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 August 27, 2013

Horizons S&P/TSX 60™ Index ETF ("Horizons HXT")
Horizons S&P 500® Index ETF[1] ("Horizons HXS")
(together, the "Existing ETFs")

Initial Public Offering August 27, 2013

Horizons S&P/TSX Capped Energy Index ETF ("Horizons HXE")
Horizons S&P/TSX Capped Financials Index ETF ("Horizons HXF")
(together with the "Existing ETFs", the "ETFs" and individually, an "ETF")

The Horizons ETFs are exchange traded mutual funds and consist in total of 72 open-end mutual fund trusts established under the laws of Ontario, four of which are offered pursuant to this prospectus. Class A units of each ETF are being offered for sale on a continuous basis in Canadian dollars by this prospectus ("**Cdn Units**"). Class A units of each Existing ETF are also being offered in U.S. dollars by this prospectus ("**US$ Units**", and together with the Cdn Units, the "**Units**"). Neither the US$ Units nor the Cdn Units use a currency hedge. There is no minimum number of Units of an ETF that may be issued. The Units of each ETF are offered for sale at a price equal to the net asset value of such Units in the applicable currency next determined following the receipt of a subscription order. Subscriptions for US$ Units of each Existing ETF can be made in either U.S. or Canadian dollars.

Cdn Units and US$ Units of each Existing ETF are currently listed and traded on the Toronto Stock Exchange (the "**TSX**").

The TSX has conditionally approved the listing of Units of Horizons HXE and Horizons HXF under the TSX ticker symbols HXE and HXF, respectively. Listings will be subject to Horizons HXE and Horizons HXF fulfilling all of the listing requirements of the TSX.

The manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. ("**Horizons**", the "**Manager**" or the "**Trustee**"). The Manager has retained Horizons Investment Management Inc. ("**Horizons Investment**" or the "**Investment Manager**") to act as investment manager of the ETFs. See "Organization and Management Details of the ETFs" at page 28.

Investment Objectives

Each ETF seeks to replicate, to the extent possible, the performance of its Underlying Index (as defined below), as more specifically described below.

Horizons HXT

Horizons HXT seeks to replicate, to the extent possible, the performance of the S&P/TSX 60™ Index (Total Return), net of expenses.

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[1] Formerly known as Horizons S&P 500® Index (C$ Hedged) ETF

Horizons HXS

Horizons HXS seeks to replicate, to the extent possible, the performance of the S&P 500® Index (Total Return), net of expenses.

Horizons HXE

Horizons HXE seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Energy Index (Total Return), net of expenses.

Horizons HXF

Horizons HXF seeks replicate, to the extent possible, the performance of the S&P/TSX Capped Financials Index (Total Return), net of expenses.

See "Investment Objectives" at page 5. Also see "Investment Strategies" at page 6.

Each of the ETFs will comply with all requirements of National Instrument 81-102 *Mutual Funds* ("**NI 81-102**"), Units of each ETF are or will be index participation units within the meaning of NI 81-102. Accordingly, mutual funds may purchase Units of the ETFs without regard to the control, concentration or "fund of funds" restrictions of NI 81-102.

The ETFs are subject to certain investment restrictions. See "Investment Restrictions" at page 11.

Investors can buy or sell, or will be able to buy or sell, Units of each 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 and/or selling Units of an ETF.

The Manager, on behalf of each ETF, has entered into or will enter into agreements with registered dealers (each, a "**Designated Broker**" or "**Dealer**"), which amongst other things, enables or will enable such Dealers and Designated Brokers to purchase and redeem Units directly from an ETF. Holders of Units of an ETF (the "**Unitholders**") may dispose of their Units in three ways: (i) by selling their Units on the TSX at the full market price, less any customary brokerage commissions and expenses; (ii) by redeeming or exchanging a prescribed number of Units (a "**PNU**") for cash; or (iii) by redeeming Units for cash at a redemption price of 95% of the closing price for the applicable Units in the appropriate currency on the TSX on the effective day of redemption. Holders of US$ Units of an Existing ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. 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 Unitholder redeems a PNU. See "Purchases of Units" at page 19 and "Redemption of Units" at page 21.

No Designated Broker, Dealer and/or Counterparty (as hereinafter defined) has been involved in the preparation of this prospectus nor has any Designated Broker, Dealer and/or Counterparty performed any review of the contents of this prospectus and the Securities Regulatory Authorities (as hereafter defined) 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 and/or Bank 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 an ETF, see "Risk Factors" at page 13.

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 Units of an ETF are listed on a "designated stock exchange" within the meaning of the Tax Act, then 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 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 51.

You can get a copy of these documents at your request, and at no cost, by calling the Manager at 416-933-5745 or toll-free at 1-866-641-5739, or from your dealer. These documents are also 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 and financial data and statements contained elsewhere in this prospectus or incorporated by reference in the prospectus. Capitalized terms not defined in this summary are defined in the Glossary.

The ETFs

The Horizons ETFs are exchange traded mutual funds and consist in total of 72 open-end mutual fund trusts established under the laws of Ontario, of which only Horizons HXT, Horizons HXS, Horizons HXE and Horizons HXF are offered pursuant to this prospectus. See "Overview of the Legal Structure of the ETFs" at page 5.

Investment Objectives

Each ETF seeks to replicate, to the extent possible, the performance of its Underlying Index, as more specifically described below.

<u>Horizons HXT</u>

Horizons HXT seeks to replicate, to the extent possible, the performance of the S&P/TSX 60™ Index (Total Return), net of expenses.

<u>Horizons HXS</u>

Horizons HXS seeks to replicate, to the extent possible, the performance of the S&P 500® Index (Total Return), net of expenses.

<u>Horizons HXE</u>

Horizons HXE seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Energy Index (Total Return), net of expenses.

<u>Horizons HXF</u>

Horizons HXF seeks replicate, to the extent possible, the performance of the S&P/TSX Capped Financials Index (Total Return), net of expenses.

See "Investment Objectives" at page 5 and "Other Material Facts – Index Information" at page 47.

Investment Strategies

In order to achieve their investment objectives and obtain direct or indirect exposure to securities of their Underlying Index's constituent issuers, the ETFs may use equity securities and derivatives, including swap agreements provided that the use of such derivative instruments is in compliance with NI 81-102 and is consistent with the investment objective of that ETF.

Each of the ETFs have entered into or will enter into a Swap with the Counterparty pursuant to which the ETFs each gain exposure to its Underlying Index. Each Swap is a total return swap (which expression shall include a price return swap that results in the receipt of a total return) under which the ETFs will pay the Counterparty a floating amount based on prevailing short-term market interest rates and an equity amount based upon any negative return of the applicable Underlying Index and, in return, the Counterparty will pay the ETFs an equity amount based upon any positive return of the applicable Underlying Index. The ETFs also each intend to invest the net proceeds of Unit subscriptions in cash and short-term debt obligations to earn prevailing short-term market interest rates.

Each of the ETFs may also invest in and hold the securities of Constituent Issuers in substantially the same proportion as they are reflected in the applicable Underlying Index, or an ETF may invest in and hold index participation units of exchange traded funds that are based on the applicable Underlying Index. The ETFs will remain fully invested in or exposed to the markets at all times. The ETFs may also invest in futures contracts and forward agreements in order to provide exposure for other cash held by the ETFs and may also hold money market instruments, securities of money market funds or cash to meet their current obligations. See "Investment Strategies" at page 6.

Under a Swap, the daily marked-to-market value of the exposure of an ETF to any one Counterparty will, generally, not exceed 10% of the net asset value of that ETF and will, at all times, be in accordance with NI 81-102. An ETF may replace the Counterparty at any time or engage additional Counterparties at any time. The daily marked-to-market value of a Swap is or will be based upon the daily performance of the applicable Underlying Index.

See "Investment Strategies" at page 6.

The ETFs are subject to certain investment restrictions. See "Investment Restrictions" at page 11.

Offering

Units of each ETF are offered for sale on a continuous basis by this prospectus, and there is no minimum number of Units of an ETF that may be issued. Units of an ETF are offered for sale at a price equal to the net asset value of the Units of the ETF in the applicable currency next determined following the receipt of a subscription order. Cdn Units of the ETFs are or will be denominated and trade in Canadian dollars, and US$ Units of the Existing ETFs are denominated and trade in U.S. dollars. The underlying exposure of Cdn Units and US$ Units of an Existing ETF are the same. No currency hedging is or will be used with respect to US$ Units of an Existing ETF or Cdn Units of an ETF. Subscriptions for US$ Units of an Existing ETF can be made in either U.S. or Canadian dollars. See "Plan of Distribution" at page 43.

