transfer agent for Units of the ETFs pursuant to registrar and transfer agency agreements. TSX Trust Company is independent of the Manager.

### **Promoter**

The Manager took the initiative in founding and organizing the ETFs and is accordingly the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the ETFs, receives compensation from the ETFs. See "Fees and Expenses".

### **Securities Lending Agents**

Canadian Imperial Bank of Commerce ("CIBC") is a securities lending agent for the ETFs pursuant to a securities lending agreement (the "CIBC SLA").

CIBC is located in Toronto, Ontario. CIBC is independent of the Manager. The CIBC SLA requires that the collateral delivered in connection with a securities loan have an aggregate value of not less than 102% of the value of the loaned securities (or, if higher, the percentage of the aggregate market value of loaned securities in accordance with prevailing best market practices). The CIBC SLA requires CIBC and certain CIBC affiliates to indemnify each ETF against, among other things, the failure of CIBC to perform its obligations under the CIBC SLA. A party to the CIBC SLA may terminate the CIBC SLA upon 30 days' notice.

NBF is also a securities lending agent for HAL, HAZ and HMP pursuant to a securities lending agency agreement (the "NBF SLAA") and may also act as a securities lending agent for other ETFs.

NBF is located in Toronto, Ontario. The NBF SLAA requires that the collateral delivered in connection with a securities loan have an aggregate value of not less than 102% of the value of the loaned securities (or, if higher, the percentage of the aggregate market value of loaned securities in accordance with prevailing market practice). Subject to certain exceptions, the NBF SLAA requires NBF to indemnify an ETF against any loss suffered directly by such ETF as a result of a securities loan effected by NBF. A party to the NBF SLAA may terminate the NBF SLAA upon 5 business days' notice.

### **Accounting and Reporting**

An ETF's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as that ETF elects. The annual financial statements of an ETF shall be audited by that ETF's auditors in accordance with Canadian

generally accepted accounting principles. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with International Financial Reporting Standards. The Manager will arrange for an ETF's compliance with all applicable reporting and administrative requirements.

The Manager will keep, or arrange for the keeping of, adequate books and records reflecting the activities of an ETF. A Unitholder or his or her duly authorized representative will have the right to examine the books and records of an ETF during normal business hours at the offices of the Manager or such other location as the Manager shall determine. Notwithstanding the foregoing, a Unitholder shall not have access to any information that, in the opinion of the Manager, should be kept confidential in the interests of an ETF.

### CALCULATION OF NET ASSET VALUE

The net asset value per unit of an ETF will be computed in an ETF's base currency by adding up the cash, securities and other assets of the ETF, less the liabilities and dividing the value of the net assets of the ETF by the total number of Units of the ETF that are outstanding. The net asset value per Unit of an ETF so determined will be adjusted to the nearest cent per Unit and will remain in effect until the time as at which the next determination of the net asset value per Unit of the ETF is made. The net asset value per Unit of an ETF will be calculated on each Valuation Day. The base currency of each ETF other than HUF.U is Canadian dollars. The base currency of HUF.U is U.S. dollars.

The net asset value per Cdn\$ Unit of HUF.U will be calculated in Canadian dollars using the U.S. dollar net asset value of HUF.U at an exchange rate determined by the Manager. The net asset value per US\$ Unit of HAZ, if any, will be calculated in U.S. dollars using the Canadian dollar net asset value of such ETF at an exchange rate determined by the Manager.

Typically, the net asset value per Unit of an ETF will be calculated at its applicable Valuation Time or such other time determined appropriate by the Manager. The net asset value per Unit of an ETF may be determined at an earlier Valuation Time if the TSX and/or the principal exchange for the securities held by the ETF closes earlier on that Valuation Day.

