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.

HORIZONS
EXCHANGE TRADED FUNDS

PROSPECTUS

Continuous Offering February 13, 2014

Horizons Auspice Managed Futures Index ETF ("Horizons HMF")
Horizons Auspice Broad Commodity Index ETF ("Horizons HBR")

(together, the "ETFs" and each individually an "ETF")

The Horizons ETFs are exchange traded mutual funds and consist in total of 70 open-end mutual fund trusts established under the laws of Ontario, two of which are offered pursuant to this prospectus. Each ETF is a commodity pool established as a trust under the laws of Ontario. Class E units ("**Class E Units**") and advisor class units ("**Advisor Class Units**") of each ETF are being offered for sale on a continuous basis by this prospectus and there is no minimum number of Class E Units and Advisor Class Units (together, the "**Units**") that may be issued. The Units of each ETF are offered for sale at a price equal to the net asset value of the Units next determined following the receipt of a subscription order.

The manager and trustee of the ETFs is AlphaPro Management Inc. ("**AlphaPro**", the "**Manager**" or the "**Trustee**"). The Manager has retained its affiliate Horizons ETFs Management (Canada) Inc. (the "**Investment Manager**") to act as investment manager of the ETFs. See "Organization and Management Details of the ETFs" at page 54. The Investment Manager is also responsible for engaging the services of Auspice Capital Advisors Ltd., ("**Auspice**") to act as sub-advisor of the ETFs and the Underlying Funds (as defined herein).

Investment Objectives

Horizons HMF

Horizons HMF seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Auspice Managed Futures Excess Return Index (the "**Managed Futures Index**"), hedged to the Canadian dollar. Horizons HMF seeks to benefit from trends in the commodity and financial futures markets. The Managed Futures Index is exposed to five or more broad sectors (e.g. energies, metals, agricultural commodities, interest rates, and currencies).

In order to achieve its investment objective, Horizons HMF may invest in equity securities and/or other financial instruments, including derivatives, to gain exposure to the Managed Futures Index.

The Managed Futures Index is an index that is designed to capture the economic benefit derived from both rising and declining trends within the commodity and financial futures markets over time. The Managed Futures Index uses a rules-based quantitative methodology to track the prices of a diversified portfolio of traditional commodity and financial futures contracts or "components" which will cover the energies, metals, and agricultural commodities sectors as well as interest rate and currency sectors. The Managed Futures Index components can vary in position size and can either be long or short at any time. The determination of position size and whether to be long or short is based on the methodology and changes can occur on any day. The Managed Futures Index uses a quantitative trend following strategy to determine component entries and exits. The Managed Futures Index is positioned either long or short in each component at all times depending on the direction of the prevailing trend. The Managed Futures Index allocates risk and sizes positions based on each component's historical volatility. Position sizes are normalized based on the volatility of the component's price. The size of the position that the Managed Futures Index takes in any component is dependent only upon the individual component's volatility and the total value of the Managed Futures Index (i.e. it is independent of any other component's volatility or position).

See "Investment Objective" at page 18 and "Investment Strategies" at page 19.

Horizons HBR

Horizons HBR seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Auspice Broad Commodity Excess Return Index (the "**Broad Commodity Index**"), hedged to the Canadian dollar.

In order to achieve its investment objective, Horizons HBR may invest in equity securities and/or other financial instruments, including derivatives, to gain exposure to the Broad Commodity Index.

The Broad Commodity Index is an index that seeks to benefit from upward trends in the broad commodity futures markets while at the same time minimizing downside risk during downtrends. The Broad Commodity Index uses a quantitative rules-based methodology to track either long or flat positions in a diversified portfolio of traditional commodity futures contracts or "components" which covers the energies, metals, and agricultural commodities sectors. Components may be added or removed from the Broad Commodity Index based on changes to the futures contracts, their liquidity and their suitability towards achieving the Broad Commodity Index goals.

The Broad Commodity Index component weights will be rebalanced monthly if their current risk exceeds a predetermined threshold level. As the contracts comprising the Broad Commodity Index approach expiration, the closest expiring contracts are replaced with contracts with longer dated maturities during the roll period. The Broad Commodity Index rolling mechanism is based on the following principles: (i) ensuring that the contracts that are rolled (out of and into) have adequate liquidity; (ii) minimizing the number of rolls to reduce transaction costs and slippage; and (iii) minimizing the negative impact, and maximizing the positive impact of contango and backwardation.

See "Investment Objective" at page 18, "Investment Strategies" at page 19 and "Risk Factors – Contango or Backwardation Risk" at page 37.

Listing of Units

Units of the ETFs are currently listed and trade on the TSX.

Additional Considerations

Investors are able to buy or sell Units of an ETF on the TSX through registered brokers and dealers in the province or territory where the investor resides. Investors will incur customary brokerage commissions in buying or selling Units. The Manager, on behalf of each ETF, has entered into and may enter into agreements with registered dealers (each a "**Designated Broker**" or "**Dealer**") which, amongst other things, enables such Designated Broker and Dealers to purchase and redeem Units directly from the ETFs. Holders of Units of an ETF (the "**Unitholders**") will be able to redeem Units in any number for cash at a redemption price of 95% of the closing price for the Unit on the 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 options which are available where a Dealer, Designated Broker, or Unitholder redeems a prescribed number of Units (a "**PNU**"). See "Redemption of Units" at page 46.

Each ETF issues Units directly to the Designated Broker and Dealers.

No Dealer, Designated Broker or Counterparty (each as hereinafter defined) has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus and the Securities Regulatory Authorities (as defined herein) 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, Dealer or Counterparty is an underwriter of the ETFs in connection with the distribution by the ETFs of their Units under this Prospectus.

For a discussion of the risks associated with an investment in Units of the ETFs, see "Risk Factors" at page 36.

Each investor should carefully consider whether their financial condition and/or retirement savings objectives permit them to buy Units. Units of a commodity pool may be viewed as being highly speculative and involving a high degree of risk. Investors should be aware that an ETF by itself does not constitute a balanced investment plan, and that they may lose a portion or even all of the money that they invest in an ETF.

The risk of loss in trading derivatives can be substantial. In considering whether to buy Units, an investor should be aware that trading derivatives can lead to large losses as well as large gains. Such trading losses can reduce the net asset value of an ETF and consequently the value of an investor's Units. Market conditions could also make it difficult or impossible for an ETF to liquidate a position. See "Investment Strategies" at page 19.

The ETFs are subject to certain conflicts of interest. See "Organization and Management Details of the ETFs - Conflicts of Interest" at page 61. An ETF will be subject to the charges payable by it as described in this prospectus that must be offset by revenues and trading gains before an investor is entitled to a return on his or her investment. See "Fees and Expenses" at page 32. It may be necessary for an ETF to make substantial trading profits to avoid depletion or exhaustion of its assets before an investor is entitled to a return on his or her investment.

The success of an ETF will depend upon a number of conditions that are beyond the control of the ETF. There is substantial risk that the goals of the ETFs, which are each commodity pools, will not be met.

The Investment Manager currently acts as investment advisor to several mutual funds and commodity pools.

Although each ETF is a mutual fund under Canadian securities legislation, certain provisions of such legislation, and the policies of the Securities Regulatory Authorities applicable to conventional mutual funds and designed to protect investors who purchase securities of mutual funds, do not apply. The ETFs are also entitled to rely on exemptive relief from certain provisions of Canadian securities legislation applicable to conventional mutual funds.

THESE BRIEF STATEMENTS DO NOT DISCLOSE ALL OF THE RISKS AND OTHER SIGNIFICANT ASPECTS OF INVESTING IN AN ETF. AN INVESTOR SHOULD CAREFULLY READ THIS PROSPECTUS, INCLUDING THE DESCRIPTION OF THE PRINCIPAL RISK FACTORS OF THE ETFS AT PAGE 36, BEFORE INVESTING IN AN ETF.

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the ETFs, provided that an ETF qualifies as a "mutual fund trust" within the meaning of the *Income Tax Act* (Canada) (the "**Tax Act**"), or the Units of the ETF are listed on a "designated stock exchange", Units of that ETF will be qualified investments under the Tax Act for a trust governed by a registered retirement savings plan, a registered retirement income fund, a deferred profit sharing plan, a registered disability savings plan, a registered education savings plan or a tax-free savings account.

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

Additional information about each ETF is or will be available in its most recently filed annual financial statements together with the accompanying independent auditors' report, any interim financial statements of that ETF filed after these annual financial statements, its most recently filed annual and interim management reports of fund performance, and the most recently filed summary documents of that ETF. 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” on page 80.

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 are or will also be available on the Manager’s website at www.horizonsetfs.com, or by contacting the Manager by e-mail at info@horizonsetfs.com. These documents and other information about the ETFs are also available on the website of SEDAR (the System for Electronic Document Analysis and Retrieval) at www.sedar.com.

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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 Horizons ETFs consist in total of 70 open-end mutual fund trusts established under the laws of Ontario, two of which are offered pursuant to this prospectus. See "Overview of the Legal Structure of the ETFs" at page 18.

Investment Objectives

Horizons HMF

Horizons HMF seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Managed Futures Index, hedged to the Canadian dollar. Horizons HMF seeks to benefit from trends in the commodity and financial futures markets. The Managed Futures Index is exposed to five or more broad sectors (e.g. energies, metals, agricultural commodities, interest rates, and currencies).

In order to achieve its investment objective, Horizons HMF may invest in equity securities and/or other financial instruments, including derivatives, to gain exposure to the Managed Futures Index.

Managed Futures Index

The Managed Futures Index is an index that is designed to capture the economic benefit derived from both rising and declining trends within the commodity and financial futures markets over time. The Managed Futures Index uses a rules-based quantitative methodology to track the prices of a diversified portfolio of traditional commodity and financial futures contracts or "components" which will cover the energies, metals, and agricultural commodities sectors as well as interest rate and currency sectors. The Managed Futures Index components can vary in position size and can either be long or short at any time. The determination of position size and whether to be long or short is based on the methodology and changes can occur on any day. The Managed Futures Index uses a quantitative trend following strategy to determine component entries and exits. The Managed Futures Index is positioned either long or short in each component at all times depending on the direction of the prevailing trend. The Managed Futures Index allocates risk and sizes positions based on each component's historical volatility. Position sizes are normalized based on the volatility of the component's price. The size of the position that the Managed Futures Index takes in any component is dependent only upon the individual component's volatility and the total value of the Managed Futures Index (i.e. it is independent of any other component's volatility or position).

See "Investment Objectives" at page 18.

Horizons HBR

Horizons HBR seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Broad Commodity Index, hedged to the Canadian dollar.

In order to achieve its investment objective, Horizons HBR may invest in equity securities and/or other financial instruments, including derivatives, to gain exposure to the Broad Commodity Index.

The Broad Commodity Index is an index that seeks to benefit from upward trends in the broad commodity futures markets while at the same time minimizing downside risk during downtrends. The Broad Commodity Index uses a quantitative rules-based methodology to track either long or flat positions in a diversified portfolio of traditional commodity futures contracts or "components" which covers the energies, metals, and agricultural commodities sectors. Components may be added or removed from the Broad Commodity Index based on changes to the futures contracts, their liquidity and their suitability towards achieving the Broad Commodity Index goals.

The Broad Commodity Index component weights will be rebalanced monthly if their current risk exceeds a predetermined threshold level. As the contracts comprising the Broad Commodity Index approach expiration, the closest expiring contracts are replaced with contracts with longer dated maturities during the roll period. The Broad Commodity Index rolling mechanism is based on the following principles: (i) ensuring that the contracts that are rolled (out of and into) have adequate liquidity; (ii) minimizing the number of rolls to reduce transaction costs and slippage; and (iii) minimizing the negative impact, and maximizing the positive impact of contango and backwardation.

See "Investment Objectives" at page 18 and "Risk Factors – Contango or Backwardation Risk" at page 37.

Investment Strategies

Horizons HMF

Horizons HMF seeks to achieve its investment objective by gaining direct or indirect exposure to a portfolio of securities and other instruments that provide exposure to five or more sectors of the commodity and financial futures markets (e.g. energies, metals, agricultural commodities, interest rates, and currencies) hedged to the Canadian dollar (the "**Managed Futures Portfolio**").

Currently, Horizons HMF has entered into multiple HMF Forward Documents with the Bank Counterparty in order to achieve its investment objective. Horizons HMF has entered into HMF Forward Documents that provide positive exposure to the Managed Futures Portfolio and/or HMF Forward Documents that provide negative exposure to the Managed Futures Portfolio. Horizons HMF generally seeks to achieve its investment objective through the net exposure of its HMF Forward Documents. Horizons HMF generally invests the net proceeds of Unit subscriptions in interest bearing accounts and T-Bills to earn prevailing short-term market interest rates. In respect of the HMF Forward Documents, Horizons HMF has the ability to replace a Counterparty or engage additional Counterparties at any time. The reference asset of each HMF Forward Document is a notional amount of positive or negative exposure to the Managed Futures Portfolio. A Counterparty or its guarantor must have a designated rating within the meaning of NI 81-102.

Horizons HMF is entitled to pre-settle the HMF Forward Documents in whole or in part from time to time as needed to fund Unit redemptions and market repurchases of Units, pay administrative expenses, meet other liquidity needs and such other purposes as that ETF may determine.

The Managed Futures Portfolio is comprised primarily of futures contracts, financial swaps, total return swaps, physical commodities and T-bills or short term interest rate derivatives, and may also include Commodity Participation Units, including Exchange Traded Products that are managed by the Manager or an affiliate, from time to time. The Managed Futures Portfolio may be held by Horizons HMF and/or the HAP Managed Futures Fund, each of which are managed by AlphaPro Management Inc. (the "**Manager**"), advised by Horizons ETFs Management (Canada) Inc. (the "**Investment Manager**"), and sub-advised by Auspice Capital Advisors Ltd. ("**Auspice**"). Currently, the Managed Futures Portfolio is held by the HAP Managed Futures Fund. Horizons HMF (directly or indirectly) and the HAP Managed Futures Fund (directly) seek to gain exposure to a currency hedged portfolio of the constituent securities and other instruments of the Managed Futures Index in substantially the same proportion as the Managed Futures Index in order to provide investors with exposure to the return and performance of the Managed Futures Index hedged to the Canadian Dollar, net of expenses.

See "Investment Strategies" at page 19.

Horizons HBR

Horizons HBR seeks to achieve its investment objective by gaining direct or indirect exposure to a portfolio of securities and other instruments that provide exposure to three sectors of the commodity futures markets (e.g. energies, metals and agricultural commodities) hedged to the Canadian dollar (the "**Broad Commodity Portfolio**"). Horizons HBR has entered into the HBR Forward Documents with the Bank Counterparty pursuant to which it is exposed to the Broad Commodity Portfolio. Pursuant to the HBR Forward Documents, Horizons HBR invests in a basket of Canadian equity securities. Such securities have been pledged to a Counterparty pursuant to the HBR Forward Documents. The purchase price payable by a Counterparty under the HBR Forward Documents is based upon the daily performance of the Broad Commodity Portfolio.

As a consequence of recent amendments to the *Income Tax Act* (Canada), it is currently expected that the HBR Forward Documents will, prior to or concurrent with their expiry, be supplemented with, or replaced by, new forward documents similar the HMF Forward Documents.

The Broad Commodity Portfolio is comprised primarily of futures contracts, financial swaps, total return swaps, physical commodities and T-bills or short term interest rate derivatives, and may also include Commodity Participation Units, including Exchange Traded Products that are managed by the Manager or an affiliate, from time to time. The Broad Commodity Portfolio may be held by Horizons HBR and/or the HAP Broad Commodity Fund, each of which are managed by the Manager, advised by the Investment Manager, and sub-advised by Auspice. Currently, the Broad Commodity Portfolio is held by the HAP Broad Commodity Fund. Horizons HBR (directly or indirectly) and the HAP Broad Commodity Fund (directly) seek to gain exposure to a currency hedged portfolio of the constituent securities and other instruments of the Broad Commodity Index in substantially the same proportion as the Broad Commodity Index in order to provide investors with exposure to the return and performance of the Broad Commodity Index hedged to the Canadian Dollar, net of expenses.

Horizons HBR may replace a Counterparty or engage additional Counterparties at any time. A Counterparty or its guarantor must have a designated rating within the meaning of NI 81-102. See "Investment Strategies" at page 19.

Use of Leverage

The aggregate market exposure of all instruments held directly or indirectly by Horizons HMF to gain exposure to the Managed Futures Index, calculated daily on a mark-to-market basis, can exceed Horizons HMF's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the HAP Managed Futures Fund.

The amount of leverage that can be used, directly or indirectly, by Horizons HMF and the Managed Futures Index, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of the ETF divided by the net assets of the ETF, shall not exceed 2:1.

Horizons HBR does not employ leverage. The Broad Commodity Index may occasionally employ leverage as a result of its use of commodity futures contracts. The amount of leverage that can be employed by the Broad Commodity Index shall not exceed 2:1. As Horizons HBR does not employ leverage and the Broad Commodity Index may occasionally employ leverage, in an instance, if any, in which the Broad Commodity Index employs leverage, the returns of Horizons HBR may deviate from the performance of the Broad Commodity Index by an amount similar to the amount of leverage employed by the Broad Commodity Index.

As of January 31, 2014, the Managed Futures Index had a leverage ratio of 2:1 and the Broad Commodity Index did not employ leverage.

Offering

Each ETF offers Class E Units and Advisor Class Units. The only difference between Class E Units and Advisor Class Units is that a higher Management Fee is charged to the Advisor Class Units and such higher fee reflects the Service Fee paid to registered dealers by the Manager. No Service Fee is paid to registered dealers in respect of Class E Units. See "Fees and Expenses" at page 32. As a result, the net asset value per Class E Unit of an ETF will not be the same as the net asset value per Advisor Class Unit of that ETF.

Units of the ETFs are currently listed on the TSX.

Units are offered for sale on a continuous basis by this prospectus and there is no minimum number of Units that may be issued.

The Units are offered for sale at a price equal to the net asset value of the Units next determined following the receipt of a subscription order. See "Plan of Distribution" at page 74.

Brokerage Arrangements

Subject to the prior written approval of the Manager, the Investment Manager is authorized to establish, maintain, change and close brokerage accounts on behalf of the ETFs.

Special Considerations for Purchasers

The provisions of the so-called "early warning" requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, each ETF is entitled to rely on exemptive relief from the Securities Regulatory Authorities to permit a Unitholder of that ETF to acquire more than 20% of the Units of that ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units of that ETF at any meeting of Unitholders of that ETF.

The ETFs have also obtained exemptive relief from the restrictions related to redemptions of "seed capital" invested in a commodity pool.

Market participants are permitted to sell Units of an ETF short and at any price without regard to the restrictions of the Universal Market Integrity Rules that generally prohibit selling securities short on the TSX unless the price is at or above the last sale price.

See “Attributes of the Securities - Description of the Securities Distributed” at page 71.

Conflicts of Interest

The ETFs are subject to certain conflicts of interest. The Manager and the Investment Manager are affiliated, Units of an ETF may be sold by dealers that are related to the Manager and the Bank Counterparty of Horizons HMF is an associate of the Manager. See “Organization and Management Details of the ETFs - Conflicts of Interest” at page 61 and see “Relationship between the ETFs and Dealers” on page 75.

Distributions and Automatic Reinvestment

The ETFs will distribute sufficient net income (including net capital gains) so that each ETF will not be liable for income tax in any given year. Such distributions, if any, are expected to be made on an annual basis. All distributions will be automatically reinvested on behalf of each Unitholder in additional Units of the applicable ETF which will immediately be consolidated with the Units of that ETF existing prior to the distribution. See “Distribution Policy” at page 44.

Advisor Class Units of each ETF pay higher management fees and, as a result, any distributions payable on the Advisor Class Units are generally expected to be less than the distributions payable on Class E Units.

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.

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.

An ETF will also offer additional redemption options which are available where a Dealer, Designated Broker, or Unitholder redeems a PNU of that ETF.

Provided applicable requirements are met, Unitholders may convert Advisor Class Units for Class E Units of the same ETF or may convert Class E Units for Advisor Class Units of the same ETF in each case on a monthly basis.

See “Redemption of Units” at page 46.

Income Tax Considerations

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

A Unitholder 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 that ETF which represents an amount that is otherwise required to be included in the Unitholder’s income), net of costs of disposition, exceed (or are less than) the adjusted cost base of the Unit disposed of.

Pursuant to the Trust Declaration, each ETF may allocate and designate any income or capital gains realized by that ETF as a result of any disposition of property of that ETF undertaken to permit or facilitate the redemption of Units of that ETF to a Unitholder whose Units are being redeemed. Each ETF also has the authority to distribute, allocate and designate any income or capital gains of that ETF to a Unitholder who has redeemed Units of that ETF during a year in an amount equal to the Unitholder's share, at the time of redemption, of that ETF's income and capital gains for the year or such other amount that is determined by that ETF to be reasonable.

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" at page 50.

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, Units of that ETF will be 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 or a tax-free savings account.

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 summary documents. These documents 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.sedar.com. See "Documents Incorporated by Reference" at page 80.

Termination

The ETFs do not have a fixed termination date but may be terminated at the discretion of the Manager in accordance with the terms of the Trust Declaration. See "Termination of the ETFs" at page 74.

Risk Factors

An investment in Units will be subject to certain risks. The risk factors particular to the ETFs are set out in the lists below. Prospective investors should consider the risks particular to each ETF in which they are considering investing, among others, before subscribing for Units.

- commodity risk;
- contango or backwardation risk;
- risks relating to index replication strategy;
- leverage risk;
- general risks of exposure to an Underlying Fund;
- risks relating to use of derivatives;
- spot vs. future risk;
- concentration risk;
- changes to an underlying index;
- market and market volatility risk;

- aggressive investment technique risk;
- no assurance of meeting investment objectives;
- trading in derivatives is highly leveraged;
- counterparty risk;
- regulatory risk;
- corresponding net asset value risk;
- correlation risk;
- liquidity risk;
- designated broker/dealer risk;
- cease trading of securities risk;
- exchange risk;
- tax risks;
- early closing risk;
- liability of Unitholders;
- no assurance of continued participation;
- reliance on the Manager, Investment Manager and the Sub-Advisors;
- securities lending transaction risk;
- limitations on reducing exposure under the Forward Documents;
- early termination of the Forward Documents; and
- distribution risk.

See "Risk Factors" at page 36.

Organization and Management of the ETFs

The Manager and Trustee

AlphaPro, a corporation incorporated under the laws of Canada, is the manager and trustee of the ETFs. The Manager will be responsible for providing or arranging for the provision of administrative services required by the ETFs. The principal office of AlphaPro is 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2.

AlphaPro is a subsidiary of Horizons. Horizons and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons and AlphaPro are subsidiaries 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. With over 570 employees, including more than 122 investment professionals (as of October 31, 2013), Mirae Asset has a presence in Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Korea, Taiwan, the United Kingdom, the United States, and Vietnam. Headquartered in Seoul, South Korea, Mirae Asset manages approximately US$60.1 billion in assets globally as of October 31, 2013.

See "Organization and Management Details of the ETFs – Manager of the ETFs" on page 54.

