

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



**AMENDMENT NO. 1 DATED MAY 1, 2024 TO THE PROSPECTUS DATED AUGUST 25, 2023**

**FOR**

Global X Conservative Asset Allocation ETF  
(formerly, Horizons Conservative Asset Allocation ETF)  
Global X Balanced Asset Allocation ETF  
(formerly, Horizons Balanced Asset Allocation ETF)  
Global X All-Equity Asset Allocation ETF  
(formerly, Horizons All-Equity Asset Allocation ETF)

(each, an “ETF” and together, the “ETFs”)

The prospectus of the ETFs dated August 25, 2023 (the “**Prospectus**”) is hereby amended and is to be read subject to the additional information set forth below. In all other respects, the disclosure in the Prospectus is not revised. All capitalized terms not defined in this amendment no. 1 have the respective meanings set out in the Prospectus.

**Change to the Names of the ETFs**

As announced on April 18, 2024, effective May 1, 2024, the names of the ETFs have been changed as follows:

| <b>Former ETF Name</b>                     | <b>New ETF Name</b>                        | <b>TSX Ticker Symbol</b> |
|--|--|--------------------------|
| Horizons Conservative Asset Allocation ETF | Global X Conservative Asset Allocation ETF | HCON                     |
| Horizons Balanced Asset Allocation ETF     | Global X Balanced Asset Allocation ETF     | HBAL                     |
| Horizons All-Equity Asset Allocation ETF   | Global X All-Equity Asset Allocation ETF   | HEQT                     |

The investment objectives, investment strategies and ticker symbols of each ETF will remain the same.

The names of the ETFs have been changed in connection with a rebranding announced by the Manager on March 6, 2024.

**Change to the Name of the Manager**

As announced on March 6, 2024, effective May 1, 2024, the name of the Manager, Investment Manager and Trustee of the ETFs has been changed from Horizons ETFs Management (Canada) Inc. to Global X Investments Canada Inc.

### **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 ETF 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.

**CERTIFICATE OF THE ETFs, MANAGER AND PROMOTER**

Dated: May 1, 2024

The prospectus dated August 25, 2023, as amended by this amendment no. 1 dated May 1, 2024, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus dated August 25, 2023, as amended by this amendment no. 1 dated May 1, 2024, as required by the securities legislation of all of the provinces and territories of Canada.

**HORIZONS ETFs MANAGEMENT (CANADA) INC.,  
AS TRUSTEE, MANAGER AND PROMOTER OF THE ETFs**

(signed) "*Rohit Mehta*"

\_\_\_\_\_  
Rohit Mehta  
Chief Executive Officer

(signed) "*Julie Stajan*"

\_\_\_\_\_  
Julie Stajan  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF HORIZONS ETFs MANAGEMENT (CANADA) INC.**

(signed) "*Young Kim*"

\_\_\_\_\_  
Young Kim  
Director

(signed) "*Thomas Park*"

\_\_\_\_\_  
Thomas Park  
Director

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



## PROSPECTUS

Continuous Offering

August 25, 2023

**Horizons Conservative Asset Allocation ETF (“HCON”)<sup>1</sup>  
Horizons Balanced Asset Allocation ETF (“HBAL”)<sup>2</sup>  
Horizons All-Equity Asset Allocation ETF (“HEQT”)<sup>3</sup>**

**(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. The Units of each ETF are offered for sale at a price equal to the net asset value of such Units next determined following the receipt of a subscription order. 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 ETF”.

### Investment Objectives

#### *HCON*

The ETF seeks to provide a combination of income and moderate long-term capital growth, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of fixed income and equity securities.

#### *HBAL*

The ETF seeks to provide a combination of long-term capital growth and a moderate level of income, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of equity and fixed income securities.

#### *HEQT*

The ETF seeks to provide long-term capital growth, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of equity securities.

See “Investment Objectives”.

Units of each ETF are currently listed and trade on the Toronto Stock Exchange (the “TSX”).

Investors can buy or sell Units of an ETF on the TSX through registered brokers and dealers in the province or territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling Units.

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<sup>1</sup> Previously named Horizons Conservative TRI ETF Portfolio

<sup>2</sup> Previously named Horizons Balanced TRI ETF Portfolio

<sup>3</sup> Previously named Horizons Growth TRI ETF Portfolio

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 TSX on the effective day of redemption. Unitholders are advised to consult their brokers or investment advisers before redeeming Units for cash. Each ETF will also offer additional redemption or exchange options which are available where a Dealer, Designated Broker or Unitholder redeems or exchanges a prescribed number of Units (a “**PNU**”). See “Exchange and Redemption of Units”.

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

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

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

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

You can get a copy of these documents at your request, and at no cost, by calling the Manager toll-free at 1-866-641-5739 or from your dealer. These documents will also be available on the Manager’s website at [www.HorizonsETFs.com](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 also available on the website of SEDAR+ at [www.sedarplus.ca](http://www.sedarplus.ca).

**Horizons ETFs Management (Canada) Inc.**  
**55 University Avenue, Suite 800**  
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## PROSPECTUS SUMMARY

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

### **The ETFs**

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

### **Investment Objectives**

#### HCON

The ETF seeks to provide a combination of income and moderate long-term capital growth, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of fixed income and equity securities.

#### HBAL

The ETF seeks to provide a combination of long-term capital growth and a moderate level of income, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of equity and fixed income securities.

#### HEQT

The ETF seeks to provide long-term capital growth, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of equity securities.

See “Investment Objectives”.

### **Investment Strategies**

#### HCON

In order to achieve its investment objective, the ETF primarily invests in exchange traded funds that provide exposure to a globally diversified portfolio of fixed income and equity securities. The Manager seeks to maintain a long-term strategic asset allocation of approximately 40% equity securities and 60% fixed income securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the sole discretion of the Manager.

The ETF, at its sole discretion, may elect to hedge the foreign currency exposure of its fixed income investments back to the Canadian dollar through the use of currency forwards or investments in hedged fixed income exchange traded funds. The ETF will not hedge the foreign currency exposure of any asset class other than fixed income.

#### HBAL

In order to achieve its investment objective, the ETF primarily invests in exchange traded funds that provide exposure to a globally diversified portfolio of equity and fixed-income securities. The Manager seeks to maintain a long-term strategic asset allocation of approximately 60% equity securities and 40% fixed income securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the sole discretion of the Manager.



The ETF, at its sole discretion, may elect to hedge the foreign currency exposure of its fixed income investments back to the Canadian dollar through the use of currency forwards or investments in hedged fixed income exchange traded funds. The ETF will not hedge the foreign currency exposure of any asset class other than fixed income.

#### HEQT

In order to achieve its investment objective, the ETF primarily invests in exchange traded funds that provide exposure to a globally diversified portfolio of equity securities. The Manager seeks to maintain a long-term strategic asset allocation of approximately 100% equity securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the sole discretion of the Manager.

The ETF will not hedge its exposure to foreign currencies back to the Canadian dollar.

See “Investment Strategies”.

#### **Offering**

Units of each ETF are currently listed and trade on the TSX.

Each ETF offers class A units (the “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. The Units are offered for sale at a price equal to the net asset value of the Units in the applicable currency next determined following the receipt of a subscription order.

See “Plan of Distribution”.

#### **Special Considerations for Purchasers**

Units of each TRI 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, an ETF may purchase Units of a TRI ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102.

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

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

#### **Distributions**

It is anticipated that each ETF will make distributions to its Unitholders on a monthly basis, at the discretion of the Manager. Monthly distributions will be paid in cash, unless a Unitholder has chosen to participate in the Reinvestment Plan (as defined below) for the ETFs.

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 under Part I of the Tax Act in any given year and such distributions 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.

**Distribution Reinvestment**

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

See “Distribution Policy – Distribution Reinvestment Plan”.

**Redemptions**

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

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

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

See “Exchange and Redemption of Units”.

**Income Tax Considerations**

A Unitholder of an ETF who is an individual (other than a trust) resident in Canada will generally be required to include, in computing income for a taxation year, the amount of income (including any taxable capital gains) that is or is deemed to be paid or 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 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.