Cdn Units and US$ Units of each Existing ETF are currently listed and trading on the TSX.

The TSX has conditionally approved the listing of Units of Horizons HXE and Horizons HXF under the TSX ticker symbols HXE and HXF, respectively. Listings will be subject to Horizons HXE and Horizons HXF fulfilling all of the listing requirements of the TSX.

Investors are or will be able to purchase or sell Units of each ETF on the TSX through a registered broker or dealer in the province or territory where the investor resides. Accordingly, investors may trade Units of an ETF in the applicable currency in the same way as other securities listed on the TSX, including by using market orders and limit orders. Investors will incur customary brokerage commissions when buying or selling Units in the applicable currency on the TSX. Dealers may purchase a PNU from an ETF in the applicable currency at the net asset value per Unit of such ETF.

See "Attributes of the Securities" at page 38.

Special Considerations for Purchasers

Units of each ETF are or will be index participation units within the meaning of NI 81-102. Accordingly, mutual funds may purchase Units of an ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102.

The provisions of the so-called “early warning” requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of an ETF. In addition, the ETFs have obtained exemptive relief from the Securities Regulatory Authorities to permit a Unitholder to acquire more than 20% of the Units of an ETF through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation, provided 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 such ETF at any meeting of Unitholders of the ETF.

Units of each of the ETFs are “mark-to-market property” for purposes of the “mark-to-market” rules in the Tax Act. These rules require taxpayers that are financial institutions within the meaning of the rules to recognize annually, on income account, any accrued gains and losses on securities that are “marked-to-market property”.

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 “Purchases of Units – Buying and Selling Units of an ETF” at page 20, “Attributes of the Securities - Description of the Securities Distributed” at page 38; and “Exemptions and Approvals” at page 47.

Conflicts of Interest

The ETFs are subject to certain conflicts of interest. The Manager and the Investment Manager are affiliated and Units of an ETF may be sold by dealers that are related to the Manager. See “Organization and Management Details of the ETFs - Conflicts of Interest” at page 33 and see “Relationship between the ETFs and Dealers” on page 43.

Distribution Policy

The ETFs will not make regular income or dividend distributions, and an ETF will, only when necessary, distribute income or dividends in the form of a distribution reinvested into Units of the ETF at the end of a calendar year. Such reinvested Units will then be consolidated so that the number of Units held by an investor after such a distribution will be equal to the number of Units they held the moment before the distribution.

As long as a Swap is used as the sole investment strategy of the ETFs, the Manager anticipates that, prior to termination of the Swap, an ETF should only realize income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager intends, on behalf of the ETF, to allocate for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Unitholder does not redeem their Units while the applicable ETF uses a Swap as its sole investment strategy, the Unitholder is not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

	On an annual basis, an ETF will ensure that the net income and net realized capital gains of the ETF have been distributed to Unitholders of the ETF to such an extent that the ETF will not be liable for ordinary income tax thereon. To the extent that an ETF has not distributed the full amount of its net income or net capital gains in cash in any year, the difference between such amount and the amount actually distributed by the ETF in cash will be paid as a "reinvested distribution". Reinvested distributions will be reinvested automatically in additional Units of an ETF in the applicable currency at a price equal to the net asset value per Unit of the ETF and the Units of the ETF will be immediately consolidated such that the number of outstanding Units of the ETF following the distribution will equal the number of Units of the ETF outstanding prior to the distribution. See "Distribution Policy" at page 18; and "Tax Implications of the Fund's Distribution Policy" on page 28.
Purchase Options	All orders to purchase Units directly from an ETF must be placed by Designated Brokers or Dealers in the applicable currency. Subscriptions for US$ Units of an Existing ETF can be made in either U.S. or Canadian dollars. Each ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or Dealer. No fees will be payable by an ETF to a Designated Broker or Dealer in connection with the issuance of Units of such ETF. On any Trading Day, a Designated Broker or Dealer may place a subscription order for the PNU or multiple PNU of an ETF. See "Purchases of Units" at page 19.
Redemptions of Units	Unitholders of the ETFs may redeem a PNU (or an integral multiple thereof) on any Trading Day for cash equal to the net asset value of that number of Units in the applicable currency. Unitholders of an ETF may also redeem Units of the ETF for cash at a redemption price per Unit equal to 95% of the closing price for the applicable Units in the appropriate currency on the TSX on the effective day of the redemption. Holders of US$ Units of an ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. Unitholders of an ETF will generally be able to sell (rather than redeem) Units of the ETF at the full market price on the TSX through a registered broker or dealer subject only to customary brokerage commissions. Therefore, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash. No fees or expenses are paid by a Unitholder of an ETF to Horizons or the respective ETF in connection with selling Units of the ETF on the TSX. Each ETF will also offer additional redemption options which are available where a Dealer, Designated Broker or Unitholder redeems a PNU. See "Redemption of Units" at page 21.
Termination	The ETFs do not have a fixed termination date but an ETF may be terminated by Horizons on not less than 60 days' notice to Unitholders of the ETF. See "Termination of the ETFs" at page 42.
Eligibility for Investment	Provided that Units of an ETF are listed on a "designated stock exchange" or an ETF qualifies, effective from the date of its establishment, as a "mutual fund trust" under the Tax Act, then Units of such ETF will be qualified investments under the Tax Act for Registered Plans. See "Income Tax Considerations – Status of the ETFs" at page 24.

Non-Resident Unitholders	At no time does the Manager expect or believe that the property of either ETF will consist of certain types of property specified in the Tax Act (the "**Specified Property**") that would impact the ability of (i) non-residents of Canada or (ii) partnerships that are not Canadian partnerships to beneficially own units of an ETF. If the Manager expects that more than 10% of an ETF's property will be Specified Property, such ETF and the Manager may inform the Registrar and Transfer Agent of the ETF of the restriction on who may be a beneficial owner of a majority of its Units. If the Manager believes that more than 10% of an ETF's property is Specified Property and if the Manager determines that more than 40% of the Units of such ETF are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships requiring them to sell their Units of such ETF or a portion thereof within a specified period of not less than 30 days. Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of an ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of an ETF as a mutual fund trust for purposes of the Tax Act. See "Unitholder Matters – Non-Resident Unitholders" at page 41.
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 51.

Risk Factors

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

- general risks of investments;
- general risks of investing in an index fund and passive investment risk;
- risks relating to index replication strategies;
- calculation of Index Levels and termination of an Underlying Index;
- purpose of the Underlying Indexes;
- derivative investments;
- risk that Units will trade at prices other than net asset value per Unit;
- issuer concentration risk;
- sector risk
- currency price fluctuations;
- substantial sales of the U.S. dollar (Horizons HXS only);
- foreign exchange rate risk;
- foreign exchange risk (Horizons HXS only);
- counterparty risk;
- index adjustments;
- liquidity risk;
- borrowing risk;
- tax related risks**;**
- risks relating to tax changes;
- regulatory risk;
- cease trading of securities risk;
- general risks of equity investments;
- voting of Index Securities;
- income trust investments risks; and
- securities lending.

See "Risk Factors" at page 13.