The Underlying Funds

The HAP Managed Futures Fund is constituted pursuant to the Underlying Fund Declaration of Trust and was established on February 14, 2012 for the purpose of acquiring and holding the Managed Futures Portfolio. The HAP Managed Futures Fund uses any subscription proceeds for units of the HAP Managed Futures Fund to acquire additional securities for the Managed Futures Portfolio.

The HAP Broad Commodity Fund was established pursuant to the Underlying Fund Declaration of Trust on February 15, 2013 for the purpose of acquiring and holding the Broad Commodity Portfolio. The HAP Broad Commodity Fund uses any subscription proceeds for units of the HAP Broad Commodity Fund to acquire additional securities for the Broad Commodity Portfolio.

Investment Manager	The Investment Manager, a corporation incorporated under the laws of Canada, is the investment manager of the ETFs and the Underlying Funds. Investment advisory and portfolio management services are provided to the ETFs and the Underlying Funds by the Investment Manager. The Investment Manager and Manager are affiliates. The principal office of the Investment Manager is at 26 Wellington Street East, Suite 700, Toronto, Ontario M5E 1S2. See "Organization and Management Details of the ETFs – Investment Manager" on page 57.
Sub-Advisors	Auspice Capital Advisors Ltd., ("**Auspice**") a corporation existing under the laws of Alberta, has been appointed as sub-advisor of the ETFs and the Underlying Funds. Auspice is independent of the Manager. The principal office of Auspice is located in Calgary, Alberta. See "Organization and Management Details of the ETFs – Investment Manager" on page 57 and "Organization and Management Details of the Underlying Funds – The Sub-Advisor" at page 65.
Custodian	CIBC Mellon Trust is the custodian of the ETFs and is independent of the Manager. CIBC Mellon Trust provides custodial services to the ETFs and is located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Custodian" on page 62.
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. See "Organization and Management Details of the ETFs – Valuation Agents" on page 63.
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. See "Organization and Management Details of the ETFs – Auditors" on page 63.
Registrar and Transfer Agent	CST 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. CST Trust Company is independent of the Manager. See "Organization and Management Details of the ETFs – Transfer Agent and Registrar" on page 63.
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. See "Organization and Management Details of the ETFs – Promoter" on page 63.

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, an ETF may have to pay some of these fees and expenses, which will therefore reduce the value of an investment in the ETF.

Fees and Expenses Payable by the ETF

Type of Charge	**Description**
Management Fee	<u>Prior to March 1, 2014</u>

Prior to March 1, 2014 each ETF pays Management Fees calculated and accrued daily and payable monthly in arrears to the Manager equal to (i) an annual percentage of the net asset value of the Class E Units, plus applicable Sales Tax and (ii) an annual percentage of the net asset value of the Advisor Class Units, plus applicable Sales Tax. The Management Fees of each ETF are as follows:

ETF	**Management Fees**	
	Class E Unit	**Advisor Class Unit**
Horizons HMF	0.45% of the net asset value of Horizons HMF's Class E Units	1.20% of the net asset value of Horizons HMF's Advisor Class Units
Horizons HBR	0.35% of the net asset value of Horizons HBR's Class E Units	1.10% of the net asset value of Horizons HBR's Advisor Class Units

The Investment Manager and the Sub Advisor will be compensated for their services by the Manager and the Investment Manager, respectively.

Total Management Fees

The Manager, in its capacity as manager of the HAP Managed Futures Fund, is also paid an annual management fee equal to 0.50% of the net asset value of the HAP Managed Futures Fund, accrued and calculated daily on each Valuation Date and paid monthly in arrears, plus applicable Sales Tax. The sum of the Management Fees payable for the applicable class of Horizons HMF and the management fees payable for the HAP Managed Futures Fund is the Total Management Fees in respect of Horizons HMF.

The Manager, in its capacity as manager of the HAP Broad Commodity Fund, is also paid an annual management fee equal to 0.45% of the net asset value of the HAP Broad Commodity Fund, accrued and calculated daily on each Valuation Date and paid monthly in arrears, plus applicable Sales Tax. The sum of the Management Fees payable for the applicable class of Horizons HBR and the management fees payable for the HAP Broad Commodity Fund is the Total Management Fees in respect of Horizons HBR.

<u>On and after March 1, 2014</u>

The management fee structure of the ETFs will, beginning March 1, 2014, be changed, but the Total Management Fees (i.e. the aggregate management fees that

Type of Charge	Description
	the Manager receives) will not change.

As indicated above, beginning March 1, 2014, each ETF will pay annual Management Fees, calculated and accrued daily and payable monthly in arrears, to the Manager equal to: (i) an annual percentage of the net asset value of the Class E Units, plus applicable Sales Tax and (ii) an annual percentage of the net asset value of the Advisor Class Units, plus applicable Sales Tax. The Management Fees of each ETF will be as follows:

ETF	**Management Fees**	
	Class E Unit	**Advisor Class Unit**
Horizons HMF	0.95% of the net asset value of Horizons HMF's Class E Units	1.70% of the net asset value of Horizons HMF's Advisor Class Units
Horizons HBR	0.80% of the net asset value of Horizons HBR's Class E Units	1.55% of the net asset value of Horizons HBR's Advisor Class Units

The Investment Manager and the Sub Advisor will be compensated for their services by the Manager and the Investment Manager, respectively.

Management Fee Distributions

The Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from an ETF with respect to large investments in that 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 that ETF, at the discretion of the Manager, to the applicable Unitholders as Management Fee Distributions.

Advisor Class Units Service Fee

The Manager will pay to registered dealers a Service Fee equal to 0.75% per annum of the net asset value of Advisor Class Units of each ETF held by clients of the registered dealer. The only difference between Class E Units and Advisor Class Units is that the higher Management Fee charged to the Advisor Class reflects the Service Fee paid to registered dealers by the Manager. The ETFs do not pay Service Fees to registered dealers in respect of Class E Units.

See "Fees and Expenses" at page 32.

Operating Expenses

Unless otherwise waived or reimbursed by the Manager, an ETF pays all of its operating expenses, including but not limited to: audit fees; trustee and custodial expenses; valuation, accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; extraordinary expenses; Unitholder reports and servicing costs; income taxes; registrar and transfer agent fees; costs of the IRC; Sales Tax; brokerage expenses

Type of Charge	Description
	and commissions; costs associated with delivering documents to Unitholders; and withholding taxes. Costs and expenses payable by the Manager, or an affiliate of the Manager, include the Service Fee paid to registered dealers on Advisor Class Units held by clients of that dealer, as well as fees of a general administrative nature. The Investment Manager and the Sub Advisor will be compensated for their services by the Manager and the Investment Manager, respectively. See “Fees and Expenses” at page 32.
Expenses of the Issue	Apart from the initial organizational cost of the ETFs, all expenses related to the issuance of Units shall be borne by the ETFs unless otherwise waived or reimbursed by the Manager. See “Fees and Expenses” at page 32.
Forward Expenses	Horizons HMF pays to an Acceptable Counterparty fees under the HMF Forward Documents equal to 0.45% per annum of the total assets of the Managed Futures Portfolio. No hedging costs are anticipated at this time in respect of the HMF Forward Documents, however, should hedging costs be incurred by a Counterparty in the future, such hedging costs will be payable by Horizons HMF. Horizons HBR pays to an Acceptable Counterparty fees under the HBR Forward Documents equal to 0.45% per annum of the total assets of the Broad Commodity Portfolio. No hedging costs are anticipated at this time in respect of the HBR Forward Documents, however, should hedging costs be incurred by a Counterparty in the future, such hedging costs will be payable by Horizons HBR.
Underlying Fund Operating Expenses	Each Underlying Fund will pay for all ordinary expenses incurred in connection with its operation and administration. Subject to applicable law, the Underlying Fund will also be responsible for its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.
Underlying Funds	For a description of the fees and expenses of the Underlying Funds, see “Fees and Expenses – Fees and Expenses Payable by the Underlying Funds” at page 35.
Underlying Exchange Traded Funds Fees	Each ETF or Underlying Fund may invest in exchange traded funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying exchange traded funds in addition to the fees and expenses payable by an ETF and each Underlying Fund. With respect to such investments, no management fees or incentive fees are payable by each ETF or Underlying Fund that, to a reasonable person, would duplicate a fee payable by such underlying exchange traded funds for the same service. Further, no sales fees or redemption fees are payable by an ETF or an Underlying Fund in relation to purchases or redemptions of the securities of the underlying exchange traded funds in which it invests if these underlying exchange traded funds are managed by the Manager or an affiliate or associate of the Manager.

Fees and Expenses Payable Directly by Unitholders

Redemption Charge	The Manager may charge Unitholders of an ETF, at its discretion, a redemption charge of up to 0.25% of the redemption proceeds. The Manager does not currently anticipate charging any redemption charge. The Manager will publish the current redemption charge, if any, on its website, www.horizonsetfs.com.

See “Redemption of Units” at page 46.

Annual Returns, Management Expense Ratio and Trading Expense Ratio

The following chart provides the annual returns, MER[1] and TER[2] for the Class E Units and Advisor Class Units for Horizons HMF from its date of inception on April 2, 2012 to December 31, 2012. The MER and TER figures provided below for 2012 were calculated on an annualized basis as at December 31, 2012.

As Horizons HBR was established in 2013, information relating to annual returns, MER and TER is not yet available.

Horizons HMF - Class E Units	**2012**
Annual Returns	-7.20%%
MER	0.51%
TER	0.60%

Horizons HMF - Advisor Class Units	**2012**
Annual Returns	-7.80%%
MER	1.35%
TER	0.60%

[1] “MER” means management expense ratio based on total expenses, excluding commissions and other portfolio transaction costs and expressed as an annualized percentage of daily average net asset value.

[2] “TER” means trading expense ratio and represents total commissions and portfolio transaction costs expressed as an annualized percentage of daily average net asset value.

GLOSSARY

The following terms have the following meaning:

"**Acceptable Counterparty**" means a Canadian chartered bank, or an affiliate of a Canadian chartered bank whose obligations are guaranteed by a Canadian chartered bank that, in either case, has a designated rating within the meaning of NI 81-102;

"**Advisor Class Units**" means the advisor class units of the ETFs;

"**AlphaPro**" means AlphaPro Management Inc., the manager, the trustee and the promoter of the ETFs;

"**Auspice**" means Auspice Capital Advisors Ltd.;

"**Bank Counterparty**" means, when used in respect of Horizons HMF, National Bank of Canada, a Canadian chartered bank, and, when used in respect of Horizons HBR, Bank of Montreal, a Canadian chartered bank;

"**Bank Holiday**" means any business day that deposit taking banks in the United States or Canada are not open for business;

"**Broad Commodity Index**" means the Auspice Broad Commodity Excess Return Index;

"**Broad Commodity Portfolio**" means a portfolio of securities and other instruments held in the HAP Broad Commodity Fund that provide exposure to the energies, metals and agricultural commodities sectors of the commodity futures markets;

"**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;

"**Canadian Securities Portfolio**" means the portfolio of an ETF consisting solely of securities that are "Canadian securities" for the purposes of subsection 39(6) of the Tax Act;

"**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;

"**Class E Units**" means the Class E units of the ETFs;

"**Commodity Participation Unit**" means a security that is issued by an issuer, the only purpose of which is to hold:

(a) a physical commodity as defined in NI 81-102 (a "**Physical Commodity**") or more than one Physical Commodity;

(b) commodity futures that are widely quoted or used as the benchmark for pricing the future price of a Physical Commodity or more than one Physical Commodity; or

(c) specified derivatives that replicate the performance of a Physical Commodity or more than one Physical Commodity, or commodity futures, referred to in subparagraphs (a) and (b).

"**Counterparty**" means an Acceptable Counterparty or a Bank Counterparty;

"**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 last amended September 18, 2013, 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 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 an ETF, pursuant to which the Designated Broker agrees to perform certain duties in relation to that ETF;

"**Designated Broker Agreement**" means an agreement between the Manager, on behalf of an ETF, and the 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 that ETF;

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

"**ETFs**" means, together, Horizons HMF and Horizons HBR and "**ETF**" means either one of them;

"**Exchange Traded Product**" means an exchange traded fund or an exchange traded note traded on a North American exchange;

"**Forward Documents**" means the HMF Forward Documents or the HBR Forward Documents, as applicable;

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

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

"**HBR Forward Documents**" means the forward share purchase agreement whereby Horizons HBR has pledged Canadian equity securities to its Bank Counterparty or an Acceptable Counterparty;

"**HMF Forward Documents**" means agreements evidencing cash-settled forward transactions relating to the Managed Futures Portfolio that Horizons HMF has entered into, or will enter into, with a Counterparty or Counterparties which are collateralized by the pledge of an interest-bearing cash account and T-Bills;

"**Horizons**" means Horizons ETFs Management (Canada) Inc., an affiliate of the Manager;

"**Horizons HBR**" means Horizons Auspice Broad Commodity Index ETF;

"**Horizons HMF**" means Horizons Auspice Managed Futures Index ETF;

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

"**Index Reference Day**" means the second (2nd) Wednesday of February, May, August and November of each calendar year;

"**interest bearing account**" means a credit balance in an interest bearing bank or securities account;

"**Investment Management Agreement**" means the investment management agreement dated December 31, 2008, as last amended September 18, 2013 among the ETFs, the Manager and the Investment Manager;

"**Investment Manager**" means Horizons ETFs Management (Canada) Inc., in its capacity as investment manager of the ETFs pursuant to the Investment Management Agreement;

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

"Managed Futures Index" means the Auspice Managed Futures Excess Return Index;

"**Managed Futures Portfolio**" means a portfolio of securities and other instruments held in the HAP Managed Futures Fund that provide exposure to the energies, metals, agricultural commodities, interest rates, and currencies sectors of the commodity and financial futures markets;

"**Management Fee**" means the annual management fees, calculated and accrued daily and payable monthly in arrears to the Manager equal to (i) an annual percentage of the net asset value of the Class E Units, plus applicable Sales Tax and (ii) an annual percentage of the net asset value of the Advisor Class Units, plus applicable Sales Tax;

"**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 to Unitholders who hold large investments in an ETF;

"**Manager**" means AlphaPro, in its capacity as manager of the: (a) ETFs pursuant to the Trust Declaration and (b) Underlying Funds pursuant to the Underlying Fund Declaration of Trust;

"**Mirae Asset**" means Mirae Asset Global Investments Co., Ltd.

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

"**NBF**" means National Bank Financial Inc.;

"**NI 81-102**" means National Instrument 81-102 *Mutual Funds*;

"**NI 81-104**" means National Instrument 81-104 *Commodity Pools*;

"**NI 81-107**" means National Instrument 81-107 *Independent Review Committee for Investment Funds*;

"**OSC**" means the Ontario Securities Commission;

"**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 such other purposes as the Manager may determine;

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

"**Registrar and Transfer Agent**" means CST Trust Company in its capacity as registrar and transfer agent of the ETFs;

“**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;

“**Service Fee**” means the service fee payable to a registered dealer in respect of the Advisor Class Units held by clients of the registered dealer;

“**Sub-Advisor**” means Auspice;

“**Sub-Advisory Agreement**” means the sub-advisory agreement made as of February 14, 2012, as last amended February 13, 2014, among the Manager, on behalf of the Underlying Funds and the ETFs, the Investment Manager and Auspice;

“**T-Bills**” means short-term Canadian federal or provincial treasury bills;

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

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

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

“**Total Management Fees**” means, in respect of Horizons HMF, the annual Management Fees paid by Horizons HMF together with the annual management fees paid by the HAP Managed Futures Fund; and in respect of Horizons HBR, the annual Management Fees paid by Horizons HBR together with the annual management fees paid by the HAP Broad Commodity Fund;

“**Trading Day**” for an ETF means a day on which: (i) a session of the TSX is held; (ii) the principal exchange for the securities, commodities, commodity futures and call options held by the ETF or its applicable Underlying Fund is open for trading; and (iii) it is not a Bank Holiday;

“**Trust Declaration**” means the amended and restated declaration of trust for the ETFs made as of December 31, 2008 by the Trustee, as last amended January 9, 2014;

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

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

“**Underlying Fund**” means HAP Managed Futures Fund when used in connection with Horizons HMF, and HAP Broad Commodity Fund when used in connection with Horizons HBR;

“**Underlying Fund Declaration of Trust**” means the amended and restated master declaration of trust dated as of February 29, 2012, as amended February 15, 2013, in respect of the HAP Managed Futures Fund and the HAP Broad Commodity Fund;

“**Underlying Funds**” means, together, the HAP Managed Futures Fund and the HAP Broad Commodity Fund;

“**Underlying Indexes**” means, together, the Managed Futures Index, and the Broad Commodity Index as each are described under the heading “Investment Objectives” at page 18, and “**Underlying Index**” means either of the foregoing, as applicable;

“**Underlying Portfolio**” means Managed Futures Portfolio when used in connection with Horizons HMF, and Broad Commodity Portfolio when used in connection with Horizons HBR;

“Underlying Portfolios” means, together, the Managed Futures Portfolio and the Broad Commodity Portfolio;

“**Underweight**” means, in respect of an equity issuer, an exposure or ownership position in a portfolio which is less than the position, measured as a percentage, that the equity issuer represents in the S&P/TSX 60™ Index;

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

“**Units**” means, together, the Class E Units and Advisor Class Units of the ETFs, and “**Unit**” means a Class E Unit or an Advisor Class Unit of either ETF, as applicable;

“**Valuation Day**” for an ETF means a day upon which a session of the TSX is held and that is not a Bank Holiday;

“**Valuation Time**” means 4:00 p.m. (EST) on a Valuation Day; and

“**Weight**” means the proportion an issuer’s market capitalization is in relation to the index in which it is a constituent.

OVERVIEW OF THE LEGAL STRUCTURE OF THE ETFS

The Horizons ETFs consist in total of 70 open-end mutual fund trusts established under the laws of Ontario, of which Horizons Auspice Managed Futures Index ETF and Horizons Auspice Broad Commodity Index ETF are offered pursuant to this prospectus. The manager and trustee of the ETFs is AlphaPro Management Inc. The Manager has retained its affiliate, Horizons ETFs Management (Canada) Inc., to be responsible for implementing the investment objectives and strategies of the ETFs.

Units of the ETFs are currently listed on the TSX. The TSX ticker symbol for the ETFs are as follows:

Name of ETF	**Abbreviated Name**	**TSX Ticker Symbol**	
		Class E Units	**Advisor Class Units**
Horizons Auspice Managed Futures Index ETF	Horizons HMF	HMF	HMF.A
Horizons Auspice Broad Commodity Index ETF	Horizons HBR	HBR	HBR.A

The head office of the Manager and the ETFs is 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2. 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” at page 72 for additional descriptions of the process for calling a meeting of Unitholders and the requirements of Unitholder approval.

Horizons HMF

Investment Objective

Horizons HMF seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Managed Futures Index, hedged to the Canadian dollar. Horizons HMF seeks to benefit from trends in the commodity and financial futures markets. The Managed Futures Index is exposed to five or more broad sectors (e.g. energies, metals, agricultural commodities, interest rates, and currencies).

In order to achieve its investment objective, Horizons HMF may invest in equity securities and/or other financial instruments, including derivatives, to gain exposure to the Managed Futures Index.

Managed Futures Index

The Managed Futures Index is an index that is designed to capture the economic benefit derived from both rising and declining trends within the commodity and financial futures markets over time. The Managed Futures Index uses a rules-based quantitative methodology to track the prices of a diversified portfolio of traditional commodity and financial futures contracts or “components” which will cover the energies, metals, and agricultural commodities sectors as well as interest rate and currency sectors. The Managed Futures Index components can vary in position size and can either be long or short at any time. The determination of position size and whether to be long or short is based on the methodology and changes can occur on any day. The Managed Futures Index uses a quantitative trend following strategy to determine component entries and exits. The Managed Futures Index is positioned either long or short in each component at all times depending on the direction of the prevailing trend. The Managed Futures Index allocates risk and sizes positions based on each component’s historical volatility. Position sizes are normalized based on the volatility of the component's price. The size of the position that the Managed Futures Index takes in any component is dependent only upon the individual component's volatility and the total value of the Managed Futures Index (i.e. it is independent of any other component's volatility or position).

Horizons HBR

Investment Objective

Horizons HBR seeks investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to the performance of the Broad Commodity Index, hedged to the Canadian dollar.

In order to achieve its investment objective, Horizons HBR may invest in equity securities and/or other financial instruments, including derivatives, to gain exposure to the Broad Commodity Index.

Broad Commodity Index

The Broad Commodity Index is an index that seeks to benefit from upward trends in the broad commodity futures markets while at the same time minimizing downside risk during downtrends. The Broad Commodity Index uses a quantitative rules-based methodology to track either long or flat positions in a diversified portfolio of traditional commodity futures contracts or "components" which covers the energies, metals, and agricultural commodities sectors. Components may be added or removed from the Broad Commodity Index based on changes to the futures contracts, their liquidity and their suitability towards achieving the Broad Commodity Index goals.

The Broad Commodity Index component weights will be rebalanced monthly if their current risk exceeds a predetermined threshold level. As the contracts comprising the Broad Commodity Index approach expiration, the closest expiring contracts are replaced with contracts with longer dated maturities during the roll period. The Broad Commodity Index rolling mechanism is based on the following principles: (i) ensuring that the contracts that are rolled (out of and into) have adequate liquidity; (ii) minimizing the number of rolls to reduce transaction costs and slippage; and (iii) minimizing the negative impact, and maximizing the positive impact of contango and backwardation.

See "Risk Factors – Contango or Backwardation Risk" at page 37.

INVESTMENT STRATEGIES

Investment Strategies

General

The return to Horizons HMF and to its Unitholders will generally be based upon the return on the Managed Futures Portfolio by virtue of the HMF Forward Documents.

The return to Horizons HBR and to its Unitholders will generally be based upon the return on the Broad Commodity Portfolio by virtue of the HBR Forward Documents.

Overview of the Investment Strategies

Horizons HMF

Horizons HMF seeks to achieve its investment objective by gaining exposure to a portfolio of securities and other instruments that provide exposure to five or more sectors of the commodity and financial futures markets (e.g. energies, metals, agricultural commodities, interest rates, and currencies) hedged to the Canadian dollar (the "**Managed Futures Portfolio**").

The Managed Futures Portfolio is comprised primarily of futures contracts, financial swaps, total return swaps, physical commodities and T-bills or short term interest rate derivatives, and may also include Commodity Participation Units, including Exchange Traded Products that are managed by the Manager or an affiliate, from time to time. The Managed Futures Portfolio may be held by Horizons HMF and/or the HAP Managed Futures Fund, each of which is managed by the Manager, advised by the Investment Manager, and sub-advised by Auspice. Currently, the Managed Futures Portfolio is held by the HAP Managed Futures Fund. Horizons HMF (directly or indirectly) and the HAP Managed Futures Fund (directly) seek to gain exposure to a currency hedged portfolio of the constituent securities and other instruments of the Managed Futures Index in substantially the same proportion as the Managed Futures Index in order to provide investors with exposure to the return and performance of the Managed Futures Index hedged to the Canadian dollar, net of expenses.