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

See “Income Tax Considerations”.

**Eligibility for Investment**

Provided that an ETF qualifies as a “mutual fund trust” within the meaning of the Tax Act, or the Units of the ETF are listed on a “designated stock exchange” within the meaning of the Tax Act (which currently includes the TSX), Units of that ETF, if issued on the date hereof, would be on such date qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a registered disability savings plan, a deferred profit sharing plan, a registered education savings plan, a tax-free savings account or a first home savings account (collectively, the “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 recently filed 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 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.sedarplus.ca. See “Documents Incorporated by Reference”.

**Risk Factors** There are certain risk factors that are common to an investment in the ETFs. See “Risk Factors”.

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

**The Manager, Trustee and Investment Advisor**

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

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

**Custodian**

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

**Valuation Agent**

CIBC Mellon Global has been retained to provide accounting services in respect of the ETFs. CIBC Mellon Global is located in Toronto, Ontario.

**Auditors**

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

**Registrar and Transfer Agent**

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

**Promoter**

The Manager is also the promoter of the ETFs. The Manager took the initiative in founding and organizing the ETFs and is, accordingly, the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada.

**Securities Lending Agents**

Canadian Imperial Bank of Commerce (“**CIBC**”) is a securities lending agent for the ETFs. CIBC is located in Toronto, Ontario. CIBC is independent of the Manager.

National Bank Financial Inc. (“**NBF**”) may also act as a securities lending agent for the ETFs. NBF is located in Toronto, Ontario. See “Organization and Management Details of the ETFs – Securities Lending Agents”.

See “Organization and Management Details of the ETFs”.

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

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

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

| <b>Type of Charge</b>                                    | <b>Description</b>   |
|--|--|
| <b>Management Fees</b>                                   | <p>Each ETF pays annual Management Fees to the Manager equal to 0.18% of the net asset value of the Units of that ETF, plus applicable Sales Tax. The Management Fees are calculated and accrued daily and payable monthly in arrears.</p> <p>The Manager pays all of the operating and administrative expenses incurred by the ETFs. The total management expense ratios of HCON, HBAL, and HEQT are expected to be approximately 0.20%.</p> <p>The trading expense ratios of each ETF is expected to be 0.02%. As trading expense ratios include expenses outside of the control of the Manager, the trading expense ratios of the portfolios held by an ETF are subject to change.</p> <p>See “Forward Looking Statements”.</p> <p>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.</p> <p>See “Fees and Expenses”.</p> |
| <b>Underlying Fund Fees</b>                              | <p>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.</p> <p>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.</p> <p>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, and no sales fees or redemption fees are payable by an ETF in relation to its purchases or redemptions of securities of underlying funds that, to a reasonable person, would duplicate a fee payable by an investor in an ETF.</p>  |
| <b>Operating Expenses</b>                                | <p>The Manager pays all of the operating and administrative expenses incurred by the ETFs. As a result, there will be no operating expenses payable directly by an ETF, or indirectly by the Unitholders of an ETF.</p> <p>See “Fees and Expenses”.</p>  |
| <b>Expenses of the Issue</b>                             | <p>Apart from the initial organizational cost of the ETFs, all expenses related to the issuance of Units shall be borne by the ETFs unless otherwise waived or reimbursed by the Manager.</p> <p>See “Fees and Expenses”.</p>  |
| <i>Fees and Expenses Payable Directly by Unitholders</i> |  |
| <b>Other Charges</b>                                     | <p>The Manager may, at its discretion, charge subscribing, exchanging or redeeming Unitholders of an ETF an administration fee up to 0.25% of the issuance, exchange or redemption proceeds to offset certain transaction costs associated with the</p>  |

issuance, exchange or redemption of Units.

See "Fees and Expenses Payable Directly by the Unitholders".

## GLOSSARY

The following terms have the following meaning:

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

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

“**Capital Gains Refund**” has the meaning ascribed to such term under the heading “Income Tax Considerations – Taxation of the ETFs”;

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

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

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

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

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

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

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

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

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

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

“**DFA Rules**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risk”;

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

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

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

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

“**Equity Repurchase Rules**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risk”;

“**ETFs**” means HCON, HBAL and HEQT, and “**ETF**” means any one of them, as applicable;

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

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

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

“**HBAL**” means Horizons Balanced Asset Allocation ETF;

“**HCON**” means Horizons Conservative Asset Allocation ETF;

“**HEQT**” means Horizons All-Equity Asset Allocation ETF;

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

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

“**Listed Funds**” means exchange traded funds that issue index participation units, or exchange traded funds in respect of which the Manager has obtained exemptive relief from certain of the control, concentration or “fund of funds” restrictions of NI 81-102;

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

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

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

“**Mirae Asset**” means Mirae Asset Global Investments Co., Ltd., an affiliate of Horizons;

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

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

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

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

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

“**NRT Rules**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risk”;

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

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

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

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

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

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

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

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

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

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

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

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

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

“**SIFT Rules**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risk”;

“**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;

“**swap**” means a financial derivative contract in which two counterparties agree to exchange cash flows determined with reference to prices of currencies or interest rates, according to predetermined rules. At inception, this instrument typically has zero market value, but as market prices change the value of the swap may change as well as whether it is an asset or liability of a counterparty;

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

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

“**Tax Treaties**” has the meaning ascribed to such term under the heading “Risk Factors – Tax Risk”.



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

“**Total Return Swap**” means a total return swap (which expression shall include a price return swap that results in the receipt of a total return) between an acceptable counterparty and an ETF, as applicable, pursuant to which such ETF will gain underlying exposure;

“**Trading Day**” means a day on which a session of the TSX is held;

“**TRI ETFs**” means total return index exchange traded funds managed by the Manager that may employ Total Return Swaps to achieve their investment objectives;

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

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

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

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

“**Units**” means, the Class A Units of the ETFs, as the context may require, and “**Unit**” means a Class A Unit of any ETF, as the context may require;

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

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

## OVERVIEW OF THE LEGAL STRUCTURE OF THE ETFs

The ETFs are exchange traded mutual fund trusts established under the laws of Ontario. The manager, trustee and investment manager of the ETFs is Horizons.

The ETFs that are offered pursuant to this prospectus are:

| Name of ETF                                | Abbreviated Name and TSX Ticker Symbol |
|--|--|
| Horizons Conservative Asset Allocation ETF | HCON                                   |
| Horizons Balanced Asset Allocation ETF     | HBAL                                   |
| Horizons All-Equity Asset Allocation ETF   | HEQT                                   |

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

### INVESTMENT OBJECTIVES

The fundamental investment objective of each ETF is set out below. The fundamental investment objective of an ETF may not be changed except with the approval of Unitholders of that ETF. See “Unitholder Matters”.

#### *HCON*

The ETF seeks to provide a combination of income and moderate long-term capital growth, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of fixed income and equity securities.

#### *HBAL*

The ETF seeks to provide a combination of long-term capital growth and a moderate level of income, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of equity and fixed income securities.

#### *HEQT*

The ETF seeks to provide long-term capital growth, primarily by investing in exchange traded funds that provide exposure to a globally diversified portfolio of equity securities.

### INVESTMENT STRATEGIES

The specific investment strategies of each ETF are set out below.

#### *HCON*

In order to achieve its investment objective, the ETF primarily invests in exchange traded funds that provide exposure to a globally diversified portfolio of fixed income and equity securities. The Manager seeks to maintain a long-term strategic asset allocation of approximately 40% equity securities and 60% fixed income securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the sole discretion of the Manager.

The ETF, at its sole discretion, may elect to hedge the foreign currency exposure of its fixed income investments back to the Canadian dollar through the use of currency forwards or investments in hedged fixed income exchange traded funds. The ETF will not hedge the foreign currency exposure of any asset class other than fixed income.

### ***HBAL***

In order to achieve its investment objective, the ETF primarily invests in exchange traded funds that provide exposure to a globally diversified portfolio of equity and fixed-income securities. The Manager seeks to maintain a long-term strategic asset allocation of approximately 60% equity securities and 40% fixed income securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the sole discretion of the Manager.