Organization and Management of the ETFs

The Manager and Trustee	Horizons, a corporation existing under the laws of Canada, is the manager and trustee of each ETF. The Manager is or will be responsible for providing or arranging for the provision of administrative services required by the ETFs. The principal office of Horizons is 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2. Horizons was incorporated under the laws of Canada and was primarily organized for the purpose of managing investment products, including the ETFs. Horizons and its subsidiaries are an innovative financial services organization distributing the Horizons family of leveraged, inverse leveraged, inverse, index and actively managed exchange traded funds. Horizons is a subsidiary of Mirae Asset Global Investments Co., Ltd. ("**Mirae Asset**"). Mirae Asset is the Korea-based asset management entity of Mirae Asset Financial Group, one of the world's largest investment managers in emerging market equities. See "Organization and Management Details of the ETFs – Manager of the ETFs" on page 28.
Investment Manager	Horizons Investment, a corporation incorporated under the laws of Ontario, is the investment manager of the ETFs. Investment advisory and portfolio management services are provided to the ETFs by the Investment Manager. The Investment Manager has been appointed investment manager of the ETFs. The Investment Manager and Manager are affiliates. The principal office of the Investment Manager is at 26 Wellington Street East, Suite 608, Toronto, Ontario M5E 1S2. See "Organization and Management Details of the ETFs – Investment Manager" on page 31.
Custodian	CIBC Mellon Trust is the custodian of the ETFs and is independent of the Manager. CIBC Mellon Trust will provide custodial services to the ETFs and is located in Toronto, Ontario. Pursuant to the Sub-Custodian Agreements, CIBC Mellon Trust, with the consent of Horizons on behalf of the ETFs, has appointed RBC Investor Services and NBCN as sub-custodians of the ETFs. The sub-custodians are also independent of the Manager and are both located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Custodian" on page 35.
Valuation Agent	CIBC Mellon Global has been retained to provide accounting valuation services to the ETFs. CIBC Mellon Global is located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Valuation Agent" on page 36.
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 the auditors is located in Toronto, Ontario. See "Organization and Management Details of the ETFs – Auditors" on page 36.
Promoter	Horizons is also the promoter of the ETFs. Horizons took the initiative in founding and organizing the ETFs and is, accordingly, the promoter of the ETFs within the meaning of securities legislation of certain provinces and territories of Canada. See "Organization and Management Details of the ETFs – Promoter" on page 36.

Transfer Agent and Registrar	CIBC Mellon Trust has also been retained to act as the registrar and transfer agent for the ETFs pursuant to registrar and transfer agency agreements. CIBC Mellon Trust is located in Toronto, Ontario and is independent of the Manager. See "Organization and Management Details of the ETFs – Transfer Agent and Registrar" on page 36.

Summary of Fees and Expenses

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

Type of Charge	**Description**
Management Fees	Horizons HXT pays an annual management fee to the Manager equal to 0.07% of the net asset value of Horizons HXT, together with applicable Sales Tax. Effective October 1, 2012, the Manager implemented a rebate of 0.02% percent of the Management Fee payable by Horizons HXT to the Manager (the "**Rebate**"). The Rebate will remain in effect until at least September 30, 2013, and during the term of the Rebate, the effective Management Fee that Unitholders of Horizons HXT will pay will be reduced from 0.07% to 0.05% of the net asset value of Horizons HXT, together with applicable Sales Tax. The Manager may elect to extend the Rebate for another period beginning October 1, 2013. If the Manager elects to extend the Rebate, the Manager will announce such extension prior to October 1, 2013. Horizons HXS pays an annual Management Fee to the Manager equal to 0.15% of the net asset value of Horizons HXS, together with applicable Sales Tax. Horizons HXE will pay an annual Management Fee to the Manager equal to 0.35% of the net asset value of Horizons HXE, together with applicable Sales Tax. Horizons HXF will pay an annual Management Fee to the Manager equal to 0.35% of the net asset value of Horizons HXF, together with applicable Sales Tax. The Management Fees are, or will be, calculated and accrued daily and payable monthly in arrears. *Management Fee Distributions* The Manager may, at its discretion, agree to charge a reduced fee as compared to the fee it would otherwise be entitled to receive from an ETF with respect to large investments in the ETF by Unitholders. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of the ETF under administration and the expected amount of account activity. In such cases, an amount equal to the difference between the fee otherwise chargeable and the reduced fee will be distributed to the applicable Unitholders as Management Fee Distributions. See "Fees and Expenses" at page 11.

Operating Expenses	The Trust Declaration requires that the Manager pay all the expenses of the ETFs other than the Management Fee, any Sales Taxes on the applicable Management Fee or any Swap fees as may be applicable. As a result the ETFs do not have, or will not have, any operating expenses other than Management Fees and any Swap fees as may be applicable. See "Fees and Expenses" at page 11.
Expenses of the Issue	All expenses related to the issuance of Units the ETFs shall be borne by the Manager. See "Fees and Expenses" at page 11.
Swap Fees	Under the current Swap for Horizons HXT, the ETF will not make any fee payments to the Counterparty in respect of the value of the Swap. Under the current Swap for Horizons HXS, the ETF will pay to the Counterparty, monthly in arrears, an amount equal to no more than 0.30% per annum of the notional value of the Swap. The Manager currently anticipates that under the Swaps for Horizons HXE and Horizons HXF, such ETFs will not make any fee payments to the Counterparty in respect of the value of the applicable Swap. A Swap may be amended or replaced at any time and the expenses incurred by an ETF in respect of a Swap may increase or decrease according to its terms.

Annual Returns, Management Expense Ratios and Trading Expense Ratios

The following chart provides the annual returns, management expense ratio[1] and trading expense ratio[2] for each Existing ETF for the period from the date of inception to December 31, 2010, and for each later year shown below. The management expense ratios and trading expense ratios provided below were calculated on an annualized basis as at December 31 of each year shown below. As Horizons HXE and Horizons HXF are newly established, information relating to annual returns, management expense ratio and trading expense ratio is not yet available.

Horizons HXT[3]	**2012**	**2011**	**2010**
Annual Returns (%)	7.99%	-9.12%	9.32%
Management Expense Ratio[1] (%)	0.07%	0.08%	0.08%
Trading Expense Ratio[2] (%)	0.00%	0.00%	0.00%

Horizons HXS[4]	**2012**	**2011**	**2010**
Annual Returns (%)	15.97%	0.89%	6.72%
Management Expense Ratio[1] (%)	0.17%	0.17%	0.16%
Trading Expense Ratio[2] (%)	0.28%	0.31%	0.11%

1 "management expense ratio" 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, and after waivers and absorptions.

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

3 The date of inception of this ETF was September 14, 2010.

4 The date of inception of this ETF was November 30, 2010.

GLOSSARY

The following terms have the following meaning:

"**Acceptable Counterparty**" means a Canadian chartered bank that has an Approved Credit Rating, or an affiliate of a Canadian chartered bank whose obligations are guaranteed by a Canadian chartered bank that has an Approved Credit Rating;

"**AlphaPro**" means AlphaPro Management Inc.;

"**Approved Credit Rating**" has the meaning ascribed to that term in NI 81-102;

"**Canadian securities legislation**" means the securities laws in force in each province and territory of Canada, all regulations, rules, orders and policies made thereunder and all multilateral and national instruments adopted by the Securities Regulatory Authorities in such jurisdictions;

"**Cash Subscription**" means a subscription order for Units of an ETF that is paid in full in the applicable currency;

"**Cdn Units**" means Class A units of an ETF that are or will be denominated in Canadian dollars;

"**CDS**" means CDS Clearing and Depository Services Inc.;

"**CDS Participant**" means a participant in CDS that holds security entitlements in Units of an ETF on behalf of beneficial owners of those Units;

"**CIBC Mellon Global**" means CIBC Mellon Global Securities Services Company;

"**CIBC Mellon Trust**" means CIBC Mellon Trust Company;

"**Committee**" means the S&P/TSX™ Index Policy Committee;

"**Constituent Issuers**" means the issuers that from time to time are included in an Underlying Index as selected by the Index Provider;

"**Counterparty**" means NBC and any other Acceptable Counterparty with which an ETF will enter into a Swap;

"**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 amended and restated master custodial services agreement dated August 31, 2010, as last amended on August 27, 2013 between the Manager, in its capacity as manager of the ETFs, CIBC Mellon Trust, The Bank of New York Mellon, Canadian Imperial Bank of Commerce and CIBC Mellon Global;

"**Dealer**" means a registered dealer (that may or may not be a Designated Broker) that has entered into a Dealer Agreement with the Manager, on behalf of the ETFs, pursuant to which the Dealer may subscribe for Units of an ETF as described under "Purchases of Units" at page 19;

"**Dealer Agreement**" means an agreement between the Manager, on behalf of the ETFs, and a Dealer;

"**Designated Broker**" means a registered dealer that has entered into a Designated Broker Agreement pursuant to which the Designated Broker agrees to perform certain duties in relation to the ETFs;

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

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

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

“**ETFs**” means, collectively, Horizons HXT, Horizons HXS, Horizons HXE and Horizons HXF; and “**ETF**” means any one of them;

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

“**Horizons**” means Horizons ETFs Management (Canada) Inc., the manager, trustee and promoter of the ETFs;

