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## PROSPECTUS

Continuous Offering

April 18, 2023

**Horizons US Marijuana Index ETF (“HMUS”)  
Horizons Psychedelic Stock Index ETF (“PSYK”)  
(the “ETFs” and each, individually, an “ETF”)**

The ETFs are exchange traded mutual fund trusts established under the laws of Ontario. Class A units (“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. Units of HMUS are offered for sale on a continuous basis in Canadian dollars (“Cdn\$ Units”) and U.S. dollars (“US\$ Units”) by this prospectus. Units of PSYK are offered for sale on a continuous basis in Canadian dollars by this prospectus. US\$ Units of PSYK may also be offered for sale on a continuous basis in U.S. dollars by this prospectus. The Manager will issue a news release announcing the listing of the US\$ Units of PSYK on or prior to the applicable listing date. The base currency of each ETF is Canadian dollars. 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.

Subscriptions for Units of HMUS may be made in either Canadian or U.S. currency. Holders of Cdn\$ Units or US\$ Units of HMUS may request that their redemption proceeds be paid in either Canadian or U.S. currency. Subscriptions for Units of PSYK may be made in Canadian dollars. Subscriptions for US\$ Units of PSYK (if any) may be made in either Canadian or U.S. currency.

Units of the ETFs are currently listed and trade on the Neo Exchange Inc. (the “Exchange”). Investors are able to buy or sell Units of an ETF on the Exchange 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, investment manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. (“Horizons”, the “Manager” or the “Trustee”). See “Organization and Management Details of the ETFs”.

### **Investment Objectives**

#### *HMUS*

HMUS seeks to replicate, to the extent possible, the performance of the US Marijuana Companies Index, net of expenses. The US Marijuana Companies Index is designed to provide exposure to the performance of a basket of North American publicly-listed life sciences companies having significant business activities in, or significant exposure to, the United States marijuana or hemp industries.

#### *PSYK*

PSYK seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of a basket of North American publicly-listed life sciences companies having

significant business activities in, or significant exposure to, the psychedelics industry. Currently, PSYK seeks to replicate the performance of the North American Psychedelics Index, net of expenses.

See “Investment Objectives”.

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 a Designated Broker or Dealer to purchase and redeem Units directly from the ETFs. No Designated Broker or Dealer has been involved in the preparation of this prospectus nor has any Designated Broker or Dealer 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.

Holders of Units of an ETF (the “**Unitholders**”) will be able to redeem Units in any number for cash at a redemption price per Unit of 95% of the closing price for the Unit on the Exchange 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”.

Each ETF will comply with all requirements of National Instrument 81-102 Investment Funds (“**NI 81-102**”), or an exemption therefrom. Units of each ETF are, in the opinion of the Manager, index participation units within the meaning of NI 81-102. Accordingly, in the opinion of the Manager, mutual funds may purchase Units of an ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102. No purchase of Units of an ETF should be made solely in reliance on the above statements.

**For a discussion of the risks associated with an investment in Units of an ETF, see “Risk Factors”.**

Provided that the Units of an ETF are listed on a “designated stock exchange” for purposes of the Income Tax Act (Canada) (together with the regulations thereunder, the “**Tax Act**”), which currently includes the Exchange, or the ETF qualifies as a “mutual fund trust” under the Tax Act, the Units of the ETF would, if issued on the date hereof, be on such date qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan, a tax-free savings account or a first home savings account.

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.

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 at 416-933-5745 or toll-free at 1-866-641-5739, or from your dealer. These documents are or will also be available on the Manager’s website at [www.HorizonsETFs.com](http://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 or will also be 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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## **HMUS**

This prospectus qualifies the distribution of Units of HMUS, an exchange traded fund that is expected to invest in, and indirectly derive a portion of its revenues from, the hemp industry and the marijuana industry in certain U.S. states that have legalized marijuana for therapeutic or adult-use, which is currently illegal under U.S. federal law. The ETF will passively invest in companies involved in the hemp industry and the marijuana industry in the U.S. where local state law regulates such activities. Such companies may also be involved in the Canadian legal marijuana industry. The ETF will not be directly engaged in the manufacture, importation, possession, use, sale or distribution of hemp or marijuana in either Canada or the U.S.

The ETF is exposed to companies that are also involved in the legal recreational marijuana market in Canada. Canada has regulated the use of medical marijuana since 2001. On October 17, 2018, the federal *Cannabis Act* came into force which regulates, among other things, the production, distribution, sale and possession of both medical and adult use marijuana in Canada.

A majority of U.S. states have also enacted legislation to regulate the sale and use of medical marijuana and a minority have implemented legislation to regulate the sale and use of adult use marijuana. Certain of these states have imposed strict limits on tetrahydrocannabinol (“THC”) content, while other states have not. Notwithstanding the regulation of marijuana at the state level, marijuana continues to be categorized as a controlled substance under the *Controlled Substances Act of 1970* (the “CSA”) in the U.S. and as such, it is illegal under federal law. As a result of the conflicting views between state legislatures and the U.S. federal government regarding marijuana, marijuana businesses in the U.S. are subject to inconsistent legislation, regulation and enforcement. Unless and until the CSA is amended with respect to marijuana (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that U.S. federal authorities may enforce current federal law, including the CSA, which may adversely affect the current and future investments of the ETF in the U.S. As a result, there are a number of risks associated with the ETF’s future investments in the U.S., and such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. Such investments may become the subject of heightened scrutiny by service providers to the ETF, and may affect the ETF’s ability to retain such service providers. As a result, the ETF may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the ETF’s ability to invest in the U.S. or any other jurisdiction. See “Risk Factors - Specific Risks Associated with the Marijuana Industry in the United States”, “Risk Factors – Risk that Marijuana Laws may be Subject to Change” and “Risk Factors- Investments in the U.S. may be subject to Heightened Scrutiny”.

Under President Barack Obama, the U.S. government attempted to address the inconsistencies between federal and state regulation of marijuana in a memorandum sent by then-Deputy Attorney General James Cole to all United States Attorneys in August 2013 (the “Cole Memorandum”). The Cole Memorandum acknowledged that notwithstanding the designation of marijuana as a controlled substance at the federal level in the United States, several States have enacted laws relating to marijuana for medical and recreational purposes, and that conduct in compliance with the laws of those jurisdictions were less likely to be an enforcement priority for the Department of Justice. The Cole Memorandum listed the type of threats related to marijuana on which the Department of Justice should focus, but did not provide guidelines for acceptable State regulatory schemes.

In March 2017, then newly appointed Attorney General Jeff Sessions, a long-time opponent of state-regulated medical and recreational marijuana, noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively. On January 4, 2018, Sessions issued a new memorandum (known as the “Sessions Memorandum”) which rescinded the Cole Memorandum, and directed all U.S. Attorneys to enforce the laws

enacted by the United States Congress according to already-established principles. The Sessions Memorandum did not direct prosecutors to enforce federal law against persons and entities operating in compliance with state regulatory schemes, and there was no direction to give such enforcement any particular priority.

On January 20, 2021, Joseph R. Biden Jr. was sworn in as the new President of the United States. During his campaign, he stated a policy goal to decriminalize possession of marijuana at the federal level. However, he has not publicly supported the full legalization of marijuana. It is unclear how much of a priority decriminalization may be for President Biden's administration. The head of the Department of Justice is now Attorney General Merrick Garland. During his confirmation hearings in the Senate on February 22, 2021, Garland confirmed that he would not prioritize pursuing marijuana prosecutions in states that have legalized and that are regulating the use of marijuana, both for medical and adult use. However, he has expressed continued concern over international transport of large amounts of illicit marijuana from other nations—namely Mexico—and large-scale domestic cultivation of illicit marijuana (including the environmental impact of those operations).

To date, the Biden administration has not indicated that enforcement against state-legal marijuana businesses will be given any priority. Nonetheless, there is no guarantee that the position of the Department of Justice will not change and, on February 13, 2023, the U.S. Drug Enforcement Agency issued a letter confirming that it had determined that two popular synthetic compounds, delta-9-THCO and delta-8-THCO, were tetrahydrocannabinols and therefore Schedule I controlled substances under the CSA.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place. Congress has used a rider known as Rohrabacher-Blumenauer Amendment (or the Joyce Amendment) in various Consolidated Appropriations Acts (the "RBA") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. However, this measure does not protect adult use marijuana businesses. The RBA is an appropriations rider that prohibits the DOJ from using federal funds to prevent states from implementing marijuana laws. While Congress has consistently renewed the RBA, there is no guarantee Congress will continue to do so in the future. If the RBA or an equivalent thereof is not successfully appended to subsequent federal omnibus spending bills, there can be no assurance that the U.S. federal government will not seek to prosecute cases involving medical marijuana businesses that are otherwise compliant with state law.

#### *PSYK*

This prospectus qualifies the distribution of Units of PSYK, an exchange traded fund that is expected to invest in, and indirectly derive revenues from, companies in the psychedelics industry engaged in legal activities involving psychedelic drugs and substances. While the medical and adult use of certain psychedelic drugs and substances are generally prohibited under U.S. federal law, despite this prohibition, a limited number of states have either sought to decriminalize or authorize the medical use of certain psychedelic drugs and substances in limited circumstances. Clinical trials involving psychedelic drugs and substances are also permitted, provided they comply with both state and federal laws applicable to such trials. The ETF will passively invest in companies engaged in legal activities involving psychedelic drugs and substances in the U.S. where state and federal laws permit such activities. Such companies may also be involved in the Canadian legal psychedelics industry.

Psychedelic drugs and substances in Canada are primarily regulated under the federal *Controlled Drugs and Substances Act* (the "CDSA"), the *Food and Drug Act* and the regulations promulgated thereunder as well as certain provincial legislation. The medical use of certain psychedelic drugs and substances remains illegal under Canadian federal law unless discretionary exemptions are granted under the CDSA, or where the prescription of certain psychedelic substances is permitted by health care professionals, including pursuant to Health Canada's Special Access Program. Recreational use of psychedelic drugs and substances remains generally prohibited under the CDSA. Commercial activities involving psychedelic drugs and substances

are permitted in Canada by parties who hold the required federal regulatory approvals and licences; however, distribution and sales opportunities for psychedelic drugs and substances are heavily restricted at this time. The ETF will passively invest in companies engaged in activities involving psychedelic drugs and substances in Canada where permitted by provincial and federal laws. The ETF will not be directly engaged in the manufacture, importation, possession, use, sale or distribution of psychedelic drugs or substances in either Canada or the U.S.

PSYK, through the ownership of life science companies in the psychedelic industry, may also have some exposure to the legal marijuana market in Canada, and the hemp industry and/or marijuana industry in certain U.S. states that have legalized marijuana for therapeutic or adult-use, which is currently illegal under U.S. federal law. However, the ETF will not be directly engaged in the manufacture, importation, possession, use, sale or distribution of hemp or marijuana in either Canada or the U.S. Unless and until the CSA is amended with respect to marijuana (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that U.S. federal authorities may enforce current federal law, including the CSA, which may adversely affect the current and future investments of the ETF in the U.S. As a result, there are a number of risks associated with the ETF's future investments in the U.S. Such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. Such investments may become the subject of heightened scrutiny by service providers to the ETF, which may affect the ETF's ability to retain such service providers. The ETF may therefore become subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of restrictions on the ETF's ability to invest in the U.S. or any other jurisdiction.

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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 and financial data and statements contained elsewhere in this prospectus or incorporated by reference in the 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**

#### *HMUS*

HMUS seeks to replicate, to the extent possible, the performance of the US Marijuana Companies Index, net of expenses. The US Marijuana Companies Index is designed to provide exposure to the performance of a basket of North American publicly-listed life sciences companies having significant business activities in, or significant exposure to, the United States marijuana or hemp industries.

#### *PSYK*

PSYK seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of a basket of North American publicly-listed life sciences companies having significant business activities in, or significant exposure to, the psychedelics industry. Currently, PSYK seeks to replicate the performance of the North American Psychedelics Index, net of expenses.

See “Investment Objectives”.

### **Investment Strategies**

#### *HMUS*

To achieve HMUS’s investment objective, HMUS invests and holds equity securities of the Constituent Issuers in substantially the same proportion as its Underlying Index. These securities will be listed on stock exchanges in North America, and will be equity securities of life sciences companies and other companies with significant business activities in, or significant exposure to, the United States marijuana or hemp industries. HMUS’s Underlying Index is ordinarily rebalanced on a quarterly basis at the close of trading on each Rebalancing Date. The Constituent Issuers of the Underlying Index will be market capitalization-weighted on each Rebalancing Date, subject to a cap for each Constituent Issuer of a maximum of 10% of the net asset value of the Underlying Index on each Rebalancing Date, with the remainder of the Constituent Issuers’ weights to be increased proportionately. To the extent permitted, HMUS will generally be fully invested in or exposed to the Underlying Index at all times and will have substantial exposure to United States marijuana operations.

HMUS will not seek to hedge any currency exposure. In particular, no currency hedging is used with respect to US\$ Units.

Notwithstanding the foregoing, HMUS may, in certain circumstances, employ a “stratified sampling” strategy. Under this stratified sampling strategy, HMUS may not hold all of the Constituent Issuers of the Underlying Index, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the securities included in the Underlying Index. Examples of when HMUS may employ stratified sampling include tax optimization strategies, inability to trade a Constituent Issuer due to a pending corporate

action, the business activities of a Constituent Issuer, or compliance with applicable law, including NI 81-102.

*PSYK*

To achieve PSYK's investment objective, PSYK invests and holds equity securities of the Constituent Issuers in substantially the same proportion as the North American Psychedelics Index, the current Underlying Index of PSYK. To the extent permitted, PSYK will generally be fully invested in or exposed to the Underlying Index at all times and will have substantial exposure to the North American psychedelics industry.

In respect of the Units (including the US\$ Units, if any), PSYK will not seek to hedge any foreign currency exposure.