### Valuation Policies and Procedures of the ETFs

The Manager uses the following valuation procedures in determining an ETF's "**net asset value**" and "**net asset value per Unit**" on each Valuation Day:

1. The value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends to be received and interest accrued and not yet received, will be deemed to be the face amount thereof, unless the Manager determines that any such deposit, call loan, bill, note or account receivable is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as the Manager determines, on such basis and in such manner as may be approved by the board of directors of the Manager to be the reasonable value thereof.
2. The value of any security, commodity or interest therein which is listed or dealt in upon a stock exchange will be determined by:
  - (a) in the case of securities which were traded on that Valuation Day, the price of such securities as determined at the applicable Valuation Time; and
  - (b) in the case of securities not traded on that Valuation Day, a price estimated to be the true value thereof by the Manager on such basis and in such manner as may be approved of by the board of directors of the Manager, such price being between the closing asked and bid prices for the securities or interest therein as reported by any report in common use or authorized as official by a stock exchange.
3. Long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants will be valued at the current market value thereof. Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received shall be reflected as a deferred

credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from any revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of such instrument. The securities, if any, which are the subject of a written clearing corporation option or over-the-counter option shall be valued at the current market value. The fair value of a futures contract, swap or forward contract is the gain or loss with respect thereto that would be realized if, on that Valuation Day, the position in the futures contract, swap or forward contract, as the case may be, were to be closed out unless, in the case of a futures contract or forward contract, “daily limits” are in effect, in which case fair value shall be based on the current market value of the underlying interest. Margin paid or deposited in respect of futures contracts and forward contracts are reflected as an account receivable and margin consisting of assets other than cash is noted as held as margin.

4. In the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Manager, where applicable, in accordance with the principles described in paragraph 2(b) above, except that the Manager may use, for the purpose of determining the sale price or the asked and bid price of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable, in such manner as may be approved of by the board of directors of the Manager.
5. The liabilities of an ETF will include:
  - all bills, notes and accounts payable of which the ETF is an obligor;
  - all brokerage expenses of the ETF;
  - all Management Fees of the ETF;
  - all contractual obligations of the ETF for the payment of money or property, including the amount of any unpaid distribution credited to Unitholders of the ETF on or before that Valuation Day;
  - all allowances of the ETF authorized or approved by the Manager for taxes (if any) or contingencies; and
  - all other liabilities of the ETF of whatsoever kind and nature.
6. Each transaction of purchase or sale of a portfolio asset effected by an ETF shall be reflected by no later than the next time that the net asset value of the ETF and the net asset value per Unit of the ETF is calculated.

In calculating the net asset value of an ETF, the ETF will generally value its investments based on the market value of its investments at the time the net asset value of the ETF is calculated. If no market value is available for an investment of the ETF or if the Manager determines that such value is inappropriate in the circumstances (i.e. when the value of an investment of the ETF has been materially changed by effects occurring after the market closes), the Manager will value such investments using methods that have generally been adopted by the marketplace. Fair valuing the investments of an ETF may be appropriate if: (i) market quotations do not accurately reflect the fair value of an investment; (ii) an investment’s value has been materially affected by events occurring after the close of the exchange or market on which the investment is principally traded; (iii) a trading halt closes an exchange or market early; or (iv) other events result in an exchange or market delaying its normal close. The risk in fair valuing an investment of an ETF is that the value of the investment may be higher or lower than the price that the ETF may be able to realize if the investment had to be sold.

In determining the net asset value of an ETF, Units of the ETF subscribed for will be deemed to be outstanding and an asset of the ETF as of the time a subscription for such Units is received by and accepted by the Manager. Units of an ETF that are being redeemed will only be deemed to be outstanding until (and not after) the close of business on the day on which such Units of the ETF are redeemed and the redemption proceeds thereafter, until paid, will be a liability of the ETF.

For the purposes of financial statement reporting, an ETF is required to calculate net asset value in accordance with International Financial Reporting Standards (“IFRS”) and NI 81-106.

## **Reporting of Net Asset Value**

Persons or companies that wish to be provided with the most recent net asset value per Unit of an ETF may call the Manager at 416-933-5745 or at 1-866-641-5739, or check the Manager's website at [www.HorizonsETFs.com](http://www.HorizonsETFs.com).