“**Horizons Investment**” means Horizons Investment Management Inc., the investment manager of the ETFs;

“**Horizons HXE**” means Horizons S&P/TSX Capped Energy Index ETF;

“**Horizons HXF**” means Horizons S&P/TSX Capped Financials Index ETF;

“**Horizons HXS**” means Horizons S&P 500® Index ETF;

“**Horizons HXT**” means Horizons S&P/TSX 60™ Index ETF;

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

“**Index Level**” means the level of an Underlying Index as calculated by the Index Provider from time to time;

“**Index Provider**” means the third party provider of the Underlying Indexes, with which, or with an affiliate of which, Horizons has entered into licensing arrangements to use such Underlying Indexes and certain trademarks in connection with the operation of the ETFs;

“**Index Securities**” means, with respect to an ETF, the securities of: (i) the Constituent Issuers included in its Underlying Index; or (ii) the exchange traded funds that issue index participation units and that are based on its Underlying Index;

“**Investment Management Agreement**” means the investment management agreement made January 3, 2007, as last amended August 27, 2013, among the ETFs, the Manager and the Investment Manager;

“**Investment Manager**” means Horizons Investment Management 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;

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

“**Management Fee Distribution**” is as described under “Fees and Expenses” on page 11 and 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 of an ETF who hold large investments in that ETF;

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

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

"**NBC**" means National Bank of Canada, a Canadian chartered bank with which each ETF has initially entered into a Swap;

"**NBCN**" means NBCN Inc., a Sub-Custodian of the ETFs;

"**NBCN Sub-Custodian Agreement**" means the sub-custodial services agreements made between the Manager, in its capacity as manager of the ETFs, the Custodian, CIBC Mellon Global, and NBCN;

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

"**net asset value**" means the net asset value of an ETF as calculated on each Valuation Day for such ETF in accordance with the Trust Declaration and will be quoted in both Canadian and U.S. dollars, as applicable, and "**NAV**" shall have the same meaning;

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

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

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

"**RBC Investor Services**" means RBC Investor Services Trust, a Sub-Custodian of the ETFs;

"**RBC Investor Services Sub-Custodian Agreement**" means the amended and restated sub-custodial services agreements made between the Manager, in its capacity as manager of the ETFs, the Custodian, CIBC Mellon Global, and RBC Investor Services;

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

"**Registered Plans**" means trusts governed by RDSPs, RESPs, RRIFs, RRSPs, DPSPs and TFSAs;

"**Registrar and Transfer Agent**" means CIBC Mellon Trust;

"**Relative Weight**" means in respect of an Underlying Index, the quoted market value of an individual Constituent Issuer or a potential Constituent Issuer of such Underlying Index, as applicable, divided by the aggregate quoted market value of that Underlying Index;

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

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

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

"**S&P**" means Standard & Poor's Financial Services LLC; the Index Provider of the Underlying Indexes;

"**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;

“**Securities Subscription**” means a subscription order for Units an ETF in the applicable currency that is paid in full with a combination of securities and cash;

“**Sub-Custodian Agreements**” means, together, the RBC Investor Services Sub-Custodian Agreement and the NBCN Sub-Custodian Agreement, and “**Sub-Custodian Agreement**” means any one of them;

“**Sub-Custodians**” means, together, RBC Investor Services and NBCN, each in their capacities as sub-custodians of Horizons the ETFs pursuant to the applicable Sub-Custodian Agreement, and “**Sub-Custodian**” means either one of them;

“**Swap**” means a total return swap (which expression shall include a price return swap that results in the receipt of a total return) between an Acceptable Counterparty and an ETF, as applicable, pursuant to which such ETF will gain exposure to its Underlying Index;

“**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;

“**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 held by the ETFs is open for trading; and (iii) an Index Provider calculates and publishes data relating to the applicable Underlying Index;

“**Trust Declaration**” means the amended and restated master declaration of trust for the ETFs made as of August 31, 2010, as last amended on August 27, 2013 by the Trustee;

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

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

“**Underlying Index**” means the S&P/TSX 60™ Index (Total Return) in respect of Horizons HXT; the S&P 500® Index (Total Return) in respect of Horizons HXS; the S&P/TSX Capped Energy Index (Total Return) in respect of Horizons HXE; and the S&P/TSX Capped Financials Index (Total Return) in respect of Horizons HXF, and “**Underlying Indexes**” means more than one of them. Also see “Overview of the Sectors that the ETFs Invest In” at page 10 and “Other Material Facts – Index Information” at page 47;

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

“**Units**” means Cdn Units of an ETF and US$ Units of an Existing ETFs, as applicable, and “**Unit**” means one of them;

“**US$ Units**” means Class A units of an Existing ETF that are denominated in U.S. dollars;

“**Valuation Agent**” means CIBC Mellon Global, who the Manager has retained to provide accounting and valuation services in respect of these ETFs;

“**Valuation Day**” for the ETFs means a day upon which a session of the TSX is held; and

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

OVERVIEW OF THE LEGAL STRUCTURE OF THE ETFs

The Horizons ETFs are exchange traded mutual funds and consist in total of 72 open-end mutual fund trusts established under the laws of Ontario, four of which of which are offered pursuant to this prospectus. The manager and trustee of the ETFs is Horizons ETFs Management (Canada) Inc. (“**Horizons**”, the “**Manager**” or the “**Trustee**”). The Manager has retained Horizons Investment Management Inc. (the “**Investment Manager**”) to act as investment manager of the ETFs.

The ETFs that are offered pursuant to this prospectus are:

Name of ETF	Abbreviated Name	Currency	Ticker Symbol
Horizons S&P/TSX 60™ Index ETF	Horizons HXT	Canadian dollar	HXT
		U.S. dollar	HXT.U
Horizons S&P 500® Index ETF	Horizons HXS	Canadian dollar	HXS
		U.S. dollar	HXS.U
Horizons S&P/TSX Capped Energy Index ETF	Horizons HXE	Canadian dollar	HXE
Horizons S&P/TSX Capped Financials Index ETF	Horizons HXF	Canadian dollar	HXF

The ETFs were created pursuant to the Trust Declaration. The manager and trustee of the ETFs is Horizons. The head office of the Manager and the ETFs is 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2. While each ETF will be 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.

Cdn Units and US$ Units of the Existing ETFs are currently listed and trading on the TSX.

The TSX has conditionally approved the listing of Units of Horizons HXE and Horizons HXF under the TSX ticker symbols HXE and HXF, respectively. Listings will be subject to Horizons HXE and Horizons HXF fulfilling all of the listing requirements of the TSX.

INVESTMENT OBJECTIVES

Each ETF seeks to replicate, to the extent possible, the performance of its Underlying Index, as more specifically described 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 39 for additional descriptions of the process for calling a meeting of Unitholders and requirements of Unitholder approval.

Horizons HXT

Horizons HXT seeks to replicate, to the extent possible, the performance of the S&P/TSX 60™ Index (Total Return), net of expenses.

Horizons HXS

Horizons HXS seeks to replicate, to the extent possible, the performance of the S&P 500® Index (Total Return), net of expenses.

Horizons HXE

Horizons HXE seeks to replicate, to the extent possible, the performance of the S&P/TSX Capped Energy Index (Total Return), net of expenses.

Horizons HXF

Horizons HXF seeks replicate, to the extent possible, the performance of the S&P/TSX Capped Financials Index (Total Return), net of expenses.

INVESTMENT STRATEGIES

Overview of the Investment Structure

In order to achieve its investment objective and obtain direct or indirect exposure to securities of its Underlying Index's Constituent Issuers, the ETFs will follow the investment strategies as set out below.

As each ETF is seeking to replicate the performance of an Underlying Index, the Investment Manager does not invest the assets of the ETFs on a discretionary basis or select securities based on the Investment Manager's view of the investment merit of a particular security or company, nor does it conduct conventional stock research or analysis, or forecast stock market movement or trends in managing the assets of the ETF.

The ETFs may use equity securities and derivatives, including swap agreements provided that the use of such derivative instruments are in compliance with NI 81-102 and are consistent with the investment objective of these ETFs. The underlying exposure of Cdn Units and US$ Units of an Existing ETF is the same. No currency hedging is or will be used with respect to US$ Units of an Existing ETF or Cdn Units of an ETF.

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. Each Swap (as described below) is a type of derivative instrument.