Notwithstanding the foregoing, PSYK may, in certain circumstances, employ a "stratified sampling" strategy. Under this stratified sampling strategy, PSYK may not hold all of the Constituent Issuers of the Underlying Index, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the securities included in the Underlying Index. Examples of when PSYK may employ stratified sampling include tax optimization strategies, inability to trade a Constituent Issuer due to a pending corporate action, the business activities of a Constituent Issuer, or compliance with applicable law, including NI 81-102.

See "Investment Strategies".

**Offering**

Units of HMUS are offered for sale on a continuous basis in Canadian dollars ("Cdn\$ Units") and U.S. dollars ("US\$ Units") by this prospectus. Units of PSYK are offered for sale on a continuous basis in Canadian dollars by this prospectus. US\$ Units of PSYK may also be offered for sale on a continuous basis in U.S. dollars by this prospectus. The Manager will issue a news release announcing the listing of the US\$ Units of PSYK on or prior to the applicable listing date. The base currency of each ETF is Canadian dollars. 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.

Subscriptions for Units of HMUS may be made in either Canadian or U.S. currency. Holders of Cdn\$ Units or US\$ Units of HMUS may request that their redemption proceeds be paid in either Canadian or U.S. currency. Subscriptions for Units of PSYK may be made in Canadian dollars. Subscriptions for US\$ Units of PSYK (if any) may be made in either Canadian or U.S. currency.

Units of the ETFs are currently listed and trade on the Neo Exchange Inc. (the "**Exchange**"). Investors are able to buy or sell Units of an ETF on the Exchange through registered brokers and dealers in the province or territory where the investor resides. Accordingly, investors may trade Units of an ETF in the same way as other securities listed on the Exchange, including by using market orders and limit orders. Investors will incur customary brokerage commissions when buying or selling Units of an ETF on the Exchange. Dealers may purchase a PNU from an ETF at the net asset value per Unit of the ETF.

See "Plan of Distribution" and "Attributes of the Securities".

**Special Considerations for Purchasers**

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

Exchange without regard to the takeover bid requirements of applicable Canadian securities legislation.

In accordance with the terms of exemptive relief orders obtained by the Manager, the ETFs may enter into securities lending transactions in which the aggregate market value of securities loaned by an ETF could represent up to 100% of the net asset value of an ETF.

See “Purchases of Units – Buying and Selling Units of an ETF”, “Attributes of the Securities - Description of the Securities Distributed” and “Exemptions and Approvals”.

### **Distribution Policy**

Neither ETF is expected to make regular cash distributions. Cash distributions, if any, to Unitholders of an ETF, net of fees and expenses, will be made at the discretion of the Manager. Such distributions, if any, to Unitholders of an ETF will be paid in Canadian dollars. However, if the Unitholder of an ETF holds Units in a U.S. dollar account, such distributions from the ETF to Unitholders of US\$ Units will typically be converted to U.S. dollars by the Unitholder’s account holder.

To the extent required, an ETF will also make payable, after December 15 of a calendar year but on or before December 31 of that calendar year (in the case of a taxation year ending on December 15 of a calendar year), and before the end of any other taxation year, sufficient net income (including net capital gains) that has not previously been paid or made payable so that the ETF will not be liable for ordinary income tax in any given year and such distributions will be automatically reinvested in Units of the ETF or paid in Units of the ETF, and in each case the Units will then 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 that distribution. In the case of a non-resident Unitholder, if tax has to be withheld in respect of a distribution, the Unitholder’s dealer is expected to invoice or debit the Unitholder’s account directly.

See “Distribution Policy”.

### **Redemptions of Units**

In addition to the ability to sell Units of the ETFs on the Exchange, Unitholders of an ETF 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 Exchange 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 (if offered) or Cdn\$ Units of an ETF will be able to request that the cash portion of any 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 Exchange 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”.

### **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”.

### **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.

Recent amendments to the Tax Act that are applicable to trusts that are “mutual fund trusts” for purposes of the Tax Act throughout the taxation year prohibit an ETF 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, and amounts of taxable capital gains so allocated and designated to redeeming Unitholders of an ETF will be deductible to the ETF to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule (defined below)) of the net taxable capital gains of the ETF for the year. Any 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 such 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, Units of that ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for Registered Plans. Alternatively, provided the Cdn\$ Units (or the US\$ Units, if offered) of the ETF are listed on a “designated stock exchange” within the meaning of the Tax Act, which currently includes the Exchange, such Cdn\$ Units (or US\$ Units,

respectively) will be qualified investments under the Tax Act for Registered Plans.

See “Risk Factors – Tax Related Risks” 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”.

**Risk Factors** There are certain risk factors inherent to an investment in an ETF. See “Risk Factors”.

#### ***Organization and Management of the ETF***

**The Manager, Investment 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 and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a wholly-owned 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”.

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

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

**Valuation Agent** CIBC Mellon Global has been retained to provide accounting valuation services to the ETFs. CIBC Mellon Global is located in Toronto, Ontario.

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

**Auditors** KPMG LLP is responsible for auditing the annual financial statements of the ETFs. The auditors are independent of the Manager. The office of KPMG LLP is located in Toronto, Ontario.

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

**Promoter**

Horizons is also the promoter of the ETFs. Horizons 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”.

**Registrar and Transfer Agent**

TSX Trust Company is the registrar and transfer agent for the Units of the ETFs pursuant to registrar and transfer agency agreements entered into between the ETFs and the Registrar and Transfer Agent. The Registrar and Transfer Agent is independent of the Manager. The Registrar and Transfer Agent is located in Toronto, Ontario.

See “Organization and Management Details of the ETFs – Registrar and Transfer Agent”.

**Securities Lending Agents**

NBF is a securities lending agent for the ETFs. NBF is located in Toronto, Ontario. Canadian Imperial Bank of Commerce (“CIBC”) may also act as a securities lending agent for the ETFs.

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. See “Fees and Expenses”.

#### *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, plus applicable Sales Tax. The Management Fees of each ETF are as follows:

##### **ETF**

##### **Management Fees**

HMUS      0.85% of the net asset value of HMUS’s Units

PSYK      0.85% of the net asset value of PSYK’s Units

The Management Fees are calculated and accrued daily and payable monthly in arrears in consideration for the services provided by the Manager to each ETF as set out under “Organization and Management Details of the ETFs – Duties and Services to be Provided by the Manager”.

#### *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.

##### **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 will pay all of its operating expenses, including but not limited to: Management Fees; 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 associated with 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.

**Expenses of the Issue**

All expenses related to the issuance of Units of the ETFs shall be borne by the Manager.

*Fees and Expenses Payable Directly by Unitholders*

**Administration Charge**

As may be agreed between the Manager and a Designated Broker or Dealer, the Manager may charge the Designated Broker and Dealers of the ETF, at its discretion, an issue, exchange or redemption charge to offset certain transaction costs associated with the issuance, exchange or redemption of Units. 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 - Fees and Expenses Payable Directly by the Unitholders - Administration Charge”.

## GLOSSARY

The following terms have the following meaning:

“**ADRs**” means American depositary receipts;

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

“**Basket Subscription**” means a subscription consisting of cash or cash and Cash Equivalents, determined to be acceptable to Horizons from time to time for the purpose of subscription orders;

“**Calculation Agent**” means Solactive;

“**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;

“**Cash Equivalents**” means an evidence of indebtedness that has a remaining term of maturity of 365 days or less and that is issued, or fully and unconditionally guaranteed as to principal and interest, by (a) the government of Canada or the government of a province or territory of Canada, (b) the government of the United States of America, the government of one of the states of the United States of America, the government of another sovereign state or a permitted supranational agency, if, in each case, the evidence of indebtedness has a designated rating, or (c) a Canadian financial institution, or a financial institution that is not incorporated or organized under the laws of Canada or of a jurisdiction if, in either case, evidences of indebtedness of that issuer or guarantor that are rated as short term debt by a designated rating organization or its DRO affiliate (each within the meaning of NI 81-102) have a designated rating;

“**Cdn\$ Units**” means Units of an ETF that are offered for sale in Canadian dollars;

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

“**CDS Participant**” means a participant in CDS that holds security entitlements in Units of an ETF 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;

“**Constituent Issuers**” means the issuers that from time to time are included in the Underlying Index as determined by the Index Provider and “**Constituent Issuer**” means any one of them;

“**Constituent Securities**” means the securities included in the Underlying Index or portfolio of an ETF from time to time, if any, or where the Manager uses a representative “sampling” methodology, the securities included in the representative sample of issuers intended to replicate the Underlying Index as determined from time to time by the Manager or Index Provider, as the case may be;

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

“**CSA**” means U.S. Controlled Substances Act of 1970;

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

“**Custodian Agreement**” means the second amended and restated master custodial services agreement dated September 1, 2013, as amended from time to time, between the Manager, in its capacity as manager and trustee of the

ETFs, CIBC Mellon Trust, The Bank of New York Mellon, Canadian Imperial Bank of Commerce and CIBC Mellon Global;

“**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 the ETFs, pursuant to which the Dealer may subscribe for Units of an ETF as described under “Purchases of Units”;

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

“**Designated Broker**” means a registered dealer that has entered into a Designated Broker Agreement 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 an ETF, and a Designated Broker;

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

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

“**ETFs**” means the exchange-traded mutual funds offered under this prospectus, and “**ETF**” means any one of them;

“**Exchange**” means Neo Exchange Inc.;

“**Exchange/Redemption Deadline**” means, for an ETF, the applicable exchange or 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;

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

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

“**Index Provider**” means Solactive in respect of the Underlying Index of HMUS, and Horizons in respect of the Underlying Index of PSYK;

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

“**Management Fee**” means the annual management fee paid by an ETF to the Manager, equal to a percentage of the net asset value of the ETF, calculated and accrued daily and payable monthly;

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

“**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.;

“**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 and “**NAV**” shall have the same meaning;

“**NI 81-102**” means National Instrument 81-102 *Investment Funds*, 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;

“**PNU**” in relation to Units of an ETF, means the prescribed number of Units of the ETF determined by the Manager from time to time, whereby a dealer or a Unitholder may subscribe for, and/or redeem Units of the ETF or for such other purposes as the Manager may determine;

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

“**Rebalancing Dates**” means, in respect of the Underlying Index of HMUS, the third Friday in each of March, June, September and December; and in respect of the Underlying Index of PSYK, the third Friday in each of January, April, July and October;

“**Registered Plans**” means trusts governed by RDSPs, RESPs, RRIFs, RRSPs, DPSPs, TFSAAs or FHSAs;

“**Registrar and Transfer Agent**” means TSX Trust Company;

“**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;

“**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 each such jurisdiction;

“**Solactive**” means Solactive AG;

“**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;

“**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 income tax laws of Canada 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, in respect of an ETF, a day on which (i) a session of the Exchange is held; (ii) the principal exchanges for the securities in which the ETF invests in are open for trading; and (iii) the Calculation Agent calculates and publishes data relating to the Underlying Index;

“**Trust Declaration**” means the amended and restated declaration of trust establishing the ETFs dated April 12, 2019, as supplemented, amended or amended and restated from time to time;

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

“**Underlying Index**” means the index tracked by an ETF as stated in its investment objectives, or a replacement or alternative benchmark or index that applies substantially similar criteria to those currently used by the Index Provider for the benchmark or index, or a successor index that is substantially comprised of or would be substantially comprised of the same Constituent Issuers or similar contracts or instruments, which is used by the ETF in relation to that ETF’s investment objective, and “**Underlying Indexes**” means more than one of them;

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

“**Units**” means class A units of an ETF, and “**Unit**” means any one of them;

“**US\$ Units**” means the Units of an ETF, if any, that are offered hereunder in U.S. dollars, and “**US\$ Unit**” means one of them;

“**Valuation Agent**” means CIBC Mellon Global;

“**Valuation Day**” for an ETF means a day upon which a session of the Exchange is held; and

“**Valuation Time**” means 4:00 p.m. (EST) on a Valuation Day or such other time as may be deemed appropriate by Horizons, as trustee of the ETFs.

## 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 Units of the ETFs that are currently offered pursuant to this prospectus, and their applicable ticker symbols, are:

Name of ETF	Abbreviated Name	Unit Currency	Ticker Symbol
Horizons US Marijuana Index ETF	HMUS	Canadian \$	HMUS
		U.S. \$	HMUS.U
Horizons Psychedelic Stock Index ETF	PSYK	Canadian \$	PSYK

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.

Units of HMUS are offered for sale on a continuous basis in Canadian dollars (“**Cdn\$ Units**”) and U.S. dollars (“**US\$ Units**”) by this prospectus. Units of PSYK are offered for sale on a continuous basis in Canadian dollars by this prospectus. US\$ Units of PSYK may also be offered for sale on a continuous basis in U.S. dollars by this prospectus. The Manager will issue a news release announcing the listing of the US\$ Units of PSYK on or prior to the applicable listing date. The base currency of each ETF is Canadian dollars. Subscriptions for US\$ Units (if offered) or Cdn\$ Units of an ETF will be available in either U.S. or Canadian currency. Holders of US\$ Units (if offered) or Cdn\$ Units of an ETF will be able to 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 trade on the Neo Exchange Inc. (the “**Exchange**”). Investors are able to buy or sell Units of an ETF on the Exchange 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.

## INVESTMENT OBJECTIVES

### *HMUS*

HMUS seeks to replicate, to the extent possible, the performance of the US Marijuana Companies Index, net of expenses. The US Marijuana Companies Index is designed to provide exposure to the performance of a basket of North American publicly-listed life sciences companies having significant business activities in, or significant exposure to, the United States marijuana or hemp industries.

### *PSYK*

PSYK seeks to replicate, to the extent possible and net of expenses, the performance of a market index that is designed to provide exposure to the performance of a basket of North American publicly-listed life sciences companies having significant business activities in, or significant exposure to, the psychedelics industry. Currently, PSYK seeks to replicate the performance of the North American Psychedelics Index, net of expenses.

The fundamental investment objective of an ETF may not be changed except with the approval of its Unitholders. See “Unitholder Matters” for additional descriptions of the process for calling a meeting of Unitholders and requirements for Unitholder approval.