The ETF, at its sole discretion, may elect to hedge the foreign currency exposure of its fixed income investments back to the Canadian dollar through the use of currency forwards or investments in hedged fixed income exchange traded funds. The ETF will not hedge the foreign currency exposure of any asset class other than fixed income.

### ***HEQT***

In order to achieve its investment objective, the ETF primarily invests in exchange traded funds that provide exposure to a globally diversified portfolio of equity securities. The Manager seeks to maintain a long-term strategic asset allocation of approximately 100% equity securities (under normal market conditions). The portfolio asset mix may be reconstituted and rebalanced from time to time at the sole discretion of the Manager.

The ETF will not hedge its exposure to foreign currencies back to the Canadian dollar.

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

#### *Use of Derivatives*

The ETFs may use derivative instruments for currency hedging purposes or other purposes. Any use of derivative instruments, including futures contracts and forward contracts, will be consistent with the investment objective of the ETFs, and will be in accordance with NI 81-102.

#### *Securities Lending*

An ETF may enter into securities lending transactions, repurchase and/or reverse repurchase transactions with a securities lending agent of the ETF, to the extent permitted by applicable securities laws, to earn additional income for the ETF. 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 and, in respect of an ETF, may help to ensure that the investment results of an ETF more closely correspond to the applicable investment objective. 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. See “Organization and Management Details of the ETFs – Securities Lending Agents”.

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.

#### *Investments in Other Investment Funds*

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, and no sales fees or redemption fees are payable by an ETF in relation to its purchases or redemptions of securities of underlying funds that, to a reasonable person, would duplicate a fee payable by an investor in an ETF.

#### *Cash Management*

If market conditions require, in order to preserve capital, an ETF may seek to invest a substantial portion of its portfolio in cash and cash equivalents.

### **INVESTMENT RESTRICTIONS**

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

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

#### *Tax Related Investment Restrictions*

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

### **FEES AND EXPENSES**

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

##### *Management Fees*

Each ETF pays annual Management Fees to the Manager equal to 0.18% of the net asset value of the Units of that ETF, plus applicable Sales Tax. The Management Fees are calculated and accrued daily and payable monthly in arrears.

The Manager pays all of the operating and administrative expenses incurred by the ETFs. The total management expense ratios of HCON, HBAL, and HEQT are expected to be approximately 0.20%.

The trading expense ratios of each ETF is expected to be 0.02%. As trading expense ratios include expenses outside of the control of the Manager, the trading expense ratios of the portfolios held by an ETF are subject to change.

See “Forward Looking Statements”.

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*

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 the ETFs 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 of the Manager.

#### *Operating Expenses*

The Manager pays all of the operating and administrative expenses incurred by the ETFs. As a result, there will be no operating expenses payable directly by an ETF, or indirectly by the Unitholders of an ETF.

#### *Expenses of the Issue*

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

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

#### *Other Charges*

The Manager may, at its discretion, charge subscribing, exchanging or redeeming Unitholders an administration fee up to 0.25% of the issuance, exchange or redemption proceeds to offset certain transaction costs associated with the issuance, exchange or redemption of Units.

## **RISK FACTORS**

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

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

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

### **Stock Market Risk**

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

### **Specific Issuer Risk**

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

## **Legal and Regulatory Risk**

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

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

## **Market Disruptions Risk**

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

## **Cyber Security Risk**

Cyber security risk is the risk of harm, loss and liability resulting from a failure or breach of information technology systems. Failures or breaches of information technology systems (“**Cyber Security Incidents**”) can result from deliberate attacks or unintentional events and may arise from external or internal sources. Deliberate cyber-attacks include, but are not limited to, gaining unauthorized access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, equipment or systems, or causing operational disruption. Deliberate cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). The primary risks from the occurrence of a Cyber Security Incident include disruption in an ETF’s operations, disclosure of confidential ETF information, reputational damage to the Manager, the 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.

## **Exchange Traded Funds Risk**

The ETFs may invest in exchange traded funds managed by the Manager, an affiliate of the Manager, or a third party. Certain Listed Funds may issue index participation units, such as the TRI ETFs. These Listed Funds seek to provide returns similar to the performance of a particular market index, industry sector index or index related to an investment in a particular commodity or commodities. These Listed Funds may not achieve the same return as their corresponding benchmark market or industry sector indices (if applicable) due to differences in the actual weightings of securities held in the Listed Fund versus the weightings in the relevant index and due to the operating and administrative expenses of the Listed Fund. With respect to such investments in Listed Funds or other underlying investment funds, 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 the ETFs 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 of the Manager. The ETFs are subject to the same risk factors applicable to the underlying funds in which it invests.

### **Credit Risk**

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

### **Counterparty Risk under swaps entered by TRI ETFs**

Each TRI ETF held by an ETF, if any, will be subject to credit risk with respect to the amount a TRI ETF expects to receive from counterparties to financial instruments entered into by the TRI ETF or held by special purpose or structured vehicles. In accordance with NI 81-102, the marked-to-market value of the exposure of a TRI ETF to any one counterparty will not exceed, for a period of 30 days or more, 10% of the net asset value of such TRI ETF. If a counterparty becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, the value of an investor's investment in Units of an ETF may decline. An ETF may experience significant delays in obtaining any recovery in a bankruptcy or other reorganization proceeding.

The counterparty of a TRI ETF may also be adversely affected by regulatory or market changes which may make it difficult or impossible for the counterparty to hedge its obligations to the TRI ETF, which may adversely affect an ETF's ability to achieve its investment objective.

### **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.

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

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

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

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

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

As each ETF will only issue Units directly to its Designated Broker 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.

### **Derivatives Risk**

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

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

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

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

### **Exchange Risk**

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



## Early Closing Risk

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

## Tax Risk

If an ETF ceases to qualify as a mutual fund trust under the Tax Act, the income tax considerations described under the heading “Income Tax Considerations” would be materially and adversely different in certain respects. 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. 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 treats gains or losses on the disposition of securities in its portfolio as capital gains and losses. If these dispositions are not on capital account, the net income of the 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.

There can be no assurance that Canadian federal income tax laws and the administrative policies and assessing practices of the CRA, including those respecting the treatment of mutual fund trusts, will not be changed in a manner which adversely affects Unitholders of an ETF or the ETF itself. In addition, there can be no assurance that the CRA will agree with the tax treatment adopted by the ETFs in filing their tax returns (e.g., deduction of expenses or recognition of income) and the CRA could reassess an ETF on a basis that results in additional tax being paid or borne by a Unitholder of such ETF.

The Tax Act contains rules (the “**SIFT 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. These rules should not impose any tax on an ETF as long as the ETF adheres to its investment restriction in this regard.

Pursuant to certain Tax Amendments released on August 4, 2023 in connection with the Federal Budget (Canada) (the “**Equity Repurchase Rules**”), a trust that is a “SIFT trust” or that is otherwise a “covered entity” as described in the Equity Repurchase Rules is proposed to be subject to a 2% tax on the value of the trust’s equity repurchases (i.e., redemptions) in a taxation year (net of cash subscriptions received by the trust in that taxation year). If the SIFT Rules or the Equity Repurchase Rules apply to an ETF, the after-tax return to Unitholders of the ETF could be reduced, particularly in the case of the SIFT Rules for 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 Unitholders” 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.

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

The Tax Act contains rules (the “**DFA Rules**”) that target 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 have the character of ordinary income to capital gains. The DFA Rules are broad in scope and could apply to other agreements or transactions. If the DFA Rules were to apply in respect of derivatives utilized by an ETF, gains realized in respect of the property underlying such derivatives could be treated as ordinary income rather than capital gains.

Recent amendments to the Tax Act prohibit an ETF from claiming a deduction for income allocated to redeeming Unitholders and limit the ability of an ETF to claim a deduction for capital gains allocated to redeeming Unitholders. Accordingly, the taxable component of distributions to non-redeeming Unitholders may be greater than they would have been in the absence of such amendments. See “Income Tax Considerations – Taxation of the ETFs”.

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 or fund redemptions of Units, 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.