Each of the ETFs have entered or will enter into a Swap with the Counterparty pursuant to which each gains exposure to the performance of its Underlying Index and invests the net proceeds of Unit subscriptions in cash and short-term debt obligations to earn prevailing short-term market interest rates. In respect of the Swap each has entered into, the ETFs may replace the Counterparty or engage additional Counterparties at any time. The reference assets of a Swap are a notional number of units the value of which is based on the value of the applicable Underlying Index. Horizons HXS will invest the net proceeds of Unit subscriptions in cash in U.S. dollars.

An ETF may also invest in and hold the securities of the issuers contained in its Underlying Index in substantially the same proportion as they are reflected in the Underlying Index or an ETF may invest in and hold index participation units of exchange traded funds that are based on its Underlying Index. The ETFs will remain fully invested in or exposed to the markets at all times. The ETFs may also invest in futures contracts and forward agreements in order to provide market exposure for other cash held by the ETFs and may also hold money market instruments, securities of money market funds or cash to meet its current obligations.

As collateral for its obligations under the applicable Swap, each of the ETFs pledges its cash and short-term debt obligations to the Counterparty. The daily marked-to-market value of a Swap is based upon the performance of the applicable Underlying Index.

Each ETF is subject to the terms and conditions of the applicable Swap, entitled to increase or decrease the notional exposure of the Swap 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 each may determine.

If the Investment Manager believes it is appropriate in view of an ETF's investment objective, either ETF may hold a representative sample of the components in its Underlying Index. The sampling process typically involves selecting a representative sample of securities in the Underlying Index, principally to enhance liquidity and reduce transaction costs while seeking to maintain a high correlation with, and similar aggregate characteristics (e.g., market capitalization and industry weightings) to, the Underlying Index. In addition, each ETF may obtain exposure to components not included in its Underlying Index, invest in securities that are not included in its Underlying Index or may overweight or underweight certain components contained in such Underlying Index.

The Swap Agreements

The ETFs have each entered into or will enter into a Swap with the Counterparty to gain exposure to an Underlying Index. Each Swap is a total return swap under which the applicable ETF will pay the Counterparty a floating amount based upon prevailing short-term market interest rates computed upon an agreed notional amount and an equity amount based upon any decline in value of a notional investment in a notional number of units the value of each of which will equal the value of the applicable Underlying Index (the "**reference assets**"). In return, the Counterparty will pay the applicable ETF an equity amount based upon any increase in value of the reference assets. The total return will be comprised of notional income which would be earned on a notional investment in the reference assets (which, by virtue of the operation of the Swap, will be notionally reinvested in further reference assets) plus any notional appreciation in the value of the reference assets or, as the case may be, minus any reduction in the value of the reference assets. Each of the ETFs also currently invests the net proceeds of Unit subscriptions in cash and short-term debt obligations to earn short-term market interest rates. Currently, the terms of each Swap, other than the Swap in respect of Horizons HXS, require the ETFs to pledge their cash in Canadian dollars and short-term debt obligations to the Counterparty to secure the payment of their payment obligations under the applicable Swap. The income earned on the cash in Canadian dollars and short-term debt obligations is expected to continue to be sufficient to fund the required floating payments by the applicable ETF (other than Horizons HXS) under the current Swaps.

Currently, the terms of the Swap in respect of Horizons HXS require Horizons HXS to pledge its cash in U.S. dollars and short-term debt obligations to the Counterparty to secure the payment of the Horizons HXS's payment obligations under the Swap. The income earned on the cash in U.S. dollars and short-term debt obligations is expected to continue to be sufficient to fund the required floating payments by Horizons HXS under the Swap.

Under the current Swap for Horizons HXT, the ETF will not make any fee payments to the Counterparty in respect of the value of the Swap. Under the current Swap for Horizons HXS, the ETF will pay to the Counterparty, monthly in arrears, an amount equal to no more than 0.30% per annum of the notional value of the Swap. A Swap may be amended or replaced at any time and the expenses incurred by the applicable ETF in respect of a Swap may increase or decrease according to its terms.

The Manager currently anticipates that under the Swaps for Horizons HXE and Horizons HXF, such ETFs will not make any fee payments to the Counterparty in respect of the value of the applicable Swap.

Each Swap has a term of less than one (1) year and, provided no default or event of default and no unresolved hedging event or disruption event has occurred and is continuing, each ETF has the ability to terminate its exposure under a Swap, in whole or in part, at any time. Events of default and/or termination events under a Swap include, among others: (i) a failure by a party to make a payment or perform an obligation when due under the Swap which is not cured within any applicable grace period; (ii) fundamental changes are made to the applicable ETF or the ETF's material contracts which have a material adverse effect on a party to the Swap; (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 Swap; (vii) any proposed change in law that prohibits or renders the transactions under the Swap 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 Swap, the Trustee, the applicable ETF or the Unitholders of the ETF; (ix) failure of the ETF to comply with its governing documents; (x) the inability of the Counterparty to the Swap to hedge its exposure to the securities subject to the Swap or an increase in the cost of such hedging that the ETF is unwilling to assume; (xi) the Counterparty or its guarantor ceases to have an Approved Credit Rating, 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 an ETF under a Swap are determined by reference to the performance of the reference assets, the value of each of which will equal the value of the applicable Underlying Index. The Counterparty may hedge its exposure under a Swap to Index Securities. There is no assurance that the Counterparty will maintain a hedge or will do so with respect to the full amount or term of a Swap.

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 the ETFs. The ETFs are not sponsored, endorsed, sold or promoted by any Counterparty. No Counterparty makes any representation or warranty, express or implied, to the holders of the units of the ETFs regarding the advisability of investing in the ETF or the ability of the applicable ETF to track its Underlying Index. No Counterparty has any obligation to take the needs of the ETF or holder of Units into consideration.

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

Each of the ETFs has or will enter into a Swap for the purpose of achieving its investment objective. If a Swap is terminated, the applicable ETF may either pursue the same or other alternative investment strategies with an Acceptable Counterparty, or make direct investments in Index Securities. There is no assurance that either ETF will be able to replace its Swap if the Swap is terminated.

In addition to assisting in the pursuit of the investment objectives of the ETFs, total return swap agreements may be entered into as a substitute for investing directly in securities or to hedge a position. In general, total return swap 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 "total return swap" transaction, two parties agree to exchange the returns (or differentials in rates of return) earned or realized or lost 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" invested in a "notional investment". For example, the return on or increase or decrease in the value of a particular dollar amount invested in a "basket" of securities.

Swap agreements to be entered into by an ETF will generally calculate and settle the obligations of the parties to the agreement on a "net basis" with a single payment. Consequently, an ETF's obligations (or rights) under a Swap which generally will only be equal to the net amount to be paid or received under the agreement based on the relative values of such obligations (or rights).

Direct Investment in the Index Securities

Each of the ETFs may, as an alternative to a Swap, invest directly in Index Securities. Securities of applicable Constituent Issuers may be held by an ETF in substantially the same proportion based on Relative Weight as such securities are reflected in the Underlying Index of such ETF. See "Overview of the Sectors that the ETFs Invest In" at page 10.

An ETF may invest in futures contracts and forward agreements in order to provide market exposure for cash held by that ETF and may also hold money market instruments, securities of money market funds or cash to meet its current obligations.

Additional Investment Strategies the ETFs

Each ETF may also employ a "stratified sampling" strategy. Under this stratified sampling strategy, an ETF may not hold all of the securities that are included in its Underlying Index, but instead will hold a portfolio of securities that closely matches the aggregate investment characteristics of the securities included in such Underlying Index.

Investment in Reverse Repurchase Transactions

Each ETF may enter into reverse repurchase transactions. The Manager has adopted policies and practice guidelines applicable to an ETF to manage the risks associated with investments in reverse repurchase transactions. Such policies and practice guidelines require that:

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

All reverse repurchase transactions must be completed within 30 days.

Securities Lending

An ETF may lend securities to brokers, dealers and other financial institutions and other borrowers desiring to borrow securities provided that such securities lending qualifies as a "securities lending arrangement" for the purposes of the Tax Act. Securities lending will allow an ETF to earn additional income to offset its costs and help ensure the investment results of the ETF more closely correspond to its Underlying Index. All additional income earned by an ETF through securities lending will accrue to the ETF. The ETFs have received exemptive relief from the limitations in NI 81-102 so that each ETF may lend 100% of its investment portfolio to qualified borrowers.