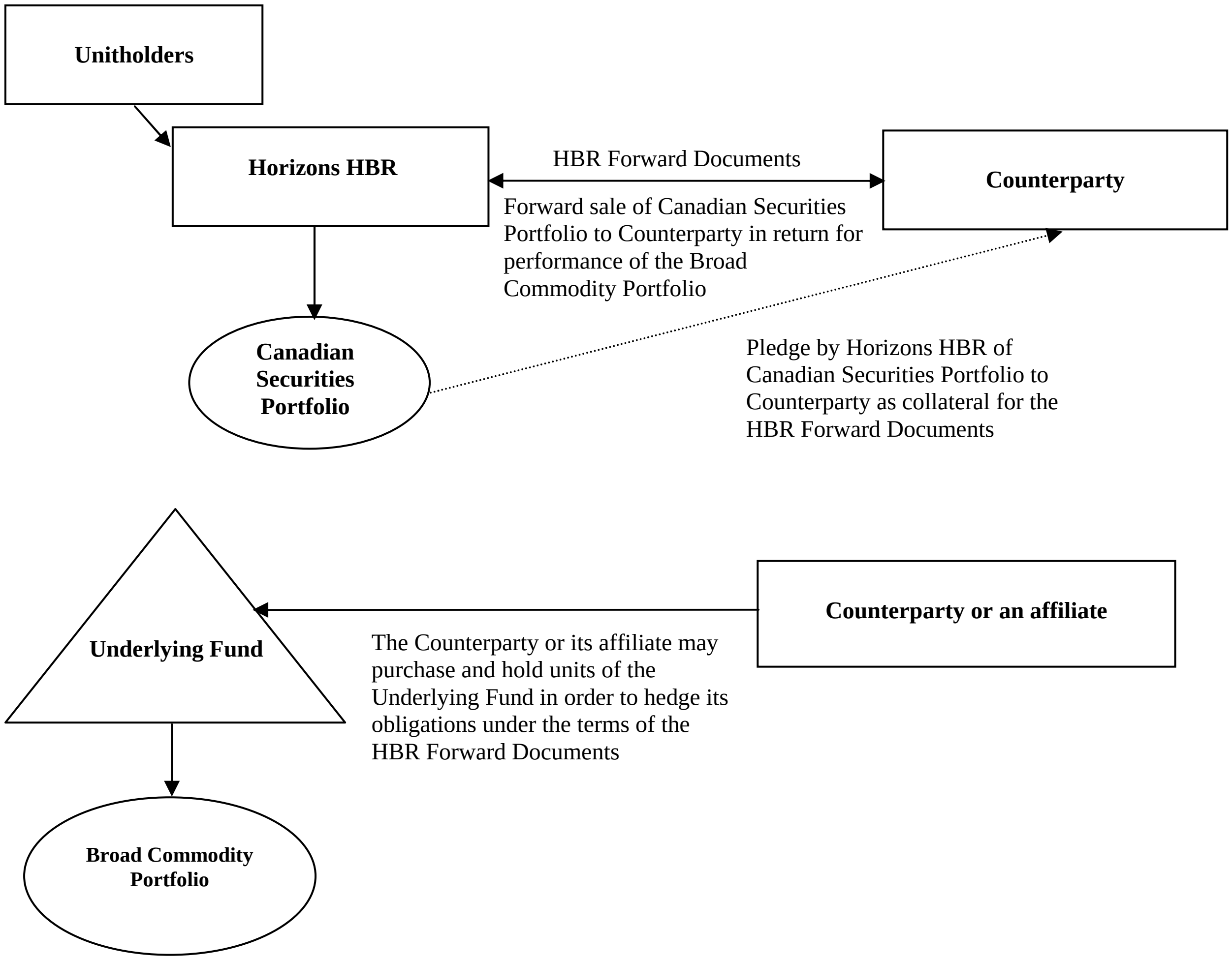
Currently, Horizons HMF has entered into multiple HMF Forward Documents with the Bank Counterparty in order to achieve its investment objective. Horizons HMF has entered into HMF Forward Documents that provide positive exposure to the Managed Futures Portfolio and/or HMF Forward Documents that provide negative exposure to the Managed Futures Portfolio. Horizons HMF generally seeks to achieve its investment objective through the net exposure of its HMF Forward Documents. Horizons HMF generally invests the net proceeds of Unit subscriptions in interest bearing accounts and T-Bills to earn prevailing short-term market interest rates. In respect of the HMF Forward Documents, Horizons HMF has the ability to replace a Counterparty or engage additional Counterparties at any time. The reference asset of each HMF Forward Document is a notional amount of positive or negative exposure to the Managed Futures Portfolio. A Counterparty or its guarantor must have a designated rating within the meaning of NI 81-102.

Horizons HMF is entitled to pre-settle the HMF Forward Documents in whole or in part from time to time as needed to fund Unit redemptions and market repurchases of Units, pay administrative expenses, meet other liquidity needs and such other purposes as that ETF may determine.

Horizons HBR

Horizons HBR seeks to achieve its investment objective by gaining exposure to a portfolio of securities and other instruments that provide exposure to three sectors of the commodity futures markets (e.g. energies, metals and agricultural commodities) hedged to the Canadian dollar (the "**Broad Commodity Portfolio**"). Horizons HBR has entered into the HBR Forward Documents with the Bank Counterparty pursuant to which it is exposed to the Broad Commodity Portfolio. Pursuant to the HBR Forward Documents, Horizons HBR invests in a basket of Canadian equity securities. Such securities have been pledged to an Acceptable Counterparty pursuant to the HBR Forward Documents. The purchase price payable by an Acceptable Counterparty under the HBR Forward Documents is based upon the daily performance of the Broad Commodity Portfolio.

The current investment structure of Horizons HBR and the exposure of Horizons HBR to the Broad Commodity Portfolio is illustrated below. This diagram is provided for illustration purposes only and is qualified by the information set forth elsewhere in this prospectus.



As a consequence of recent amendments to the *Income Tax Act* (Canada), it is currently expected that the HBR Forward Documents will, prior to or concurrent with their expiry, be supplemented with, or replaced by, new forward documents similar the HMF Forward Documents.

The Broad Commodity Portfolio is comprised primarily of futures contracts, financial swaps, total return swaps, physical commodities and T-bills or short term interest rate derivatives, and may also include Commodity Participation Units, including Exchange Traded Products that are managed by the Manager or an affiliate, from time to time. The Broad Commodity Portfolio may be held by Horizons HBR and/or the HAP Broad Commodity Fund, each of which are managed by the Manager, advised by the Investment Manager, and sub-advised by Auspice. Currently, the Broad Commodity Portfolio is held by the HAP Broad Commodity Fund. Horizons HBR (directly or indirectly) and the HAP Broad Commodity Fund (directly) seek to gain exposure to a currency hedged portfolio of the constituent securities and other instruments of the Broad Commodity Index in substantially the same proportion as the Broad Commodity Index in order to provide investors with exposure to the return and performance of the Broad Commodity Index hedged to the Canadian Dollar, net of expenses.

Horizons HBR may pre-settle the HBR Forward Documents in part: (i) to fund distributions on its Units, if any; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of Horizons HBR; and (iv) for any other reason. Horizons HBR may replace a Counterparty or engage additional Counterparties at any time. A Counterparty or its guarantor must have a designated rating within the meaning of NI 81-102.

See "Investment Strategies – Swap and Forward Agreements" at page 31.

Managed Futures Index

The Managed Futures Index is an index that is designed to capture the economic benefit derived from both rising and declining trends within the commodity and financial futures markets over time.

The Managed Futures Index uses a rules-based quantitative methodology to track the prices of a diversified portfolio of traditional commodity and financial futures contracts or "components" which will cover the energies, metals, and agricultural commodities sectors as well as interest rate and currency sectors. The Managed Futures Index components can vary in position size and can either be long or short at any time. The determination of position size and whether to be long or short is based on the methodology and changes can occur on any day. The Managed Futures Index uses a quantitative trend following strategy to determine component entries and exits. The Managed Futures Index is positioned either long or short in each component at all times depending on the direction of the prevailing trend.

The Managed Futures Index allocates risk and sizes positions based on each component's historical volatility. Position sizes are normalized based on the volatility of the component's price. The size of the position that the Managed Futures Index takes in any component is dependent only upon the individual component's volatility and the total value of the Managed Futures Index, i.e. it is independent of any other component's volatility or position.

The Managed Futures Index may use leverage. The financial leverage ratio will not exceed 2:1.

Broad Commodity Index

The Broad Commodity Index is an index that is designed to capture the economic benefit derived from both rising and declining trends within the commodity over time.

The Broad Commodity Index uses a rules-based quantitative methodology to track the prices of a diversified portfolio of traditional commodity or "components" which will cover the energies, metals, and agricultural commodities sectors. The Broad Commodity Index components can vary in position size and can either be long or short at any time. The determination of position size and whether to be long or short is based on the methodology and changes can occur on any day. The Broad Commodity Index uses a quantitative trend following strategy to determine component entries and exits. The Broad Commodity Index is positioned either long or short in each component at all times depending on the direction of the prevailing trend.

The Broad Commodity Index allocates risk and sizes positions based on each component's historical volatility. Position sizes are normalized based on the volatility of the component's price. The size of the position that the Broad Commodity Index takes in any component is dependent only upon the individual component's volatility and the total value of the Broad Commodity Index, i.e. it is independent of any other component's volatility or position.

While Horizons HBR does not employ leverage, the Broad Commodity Index may occasionally use leverage as a result of its use of commodity futures contracts. The financial leverage ratio of the Broad Commodity Index will not exceed 2:1. As Horizons HBR does not employ leverage and the Broad Commodity Index may occasionally employ leverage, in an instance, if any, in which the Broad Commodity Index employs leverage, the returns of Horizons HBR may deviate from the performance of the Broad Commodity Index by an amount similar to the amount of leverage employed by the Broad Commodity Index.

Component Selection

The components chosen for inclusion in the Managed Futures Index were selected to provide a broad and diverse cross section of commodities and financial contracts from the North American exchange traded futures market.

Table 1 – Managed Futures Index Component/Sector Breakdown

Energies	**Metals**	**Agricultural**	**Interest Rates**	**Currencies**
Crude Oil	Gold	Corn	U.S. 30 Year Bond	Australian Dollar
Natural Gas	Silver	Soybeans	U.S. 10 Year Note	British Pound
Heating Oil	Copper	Wheat	U.S. 5 Year Note	Canadian Dollar
Gasoline		Cotton		Euro
		Sugar		Japanese Yen
				U. S. Dollar Index

The components chosen for inclusion in the Broad Commodity Index were selected to provide a broad and diverse cross section of commodities from the North American exchange traded futures market.

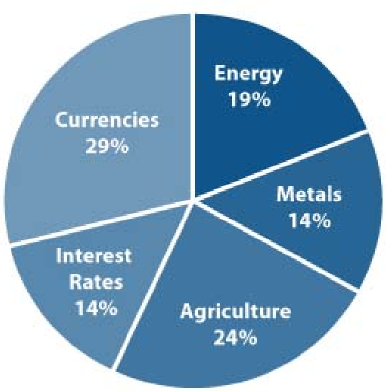
Table 2 – Broad Commodity Index Component/Sector Breakdown

Energies	**Metals**	**Agricultural**
Crude Oil	Gold	Corn
Natural Gas	Silver	Soybeans
Heating Oil	Copper	Wheat
Gasoline		Cotton
		Sugar

Sector Allocation

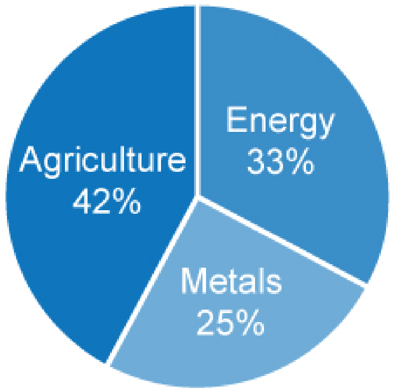
The initial sector risk for the Managed Futures Index, on the date of index inception (Jan 1, 2000), is illustrated in Chart 1. The risk allocation to each sector will vary as the individual component's volatility changes, or positions are rebalanced.

Chart 1 – Managed Futures Index Sector Risk Allocation



The initial sector risk for the Broad Commodity Index, on the date of index inception (Jan 1, 2000), is illustrated in Chart 2. The risk allocation to each sector will vary as the individual component's volatility changes, or positions are rebalanced.

Chart 2 – Broad Commodity Index Sector Risk Allocation



The components of each Underlying Index will be rebalanced monthly if their current risk exceeds a predetermined threshold level.

The components comprising the each Underlying Index may change at the discretion of Auspice in accordance with the applicable Underlying Index methodology**.** Components may be added or removed from an Underlying Index based on changes to the futures contracts, their liquidity and their suitability to achieving goals of the applicable Underlying Index.

Contract Rolling

The Underlying Index rolling mechanism as illustrated in Chart 3 below is based on the following principles: (i) ensuring the contracts that are rolled (out of and into) have adequate liquidity; (ii) minimizing the number of rolls to reduce transaction costs and slippage; (iii) consideration of the seasonality of certain contracts (grains and energies); and (iv) minimizing the negative impact, and maximizing the positive impact of contango and backwardation.

As the contracts comprising an Underlying Index approach expiration, the closest expiring contracts are replaced with contracts with longer dated maturities during the roll period. See Table 3 and Table 4 below for the specific component contract details.

See "Risk Factors – Contango or Backwardation Risk" at page 37.

Chart 3 – Contract Rolling Procedure

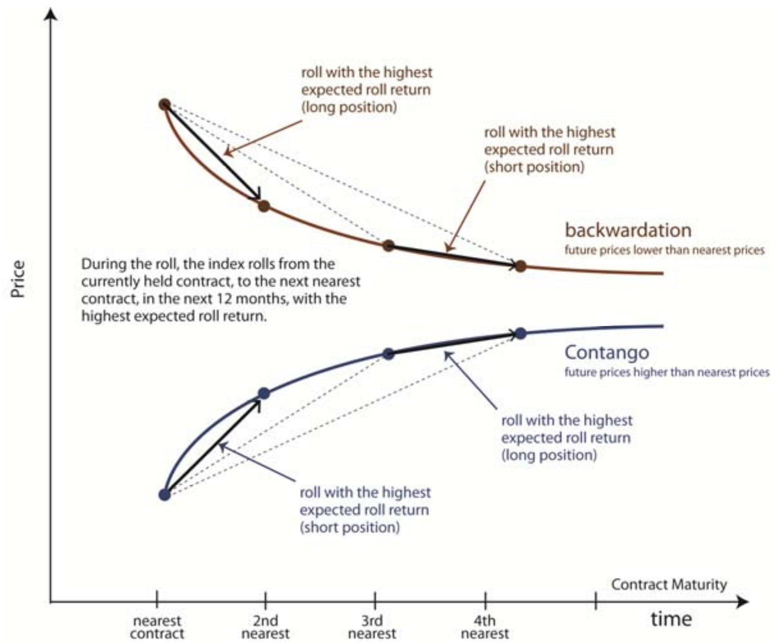


Table 3 – Managed Futures Index Component Specifications

Sector	Component	Symbol	Exchange	Included Contract Months
Energy	Crude Oil	CL	NYMEX	All Months
	Heating Oil	HO	NYMEX	All Months
	RBOB Gasoline	RB	NYMEX	All Months
	Natural Gas	NG	NYMEX	All Months
Metals	Gold	GC	COMEX	Feb, Apr, Jun, Aug, Oct, Dec
	Silver	SI	COMEX	Mar, May, Jul, Sep, Dec
	Copper	HG	COMEX	All Months
Agricultural	Corn	C	CBOT	Mar, May, Jul, Sep, Dec
	Soybeans	S	CBOT	Jan, Mar, May, Jul, Aug, Sep, Nov
	Wheat	W	CBOT	Mar, May, Jul, Sep, Dec
	Cotton	CT	ICE-US	Mar, May, Jul, Oct, Dec
	Sugar	SB	ICE-US	Mar, May, Jul, Oct
Interest Rates	U.S. 30 Year Bond	US	CME	Mar, Jun, Sep, Dec
	U.S. 10 Year Note	TY	CME	Mar, Jun, Sep, Dec
	U.S. 5 Year Note	FV	CME	Mar, Jun, Sep, Dec
Currencies	Australian Dollar	AD	CME	Mar, Jun, Sep, Dec
	British Pound	BP	CME	Mar, Jun, Sep, Dec
	Canadian Dollar	CD	CME	Mar, Jun, Sep, Dec
	Euro	EC	CME	Mar, Jun, Sep, Dec
	Japanese Yen	JY	CME	Mar, Jun, Sep, Dec
	U.S. Dollar Index	DX	ICE-US	Mar, Jun, Sep, Dec

Table 4 – Broad Commodity Index Component Specifications

Sector	Component	Symbol	Exchange	Included Contract Months
Energy	Crude Oil	CL	NYMEX	All Months
	Heating Oil	HO	NYMEX	All Months
	RBOB Gasoline	RB	NYMEX	All Months
	Natural Gas	NG	NYMEX	All Months
Metals	Gold	GC	COMEX	Feb, Apr, Jun, Aug, Oct, Dec
	Silver	SI	COMEX	Mar, May, Jul, Sep, Dec
	Copper	HG	COMEX	All Months
Agricultural	Corn	C	CBOT	Mar, May, Jul, Sep, Dec
	Soybeans	S	CBOT	Jan, Mar, May, Jul, Aug, Sep, Nov
	Wheat	W	CBOT	Mar, May, Jul, Sep, Dec
	Cotton	CT	ICE-US	Mar, May, Jul, Oct, Dec
	Sugar	SB	ICE-US	Mar, May, Jul, Oct

Commodity Participation Units

Each ETF may also invest, directly or indirectly, in Exchange Traded Products that issue Commodity Participation Units including Exchange Traded Products managed by affiliates of the Manager and advised by the Investment Manager.

General Investment Strategies of the ETFs

Securities Lending

The ETFs 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 the ETFs to earn additional income to offset its costs and help ensure the investment results of the ETFs more closely correspond to its Underlying Index. All additional income earned by an ETF through securities lending will accrue to that ETF. The ETFs have obtained exemptive relief from the limitations in NI 81-102 so that an ETF may lend 100% of its investment portfolio to qualified borrowers.

In carrying out securities lending, the ETFs will engage a lending agent with experience and expertise in completing such transactions. Each ETF may engage affiliates of the Bank Counterparty as a lending agent.

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.

Derivatives

Derivatives are instruments that derive their value from the market price, value or level of an underlying security, commodity, economic indicator, index or financial instrument and which enable investors to speculate on or hedge against future changes in the price or value of the underlying interest of the derivative. The underlying interests of derivatives include a wide variety of assets or financial instruments, such as agricultural products, energy products and base or precious metals (commonly called commodities), interest rates, currencies and stock indices.

Forward Documents

HMF Forward Documents

Horizons HMF has entered into multiple HMF Forward Documents with the Bank Counterparty. Horizons HMF has entered into HMF Forward Documents that may provide positive exposure to the Managed Futures Portfolio and HMF Forward Documents that may provide negative exposure to the Managed Futures Portfolio. Horizons HMF generally seeks to achieve its investment objective through the net exposure of its HMF Forward Documents. Horizons HMF generally invests the net proceeds of Unit subscriptions in interest bearing accounts and T-Bills to earn prevailing short-term market interest rates. In respect of the HMF Forward Documents, Horizons HMF has the ability to replace a Counterparty or engage additional Counterparties at any time. The reference asset of each HMF Forward Document is a notional amount of positive or negative exposure to the Managed Futures Portfolio. A Counterparty or its guarantor must have a designated rating within the meaning of NI 81-102.

As collateral for its obligations under the HMF Forward Documents, Horizons HMF, for any applicable Acceptable Counterparty, pledges substantially all of its respective interest bearing accounts and T-Bills to such Acceptable Counterparty. The daily marked-to-market value of an HMF Forward Document is based upon the performance of a notional investment in the Managed Futures Portfolio.

Subject to the terms and conditions of the HMF Forward Documents, Horizons HMF is entitled to increase or decrease its notional exposure to the Managed Futures Portfolio, subject to the terms of the HMF Forward Documents, from time to time as needed to manage Unit purchases and reinvestment of distributions, to fund Unit redemptions and market repurchases of Units, meet other liquidity needs and such other purposes as Horizons HMF may determine.

As described above, Horizons HMF has entered into multiple HMF Forward Documents with the Bank Counterparty (and may replace a Counterparty or engage additional Counterparties at any time) to gain exposure to the Managed Futures Portfolio. Each HMF Forward Document with a Counterparty, in which Horizons HMF is provided with exposure that corresponds positively with the exposure to the Managed Futures Portfolio set forth in its investment objective, requires Horizons HMF to pay the Counterparty an agreed notional amount. In return, the Counterparty pays Horizons HMF the value of the notional investment, plus an amount based upon any increase or decline in the notional exposure to the Managed Futures Portfolio. Each HMF Forward Document with a Counterparty, in which Horizons HMF is provided with exposure that corresponds negatively with the exposure to the Managed Futures Portfolio set forth in its investment objective, requires the Counterparty to pay Horizons HMF an agreed notional amount. In return, Horizons HMF pays the Counterparty the value of the notional investment, plus an amount based upon any increase or decline in the notional exposure to the Managed Futures Portfolio. Horizons HMF also invests the net proceeds of Unit subscriptions in interest bearing accounts and T-Bills to earn short-term money-market interest rates. The terms of the HMF Forward Documents require Horizons HMF, for any applicable Counterparty, to pledge substantially all of its respective interest bearing accounts and T-Bills to the Counterparty to secure the payment of Horizons HMF’s payment obligations under the HMF Forward Documents.

HMF Forward Documents may be amended or replaced at any time and the expenses incurred by Horizons HMF in respect of HMF Forward Documents may increase or decrease according to their terms.

HMF Forward Documents have a remaining term to maturity at any point in time of less than five (5) years which, with the consent of Horizons HMF and the Counterparty, will be extended annually for a fixed number of years and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, Horizons HMF has the ability to request the termination of its exposure under an HMF Forward Document, in whole or in part, at any time. Events of default and/or termination events under the HMF Forward Documents include, among others: (i) a failure by a party to make a payment or perform an obligation when due under the HMF Forward Documents which is not cured within any applicable grace period; (ii) fundamental changes are made to Horizons HMF or Horizons HMF’s material contracts which have a material adverse effect on a party to the HMF Forward Document; (iii) a party makes a representation which is incorrect or misleading in any material respect; (iv) a party defaults in respect of a specified transaction having a value in excess of a specified threshold, which default is not cured within any applicable grace period; (v) certain events related to the bankruptcy or insolvency of a party; (vi) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the HMF Forward Document; (vii) any proposed change in law that prohibits or renders the transactions under the HMF Forward Document unlawful; (viii) the occurrence or existence at any time of any event or condition arising from any transaction that results in a material adverse tax consequence to a party under the HMF Forward Document, the Trustee, Horizons HMF or the Unitholders of Horizons HMF; (ix) failure of Horizons HMF to comply with its governing documents; (x) the inability of the Counterparty to the HMF Forward Document to hedge its exposure to the securities or other property subject to the HMF Forward Document or an increase in the cost of such hedging that Horizons HMF is unwilling to assume; (xi) the Counterparty or its guarantor ceases to have a designated rating within the meaning of NI 81-102, as the case may be; or (xii) certain regulatory, market disruption, credit or legal events occur which affect a party.