Certain ETFs may invest in global equity or debt securities. Many foreign countries preserve their right under domestic tax laws and applicable tax conventions with respect to taxes on income and on capital (“**Tax Treaties**”) to impose tax on dividends, interest and/or other 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 dividends, interest and/or other 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.

The Tax Act contains rules regarding the taxation of investments in certain trusts that are not resident in Canada (“**non-resident trusts**”) (the “**NRT Rules**”). The NRT Rules apply to a non-resident trust (other than an “exempt foreign trust” for purposes of the Tax Act) for which there is a “resident contributor” or a “resident beneficiary”. The NRT Rules deem a non-resident trust to be resident in Canada for certain purposes of the Tax Act. Generally, the result of the application of such deeming provision to a non-resident trust is that certain of the trust’s income will be subject to Canadian tax. As well, generally, subject to certain limitations, Canadian resident investors may be jointly and severally or solidarily liable with the non-resident trust and other “resident beneficiaries” and certain “resident contributors” for the non-resident trust’s Canadian tax. The Manager believes that any non-resident trust in which an ETF invests will be an exempt foreign trust for purposes of the Tax Act, although no assurances can be given in this regard.

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

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

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

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

### **Loss of Limited Liability**

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

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

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

### **Reliance on Key Personnel**

Unitholders will be dependent on the abilities of: (i) the Manager in providing recommendations and advice in respect of the ETFs; and (ii) the Manager to effectively manage the ETFs in a manner consistent with their investment objectives, investment strategies and investment restrictions. Implementation of an ETF’s investment strategies will

be dependent on the Manager. There is no certainty that the individuals who are principally responsible for providing administration and portfolio management services to an ETF will continue to be employed by the Manager.

### **Distributions Risk**

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

### **Conflicts of Interest**

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

### **No Ownership Interest**

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

### **Market for Units**

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

### **Redemption Price**

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

### **Net Asset Value Fluctuation**

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

### **Limited Operating History**

Although all the persons involved in the management and administration of the ETFs, including the service providers to the ETFs, have significant experience in their respective fields of specialization, the ETFs have limited operating or performance history upon which prospective investors can evaluate an ETF's performance.

### **Restrictions on Certain Unitholders**

Generally, at no time may non-residents of Canada, partnerships that are not Canadian partnerships, or a combination of non-residents and such partnerships (all as defined in the Tax Act) be the beneficial owner of a majority of Units

of an ETF. This restriction may limit the rights of certain Unitholders of an ETF, including non-residents of Canada. This restriction may also limit the demand for Units of an ETF by certain investors and thereby adversely affect the liquidity and market value of the Units of the ETF that are held by other investors.

### **Foreign Currency Risk**

Each ETF will be exposed to a significant proportion of securities valued in foreign currencies. HCON and HBAL, at their sole discretion, may elect to hedge the foreign currency exposure of its fixed income investments back to the Canadian dollar through the use of currency forwards or investments in hedged fixed income exchange traded funds. HEQT will not hedge its exposure to foreign currencies back to the Canadian dollar. As a result, the returns of the ETFs may, when compared to the returns of a portfolio that is fully hedged to the Canadian dollar, reflect changes in the relative value of the Canadian and applicable foreign currency. No assurance can be given that the ETFs will not be adversely impacted by changes in foreign exchange rates or other factors.

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

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

### **Systems and Operational Complexity**

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

### **Highly Volatile Markets**

The securities markets have in recent years been characterized by great volatility and unpredictability. The investments of an ETF may be influenced by, among other things, interest rates, changing supply and demand relationships, trade, fiscal, monetary and exchange control programs and policies of governments, and national and international political and economic events and policies. Each ETF is therefore exposed to some, and a times substantial, degree of market risk.

### **No Guaranteed Return**

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

### **Foreign Stock Exchange Risk**

Investments in foreign securities may involve risks not typically associated with investing in Canada. Foreign exchanges may be open on days when the ETFs do not price the Units and, therefore, the value of the securities in the portfolios of an ETF may change on days when investors will not be able to purchase or sell Units. Also, some foreign securities markets may be volatile, lack liquidity, or have higher transaction and custody costs than those of the TSX. Securities of some Canadian issuers are inter-listed on a Canadian and a foreign exchange and may be traded on days

when the foreign exchange is open and the TSX is not. In those circumstances, changes in the value of the securities making up an ETF's portfolio will not be reflected in the value of the ETF and the spread or difference between the value of the securities in the ETF's portfolio and the market price of a Unit of that ETF on the TSX may increase. Also, in the event that the TSX is open on a day that a foreign exchange is closed, the spread or difference between the value of the securities in the ETF's portfolio and the market price of a Unit of that ETF on the TSX may increase.

### **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 new or have less than 10 years performance history, 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>  |
|------------|---|
| HCON       | 37% Solactive Canadian Select Universe Bond Index;<br>23% Solactive US 7-10 Year Treasury Bond Index;<br>8% S&P/TSX 60 Total Return Index;<br>18% Solactive US Large Cap Index (CA NTR);<br>10% MSCI EAFE Net Total Return Index; and<br>4% MSCI Emerging Markets Net Total Return Index.                                       |
| HBAL       | 25% Solactive Canadian Select Universe Bond Index;<br>15% Solactive US 7-10 Year Treasury Bond Index;<br>12% S&P/TSX 60 Total Return Index;<br>22% Solactive US Large Cap Index (CA NTR);<br>5% NASDAQ-100 Total Return Index;<br>15% MSCI EAFE Net Total Return Index; and<br>6% MSCI Emerging Markets Net Total Return Index. |
| HEQT       | 20% S&P/TSX 60 Total Return Index;<br>35% Solactive US Large Cap Index (CA NTR);<br>10% NASDAQ-100 Total Return Index;<br>25% MSCI EAFE Net Total Return Index; and<br>10% MSCI Emerging Markets Net Total Return Index.  |

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

## **DISTRIBUTION POLICY**

### **Distributions**

It is anticipated that each ETF will make distributions to its Unitholders on a monthly basis, at the discretion of the Manager. Monthly distributions will be paid in cash, unless a Unitholder has chosen to participate in the distribution reinvestment plan for the ETFs.

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 under Part I of the Tax Act in any given year and such distributions 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.

The Manager reserves the right to make additional distributions for any ETF in any year if determined to be appropriate.

Although there may be 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.

The tax treatment to Unitholders of an ETF of reinvested distributions or distributions in Units of the ETF is discussed under the heading "Income Tax Considerations".

### **Distribution Reinvestment Plan**

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

Eligible Unitholders may elect to participate in, or withdraw from, the Reinvestment Plan by notifying CDS via the applicable CDS Participant(s) through which such Unitholder holds its Units of the Unitholder's intention to participate, or no longer participate, in the Reinvestment Plan. The CDS Participant must, on behalf of such Unitholder, provide a notice to CDS that the Unitholder wishes, or does not wish, to participate in the Reinvestment Plan by no later than 4:00 p.m. (Toronto time) at least 2 business days immediately prior to the applicable Distribution Record Date in respect of the next expected distribution in which the Unitholder would be entitled to receive a distribution (reinvested or in cash, as the case may be). CDS shall, in turn, notify the Plan Agent no later than 5:00 p.m. (Toronto time) on the applicable Distribution Record Date that such Unitholder does, or does not, wish to participate in the Reinvestment Plan.

### **Fractional Units**

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

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

As indicated above, Plan Participants will be able to terminate their participation in the Reinvestment Plan as of a particular Distribution Record Date by notifying their CDS Participant sufficiently in advance of that Distribution Record Date to allow such CDS Participant to notify CDS and for CDS to notify the Plan Agent by 4:00 p.m. (Toronto time) at least 2 business days immediately prior to that Distribution Record Date. Beginning on the first distribution payment date after such notice is delivered, distributions to such Unitholders will be in cash. The form of termination notice will be available from CDS Participants and any expenses associated with the preparation and delivery of such termination notice will be for the account of the Plan Participant exercising its rights to terminate participation in the Reinvestment Plan.