## **ATTRIBUTES OF THE SECURITIES**

### **Description of the Securities Distributed**

Each ETF is authorized to issue an unlimited number of redeemable, transferable Units pursuant to this prospectus, each of which represents an equal, undivided interest in the net assets of the ETF.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any, default, obligation or liability of the trust if, when the default occurs or the liability arises: (i) the trust is a reporting issuer under the *Securities Act* (Ontario); and (ii) the trust is governed by the laws of Ontario. Each ETF is a reporting issuer under the *Securities Act* (Ontario) prior to the initial public issuance of Units of each such ETF and each ETF is governed by the laws of Ontario by virtue of the provisions of the Trust Declaration.

Each Unit of an ETF entitles the owner to one vote at meetings of Unitholders of the ETF or of that class of Units. Each Unit of an ETF is entitled to participate equally with all other Units of the ETF of the same class with respect to all payments made to Unitholders of the ETF, other than Management Fee Distributions and income or capital gains allocated and designated as payable to a redeeming Unitholder, whether by way of income or capital gains distributions and, on liquidation, to participate equally in the net assets of the ETF remaining after satisfaction of any outstanding liabilities that are attributable to Units of that class of the ETF. All Units will be fully paid, when issued, in accordance with the terms of the Trust Declaration. Unitholders of an ETF are entitled to require the ETF to redeem their Units of the ETF as outlined under the heading "Exchange and Redemption of Units".

### **Exchange of Units for Baskets of Securities**

Unitholders may exchange the applicable PNU (or an integral multiple thereof) of an ETF on any Trading Day for, subject to the Manager's discretion, Baskets of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. See "Exchange and Redemption of Units".

### **Redemption of PNU(s) for Cash**

Unitholders may redeem the applicable PNU (or a whole multiple thereof) of an ETF on any Trading Day for cash, subject to the requirement that a minimum PNU be redeemed. See "Exchange and Redemption of Units".

### **Redemptions of Units for Cash**

On any Trading Day, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. Holders of US\$ Units of a Dual Currency ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. See "Exchange and Redemption of Units".

### **Stock Exchange Sponsored Net Asset Value Execution Program**

Subject to regulatory and other necessary third party approvals, a stock exchange sponsored execution program may become available which would allow investors to purchase and sell Units of each ETF based on transaction prices calculated as at the end-of-day net asset value, plus any fee payable to the investor's Dealer for the Dealer's facilitation of the purchase or sale. The Manager will issue a news release announcing the details of any such stock exchange sponsored execution program.

## **Modification of Terms**

Any amendment to the Trust Declaration that creates a new class of Units of an ETF will not require notice to existing Unitholders of the ETF unless such amendment in some way affects the existing Unitholders' rights or the value of their investment. An amendment such as the re-designation of a class of an ETF, or the termination of a class of the ETF, which has an effect on a Unitholder's holdings will only become effective after 30 days' notice to Unitholders of the applicable classes of the ETF.

All other rights attached to the Units of an ETF may only be modified, amended or varied in accordance with the terms of its Trust Declaration. See "Unitholder Matters – Amendments to the Trust Declaration".

## **Voting Rights in the Portfolio Securities**

Holders of Units will not have any voting rights in respect of the securities in an ETF's portfolio.

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

Meetings of Unitholders of an ETF or any class of an ETF will be held if called by the Manager or upon the written request to the Manager of Unitholders holding not less than 25% of the then outstanding Units of such ETF or the class, as applicable.

### **Matters Requiring Unitholder Approval**

NI 81-102 requires a meeting of Unitholders of an ETF to be called to approve certain changes as follows:

- (i) the basis of the calculation of a fee or expense that is charged to the ETF or its Unitholders is changed in a way that could result in an increase in charges to the ETF or to its Unitholders, except where:
  - (A) the ETF is at arm's length with the person or company charging the fee; and
  - (B) the Unitholders have received at least 60 days' notice before the effective date of the change;
- (ii) a fee or expense, to be charged to an ETF or directly to its Unitholders by the ETF or the Manager in connection with the holding of Units of the ETF that could result in an increase in charges to the ETF or its Unitholders, is introduced;
- (iii) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;
- (iv) the fundamental investment objective of the ETF is changed;
- (v) the ETF decreases the frequency of the calculation of its net asset value per Unit;
- (vi) the ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the ETF becoming securityholders in the other mutual fund, unless:
  - (A) the IRC of the ETF has approved the change in accordance with NI 81-107;
  - (B) the ETF is being reorganized with, or its assets are being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply, and that is managed by the Manager, or an affiliate of the Manager;
  - (C) the Unitholders have received at least 60 days' notice before the effective date of the change; and