The obligations of the Counterparty to Horizons HMF under an HMF Forward Document are determined by reference to the performance of a notional investment in units of the Managed Futures Portfolio. The Counterparty may hedge its exposure under an HMF Forward Document; however, there is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full exposure or term of an HMF Forward Document.

No Counterparty has been involved in the preparation of this prospectus or has approved any contents of this prospectus. No Counterparty assumes any liability in connection with the administration, marketing or trading of Horizons HMF. Horizons HMF is not sponsored, endorsed, sold or promoted by any Counterparty. No Counterparty makes any representation or warranty, express or implied, to the Unitholders of Horizons HMF regarding the advisability of investing in Horizons HMF or the ability of Horizons HMF to track its Underlying Index.

No Counterparty has any obligation to take the needs of Horizons HMF or the Unitholders of Horizons HMF into consideration.

A Unitholder of Horizons HMF does not have any recourse against the assets of a Counterparty in respect of the HMF Forward Documents. If a Counterparty defaults on its obligations under an HMF Forward Document, Horizons HMF will, however, have certain rights against the Counterparty and an unsecured claim against the Counterparty. As a counterparty under an HMF Forward Document, the interests of a Counterparty will differ from those of Horizons HMF. Units do not represent an interest in, or an obligation of, a Counterparty or any affiliate thereof and a Unitholder of Horizons HMF does not have any recourse against a Counterparty or any affiliate thereof in respect of amounts payable by Horizons HMF to the Unitholder or by a Counterparty to Horizons HMF. A Counterparty can be expected to exercise its rights from time to time under an HMF Forward Document in its own best interests. The legitimate exercise of these rights may be contrary to the interests of Horizons HMF and its Unitholders.

Horizons HMF has entered into multiple HMF Forward Documents for the purpose of achieving its investment objective. If an HMF Forward Document is terminated, Horizons HMF may either pursue the same or other alternative investment strategies with a Counterparty, or make direct investments in the HAP Managed Futures Fund or securities that provide a similar investment return to investing in the HAP Managed Futures Fund. There is no assurance that Horizons HMF will be able to replace an HMF Forward Document if the HMF Forward Document is terminated.

HBR Forward Documents

Horizons HBR has entered into the HBR Forward Documents for purposes of achieving its investment objective and will invest in the Canadian Securities Portfolio. A Canadian Securities Portfolio will be sold in whole or in part to an Acceptable Counterparty pursuant to the HBR Forward Documents.

As a consequence of recent amendments to the *Income Tax Act* (Canada), it is currently expected that the HBR Forward Documents will, prior to or concurrent with their expiry, be supplemented with, or replaced by, new forward documents similar the HMF Forward Documents.

As of the date of this prospectus, the applicable Bank Counterparty is the Acceptable Counterparty for the HBR Forward Documents. Horizons HBR may add additional Acceptable Counterparties or replace the Bank Counterparty with another Acceptable Counterparty at any time. An Acceptable Counterparty, or its guarantor, must have a designated rating within the meaning of NI 81-102.

Under the terms of the HBR Forward Documents, Horizons HBR and a Counterparty have agreed that their settlement obligations under its Forward Documents with respect to the Canadian Securities Portfolios will be discharged, at the election of Horizons HBR, either by physical delivery of the Canadian Securities Portfolios by Horizons HBR to the Counterparty against cash payment or by the making of a net cash payment to the appropriate party. The aggregate amount payable by a Counterparty for physical delivery of the Canadian Securities Portfolios may be more or less than the aggregate original prices paid by Horizons HBR to purchase the Canadian Securities Portfolios. If Horizons HBR elects physical delivery of the Canadian Securities Portfolio under the HBR Forward Documents, the Counterparty will pay to Horizons HBR as the purchase price for the Canadian Securities Portfolios, an amount based on the redemption proceeds that would be paid by the HAP Broad Commodity Fund to holders of an applicable number of units of the HAP Broad Commodity Fund. Concurrent with entering into the HBR Forward Documents, the Canadian Securities Portfolios have been pledged to, and may be held by, a Counterparty or affiliates thereof as security for the obligations of Horizons HBR under the HBR Forward Documents.

Under the HBR Forward Documents, the forward purchase price may be reduced for all dividends and distributions, including extraordinary distributions, declared and paid on securities in the Canadian Securities Portfolios to Horizons HBR as the owner of the Canadian Securities Portfolios. If any such dividends or distributions are to be received by Horizons HBR or if certain other events occur with respect to securities in the Canadian Securities Portfolios, the HBR Forward Documents provide that replacement securities acceptable to the Counterparty may be substituted for shares in respect of which the dividends or distributions have been declared or other event has occurred. In the event that such replacement securities are not available, Horizons HBR may consider contributing additional securities to its Canadian Securities Portfolios and/or entering into additional forward, derivative or other transactions. The HBR Forward Documents have similar provisions designed to avoid adjustments of the amount to be paid which might otherwise be required if Horizons HBR receives consideration as a consequence of a merger transaction involving any of the securities in the Canadian Securities Portfolios.

The return to the Unitholders of Horizons HBR and to Horizons HBR is based upon, and the obligations of an Acceptable Counterparty to Horizons HBR under the HBR Forward Documents are determined by reference to the performance of an applicable number of units of the HAP Broad Commodity Fund, including the distributions paid on such units.

While a Counterparty may hedge its exposure under the HBR Forward Documents to the economic performance of the units of the HAP Broad Commodity Fund, there is no assurance that a Counterparty will establish or maintain a hedge or will do so with respect to the full amount or term of any HBR Forward Document. Neither Horizons HBR nor Unitholders of Horizons HBR by virtue of their investment in Units of Horizons HBR have any ownership interest in: (a) the HAP Broad Commodity Fund or Underlying Portfolio; or (b) any financial instrument used by a Counterparty to hedge its exposure under the HBR Forward Documents to the HAP Broad Commodity Fund. Unitholders of Horizons HBR have no recourse or rights against the assets of a Counterparty in respect of the HBR Forward Documents or arising out of the HBR Forward Documents. The Units of Horizons HBR do not represent an interest in, or an obligation of, a Counterparty or any affiliate thereof. Horizons HBR is exposed to the credit risk associated with a Counterparty in respect of its HBR Forward Documents and have no security interest or special priority rights in or against any assets of a Counterparty in order to secure its obligations under the HBR Forward Documents. See "Counterparty Risk" at page 40. Under the terms of the HBR Forward Documents, the debt of an a Counterparty (or of a guarantor of the obligations of a Counterparty to Horizons HBR) must have a "designated rating" as defined in NI 81-102. If the debt of a Counterparty or its guarantor is no longer so rated, Horizons HBR may replace such Counterparty with a counterparty which has (or whose guarantor has) a designated rating, including by requiring an assignment of the HBR Forward Document by the Counterparty to such replacement counterparty.

Horizons HBR may pre-settle the HBR Forward Documents in part: (i) to fund distributions on its Units, if any; (ii) to fund redemptions and repurchases of Units from time to time; (iii) to fund operating expenses and other liabilities of Horizons HBR; and (iv) for any other reason. Horizons HBR may enter into additional and/or replacement strategies with the same or different Acceptable Counterparties.

If the HBR Forward Documents are terminated for any reason, it is anticipated that such HBR Forward Document will be settled by physical delivery of the Canadian Securities Portfolio by the Counterparty to Horizons HBR net of any amounts owing by Horizons HBR to the Counterparty and that Horizons HBR may pursue the same or other alternative investment strategies with an Acceptable Counterparty or other reference market-makers. There is no assurance that Horizons HBR will be able to replace its HBR Forward Documents if they are terminated and in the event of a termination, the Manager may, in its discretion, enter into a replacement strategy on terms satisfactory to the Manager in its sole discretion, or the Manager may terminate Horizons HBR and may take such other action as it considers necessary under the circumstances.

The HBR Forward Documents may be terminated in certain circumstances, including if an event of default or a termination event occurs with respect to Horizons HBR or a Counterparty under the HBR Forward Documents. Events of default and/or termination events under the HBR Forward Documents include, among others: (i) a failure by a party to make a payment or perform an obligation when due under the HBR Forward Documents which is not cured within any applicable grace period; (ii) fundamental changes are made to Horizons HBR or Horizons HBR's material contracts which have a material adverse effect on a party to the HBR Forward Documents; (iii) a party makes a representation which is incorrect or misleading in any material respect; (iv) a party defaults in respect of a specified transaction having a value in excess of a specified threshold, which default is not cured within any applicable grace period; (v) certain events related to the bankruptcy or insolvency of a party; (vi) a party consolidates, amalgamates or merges with or into, or transfers substantially all its assets to, another entity and the resulting, surviving or transferee entity fails to assume the obligations of such party under the HBR Forward Documents; (vii) any proposed change in law that prohibits or renders the transactions under the HBR Forward Documents unlawful; (viii) the occurrence or existence at any time of any event or condition arising from any transaction that results in a material adverse tax consequence to a party under the HBR Forward Documents, the Trustee, Horizons HBR or the Unitholders of Horizons HBR; (ix) the failure of Horizons HBR to comply with its governing documents; (x) the inability of a Counterparty to hedge its exposure to the HAP Broad Commodity Fund, as applicable or the securities subject to the HBR Forward Documents or an increase in the cost of such hedging that Horizons HBR is unwilling to assume; (xi) a Counterparty or the guarantor ceases to have a designated rating within the meaning of NI 81-102; or (xii) certain regulatory, credit or legal events occur which affect a party.

The obligations of a Counterparty to Horizons HBR under the HBR Forward Documents are or will be determined by reference to the performance of the HAP Broad Commodity Fund. A Counterparty may hedge its exposure under the HBR Forward Documents to the economic performance of the HAP Broad Commodity Fund. There is no assurance that a Counterparty will establish or maintain a hedge or will do so with respect to the full amount or term of the HBR Forward Documents.

No Counterparty has been involved in the preparation of this prospectus or has performed any review of the contents of this prospectus. No Counterparty assumes any liability in connection with the administration, marketing or trading of Horizons HBR. Horizons HBR is not sponsored, endorsed, sold or promoted by its Bank Counterparty. The Bank Counterparty does not make any representation or warranty, express or implied, to the holders of the units of Horizons HBR regarding the advisability of investing in Horizons HBR or the ability of Horizons HBR to meet its investment objective. The Bank Counterparty and any Acceptable Counterparty has and will have no obligation to take the needs of Horizons HBR or any holder of units of Horizons HBR into consideration. A Counterparty can be expected to exercise its rights from time to time under the HBR Forward Documents in its own best interests. The legitimate exercise of these rights may be contrary to the interests of Horizons HBR and its Unitholders.

A Unitholder of Horizons HBR does not have any direct recourse against the assets of a Counterparty in respect of the HBR Forward Documents or arising out of the HBR Forward Documents. If the Bank Counterparty defaults on its obligations under the HBR Forward Documents, Horizons HBR will, however, have certain rights against the Bank Counterparty and an unsecured claim against the Bank Counterparty. As a counterparty under the HBR Forward Documents, the interests of a Bank Counterparty differ from those of Horizons HBR. Units of HBR do not represent an interest in, or an obligation of, any Acceptable Counterparty or Bank Counterparty or any affiliate thereof and a Unitholder of Horizons HBR will not have any recourse against any such parties in respect of amounts payable by Horizons HBR to the Unitholder.

Swap and Forward Agreements

In addition to assisting in the pursuit of an ETFs' investment objective, total return swap and forward agreements may be entered into as a substitute for investing directly in securities (or shorting securities), or to hedge a position. In general, swap and forward agreements are two-party contracts entered into primarily by institutional investors for periods ranging from a day to more than one year. In a standard "swap" or "forward" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized on particular predetermined investments or instruments. The gross returns to be "swapped" or exchanged between the parties are calculated with respect to a "notional amount". For example, the return on or increase in the value of a particular dollar amount invested in a "basket" of securities.

Use of Leverage

The aggregate market exposure of all instruments held directly or indirectly by Horizons HMF to gain exposure to the Managed Futures Index, calculated daily on a mark-to-market basis, can exceed Horizons HMF's net asset value, and can exceed the amount of cash and securities held as margin on deposit to support the derivatives trading activities of the HAP Managed Futures Fund.

The maximum amount of leverage that can be used, directly or indirectly, by Horizons HMF and the Managed Futures Index, expressed as a ratio of total underlying notional value of the securities and/or financial derivative positions of the ETF divided by the net assets of the ETF, shall not exceed 2:1.

Horizons HBR will not employ leverage. The Broad Commodity Index may occasionally employ leverage as a result of its use of commodity futures contracts. The amount of leverage that can be employed by the Broad Commodity Index shall not exceed 2:1. As Horizons HBR will not employ leverage and the Broad Commodity Index may occasionally employ leverage, in an instance, if any, in which the Broad Commodity Index employs leverage, the returns of Horizons HBR may deviate from the performance of the Broad Commodity Index by an amount similar to the amount of leverage employed by the Broad Commodity Index.

As of January 31, 2014, the Managed Futures Index had a leverage ratio of 2:1 and the Broad Commodity Index did not employ leverage.

OVERVIEW OF THE SECTORS THAT THE ETFS INVEST IN

The ETFs are exposed to the commodity futures markets described below. In the past, returns from investments in commodities have generally exhibited a low or negative correlation with returns of other asset classes such as Canadian and U.S. equities and bonds. The returns of an investment in each commodity are influenced by a particular set of microeconomic factors. See "Risk Factors – Commodity Risk" at page 36.

Energies Sector

The ETFs are exposed to the energies sector through exposure to crude oil, heating oil, gasoline and natural gas futures contracts on the NYMEX® exchange.

Metals Sector

The ETFs are exposed to the metals sector through exposure to gold, silver and copper futures contracts on the COMEX® exchange.

Agricultural Sector

The ETFs are exposed to the agricultural sector through exposure to corn, soybeans and wheat futures contracts on the CBOT exchange, and cotton and sugar contracts on the ICE Futures U.S. exchange.

Interest Rates Sector

Horizons HMF is exposed to the interest rates sector through exposure to U.S. 30 year bond, U.S. 10 year note and U.S. 5 year note futures contracts on the Chicago Mercantile Exchange.

Currencies Sector

Horizons HMF is exposed to the currencies sector through exposure to Australian Dollar, British Pound, Canadian Dollar, Euro, and Japanese Yen futures contracts on the Chicago Mercantile Exchange, and U.S. Dollar index futures contracts on the ICE Futures U.S. exchange.

INVESTMENT RESTRICTIONS

The ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102 and NI 81-104, 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 and NI 81-104, may not be deviated from without the prior consent of the Securities Regulatory Authorities having jurisdiction over the ETFs.

Subject to the following, and the exemptive relief that has been obtained, has been, or is being applied for, the ETFs are managed in accordance with the investment restrictions and practices set out in the applicable securities legislation, including NI 81-102 and NI 81-104.

Tax Related Investment Restrictions

An ETF will not make an investment or conduct any activity that would result in that ETF failing to qualify as a “unit trust” or “mutual fund trust” within the meaning of the Tax Act or become a “SIFT trust” within the meaning of the Tax Act. In addition, no ETF will make or hold any investment in “specified property” (within the meaning of the proposed amendment to subsection 132(4) of the Tax Act) if it would result in that ETF owning specified properties having a fair market value greater than 10% of the fair market value of all of its property.

FEES AND EXPENSES

Fees and Expenses Payable by the ETFs

Management Fees

<u>Prior to March 1, 2014</u>

Prior to March 1, 2014 each ETF pays Management Fees calculated and accrued daily and payable monthly in arrears to the Manager equal to (i) an annual percentage of the net asset value of the Class E Units, plus applicable Sales Tax and (ii) an annual percentage of the net asset value of the Advisor Class Units, plus applicable Sales Tax. The Management Fees of each ETF are as follows:

ETF	**Management Fees**	
	Class E Unit	**Advisor Class Unit**
Horizons HMF	0.45% of the net asset value of Horizons HMF’s Class E Units	1.20% of the net asset value of Horizons HMF’s Advisor Class Units
Horizons HBR	0.35% of the net asset value of Horizons HBR’s Class E Units	1.10% of the net asset value of Horizons HBR’s Advisor Class Units

The Investment Manager and the Sub Advisor will be compensated for their services by the Manager and the Investment Manager, respectively.

Total Management Fees

The Manager, in its capacity as manager of the HAP Managed Futures Fund, is also paid an annual management fee equal to 0.50% of the net asset value of the HAP Managed Futures Fund, accrued and calculated daily on each Valuation Date and paid monthly in arrears, plus applicable Sales Tax. The sum of the Management Fees payable for the applicable class of Horizons HMF and the management fees payable for the HAP Managed Futures Fund is the Total Management Fees in respect of Horizons HMF.

The Manager, in its capacity as manager of the HAP Broad Commodity Fund, is also paid an annual management fee equal to 0.45% of the net asset value of the HAP Broad Commodity Fund, accrued and calculated daily on each Valuation Date and paid monthly in arrears, plus applicable Sales Tax. The sum of the Management Fees payable for the applicable class of Horizons HBR and the management fees payable for the HAP Broad Commodity Fund is the Total Management Fees in respect of Horizons HBR.

<u>On and after March 1, 2014</u>

The management fee structure of the ETFs will, beginning March 1, 2014, be changed, but the Total Management Fees (i.e. the aggregate management fees that the Manager receives) will not change.

As indicated above, beginning March 1, 2014, each ETF will pay annual Management Fees, calculated and accrued daily and payable monthly in arrears, to the Manager equal to: (i) an annual percentage of the net asset value of the Class E Units, plus applicable Sales Tax and (ii) an annual percentage of the net asset value of the Advisor Class Units, plus applicable Sales Tax. The Management Fees of each ETF will be as follows:

ETF	**Management Fees**	
	Class E Unit	**Advisor Class Unit**
Horizons HMF	0.95% of the net asset value of Horizons HMF's Class E Units	1.70% of the net asset value of Horizons HMF's Advisor Class Units
Horizons HBR	0.80% of the net asset value of Horizons HBR's Class E Units	1.55% of the net asset value of Horizons HBR's Advisor Class Units

The Investment Manager and the Sub Advisor will be compensated for their services by the Manager and the Investment Manager, respectively.

Management Fee Distributions

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

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

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

Advisor Class Units Service Fee

The Manager will pay to registered dealers a Service Fee equal to 0.75% per annum of the net asset value of Advisor Class Units of each ETF held by clients of the registered dealer. The only difference between Class E Units and Advisor Class Units is that the higher Management Fee charged to the Advisor Class reflects the Service Fee paid to registered dealers by the Manager. The ETFs do not pay Service Fees to registered dealers in respect of Class E Units.

Operating Expenses

Unless otherwise waived or reimbursed by the Manager, an ETF pays all of its operating expenses, including: audit fees; trustee and custodial expenses; accounting and record keeping costs; legal expenses; permitted prospectus preparation and filing expenses; stock exchange fees; index licensing fees, if applicable; CDS fees; bank related fees and interest charges; extraordinary expenses; Unitholder reports and servicing costs; income taxes; registrar and transfer agent fees; costs of the IRC; Sales Tax; brokerage expenses and commissions; and withholding taxes.

Costs and expenses payable by the Manager, or an affiliate of the Manager, include the Service Fee paid to registered dealers on Advisor Class Units held by clients of that dealer, as well as fees of a general administrative nature. The Investment Manager and the Sub Advisor will be compensated for their services by the Manager and the Investment Manager, respectively.

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.

Forward Expenses

Horizons HMF pays to an Acceptable Counterparty fees under the HMF Forward Documents equal to 0.45% per annum of the total assets of the Managed Futures Portfolio. No hedging costs are anticipated at this time in respect of the HMF Forward Documents, however, should hedging costs be incurred by a Counterparty in the future, such hedging costs will be payable by Horizons HMF.

Horizons HBR pays to an Acceptable Counterparty fees under the HBR Forward Documents equal to 0.45% per annum of the total assets of the Broad Commodity Portfolio. No hedging costs are anticipated at this time in respect of the HBR Forward Documents, however, should hedging costs be incurred by a Counterparty in the future, such hedging costs will be payable by Horizons HBR.

Underlying Exchange Traded Funds Fees

Each ETF may invest in exchange traded funds which may be managed by the Manager, its affiliates or independent fund managers. There are fees and expenses payable by these underlying exchange traded funds in addition to the fees and expenses payable by an ETF and the applicable Underlying Fund. 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 exchange traded funds for the same service. Further, no sales fees or redemption fees are payable by an ETF in relation to its purchases or redemptions of the securities of the underlying exchange traded funds in which it invests if these underlying exchange traded funds are managed by the Manager or an affiliate or associate of the Manager.

Fees and Expenses Payable by the Underlying Funds

Management Fees

Until March 1, 2014, each Underlying Fund will pay a management fee calculated and accrued on each Valuation Day and payable monthly in arrears to the manager of the Underlying Funds. In respect of the HAP Managed Futures Fund, the management fee payable is 0.50% of the net asset value of the HAP Managed Futures Fund, plus applicable Sales Tax. In respect of the HAP Broad Commodity Fund, the management fee payable is 0.45% of the net asset value of the HAP Broad Commodity Fund, plus applicable Sales Tax. The Investment Manager and the Sub-Advisor of each Underlying Fund will be compensated for their services by the manager of the applicable Underlying Fund or an affiliate without any additional cost to the Underlying Fund.

Expenses of the Offering of the Underlying Funds

The expenses of creating and organizing an Underlying Fund, the costs of printing and preparing its prospectus, legal expenses and other reasonable out-of-pocket expenses incurred by the manager and of such Underlying Fund and other incidental expenses are or will be paid by the applicable Underlying Fund.

Operating Expenses

An Underlying Fund will pay for all ordinary expenses incurred in connection with its operation and administration. Subject to applicable law, each Underlying Fund will also be responsible for its costs of portfolio transactions and any extraordinary expenses which it may incur from time to time.

Underlying Exchange Traded Funds Fees

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

Fees and Expenses Payable Directly by the Unitholders

Redemption Charge

The Manager may charge Unitholders of an ETF, at its discretion, a redemption charge of up to 0.25% of redemption proceeds. The Manager does not currently anticipate charging any redemption charge. The Manager will publish the current redemption charge, if any, on its website, www.horizonsetfs.com.

ANNUAL RETURNS, MANAGEMENT EXPENSE RATIO AND TRADING EXPENSE RATIO

The following chart provides the annual returns, MER[1] and TER[2] for the Class E Units and Advisor Class Units for Horizons HMF from its date of inception on April 2, 2012 to December 31, 2012. The MER and TER figures provided below for 2012 were calculated on an annualized basis as at December 31, 2012.

As Horizons HBR was established in 2013, information relating to annual returns, MER and TER is not yet available.