## **The Underlying Indexes**

### *US Marijuana Companies Index*

HMUS uses the US Marijuana Companies Index as its Underlying Index. The Underlying Index is designed to provide exposure to the performance of a basket of primarily North American publicly-listed life sciences companies having significant business activities in, or significant exposure to, the United States marijuana or hemp industries. Constituents of the Underlying Index are selected from regulated North American senior and junior exchanges. While some securities may be listed on major North American exchanges, many of these securities may trade on North American junior exchanges that include but are not limited to the TSX Venture Exchange, the Canadian Securities Exchange and the Nasdaq Capital Market. The Underlying Index is market capitalization-weighted subject to a cap for each Constituent Issuer of a maximum of 10% of the net asset value of the Underlying Index. For a security to be eligible for the Underlying Index, the issuer will generally need to have a market capitalization of greater than \$75 million.

The Constituent Issuers of the Underlying Index will be market capitalization-weighted on the Rebalancing Dates, subject to the cap for each Constituent Issuer of a maximum of 10% of the net asset value of the Underlying Index on the Rebalancing Dates, with the remainder of the Constituent Issuers' weights to be increased proportionately.

For companies that are cross-listed in Canada or the United States, only a company's primary domestic listing is eligible for the Underlying Index.

The Underlying Index is based on a rules-based methodology, and is owned, administered and calculated by Solactive. The conditions for eligibility, inclusion and retention of Constituent Issuers is governed by the methodology of the Underlying Index. Further information about the Underlying Index, including a description of its methodology set out in the Guideline of the Underlying Index, is available on the Calculation Agent's website at [www.solactive.com](http://www.solactive.com). The Bloomberg ticker of the Underlying Index is "UMMAR".

### *North American Psychedelics Index*

The North American Psychedelics Index, the Underlying Index of PSYK, is designed to provide a measure of the performance of North American publicly-listed life sciences companies focussed on psychedelic medicines, and other companies with business activities in the psychedelics industry. The Underlying Index is designed to provide diversified exposure to the psychedelics industry, at weights that can easily and cost effectively be replicated, while at the same time reflecting the evolution of the industry in a timely fashion.

Generally, a company is deemed to be eligible to be a Constituent Issuer of the Underlying Index if the company is listed on a regulated stock exchange in Canada or in the United States, and is:

- a producer and/or a supplier of psychedelic medicines;
- a biotechnology company that is engaged in research and development of psychedelic medicines; or
- a company that is part of the supply chain for, or a distributor of, psychedelics.

At each quarterly Rebalancing Date, the Underlying Index universe will be comprised of the publicly listed securities in North America that meet the above industry eligibility for inclusion. The eligible listing exchanges include both North American senior exchanges and junior exchanges. While securities of Constituent Issuers of the Underlying Index may be listed on the TSX, NYSE, or Nasdaq Global Market, many of these securities may trade on North American junior exchanges that include, but are not limited to: the TSX Venture Exchange, Canadian Securities Exchange, and the Nasdaq Capital Market. Over the counter markets are not eligible for inclusion. Common equity securities and ADRs are eligible for inclusion. Size (float-adjusted market capitalization), liquidity criteria (average 3-month daily value traded) and a minimum share price must be met in order for an issuer to be eligible for inclusion in the Underlying Index. The Underlying Index is weighted by float-adjusted market capitalization, subject to an individual company cap of 10% which is determined on the Selection Date. The Underlying Index will rebalance

quarterly on the applicable Rebalancing Date based on liquidity and size criteria on the Selection Date and the eligible Constituent Issuers will be reweighted. At each Rebalancing Date, Constituent Issuer weights may, in accordance with the methodology of the Underlying Index, be adjusted to ensure that each Constituent Issuer can accommodate a specified target notional trade size. Buffer rules apply to the minimum size and liquidity inclusion thresholds for a current Constituent Issuer's criteria prior to its removal from the Underlying Index. Companies will be eligible for inclusion intra-rebalance if specific liquidity and size criteria are met, or if the number of constituents falls below a certain threshold.

The Index Provider is Horizons. The calculation agent of the Underlying Index is Solactive. Solactive is not affiliated with the ETF or the Manager. Further information about the methodology of the Underlying Index and its constituents is available from Solactive on its website at [www.solactive.com](http://www.solactive.com). The value of the Underlying Index is, or will be, published by Bloomberg L.P. under the Bloomberg ticker symbol HPSYKPR Index.

### ***Change of an Underlying Index***

The Manager may, subject to obtaining any required Unitholder approval, change an Underlying Index in order to provide investors with substantially the same exposure to which an ETF is currently exposed. If the Manager changes the Underlying Index, or any index replacing such Underlying Index, the Manager will issue a press release identifying and describing the new Underlying Index and specifying the reasons for the change in the Underlying Index.

### ***Termination of an Underlying Index***

The applicable Index Providers determine and maintain the Underlying Indexes, and the Calculation Agent calculates the Underlying Indexes. If the Calculation Agent ceases to calculate an Underlying Index, or an applicable license agreement is terminated, the Manager may terminate an ETF on 60 days' notice, change the investment objective of an ETF (subject to obtaining any necessary approvals), seek to replicate an alternative index, or make such other arrangements as the Manager considers appropriate and in the best interests of Unitholders of the ETF in the circumstances.

### ***Use of the Underlying Index***

The Manager and the ETFs are each permitted to use their applicable Underlying Index pursuant to a license agreement. Horizons and the ETFs do not accept responsibility for, or guarantee the accuracy and/or completeness of, the Underlying Index or any data included in the Underlying Index.

See "Overview of the Sectors that the ETFs Invest In".

## **INVESTMENT STRATEGIES**

### ***HMUS***

To achieve HMUS's investment objective, HMUS invests and holds equity securities of the Constituent Issuers in substantially the same proportion as its Underlying Index. These securities will be listed on stock exchanges in North America, and will be equity securities of life sciences companies and other companies with significant business activities in, or significant exposure to, the United States marijuana or hemp industries. HMUS's Underlying Index is ordinarily rebalanced on a quarterly basis at the close of trading on each Rebalancing Date. The Constituent Issuers of the Underlying Index will be market capitalization-weighted on each Rebalancing Date, subject to a cap for each Constituent Issuer of a maximum of 10% of the net asset value of the Underlying Index on each Rebalancing Date, with the remainder of the Constituent Issuers' weights to be increased proportionately. To the extent permitted, HMUS will generally be fully invested in or exposed to the Underlying Index at all times and will have substantial exposure to United States marijuana operations.

HMUS will not seek to hedge any currency exposure. In particular, no currency hedging is used with respect to US\$ Units.

Notwithstanding the foregoing, HMUS may, in certain circumstances, employ a “stratified sampling” strategy. Under this stratified sampling strategy, HMUS may not hold all of the Constituent Issuers of the Underlying Index, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the securities included in the Underlying Index. Examples of when HMUS may employ stratified sampling include tax optimization strategies, inability to trade a Constituent Issuer due to a pending corporate action, the business activities of a Constituent Issuer, or compliance with applicable law, including NI 81-102.

To the extent permitted by the Canadian Securities Administrators, Constituent Issuers will derive revenues from the medical and/or adult use marijuana industry in certain U.S. states where marijuana use has been regulated by state law, notwithstanding that the use, possession, sale, cultivation and transportation of marijuana remains illegal under U.S. federal law. Despite the permissive regulatory environment regarding marijuana in certain U.S. states, marijuana continues to be listed as a Schedule I substance under the CSA. As a result of the conflicting views between state legislatures and the U.S. federal government regarding marijuana, investments in U.S. marijuana businesses may be subject to inconsistent legislation, regulation and enforcement. Unless and until the U.S. Congress amends the CSA with respect to marijuana (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that U.S. federal authorities may enforce current U.S. federal law against businesses operating in the U.S. marijuana industry, which may adversely affect the market price of any Constituent Issuers that are in the U.S. marijuana industry, and therefore the market price of the ETF. Accordingly, the ETF and the Constituent Issuers in which it invests may be subject to a higher degree of regulatory oversight and regulatory action, which may include a restriction on the types of Constituent Issuers that the ETF may invest at any time. In addition, as a listed issuer on the Exchange, the ETF will be subject to and will comply with all of the rules and policies of the Exchange, which may be amended from time to time. If a Constituent Issuer becomes delisted from a stock exchange due to non-compliance by that Constituent Issuer with the rules and policies of the exchange, and is not listed on another exchange, the Manager will similarly remove the securities of that Constituent Issuer from the ETF’s portfolio, but instead, through the use of a stratified sampling strategy, may hold securities of a different issuer or issuers (which may include issuers that are not constituents of the Underlying Index) in the aggregate with other Constituent Securities in the ETF’s portfolio, will continue to closely match the investment characteristics of the Underlying Index. See “Additional Investment Strategies.”

#### *PSYK*

To achieve PSYK’s investment objective, PSYK invests and holds equity securities of the Constituent Issuers in substantially the same proportion as the North American Psychedelics Index, the current Underlying Index of PSYK. To the extent permitted, PSYK will generally be fully invested in or exposed to the Underlying Index at all times and will have substantial exposure to the North American psychedelics industry.

In respect of the Units (including the US\$ Units, if any), PSYK will not seek to hedge any foreign currency exposure.

Notwithstanding the foregoing, PSYK may, in certain circumstances, employ a “stratified sampling” strategy. Under this stratified sampling strategy, PSYK may not hold all of the Constituent Issuers of the Underlying Index, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the securities included in the Underlying Index. Examples of when PSYK may employ stratified sampling include tax optimization strategies, inability to trade a Constituent Issuer due to a pending corporate action, the business activities of a Constituent Issuer, or compliance with applicable law, including NI 81-102. To achieve the ETF’s investment objective, the ETF invests and holds equity securities of the Constituent Issuers in substantially the same proportion as its Underlying Index. These securities will be listed on stock exchanges in North America, and will be equity securities of life sciences companies and other companies with significant business activities in, or significant exposure to, the United States marijuana or hemp industries. The ETF’s Underlying Index is ordinarily rebalanced on a quarterly basis at the close of trading on each Rebalancing Date. The Constituent Issuers of the Underlying Index will be market capitalization-weighted on each Rebalancing Date, subject to a cap for each Constituent Issuer of a maximum of 10% of the net asset value of the Underlying Index on each Rebalancing Date, with the remainder of the Constituent Issuers’ weights to be increased proportionately. To the extent permitted, the ETF will generally be fully invested in or exposed to the Underlying Index at all times and will have substantial exposure to United States marijuana operations.

PSYK will not seek to hedge any currency exposure. In particular, no currency hedging is used with respect to US\$ Units.

To the extent permitted by the Canadian Securities Administrators, Constituent Issuers invest in, and indirectly derive revenues from, companies in the psychedelics industry engaged in legal activities involving psychedelic drugs and substances. While the medical and adult use of certain psychedelic drugs and substances are generally prohibited under U.S. federal law, despite this prohibition, a limited number of states have either sought to decriminalize or authorize the medical use of certain psychedelic drugs and substances in limited circumstances. Clinical trials involving psychedelic drugs and substances are also permitted, provided they comply with both state and federal laws applicable to such trials. The ETF will passively invest in companies engaged in legal activities involving psychedelic drugs and substances in the U.S. where state and federal laws permit such activities. Such companies may also be involved in the Canadian legal psychedelics industry.

Psychedelic drugs and substances in Canada are primarily regulated under the Controlled Drugs and Substances Act (the “CDSA”), the Food and Drug Act and the regulations promulgated thereunder. The medical use of certain psychedelic drugs and substances remains illegal under Canadian federal law unless discretionary exemptions are granted under the CDSA, or where the prescription of certain psychedelic substances is permitted by health care professionals, including pursuant to Health Canada’s Special Access Program. Recreational use of psychedelic drugs and substances remains generally prohibited under the CDSA. Commercial activities involving psychedelic drugs and substances are permitted in Canada by parties who hold the required federal regulatory approvals and licences; however, distribution and sales opportunities for psychedelic drugs and substances are heavily restricted at this time. The ETF will passively invest in companies engaged in activities involving psychedelic drugs and substances in Canada where permitted by provincial and federal laws. The ETF will not be directly engaged in the manufacture, importation, possession, use, sale or distribution of psychedelic drugs or substances in either Canada or the U.S.

The ETF and the Constituent Issuers in which it invests may be subject to a higher degree of regulatory oversight and regulatory action, which may include a restriction on the types of Constituent Issuers that the ETF may invest at any time. In addition, as a listed issuer on the Exchange, the ETF will be subject to and will comply with all of the rules and policies of the Exchange, which may be amended from time to time. If a Constituent Issuer becomes delisted from a stock exchange due to non-compliance by that Constituent Issuer with the rules and policies of the exchange, and is not listed on another exchange, the Manager will similarly remove the securities of that Constituent Issuer from the ETF’s portfolio, but instead, through the use of a stratified sampling strategy, may hold securities of a different issuer or issuers (which may include issuers that are not constituents of the Underlying Index) in the aggregate with other Constituent Securities in the ETF’s portfolio, will continue to closely match the investment characteristics of the Underlying Index. See “Additional Investment Strategies.”

#### *Both ETFs*

As each ETF is seeking to replicate the performance of its Underlying Index, the Manager does not invest the assets of an ETF on a discretionary basis or select securities based on the Manager’s view of the investment merit of a particular security or company, except to the extent it may select securities of issuers in the course of employing a stratified sampling strategy to seek to closely match the investment characteristics of an ETF’s portfolio with its Underlying Index.