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

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

OVERVIEW OF THE SECTORS THAT THE ETFs INVEST IN

S&P/TSX 60™ Index (Total Return)

Horizons HXT uses the S&P/TSX 60™ Index (Total Return) as its Underlying Index. The S&P/TSX 60™ Index (Total Return) represents the total return of the large-cap market segment of the Canadian equity market.

The S&P/TSX 60™ Index (Total Return) is comprised of 60 of the largest (by market capitalization) and most liquid securities listed on the TSX, selected by S&P using its industrial classifications and guidelines for evaluating issuer capitalization, liquidity and fundamentals. The S&P/TSX 60™ Index (Total Return) is a market capitalization –weighted index of securities of the Constituent Issuers.

S&P 500® Index (Total Return)

Horizons HXS uses the S&P 500® Index (Total Return) as its Underlying Index. The S&P 500® Index (Total Return) represents the total return of the S&P 500®.

The S&P 500® includes 500 leading companies in leading industries of the U.S. economy. The market capitalization values of the companies that constitute the S&P 500® range from $2.0 billion to $401.7 billion.[1] The S&P 500® is also the U.S. component of the S&P Global 1200.

S&P/TSX Capped Energy Index (Total Return)

Horizons HXE uses the S&P/TSX Capped Energy Index (Total Return) as its Underlying Index. The S&P/TSX Capped Energy Index (Total Return) is comprised of constituent securities from the Canadian energy sector selected from a pool of S&P/TSX composite stocks using Standard & Poor’s guidelines for evaluating company capitalization, liquidity and fundamentals. The relative weight of any single index constituent security is capped at 25%.

S&P/TSX Capped Financials Index (Total Return)

Horizons HXF uses the S&P/TSX Capped Financials Index (Total Return) as its Underlying Index. The S&P/TSX Capped Financials Index (Total Return) is comprised of constituent securities from the Canadian financials sector selected from a pool of S&P/TSX composite stocks using Standard & Poor’s guidelines for evaluating company capitalization, liquidity and fundamentals. The relative weight of any single index constituent security is capped at 25%.

Underlying Indexes

An Underlying Index may be adjusted by the Index Provider from time to time because of various events affecting Index Securities. These adjustments may require removing a Constituent Issuer from an Underlying Index and substituting a new Constituent Issuer while at the same time, if necessary, changing the number of Index Securities, thereby effectively increasing or decreasing the Relative Weight of the Constituent Issuer in this Underlying Index. These adjustments to an Underlying Index are expected to be made in such a way that the Index Levels will not be affected. If such events occur, the applicable ETF may implement these changes such that the direct or indirect exposure of such ETF to the Index Levels will match, as closely as possible, the Constituent Issuers in its Underlying Index with the overall goal of continuing to manage that ETF and meet its investment objective.

Use of the Underlying Indexes

The ETFs are permitted to use their Underlying Indexes provided by S&P and to use certain trademarks in connection with their operation. The ETFs do not accept responsibility for or guarantee the accuracy or completeness of the Underlying Indexes or any data included in the Underlying Indexes.

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[1] Source: S&P. Data as of June 28, 2013.

INVESTMENT RESTRICTIONS

The ETFs are subject to certain restrictions and practices contained in securities legislation, including NI 81-102 and NI 81-107. The ETFs are managed in accordance with these restrictions and practices, except as otherwise permitted by exemptions provided by Canadian Securities Regulatory Authorities or as permitted by NI 81-107. See "Exemptions and Approvals" at page 47. An ETF will not, at any time, hold more than 10% of its net assets in other mutual funds.

A change to the investment objective of an ETF would require the approval of Unitholders of that ETF. See "Unitholder Matters – Matters Requiring Unitholder Approval" at page 39.

No ETF will make an investment that would result in that ETF failing to qualify as a "unit trust" or "mutual fund trust" within the meaning of the Tax Act or become a "SIFT trust" within the meaning of the Tax Act.

FEES AND EXPENSES

Management Fees

Horizons HXT pays an annual management fee to the Manager equal to 0.07% of the net asset value of Horizons HXT, together with applicable Sales Tax. Effective October 1, 2012, the Manager implemented a rebate of 0.02% percent of the Management Fee payable by Horizons HXT to the Manager (the "**Rebate**"). The Rebate will remain in effect until at least September 30, 2013, and during the term of the Rebate, the effective Management Fee that Unitholders of Horizons HXT will pay will be reduced from 0.07% to 0.05% of the net asset value of Horizons HXT, together with applicable Sales Tax. The Manager may elect to extend the Rebate for another period beginning October 1, 2013. If the Manager elects to extend the Rebate, the Manager will announce such extension prior to October 1, 2013.

Horizons HXS pays an annual Management Fee to the Manager equal to 0.15% of the net asset value of Horizons HXS, together with applicable Sales Tax.

Horizons HXE will pay an annual Management Fee to the Manager equal to 0.35% of the net asset value of Horizons HXE, together with applicable Sales Tax.

Horizons HXF will pay an annual Management Fee to the Manager equal to 0.35% of the net asset value of Horizons HXF, together with applicable Sales Tax.

The Management Fees are, or will be, calculated and accrued daily and payable monthly in arrears.

Management Fee Distributions

To encourage very large investments in the ETFs and to ensure Management Fees are competitive for these investments, the Manager may at its discretion agree to charge a reduced fee as compared to the fee it otherwise would be entitled to receive from an ETF with respect to investments in such ETF by Unitholders that hold, on average during any period specified by the Manager from time to time (currently a quarter), Units of the ETF having a specified aggregate value. Such a reduction will be dependent upon a number of factors, including the amount invested, the total assets of such ETF under administration and the expected amount of account activity. An amount equal to the difference between the fee otherwise chargeable and the reduced fee of the ETF will be distributed quarterly in cash by the ETF to the Unitholders of that ETF as Management Fee Distributions.

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

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

Operating Expenses

The Trust Declaration requires that the Manager pay all the expenses of the ETFs other than the Management Fee, any Sales Taxes on the applicable Management Fee and any Swap fees as may be applicable. As a result the ETFs do not have, or will not have, any operating expenses other than Management Fees and any Swap fees as may be applicable.

Expenses of the Issue

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

Swap Fees

Under the current Swap for Horizons HXT, the ETF will not make any fee payments to the Counterparty in respect of the value of the Swap.

Under the current Swap for Horizons HXS, the ETF will pay to the Counterparty, monthly in arrears, an amount equal to no more than 0.30% per annum of the notional value of the Swap.

The Manager currently anticipates that under the Swaps for Horizons HXE and Horizons HXF, such ETFs will not make any fee payments to the Counterparty in respect of the value of the applicable Swap.

A Swap may be amended or replaced at any time and the expenses incurred by an ETF in respect of a Swap may increase or decrease according to its terms.

ANNUAL RETURNS, MANAGEMENT EXPENSE RATIOS AND TRADING EXPENSE RATIOS

The following chart provides the annual returns, management expense ratio[1] and trading expense ratio[2] for each Existing ETF for the period from the date of inception to December 31, 2010, and for each later year shown below. The management expense ratios and trading expense ratios provided below were calculated on an annualized basis as at December 31 of each year shown below. As Horizons HXE and Horizons HXF are newly established, information relating to annual returns, management expense ratio and trading expense ratio is not yet available.

Horizons HXT[3]	**2012**	**2011**	**2010**
Annual Returns (%)	7.99%	-9.12%	9.32%
Management Expense Ratio[1] (%)	0.07%	0.08%	0.08%
Trading Expense Ratio[2] (%)	0.00%	0.00%	0.00%

Horizons HXS[4]	**2012**	**2011**	**2010**
Annual Returns (%)	15.97%	0.89%	6.72%
Management Expense Ratio[1] (%)	0.17%	0.17%	0.16%
Trading Expense Ratio[2] (%)	0.28%	0.31%	0.11%

[1] "management expense ratio" 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, and after waivers and absorptions.

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

[3] The date of inception of this ETF was September 14, 2010.

[4] The date of inception of this ETF was November 30, 2010.