Horizons HMF - Class E Units	**2012**
Annual Returns	-7.20%%
MER	0.51%
TER	0.60%

Horizons HMF - Advisor Class Units	**2012**
Annual Returns	-7.80%%
MER	1.35%
TER	0.60%

RISK FACTORS

An investment in Units of the ETFs will be subject to certain risks. In particular, and investment in Units of an ETF can be speculative, and can involve a high degree of risk and may only be suitable for persons who are able to assume the risk of losing their entire investment. Prospective investors should consider the risks particular to each ETF in which they are considering investing, among others, before subscribing for Units.

Commodity Risk

It can be expected that factors affecting the price of commodities will affect the NAV of an ETF. The price of commodities may be affected at any time by various unpredictable international, economic, monetary and political considerations including, as applicable:

(a) global supply and demand, which is influenced by such factors as:

(i) forward selling by commodity producers;

(ii) purchases made by commodity producers to unwind hedge positions;

(iii) central bank purchases and sales;

(iv) the investment and trading activities of hedge funds and commodity funds; and

(v) production and cost levels in major commodity-producing countries;

(b) investors' expectations with respect to future inflation rates;

(c) interest rate volatility; and

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[1] "MER" means management expense ratio based on total expenses, excluding commissions and other portfolio transaction costs and expressed as an annualized percentage of daily average net asset value.

[2] "TER" means trading expense ratio and represents total commissions and portfolio transaction costs expressed as an annualized percentage of daily average net asset value.

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

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

Contango or Backwardation Risk

The Managed Futures Index tracks the prices of a portfolio of traditional commodity and financial futures contracts. The Broad Commodity Index tracks the prices of a portfolio of traditional commodity contracts. On specified dates these futures contracts are rolled mechanically into a subsequent futures contract before the current position expires according to a defined schedule. This mechanism also allows an investor to maintain an exposure to commodities over time. The difference between the price at which the first futures contract is sold and the next futures contract is purchased is called the "roll yield" and is an important part of the return on a commodities investment. The overall return is therefore derived from fluctuations in commodities prices in addition to the shape of the commodity futures curve over time. Assuming prices and the shape of the curve remain constant, rolling futures will yield a positive return when the curve is in "backwardation", which describes a situation where the prices are lower in the distant delivery months than in the nearest delivery months, and a negative return when the curve is in "contango", which describes a situation where the prices are higher in the distant delivery months than in the nearer delivery months. The specified roll dates may change from time to time largely based on liquidity for the underlying futures contract as expiry approaches. Futures contracts may exhibit high contango, resulting in a significant cost to "roll" the futures contracts, which could adversely affect the returns of an ETF.

Risks Relating to Index Replication Strategy

The ETFs are exposed to the following risks, as applicable, related to indirect exposure to the applicable Underlying Fund:

(a) there is a risk that the return of an ETF will not match the return of its Underlying Fund because of fees, costs and expenses borne by the ETF or its Underlying Fund;

(b) while Horizons HBR will not employ leverage, the Broad Commodity Index may occasionally employ leverage as a result of its use of commodity futures contracts, which, in those instances, if any, may result in the returns of Horizons HBR not matching the performance of the Broad Commodity Index; and

(c) there is a risk that the return of an Underlying Fund will not match the performance of the applicable Underlying Index because of fees, costs and expenses borne by the Underlying Fund and the applicable Underlying Index and due to the manner in which the investment program of the Underlying Fund is implemented.

Accordingly, the return of an ETF may be different from the return of its Underlying Fund and the return of the applicable Underlying Index.

Leverage Risk

Each Underlying Index uses leverage. Horizons HMF, through its exposure to its Underlying Fund, will be exposed to leverage up to a maximum leverage ratio of 2:1. While Horizons HBR will not employ leverage, the Broad Commodity Index may occasionally employ leverage. The amount of leverage that can be employed by the Broad Commodity Index shall not exceed 2:1. As Horizons HBR will not employ leverage and the Broad Commodity Index may occasionally employ leverage as a result of its use of commodity futures contracts, in an instance, if any, in which the Broad Commodity Index employs leverage, the returns of Horizons HBR may deviate from the performance of the Broad Commodity Index by an amount similar to the amount of leverage employed by the Broad Commodity Index.

This exposure to leverage may cause Horizons HMF to suffer losses greater than losses associated with non-leveraged investing.

General Risks of Exposure to an Underlying Fund

Each ETF will be indirectly exposed to the returns realized by its Underlying Fund which is attempting to replicate the returns of the applicable Underlying Index. Investments in an ETF should therefore be made with an understanding that the returns of the applicable Underlying Fund should generally vary as the applicable Underlying Index varies.

Because the investment objective of each ETF is to obtain a return that is similar to the performance of the applicable Underlying Index, each ETF is not actively managed by traditional methods, and the Investment Manager and Auspice will not attempt to take defensive positions in declining markets.

Risks Relating to Use of Derivatives

The Underlying Portfolios will include derivatives used for any purpose, including, among other things, as a substitute for taking a position in an underlying asset or as part of a strategy designed to reduce or increase exposure to other risks, such as commodity or currency risk, as applicable. An ETF or an Underlying Fund's use of derivative instruments presents risks different from, and possibly greater than, the risks associated with investing directly in securities and other traditional investments. Derivatives are subject to a number of risks, such as liquidity risk, commodity risk, market risk, credit risk, leveraging risk, counterparty risk and management risk. They also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying asset, rate or index. An ETF or an Underlying Fund only invests in or uses futures contracts to gain exposure to the price of energy, metals, agricultural commodities, interest rate and currency sector futures as applicable and may use forward contracts or futures contracts for hedging purposes subject to its investment restrictions. Hedging with derivatives may not always work and it could restrict an ETF and/or an Underlying Fund's ability to increase in value and adds to the risk of investing in Units of the ETFs. There is also no guarantee that an ETF and/or an Underlying Fund will be able to obtain or close out a derivative contract when it needs to, which could prevent the ETF from making a profit or limiting a loss.

Spot v. Futures Risk

Each ETF tracks an Underlying Index that is comprised of futures contracts for future delivery. Each ETF does not invest directly or indirectly in the spot securities market.

The risk of investing in a futures contract is that it can be speculative in nature and based on future expectations of value. A futures contract is a standardized financial contract where the parties agree to exchange currencies, financial instruments or other physical commodities at a future date at a future price. As a result, a future market is not a ready market, does not involve primary activity and is speculative in nature as deals are struck at future prices where the holder is purchasing an obligation to buy or sell an underlying asset, which may not be the best price at the time the contract is completed, depending on what happens in the markets during the intervening period.

In contrast, in a ready market (sometimes referred to as "spot"), securities or commodities are sold for cash at current prices and delivered immediately. A ready market is a real time market where the contract becomes effective immediately and the purchaser accepts delivery of, or immediately, resells the asset. Unlike a futures contract, no speculation is involved as the contract is entered into and the transaction for the commodity takes place on the same "spot" in time. The ETFs do not invest in the physical spot market, and are exposed to the potential risks involved of using futures contracts which are speculative in nature.

Changes to an Underlying Index

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

Concentration Risk

Each ETF is exposed to the value of its Underlying Portfolio. Each Underlying Portfolio's holdings are not diversified and are concentrated in securities that provide exposure to, as applicable, the energy, metals, agricultural commodities, interest rate and currency sectors. This concentrated focus may constrain the liquidity and the number of investments available to an ETF or an Underlying Fund. An ETF or an Underlying Fund's holdings and the net asset value of an ETF or an Underlying Fund may be more volatile than the value of a more broadly diversified portfolio and may fluctuate substantially over short periods of time. This may have a negative impact on the value of the Units of an ETF.

Markets and Market Volatility

The ETFs are subject to market risks that will affect the value of their Units, including general economic and market conditions, as well as developments that impact specific economic sectors, industries or companies. Volatility is a concept that relates to the frequency or magnitude in the fluctuation of the market value of securities. Securities values have over this past year experienced more frequent and pronounced fluctuations than in previous years and, generally the markets are expected to continue to experience significant volatility relative to historical levels in the foreseeable future.

Aggressive Investment Technique Risk

The ETFs use investment techniques and financial instruments that may be considered aggressive, including the use of futures contracts, shorting, options on futures contracts, securities and indices, forward contracts, swap agreements and similar instruments. Such techniques, particularly when used to create leverage, may expose the ETFs to potentially dramatic changes or losses in the value of the instruments and imperfect correlation between the value of the instruments and the relevant security or index. An ETF's investment in financial instruments may involve a small investment relative to the amount of risk assumed. Financial instruments are subject to a number of risks described elsewhere in this prospectus, such as liquidity risk, credit risk and counterparty risk. The use of aggressive investment techniques also exposes the ETFs to risks different from, or possibly greater than, the risks associated with investing directly in the securities comprising an Underlying Index, including: 1) the risk that an instrument is temporarily mispriced; 2) credit, performance or documentation risk on the amount the ETFs expect to receive from a counterparty; 3) the risk that securities prices and currency markets will move adversely and the ETFs will incur significant losses; 4) imperfect correlation between the price of the financial instruments and movements in the prices of the underlying securities; 5) the risk that the cost of holding a financial instrument might exceed its total return; and 6) the possible absence of a liquid secondary market for any particular instrument and possible exchange imposed price fluctuation limits, both of which may make it difficult or impossible to adjust the ETFs' positions in a particular instrument when desired.

No Assurance of Meeting Investment Objective

There is no assurance that the ETFs or the Underlying Funds will be able to achieve their respective investment objectives. Furthermore, there is no assurance that the NAV of the ETFs will appreciate or be preserved. There is also no assurance that an ETF or an Underlying Fund will be able to successfully mimic the returns of the applicable Underlying Index, which will affect the returns realized by the applicable ETF. Changes in the relative weightings between the various types of securities and instruments making up an Underlying Portfolio can affect the overall yield to Unitholders of an ETF, by virtue of the applicable Forward Documents.

Trading in Derivatives is Highly Leveraged

The low margin deposits normally required in trading derivatives (typically between 2% and 15% of the value of the derivatives purchased) permit an extremely high degree of leverage. Accordingly, at the time of buying a derivative, a percentage of the price of the derivative is deposited as margin and a decrease in the price of the contract equal to such percentage will result in a total loss of the margin deposit. A decrease of more than the percentage deposited will result in a loss of more than the total margin deposit.

Counterparty Risk

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. 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. All counterparties must meet the credit rating requirements of NI 81-102 and have a designated rating within the meaning of that instrument.

A counterparty of the ETFs 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 an ETF, which may adversely affect the ETF's ability to achieve its investment objective.

Forward Documents entered into by an ETF with a Counterparty are generally expected to be the primary asset or assets of the ETF, and as such, the ETF is exposed to the credit risk associated with the applicable Counterparty. A Counterparty may have relationships with any or all of the issuers whose securities are included in the Underlying Index which could conflict with the interests of an ETF or its Unitholders. An ETF's exposure to the credit risk of a Counterparty may be significant. It is anticipated that a Counterparty may be able terminate a Forward Document in certain circumstances, in which case an ETF may not be able to meet its investment objective. Furthermore, if a Counterparty were to default on its obligations under Forward Documents, an ETF would become an unsecured creditor of the Counterparty in respect of the obligations of the Counterparty to the ETF under the Forward Documents.

Regulatory Risk

Legal and regulatory changes may occur, including income tax laws relating to the treatment of mutual fund trusts under the Tax Act, which may adversely affect the ETFs and 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 and limit such impact.

Corresponding Net Asset Value Risk

The closing trading price of Units of an ETF may be different from the net asset value of that ETF. As a result, Dealers may be able to acquire or redeem a PNU at a discount or a premium to the closing trading price per Unit of an ETF. Such price differences 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 securities of that ETF at any point in time. As Unitholders may redeem a PNU, the Manager expects that large discounts or premiums to the net asset value per Unit of an ETF will not be sustained.

The value of Units of an ETF may also be influenced by the non-concurrent trading hours between the exchange on which the Exchange Traded Products are traded and the futures exchange on which futures contracts are traded. For example, while Units of an Exchange Traded Product may trade on the TSX from 9:30 a.m. to 4:00 p.m. (EST), the futures contracts may be traded during a different time frame. Liquidity in the futures contracts will therefore be reduced after the close of trading of the commodities futures exchange. As a result, during the time when the securities exchange is open and the commodities futures exchange is closed, trading spreads and the resulting premium or discount on the Units of an ETF may widen. Such trading spreads may also increase the difference between the prices of Units of an ETF and the net asset value of such Units.

Correlation Risk

A number of factors may affect an ETF's ability to achieve a high degree of correlation (i.e., to substantially track) with the applicable Underlying Index on a daily basis, and there can be no guarantee that an ETF will achieve a high degree of correlation with the applicable Underlying Index. A failure to achieve a high degree of correlation may prevent an ETF from achieving its investment objective.

The following factors, including fees, expenses, transaction costs, costs associated with the use of derivatives investment techniques, may adversely affect an ETF's correlation with its Underlying Index and an ETF's ability to meet its investment objective: (i) use of sampling techniques; (ii) investment in securities or financial instruments not included in the Underlying Index; (iii) large movements of assets; (iv) the receipt of transaction information after the relevant exchange or market closes, potentially resulting in over or under exposure to the applicable Underlying Index; (v) the early close or trading halt on an exchange or market; (vi) a restriction on security transactions, which may result in the ability to buy or sell certain securities or financial instruments; (vii) currency hedging activities; or (viii) an ETF may not have investment exposure to all securities in the applicable Underlying Index, or its weighting of investment exposure to such stocks or industries may be different from that of the Underlying Index. In such circumstances, an ETF may be unable to rebalance its portfolio, accurately price its investments, and may incur substantial trading losses.

Liquidity Risk

In certain circumstances, such as the disruption of the orderly markets for the securities in which the Underlying Fund or the ETFs invest, the Underlying Fund or the ETFs may not be able to dispose of certain holdings quickly or at prices that represent true market value. Certain derivative instruments that are held by the ETFs may also be illiquid, which may prevent an ETF from being able to limit its losses, to realize gains or from achieving a high correlation with its Underlying Index.

Designated Broker/Dealer Risk

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

Cease Trading of Securities Risk

If the securities of a constituent issuer or component contracts are cease-traded by order of a Securities Regulatory Authority or are halted from trading by the relevant stock exchange, an ETF may halt trading in its securities. Accordingly, Units of an ETF bear the risk of cease-trading orders against all of the constituent issuers or component contracts, 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.

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 on the TSX until it reopens and there is a possibility that, at the same time and for the same reason, the redemption of Units may be suspended until the TSX reopens.

Tax Risks

In determining its income for tax purposes, Horizons HBR will treat gains or losses on the disposition of securities in its Canadian Securities Portfolio under the HBR Forward Documents as capital gains and losses. The CRA's practice is not to grant advance income tax rulings on the characterization of items as capital gains or income and no advance income tax ruling has been requested or obtained.

If, contrary to the advice of counsel to the ETFs or as a result of a change of law, upon physical settlement of the HBR Forward Documents the character and timing of the gain under the HBR Forward Documents were other than a capital gain on the sale of the securities thereunder, after-tax returns to Unitholders could be reduced and Horizons HBR could be subject to non-refundable income tax. Under recent amendments to the Tax Act, a disposition of property under a "derivative forward agreement", as defined in the Tax Act, will result in a gain treated as ordinary income or result in ordinary losses that may be deducted from income. A derivative forward agreement is defined to mean an agreement entered into on or after March 21, 2013 to sell (or purchase) capital property where the term of the agreement exceeds 180 days or the agreement is part of a series of agreements entered into on or after March 21, 2013 with a term that exceeds 180 days and where the sale price (or purchase price) of the property is determined by reference to, for example, the value of other property. These rules are not expected to apply to the gains and losses realized by Horizons HBR in connection with dispositions of securities of the Canadian Securities Portfolio under the HBR Forward Documents provided that the term of the HBR Forward Documents is not extended and that, prior to its expiration date, the exposure under the HBR Forward Documents is not increased (meaning, for example, the size of the basket of "Canadian securities" to be delivered to the counterparty under the HBR Forward Documents is generally not increased). As a result of these rules, Horizons HBR will not enter into transactions which would result in such increases in the HBR Forward Documents.

Horizons HMF recognizes income under its Forward Documents when it is realized by Horizons HMF upon partial settlements or upon maturity of its Forward Documents. This may result in significant gains being realized by Horizons HMF at such times and such gains are taxed as ordinary income. To the extent such income is not offset by any available deductions, it will be distributed to its Unitholders in the taxation year in which such income is realized and included in such Unitholder's income for the year. In addition, it is possible that particular settlements under the HMF Forward Documents result in the Acceptable Counterparty returning pledged collateral in the form of cash from the interest bearing account or T-Bills to Horizons HMF in a taxation year but no income being realized by Horizons HMF under the Tax Act in such taxation year. This will result in more accrued gains in Horizons HMF which, when realized, will be distributed to its Unitholders at such time as ordinary income.

It is anticipated that the ETFs will qualify at all times as a "mutual fund trust" within the meaning of the Tax Act. For an ETF to qualify as a "mutual fund trust," 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. In addition, an ETF 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 "taxable Canadian property" as defined in the Tax Act. In the event an ETF were not to qualify as a mutual fund trust under the Tax Act at all times, the after-tax returns to Unitholders may be reduced.

There can be no assurance that Canadian federal and provincial income tax laws respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders. In addition, there can be no assurance that the CRA will agree with the tax treatment adopted by an ETF in filing its tax return (e.g., deduction of expenses or recognition of income) and the CRA could reassess an ETF on a basis that results in tax being payable by the ETF or additional tax being paid by a Unitholder.

The Tax Act contains rules concerning the taxation of publicly traded Canadian trusts and partnerships that own certain types of property defined as "non-portfolio property". A trust that is subject to these rules is subject to trust level taxation, at rates comparable to those that apply to corporations, on the trust's income earned from "non-portfolio property" to the extent that such income is distributed to its unitholders. These rules should not impose any tax on an ETF as long as the ETF adheres to its investment restriction in this regard. If these rules apply to an ETF, the after-tax return to its Unitholders could be reduced, particularly in the case of a Unitholder who is exempt from tax under the Tax Act or is a non-resident of Canada.

The Tax Act was recently amended to include "loss restriction event" ("**LRE**") rules that could potentially apply to certain trusts including an ETF. In general, a LRE occurs to an ETF if a person (or group of persons) acquires more than 50% of the units of the ETF. If a LRE occurs (i) the ETF will be deemed to have a year-end for tax purposes, (ii) any net income and net realized capital gains of the ETF at such year-end will be distributed to Unitholders of the ETF, and (iii) the ETF will be restricted in its ability to use tax losses (including any unrealized capital losses) on going forward basis.

The ETFs are generally required to pay GST/HST on any management fees and most of the other fees and expenses that they have to pay. Prince Edward Island and Quebec have harmonized their provincial sales taxes with the GST/HST and it is possible that additional provinces will decide to harmonize their provincial sales taxes with the GST/HST. Further, British Columbia has de-harmonized, such that both the 5% GST/HST and a 7% provincial sales tax apply generally in the province. These changes may be accompanied by additional 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, which, accordingly, may affect the costs borne by an ETF and its Unitholders.

Early Closing Risk

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

Liability of Unitholders

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

***No* Assurance of Continued Participation**

The Sub-Advisory Agreement may be terminated in certain situations. Upon the expiration or termination of the Sub-Advisor Agreement, the applicable ETF or Underlying Fund will not terminate, but will be required to make alternative arrangements for trading in the derivatives markets, through advisory services contracts or other means.

Reliance on the Manager, the Investment Manager and the Sub-Advisor

Unitholders are relying on the ability of the Manager, and on the Investment Manager to monitor the Sub-Advisor. Past performance is not necessarily indicative of future results. No assurance can be given that the trading systems and strategies utilized by the Sub-Advisor including, without limitation, the investment strategy of the Sub-Advisor, will prove successful under all or any market conditions.

Securities Lending Transaction Risk

The ETFs are authorized to enter into securities lending 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. The following are some examples of the risks associated with securities lending transactions:

- when entering into securities lending 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; and

- when recovering its investment on default, an ETF could incur a loss if the value of the portfolio securities loaned in the securities lending transaction has increased in value relative to the value of the collateral held by the ETF.

An ETF may engage in securities lending and each ETF has received exemptive relief from the Securities Regulatory Authorities to allow it to lend 100% of its investment portfolio to qualified borrowers. 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.

Limitations on Reducing Exposure under the Forward Documents

The ability of each ETF to settle the applicable Forward Document in connection with the funding of redemptions may be affected by liquidity constraints imposed by the applicable ETF or Underlying Fund by virtue of such Forward Document. As a result, if any limitation on redemptions is imposed by the Underlying Fund, the applicable Forward Document imposes the same limitation on the ability of an ETF to reduce its exposure to such fund.

If any settlement constraint is imposed under a Forward Document, the settlement amount received by an ETF in connection with such settlement may decrease, redemptions may be suspended, such Forward Document may be settled in instalments and the distribution of the net assets of an ETF after the Forward Document is settled may be significantly delayed and may decrease as a consequence of this delay.

Early Termination of the Forward Documents

In the event a Forward Document terminates prior to the termination of the applicable ETF, such ETF may not be able to enter into a new forward agreement on substantially the same terms as the Forward Document.

Distribution Risk

The ETFs do not intend to pay regular distributions on Units and thus may not be a suitable investment for investors who require regular payments.

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

DISTRIBUTION POLICY

Distributions on Units, if any, will be made at the end of the calendar year. The Manager reserves the right to make additional distributions in any year if determined to be appropriate.

On an annual basis, an ETF will ensure that all of its income (including net realized capital gains) will be distributed to Unitholders to such an extent that the ETF will not be liable for ordinary income tax thereon. Such distributions will be paid as a “reinvested distribution”. Reinvested distributions on Units of an ETF will be reinvested automatically in additional Units of the ETF at a price equal to the NAV per Unit on such day and the Units will be immediately consolidated such that the number of outstanding Units held by each Unitholder on such day following the distribution will equal the number of Units held by the Unitholder prior to the distribution. In the case of a non-resident Unitholder if tax has to be withheld in respect of the distribution the Unitholder’s dealer will invoice or debit the Unitholder’s account directly. The tax treatment to Unitholders of reinvested distributions is discussed under the heading “Income Tax Considerations” on page 50.

With respect to both ETFs, Advisor Class Units of each ETF pay higher Management Fees and, as a result, any distributions payable on the Advisor Class Units are generally expected to be less than the distributions payable on Class E Units.

PURCHASES OF UNITS

Issuance of Units

To the Designated Broker and Dealers

All orders to purchase Units directly from an ETF must be placed by the Designated Broker and/or Dealers. The ETFs reserve the absolute right to reject any subscription order placed by the Designated Broker and/or a Dealer. No fees will be payable by an ETF to the 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 the Designated Broker or a Dealer to offset any expenses incurred in issuing the Units.

On any Trading Day, the 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 9:30 a.m. on a Trading Day and accepted by the Manager, the ETF will generally issue the PNU (or integral multiple thereof) to the Designated Broker or Dealer within one (1) Trading Day from the Trading Day of the subscription. The Manager may, at its sole discretion, accept a subscription order after 9:30 a.m. on a Trading Day but in no circumstances will the Manager accept a subscription order after 3:00 p.m. on a Trading Day. The ETF must receive payment for the Units subscribed for generally within one (1) Trading Day from the Trading Day of the subscription order.