#### ***Additional Investment Strategies***

##### *Investment in other Investment Funds*

In accordance with applicable securities legislation, as part of its investment strategy and as an alternative to or in conjunction with investing in and holding securities directly, an ETF may invest in one or more other investment funds or exchange traded funds listed on a stock exchange in Canada or the United States, including other investment funds managed by the Manager or an affiliate. In such case, there shall be no management fees or incentive fees that are payable by the ETF that, to a reasonable person, would duplicate a fee payable by the underlying exchange traded fund for the same service. In the event that an ETF invests in another investment fund and the management fee payable by the other fund is higher than that of the ETF, the ETF may pay the higher management fee on the portion of the

ETF's assets invested in the other fund, regardless of whether the fund is managed by the Manager or an affiliate of the Manager.

An ETF's allocation to investments in other investment funds or exchange traded funds, if any, will vary from time to time depending on the relative size and liquidity of the investment fund or exchange traded fund, and the ability of the Manager to identify appropriate investment funds or exchange traded funds that are consistent with the ETF's investment objectives and strategies.

#### *Reverse Repurchase Transactions*

An ETF may enter into reverse repurchase transactions. The Manager has adopted policies and practice guidelines applicable to each ETF to manage the risks associated with entering into reverse repurchase transactions. Such policies and practice guidelines require that:

- the reverse repurchase transactions be consistent with an ETF's investment objective and policies;
- the risks associated with reverse repurchase transactions be adequately described in the prospectus of the ETFs;
- authorized officers or directors of the Manager approve the parameters, including transaction limits, under which reverse repurchase transactions are permitted for an ETF and that such parameters comply with applicable securities legislation;
- the operational, monitoring and reporting procedures in place ensure that all reverse repurchase transactions are completely and accurately recorded, in accordance with their approved use, and within the limits and regulatory restrictions prescribed for an ETF;
- the counterparties to reverse repurchase transactions must meet the Manager's quantitative and qualitative criteria regarding market making and credit worthiness, and be in good standing with all applicable regulators; and
- the Manager must review at least annually all reverse repurchase transactions to ensure that they are being conducted in accordance with applicable securities legislation.

All reverse repurchase transactions must be completed within 30 days.

#### *Securities Lending*

An ETF may lend securities to brokers, dealers and other financial institutions and other borrowers desiring to borrow securities provided that such securities lending qualifies as a "securities lending arrangement" for the purposes of the Tax Act. Securities lending will allow an ETF to earn additional income to offset its costs. All additional income earned by an ETF through securities lending will accrue to the ETF. In carrying out securities lending, an ETF will engage a lending agent with experience and expertise in completing such transactions. The ETFs have received exemptive relief from the limitations in NI 81-102 so that an ETF may engage affiliates of the National Bank of Canada as a lending agent of the ETF.

Under applicable securities legislation, the collateral from securities lending is required to have an aggregate value of not less than 102% of the value of the loaned securities. Any cash collateral acquired by an ETF is permitted to be invested only in securities permitted under NI 81-102 and that have a remaining term to maturity of no longer than 90 days.

In accordance with the terms of exemptive relief orders obtained by the Manager, an ETF may enter into securities lending transactions in which the aggregate market value of securities loaned by the ETF could represent up to 100% of the net asset value of the ETF.

## OVERVIEW OF THE SECTORS THAT THE ETFs INVEST IN

HMUS provides exposure to the performance of a basket of life sciences companies and other companies with significant business activities in, or significant exposure to, the United States marijuana or hemp industries.

PSYK provides exposure to the performance of a basket of life sciences companies focussed on psychedelic medicines, and other companies with business activities in the psychedelics industry.

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 and NI 81-107. The ETFs are also subject to certain restrictions contained in the Trust Declaration. The ETFs will be managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by the Canadian Securities Regulatory Authorities or as permitted by NI 81-107. See “Exemptions and Approvals”.

No ETF will make an investment that would result in that ETF failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act or that would result in that 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 that 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, plus applicable Sales Tax. The Management Fees of each ETF are as follows:

<b>ETF</b>	<b>Management Fees</b>
HMUS	0.85% of the net asset value of HMUS’s Units
PSYK	0.85% of the net asset value of PSYK’s Units

The Management Fees are calculated and accrued daily and payable monthly in arrears in consideration for the services provided by the Manager to each ETF as set out under “Organization and Management Details of the ETFs – Duties and Services to be Provided by the Manager”.

#### *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 otherwise would be entitled to receive from an ETF with respect to investments in such 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 such 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 ETF will be distributed quarterly in cash by the ETF to the Unitholders of that ETF 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 a Unitholder's average holdings of Units of such 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 such 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 generally will be borne by the Unitholders of such ETF receiving these distributions from the Manager.

#### *Underlying Fund Fees*

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, each ETF pays all of its operating expenses, including but not limited to: Management Fees; 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 associated with 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 fees of a general administrative nature.

#### *Expenses of the Issue*

All expenses related to the issuance of Units of an ETF shall be borne by the Manager.

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

##### *Administration Charge*

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. 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.

## **RISK FACTORS**

In addition to the considerations set out elsewhere in this prospectus, the following are certain considerations relating to an investment in Units of an ETF which prospective investors should consider before purchasing Units.

### *No Assurance of Meeting Investment Objective*

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

### *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 that issue such securities.

### *Sector Concentration Risk*

An ETF may, in following its investment objective of seeking to replicate the performance of its Underlying Index, have more of its net assets invested in one or more issuers than is permitted for many investment funds. To the extent that an ETF's investments are concentrated in a small number of issuers, the ETF may be susceptible to loss due to adverse occurrences affecting those issuers.

Each ETF may also be concentrated to a significant degree in securities of issuers or underlying funds focused in a single industry or sector. If an ETF concentrates its investments in an industry or sector, the ETF faces more risks than if it were diversified broadly over numerous industries or sectors, with the result that the NAV of the ETF may be more volatile and may fluctuate more over short periods of time than the NAV of a more broadly diversified investment fund. In addition, this may increase the liquidity risk of these ETFs which may, in turn, have an effect on the ETFs' ability to satisfy redemption requests. Industry-based risks, any of which may adversely affect the issuers in which the ETF invests, may include, but are not limited to, the following: general economic conditions or cyclical market patterns that could negatively affect supply and demand in a particular industry; competition for resources, adverse labour relations, political, economic or world events; obsolescence of technologies; and increased competition or new product introductions that may affect the profitability or viability of companies in an industry. In addition, at times, such industry or sector may be out of favour and underperform other industries or the market as a whole.

The value of Units of an ETF is expected to vary as a result of many factors, including the cost of inputs and the legal and regulatory environments.

### *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 ETFs. 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 ETFs.

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.

#### *Cybersecurity 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 incurrence 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.

#### *Specific Risks Associated with the Marijuana Industry in the U.S. – HMUS*

Unlike Canada, which has federal, provincial and territorial legislation governing the medical and adult use marijuana industries, the U.S. largely regulates marijuana at the state level. To the Manager’s knowledge, the majority of states have regulated medical marijuana in some form and a minority of states have regulated adult use marijuana. Notwithstanding the regulation of medical and adult use marijuana at the state level, medical and adult use marijuana continues to be categorized as a controlled substance under the CSA and as such, is illegal under federal law in the U.S.

However, the Manager understands that the U.S. Congress has passed appropriations bills that have not appropriated funds for prosecution of marijuana offenses of individuals who are in compliance with state medical marijuana laws. American courts have construed these appropriations bills to prevent the federal government from prosecuting individuals when those individuals comply with state law. However, because this conduct continues to violate federal law, American courts have observed that should Congress at any time choose to appropriate funds to fully prosecute the CSA, any individual or business - even those that have fully complied with state law - could be prosecuted for violations of federal law. If Congress restores funding, the U.S. federal government will have the authority to prosecute individuals for violations of the law before it lacked funding under the CSA’s five-year statute of limitations. Because the companies in which the ETF invests engage in marijuana-related activities in the United States, an increase in federal enforcement efforts with respect to current U.S. federal laws applicable to marijuana could cause significant financial damage to those companies and the ETF. **Accordingly, enforcement of the U.S. federal law is a significant risk.**

Notwithstanding the foregoing, the Agriculture Improvement Act of 2018 (commonly known as the “**2018 Farm Bill**”) was signed into law on December 20, 2018 which, among other things, removed “hemp” (including any part of the cannabis plant containing 0.3% THC or less), its extracts, derivatives, and cannabinoids from the CSA definition of “marihuana”. This has the effect of allowing for federally-sanctioned hemp production under the purview of the United States Department of Agriculture (the “**USDA**”), in coordination with state departments of agriculture that elect to have primary regulatory authority. States and Tribal governments can adopt their own regulatory plans, even if more restrictive than federal regulations, so long as the plans meet minimum federal standards and are approved by the USDA. Hemp production in jurisdictions that do not choose to submit their own plans (and that do not otherwise prohibit hemp production) will be governed by USDA regulation. “Hemp” as defined in the 2018 Farm Bill, “means the plant *Cannabis sativa* L., and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not with a THC concentration of not more than 0.3% on a dry weight basis.”

While the 2018 Farm Bill removes hemp and hemp-derived products from the controlled substances list under the CSA, it does not legalize CBD in every circumstance. While not independently scheduled under the CSA, CBD, depending on the source from which it was derived, can still be classified as a Schedule I substance under the CSA's definition of "marihuana." Further, although the 2018 Farm Bill creates a limited exception to this prohibition, this exception only applies if the CBD is derived from "hemp" as defined by U.S. federal law. Such laws also require that: (i) the hemp is produced by a licensed producer; and (ii) in a manner consistent with the applicable federal and state regulations. CBD and other cannabinoids produced from marihuana as defined by the CSA remain an illegal Schedule I substance under federal law. In addition, many state laws include all CBD within definitions of marijuana and some states have policies or laws that otherwise prohibit or restrict CBD sales. On February 13, 2023, the U.S. Drug Enforcement Agency issued a letter confirming that it had determined that two popular synthetic compounds, delta-9-THCO and delta-8-THCO, were not "hemp" but tetrahydrocannabinols. This means that these compounds are Schedule I controlled substances under the CSA.

Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the ETF and the Manager, including its reputation and ability to conduct business, its contractual arrangements with third party service providers (who may withdraw or suspend the provision of services to the ETF or the Manager), its ability to hold (directly or indirectly) securities of issuers that have obtained or applied for marijuana licenses in the U.S., the listing of its securities on various stock exchanges, its financial position, operating results, profitability or liquidity or the market price of its publicly traded shares. In addition, it is difficult for the Manager to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

#### *Marijuana Sector Risk -HMUS*

The marijuana industry is subject to various laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of marijuana, as well as those relating to health and safety, the conduct of operations and the protection of the environment.

The *Cannabis Act*, along with the related provincial and territorial legislation regulating adult use distribution and sales, came into force in Canada on October 17, 2018. This implemented a legal framework in Canada for the production, distribution, sale and possession of both medical and adult use marijuana which is supplemented by the applicable provincial and territorial regimes. The regulatory framework governing the medical and adult use marijuana industries in the U.S. is, and will continue to be, subject to evolving regulation by governmental authorities. Accordingly, there are a number of risks associated with investing in businesses in an evolving regulatory environment, including, without limitation, increased industry competition, rapid consolidation of industry participants and potential insolvency of industry participants.

However, there can be no assurance that Canadian or U.S. federal, provincial, territorial or state laws regulating marijuana will not be repealed or overturned, that proposed laws regulating marijuana will become law, or that governmental authorities will not limit the application of such laws within their respective jurisdictions. If governmental authorities begin to enforce certain laws relating to marijuana in jurisdictions where the sale and use of marijuana is currently legal or regulated, or if existing laws are repealed or curtailed, the ETF's investments in such businesses may be materially and adversely affected notwithstanding the fact that the ETF is not directly engaged in the sale or distribution of marijuana. Actions by governmental authorities against any individual or entity engaged in the marijuana industry, or a substantial repeal or amendment of any marijuana-related legislation, could adversely affect the ETF and its investments.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the portfolio issuers and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes,

could reduce a portfolio issuer's earnings and could make future capital investments or the portfolio issuer's operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The issuers included in the portfolio may incur ongoing costs and obligations related to licensure and regulatory compliance. Failure to comply with such obligations may result in additional costs for corrective measures, significant penalties or in restrictions of operations. In addition, changes to regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the issuers and, therefore, on the ETF's prospective returns.

As a result of perceived reputational risk, companies in the marijuana industry may have difficulty establishing or maintaining bank accounts, accessing public and private capital, or establishing desired or necessary business relationships. Failure to establish or maintain business relationships could have a material adverse effect on companies in this industry. The Manager has not obtained and does not obtain any ongoing legal advice regarding the compliance of the underlying companies in which the ETF may invest from time to time with applicable laws.

#### *Regulation of Marijuana in Canada Risk - HMUS*

In Canada, the production, distribution and sale and possession of marijuana, among other things, remains subject to extensive regulatory oversight under the Cannabis Act and the various provincial and territorial regimes. Such extensive controls and regulations may significantly affect the financial condition of market participants, and prevent the realization of such market participants of any benefits from an expanded market for recreational marijuana products.

#### *Risk that Marijuana Laws may be Subject to Change - HMUS*

As a result of the conflicting views between state legislatures and the U.S. federal government regarding marijuana, investments in marijuana businesses in the U.S. are subject to inconsistent legislation, regulation and enforcement. The response to this inconsistency was addressed in August 2013 when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all U.S. district attorneys acknowledging that notwithstanding the designation of marijuana as a controlled substance at the federal level in the U.S., several U.S. states have enacted laws relating to marijuana for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of marijuana offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing marijuana in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of marijuana, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the Department of Justice should be focused on addressing only the most significant threats related to marijuana. States where medical marijuana had been legalized were not characterized as a high priority. In March 2017, newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he disagreed that it had been implemented effectively and, on January 4, 2018, Attorney General Jeff Sessions authored a memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States attorneys relative to marijuana enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors will now be free to utilize their prosecutorial discretion to decide whether to prosecute marijuana activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such marijuana activities, and resultantly it is uncertain how actively federal prosecutors will be in relation to such activities. Furthermore, the Sessions Memorandum did not discuss the treatment of medical marijuana by federal prosecutors.