- (D) the transaction complies with certain other requirements of applicable securities legislation;
- (vii) the ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders, and the transaction would be a material change to the ETF;
- (viii) the ETF implements a restructuring into a non-redeemable investment fund or a restructuring into an issuer that is not an investment fund; or
- (ix) any matter which is required by the constitutive documents of the ETF; by the laws applicable to the ETF or by any agreement to be submitted to a vote of the Unitholders.

In addition, the auditors of an ETF may not be changed unless:

- (i) the IRC of the ETF has approved the change; and
- (ii) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

#### **Amendments to the Trust Declaration**

If a Unitholder meeting is required to amend a provision of the Trust Declaration, no change proposed at a meeting of Unitholders of an ETF shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at a meeting of Unitholders of the ETF or, if separate class meetings are required, at meetings of each class of Unitholders of the ETF.

Subject to any longer notice requirements imposed under securities legislation, the Trustee is entitled to amend the Trust Declaration by giving not less than 30 days' notice to Unitholders of each ETF affected by the proposed amendment in circumstances where:

- (a) the securities legislation requires that written notice be given to Unitholders of that ETF before the change takes effect; or
- (b) the change would not be prohibited by the securities legislation; and
- (c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders of that ETF, so that it is equitable to give Unitholders of that ETF advance notice of the proposed change.

All Unitholders of an ETF shall be bound by an amendment affecting the ETF from the effective date of the amendment.

The Trustee may amend the Trust Declaration, without the approval of, or prior notice to, any Unitholders, if the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders of the ETF or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of its Units;
- (b) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Declaration and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;

- (c) make any change or correction in the applicable Trust Declaration which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the ETF as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the ETF or its Unitholders; or
- (e) for the purposes of protecting the Unitholders of the ETF.

### **Reporting to Unitholders**

The Manager, on behalf of an ETF, will, in accordance with applicable laws, furnish to each Unitholder, unaudited semi-annual financial statements and an interim management report of fund performance for the ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of the ETF will contain a statement of financial position, a statement of comprehensive income, a statement of changes in financial position, a statement of cash flows and a schedule of investments.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns in respect of their investment in Units will also be distributed to them within 90 days after the end of each taxation year of the ETFs or such other time as required by applicable law. Neither the Manager nor the registrar and transfer agent are responsible for tracking the adjusted cost base of a Unitholder's Units. Unitholders should consult with their tax or investment adviser in respect of how to compute the adjusted cost base of their Units and in particular how designations made by the ETF to a Unitholder affect the Unitholder's tax position.

The net asset value per Unit of each ETF will be determined by the Manager on each Valuation Day and will usually be published daily in the financial press.

### **Non-Resident Unitholders**

At no time may: (i) non-residents of Canada; (ii) partnerships that are not Canadian partnerships; or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act), be the beneficial owners of a majority of the Units of an ETF (on either a number of Units or fair market value basis) and the Manager shall inform the registrar and transfer agent of the ETF of this restriction. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager determines that more than 40% of the Units (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of an ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the ETF as a mutual fund trust for purposes of the Tax Act.

### **Exchange of Tax Information**



Part XVIII of the Tax Act imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. Each ETF is a “reporting Canadian financial institution” but as long as Units are regularly traded on an established securities market, which currently includes the TSX, or continue to be registered in the name of CDS, the ETFs should not have any “U.S. reportable accounts” and, as a result, an ETF should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units of an ETF are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units or otherwise identify U.S. reportable accounts. If a Unitholder is a U.S. person (including a U.S. citizen), Units are otherwise U.S. reportable accounts or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act generally requires information about the Unitholder’s investments held in the financial account maintained by the dealer to be reported to the CRA, unless the investments are held within a Plan (other than an FHSA). The CRA will then provide that information to the U.S. Internal Revenue Service. The Tax Act does not address whether FHSAs would be treated in the same way as other Plans for these purposes.