Unless the Manager shall otherwise agree or the Trust Declaration shall otherwise provide, as payment for a PNU of an ETF, a Dealer or the Designated Broker must deliver cash 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.

The Manager will usually publish the applicable PNU for the ETF following the close of business on each Trading Day on its website, www.horizonsetfs.com. The Manager may, at its discretion, increase or decrease the applicable PNU from time to time.

To Unitholders as Reinvested Distributions

When an ETF makes a distribution payment, if any, the distribution is paid in additional Units of the ETF which are immediately consolidated with the Units in existence prior to the distribution. See “Distribution Policy” at page 44.

Buying and Selling Units

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.

Units of the ETFs are, or will be, listed on the TSX under the following ticker symbols:

Name of ETF	Abbreviated Name	TSX Ticker Symbol	
		Class E Units	Advisor Class Units
Horizons Auspice Managed Futures Index ETF	Horizons HMF	HMF	HMF.A
Horizons Auspice Broad Commodity Index ETF	Horizons HBR	HBR	HBR.A

Special Considerations for Unitholders

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, each ETF is entitled to rely on exemptive relief from the Securities Regulatory Authorities to permit a Unitholder of that ETF to acquire more than 20% of the Units of that ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation; provided that such Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units of that ETF at any meeting of Unitholders of that ETF.

The ETFs have also obtained relief from the restrictions related to redemptions of "seed capital" invested in a commodity pool.

The ETFs have obtained exemptive relief that permits each ETF to gain exposure to the applicable Underlying Portfolio by means of one or more forward purchase and sale agreements, including the ability to invest in Exchange Traded Products that issue Commodity Participation Units including Exchange Traded Products managed by affiliates of the Manager and advised by the Investment Manager.

REDEMPTION OF UNITS

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

Redemption of Units

On any Trading Day, Unitholders may redeem: (i) Units of an ETF for cash at a redemption price per Unit equal to 95% of the closing price for Units of that ETF on the TSX on the effective day of the redemption or (ii) less any applicable redemption charge determined by the Manager, in its sole discretion from time to time, a PNU or a multiple PNU for cash equal to the net asset value of that number of Units of an ETF. Because Unitholders will generally be able to sell their 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 such Units for cash unless they are redeeming a PNU.

In order for a cash redemption to be effective on a Trading Day, a cash redemption request in the form prescribed by the Manager from time to time must be delivered to the Manager with respect to the applicable ETF at its head office by 9:30 a.m. (Toronto time) on that day. If a cash redemption request is not received by 9:30 a.m. (Toronto time) 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 by no later than the third Valuation Day after the effective day of the redemption. The cash redemption request forms may be obtained from any registered broker or dealer.

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

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

Conversion of Advisor Class Units

Unitholders may convert Advisor Class Units into Class E Units, of the same ETF, in any month. To do so, Units must be surrendered and the Unitholder's CDS Participant must deliver to CDS (at its office in the City of Toronto) on behalf of the Unitholder a written notice of the Unitholder's intention to convert during the period from the first day of a month until 5:00 p.m. (Toronto time) on the last business day prior to the 16th day of such month. Units surrendered for conversion will be converted on the last Trading Day of that Month (the "**Advisor Class Monthly Conversion Date**"). For each Advisor Class Unit so converted, a Unitholder will receive a number of Class E Units equal to the net asset value per Advisor Class Unit as of the Advisor Class Monthly Conversion Date divided by the net asset value per Class E Unit as of the Advisor Class Monthly Conversion Date. As no fractional Units will be issued upon conversion, any difference between the proceeds of redemption and the whole number of Class E Units acquired will be paid in cash.

Unitholders may also convert Class E Units into Advisor Class Units, of the same ETF, in any month. To do so, Units must be surrendered and the Unitholder's CDS Participant must deliver to CDS (at its office in the City of Toronto) on behalf of the Unitholder a written notice of the Unitholder's intention to convert during the period from the first day of a month until 5:00 p.m. (Toronto time) on the last business day prior to the 16th day of such month. Units surrendered for conversion will be converted on the last Trading Day of that Month (the "**Class E Monthly Conversion Date**"). For each Class E Unit so converted, a Unitholder will receive a number of Advisor Class Units equal to the net asset value per Class E Unit as of the Class E Monthly Conversion Date divided by the net asset value per Advisor Class Unit as of the Class E Monthly Conversion Date. As no fractional Units will be issued upon conversion, any difference between the proceeds of redemption and the whole number of Advisor Class Units acquired will be paid in cash.

Unitholders who desire to convert their Units should ensure that the CDS Participant is provided with notice of his or her intention to do so sufficiently in advance of the relevant notice period so as to permit the CDS Participant to deliver notice to CDS and so as to permit CDS to deliver notice to the registrar and transfer agent of the applicable ETF in advance of the required time.

Suspension of Redemptions

The Manager may suspend the redemption of Units or payment of redemption proceeds during any period when normal trading is suspended on a stock exchange or other market on which securities in the Canadian Securities Portfolio are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of an ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for an ETF. The suspension may apply to all requests for redemption received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption will be effected at a price determined on the first Valuation Day following the termination of the suspension. All such Unitholders shall have and shall be advised that they have the right to withdraw their requests for redemption. The suspension shall terminate in any event on the first day on which the condition giving rise to the suspension has ceased to exist, provided that no other condition under which a suspension is authorized then exists. To the extent not inconsistent with official rules and regulations promulgated by any government body having jurisdiction over the ETFs, any declaration of suspension made by the Manager shall be conclusive.

Costs Associated with Redemptions

The Manager may charge to Unitholders, at its discretion, an administrative fee of up to 0.25% of the redemption proceeds of an ETF to offset certain transaction costs associated with the redemption of Units. The Manager will publish the current administrative fee, if any, on its website, www.HorizonsETFs.com.

Allocations of Income and Capital Gains to Redeeming Unitholders

Pursuant to the Trust Declaration, each ETF may allocate and designate any income or capital gains realized by the ETF as a result of any disposition of property of the ETF undertaken to permit or facilitate the redemption of Units to a Unitholder whose Units are being redeemed. In addition, each ETF has the authority to distribute, allocate and designate any income or capital gains of the ETF to a Unitholder who has redeemed Units 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 will reduce the redeeming Unitholder's proceeds of distribution.

Book-Entry Only System

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

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

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

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

Short-Term Trading

The Manager does not believe that it is necessary to impose any short-term trading restrictions on the ETFs at this time as: (i) the ETFs are exchange traded funds that are primarily traded in the secondary market; and (ii) the few transactions involving Units of the ETFs that do not occur on the secondary market involve the Designated Broker and Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a redemption charge.

PRIOR SALES

Trading Price and Volume

Information regarding the price ranges and volume of Class E Units and Advisor Class Units of Horizons HMF and Horizons HBR for the 12 months preceding the date of this prospectus, as applicable, is set forth in the tables that follow.

Class E Units of Horizons HMF

Month	Unit Price Range ($)	Volume of Units Traded
February 2013	9.41-9.46	4,644
March 2013	9.21-9.43	28,186
April 2013	9.40-9.86	176,017
May 2013	9.52-9.79	38,266
June 2013	9.61-9.94	28,161
July 2013	9.69-9.94	8,721
August 2013	9.55-9.73	18,753
September 2013	9.30-9.56	38,478
October 2013	9.20-9.35	13,265
November 2013	9.19-9.38	18,803
December 2013	9.24-9.38	128,850
January 2014	9.19-9.35	15,152

Advisor Class Units of Horizons HMF

Month	Unit Price Range ($)	Volume of Units Traded
February 2013	9.41-9.41	1,105
March 2013	N/A	0
April 2013	9.70-9.75	1,300
May 2013	9.43-9.57	6,060
June 2013	9.52-9.52	1,565
July 2013	9.72-9.72	2,000
August 2013	9.44-9.52	5,420
September 2013	9.31-9.33	105
October 2013	N/A	0
November 2013	9.06-9.06	1,195
December 2013	9.12-9.13	145
January 2014	9.08-9.17	165

Class E Units of Horizons HBR

Month	Unit Price Range ($)	Volume of Units Traded
March 2013	10.02-10.10	19,060
April 2013	9.90-10.11	5,780
May 2013	9.90-9.92	5,754
June 2013	9.85-10.02	7,566
July 2013	9.92-9.95	2,195
August 2013	9.89-9.97	3,000
September 2013	N/A	0
October 2013	9.52-9.71	14,860
November 2013	9.40-9.57	3,325
December 2013	9.53-9.65	6,870
January 2014	9.36-9.48	3,726

Advisor Class Units of Horizons HBR

Month	Unit Price Range ($)	Volume of Units Traded
March 2013	10.03-10.03	500
April 2013	N/A	0
May 2013	N/A	0
June 2013	9.81-9.81	500
July 2013	N/A	0
August 2013	N/A	0
September 2013	9.75-9.75	400
October 2013	N/A	0
November 2013	N/A	0
December 2013	N/A	0
January 2014	N/A	0

INCOME TAX CONSIDERATIONS

In the opinion of Fasken Martineau DuMoulin LLP, counsel to the ETFs, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act that generally apply 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 within the meaning of the Tax Act and who holds Units of the ETF as capital property (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 is based on the assumption that each ETF will qualify at all times as a "unit trust" and a "mutual fund trust" within the meaning of the Tax Act and will not be a "SIFT Trust" within the meaning of the Tax Act. For an ETF to qualify as a "mutual fund trust," 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. The Manager has advised counsel that each of the ETFs offered pursuant to this prospectus has made or will make an election in its first tax return so that it will qualify under the Tax Act as a mutual fund trust from the commencement of its first taxation year. There can be no assurance that an ETF 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, the income tax consequences described below would, in some respects, be materially different.**

This summary is also based on the assumptions that none of the issuers of the securities in the portfolio will be foreign affiliates of the ETF or of any Unitholder and, that none of the securities in the portfolio will be a "tax shelter investment" within the meaning of section 143.2 of the Tax Act. This summary further assumes that no ETF will be subject to a "loss restriction event" within the meaning of the Tax Act.

This summary is based on the current provisions of the Tax Act, the regulations thereunder and counsel's understanding of the current publicly available administrative and assessing practices and policies of the CRA published in writing. 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 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 review "Risk Factors – Tax Risks".

Status of the ETFs

As noted above, this summary assumes that each ETF will qualify at all times as a "mutual fund trust" for purposes of the Tax Act, and is not a "SIFT trust" for purposes of the Tax Act.

Provided the Units of an ETF are listed on a "designated stock exchange" (within the meaning of the Tax Act) 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 or a TFSA (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; (c) a person that controls, directly or indirectly, in any manner whatsoever, such an employer or connected person; or (d) a person that does not deal at arm's length with a member of the plan or with any person described in (a), (b) or (c) above.

Taxation of the ETFs

An ETF must pay tax on its net income (including net realized 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 year so that no ETF is liable for any income tax under Part I of the Tax Act. Each ETF is required to compute all amounts in Canadian dollars for the purposes of the Tax Act.

Each ETF is 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 (a "capital gains refund"). The capital gains refund in a particular taxation year may not completely offset the tax liability of an ETF for such taxation year.

An ETF is required to include in its income for each taxation year all interest that accrues to it before the end of the year, or becomes receivable or is received by it before the end of the year, except to the extent that such interest was included in computing its income for a preceding taxation year. An ETF is also be required to include in its income for each taxation year any dividends received (or deemed to be received) by it in such year on a security held in its portfolio.

In general, gains and losses realized by an ETF from derivative transactions are on income account except where such derivatives are used to hedge portfolio securities held on capital account, and are recognized for tax purposes at the time they are realized by the ETF in accordance with the CRA's published administrative practice.

Each ETF did not realize any income, gain or loss as a result of entering into the applicable Forward Documents. Counsel has been advised that each ETF either has or will elect to have each of its Canadian securities treated as capital property with the result that gains or losses realized by an ETF on the sale of Canadian securities while it is a mutual fund trust under the Tax Act will be taxed as capital gains or capital losses. If the obligations of Horizons HBR and the Acceptable Counterparty under the HBR Forward Documents are settled by making cash payments, a payment made or received by Horizons HBR may be treated as an income outlay or receipt, as applicable. If Horizons HBR delivers securities in the Canadian Securities Portfolio to the Acceptable Counterparty in satisfaction of its obligations under its Forward Documents, Horizons HBR will realize capital gains (or capital losses) equal to the amount by which such purchase price received (less reasonable costs of disposition) exceeds (or is less than) the aggregate adjusted cost base of such securities.

The foregoing disclosure regarding the tax treatment of Horizons HBR only applies to the HBR Forward Documents that have been entered into by the ETF prior to March 21, 2013 provided that the term of such HBR Forward Documents is not extended and the notional amount of exposure under the HBR Forward Documents does not exceed certain growth limits. The Manager has advised counsel that the HBR Forward Documents were entered into prior to March 21, 2013, their terms have not been extended, and the growth limits have not been exceeded. See "Risk Factors – Tax Risk" on page 41.

Payments received by Horizons HMF under the HMF Forward Documents will be on income account under the Tax Act and Horizons HMF will recognize such income when it is realized by it upon partial settlements or upon maturity of the HMF Forward Documents. As noted under "Investment Strategies – Horizons HBR," it is currently expected that the HBR Forward Documents will, prior to or concurrent with their expiry, be supplemented with, or replaced by, new forward documents similar the HMF Forward Documents. If this occurs, or if Horizons HBR enters into such forward documents earlier, for example, due to growth of the ETF, the tax treatment for Horizons HBR under such forward documents will be the same as those for Horizons HMF under the HMF Forward Documents.

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

In computing its income under the Tax Act, an ETF may deduct reasonable administrative and other expenses incurred to earn income from property or a business. An ETF may not deduct interest on borrowed funds that are used to fund redemptions of its Units.

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. If an ETF does not qualify as a "mutual fund trust" under the Tax Act throughout a taxation year, among other things, the ETF may be liable to pay an alternative minimum tax under the Tax Act. If an ETF is not a "mutual fund trust" it may be subject to the "mark-to-market" rules in the Tax Act if more than 50% of its units are held by a "financial institution", as defined in the Tax Act.

Taxation of Unitholders

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of 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, including any Management Fee Distributions, (whether in cash or whether such amount is automatically reinvested in additional Units of the ETF). The non-taxable portion of an ETF's net realized capital gains that are paid or become payable to a Holder in a taxation year will not be included in computing the Holder's income for the year. Any other amount in excess of a Holder's share of the net income of an ETF for a taxation year that is paid or becomes payable to the Holder in the year (i.e. returns of capital) will not generally be included in the Holder's income for the year, but will reduce the adjusted cost base of the Holder's Units of the ETF. To the extent that the adjusted cost base of a Unit of an ETF would become a negative amount, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Holder will be reset to zero.

Provided that appropriate designations are made by an ETF, such portion of the net realized taxable capital gains of the ETF and the taxable dividends received or deemed to be received by the ETF on shares of taxable Canadian corporations as is paid or becomes payable to a Holder, if any, will effectively retain their character and be treated as such in the hands of the Holder for purposes of 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.

The purchase price for the Common Share Portfolio of Horizons HBR under its Forward Documents from time to time may significantly exceed the aggregate adjusted cost base of the securities comprising its Common Share Portfolio and Horizons HBR may have a large unrealized gain upon maturity of the HBR Forward Documents. Therefore, there may be significant accrued gains in Horizons HBR prior to the settlement of its Forward Documents on or about the termination of such Forward Documents.

As noted above, Horizons HMF recognizes income under its Forward Documents when it is realized by Horizons HMF upon partial settlements or upon maturity of its Forward Documents. This may result in significant gains being realized by Horizons HMF at such times and such gains are taxed as ordinary income. To the extent such income is not offset by any available deductions, it will be distributed to its Unitholders in the taxation year in which it is realized and included in such Unitholder's income for the year. In addition, it is possible that particular settlements under the HMF Forward Documents will result in the Acceptable Counterparty returning pledged collateral in the form of cash from the interest bearing account or T-Bills to Horizons HMF in a taxation year but no income being realized by Horizons HMF under the Tax Act in such taxation year. This will result in more accrued gains in Horizons HMF which, when realized, will be distributed to its Unitholders at such time as ordinary income.

An ETF will partially settle its Forward Documents in each taxation year in order to fund operating expenses and other liabilities of the ETF. A partial settlement may result in Horizons HBR realizing net capital gains from the disposition of securities in its Canadian Securities Portfolio under its Forward Documents in such taxation year or, in the case of Horizons HMF, net ordinary income from payments received under its Forward Documents. If this occurs, Holders of the ETF will be allocated taxable capital gains or income, as applicable, in respect of the taxation year through a special distribution payable in Units without any corresponding distribution of cash.

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

On the disposition or deemed disposition of a Unit of an ETF, including on a redemption, a Holder will realize a capital gain (or capital loss) to the extent that the Holder's proceeds of disposition (other than any amount payable by the ETF which represents an amount that is otherwise required to be included in the Holder's income as described herein), 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 will generally be equal to the amount of the net income or capital gain distributed to the Holder of the ETF that has been distributed in the form of additional Units of the ETF. A consolidation of Units of an ETF following a distribution paid in the form of additional Units of the ETF will not be regarded as a disposition of Units of the ETF and will not affect the aggregate adjusted cost base to a Holder. Based on the current published administrative policies and assessing practices of the CRA, a conversion of Advisor Class Units into Class E Units of the same ETF or a conversion of Class E Units into Advisor Class Units of the same ETF should not constitute a disposition of Units for purposes of the Tax Act.

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 will reduce the redeeming Unitholder's proceeds of disposition.

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 realized by the Holder in a taxation year may 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.

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 or RDSP) are generally subject to tax under the Tax Act. Unitholders should consult their own advisors regarding the tax implications of establishing, amending, terminating or withdrawing amounts from a Plan.

If Units are “prohibited investments”, a Unitholder who holds Units in a TFSA, RRSP or RRIF will be subject to an additional tax as set out in the Tax Act. A “prohibited investment” includes a Unit of an ETF (i) which does not deal at arm’s length with the holder, or (ii) in which the holder has a significant interest. A significant interest, in general terms, means the ownership of 10% or more of the value of an ETF’s outstanding Units by the holder, either alone or together with persons and partnerships with whom the holder does not deal at arm’s length. Unitholders are advised to consult their own tax advisors regarding whether their Units would be prohibited investments having regard to the current provisions in the Tax Act.

Tax Implications of an ETF’s Distribution Policy

The net asset value per Unit of an ETF will, in part, reflect any income and gains of the ETF that it has accrued or been realized, but have not been made payable at the time Units of the ETF were acquired by a Holder. Accordingly, a Holder of an ETF who acquires Units of the ETF, including on a reinvestment of distributions, may become taxable on the Holder’s share of income and gains of the ETF that accrued before Units of the ETF were acquired. In particular, an investor who acquires Units of the ETF at any time in the year prior to a distribution being paid or made payable will have to pay tax on the entire distribution (to the extent it is a taxable distribution), regardless of the fact that the investor only recently acquired such Units.

In addition, as noted above, there may be significant accrued gains in an ETF prior to the settlement of its Forward Documents.

ORGANIZATION AND MANAGEMENT DETAILS OF THE ETFS

Manager of the ETFs

AlphaPro is the manager and trustee of the ETFs and its principal office is at 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2. The Manager is an innovative financial services company and was primarily organized for the purpose of managing investment products, including exchange traded funds.

AlphaPro is a subsidiary of Horizons. Horizons is Canada’s largest provider of leveraged, inverse leveraged, inverse, spread, and index exchange traded funds. Horizons and AlphaPro are subsidiaries of Mirae Asset and an affiliate of NBF also holds a minority interest in AlphaPro. 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. With over 570 employees, including more than 122 investment professionals (as of October 31, 2013), Mirae Asset has a presence in Australia, Brazil, Canada, China, Colombia, Hong Kong, India, Korea, Taiwan, the United Kingdom, the United States, and Vietnam. Headquartered in Seoul, South Korea, Mirae Asset manages approximately US$60.1 billion in assets globally as of October 31, 2013.

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

Officers and Directors of the Manager

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

Name and Municipality of Residence	Position with the Manager	Principal Occupation
Thomas Park Clayton, Missouri	Director	Director, AlphaPro (since 2011); Director, Horizons (Since 2011); Executive Managing Director, Mirae Asset MAPS Global Investments (since 2008); Associate, Goldman Sachs International (2006, 2007-2008); Senior Consultant, KPMG Consulting (Bearing Point) (2001-2005).
Taeyong Lee Frederick, Maryland	Executive Chairman and Director	Executive Chairman and Director, AlphaPro (since 2011); Executive Chairman and Director, Horizons (since 2011); Executive Vice President, Mirae Asset MAPS Global Investments (since 2010); Managing Director, Leading Securities Inc. (2008-2010); Director of Portfolio, ProFund Group (1999-2008).
Laurent Ferreira Westmount, Quebec	Director	Director, AlphaPro (since 2010); Executive Vice President and Managing Director, Derivatives, National Bank Financial Group (since 2006); previously, Director, National Bank of Canada (Global) Limited (2006-2010)
Michel Falk Lachine, Quebec	Director	Director, AlphaPro (since 2012); Senior Vice President, Investment Solutions and Trust Services, President and Chief Executive Officer, National Bank Securities Inc. (since 2012); President and Chief Executive Officer, National Bank Trust Inc. (since 2012); previously, Chief Investment Officer, Natcan Investment Management Inc. (2008-2012); Senior Vice President and Managing Director, Portfolio Management, National Bank Financial Inc. (2007-2008); and Executive Vice President, NBF Private Wealth Management (2007-2008).
Adam Felesky Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer and Director, AlphaPro (since 2008); Chief Executive Officer and Director, Horizons (since 2005); previously, Chief Executive Officer and Director, JovFunds Management Inc. ("**JovFunds**") (2008-2011); Partner, Bradbrooke Capital Holdings Inc. (commodity trading firm) (2003-2004); Associate, JP Morgan Securities Inc. (2001-2003).
Howard Atkinson Toronto, Ontario	President and Director	President and Director, AlphaPro (since 2008); President and Director, Horizons (since 2006); previously, Managing Partner and Director, JovFunds (2008-2011); Head of Business Development, Exchange Traded Products, Barclays Global Investors Canada Ltd. (2000-2006).
Robert Shea Poughkeepsie, New York	Chief Financial Officer and Director	Chief Financial Officer and Director, AlphaPro (since 2012); Chief Financial Officer and Director, Horizons (since 2012); Chief Operating Officer, Mirae Asset Global Investments (USA) LLC (since 2009); Chief Financial Officer, Gradient Partners LP (2004-2009).
Steven J. Hawkins Oakville, Ontario	Senior Executive Vice President and Secretary	Senior Executive Vice President and Secretary, AlphaPro (since 2009); Senior Executive Vice President, Chief Investment Officer and Secretary, Horizons (since 2007); previously, Managing Partner and Director, JovFunds (2005-2011); Vice President, Compliance, AMG Canada Inc. and Senior Vice President, Compliance and Risk Management and Chief Investment Officer, First Asset Investment Management Inc. (2000-2005).