Mr. Sessions resigned on November 7, 2018. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General, and William Barr was eventually appointed to the role. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by states to legalize marijuana, but will not go after marijuana companies in states that legalized it under Obama administration policies.

On January 20, 2021, Joseph R. Biden Jr. was sworn in as the new President of the United States. During his campaign, he stated a policy goal to decriminalize possession of marijuana at the federal level. However, he has not publicly supported the full legalization of marijuana. It is unclear how much of a priority decriminalization may be for President Biden's administration. The head of the Department of Justice is now Attorney General Merrick Garland. During his confirmation hearings in the Senate on February 22, 2021, Garland confirmed that he would not prioritize pursuing marijuana prosecutions in states that have legalized and that are regulating the use of marijuana, both for medical and adult use. However, he has expressed continued concern over international transport of large amounts of illicit marijuana from other nations—namely Mexico—and large-scale domestic cultivation of illicit marijuana (including the environmental impact of those operations).

To date, the Biden administration has not indicated that enforcement against state-legal marijuana businesses will be given any priority. Nonetheless, there is no guarantee that the position of the Department of Justice will not change and, on February 13, 2023, the U.S. Drug Enforcement Agency issued a letter confirming that it had determined that two popular synthetic compounds, delta-9-THCO and delta-8-THCO, were tetrahydrocannabinols and therefore Schedule I controlled substances under the CSA.

Although the Cole Memorandum has been rescinded, one legislative safeguard for the medical marijuana industry remains in place. Congress has used a rider known as Rohrabacher-Blumenauer Amendment (or the Joyce Amendment) in various Consolidated Appropriations Acts (the "RBA") to prevent the federal government from using congressionally appropriated funds to enforce federal marijuana laws against regulated medical marijuana actors operating in compliance with state and local law. However, this measure does not protect adult use marijuana businesses. The RBA is an appropriations rider that prohibits the DOJ from using federal funds to prevent states from implementing marijuana laws. While Congress has consistently renewed the RBA, there is no guarantee Congress will continue to do so in the future.

If the RBA or an equivalent thereof is not successfully appended to subsequent federal omnibus spending bills, there can be no assurance that the U.S. federal government will not seek to prosecute cases involving medical marijuana businesses that are otherwise compliant with state law. Such potential proceedings could involve significant restrictions being imposed upon the ETF or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the ETF's business, revenues, operating results and financial condition as well as the ETF's reputation, even if such proceedings were concluded successfully in favour of the ETF.

#### *Anti-Money Laundering Laws and Regulations Risk - HMUS*

The Manager and the ETF are subject to a variety of laws and regulations domestically and in the United States that relate to money laundering, financial recordkeeping and proceeds of crime, including the Currency and Foreign Transactions Reporting Act of 1970 (commonly known as the Bank Secrecy Act), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a "specified unlawful activity" such as distributing controlled substances which are illegal under U.S.

federal law, including marijuana, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA.

In February 2014, the Financial Crimes Enforcement Network of the Treasury Department issued a memorandum (the “**FinCEN Memorandum**”) providing instructions to banks seeking to provide services to marijuana-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to marijuana-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on marijuana-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

On September 28, 2022, the Financial Transactions and Reports Analysis Centre of Canada (“**FINTRAC**”) published an Operational Alert, Laundering of Proceeds from Illicit Cannabis, (the “**Alert**”) in support of Project Legion. Project Legion is a bank-led initiative supported by law enforcement agencies and FINTRAC that is focused on strengthening the detection of the laundering of the proceeds of illicit cannabis activities. While the Alert did not specifically identify state-authorized U.S. marijuana activities as being the primary target of the Alert, it evidences a heightened focus in Canada on identifying illicit cannabis transactions which could have a material impact on the ETF and its investments.

In the event that any of the ETF’s investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the ETF to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada or maintain such funds in accounts with Canadian financial institutions.

*Investments in the U.S. may be subject to Heightened Scrutiny - HMUS*

For the reasons set forth above, the ETF’s investments in the U.S. may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, the ETF may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the ETF’s ability to invest in the U.S. or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with marijuana in the U.S., CDS may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for marijuana companies that have marijuana businesses or assets in the U.S. It is not certain whether CDS will decide to enact such measures, nor whether it has the authority to do so unilaterally. However, if CDS were to decide that it will not handle trades in our securities, it could have a material adverse effect on the ability of investors to settle trades in a timely manner and on the liquidity of Units generally.

Government policy changes or public opinion may also result in a significant influence over the regulation of the marijuana industry in Canada, the U.S. or elsewhere. A negative shift in the public’s perception of marijuana in the U.S. or any other applicable jurisdiction could affect future legislation or regulation in the sector.

*U.S. Border Officials Could Deny Entry into the U.S. to Investors in Companies with U.S. Marijuana Operations - HMUS*

Because marijuana remains illegal under U.S. federal law, investors in companies with U.S. marijuana operations could face detention, denial of entry or lifetime bans from the U.S. for their associations with or investments in U.S. marijuana businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. The government of Canada warns travellers on its website that previous use of marijuana, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. Business or financial involvement in the legal marijuana industry in Canada or in the U.S. could also be reason enough for U.S. border guards to deny entry.

### *Legal Landscape of the Psychedelic Industry - PSYK*

While the medical and adult use of psychedelic drugs and substances are generally prohibited under the U.S. *Controlled Substances Act*, despite this prohibition, a limited number of states have either sought to decriminalize or authorize the medical use of certain psychedelic products in limited circumstances. Clinical trials involving psychedelic products are permitted provided they comply with both state and federal laws applicable to such trials. Adult recreational use of psychedelic drugs and substances remains generally prohibited by U.S. federal law.

Psychedelic drugs and substances in Canada are primarily regulated under the *Controlled Drugs and Substances Act* (the “CDSA”), the *Food and Drug Act* and the regulations promulgated thereunder and certain provincial legislation. The medical use of certain psychedelic drugs and substances remain illegal under Canadian federal law unless discretionary exemptions are granted under the CDSA, or in certain circumstances where some psychedelic substances may be prescribed by a health care practitioner, including pursuant to Health Canada’s Special Access Program or Alberta’s Psychedelic Drug Treatment program. Recreational use of psychedelic drugs and substances remains prohibited under the CDSA. Failure to comply with such laws may result in additional costs for corrective measures, significant penalties or in restrictions of operations which can have a material adverse effect on a company’s business, and therefore the ETF and its investments.

Commercial activities involving psychedelic products are permitted in Canada by parties who hold the required federal and provincial regulatory approvals and licences. The process for obtaining such permissions is unpredictable and companies may fail to obtain such permissions for a variety of reasons. After obtaining such permissions, companies can have their permissions revoked, suspended, or fail to successfully have them renewed. Failure to obtain, maintain or renew such permissions can have a material adverse effect on a company’s business, and therefore the ETF and its investments.

### *Changes in Legal Landscape of the Psychedelic Industry - PSYK*

There can be no assurance that Canadian or U.S. laws regulating psychedelics will be amended to be made more favourable, repealed or overturned, that proposed laws regulating psychedelics will become law, or that governmental authorities will not limit the application of such laws within their respective jurisdictions. If governmental authorities begin to enforce certain laws relating to psychedelics in jurisdictions where the sale and use of psychedelics is currently legal or regulated, or if existing laws are repealed or curtailed, the ETF’s investments in such businesses may be materially and adversely affected notwithstanding the fact that the ETF is not directly engaged in the sale or distribution of psychedelics. Actions by governmental authorities against any individual or entity engaged in the psychedelics industry, or a substantial repeal or amendment of any psychedelics-related legislation, could adversely affect the ETF and its investments.

The industry is subject to extensive controls and regulations, which may significantly affect the financial condition of market participants. The marketability of any product may be affected by numerous factors that are beyond the control of the portfolio issuers and which cannot be predicted, such as changes to government regulations, including those relating to taxes and other government levies which may be imposed. Changes in government levies, including taxes, could reduce a portfolio issuer’s earnings and could make future capital investments or the portfolio issuer’s operations uneconomic. The industry is also subject to numerous legal challenges, which may significantly affect the financial condition of market participants and which cannot be reliably predicted.

The issuers included in the portfolio may incur ongoing costs and obligations related to licensure and regulatory compliance. Failure to comply with such obligations may result in additional costs for corrective measures, significant penalties or in restrictions of operations. In addition, changes to regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the issuers and, therefore, on the ETF’s prospective returns.

As a result of perceived reputational risk, companies in the psychedelics industry may have difficulty establishing or maintaining bank accounts, accessing public and private capital, or establishing desired or necessary business relationships. Failure to establish or maintain business relationships could have a material adverse effect on companies

in this industry. The Manager has not obtained and does not obtain any ongoing legal advice regarding the compliance of the underlying companies in which the ETF may invest from time to time with applicable laws.

#### *The Psychedelics Industry is Novel - PSYK*

An investment in the Units of the ETF is speculative due to the risky nature of the business of the companies it invests in and the novel nature of the psychedelics industry. The industry is in its infancy, with most companies just starting to initiate research and development into products and technologies associated with psychedelics or commence clinical trials related to the therapeutic use of psychedelics. The success of the psychedelics industry as a whole depends on the continued operation and success of these activities.

Companies involved in research and development may, in addition to other challenges, face issues related to funding, may struggle to obtain or maintain the necessary licences or other legal permissions to work with psychedelics, or may be unsuccessful in creating commercializable products or technologies.

Clinical trials may face a myriad of obstacles, as well. Trials may fail to demonstrate the safety and efficacy of psychedelics drugs and substances. Competing clinical trials involving psychedelics may produce contrary results which cast doubt on the efficacy and safety of psychedelic therapies. Trials may fail to secure sufficient patient enrollment to acquire approval for the study. Trials may fail to obtain or maintain the ethical approvals necessary to run human trials or the government approvals, including exemptions and licences, necessary to conduct trials involving psychedelics. Trials which rely on third parties to facilitate the trial or supply the necessary psychedelics are vulnerable to issues involving those third parties, including loss of relationship with, underperformance by, or loss of legal permissions related to handling psychedelics by the third party. Each of the foregoing could delay or prohibit trial progress, the trial results and the public perception of psychedelics generally.

#### *Public and Professional Opinion - PSYK*

Given the limited distribution pathways, gaining acceptance from the public and health care practitioners is crucial to the success of the psychedelics industry. Companies focused on the medical sector will require the acceptance of medical regulatory bodies as well as individual health care practitioners in order for eligible psychedelic treatments to be prescribed. The stigma associated with psychedelics may reduce the likelihood that such parties will recommend the prescription, or accept, such psychedelic therapies until more evidence becomes available regarding their effects.

#### *Intellectual Property - PSYK*

The success of companies working in research and development in the psychedelics sector depends largely on their ability to obtain and maintain patents to protect their products and technologies. A failure to obtain and protect patents may be detrimental to the survival and/or profitability of a psychedelics company. Changes in patent laws or patent jurisprudence could diminish the value of patents in general or prevent companies from obtaining patents and thereby impair their ability to protect their interests.

#### *Product Liability - PSYK*

Companies producing, distributing, selling and administering psychedelic products are exposed to recall and litigation risk related to product quality and effects. Companies engaged in the technology subsector of the psychedelics industry risk civil action from purchasers and users of their technology. Such companies may not be eligible for insurance products that could be used to mitigate these risks. These risks are unpredictable and could undermine the profitability of individual companies, as well as impact the overall success of the industry as a whole, if actions are publicized and adversely affect public opinion on psychedelics generally.

#### *Availability of Product - PSYK*

The availability of psychedelic products is highly dependent on the applicable regulatory regimes and the number of companies that hold the required licences to produce the precursors and finished forms of such drugs and substances. The availability of such starting material and/or precursors is limited which may affect companies' abilities to produce

such drugs and substances or produce in predictable quantities. This in turn may have an effect on companies' abilities to conduct research or trials or commercialize products and technologies.

#### *Third Parties - PSYK*

Companies relying on a third party for the continued operation of their business are vulnerable to risks associated with that third party. Third parties who handle psychedelic drugs and substances could lose the legal permissions which allow them to work with psychedelics. The relationship between the company and the third party could cease for any number of reasons, at the election of either or both parties. The third party could become insolvent or could otherwise cease to operate. The third party could provide products or services that do not meet the standards desired or expected by the company or the law. Any change to the relationship with the third party or the third party's capacity to provide products or services is a risk to the overall profitability of the company employing that third party.

#### *Limited Market - PSYK*

The psychedelics industry is in its initial stages and opportunities for commercialization of psychedelic drugs and substances are significantly limited by the existing regulatory frameworks in both Canada and the U.S. While certain psychedelic drugs and substances may be commercialized through medical and drug channels, others are prohibited from distribution except to persons holding exemptions from the applicable regimes. As a result of the foregoing, there is no guarantee that companies will be able to distribute and sell certain psychedelic products or technologies generally, distribute and sell in a volume that would be commercially viable or that they will generate revenue from psychedelics products or technologies at all. Given the limited size of the market, and the foregoing risk factors, companies currently in the industry are particularly susceptible to increased competition as more companies move into the space.

#### *Specific Risks Associated with the Marijuana Industry in the U.S. - PSYK*

PSYK, through the ownership of life science companies in the psychedelic industry, may also have some exposure to the legal marijuana market in Canada, and the hemp industry and/or marijuana industry in certain U.S. states that have legalized marijuana for therapeutic or adult-use, which is currently illegal under U.S. federal law. However, PSYK will not be directly engaged in the manufacture, importation, possession, use, sale or distribution of hemp or marijuana in either Canada or the U.S.

Unless and until the CSA is amended with respect to marijuana (and there can be no assurance as to the timing or scope of any such potential amendments), there is a risk that U.S. federal authorities may enforce current federal law, including the CSA, which may adversely affect the current and future investments of PSYK in the U.S. As a result, there are a number of risks associated with the PSYK's future investments in the U.S. Such investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. Such investments may become the subject of heightened scrutiny by service providers to PSYK, which may affect PSYK's ability to retain such service providers. PSYK may therefore become subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of restrictions on PSYK's ability to invest in the U.S. or any other jurisdiction.