Part XIX of the Tax Act implements the Organization for Economic Co-operation and Development Common Reporting Standard (the “**CRS Legislation**”). Pursuant to the CRS Legislation, “Canadian financial institutions” (as defined in the CRS Legislation) are required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities the “controlling persons” of which are resident in a foreign country (other than the U.S.) and to report required information to the CRA. Such information is exchanged on a reciprocal, bilateral basis with countries that have agreed to a bilateral information exchange with Canada under the Common Reporting Standard and in which the account holders or such controlling persons are resident. Under the CRS Legislation, Unitholders are required to provide certain information regarding their investment in an ETF for the purpose of such information exchange unless the investment is held within a Plan (other than an FHSA). The Tax Act does not currently address whether FHSAs would be treated in the same way as other Plans for these purposes; however, the Department of Finance indicated in a “comfort letter” provided to the Investment Funds Institute of Canada in January 2023 that it is prepared to recommend that the Tax Act be amended to exempt FHSAs from the CRS Legislation, although no assurances can be given that this recommended will be accepted.

### **TERMINATION OF THE ETFS**

Subject to complying with applicable securities law, the Manager may terminate an ETF or a class of an ETF at its discretion. In accordance with the terms of the applicable Trust Declaration and applicable securities law, Unitholders of an ETF will be provided 60 days’ advance written notice of the termination.

If an ETF or a class of an ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination. Prior to terminating an ETF or a class, the Trustee may discharge all of the liabilities of the ETF or the class, as applicable, and distribute the net assets of the ETF or the class to the Unitholders.

Upon termination of an ETF or a class of an ETF, each Unitholder of the ETF or the class, as applicable, shall be entitled to receive, at the Valuation Time on the termination date, out of the assets of the ETF or the class: (i) payment for that Unitholder’s Units at the net asset value per Unit for that class of Units of the ETF determined at the Valuation Time on the termination date; plus (ii) where applicable, any net income and net realized capital gains that are owing to, or otherwise attributable to, such Unitholder’s Units that have not otherwise been paid to such Unitholder; less (iii) any applicable redemption charges and any taxes that are required to be deducted. Payment shall be made by cheque or other means of payment payable to such Unitholder and drawn on the ETF’s bankers and may be mailed by ordinary post to such Unitholder’s last address appearing in the registers of Unitholders of that ETF or may be delivered by such other means of delivery acceptable to both the Manager and such Unitholder.

### **Procedure on Termination**

The Trustee shall be entitled to retain out of any assets of an ETF, at the date of termination of the ETF, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with, or arising out of, the termination of the ETF and the distribution of its assets to the Unitholders of the ETF. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands.

## PLAN OF DISTRIBUTION

Units of each ETF are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Units of an ETF that may be issued. The Units of each ETF are offered for sale at a price equal to the net asset value of such Units in the applicable currency next determined following the receipt of a subscription order.

## BROKERAGE ARRANGEMENTS

Subject to the prior written approval of the Manager, the Investment Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETFs. The Investment Manager intends to use a number of clearing brokers to transact trades in futures contracts on behalf of the ETFs. Once such brokerage accounts are established, the Investment Manager is authorized to negotiate commissions and fees to be paid on such brokerage transactions, subject to a continuing obligation to seek and obtain the best price, execution and overall terms.

## RELATIONSHIP BETWEEN ETFs AND DEALERS

The Manager, on behalf of an ETF, may enter into various Dealer Agreements with registered dealers (that may or may not be the Designated Broker) pursuant to which the Dealers may subscribe for Units of the ETF as described under “Purchases of Units”. Such registered dealers may be related to the Manager. See “Organization and Management Details of the ETFs - Conflicts of Interest”.

A Dealer Agreement may be terminated by the registered dealer at any time by notice to the Manager, provided that, except in certain conditions, no such termination will be permitted after the registered dealer has subscribed for Units of the ETF and such subscription has been accepted by the Manager.

NBF acts or may act as the Designated Broker, a Dealer and/or a registered trader (market maker). NBF’s potential role as a Dealer of an ETF will not be as an underwriter of the ETF in connection with the distribution of Units of the ETF under this prospectus. NBF has not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus. See “Organization and Management Details of the ETF - Conflicts of Interest”.