Name and Municipality of Residence	Position with the Manager	Principal Occupation
Kevin S. Beatson Oakville, Ontario	Chief Operating Officer and Chief Compliance Officer	Chief Operating Officer and Chief Compliance Officer, AlphaPro (since 2009); Chief Operating Officer and Chief Compliance Officer, Horizons (since 2009); previously, Chief Operating Officer, JovFunds (2006-2011).
Jaime P.D. Purvis Toronto, Ontario	Executive Vice President, National Accounts	Executive Vice President, National Accounts, AlphaPro (since 2009); Executive Vice President, National Accounts, Horizons (since 2009); Executive Vice President, National Accounts, Horizons Exchange Traded Funds Inc. (2006-2012).
Faizan Dhanani Toronto, Ontario	Executive Vice President, Retail Sales	Executive Vice President, Retail Sales, AlphaPro (since 2009); Executive Vice President, Retail Sales, Horizons (since 2009); previously, Vice President, Sales, JovFunds Inc. (2006-2009).

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

The Manager is a subsidiary of Horizons. The percentage of securities of each class or series of voting or equity securities owned of record or beneficially, in aggregate, by all the directors and executive officers of the Manager in Horizons is 13.10%.

For a description of the compensation arrangements of the independent review committee of the ETF, see “Independent Review Committee” at page 62.

Duties and Services to be Provided by the Manager

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

The Manager’s duties will include negotiating contracts with certain third-party service providers, including, but not limited to, investment 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 of the ETFs and to the applicable Securities Regulatory Authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders of the ETFs are provided with financial statements and other reports as are required from time to time by applicable law; ensuring that the ETFs comply with all other regulatory requirements including the continuous disclosure obligations of the ETFs under applicable securities laws; administering purchases, redemptions and other transactions in Units of the ETFs; arranging for any payments required upon termination of the ETFs; and dealing and communicating with Unitholders of the ETFs. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The Manager will also monitor the investment strategy of each ETF to ensure that each ETF complies with its investment objective, investment strategies and investment restrictions and practices.

The Manager is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Unitholders of the ETFs, and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Trust Declaration provides that the Manager will not be liable to 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 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" at page 32.

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.

Investment Manager

The Investment Manager is an affiliate of the Manager and has been appointed investment manager to the ETFs pursuant to the Investment Management Agreement. Based in Ontario, the Investment Manager operates as, among other things, an investment fund manager and a portfolio manager under applicable securities laws and as a commodity trading manager under the *Commodity Futures Act* (Ontario). The principal office of the Investment Manager is at 26 Wellington Street East, Suite 700, Toronto, Ontario M5E 1S2. The Investment Manager does not maintain offices in any jurisdiction other than Ontario. The Investment Manager exists under the *Canada Business Corporations Act*. The Investment Manager will provide investment advisory and portfolio management services to the ETFs. Pursuant to the Investment Management Agreement, the Investment Manager has the authority to engage a sub-advisor for the purposes of assisting the Investment Manager in performing its duties as the investment manager and may, to the extent it deems appropriate, delegate any of its powers and duties as the investment manager to such sub-advisor.

The Investment Manager and Manager are each subsidiaries of Mirae Asset and are affiliates.

Certain Officers and Directors of the Investment Manager

The name, municipalities of residence and position of the senior officers and directors of the Investment Manager principally responsible for providing advice to the ETFs are as follows:

Name and Municipality of Residence	Position with the Investment Manager	Principal Occupation
Adam Felesky Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer and Director, Horizons (since 2005); Chief Executive Officer and Director, AlphaPro (since 2008); previously, Chief Executive Officer and Director, JovFunds (2008-2011); Partner, Bradbrooke Capital Holdings Inc. (commodity trading firm) (2003-2004); Associate, JP Morgan Securities Inc. (2001-2003).
Steven J. Hawkins Oakville, Ontario	Senior Executive Vice President, Chief Investment Officer and Secretary	Senior Executive Vice President, Chief Investment Officer and Secretary, Horizons (since 2009); Senior Executive Vice President and Secretary, AlphaPro (since 2009); previously, Managing Partner and Director, JovFunds (2005-2011); Vice President, Compliance, AMG Canada Inc. and Senior Vice President, Compliance and Risk Management and Chief Investment Officer, First Asset Investment Management Inc. (2000-2005).

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.

Details of the Investment Management Agreement

The Investment Management Agreement will continue with respect to an ETF until the termination of the ETF unless terminated as described below. The Manager may terminate the Investment Management Agreement: (i) upon 10 days' prior written notice to the Investment Manager; (ii) in the event that the Investment Manager is in breach or default of the Investment Management Agreement and, if capable of being cured, the breach or default has not been cured within 20 business days' written notice of such breach or default being given by the Manager to the Investment Manager; (iii) if there is a dissolution or the commencement of the winding-up of the Investment Manager; (iv) if the Investment Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Investment Manager or a substantial portion of its assets; (v) if the assets of the Investment Manager become subject to seizure or confiscation by any public or governmental organization; or (vi) if the Investment Manager is no longer registered or has failed to obtain any registration, license or other authorization required by it to perform the services delegated to it thereunder.

The Investment Manager may terminate the Investment Management Agreement upon 30 days' prior written notice to the Manager. The Investment Manager may also terminate the Investment Management Agreement with respect to an ETF immediately: (i) if the ETF is terminated; (ii) if the Manager or any of its affiliates is no longer the manager of the ETF; (iii) if there is a dissolution or the commencement of the winding-up of the Manager; (iv) if the Manager becomes bankrupt or insolvent or makes a general assignment for the benefit of its creditors or a receiver is appointed in respect of the Manager or a substantial portion of its assets; (v) if the assets of the Manager become subject to seizure or confiscation by any public or governmental organization; or (vi) in the event that the Manager is in breach or default of the Investment Management Agreement and, if capable of being cured, the breach or default has not been cured within 20 business days' written notice of such breach or default being given by the Investment Manager to the Manager.

Under the Investment Management Agreement, the Investment Manager is required to act at all times on a basis which is fair and reasonable to the ETFs, to act honestly and in good faith with a view to the best interests of the ETFs and, in connection therewith, to exercise the degree of care, diligence and skill that a reasonably prudent investment counsellor would exercise in comparable circumstances. The Investment Management Agreement provides that the Investment Manager shall not be liable in any way for any default, failure or defect in any of the securities comprising an investment portfolio of the ETFs, nor shall it be liable if it has satisfied the duties and standard of care, diligence and skill set forth above**.** The Investment Management Agreement also requires the Manager to indemnify the Indemnified Persons, against all losses, damages, costs and expenses incurred by any of them in connection with the Manager's administration of an ETF, unless an Indemnified Person is finally adjudicated to have committed an act or omission involving wilful misconduct, bad faith or negligence.

In the event that the Investment Management Agreement is terminated as provided above, the Manager shall promptly appoint a successor investment manager to carry out the activities of the Investment Manager.

The Manager is responsible for the payment of all fees owing to the Investment Manager.

The Sub-Advisor

Auspice has been retained as Sub-Advisor to provide investment advisory and portfolio management services to the ETFs and the Underlying Funds.

Auspice is an Alberta corporation with its head office in Calgary. The Sub-Advisor operates as a portfolio manager, commodity trading manager and exempt market dealer in Alberta, and is registered as a commodity trading advisor, commodity pool operator and member of the United States National Futures Association. The Sub-Advisor's core expertise is the design and execution of systematic trading strategies, and managing commodity risk.

The names and municipalities of residence of the officers of the Sub-Advisor who will be principally involved in providing the Sub-Advisor's portfolio advisory services to the ETFs and the Underlying Funds are set out below.

Name and Municipality of Residence	Position with Sub-Advisor
Tim Pickering Calgary, Alberta	President and Chief Executive Officer, Sub-Advisor (since 2005); Vice President, Option Trading - North America, Shell Trading Gas and Power (1999 - 2005).
Ken Corner Calgary, Alberta	Chief Operating Officer, Sub-Advisor (since, 2006); Vice President, Option Trading, TD Securities Inc. (2005-2006); Director of Trading, Shell Trading Gas and Power (2000-2005).

The investment decisions made by these individuals are not subject to the oversight, approval or ratification of any committee.

Details of the Sub-Advisory Agreement

Pursuant to the Sub-Advisory Agreement in respect of the ETFs and the Underlying Funds, Auspice, the Sub-Advisor of the ETFs and the Underlying Funds, provides the Investment Manager with advice and recommendations on the selection of securities for the ETFs and the Underlying Funds. The services provided by the Sub-Advisor to the Investment Manager are not exclusive and nothing prevents the Sub-Advisor from providing similar services to others (whether or not their investment objectives, strategies or criteria are similar to those of the ETFs or the Underlying Funds) or from engaging in other activities.

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

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

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

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

The Trustee

AlphaPro 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 contains other customary provisions limiting the liability of the Trustee and indemnifying the Trustee in respect of certain liabilities incurred by it in carrying out its duties.

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

Designated Broker

The Manager, on behalf of each ETF, has entered into a Designated Broker Agreement with the 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 third Trading Day after the subscription notice has been delivered.

The Designated Broker may terminate the Designated Broker Agreement at any time by giving AlphaPro at least ninety (90) days' prior written notice of such termination. AlphaPro may terminate the Designated Broker Agreement by giving the Designated Broker at least ninety (90) days' prior written notice of such termination.

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

Conflicts of Interest

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

The ETF Managers may trade and make investments for their own accounts, and such persons currently trade and manage and will continue to trade and manage accounts other than the 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 ETFs. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of the ETFs. Furthermore, all of the positions held by accounts owned, managed or controlled by the Sub-Advisor will be aggregated for purposes of applying certain exchange position limits. As a result, the ETFs 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" at page 36.

In evaluating these conflicts of interest, potential investors should be aware that the ETF Managers have a responsibility to the Unitholders to exercise good faith and fairness in all dealings affecting the ETFs. In the event that a Unitholder believes that one of the ETF Managers has violated its duty to such Unitholder, the Unitholder may seek relief for itself or on behalf of the ETFs 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 the ETFs 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 ETFs; and (ii) applicable laws.

NBF, which holds an indirect minority interest in the Manager, 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 the ETFs. 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 primary 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. NBF has not been involved in the preparation of this prospectus nor has it 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. In addition, the relationship between NBF and its affiliates, and the Manager and its affiliates may extend to other activities, such as being part of a distribution syndicate for other funds sponsored by the Manager or its affiliates.

National Bank of Canada, the Bank Counterparty of Horizons HMF, is an associate of the Manager.

Independent Review Committee

NI 81-107 requires that all publicly offered investment funds, such as the ETFs, establish an IRC. The Manager must refer all conflict of interest matters for review or approval to the IRC. NI 81-107 also requires the Manager to establish written policies and procedures for dealing with conflict of interest matters, to maintain records in respect of these matters and to provide the IRC with guidance and assistance in carrying out its functions and duties. According to NI 81-107, the IRC must be comprised of a minimum of three (3) independent members, and is subject to requirements to conduct regular assessments of its members and provide reports, at least annually, to the ETF and to its Unitholders in respect of those functions. The most recent report prepared by the IRC is available on the Manager's website (www.horizonsetfs.com), or at a Unitholder's request at no cost, by contacting the ETF at 26 Wellington Street East, Suite 700, Toronto, Ontario M5E 1S2; telephone: 416-933-5745; toll free: 1-866-641-5739; fax: 416-777-5181.

Warren Law, Sue Fawcett and Michael Gratch are the current members of the IRC.

The IRC:

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

The ETFs compensate the IRC members for their participation on the IRC through member fees and, if applicable, meeting fees. Sue Fawcett and Michael Gratch receive $10,000 per year in member fees, while Warren Law, as chairperson of the IRC, receives $12,500 per year. The IRC's secretariat receives $20,000 per year for administrative services. An additional fee of $3,000 per meeting is charged by the IRC for each IRC meeting in excess of two per year. The total fees payable in respect of the IRC by a particular ETF is calculated by dividing the total net assets of the particular ETF by the total net assets of all of the mutual funds for which the IRC is responsible and then multiplying the resulting value by the total dollar value due to the IRC member by the ETF for that particular period.

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 be 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.

Transfer Agent and Registrar

CST 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. CST Trust Company is independent of the Manager.

Promoter

The Manager took the initiative in founding and organizing the ETFs and is accordingly the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. The Manager, in its capacity as manager of the ETFs, receives compensation from the ETFs. See "Fees and Expenses" at page 32.

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 standards. The auditors will be asked to report on the fair presentation of the annual financial statements in accordance with GAAP. 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.

ORGANIZATION AND MANAGEMENT DETAILS OF THE UNDERLYING FUNDS

The Underlying Funds

The return to the Unitholders of the ETFs and to the ETFs will be based in whole or in part upon the return on the applicable Underlying Portfolio by virtue of the applicable Forward Documents with the applicable Bank Counterparty.

Each Underlying Fund is an investment trust established pursuant to the Underlying Fund Declaration of Trust for the purpose of acquiring and holding the applicable Underlying Portfolio. The registered office of the trustee of each Underlying Fund is located in Toronto, Ontario.

The beneficial owner of all of the units of an Underlying Fund is its Bank Counterparty.

The units of each Underlying Fund are redeemable at the demand of its unitholders. On redemption, Underlying Fund unitholders will receive for each unit of an Underlying Fund redeemed an amount equal to the net asset value per unit of the Underlying Fund. The net asset value per unit of an Underlying Fund is equal to the amount by which the total assets of the Underlying Fund exceed its total liabilities on a per unit basis.

Each Underlying Fund is authorized to issue an unlimited number of transferable, redeemable units, each of which represents an equal, undivided interest in the net assets of the Underlying Fund. Each unit of an Underlying Fund entitles a holder thereof to the same rights and obligations as a holder of any other unit of the Underlying Fund and no unitholder of an Underlying Fund entitled is to any privilege, priority or preference in relation to any other unitholder. Each unitholder of an Underlying Fund is entitled to one (1) vote for each Underlying Fund unit held and is entitled to participate equally with respect to any and all distributions made by the Underlying Fund. On termination of an Underlying Fund, all Underlying Fund unitholders of record holding outstanding Underlying Fund units will be entitled to receive any assets of the Underlying Fund remaining after payment of all debts, liabilities and liquidation expenses of the Underlying Fund.

Each Underlying Fund will distribute all of its net income and net realized capital gains earned in each fiscal year to ensure that it is not liable for tax under Part I of the Tax Act. To the extent that an Underlying Fund has not distributed in cash the full amount of its net income in any year, the difference between such amount and the amount actually distributed by the Underlying Fund will be paid through the issuance of additional units. Immediately after any such distribution of units, the number of outstanding units of an Underlying Fund will be consolidated such that each unitholder of the Underlying Fund will hold after the consolidation the same number of units of the Underlying Fund as it held before the distribution of additional units.

The Underlying Fund Declaration of Trust

Pursuant to the Underlying Fund Declaration of Trust, as the trustee, the Manager has exclusive authority to manage the business and affairs of each Underlying Fund, to make all decisions regarding the business of each Underlying Fund and to bind each Underlying Fund. The Manager may delegate certain of its powers to third parties at no additional cost to an Underlying Fund where, in the discretion of the Manager, it would be in the best interests of an Underlying Fund to do so.

The Manager is required to exercise its powers and perform its duties honestly, in good faith and in the best interests of an Underlying Fund and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Underlying Fund Declaration of Trust provides that the Manager will not be liable in any way for any default, failure or defect of the assets of an Underlying Fund or the applicable Underlying Portfolio if it has satisfied the duties and the standard of care, diligence and skill set forth above. The Manager will incur liability, however, in cases of wilful misconduct, bad faith, negligence or breach of its duties or standard of care, diligence and skill. Among other restrictions imposed on the Manager, it may not dissolve an Underlying Fund or wind up the affairs of an Underlying Fund except if, in its opinion, it would be in the best interests of the unitholders of the Underlying Fund to terminate the Underlying Fund, or otherwise in accordance with the provisions of the Underlying Fund Declaration of Trust.

Under the terms of the Underlying Fund Declaration of Trust, the Manager is responsible for providing, or causing to be provided, management, portfolio management and administrative services and facilities to each Underlying Fund, including, without limitation: authorizing and paying expenses incurred on behalf of each Underlying Fund; appointing the custodian, auditors, legal counsel and other organizations or professionals serving each Underlying Fund; providing office space and facilities; preparing accounting, management and other reports, including such interim and annual reports to unitholders, financial statements, tax reporting to unitholders and income tax returns as may be required by applicable law; monitoring the ability of each Underlying Fund to pay distributions; communicating with unitholders; ensuring that the net asset value per unit is calculated; ensuring that each

Underlying Fund complies with all regulatory requirements; calling meetings of unitholders as required; and providing such other managerial and administrative services as may be reasonably required for the ongoing business and administration of the Underlying Funds.

The Manager will be entitled to receive fees as compensation for management services rendered to each Underlying Fund. See "Fees and Expenses" at page 32. The Manager and each of its directors, officers, employees, consultants and agents will be indemnified and will be reimbursed by each Underlying Fund to the fullest extent permitted by law against all liabilities and expenses (including judgments, fines, penalties, interest, amounts paid in settlement, and counsel fees and disbursements on a solicitor and client basis) reasonably incurred in connection with the services provided to each Underlying Fund described herein or as a director, officer, employee, consultant or agent thereof, including in connection with any civil, criminal, administrative, investigative or other action, suit or proceeding to which any such person may hereafter be made a party by reason of being or having been the manager, the portfolio manager, trustee or a director, officer, employee, consultant or agent thereof, except for liabilities and expenses resulting from the person's wilful misconduct, bad faith, negligence, breach of their duties or standard of care, diligence and skill or material breach or default of their obligations under the Underlying Fund Declaration of Trust.

Unless the Manager resigns or is removed as described below, the Manager will continue as manager until the termination of each Underlying Fund. The Manager may resign if an Underlying Fund is in breach or default of the provisions of the Underlying Fund Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days' notice of such breach or default to the Underlying Fund. The Manager is deemed to have resigned if it becomes bankrupt or insolvent or in the event it ceases to be resident in Canada for purposes of the Tax Act. The Manager may not be removed other than by an extraordinary resolution of the unitholders of an Underlying Fund. In the event the Manager is in material breach or default of the provisions of the Underlying Fund Declaration of Trust and, if capable of being cured, such breach or default has not been cured within 30 days' notice of such breach or default to the Manager, the trustee of an Underlying Fund shall give notice thereof to unitholders and unitholders may direct the trustee of the Underlying Fund to remove the Manager and appoint a successor manager.

The services of the Manager and the officers and directors of the Manager are not exclusive to the Underlying Funds. The Manager and its affiliates and associates may, at any time, engage in any other activity including the administration of any other fund or trust.

The Sub-Advisor

Auspice has been retained as Sub-Advisor to provide investment advisory and portfolio management services to the ETFs and the Underlying Funds.

Auspice is an Alberta corporation with its head office in Calgary. The Sub-Advisor operates as a portfolio manager, commodity trading manager and exempt market dealer in Alberta, and is registered as a commodity trading advisor, commodity pool operator and member of the United States National Futures Association. The Sub-Advisor's core expertise is the design and execution of systematic trading strategies, and managing commodity risk.

The names and municipalities of residence of the officers of the Sub-Advisor who will be principally involved in providing the Sub-Advisor's portfolio advisory services to the ETFs and the Underlying Funds are set out below.

Name and Municipality of Residence	**Position with Sub-Advisor**
Tim Pickering Calgary, Alberta	President and Chief Executive Officer, Sub-Advisor (since 2005); Vice President, Option Trading - North America, Shell Trading Gas and Power (1999 - 2005).
Ken Corner Calgary, Alberta	Chief Operating Officer, Sub-Advisor (since, 2006); Vice President, Option Trading, TD Securities Inc. (2005-2006); Director of Trading, Shell Trading Gas and Power (2000-

Name and Municipality of Residence	Position with Sub-Advisor
	2005).

The investment decisions made by these individuals are not subject to the oversight, approval or ratification of any committee.

Details of the Sub-Advisory Agreement

Pursuant to the Sub-Advisory Agreement in respect of the ETFs and the Underlying Funds, Auspice, the Sub-Advisor of the ETFs and the Underlying Funds, provides the Investment Manager with advice and recommendations on the selection of securities for the ETFs and the Underlying Funds. The services provided by the Sub-Advisor to the Investment Manager are not exclusive and nothing prevents the Sub-Advisor from providing similar services to others (whether or not their investment objectives, strategies or criteria are similar to those of the ETFs or the Underlying Funds) or from engaging in other activities.

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

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

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

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

The Trustee

The Manager is also the trustee of each Underlying Fund pursuant to the Underlying Fund Declaration of Trust. The Manager may resign and be discharged from all further duties under the Underlying Fund Declaration of Trust upon 90 days' prior written notice to the manager of an Underlying Fund or upon such lesser notice as the manager of the Underlying Fund may accept. The manager of an Underlying Fund shall make every effort to select and appoint a successor trustee prior to the effective date of the Manager's resignation. If the manager of an Underlying Fund fails to appoint a successor trustee within 90 days after notice is given or a vacancy occurs, the manager of the applicable Underlying Fund shall call a meeting of unitholders within 60 days thereafter for the purpose of appointing a successor trustee. If there is no manager, the unitholders may call a meeting of unitholders of an

Underlying Fund 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 the applicable Underlying Fund have appointed a successor trustee, the Underlying Fund shall be terminated and the property of the Underlying Fund shall be distributed in accordance with the terms of the Underlying Fund Declaration of Trust.

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

As trustee of the Underlying Funds, the Manager will not receive any fees from the Underlying Funds but will be reimbursed for all expenses and liabilities that it properly incurs in carrying out such activities on behalf of the Underlying Funds.

Conflicts of Interest

The Manager, the Investment Manager and Auspice and their principals and affiliates (each an "**Underlying Fund Manager**") do not devote their time exclusively to the management of the Underlying Funds.

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

The Underlying Fund 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 Underlying Fund. The Underlying Fund Managers therefore will have conflicts of interest in allocating management time, services and functions to the Underlying Fund and the other persons for which they provide similar services.

The Underlying Fund Managers may trade and make investments for their own accounts, and such persons currently trade and manage, and will continue to trade and manage, accounts other than the Underlying Fund'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 Underlying Fund. In addition, in proprietary trading and investment, the Underlying Fund Managers may take positions the same as, different than or opposite to those of the Underlying Fund. As a result, the Underlying Fund may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the Underlying Fund 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" at page 36.

The ETFs have obtained exemptive relief that permits the ETFs to invest in Exchange Traded Products that issue Commodity Participation Units including Exchange Traded Products managed by affiliates of the Manager and advised by the Investment Manager.

The Underlying Fund Managers may at times have interests that differ from the interests of the unitholders of the Underlying Funds.