#### *Service Provider Risk*

Concerns by third party service providers to an ETF regarding U.S. federal laws and regulations could threaten the ETF or the Manager's contractual arrangements with third party service providers (who may withdraw or suspend the provision of services to the ETF or the Manager). Such withdrawal or suspension of services could have a material adverse effect on an ETF.

#### *Risks of Transacting on Smaller Exchanges*

An ETF may invest in securities of issuers listed on smaller or junior exchanges. Smaller exchanges may have different clearance and settlement procedures and may involve unique risks not typically associated with investing in securities of issuers listed on a major stock exchange. The securities of issuers listed on smaller exchanges may be more volatile

or lack liquidity than the securities of issuers typically listed on a major exchange, and some exchanges may have higher transaction costs or potential for delay in settlement procedures. Delays in settlement may increase risk to an ETF's portfolio, limit the ability of an ETF to reinvest the proceeds of a sale of securities, hinder the ability of an ETF to lend its portfolio securities, and potentially subject an ETF to penalties for its failure to deliver securities.

#### *Currency Price Fluctuations*

Several factors may affect the relative value between the Canadian dollar and other currencies to which an ETF is exposed, 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.

The base currency of each ETF is Canadian dollars. Each ETF does not seek to hedge currency exposure. An investor buying Cdn\$ Units of an ETF 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. An investor buying or selling US\$ Units, as applicable, of an ETF on the Exchange may therefore experience currency gains or losses 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 an ETF on the Exchange may also experience currency gains or losses due to the differences in the exchange rates used in determining the net asset value of the ETF in Canadian dollars. No currency hedging is used with respect to Cdn\$ Units of an ETF. If the price of the U.S. dollar relative to the Canadian dollar declines, the Manager expects the value of Cdn\$ Units of an ETF to decline as well.

#### *Underlying Index Risk*

Adjustments may be made to the Underlying Index, or the Underlying Index may cease to be calculated without regard to an ETF or its Unitholders. In the event the Underlying Index is changed or ceases to be calculated, subject to all necessary approvals, including that of Unitholders, the Manager may change the investment objective of the ETF, seek a new underlying index, or make such other arrangements as the Manager considers appropriate and in the best interest of Unitholders in the circumstances.

Each Underlying Index is maintained and calculated by the applicable Index Provider.

Trading in Units of the ETF may be suspended for a period of time if, for whatever reason, the calculation of its Underlying Index is delayed. In the event the Underlying Index ceases to be calculated or is discontinued, the Manager may choose to: (i) terminate the ETF; (ii) change the ETF's investment objective to invest primarily in underlying securities or to seek to replicate an alternative index (subject, where applicable, to Unitholder and any other required approvals in accordance with the Trust Declaration); (iii) or make such other arrangements as the Manager considers appropriate and in the best interests of Unitholders of the ETF in the circumstances.

The Index Provider has reserved the right to make adjustments to the applicable Underlying Index, or to cease calculating (or causing to be calculated) the Underlying Index, without regard to the particular interests of an ETF, the Unitholders of an ETF, Designated Brokers or Dealers, but rather solely with a view to the original purpose of the applicable Underlying Index.

#### *Passive Index Risk*

Investments in an ETF should be made with an understanding that its Underlying Index may fluctuate in accordance with the financial condition of the Constituent Issuers, the value of the securities generally and other factors.

Because the investment objective of an ETF is to replicate the performance of its Underlying Index, the ETF is not actively managed by traditional methods, and the Manager will not attempt to take defensive positions in declining markets. Therefore, the adverse financial condition of a Constituent Issuer represented in the Underlying Index will not necessarily result in the elimination of exposure to its securities, whether direct or indirect, by the ETF unless the relevant securities of a Constituent Issuer are removed from the Underlying Index.

#### *Index Replication Risk*

An investment in an ETF should be made with an understanding that the ETF will not replicate exactly the performance of its Underlying Index. The total return generated by the securities held directly or indirectly by an ETF will be reduced by any costs and expenses borne by the ETF, whereas costs and expenses are not included in the calculation of the returns of the applicable Underlying Index.

It is also possible that an ETF may not fully replicate the performance of its Underlying Index due to extraordinary circumstances, the temporary unavailability of certain securities or instruments in the secondary market, or otherwise. It is also possible that an ETF will not fully replicate the performance of its Underlying Index where the ETF's expenses exceed income received from the applicable underlying securities.

A deviation could also occur in the tracking of an ETF with its Underlying Index due to timing differences with respect to corporate actions (such as mergers and spin-offs), index adjustments, and other timing variances (for example, where the ETF tenders under a successful takeover bid for less than all securities of a Constituent Issuer where the applicable Constituent Issuer is not taken out of the Underlying Index and the ETF buys replacement securities of the Constituent Issuers for more than the takeover bid proceeds). An ETF may not replicate exactly the composition of its Underlying Index, which may also lead to differences between the performance of the ETF and the performance of its Underlying Index. In addition, an ETF's use of stratified sampling may cause the ETF to not be as well correlated with the return of its Underlying Index as would be the case if the ETF purchased all of the securities in its Underlying Index in the proportions in which they are represented in its Underlying Index.

#### *Sampling Risk*

An ETF may employ a sampling methodology or may hold an exchange traded fund that employs a sampling methodology. A sampling methodology involves seeking to replicate the performance of the Underlying Index by holding a subset of the Constituent Securities or a portfolio of some or all of the Constituent Securities and other securities, including derivatives, securities of other exchange traded funds, mutual funds, other public investment funds, ADRs or GDRs, selected by the Manager such that the aggregate investment characteristics of the portfolio are reflective of the aggregate investment characteristics of, or a representative sample of, the Underlying Index. It is possible that the use of a sampling methodology may result in a greater deviation in performance relative to the Underlying Index than a replication strategy in which only the Constituent Securities are held in the portfolio in approximately the same proportions as they are represented in the Underlying Index. In certain circumstances, exposure to one or more securities may be obtained through the use of derivatives.

#### *Underlying Investment Funds Risk*

The securities in which an ETF invests, whether directly or indirectly, may trade below, at or above their respective net asset values per security. The net asset value per security will fluctuate with changes in the market value of that investment fund's holdings. The trading prices of the securities of those investment funds will fluctuate in accordance with changes in the applicable fund's net asset value per security, as well as market supply and demand on the stock exchanges on which those funds are listed.

If an ETF purchases a security of an underlying investment fund at a time when the market price of that security is at a premium to the net asset value per security or sells a security at a time when the market price of that security is at a discount to the net asset value per security, the ETF may sustain a loss.

#### *General Regulatory Risk*

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

#### *Reliance on Historical Data Risk*

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

#### *Liquidity Risk*

Under certain circumstances, such as a market disruption, an ETF may not be able to dispose of its investments quickly or at prices that represent the fair market value of such investments. In certain circumstances, the holdings of an ETF may be illiquid, which may prevent the ETF from being able to limit its losses or realize gains.

#### *Risk that Units Will Trade at Prices Other than the Net Asset Value per Unit*

The Units of an ETF may trade below, at, or above their net asset value. The net asset value per Unit of an ETF will fluctuate with changes in the market value of the ETF's holdings. The trading prices of the Units of an ETF will fluctuate in accordance with changes in the ETF's net asset value per Unit, as well as market supply and demand on the Exchange. However, given that Unitholders may subscribe for a PNU at the net asset value per Unit, the Manager believes that large discounts or premiums to the net asset value per Unit of an ETF should not be sustained.

If a Unitholder purchases Units at a time when the market price of such Units is at a premium to the net asset value per Unit or sells Units at a time when the market price of such Units is at a discount to the net asset value per Unit, the Unitholder may sustain a loss.

#### *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 Exchange 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 a 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 Designated Brokers and 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 the securities of a Constituent Issuer of 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 its Constituent Issuers, 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 securities until such time as the cease trade order is lifted.

#### *Exchange Risk*

In the event that the Exchange 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 Exchange 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 Exchange reopens.

#### *Early Closing Risk*

Unanticipated early closings of a stock exchange on which securities held by an ETF are listed may result in the ETF being unable to sell or buy securities on that day. If the Exchange 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.

#### *Tax Related Risks*

Each of the ETFs currently meets all the requirements to qualify as a “mutual fund trust” for the purposes of the Tax Act and (where available) has elected to be deemed to be a “mutual fund trust” from inception.

In the event an ETF were not 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.

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. 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.

Pursuant to the Trust Declaration, each 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.

Recent amendments to the Tax Act prohibit an ETF (provided that it is a “mutual fund trust” for purposes of the Tax Act throughout its taxation year) from claiming a deduction in respect of income allocated to redeeming Unitholders and limit the ability of such an ETF to claim a deduction in respect of capital gains allocated to redeeming Unitholders in the manner described above (the “**ATR Rule**”). Under the ATR Rule, amounts of taxable capital gains so allocated and designated to redeeming Unitholders of an ETF will be deductible to the ETF to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the 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. As a result, the amounts and taxable component of distributions to non-redeeming Unitholders may be adversely affected.

The payment of expenses in a foreign currency and the conversion of a foreign currency to Canadian dollars, if required to pay expenses of an ETF, fund redemptions of Units or otherwise, are taxable events to the ETF. If an ETF realizes

income for purposes of the Tax Act from such activities in a year, the ETF will allocate such income to its Unitholders without any corresponding cash distribution.

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 the ETFs as long as the ETFs adhere to their investment restriction in this regard. If these rules apply to an ETF, the after-tax return to Unitholders of the ETF 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 interest, dividends and distributions 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 or debt securities may subject the ETFs to foreign taxes on interest, dividends and distributions 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.

Each ETF is 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.

#### *Risks Relating to Tax Changes*

There can be no assurance that changes will not be made to the tax rules, including the administrative policies and assessing practices of the CRA, affecting the taxation of the ETFs or the ETFs’ investments, or in the administration of such tax rules.

#### *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 an ETF does not price the Units and, therefore, the value of the securities in the portfolios of the 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 Exchange. Securities of issuers held by an ETF may be traded on days when the foreign exchange is open and the Exchange 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 an 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 an ETF on the Exchange may increase. Also, in the event that the Exchange is open on a day that a foreign exchange is closed, the spread or difference between the value of the securities in an ETF's portfolio and the market price of a Unit of that ETF on the Exchange may increase. Under certain circumstances, the Manager may need to "fair value" foreign securities that an ETF holds at other than their official closing prices. While the Manager will, in such circumstances, use all the reasonably available resources to determine the fair value of the foreign securities, an ETF's fair valuation of those securities may be incorrect.

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

Each ETF is 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.

Each ETF 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.

#### *Liability of Unitholders*

The Trust Declaration provides that no Unitholder of an ETF will be subject to any personal liability whatsoever for any wilful or negligent acts or omissions or otherwise to any party in connection with the assets of the ETF or the affairs of the ETF. The Trust Declaration also provides that an ETF must indemnify and hold each Unitholder of the ETF harmless from and against any and all claims and liabilities to which such Unitholder may become subject by reason of being, or having been, a Unitholder of the ETF and must reimburse such Unitholder for all legal and other expenses reasonably incurred in connection with any such claim or liability. Despite the foregoing, there can be no absolute certainty, outside of Ontario, that a claim will not be made against a Unitholder of an ETF for liabilities which cannot be satisfied out of the assets of the ETF.

#### *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, each ETF has relatively limited operating or performance history upon which prospective investors can evaluate an ETF's performance. Although each ETF is listed on an Exchange, there is no assurance that an active public market for the Units of an ETF will be developed or sustained.

#### *Reliance on Key Personnel*

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

### **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 a description of the reference index used for each ETF:

<b>ETF</b>	<b>Reference Index</b>
HMUS	North American Marijuana Index
PSYK	North American Psychedelics Index

In certain instances, the methodology described above may produce an investment risk level which the Manager believes may be too low and not indicative of the ETF's future volatility. As a result, in addition to using the standardized risk classification methodology described above, the Manager may increase the ETF's investment risk level if it determines that to be reasonable in the circumstances by taking into account other qualitative factors including, but not limited to, economic climate, portfolio management styles, sector concentration and types of investments made by the ETF.

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**

The ETFs are not expected to make regular cash distributions. Cash distributions, if any, to Unitholders of an ETF, net of fees and expenses, will be made at the discretion of the Manager. Such distributions, if any, to Unitholders of an ETF will be paid in Canadian dollars. However, if the Unitholder holds Units of an ETF in a U.S. dollar account, such distributions from the ETF to Unitholders of US\$ Units of the ETF will typically be converted to U.S. dollars by the Unitholder's account holder.

To the extent required, each ETF will also 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 prior to the end of each taxation year (in any other case), sufficient net income (including net capital gains) that has not previously been paid or made payable so that each ETF will not be liable for non-refundable income tax in any given year and such distributions, net of any required withholding tax, will be automatically reinvested in Units of the applicable ETF or paid in Units of the applicable ETF, in each case which will then be immediately consolidated such that the number of outstanding Units of the applicable ETF held by each Unitholder on such day following the distribution will equal the number of Units of the applicable ETF held by the Unitholder prior to that distribution. In the case of a non-resident Unitholder, if tax

has to be withheld in respect of a distribution, the Unitholder's dealer is expected to invoice or debit the Unitholder's account directly.

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 a distribution paid in Units is discussed under the heading "Income Tax Considerations".

Although there may be a reasonable expectation that any income generated by an ETF will be greater than the ETF's fees and expenses, there is no guarantee that an ETF will distribute any income to its Unitholders.

## PURCHASES OF UNITS

### *Initial Investment*

In compliance with NI 81-102, the ETFs did not issue Units to the public until subscriptions aggregating not less than \$500,000 was received and accepted from investors other than persons or companies related to the Manager or its affiliates.