## PRINCIPAL HOLDERS OF UNITS OF THE ETFs

CDS & Co., the nominee of CDS, is the registered owner of the Units of the ETFs, which it holds for various brokers and other persons on behalf of their clients and others. From time to time, the designated broker, an ETF or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units of an ETF.

## PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD

The Manager is responsible for all securities voting in respect of securities held by the ETFs and exercising responsibility with the best economic interests of the ETFs and the Unitholders of the ETFs. The Manager has established proxy voting policies, procedures and guidelines (the “**Proxy Voting Policy**”) for securities held by the ETFs to which voting rights are attached. The Proxy Voting Policy is intended to provide for the exercise of such voting rights in accordance with the best interests of the ETFs and the Unitholders of the ETFs, while intending to defend, reflect and promote decisions or actions which meet generally accepted standards of ESG criteria established by the Manager, or are expected to move a company closer to these goals.

The Manager believes in taking an active role in the corporate governance of the underlying investments of the ETFs, through the corporate proxy and voting processes of those underlying investments. When voting the proxies relating to the companies that are the underlying investments of the ETFs, Horizons will, among other things, be focused on supporting and promoting the options that, in the Manager’s view, reflect the Manager’s pre-determined ESG standards and also achieve the best result for the ETFs and the Unitholders of the ETFs. ESG refers to the three central factors in measuring the sustainability and ethical impact of a company or business. As a general matter, the Proxy Voting Policies of the Manager promote companies that (i) engage in activities or changes that can result in a decrease in pollution and carbon footprint, sustaining biodiversity, improving waste disposal and forest management and more effective land management, (ii) implement employment practices and policies that promote women in management

and on boards of directors, promote equality, inclusion and that protect members of the public regardless of age, sex, marital status, colour, race, ethnicity, sexual orientation, gender or gender identity, religion or disability of any nature, and (iii) practice “good governance”, including through compliance, promotion of fair and impartial rules, consensus oriented management, principles of transparency, accountability, effective risk management and efficient management and processes.

The Proxy Voting Policy sets out the guidelines and procedures that the Manager will follow to determine whether and how to vote on any matter for which the ETF receives proxy materials. Issuers’ proxies most frequently contain routine proposals to elect directors, to appoint independent auditors, establish independent compensation committees, to approve executive compensation and stock-based compensation plans and to amend the capitalization structure of the issuer. Specific details on the Manager’s consideration of these routine matters are discussed in greater detail in the Proxy Voting Policy, which is available upon request at no cost by calling or emailing the Manager as further described below. Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are assessed by the Manager on a case-by-case basis with a focus on the potential impact of the vote on the Proxy Voting Policy’s ESG objectives and the best interests of the ETFs and the Unitholders of the ETFs.

If the potential for conflict of interest arises in connection with proxy voting and if deemed advisable to maintain impartiality, the Proxy Voting Policy provides that the Manager may choose to seek out and follow the voting recommendation of an independent proxy search and voting service.

The Proxy Voting Policy is available on request, at no cost, by calling the Manager toll-free at 1-866-641-5739 or emailing the Manager at [info@HorizonsETFs.com](mailto:info@HorizonsETFs.com). The proxy voting record of the ETFs for the annual period from July 1 to June 30 will be available free of charge to any investor of the ETFs upon request at any time after August 31 following the end of that annual period. The proxy voting record of the ETFs will also be available on our Internet site at [www.HorizonsETFs.com](http://www.HorizonsETFs.com).

## MATERIAL CONTRACTS

The only contracts material to the ETF are the:

- (f) **Trust Declaration.** For additional disclosure related to the Trust Declaration, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETFs – The Trustee”, “Attributes of Securities – Modification of Terms” and “Unitholder Matters – Amendments to the Trust Declaration”;
- (g) **Sub-Advisory Agreements.** For additional disclosure related to the Sub-Advisory Agreements, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETFs – Details of the Sub-Advisory Agreements”; and
- (h) **Custodian Agreements.** For additional disclosure related to the Custodian Agreements, including relevant termination provisions and other key terms of the agreements, see “Organization and Management Details of the ETFs – Custodian”.