The Manager will be able to terminate the Reinvestment Plan, in its sole discretion, upon not less than 30 days' notice to the Plan Participants and the Plan Agent, subject to any required regulatory approval. The Manager will also be able to amend, modify or suspend the Reinvestment Plan at any time in its sole discretion, provided that it complies

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

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

### **Other Provisions**

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

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

## **PURCHASES OF UNITS**

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

#### *To Designated Broker and Dealers*

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

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

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

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

The Manager may instead, in its complete discretion, accept subscription 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 subscription order.

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

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



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

Plan Participants do not incur any brokerage commissions when acquiring Units of an ETF pursuant to a Reinvestment Plan.

**Buying and Selling Units of an ETF**

Units of each ETF are currently listed and trade on the TSX.

Investors may trade Units of an ETF in the same way as other securities traded on the TSX, including by using market orders and limit orders. An investor may buy or sell Units of an ETF on the TSX only through a registered broker or dealer in the province or territory where the investor resides. Investors may incur customary brokerage commissions when buying or selling Units of an ETF. The TSX Ticker Symbols of the ETFs are as follows:

| Name of ETF                                | Abbreviated Name and TSX Ticker Symbol |
|--|--|
| Horizons Conservative Asset Allocation ETF | HCON                                   |
| Horizons Balanced Asset Allocation ETF     | HBAL                                   |
| Horizons All-Equity Asset Allocation ETF   | HEQT                                   |

*Special Considerations for Unitholders*

Units of each TRI 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, an ETF may purchase Units of a TRI ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102.

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

**EXCHANGE AND REDEMPTION OF UNITS**

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

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

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

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

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

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

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

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

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

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

#### *Suspension of Exchanges and Redemptions*

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

condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over an ETF, any declaration of suspension made by the Manager shall be conclusive.

#### *Costs Associated with Redemptions*

The Manager may, at its discretion, charge subscribing, exchanging or redeeming Unitholders an administration fee up to 0.25% of the issuance, exchange or redemption proceeds to offset certain transaction costs associated with the issuance, exchange or redemption of Units.

#### *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 exchange and/or redemption of Units to a Unitholder whose Units are being exchanged and/or 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 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 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 income that is allocated to redeeming or exchanging Unitholders. In addition, capital gains allocated and designated to redeeming or exchanging Unitholders will generally only be deductible to an ETF to the extent of the redeeming or exchanging Unitholders' pro rata share (as determined under the Tax Act) of the net taxable capital gains of such ETF for the year. Any such income or taxable capital gains that would not be deductible by an ETF if allocated to redeeming or exchanging Unitholders may be made payable to non-redeeming or non-exchanging Unitholders of such ETF 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 or non-exchanging Unitholders of an ETF may be greater than they would have been in the absence of such amendments.

#### **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 to Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a redemption charge.

## PRIOR SALES

### Trading Price and Volume

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

#### HCON

| Month          | Unit Price Range (\$) | Volume of Units Traded |
|----------------|-----------------------|------------------------|
| August 2022    | 11.81 - 12.42         | 27,539                 |
| September 2022 | 11.16 - 11.93         | 54,074                 |
| October 2022   | 11 - 11.48            | 28,016                 |
| November 2022  | 11.19 - 11.88         | 40,797                 |
| December 2022  | 11.04 - 12.04         | 120,501                |
| January 2023   | 11.5 - 12.18          | 116,581                |
| February 2023  | 11.83 - 12.29         | 90,525                 |
| March 2023     | 11.8 - 12.17          | 75,215                 |
| April 2023     | 12.21 - 12.33         | 64,686                 |
| May 2023       | 12.11 - 12.34         | 67,584                 |
| June 2023      | 12.21 - 12.4          | 36,773                 |
| July 2023      | 12.13 - 12.53         | 30,900                 |

#### HBAL

| Month          | Unit Price Range (\$) | Volume of Units Traded |
|----------------|-----------------------|------------------------|
| August 2022    | 12.43 - 13.19         | 95,621                 |
| September 2022 | 11.59 - 12.67         | 105,067                |
| October 2022   | 11.49 - 12.08         | 145,038                |
| November 2022  | 11.74 - 12.66         | 191,359                |
| December 2022  | 12.02 - 12.74         | 224,057                |
| January 2023   | 12.1 - 12.92          | 113,992                |
| February 2023  | 12.56 - 13.13         | 133,052                |
| March 2023     | 12.44 - 12.97         | 161,462                |
| April 2023     | 12.97 - 13.15         | 114,552                |
| May 2023       | 12.97 - 13.19         | 126,381                |
| June 2023      | 13.08 - 13.53         | 149,957                |
| July 2023      | 13.23 - 13.73         | 253,426                |

#### HEQT

| Month          | Unit Price Range (\$) | Volume of Units Traded |
|----------------|-----------------------|------------------------|
| August 2022    | 12.5 - 13.47          | 540,352                |
| September 2022 | 11.46 - 12.91         | 273,255                |
| October 2022   | 11.14 - 12.2          | 338,172                |
| November 2022  | 11.75 - 12.93         | 517,384                |
| December 2022  | 12.07 - 13.01         | 314,840                |
| January 2023   | 12.18 - 13.2          | 402,994                |
| February 2023  | 12.82 - 13.45         | 245,078                |
| March 2023     | 12.46 - 13.31         | 540,906                |

|            |               |         |
|------------|---------------|---------|
| April 2023 | 13.2 - 13.55  | 306,800 |
| May 2023   | 13.27 - 13.77 | 292,067 |
| June 2023  | 13.55 - 14.22 | 527,314 |
| July 2023  | 13.92 - 14.63 | 379,922 |

### INCOME TAX CONSIDERATIONS

The following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to the acquisition, holding and disposition of Units of an ETF by a Unitholder of the ETF who acquires Units of the ETF pursuant to this prospectus. This summary only applies to a prospective Unitholder of an ETF who is an individual (other than a trust) resident in Canada for purposes of the Tax Act, who deals at arm's length with the ETF, the Designated Broker and the Dealers, who is not affiliated with the ETF, the Designated Broker or any Dealer, and who holds Units of the ETF as capital property, all within the meaning of the Tax Act (a "**Holder**").

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

This summary is based on the assumptions that each ETF currently qualifies and will continue to qualify, at all times, as a "mutual fund trust" within the meaning of the Tax Act and that each ETF will not be a "SIFT trust" within the meaning of the Tax Act or a "covered entity" within the meaning of the Equity Repurchase Rules. 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. 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 is a "SIFT trust", the income tax consequences described below would, in some respects, be materially different.**

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, and (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). 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 and assessing practices and policies 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 whether by legislative, governmental or judicial decision or 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.

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

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

### **Status of the ETFs**

As noted above, this summary assumes that each ETF currently qualifies and will continue to qualify, at all times, as a "mutual fund trust" for purposes of the Tax Act, is not a "SIFT trust" for purposes of the Tax Act and is not a "covered entity" for purposes of the Equity Repurchase Rules.

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

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

### **Taxation of the ETFs**

Each ETF 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 to its Unitholders in the year. An amount will be considered to be 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 taxation year so that no ETF is liable for any non-refundable income tax under Part I 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 calendar year in which that taxation year ends, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided that appropriate designations are made by such trust, 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.

To the extent an ETF holds units issued by a trust that is not resident in Canada, the 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 such trust in the calendar year in which that taxation year ends, notwithstanding that certain of such amounts may be reinvested in additional units of the trust. Provided the units of the trust 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 such trust by an 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. 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.

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 takes the position that gains and losses realized on the disposition of its securities are capital gains and capital losses. In addition, each ETF has made an election under subsection 39(4) of the Tax Act in its taxation year in which it first acquired "Canadian securities" (as defined in the Tax Act) to have all such Canadian securities 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 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. Gains or losses in respect of currency hedges entered into in respect of amounts invested in the portfolio of an ETF will constitute capital gains and capital losses to the ETF if the subject of the currency hedge is on capital account to the ETF and provided there is sufficient linkage.

The DFA Rules 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. The Tax Act exempts the application of the DFA Rules on currency forward contracts or certain other derivatives that are entered into in order to hedge foreign exchange risk in respect of an investment held as capital property. 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.