### *Issuance of Units of an ETF*

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

All orders to purchase Units directly from an ETF must be placed by the Designated Broker and/or Dealer. Each ETF reserves the absolute right to reject any subscription order placed by the Designated Broker and/or a Dealer. No fees are payable by an ETF to the Designated Broker or a Dealer in connection with the issuance of Units of the ETF.

On any Trading Day, a Designated Broker or a Dealer may place a subscription order for at least a PNU of an ETF. If a subscription order is received by the Manager on a Trading Day at or before the Subscription Deadline on a Trading Day, and accepted by the Manager, the ETF will generally issue the number of Units of the ETF subscribed for to the Designated Broker or Dealer within two Trading Days from the Trading Day of the subscription. An ETF must receive payment for the Units subscribed for generally within two Trading Days from the Trading Day of the subscription order.

As payment for a PNU of an ETF, the Designated Broker or Dealer must deliver a Basket of Securities and cash in exchange for the Units in an amount equal to the net asset value of such PNU next determined following the receipt of the subscription order. The Manager may, in its complete discretion, instead accept subscription proceeds consisting of cash only in an amount equal to the net asset value of the PNU of the applicable ETF next determined following the receipt of the subscription order.

The Manager publishes the PNU for each ETF on its website, [www.HorizonsETFs.com](http://www.HorizonsETFs.com). The Manager may, at its discretion, increase or decrease the PNU of an ETF from time to time.

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

Units of an ETF will be issued to Unitholders of the ETF on the automatic reinvestment of distributions or on a distribution paid in Units in accordance with the distribution policy of such ETF. See "Distribution Policy".

### *Buying and Selling Units of the ETFs*

The Units of the ETFs that are currently offered pursuant to this prospectus, and their applicable ticker symbols, are:

Name of ETF	Abbreviated Name	Unit Currency	Ticker Symbol
Horizons US Marijuana Index ETF	HMUS	Canadian \$	HMUS

Name of ETF	Abbreviated Name	Unit Currency	Ticker Symbol
		U.S. \$	HMUS.U
Horizons Psychedelic Stock Index ETF	PSYK	Canadian \$	PSYK

Units of the ETFs are currently listed and trade on the Exchange. Investors are able to buy or sell Units of the ETFs on the Exchange through registered brokers and dealers in the province or territory where the investor resides.

An investor may buy or sell such Units of an ETF on the Exchange only through a registered broker or dealer in the province or territory where the investor resides. Accordingly, investors may trade Units of an ETF in the same way as other securities listed on the Exchange, including by using market orders and limit orders. Investors will incur customary brokerage commissions when buying or selling such Units.

### ***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) at any time during which more than 10% of the property of such ETF consists of 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. None of the initial properties of an ETF should be considered such property. If the Manager expects or believes that more than 10% of an ETF’s property may consist of such property, the ETF and the Manager may inform the Registrar and Transfer Agent of such ETF of the restriction on who may be a beneficial owner of a majority of its Units.

If the Manager believes that more than 10% of an ETF’s property is 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 and if the Manager determines that more than 40% of the Units of such ETF (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 of such ETF in the applicable currency 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 of such ETF 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 such ETF as a mutual fund trust for purposes of the Tax Act. See also “Purchases of Units – Non-Resident Unitholders”.

## **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 exchange the applicable PNU (or a whole multiple thereof) of the ETF on any Trading Day for a Basket of Securities and/or cash, subject to the requirement that a minimum PNU be exchanged. The Manager may, in its complete discretion, pay exchange proceeds consisting of 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 exchange request. The Manager will, upon receipt of the exchange request, advise the Unitholder submitting the request as to whether cash and/or a Basket of Securities will be delivered to satisfy the request.

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 of the ETF 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 Dealers and the Designated Broker the applicable PNU to redeem Units of an ETF on each Trading Day.

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 on the second Trading Day after the effective day of the exchange request.

If securities of any issuer 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 below under “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. The redemption rights described above must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units sufficiently in advance of the cut-off times described below to allow such CDS Participant to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

#### *Redemption of Units for Cash*

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

1. 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 Exchange on the effective day of the redemption, where the Units being redeemed are not equal to a PNU or a multiple PNU; or
2. 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.

Holders of Cdn\$ Units or US\$ Units, as applicable, of an ETF, may request that their redemption proceeds be paid in either or Canadian or U.S. currency.

As Unitholders will generally be able to sell Units of an ETF the market price on the Exchange 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 such Units for cash unless they are redeeming a PNU.

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 an ETF at its head office by 9:30 a.m. (Toronto time) 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. Payment of the redemption price will generally be made on the first Trading Day after the effective day of the redemption. Notwithstanding the foregoing, an ETF will make payment of the redemption price no later than the second Valuation Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or dealer.

Investors that redeem their Units of an ETF prior to the distribution record date for any distribution from such ETF 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.

As described below under “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. The redemption rights described above must be exercised through the CDS Participant through which the owner holds Units. Beneficial owners of Units should ensure that they provide redemption instructions to the CDS Participant through which they hold such Units sufficiently in advance of the cut-off times described below to allow such CDS Participant to notify CDS and for CDS to notify the Manager prior to the relevant cut-off time.

### ***Suspension of Redemptions***

The Manager may suspend the redemption of any Class of Units of an ETF or may postpone the date of payment upon redemption: (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; (ii) with the consent of the securities regulatory authorities; or (iii) when required or permitted to do so under any exemptive relief granted by the securities regulatory authorities from Securities Legislation. The suspension may apply to all requests for redemptions received prior to the suspension but as to 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 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 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 the ETFs, any declaration of suspension made by the Manager shall be conclusive.

### ***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.

However, recent amendments to the Tax Act that are applicable to trusts that are “mutual fund trusts” for purposes of the Tax Act throughout the taxation year prohibit an ETF 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, and amounts of taxable capital gains so allocated and designated to redeeming Unitholders of an ETF will be deductible to the ETF to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule) of the net taxable capital gains of the ETF for the year. Any 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 such 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***

Information regarding the price ranges and volume of Units of each ETF on the Exchange for the 12 months preceding the date of this prospectus is set forth in the tables that follow.

#### *HMUS*

<u>Month</u>	<u>Unit Price Range (\$)</u>	<u>Volume of Units Traded</u>
April 2022	14.92 – 19.04	38,894
May 2022	13.04 – 14.72	37,565
June 2022	9.80 – 13.32	36,297
July 2022	9.76 – 12.08	27,130
August 2022	10.91 – 12.64	100,123
September 2022	8.83 – 12.14	43,430
October 2022	8.96 – 11.68	91,085
November 2022	10.04 – 11.02	29,264
December 2022	6.21 – 12.34	267,223
January 2023	6.05 – 6.87	78,886
February 2023	6.54 – 7.03	50,620
March 2023	5.78 – 6.95	19,910

#### *PSYK*

<u>Month</u>	<u>Unit Price Range (\$)</u>	<u>Volume of Units Traded</u>
April 2022	11.64 – 14.28	117,418
May 2022	9.16 – 11.72	95,056
June 2022	10.08 – 11.40	24,030
July 2022	10.40 – 12.24	41,364

August 2022	11.69 – 14.54	80,609
September 2022	10.54 – 14.16	47,976
October 2022	8.43 – 11.23	40,694
November 2022	7.95 – 8.73	167,385
December 2022	6.64 – 8.47	51,996
January 2023	7.01 – 8.07	34,069
February 2023	7.43 – 8.05	37,922
March 2023	5.95 – 7.37	51,407

## 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 assumption that each ETF will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and will not be a "SIFT 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 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 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 Related 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 and will qualify at all times as a "mutual fund trust" for purposes of the Tax Act, and (b) that none of the ETFs is or will be a "SIFT trust" for purposes of the Tax Act.

Provided an ETF qualifies as a "mutual fund trust" within the meaning of the Tax Act, Units of such ETF will be qualified investments under the Tax Act for Registered Plans. Alternatively, if the Cdn\$ Units (or the US\$ Units, if offered) of an ETF are listed on a "designated stock exchange" (within the meaning of the Tax Act), which currently includes the Exchange, such Cdn\$ Units (and US\$ Units, respectively) will be qualified investments under the Tax Act for Registered Plans.

In the case of an exchange of Units for a Basket of Securities, the Holder may receive securities that may or may not be qualified investments under the Tax Act for Registered Plans. If such securities are not qualified investments for Registered Plans, such Registered Plans (and, in the case of certain Registered 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 Registered Plans.

#### *Taxation of the ETFs*

Based on information provided by the Manager, each of the ETFs has elected to have a taxation year that ends on December 15 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 intends to take 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 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.

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.

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. 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.

With respect to 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 by the ETF, or a person affiliated with the ETF, 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.

### ***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). 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 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 source income 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.

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, less any capital gain realized by an ETF on the disposition of such distributed property. 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 or 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 property that the Unitholder will receive in respect of the redemption.

Recent amendments to the Tax Act that are applicable to trusts that are “mutual fund trusts” for purposes of the Tax Act throughout the taxation year prohibit an ETF 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, and amounts of taxable capital gains so allocated and designated to redeeming Unitholders of an ETF will be deductible to the ETF to the extent of the redeeming Unitholders’ pro rata share (as determined under the ATR Rule, as defined herein) of the net taxable capital gains of the ETF for the year. Any 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 such 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 Registered Plans on Units of an ETF while the Units are a qualified investment for such Registered Plans will be exempt from income tax in the Registered Plan, as will capital gains realized by the Registered Plan on the disposition of such Units. Withdrawals from Registered Plans (other than a TFSA and certain withdrawals from a FHSA, RESP or RDSP) 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 Registered Plan.

If Units are “prohibited investments” for a TFSA, FHSA, RRSP, RRIF, RESP or RDSP, a Unitholder who holds Units in such TFSA, FHSA, RRSP, RRIF, RESP or RDSP 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, FHSA, RRSP, RRIF, RESP or RDSP. 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, notwithstanding that such amounts will have been reflected in the price paid by the Holder for the Units. In particular, an investor who acquires Units of the 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 the investor only recently acquired such Units. Further, 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 ETFs Management (Canada) Inc., a corporation existing under the federal laws of Canada, is the manager, investment manager of the ETFs. The Manager is responsible for providing or arranging for the provision of administrative services and management functions required by the ETFs. The principal office of Horizons is 55 University Avenue, Suite 800, Toronto, Ontario, M5J 2H7. Horizons was originally incorporated under the federal laws of Canada under the name BetaPro Management Inc. and was primarily organized for the purpose of managing investment products, including the ETFs.

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.

### ***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>
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).

<b>Name and Municipality of Residence</b>	<b>Date Individual became a Director</b>	<b>Position with Manager</b>	<b>Principal Occupation</b>
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).
Jasmit Bhandal Toronto, Ontario	November 22, 2022	Director, Interim President and Chief Executive Officer, and Ultimate Designated Person	Interim President and Chief Executive Officer, Horizons (since 2022); Chief Operating Officer, Horizons (since 2020); 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 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. 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.

#### ***Ownership of Securities of the Manager***

No securities of the Manager are owned of record or beneficially by any of the directors and executive officers of the Manager.

For a description of the compensation arrangements of the independent review committee of the ETF, see “Organization and Management Details of the ETF – Independent Review Committee”.

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

Pursuant to the 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, investment managers, counterparties, custodians, registrars, transfer agents, valuation agents, Designated Brokers, Dealers, auditors and printers; authorizing the payment of operating expenses incurred on behalf of the ETFs; ensuring the maintenance of accounting records for the ETFs; preparing the reports to Unitholders of the ETFs 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 of each ETF are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that each ETF complies with all other regulatory requirements including the continuous disclosure obligations of such ETF under applicable securities laws; administering purchases, redemptions and other transactions in Units of each ETF; arranging for any payments required upon termination of an ETF; and dealing and communicating with Unitholders of the ETFs. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The Manager will also monitor the investment strategy of each ETF to ensure that each ETF complies with its investment objective, 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 the ETFs or to any Unitholder of an ETF or any other person for any loss or damage relating to any matter regarding an ETF, including any loss or diminution of value of the assets of such 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 the ETFs 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 ETFs as long as the person acted honestly and in good faith with a view to the best interests of the ETFs.

The Manager may resign 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 the ETFs, the Manager is entitled to receive Management Fees from the ETFs.

### ***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 employee of the Manager principally responsible for providing investment advice to the ETF 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

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.

### ***Designated Brokers***

The Manager, on behalf of the ETFs, has entered into a Designated Broker Agreement with a Designated Broker pursuant to which the Designated Broker has agreed to perform certain duties relating to the ETFs including, without limitation: (i) to subscribe for a sufficient number of Units of an ETF to satisfy the Exchange's original listing requirements; (ii) to subscribe for Units of an ETF on an ongoing basis, and (iii) to post a liquid two way market for the trading of Units of an ETF on the Exchange. Payment for Units of an ETF must be made by the Designated Broker, and Units of an 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 Horizons at least six months' prior written notice of such termination. Horizons may terminate a Designated Broker Agreement at any time, without prior notice, by sending a written notice of termination to the Designated Broker.

Units of an ETF do not represent an interest 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 such Designated Brokers or Dealers.

A Designated Broker may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

### ***Conflicts of Interest***

The Manager and its 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 the accounts of the ETFs utilizing trading and investment strategies which are the same as or different from the ones to be utilized in making investment decisions for the ETFs. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of the ETFs. Furthermore, all of the positions held by accounts owned, managed or controlled by the 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".

The ETF Managers may at times have interests that differ from the interests of the Unitholders of the ETFs.

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 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 an ETF to recover damages from or to require an accounting by such ETF Manager. Unitholders should be aware that the performance by each ETF Manager of its responsibilities to an ETF will be measured in accordance with (i) the provisions of the agreement by which such ETF Manager has been appointed to its position with such 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 an ETF, the Manager may receive a portion of the affiliate's revenue that it receives for those services. An affiliate of Mirae Asset may act as a Designated Broker, a Dealer and/or a registered trader (market maker). These relationships could 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, such affiliate of Mirae Asset may profit from the sale and trading of Units of an ETF. Such affiliate of Mirae Asset, as a 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 of the ETFs.