Copies of these agreements may be examined at the office of the Manager during normal business hours. The Manager’s office is at 55 University , Toronto, Ontario, M5J 2H7, during normal business hours.

## LEGAL AND ADMINISTRATIVE PROCEEDINGS

The ETFs are not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving any of the ETFs.

## EXPERTS

KPMG LLP, the auditors of the ETFs, has consented to the use of their reports each dated March 10, 2023, to the Unitholders of the ETFs. KPMG LLP has confirmed that they are independent with respect to the ETFs within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## EXEMPTIONS AND APPROVALS

The ETFs will rely on exemptive relief that has been obtained from the Canadian securities regulatory authorities to:

- (i) permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation. See “Purchases of Units – Buying and Selling Units of an ETF”;
- (j) permit certain ETFs to invest in active exchange traded funds, certain Leveraged ETFs and certain other non-leveraged exchange traded funds, that are managed by the Manager or its affiliates;
- (k) permit certain ETFs to obtain short positions in securities that are listed on a major stock exchange up to 20% of the net asset value of the ETF and which are consistent with the ETF’s investment objective. See “Investment Restrictions – Short Selling”;
- (l) to permit certain ETFs to use interest rate swaps with a term to maturity of more than three (3) years and to use certain types of securities as cash cover;
- (m) permit the ETFs to lend securities with a lending agent that is not the Custodian;
- (n) permit HSL to borrow up to a limit of 10% of its net asset value as a temporary measure to accommodate redemption requests; and
- (o) relieve the ETFs from certain of the control, concentration or “fund of funds” restrictions of NI 81-102.

HAB, HUF.U, HPR, HFR, HYI and HAD may also rely on exemptions from the securities regulatory authorities allowing them to purchase securities of a related issuer of Fiera, provided certain conditions are met.

## PURCHASERS’ STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase exchange traded mutual fund securities within 48 hours after the receipt of a confirmation of a purchase of such securities. In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation, or for non-delivery of the ETF Facts, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory.

The purchaser should refer to the applicable provisions of the securities legislation of the province or territory for the particulars of these rights or should consult with a legal adviser.

## DOCUMENTS INCORPORATED BY REFERENCE

Additional information about each ETF is or will be available in the following documents:

- (a) the most recently filed comparative annual financial statements of that ETF, together with the accompanying report of the auditor;
- (b) any interim financial statements of that ETF filed after the most recently filed annual financial statements of that ETF;
- (c) the most recently filed annual management report of fund performance of that ETF;
- (d) any interim management report of fund performance of that ETF filed after the most recently filed annual management report of fund performance of that ETF; and
- (e) the most recently filed ETF Facts.

These documents are incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can obtain a copy of these documents, at your request, and at no cost, by calling toll-free: 1-866-641-5739 or by contacting your dealer. These documents are available on the ETFs' Internet site at [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These documents and other information about the ETFs are also available on the Internet at [www.sedar.com](http://www.sedar.com).

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the ETFs after the date of this prospectus and before the termination of the distribution of the ETFs are deemed to be incorporated by reference into this prospectus.

#### **DESIGNATED WEBSITE**

A mutual fund is required to post certain regulatory disclosure documents on a designated website. The designated website of the ETFs this document pertains to can be found at the following location: [www.horizonsetfs.com](http://www.horizonsetfs.com). These documents and other information about the ETFs, such as information circulars and material contracts, are also available at [www.sedar.com](http://www.sedar.com).

**CERTIFICATE OF THE ETFs, MANAGER AND PROMOTER**

Dated: May 5, 2023

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

**HORIZONS ETFs MANAGEMENT (CANADA) INC.,  
AS TRUSTEE, MANAGER AND PROMOTER OF THE ETFs**

(signed) "Rohit Mehta"

Rohit Mehta  
Chief Executive Officer

(signed) "Julie Stajan"

Julie Stajan  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF HORIZONS ETFs MANAGEMENT (CANADA) INC.**

(signed) "Young Kim"

Young Kim  
Director

(signed) "Thomas Park"

Thomas Park  
Director