RISK FACTORS

There are certain risk factors inherent to an investment in an ETF. These risks relate to the following factors:

General Risks of Investments

An investment in an ETF should be made with an understanding that the value of the Index Securities for such ETF (whether held directly or indirectly) may fluctuate in accordance with changes in the financial condition of the Constituent Issuers of the applicable Underlying Index (particularly those that are more heavily weighted in such Underlying Index). The value may also fluctuate in accordance with the condition of equity, bond and currency markets generally and other factors. The identity and weighting of the applicable Constituent Issuers and Index Securities may also change from time to time.

The risks inherent in investments in equity and bond securities (whether held directly or indirectly) include the risk that the financial condition of Constituent Issuers may become impaired or that the general condition of the stock market may deteriorate (either of which may cause a decrease in the value of an Underlying Index and thus in the value of Units of a related ETF). Equity securities are susceptible to general stock market fluctuations and the financial condition of the issuer. These investor perceptions are based on various and unpredictable factors, including expectations regarding government, economic, monetary and fiscal policies; inflation and interest rates; economic expansion or contraction; and global or regional political, economic and banking crises.

General Risks of Investing in an Index Fund and Passive Investment Risk

Investments in an ETF should be made with an understanding that the Index Level of the applicable Underlying Index may fluctuate in accordance with the financial condition of the its Constituent Issuers (particularly those that are more heavily weighted), the value of the securities generally and other factors.

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

Risks Relating to Index Replication Strategies

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

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

Whenever an ETF makes direct investments in Index Securities, a deviation could also occur in the tracking of such ETF with its Underlying Index due to timing differences with respect to corporate actions (such as mergers and spin-offs), index adjustments, and other timing variances (for example, where the ETF tenders under a successful takeover bid for less than all applicable Index Securities where the applicable Constituent Issuer is not taken out of the Underlying Index and the ETF buys replacement Index Securities for more than the takeover bid proceeds). An ETF may not replicate exactly the composition of its Underlying Index, which may also lead to differences between the performance of such ETF and the performance of its Underlying Index.

Calculation of Index Level and Termination of an Underlying Index

An Underlying Index is maintained and calculated by the Index Provider. Trading in Units of an ETF may be suspended for a period of time if, for whatever reason, the calculation of an Index Level is delayed. In the event an Index Level ceases to be calculated or is discontinued, the Manager may choose to: terminate the applicable ETF; change the applicable ETF's investment objective or to seek to replicate an alternative index (subject, where applicable, to applicable Unitholder approval in accordance with the Trust Declaration); or make such other arrangements as the Manager considers appropriate and in the best interests of applicable Unitholders in the circumstances.

Purpose of the Underlying Indexes

The Underlying Indexes were not created for the purpose of the ETFs. The Index Provider has reserved the right to make adjustments to its Underlying Index or to cease calculating the Index Level without regard to the particular interests of the ETFs, Horizons, the Unitholders of the ETFs or Designated Brokers and Dealers, but rather solely with a view to the original purpose of such Underlying Index.

Derivative Investments

Currently, each ETF invests or will invest in derivatives to provide indirect exposure to the securities of its Underlying Index.

The ability of an ETF to close out its positions may also be affected by daily trading limits imposed by futures exchanges on certain derivatives. If an ETF is unable to close out a position, it will be unable to realize its profits or limit its losses until such time as the contract becomes exercisable, expires or matures, as the case may be. The inability to close out swap, futures and forward positions also could have an adverse impact on an ETF's ability to use derivative instruments to effectively implement its investment strategy.

There is no assurance that an ETF's use of derivatives will be effective. There may be an imperfect historical correlation between the behaviour of the derivative instrument and the underlying investment. Any historical correlation may not continue for the period during which the derivative instrument is used.

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

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

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

Issuer Concentration Risk

Each ETF may invest more of its net assets in one or more issuers than is permitted for actively managed mutual funds. This may increase the liquidity risk of an ETF which may, in turn, have an effect on such ETF's ability to satisfy redemption requests. This may also lower the diversification of the ETF and may make the general risk of equity investments, fixed income investments and the volatility of net asset value of the ETF relatively greater.

Sector Risk

As Horizons HXE and Horizons HXF are each invested in a certain economic sector, the values of these ETFs are expected to be more volatile than those of an investment fund with a more broadly diversified portfolio (such as Horizons HXS and Horizons HXT). This concentration of assets in a single sector also makes Horizons HXE and Horizons HXF subject to the risk that economic, political or other conditions that have a negative effect on that sector will negatively impact Horizons HXE and Horizons HXF to a greater extent than if the assets of these ETFs were invested in a wider variety of sectors.

The value of Units of Horizons HXE is expected to vary with changes in the price of energy and related commodities and/or changes in the prices of equity securities of companies in the energy sector. Energy prices and the prices of related commodities can change quickly. Because the energy industry is sensitive to changes in the global economy and because the economy is cyclical, the demand for energy industry products also moves in cycles which will affect the share price of issuers in this sector.

The profitability of financial sector issuers represented in Horizons HXF's Underlying Index depends, among other factors, on the availability and cost of capital funds, level of sector competition, fluctuation of asset values, and stability of interest rates. Losses resulting from bad loans can negatively impact financial sector issuers. Further, the comprehensive governmental regulation of the financial sector can affect financial sector issuer profitability.

Currency Price Fluctuations

Cdn Units of Horizons HXS are designed to seek to replicate in Canadian dollars the performance of its Underlying Index, net of expenses. An investor buying Cdn Units of Horizons HXS may therefore experience a gain or loss due to a fluctuation in the relative value between the U.S. dollar and the Canadian dollar on any given day. A Unitholder buying or selling Cdn Units of Horizons HXS on the TSX may also experience currency gains or losses due to differences in the exchange rates used in determining the NAV of Horizons HXS in Canadian dollars. No currency hedging is used with respect to Cdn Units of Horizons HXS.

An investor buying US$ Units of Horizons HXT may experience a foreign gain or loss due to a fluctuation in the relative value between the U.S. dollar and the Canadian dollar on any given day. A Unitholder buying or selling US$ Units of Horizons HXS on the TSX may also experience foreign currency gains or losses due to timing differences as the base currency of Horizons HXT is Canadian dollars. No currency hedging is used with respect to US$ Units of Horizons HXT.

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

Substantial Sales of the U.S. Dollar – Horizons HXS

The official sector of the U.S. consists of central banks, other governmental agencies and multi-lateral institutions that buy, sell and hold currency in the U.S., as part of its reserve assets. Each official sector holds a significant amount of U.S. dollars that can be mobilized in the open market. In the event that future economic, political or social conditions or pressures require members of the official sector to sell the U.S. dollars each holds simultaneously or in an uncoordinated manner, the demand for U.S. dollars might not be sufficient to accommodate the sudden increase in the supply of U.S. dollars to the market. Consequently, the price of U.S. dollars could decline, which would adversely affect an investment in Units of Horizons HXS.

Foreign Exchange Rate Risk

In general, foreign exchange rates are influenced by the factors identified immediately above and may also be influenced by: changing supply and demand for a particular currency; monetary policies of governments (including exchange control programs, restrictions on local exchanges or markets and limitations on foreign investment in a country or on investment by residents of a country in other countries); changes in balances of payments and trade; trade restrictions; and currency devaluation and revaluations. Also, governments from time to time intervene in the currency markets, directly and by regulation, in order to influence prices directly. These events and actions are unpredictable and could materially and adversely affect the performance of the Units.

Foreign Exchange Risk – Horizons HXS

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

Counterparty Risk

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

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

Index Adjustments

Adjustments to the Underlying Index of an ETF will require corresponding adjustments to the portfolio assets held by such ETF, directly or indirectly. Such adjustments could cause a minor deviation in the tracking of the Index Level by the ETF.

Adjustments to the portfolio held directly or indirectly by an ETF necessitated by adjustments to its Underlying Index will depend on the ability of the Investment Manager to match these adjustments. To achieve this, an ETF may be required to sell or purchase, as the case may be, applicable Index Securities in the market.

Liquidity Risk

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

Borrowing Risk

From time to time, an ETF may borrow cash as a temporary measure to fund the portion of any distributions payable to its Unitholders that represent amounts that have not yet been received by the ETF. An ETF is limited to borrowing up to the amount of the unpaid distribution and, in any event, not more than five percent of the net assets of such ETF. There is a risk that an ETF will not be able to repay the borrowed amount because it is unable to collect the distribution from the applicable issuer. Under these circumstances, an ETF would be required to repay the borrowed amount by disposing of portfolio assets.