National Bank Financial Inc. ("**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 of an ETF. 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 of the ETFs.

NBF's potential roles as a Designated Broker and a Dealer of the ETFs will not be as an underwriter of an ETF in connection with the primary distribution of Units of an 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. NBF in its role as Designated Broker may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

NBF and its affiliates may, at present or in the future, engage in business with an ETF, the issuers of securities making up the investment portfolio of an ETF, 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 and its 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.

### ***Independent Review Committee***

NI 81-107 requires that all publicly offered investment funds, such as the ETFs, establish an IRC and that the Manager must refer all conflict of interest matters in respect of the ETFs for review or approval by 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 ETFs and to their 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, Ed Akkawi 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 the applicable 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.

Each ETF compensates the IRC members for their participation on the IRC through member fees and, if applicable, meeting fees. Ed Akkawi 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 each ETF is calculated by dividing the total net assets of each 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 each 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 each 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 such 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 contains 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 assets of the ETFs pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario and is independent of the Manager. 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, or, if higher, the degree of care, diligence and skill that each Custodian uses in respect of its own property of a similar nature in its custody (the "**Standard of Care**").

Under the Custodian Agreement, an ETF pays fees to the Custodian at such rate as determined by the parties from time to time and the Custodian is reimbursed for all reasonable expenses incurred in the performance of its duties under the Custodian Agreement. An ETF will also indemnify and hold harmless the Custodian, CIBC Mellon Global, Canadian Imperial Bank of Commerce, and the Bank of New York Mellon from any direct loss, damage or expense,

including reasonable counsel fees and expenses, arising in connection with the Custodian Agreement, except to the extent such direct loss, damage or expense, including reasonable counsel fees and expenses is caused by a breach of the Standard of Care by the Custodian, CIBC Mellon Global, Canadian Imperial Bank of Commerce, and the Bank of New York Mellon, or a permitted agent or assignee of the foregoing.

The parties to the Custodian Agreement may terminate the Custodian Agreement without any penalty upon at least ninety (90) days' written notice to the other parties, or immediately, if any party becomes insolvent, or makes an assignment for the benefit of creditors, or a petition in bankruptcy is filed by or against that party and is not discharged within thirty (30) days, or proceedings for the appointment of a receiver for that party are commenced and not discontinued within thirty (30) days. The Manager may terminate the Custodian Agreement immediately upon written notice to the other parties and without penalty if the Custodian no longer satisfies the requirements to act as a custodian of the ETFs, as such requirements are set out in NI 81-102 and National Instrument 41-101 - *General Prospectus Requirements*.

### ***Valuation Agent***

The Manager has retained CIBC Mellon Global to provide accounting and valuation services to the ETFs.

### ***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 is the registrar and transfer agent for the Units of the ETFs pursuant to registrar and transfer agency agreements entered into by the ETFs. TSX Trust Company is independent of the Manager. TSX Trust Company is located in Toronto, Ontario.

### ***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***

NBF is a securities lending agent for the ETFs pursuant to a securities lending agency agreement (the "NBF SLAA").

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 the 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. NBF or an affiliate thereof may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in connection with the securities lending activities of an ETF.

Canadian Imperial Bank of Commerce ("CIBC") may also act as a securities lending agent for an ETF 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 an 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.

## CALCULATION OF NET ASSET VALUE

The NAV per Unit of an ETF will be computed in Canadian dollars 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 that are outstanding. The NAV per Unit 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 NAV per Unit of the applicable ETF is made. The NAV per Unit of each ETF will be calculated on each Valuation Day.

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

Typically, the NAV per Unit of an ETF will be calculated at the Valuation Time. The NAV per Unit may be determined at an earlier Valuation Time if the Exchange and/or the principal exchange for the securities held by an ETF closes earlier on that Valuation Day.

### *Valuation Policies and Procedures of the ETFs*

- (a) The following valuation procedures will be taken into account in determining the “NAV” and “NAV per Unit” of an ETF on each Valuation Day:
- (i) 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 Valuation Agent 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 Valuation Agent determines to be the reasonable value thereof;
  - (ii) 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 Valuation Agent, 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;
  - (iii) 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 value of a future contract or a swap or forward contract shall be the gain or loss with respect thereto that will be realized if, on that Valuation Day, the position in the futures contract, or the forward contract, as the case may be, were to be closed out unless “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 shall be reflected as an account receivable and margin consisting of assets other than cash shall be noted as held as margin;

- (iv) 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 Valuation Agent, where applicable, in accordance with the principles described in paragraph (ii) above, except that the Valuation Agent 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;
- (v) the liabilities of an ETF will include:
- all bills, notes and accounts payable of which the ETF is an obligor;
  - 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; and
- (vi) the exchange rates used by the ETFs will be prevailing market rates as determined by the Manager.

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, in consultation with the Valuation Agent (when necessary), 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 National Instrument 81-106 *Investment Fund Continuous Disclosure*.

### ***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 such ETF.

Units of the ETFs are currently listed and trade on the Exchange. Investors are able to buy or sell Units of an ETF on the Exchange 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.

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), 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 such ETF. Each Unit of an ETF is entitled to participate equally with all other Units of such ETF 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 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".

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

On any Trading Day, Unitholders, Dealers and Designated Brokers may redeem Units of an ETF for cash at a redemption price per Unit equal to 95% of the closing price for the Units of such ETF on the Exchange on the effective day of the redemption. Holders of US\$ Units of an ETF, if any, may request that their redemption proceeds be paid in U.S. or Canadian dollars. A cash redemption request will be subject to a maximum redemption price payable to a Unitholder of the NAV per Unit of the applicable ETF. 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 such 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 an 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 such ETF.

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

## UNITHOLDER MATTERS

### *Meetings of Unitholders*

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

### *Matters Requiring Unitholder Approval*

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

- (a) 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:
  - (i) the ETF is at arm's length with the person or company charging the fee; and
  - (ii) the Unitholders have received at least 60 days' notice before the effective date of the change;
- (b) a fee or expense, to be charged to the 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;
- (c) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;
- (d) the fundamental investment objective of the ETF is changed;
- (e) the ETF decreases the frequency of the calculation of its net asset value per Unit;
- (f) 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:
  - (i) the IRC of the ETF has approved the change in accordance with NI 81-107;
  - (ii) 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;
  - (iii) the Unitholders have received at least 60 days' notice before the effective date of the change; and
  - (iv) the transaction complies with certain other requirements of applicable securities legislation;
- (g) 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 of the ETF, and the transaction would be a material change to the ETF;
- (h) the ETF implements a restructuring into a non-redeemable investment fund or a restructuring into an issuer that is not an investment fund; or
  - (i) 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 of the ETF.

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

- (A) the IRC of the ETF has approved the change; and

- (B) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders of an ETF will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders of such ETF, 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 such 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 applicable securities legislation, the Trustee is entitled to amend the Trust Declaration by giving not less than 30 days' notice to Unitholders of the ETF affected by the proposed amendment in circumstances where:

- (a) the securities legislation requires that written notice be given to Unitholders of the 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 the ETF, so that it is equitable to give Unitholders of the ETF advance notice of the proposed change.

All Unitholders of an ETF shall be bound by an amendment affecting such 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 of an ETF, 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 such 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 Units of the ETF;
- (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 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 each ETF, will in accordance with applicable laws furnish to each Unitholder of an ETF, unaudited semi-annual financial statements and an interim management report of fund performance for such 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 an ETF will contain a statement of financial position, statement of comprehensive income, statement of change in financial position, statement of cash flows and schedule of investments.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns in connection with 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.

### ***Exchange of Tax Information***

Part XVIII of the Tax Act, which was enacted to implement the Canada-United States Enhanced Tax Information Exchange Agreement (the "IGA"), 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 Exchange, 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 will generally require 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 Registered Plan (other than a FHSA). The CRA is expected to 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.

Reporting obligations in the Tax Act have been enacted to implement the Organization for Economic Cooperation and Development Common Reporting Standard (the "CRS Rules"). Pursuant to the CRS Rules, Canadian financial institutions will be required to have procedures in place to identify accounts held by residents of foreign countries (other than the U.S.) or by certain entities any of whose "controlling persons" are resident in a foreign country (other than the U.S.) and to report the required information to the CRA. Such information will be 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 Rules, Unitholders will be required to provide such information regarding their investment in an ETF to their dealer for the purpose of such information exchange, unless the investment is held within a Registered Plan (other than an FHSA). As currently drafted, the Tax Act does not 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 at its discretion. In accordance with the terms of the Trust Declaration and applicable securities law, Unitholders will be provided 60 days advance written notice of the termination.

If an ETF is terminated, the Trustee is empowered to take all steps necessary to effect the termination of such ETF. Prior to terminating an ETF, the Trustee may discharge all of the liabilities of such ETF and distribute the net assets of the ETF to the Unitholders.

Upon termination of an ETF, each Unitholder shall be entitled to receive at the Valuation Time on the termination date out of the assets of such ETF: (i) payment for that Unitholder's Units at the NAV per Unit for that class of Units 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 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 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 such 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 shall be 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.

Units of the ETFs are currently listed and trade on the Exchange. Investors are able to buy or sell Units of an ETF on the Exchange through registered brokers and dealers in the province or territory where the investor resides.

## **RELATIONSHIP BETWEEN THE ETFs AND DEALERS**

The Manager, on behalf of an ETF, has entered or will enter into various Dealer Agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units of such ETF as described under "Purchases of Units".

A Dealer Agreement may be terminated by the registered dealer at any time by notice to Horizons, provided that, except in certain conditions, no such termination will be permitted after the registered dealer has subscribed for Units of an ETF and such subscription has been accepted by Horizons.

NBF acts or may act as a Designated Broker, a Dealer, registered trader (market maker) and/or securities lending agent of the ETF. See "Organization and Management Details of the ETFs – 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, a designated broker, dealer 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 Environmental, Social,

and Governance (“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 ETFs are the following:

1. **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”, “Organization and Management Details of the ETFs - Duties and Services to be Provided by the Manager”, “Attributes of the Securities – Modification of Terms” and “Unitholder Matters – Amendments to the Trust Declaration”; and
2. **Custodian Agreement.** For additional disclosure related to the Custodian Agreement, including relevant termination provisions and other key terms of the agreement, see “Organization and Management Details of the ETFs – Custodian”.

Copies of these agreements may be examined at the head office of the ETFs, located at 55 University Avenue, Suite 800, 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 the ETFs.

## EXPERTS

KPMG LLP, the auditors of the ETFs, has consented to the use of their reports 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:

- (a) permit a Unitholder to acquire more than 20% of the Units of an ETF through purchases on the Exchange without regard to the takeover bid requirements of applicable Canadian securities legislation. See “Purchases of Units – Buying and Selling Units of the ETF”;
- (b) permit the ETFs to lend securities with a lending agent that is not the Custodian;
- (c) relieve the ETFs from the requirement that the prospectus of the ETF include an underwriter’s certificate; and
- (d) permit the ETFs to enter into securities lending transactions in which the aggregate market value of securities loaned by the ETF represents up to 100% of the net asset value of the ETF.

## OTHER MATERIAL FACTS

### ***HMUS – Index Provider Disclaimer***

HMUS is not sponsored, promoted, sold or supported in any other manner by Solactive nor does Solactive offer any express or implicit guarantee or assurance either with regard to the results of using the Underlying Index and/or its trade mark or prices at any time or in any other respect. The Underlying Index is calculated and published by Solactive. Solactive uses its best efforts to ensure that the Underlying Index is calculated correctly. Irrespective of its obligations towards the ETF or the Manager, Solactive has no obligation to point out errors in the Underlying Index to third parties including but not limited to investors and/or financial intermediaries of the ETF. Neither publication of the Underlying Index by Solactive nor the licensing of the Underlying Index or its trade mark for the purpose of use in connection the ETF constitutes a recommendation by Solactive to invest capital in the ETF nor does it in any way represent an assurance or opinion of Solactive with regard to any investment in the ETF.

### ***PYSK - Calculation Agent Disclaimer***

PSYK is not sponsored, promoted, sold or supported in any other manner by Solactive nor does Solactive offer any express or implicit guarantee or assurance either with regard to the results of using the Underlying Index and/or its trade mark or prices at any time or in any other respect. The Underlying Index is calculated and published by Solactive. Solactive uses its best efforts to ensure that the Underlying Index is calculated correctly. Irrespective of its obligations towards the ETF or the Manager, Solactive has no obligation to point out errors in the Underlying Index to third parties including but not limited to investors and/or financial intermediaries of the ETF. The publication of the Underlying Index by Solactive does not constitute a recommendation by Solactive to invest capital in the ETF nor does it in any way represent an assurance or opinion of Solactive with regard to any investment in the ETF.

***PYSK - Index Provider Disclaimer***

Horizons ETFs Management (Canada) Inc., in its capacity as Index Provider, does not offer any express or implicit guarantee or assurance either with regard to the results of using the Underlying Index's trademarks or the Underlying Index's prices at any time or in any other respect. Horizons ETFs Management (Canada) Inc., in its capacity as Index Provider, uses commercially reasonable efforts to ensure that the Underlying Index is calculated correctly. Horizons ETFs Management (Canada) Inc., in its capacity as Index Provider, has no obligation to point out errors in the Underlying Index to third parties including but not limited to investors and/or financial intermediaries of the ETF. Neither publication of the Underlying Index by Horizons ETFs Management (Canada) Inc., nor the licensing of the Underlying Index or trademarks for the purpose of use in connection with the ETF constitutes a recommendation by Horizons ETFs Management (Canada) Inc., in its capacity as Index Provider or Manager, to invest capital in the ETF nor does it in any way represent an assurance or opinion of Horizons ETFs Management (Canada) Inc. with regard to any investment in the ETF.

**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, 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 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 independent auditors' report;
- (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, THE MANAGER AND PROMOTER**

Dated: April 18, 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) "Jasmit Bhandal"

Jasmit Bhandal  
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