In certain situations, if an ETF disposes of property and would otherwise realize a capital loss, the loss will be suspended. This may occur if the ETF disposes of property, and the ETF, or a person affiliated with the ETF, acquires the same property, or property identical to the property disposed of (each a "**substituted property**"), during the period that begins 30 days before and ends 30 days after the disposition of property and the ETF, or a person affiliated with the ETF, holds it at the end of that period. If a loss is suspended, the ETF cannot deduct the capital loss from the ETF's capital gains until the substituted property is sold and not reacquired by the ETF, or a person affiliated with the ETF, within 30 days before and 30 days 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 the 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 such amount 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 in accordance with the detailed rules in the Tax Act. 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 rateably 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, but may be deducted by the ETF in future years in accordance with the Tax Act.

### **Taxation of Holders**

A Holder of an ETF will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of the ETF for that particular taxation year, including the taxable portion of any net realized capital gains, as is paid or becomes payable to the Holder in the year (whether in cash or whether such amount is paid in Units or automatically reinvested in additional Units of the ETF). Amounts paid or payable by an 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 (including net realized taxable capital gains) 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 otherwise 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, taxable dividends from taxable Canadian corporations and the foreign source income of the ETF as is paid or becomes payable to a Holder and the relevant portion of foreign taxes paid or deemed to be paid by the ETF, if any, will effectively retain its character and be treated as such in the hands of the Holder for purposes of the Tax Act. A Holder may be entitled to claim a foreign tax credit in respect of foreign taxes designated to such Holder in accordance with the detailed rules in the Tax Act. To the extent that amounts are designated as taxable dividends from taxable Canadian corporations, the gross-up and dividend tax credit rules will apply.

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

Under the Tax Act, an ETF is permitted to deduct, in computing its income for a taxation year, an amount that is less than the amount of its distributions of income and net taxable capital gains for the year to the extent necessary to enable the ETF to use, in the taxation year, losses from prior years without affecting the ability of the ETF to distribute its income and net taxable capital gains annually. In such circumstances, the amount distributed to a Holder of an ETF, but not deducted by the ETF, will not be included in the Holder's income. However, the adjusted cost base of a Holder's Units in the ETF will be reduced by such amount.

On the disposition or deemed disposition of a Unit of an ETF, including on termination or 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 Holder's Units of an ETF, when additional Units 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 ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of the 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. If a Holder participates in the Reinvestment Plan and the Holder acquires a Unit from the ETF at a price that is less than the then fair market value of the Unit, it is the administrative position of the CRA that the Holder must include the difference in income and that the cost of the Unit will be correspondingly increased. The redemption of any fraction of a Unit will likely result in a capital gain (or capital loss) for the redeeming Holder.

In the case of an exchange of Units for a Basket of Securities, a Holder's proceeds of disposition of Units would generally be equal to the aggregate of the fair market value of the distributed property and the amount of any cash received. The cost to a Holder of any property received from the 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 exchange and/or redemption of Units to a Unitholder whose Units are being exchanged and/or 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 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 income that is allocated to redeeming or exchanging Unitholders. In addition, capital gains allocated and designated to redeeming or exchanging Unitholders will generally only be deductible to an ETF to the extent of the redeeming or exchanging Unitholders' pro rata share (as determined under the Tax Act) of the net taxable capital gains of such ETF for the year. Any such income or taxable capital gains that would not be deductible by an ETF if allocated to redeeming or exchanging Unitholders may be made payable to non-redeeming or non-exchanging Unitholders of such ETF 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 or non-exchanging Unitholders of an ETF may be greater than they would have been in the absence of such amendments.

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 on the disposition of Units of an ETF 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.

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 for alternative minimum tax.

### **Taxation of Registered Plans**

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

If Units are "prohibited investments" for a TFSA, FHSA, RRSP, RESP, RDSP or RRIF, a Unitholder who holds Units in such TFSA, FHSA, RRSP, RESP, RDSP or RRIF 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, RESP, RDSP or RRIF. 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 the ETFs' 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 who acquires Units of the ETF, including on a reinvestment of distributions or a distribution of Units, may become taxable on the Holder's share of such income and gains of the ETF.

In particular, an investor who acquires Units of 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 such amounts may have been reflected in the price paid by the Holder for the 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.

Where an ETF realizes capital gains on the disposition of assets effected to fund the redemption price for Units tendered for redemption during a year, such capital gains may be allocated or designated to Unitholders who hold Units of the applicable ETF at the end of the year rather than to the redeeming Unitholders.

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

### **Manager of the ETFs**

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

Horizons is an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a subsidiary of Mirae Asset. Mirae Asset is the asset management entity of the Mirae Asset Financial Group, a global financial group providing comprehensive services to clients worldwide – including asset management, wealth management, investment banking, life insurance and venture capital. With over 12,500 employees, the Mirae Asset Financial Group has a presence in America, Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Indonesia, Japan, Mongolia, Singapore, the United Kingdom and Vietnam. Headquartered in Seoul, South Korea, the Mirae Asset Financial Group is one of the largest independent financial groups in Asia and manages approximately US\$548 billion in assets globally as of March 31, 2023.

The Manager will perform or arrange for the performance of management services for the ETFs, is responsible for the administration of the ETFs pursuant to the Trust Declaration. The ETFs do not pay any management fees directly to the Manager.

### **Officers and Directors of the Manager**

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

| <b>Name and Municipality of Residence</b> | <b>Date Individual became a Director</b> | <b>Position with Manager</b>  | <b>Principal Occupation</b>  |
|---|--|---|--|
| Rohit Mehta<br>Toronto, Ontario           | May 1, 2023                              | Director, President, Chief Executive Officer and Ultimate Designated Person | Director, President, Chief Executive Officer and Ultimate Designated Person, Horizons (since May, 2023); Senior Vice President, Head of Distribution, Guardian Retail Asset Management, Guardian Capital LP (2020-2023); Executive Vice-President, Head of Marketing, Product and Data Analytics, CI Financial Corp. (2017-2020); President, First Asset Investment Management Inc. (2017-2020). |
| Thomas Park,<br>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,<br>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,<br>Tokyo, Japan             | February 20, 2020                        | Director  | CIO and Head of Investment Solutions Department, Global X Japan (since 2020); Head of ETF Management Division, Mirae Asset Global Investments (2011-2020).   |
| Julie Stajan,<br>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<br>Toronto, Ontario        | November 22, 2022                        | Director and Chief Operating Officer  | Chief Operating Officer, Horizons (since 2020); Interim President and Chief Executive Officer, Horizons (2022-2023); Vice-President, Head of Canada ETF Product Strategy & Development, Invesco Canada (2017-2020); Vice-President, ETFs, Mackenzie Investments (2015-2016).   |
| Jeff Lucyk,<br>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,<br>Toronto, Ontario   | N/A                                      | General Counsel and Secretary   | General Counsel and Secretary, Horizons (since 2011).  |

| <b>Name and Municipality of Residence</b> | <b>Date Individual became a Director</b> | <b>Position with Manager</b>                           | <b>Principal Occupation</b>   |
|---|--|--|---|
| Robert Moher,<br>Toronto, Ontario         | N/A                                      | Chief Compliance Officer (pending regulatory approval) | Chief Compliance Officer (pending regulatory approval), Horizons (since 2023); Director, Compliance, Aviso Wealth (2020-2023); Director and Privacy Officer, Compliance, IGM Financial (2019-2020); Senior Manager, Legal and Regulatory Compliance Group, BMO Global Asset Management (2017-2019). |

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

#### **Ownership of Securities of the Investment Fund and of the Manager**

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

For a description of the compensation arrangements of the independent review committee of the ETF, see “Independent Review Committee”.

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

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

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

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders of the ETFs, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Manager will not be liable to an ETF, any Unitholder of the ETF or any other person for any loss or damage relating to any matter regarding the ETF, including any loss or diminution of value of the assets of the ETF, if it has satisfied its standard of care set forth above.