Accounting and Reporting

Each Underlying Fund's fiscal year is the calendar year or such other fiscal period permitted under the Tax Act as the Manager, as trustee of an Underlying Fund, elects. As trustee of the Underlying Funds, the Manager ensures that each Underlying Fund complies with all applicable reporting and administrative requirements. In such capacity, the Manager keeps adequate books and records reflecting the activities of the Underlying Funds. A unitholder of an Underlying Fund or his or her duly authorized representative has the right to examine the books and records of such Underlying Fund during normal business hours at the offices of the Manager. Notwithstanding the foregoing, a unitholder of an Underlying Fund shall not have access to any information which, in the opinion of the Manager, should be kept confidential in the interest of an Underlying Fund.

CALCULATION OF NET ASSET VALUE

The net asset value per unit of an ETF will be computed 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. The net asset value per Unit of an ETF may be determined at an earlier Valuation Time if the TSX and/or the principal exchange for the securities held by the ETF closes earlier on that Valuation Day.

Valuation Policies and Procedures of the ETFs

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

1. The value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends to be received and interest accrued and not yet received, will be deemed to be the face amount thereof, unless the Manager determines that any such deposit, call loan, bill, note or account receivable is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as the Manager determines, on such basis and in such manner as may be approved by the board of directors of the Manager to be the reasonable value thereof.

2. The value of any security, commodity or interest therein which is listed or dealt in upon a stock exchange will be determined by:

   (a) in the case of securities which were traded on that Valuation Day, the price of such securities as determined at the applicable Valuation Time; and

   (b) in the case of securities not traded on that Valuation Day, a price estimated to be the true value thereof by the Manager on such basis and in such manner as may be approved of by the board of directors of the Manager, such price being between the closing asked and bid prices for the securities or interest therein as reported by any report in common use or authorized as official by a stock exchange.

3. Long positions in clearing corporation options, options on futures, over-the-counter options, debt-like securities and listed warrants will be valued at the current market value thereof. Where a covered clearing corporation option, option on futures or over-the-counter option is written, the premium received shall be reflected as a deferred credit which shall be valued at an amount equal to the current market value of the clearing corporation option, option on futures or over-the-counter option that would have the effect of closing the position. Any difference resulting from any revaluation shall be treated as an unrealized gain or loss on investment. The deferred credit shall be deducted in arriving at the net asset value of such instrument. The securities, if any, which are the subject of a written clearing corporation option or over-

the-counter option shall be valued at the current market value. The fair value of a futures contract, swap or forward contract is the gain or loss with respect thereto that would be realized if, on that Valuation Day, the position in the futures contract, swap or forward contract, as the case may be, were to be closed out unless, in the case of a futures contract or forward contract, “daily limits” are in effect, in which case fair value shall be based on the current market value of the underlying interest. Margin paid or deposited in respect of futures contracts and forward contracts are reflected as an account receivable and margin consisting of assets other than cash is noted as held as margin.

4. In the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Manager, where applicable, in accordance with the principles described in paragraph 2(b) above, except that the Manager may use, for the purpose of determining the sale price or the asked and bid price of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable, in such manner as may be approved of by the board of directors of the Manager.

5. The liabilities of an ETF will include:

   - all bills, notes and accounts payable of which the ETF is an obligor;
   - all brokerage expenses of the ETF;
   - all Management Fees of the ETF;
   - all contractual obligations of the ETF for the payment of money or property, including the amount of any unpaid distribution credited to Unitholders of the ETF on or before that Valuation Day;
   - all allowances of the ETF authorized or approved by the Manager for taxes (if any) or contingencies; and
   - all other liabilities of the ETF of whatsoever kind and nature.

6. Each transaction of purchase or sale of a portfolio asset effected by an ETF shall be reflected by no later than the next time that the net asset value of the ETF and the net asset value per Unit of the ETF is calculated.

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

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

For the purposes of financial statement reporting, an ETF is required to calculate net asset value in accordance with GAAP. On April 1, 2005, the Chartered Professional Accountants of Canada (“**CPCA**”) issued Section 3855, Financial Instruments – Recognition and Measurement ("**Section 3855**") of the CPCA Handbook – Accounting, which establishes standards for the fair valuation of investments as well as the accounting treatment of transaction costs. The adoption of Section 3855 results in the use of different valuation techniques for certain investments.

Securities Regulatory Authorities had previously granted relief to investment funds from the requirement to comply with Section 3855, for the purposes of calculating and reporting of net asset value used for investor transactions. Effective September 8, 2008, amendments to NI 81-106 came into force to address the implications of Section 3855. The amendments permit investment funds to have two different net asset values: (i) one for financial statements, which will be prepared in accordance with GAAP including Section 3855 (referred to as "net assets"); and (ii) another for all other purposes, including unit pricing for investor transactions (referred to as "net asset value").

In accordance with the relief granted by the Securities Regulatory Authorities, disclosure of differences between net assets and net asset value of an investment fund is required for financial reporting purposes. For investments that are traded in an active market where quoted prices are readily and regularly available, Section 3855 requires bid prices (for investments held) and ask prices (for investments sold) to be used in the fair valuation of investments, rather than the use of closing sale prices currently used for the purpose of determining net asset value used for investor transactions. For investments that are not traded in an active market, Section 3855 requires the use of specific valuation techniques rather than the use of valuation techniques by virtue of general practice in the investment funds industry to determine fair value.

Transition to International Financial Reporting Standards

On February 13, 2008, the Accounting Standards Board ("**AcSB**") confirmed that publicly accountable enterprises would be required to adopt International Financial Reporting Standards ("**IFRS**"), as published by the International Accounting Standards Board ("**IASB**"), on January 1, 2011, replacing Canadian generally accepted accounting principles as included in Part V of the CPCA handbook. However, the AcSB deferred the mandatory IFRS changeover date for Canadian investment funds, such as the ETFs, to January 1, 2014.

Consequently, each ETF will publish its first annual financial statements in accordance with IFRS for the year ending December 31, 2014, with comparatives for the year ending December 31, 2013, and prepare an opening IFRS statement of net assets at January 1, 2013. Each ETF will also be publishing unaudited interim statements in accordance with IFRS for the 6 month period ending June 30, 2014.

The Manager has not identified any changes that will impact an ETF's net asset value per security as a result of the changeover to IFRS. However, this determination is subject to change as the Manager finalizes its assessment of the impact of IFRS, and the impact of new standards issued by the IASB prior to the ETFs' adoption of IFRS. The criteria contained within *IAS 32 Financial Instruments: Presentation* may require securityholders' equity to be classified as a liability within an ETF's Statement of Net Assets, unless certain conditions are met. The Manager is currently assessing the securityholder structure of the ETFs to confirm the appropriate classification in accordance with IFRS.

IFRS is also expected to affect the overall presentation of financial statements, such as the inclusion of a Statement of Cash Flows in the financial statements. Overall, enhanced disclosure requirements are expected.

In May 2011, the IASB issued IFRS 13 Fair Value Measurement ("**IFRS 13**") which defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. It applies when other IFRS policies require or permit fair value measurement. If an asset or a liability measured at fair value has a bid price and an ask price, it requires valuation to be based on a price within the bid-ask spread that is most representative of fair value. It allows the use of mid-market pricing or other pricing conventions that are used by market participants as a practical expedient for fair value measurements within a bid-ask spread. This may result in eliminating the difference between the net asset value per security and net assets per security resulting from the adoption of Section 3855 under current GAAP. IFRS 13 specifies prospective application for annual periods beginning on or after January 1, 2013.

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.

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 E Units and Advisor Class 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 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 with respect to all payments made to Unitholders of the ETF, other than Management Fee Distributions, whether by way of income or capital 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 "Redemption of Units" at page 46.

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 "Redemption of Units" at page 46.

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 "Redemption of Units" at page 46.

Conversion of Units

Unitholders may convert Advisor Class Units for Class E Units of the same ETF or may convert Class E Units for Advisor Class Units of the same ETF, in either case on a monthly basis. See "Redemption of Units - Conversion of Advisor Class Units" at page 46.

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 the Trust Declaration. See "Unitholder Matters – Amendments to the Trust Declaration" at page 73.

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 the 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; or

(viii) 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;

(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 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 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 net assets, a statement of operations, a statement of changes in net assets, a statement of cashflows (unless it is not required by GAAP) and a statement of investment portfolio.

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 financial year of the ETFs. 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.

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

Units of the ETFs are currently listed on the TSX.

BROKERAGE ARRANGEMENTS

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

RELATIONSHIP BETWEEN THE ETFS AND DEALERS

The Manager, on behalf of an ETF, may enter into various Dealer Agreements with registered dealers (that may or may not be the Designated Broker) pursuant to which the Dealers may subscribe for Units of the ETF as described under "Purchases of Units". Such registered dealers may be related to the Manager. See "Organization and Management Details of the ETFs - Conflicts of Interest" at page 61.

A Dealer Agreement may be terminated by the registered dealer at any time by notice to AlphaPro, 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 AlphaPro.

NBF, which holds an indirect minority interest in the Manager, acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). Accordingly, the ETFs may be considered to be connected issuers of NBF under applicable securities laws. NBF's potential role as a Designated Broker and/or 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 ETFs - Conflicts of Interest" at page 61.

PRINCIPAL HOLDERS OF UNITS OF THE ETFS

To the knowledge of the Manager, as of January 31, 2014 no person owns of record or beneficially, more than 10% of any class of the outstanding Units of an ETF, other than Bank of Montreal which beneficially holds: (i) 56,520, or 20.2%, of the Advisor Class Units of Horizons HMF; (ii) 361,242, or 88.3%, of the Class E Units of Horizons HBR; and (iii) 99,600, or 99.6%, of the Advisor Class Units of Horizons HBR.

PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD

The Manager is responsible for appropriately exercising all rights and privileges in respect of securities held by the ETFs. Each ETF has adopted the Manager's proxy voting policy (the "**Proxy Voting Policy**") which sets out the guidelines and procedures to determine whether and how to vote on any matter for which an ETF receives proxy materials. Issuers' proxies most frequently contain proposals to elect corporate directors, to appoint external auditors and set their compensation, to adopt or amend management compensation plans, and to amend the capitalization of the company. The Proxy Voting Policy is intended to provide for the exercise of such voting rights in accordance with the best interests of the applicable ETF.

The Proxy Voting Policy

Pursuant to the Proxy Voting Policy, the Manager will generally cause an ETF to vote on these matters as follows:

(a) **Board Of Directors** – The Manager supports establishing a majority of independent directors and independent committee chairs. Boards are required to act in the best interests of all shareholders. This can be achieved by ensuring that the majority of directors are independent. The Manager will not normally vote against a slate of directors because they are not independent.

(b) **Contested Director Elections –** In the case of contested board elections, the nominees' qualifications and the performance of the incumbent board will be evaluated, as well as the rationale behind the dissidents' campaign, to determine the outcome that will maximize shareholder value.

(c) **Classified Boards** – Proposals to declassify existing boards (whether proposed by management or shareholders) will generally be supported, and efforts by companies to adopt classified board structures, in which only part of the board is elected each year, will be resisted.

(d) **Director/Officer Indemnification –** Proposals to indemnify directors and officers will generally be supported to ensure the companies can recruit the most qualified individuals. Individuals may be reluctant to serve as a director or officer if they were to be personally liable for all lawsuits and legal costs.

(e) **Director Ownership** – Proposals that will require independent directors to hold a minimum amount of company stock as individuals will generally be opposed. Such a requirement raises questions about directors' independence, and qualified candidates may be reluctant to accept directorships in the face of such a requirement.

(f) **Director Qualifications –** The Manager supports establishing minimum standards for directors and disclosing the directors' qualifications to shareholders. In addition, the Manager supports boards that consist of experienced individuals with the appropriate business and professional credentials. Elected directors should have general business acumen and company specific knowledge, and should make informed and independent judgments.

(g) **Independent Advisors –** The Manager supports empowering boards, board committees and individual directors to retain (at the subject company's expense) outside legal counsel and other advisors to assist them with their responsibilities.

(h) **Separation of Chair and Chief Executive Officer** – The Manager supports, where possible, separating the chair and chief executive officer roles. The board chair should be an independent executive director.

(i) **Approval of Independent Auditors** – The relationship between a company and its auditors should be limited primarily to the audit, although it may include certain closely related activities that do not, in the aggregate, raise any appearance of impaired independence. Management's recommendation for the ratification of the auditors, except in instances where audit and audit-related fees make up less than 50% of the total fees paid by the company to the audit firm, will generally be supported.

(j) **Executive Compensation** – The Manager supports establishing an independent compensation committee to ensure that executive compensation is competitive and fair.

(k) **Stock-Based Compensation Plans –** An independent compensation committee should have significant latitude to deliver varied compensation to motivate the company's employees. However, all compensation proposals will be evaluated in the context of several factors (a company's industry, market capitalization, competitors for talent, etc.) to determine whether a particular plan or proposal balances the perspectives of employees and the company's other shareholders.

(l) **Bonus Plans** – Bonus plans, which must be periodically submitted for shareholder approval, should have clearly defined performance criteria and maximum awards expressed in dollars. Bonus plans with awards that are excessive in both absolute terms and relative to a comparative group generally will not be supported.

(m) **Employee Stock Purchase Plans** – The use of employee stock purchase plans to increase company stock ownership by employees will generally be supported provided that shares purchased under the plan are acquired for no less than 85% of their market value and that shares reserved under the plan comprise less than 5% of the outstanding shares.

(n) **Executive Severance Agreements –** While executives' incentives for continued employment should be more significant than severance benefits, there are instances, particularly in the event of a change in control, in which severance arrangements may be appropriate. The Manager will generally, without submission to shareholders, cause an ETF to vote in favour of approving severance benefits triggered by a change in control that do not exceed three times an executive's salary and bonus.

(o) **Shareholder Rights Plans –** In evaluating the approval of proposed shareholder rights plans, the following factors will be considered: the length of the plan; whether the plan requires shareholder approval for renewal; whether the plan incorporates review by a committee of independent directors at least every three years; whether the plan includes permitted bid/qualified offer features that mandate a shareholder vote in certain situations; whether the ownership trigger is reasonable; and the level of independence of the board that is proposing such plan.

(p) **Crown Jewel Defence –** The sale of assets to "friendly" companies in an effort to frustrate a takeover will generally be opposed as this action could impair shareholder value.

(q) **Cumulative Voting** – Cumulative voting will generally be opposed on the basis that it allows shareholders a voice in director elections that is disproportionate to their economic investment in the corporation.

(r) **Supermajority Vote Requirements** – Shareholders' ability to approve or reject matters presented for a vote based on a simple majority will be supported. Accordingly, proposals to remove supermajority requirements will be supported, and proposals to impose them will be opposed.

(s) **Right to Call Meetings and Act by Written Consent** – Shareholders' rights to call special meetings of the board (for good cause and with ample representation) and to act by written consent will generally be supported. Proposals to grant these rights to shareholders will be supported, and proposals to abridge these rights will be opposed.

(t) **Confidential Voting** – The integrity of the voting process is enhanced substantially when shareholders (both institutions and individuals) can vote without fear of coercion or retribution based on their votes. As such, proposals to provide confidential voting will be supported.

(u) **Dual Classes of Stock –** Dual-class capitalization structures that provide disparate voting rights to different groups of shareholders with similar economic investments are objectionable. As such, the creation of separate classes with different voting rights will be opposed, and the dissolution of such classes will be supported.

(v) **Corporate and Social Policy Issues –** Proposals in this category, initiated primarily by shareholders, typically request that the corporation disclose or amend certain business practices. These are "ordinary business matters" that are primarily the responsibility of management and should be evaluated and approved solely by the corporation's board of directors. The ETFs will typically abstain from voting on these proposals absent a compelling economic impact on shareholder value (e.g., proposals to require expensing of stock options).

(w) **Increase in Authorized Shares –** The Manager supports only issuing additional common shares for good business reasons.

Other issues, including those business issues specific to the issuer or those raised by shareholders of the issuer, are addressed on a case-by-case basis with a focus on the potential impact of the vote on shareholder value.

The ETFs may limit their voting on foreign holdings in instances where the issues presented are unlikely to have a material impact on shareholder value, since the costs of voting (e.g. custodian fees, vote agency fees) in foreign markets may be substantially higher than for Canadian holdings.

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.

An ETF's proxy voting record for the annual period from July 1 to June 30 will be available free of charge to any investor of the ETF upon request at any time after August 31 following the end of that annual period. An ETF's proxy voting record will also be available on our Internet site at www.HorizonsETFs.com.

MATERIAL CONTRACTS

The only contracts material to the ETFs 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" on page 60, "Attributes of the Securities – Modification of Terms" on page 71, and "Unitholder Matters – Amendments to the Trust Declaration" on page 73;

(b) **Investment Management Agreement**. For additional disclosure related to the Investment Management Agreement, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETFs – Details of the Investment Management Agreement" on page 58;

(c) **Sub-Advisory Agreement**. For additional disclosure related to the Sub-Advisory Agreement, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETFs – Details of the Sub-Advisory Agreement" on page 59;

(d) **Custodian Agreement**. For additional disclosure related to the Custodian Agreement, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETFs – Custodian" on page 62;

(e) **Forward Documents.** For additional disclosure related to the Forward Documents see "Investment Strategies" at page 19 and "Investment Strategies – Forward Documents" at page 27;

(f) **Designated Broker Agreement**. For additional disclosure related to the Designated Broker Agreement, see "Organization and Management Details of the ETFs – Designated Broker" on page 60.

Copies of these agreements may be examined at the head office of the Manager of the ETF, 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2, during normal business hours.

LEGAL AND ADMINISTRATIVE PROCEEDINGS

The ETFs are not involved in any legal proceedings, nor is the Manager aware of existing or pending legal or arbitration proceedings involving the ETFs.

EXPERTS

Fasken Martineau DuMoulin LLP, legal counsel to the ETFs, has provided a legal opinion on the principal Canadian federal income tax considerations that apply to an investment in Units of the ETFs by an individual resident in Canada. See "Income Tax Considerations" on page 50.

KPMG LLP, the auditors of the ETF, has consented to the use of their reports each dated March 13, 2013 to the Unitholders of Horizons HMF. KPMG LLP have confirmed that they are independent with respect to the ETFs within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of Ontario.

EXEMPTIONS AND APPROVALS

The ETFs are entitled to rely on exemptive relief from the 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 provided the Unitholder, and any person acting jointly or in concert with such Unitholder, undertakes to the Manager not to vote more than 20% of the Units at any meeting of Unitholders. See "Purchases of Units – Buying and Selling Units" at page 45;

(b) 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. As a condition of such relief, the Manager has prepared and made available a summary document in respect of each class of Units of each ETF. The Designated Broker and certain Dealers have also obtained exemptive relief to permit the Designated Broker and such Dealers to send or deliver to purchasers of a class of Units of an ETF the summary document of that class of Units of the ETF instead of the prospectus of the ETF;

(c) relieve an ETF from the dealer registration requirement provided that the Manager complies with Part 15 of NI 81-102;

(d) permit the ETF to lend up to 100% of its investment portfolio to qualified borrowers;

(e) relieve an ETF from the restrictions relating to redemptions of "seed capital" invested by a commodity pool; and

(f) permit an ETF to lend securities with a lending agent that is not the Custodian.

The ETFs have obtained exemptive relief to allow each ETF to gain exposure to its Underlying Portfolio by means of a forward purchase and sale agreement in order to achieve its investment objective and to permit the ETFs to invest in Exchange Traded Products that issue Commodity Participation Units including Exchange Traded Products managed by affiliates of the Manager and advised by the Investment Manager.

Additionally the Manager has applied for exemptive relief from the Securities Regulatory Authorities to relieve the ETFs and any applicable underlying fund from the requirement limiting the deposit of portfolio assets of an ETF or its underlying fund as margin with any dealer to ten percent of the net assets of the ETF or underlying fund, as applicable.

OTHER MATERIAL FACTS

Management of the ETFs

AlphaPro may, at any time and without seeking Unitholder approval, assign the Trust Declaration to an affiliate.

Disclaimers

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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 mutual fund securities offered in a distribution within two (2) business days after receipt of a prospectus and any amendment. In addition, securities legislation in certain of the provinces of Canada provides purchasers of mutual fund securities with a limited right to rescind the purchase within 48 hours after receipt of a confirmation of such purchase. If the purchase of mutual fund securities is made under a contractual plan, the time period during which the right to rescind is exercisable may be longer. In most of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or damages, or, in Québec, revision of the price, if the prospectus and any amendment is not delivered to the purchaser, provided that the remedies for rescission, damages or revision of the price are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory.

Notwithstanding the foregoing, purchasers of Units of an ETF will not have the right to withdraw from an agreement to purchase the Units after the receipt of a prospectus and any amendment, and will not have remedies for rescission, damages or revision of the price for non-delivery of the prospectus or any amendment, if the dealer receiving the purchase order has obtained an exemption from the prospectus delivery requirement under a decision pursuant to National Policy 11-203 *Process for Exemptive Relief Applications in Multiple Jurisdictions* ("**NP 11-203"**). However, purchasers of Units of an ETF will, in the applicable provinces of Canada, retain their right under securities legislation to rescind their purchase within 48 hours (or, if purchasing under a contractual plan, such longer time period as applicable) after the receipt of a confirmation of purchase.

In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or damages if the prospectus, together with any amendment to the prospectus, contains a misrepresentation, provided that such remedies are exercised by the purchaser within the time limits prescribed by the securities legislation of the purchaser's province or territory. Any remedies under securities legislation that a purchaser of Units may have for rescission or damages, if the prospectus and any amendment to the prospectus contains a misrepresentation, remain unaffected by the non-delivery of the prospectus pursuant to reliance by a dealer upon the decision referred to above.

However, the Manager has obtained exemptive relief from the requirement in securities legislation to include an underwriter's certificate in the prospectus under a decision pursuant to NP 11-203. As such, purchasers of Units of an ETF will not be able to rely on the inclusion of an underwriter's certificate in the prospectus or any amendment for the statutory rights and remedies that would otherwise have been available against an underwriter that would have been required to sign an underwriter's certificate.

Purchasers should refer to the applicable provisions of the securities legislation and the decisions referred to above for the particulars of their rights or consult with a legal advisor.

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 summary documents of that ETF.

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. These documents and other information about the ETFs are also available on the Internet at www.sedar.com.

In addition to the documents listed above, any documents of the type described above that are filed on behalf of the ETFs after the date of this prospectus and before the termination of the distribution of the ETFs are deemed to be incorporated by reference into this prospectus.

HORIZONS AUSPICE MANAGED FUTURES INDEX ETF
HORIZONS AUSPICE BROAD COMMODITY INDEX ETF
(THE "ETFs")
CERTIFICATE OF THE ETFS, THE MANAGER AND PROMOTER

Dated: February 13, 2014

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.

ALPHAPRO MANAGEMENT INC.,
AS TRUSTEE, MANAGER AND PROMOTER OF THE ETF

"Adam Felesky"	*"Robert Shea"*
Adam Felesky	Robert Shea
Chief Executive Officer	Chief Financial Officer

ON BEHALF OF THE BOARD OF DIRECTORS
OF ALPHAPRO MANAGEMENT INC.

"Taeyong Lee"	*"Howard Atkinson"*
Taeyong Lee	Howard Atkinson
Director	Director