The Manager and each of its directors, officers, employees and agents may be indemnified out of the assets of an ETF from, and against, all claims whatsoever, including costs, charges and expenses in connection therewith, brought,

commenced or prosecuted against it for, or in respect of, any act, deed, matter or thing whatsoever made, done or omitted in, or in relation to, the execution of its duties to the ETF as long as the person acted honestly and in good faith with a view to the best interests of the ETF.

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

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

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

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 Manager provides investment advisory and investment management services to the ETFs. The senior officers of the Manager principally responsible for providing investment advice to the ETFs are as follows:

| <b>Name and Municipality of Residence</b> | <b>Position with the Manager</b>  | <b>Principal Occupation</b>   |
|---|---|---|
| Andrew Albrecht<br>Toronto, Ontario       | Vice President, Portfolio Manager, Investment Management                | Vice President, Portfolio Manager, Investment Management, Horizons                |
| Alek Riley<br>Toronto, Ontario            | Assistant Vice President, Associate Portfolio Manager, Product Strategy | Assistant Vice President, Associate Portfolio Manager, Product Strategy, 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 Broker**

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

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

## Conflicts Of Interest

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

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

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

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

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

NBF and its affiliates may, at present or in the future, engage in business with the ETFs, the issuers of securities making up the investment portfolio of the ETFs, or with the Manager or any funds sponsored by the Manager or its affiliates, including by making loans, entering into derivative transactions or providing advisory or agency services.

## 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. Ed Akkawi has resigned from the IRC, pending the appointment of a replacement. 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 \$26,000 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 the ETFs within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, five Unitholders of an ETF may call a meeting of Unitholders of the ETF within 31 days after notice is given or a vacancy occurs for the purpose of appointing a successor trustee. In each case, if, upon the expiry of a further 30 days, neither the Manager nor the Unitholders of an ETF have appointed a successor trustee, the ETF shall be terminated and the property of the ETF shall be distributed in accordance with the terms of the Trust Declaration.

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

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

### **Custodian**

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

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

### **Valuation Agent**

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

### **Auditors**

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

### **Registrar and Transfer Agent**

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

### **Promoter**

The Manager took the initiative in founding and organizing the ETFs and is accordingly the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. See "Fees and Expenses".

### **Securities Lending Agents**

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

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

NBF, pursuant to a securities lending agency agreement (the "**NBF SLAA**") may also act as a securities lending agent for the ETFs.

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



## Accounting and Reporting

An ETF's fiscal year will be the calendar year or such other fiscal period permitted under the Tax Act as that ETF elects. The annual financial statements of an ETF shall be audited by that ETF's auditors in accordance with Canadian generally accepted auditing principles. The auditors will be asked to opine upon whether the financial statements are presented fairly in accordance with International Financial Reporting Standards. The Manager will arrange for an ETF's compliance with all applicable reporting and administrative requirements.

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

## CALCULATION OF NET ASSET VALUE

The net asset value per unit of an ETF will be computed in 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 of the ETF that are outstanding. The net asset value per Unit of an ETF so determined will be adjusted to the nearest cent per Unit and will remain in effect until the time as at which the next determination of the net asset value per Unit of the ETF is made. The net asset value per Unit of an ETF will be calculated on each Valuation Day.

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

## Valuation Policies and Procedures of the ETFs

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

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

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

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

In calculating the net asset value of an ETF, the ETF will generally value its investments based on the market value of its investments at the time the net asset value of the ETF is calculated. If no market value is available for an investment of the ETF or if the Manager determines that such value is inappropriate in the circumstances (i.e. when the value of an investment of the ETF has been materially changed by effects occurring after the market closes), the Manager, 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 NI 81-106.

## Reporting of Net Asset Value

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

## ATTRIBUTES OF THE SECURITIES

### Description of the Securities Distributed

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

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

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

### Exchange of Units for Baskets of Securities

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

### Redemption of PNU(s) for Cash

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

### Redemptions of Units for Cash

On any Trading Day, Unitholders may redeem Units for cash at a redemption price per Unit equal to 95% of the closing price for the Units on the TSX on the effective day of the redemption. See "Exchange and Redemption of Units".

### Stock Exchange Sponsored Net Asset Value Execution Program

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

## **Modification of Terms**

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

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

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

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

## **UNITHOLDER MATTERS**

### **Meetings of Unitholders**

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

### **Matters Requiring Unitholder Approval**

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

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

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

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

- (i) the IRC of the ETF has approved the change; and
- (ii) Unitholders have received at least 60 days' notice before the effective date of the change.

Approval of Unitholders will be deemed to have been given if expressed by resolution passed at a meeting of Unitholders, duly called on at least 21 days' notice and held for the purpose of considering the same, by at least a majority of the votes cast.

#### **Amendments to the Trust Declaration**

If a Unitholder meeting is required to amend a provision of the Trust Declaration, no change proposed at a meeting of Unitholders of an ETF shall take effect until the Manager has obtained the prior approval of not less than a majority of the votes cast at a meeting of Unitholders of the ETF or, if separate class meetings are required, at meetings of each class of Unitholders of the ETF.

Subject to any longer notice requirements imposed under securities legislation, the Trustee is entitled to amend the Trust Declaration by giving not less than 30 days' notice to Unitholders of each ETF affected by the proposed amendment in circumstances where:

- (a) the securities legislation requires that written notice be given to Unitholders of that ETF before the change takes effect; or
- (b) the change would not be prohibited by the securities legislation; and
- (c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders of that ETF, so that it is equitable to give Unitholders of that ETF advance notice of the proposed change.

All Unitholders of an ETF shall be bound by an amendment affecting the ETF from the effective date of the amendment.

The Trustee may amend the Trust Declaration, without the approval of, or prior notice to, any Unitholders, if the Trustee reasonably believes that the proposed amendment does not have the potential to adversely impact the financial interests or rights of Unitholders of the ETF or that the proposed amendment is necessary to:

- (a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of its Units;
- (b) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Declaration and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;

- (c) make any change or correction in the applicable Trust Declaration which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;
- (d) facilitate the administration of the ETF as a mutual fund trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the ETF or its Unitholders; or
- (e) for the purposes of protecting the Unitholders of the ETF.

### **Reporting to Unitholders**

The Manager, on behalf of an ETF, will, in accordance with applicable laws, furnish to each Unitholder, unaudited semi-annual financial statements and an interim management report of fund performance for the ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of the ETF will contain a statement of financial position, a statement of comprehensive income, a statement of changes in financial position, a statement of cash flows and a schedule of investments.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns in respect of their investment in Units will also be distributed to them within 90 days after the end of each taxation year of the ETFs or such other time as required by applicable law. Neither the Manager nor the registrar and transfer agent are responsible for tracking the adjusted cost base of a Unitholder's Units. Unitholders should consult with their tax or investment adviser in respect of how to compute the adjusted cost base of their Units and in particular how designations made by the ETF to a Unitholder affect the Unitholder's tax position.

The net asset value per Unit of each ETF will be determined by the Manager on each Valuation Day and will usually be published daily in the financial press.

### **Non-Resident Unitholders**

At no time may: (i) non-residents of Canada; (ii) partnerships that are not Canadian partnerships; or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act), be the beneficial owners of a majority of the Units of an ETF (on either a number of Units or fair market value basis) 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. 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. The Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof. If the Manager 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 or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may, on behalf of such Unitholders, sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of an ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of the ETF as a mutual fund trust for purposes of the Tax Act.

### **Exchange of Tax Information**

Part XVIII of the Tax Act imposes due diligence and reporting obligations on “reporting Canadian financial institutions” in respect of their “U.S. reportable accounts”. Each ETF is a “reporting Canadian financial institution” but as long as Units are regularly traded on an established securities market, which currently includes the TSX, or continue to be registered in the name of CDS, the ETFs should not have any “U.S. reportable accounts” and, as a result, an ETF should not be required to provide information to the CRA in respect of its Unitholders. However, dealers through which Unitholders hold their Units of an ETF are subject to due diligence and reporting obligations with respect to financial accounts they maintain for their clients. Accordingly, Unitholders may be requested to provide information to their dealer to identify U.S. persons holding Units or otherwise identify U.S. reportable accounts. If a Unitholder is a U.S. person (including a U.S. citizen), Units are otherwise U.S. reportable accounts or if a Unitholder does not provide the requested information, Part XVIII of the Tax Act 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 Plan (other than an FHSA). The Tax Act does not address whether FHSAs would be treated in the same way as other Plans for these purposes. The CRA is expected to provide that information to the U.S. Internal Revenue Service.

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 (as defined in the CRS Rules) 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 Plan (other than an FHSA). Under a proposed Tax Amendment, FHSAs would also be exempt from the CRS Rules, although there can be no assurances that this amendment will be enacted.

### **TERMINATION OF THE ETFs**

Subject to complying with applicable securities law, the Manager may terminate an ETF or a class of an ETF at its discretion. In accordance with the terms of the applicable Trust Declaration and applicable securities law, Unitholders of an ETF will be provided 60 days’ advance written notice of the termination.

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

Upon termination of an ETF or a class of an ETF, each Unitholder of the ETF or the class, as applicable, shall be entitled to receive, at the Valuation Time on the termination date, out of the assets of the ETF or the class: (i) payment for that Unitholder’s Units at the net asset value per Unit for that class of Units of the ETF determined at the Valuation Time on the termination date; plus (ii) where applicable, any net income and net realized capital gains that are owing to, or otherwise attributable to, such Unitholder’s Units that have not otherwise been paid to such Unitholder; less (iii) any applicable redemption charges and any taxes that are required to be deducted. Payment shall be made by cheque or other means of payment payable to such Unitholder and drawn on the ETF’s bankers and may be mailed by ordinary post to such Unitholder’s last address appearing in the registers of Unitholders of that ETF or may be delivered by such other means of delivery acceptable to both the Manager and such Unitholder.

### **Procedure on Termination**

The Trustee shall be entitled to retain out of any assets of an ETF, at the date of termination of the ETF, full provision for all costs, charges, expenses, claims and demands incurred or believed by the Trustee to be due or to become due in connection with, or arising out of, the termination of the ETF and the distribution of its assets to the Unitholders of the ETF. Out of the moneys so retained, the Trustee is entitled to be indemnified and saved harmless against all costs, charges, expenses, claims and demands.

### **PLAN OF DISTRIBUTION**

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

### **BROKERAGE ARRANGEMENTS**

Subject to the prior written approval of the Manager, the Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETFs. The Manager intends to use a number of clearing brokers to transact trades in futures contracts on behalf of the ETFs. Once such brokerage accounts are established, the Manager is authorized to negotiate commissions and fees to be paid on such brokerage transactions, subject to a continuing obligation to seek and obtain the best price, execution and overall terms.

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

The Manager, on behalf of an ETF, may enter into various Dealer Agreements with registered dealers (that may or may not be Designated Brokers) pursuant to which the Dealers may subscribe for Units of the ETF as described under “Purchases of Units”. Such registered dealers may be related to the Manager. See “Organization and Management Details of the ETFs - Conflicts of Interest”.

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

NBF acts as a Designated Broker, a Dealer, and/or a registered trader (market maker), and may act as a securities lending agent. NBF’s potential role as a Dealer of an ETF will not be as an underwriter of the ETF in connection with the distribution of Units of the ETF under this prospectus. NBF has not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus. See “Organization and Management Details of the ETF - Conflicts of Interest”.

### **PRINCIPAL HOLDERS OF UNITS OF THE ETFs**

CDS & Co., the nominee of CDS, will be 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, an ETF or another investment fund managed by the Manager or an affiliate thereof, may beneficially own, directly or indirectly, more than 10% of the Units of an ETF.

### **PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD**

The Manager is responsible for all securities voting in respect of securities held by the ETFs and exercising responsibility in accordance 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 ETF are the:

- (a) **Trust Declaration.** For additional disclosure related to the Trust Declaration, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETFs – The Trustee", "Attributes of Securities – Modification of Terms" and "Unitholder Matters – Amendments to the Trust Declaration"; and
- (b) **Custodian Agreements.** For additional disclosure related to the Custodian Agreements, including relevant termination provisions and other key terms of the agreements, see "Organization and Management Details of the ETFs – Custodian".

Copies of these agreements may be examined at the office of the Manager during normal business hours. The Manager's office is at 55 University 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 any of the ETFs.

## **EXPERTS**

KPMG LLP, the auditors of the ETFs, have consented to the use of their reports each dated March 10, 2023 to the Unitholders of the ETFs. KPMG LLP has confirmed that they are independent with respect to the ETFs within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## **EXEMPTIONS AND APPROVALS**

The ETFs will rely on exemptive relief that has been obtained from the Canadian securities regulatory authorities to:

- (a) permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation;
- (b) permit the ETFs to invest in active exchange traded funds, and certain other non-leveraged exchange traded funds, that are managed by the Manager or its affiliates;
- (c) permit the ETFs to lend securities with a lending agent that is not the Custodian;
- (d) relieve the ETFs from the requirement that the prospectus of the ETFs include an underwriter's certificate and a prescribed statement of purchasers' statutory rights of withdrawal, and remedies for rescission, damages or revision of the purchase price.
- (e) relieve the ETFs from certain of the control, concentration or "fund of funds" restrictions of NI 81-102.

## **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 ETF 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 report of the auditor;
- (b) any interim financial statements of that ETF filed after the most recently filed annual financial statements of that ETF;
- (c) the most recently filed annual management report of fund performance of that ETF;
- (d) any interim management report of fund performance of that ETF filed after the most recently filed annual management report of fund performance of that ETF; and
- (e) the most recently filed ETF Facts.

These documents are incorporated by reference into this prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can obtain a copy of these documents, at your request, and at no cost, by calling toll-free: 1-866-641-5739 or by contacting your dealer. These documents are available on the ETFs' Internet site at [www.HorizonsETFs.com](http://www.HorizonsETFs.com). These documents and other information about the ETFs are also available on the Internet at [www.sedarplus.ca](http://www.sedarplus.ca).

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.

### **FORWARD-LOOKING STATEMENTS**

This prospectus, including the documents incorporated by reference herein, may contain forward-looking statements about the ETFs including its strategy, expected financial performance and fees and expenses. Forward-looking statements include statements that are predictive in nature, depend upon or refer to future events or conditions or include words such as “expects”, “anticipates”, “intends”, “plans”, “believes”, “estimates” or similar expressions. Such statements are based on the current expectations of the Manger and inherently involve numerous risks and uncertainties, both known and unknown, including economic factors generally. The preceding list is not exhaustive of all possible factors. These forward-looking statements are not guarantees of future performance and actual events and results could differ materially from those expressed or implied by forward-looking statements made by the ETFs. Prospective investors are cautioned to consider these and other factors carefully when making decisions with respect to the ETFs and to not place undue reliance on forward-looking statements. Except as may be required by applicable law, the ETFs and the Manager do not undertake any obligation to update publicly or revise any such forward-looking statements, whether as a result of new information, future events or otherwise. The information described in this prospectus are based on information available as of date hereof.

### **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.sedarplus.ca](http://www.sedarplus.ca).

**HORIZONS CONSERVATIVE ASSET ALLOCATION ETF  
HORIZONS BALANCED ASSET ALLOCATION ETF  
HORIZONS ALL-EQUITY ASSET ALLOCATION ETF  
(the “ETFs”)**

**CERTIFICATE OF THE ETFs, MANAGER AND PROMOTER**

Dated: August 25, 2023

This prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces and territories of Canada.

**HORIZONS ETFs MANAGEMENT (CANADA) INC.,  
AS TRUSTEE, MANAGER AND PROMOTER OF THE ETFs**

(signed) “Rohit Mehta”

Rohit Mehta  
Chief Executive Officer

(signed) “Julie Stajan”

Julie Stajan  
Chief Financial Officer

**ON BEHALF OF THE BOARD OF DIRECTORS  
OF HORIZONS ETFs MANAGEMENT (CANADA) INC.**

(signed) “Young Kim”

Young Kim  
Director

(signed) “Thomas Park”

Thomas Park  
Director