Tax Related Risks

The ETFs will each recognize income under a Swap when it is realized by such ETF upon partial settlements or upon maturity of the Swap. This may result in significant gains being realized by the ETF at such times and such gains would be taxed as ordinary income. To the extent such income is not offset by any available deductions, it would be distributed to applicable Unitholders in the taxation year in which it is realized and included in such Unitholder's income for the year.

Risks Relating to Tax Changes

There can be no assurance that changes will not be made to the tax rules affecting the taxation of an ETF or an ETF's investments, or in the administration of such tax rules.

Regulatory Risk

Legal and regulatory changes may occur, including income tax laws relating to the treatment of mutual fund trusts under the Tax Act, that may adversely affect the ETFs and which could make it more difficult, if not impossible, for the ETFs to operate or to achieve their investment objectives. To the extent possible, the Manager will attempt to monitor such changes to determine the impact such changes may have on the ETFs and what can be done, if anything, to try to limit such impact.

For example, the ETFs are also 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 will 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 each ETF and its Unitholders.

Cease Trading of Securities Risk

Whenever an ETF makes direct investments in Index Securities, if the Index Securities are cease-traded by order of a securities regulatory authority or are halted from trading by the relevant exchanges, such ETF may halt trading in its Units. Thus, Units of an ETF bear the risk of cease trading orders against all Constituent Issuers of its Underlying Index, as well as exchange traded funds, the securities of which are Index Securities.

If Units 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 Units of such ETF, the ETF may suspend the right to redeem Units of the ETF for cash, subject to prior regulatory approval. If the right to redeem Units for cash is suspended, the ETF will return redemption requests to its Unitholders who have submitted them.

General Risks of Equity Investments

Holders of equity securities of any given issuer incur more risk than holders of debt obligations of such issuer because shareholders, as owners of such issuer, have generally inferior rights to receive payments from such issuer in comparison with the rights of creditors of, or holders of debt obligations issued by, such issuer. Further, unlike debt securities, which typically have a stated principal amount payable at maturity (whose value, however, will be subject to market fluctuations prior thereto), equity securities have neither a fixed principal amount nor a maturity.

In the case of an ETF, distributions on the Units of such ETF will generally depend upon the declaration of dividends or distributions on the applicable Index Securities. The declaration of such dividends or distributions generally depends upon various factors, including the financial condition of the applicable Constituent Issuers and general economic conditions. Therefore, there can be no assurance that the Constituent Issuers will pay dividends or distributions on Index Securities.

Voting of Index Securities Risk

Unitholders of the ETFs will not have any right to vote Index Securities held by the ETFs, while they would have the right to vote if they owned the Index Securities directly.

Income Trust Investments Risks

Income trust securities may be Constituent Issuers that are included in an Underlying Index. The value of income trusts and the stability of distributions from income trusts may fluctuate in accordance with changes in the financial conditions of those income trusts, the condition of equity markets generally, economic conditions, interest rates and other factors.

Generally, the declaration of trust or trust agreement under which an income trust is governed provides that no unitholder of such income trust shall be subject to any liability whatsoever to any person in connection with a holding of units. In addition, legislation in force in the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan and Quebec provides that the holders of units of an income trust that is (i) governed under the laws of such province and (ii) a reporting issuer under the securities laws of such province are not, as beneficiaries, liable for any act, default, obligation or liability of the income trust. However, there remains a risk that, if an ETF holds units in an income trust that is governed under the laws of a jurisdiction other than the Provinces of Ontario, Alberta, British Columbia, Manitoba, Saskatchewan or Quebec, such ETF could be held liable for the obligations of such income trust to the extent that claims are not satisfied out of the assets of the income trust. Generally, income trusts publicly disclose that the risk of such liability is remote and undertake to manage their affairs to seek to minimize such risk wherever possible.

Securities Lending

Each ETF may engage in securities lending. Although an ETF will receive collateral in excess of the value of the securities on loan in connection with all loans of securities, and such collateral is marked to market, an ETF would be exposed to the risk of loss should a borrower default on its obligation to return the borrowed securities and the collateral is insufficient to reconstitute the portfolio of loaned securities. In addition, an ETF will bear the risk of loss of any investment of cash collateral.

DISTRIBUTION POLICY

The ETFs will not make regular income or dividend distributions, and an ETF will, only when necessary, distribute income or dividends in the form of a distribution reinvested into Units of the ETF at the end of a calendar year. Such reinvested Units will then be consolidated so that the number of Units held by an investor after such a distribution will be equal to the number of Units they held the moment before the distribution.

As long as a Swap is used as the sole investment strategy by the ETFs, the Manager anticipates that, prior to termination of the Swap, an ETF should only realize income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager intends, on behalf of the ETF, to allocate for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Unitholder of an ETF does not redeem their Units while that ETF uses a Swap as its sole investment strategy, the Unitholder is not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

On an annual basis, each ETF will ensure that the net income and net realized capital gains of the ETF have been distributed to Unitholders of the ETF in the applicable currency to such an extent that the ETF will not be liable for ordinary income tax thereon. To the extent that an ETF has not distributed the full amount of its net income or net capital gains in cash in any year, the difference between such amount and the amount actually distributed by the ETF in cash will be paid as a "reinvested distribution". Reinvested distributions will be reinvested automatically in additional Units of the ETF in the applicable currency at a price equal to the net asset value per Unit of the ETF and the Units of the ETF will be immediately consolidated such that the number of outstanding Units of the ETF following the distribution will equal the number of Units of the ETF outstanding prior to the distribution.

PURCHASES OF UNITS

Issuance of Units of the ETFs

To Designated Brokers and Dealers

All orders to purchase Units directly from an ETF must be placed by Designated Brokers or Dealers in the applicable currency. Subscriptions for US$ Units of an Existing ETF can be made in either U.S. or Canadian dollars. Each ETF reserves the absolute right to reject any subscription order placed by a Designated Broker or Dealer. No fees will be payable by an ETF to a Designated Broker or Dealer in connection with the issuance of Units of such ETF.

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

If a Cash Subscription order or a Securities Subscription order is received by an ETF in the applicable currency by 12:00 p.m. (Toronto time) on a Trading Day, that ETF will issue to the Designated Broker or Dealer the number of Units of such ETF subscribed for generally by the second Trading Day after the date on which the subscription order is accepted. The number of Units issued will be based on the net asset value per Unit of the applicable ETF, in the applicable currency, on the Trading Day on which the subscription is accepted by the Manager, provided that payment for such Units has been received.

Notwithstanding the foregoing, an ETF will issue to the Designated Broker or Dealer the number of Units of the applicable ETF in the appropriate currency for which the Designated Broker or Dealer subscribed, by no later than the third Trading Day after the date on which the subscription order was accepted.

Unless the Manager shall otherwise agree or the Trust Declaration shall otherwise provide, and in accordance with exemptive relief obtained from applicable securities law requirements, as payment for a PNU of an ETF a Dealer or Designated Broker must deliver a Cash Subscription or a Securities Subscription, as applicable, in the appropriate currency in an amount sufficient so that the cash and/or securities delivered is equal to the net asset value of the PNU of the ETF in that currency next determined following the receipt of the subscription order. Subscriptions for US$ Units of an Existing ETF can be made in either U.S. or Canadian dollars. The value of a Securities Subscription accepted by the Manager will be determined as at the close of business on the date the applicable subscription order is accepted.

The Manager will publish the PNU for each ETF in each applicable currency 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 PNU of an ETF from time to time.

To Unitholders of an ETF as Reinvested Distributions

Units of an ETF will be issued to Unitholders of the ETF on the automatic reinvestment of all distributions in the applicable currency in accordance with the distribution policy of such ETF. See “Distribution Policy” at page 18.

Buying and Selling Units of an ETF

Cdn Units and US$ Units of each Existing ETF are currently listed and trading on the TSX.

The TSX has conditionally approved the listing of Units of Horizons HXE and Horizons HXF under the TSX ticker symbols HXE and HXF, respectively. Listings will be subject to Horizons HXE and Horizons HXF fulfilling all of the listing requirements of the TSX.

An investor may buy or sell such Units on the TSX in the applicable currency only through a registered broker or dealer in the province or territory where the investor resides. Investors will incur customary brokerage commissions when buying or selling such Units.

Non-Resident Unitholders

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units of an ETF (on either a number of Units or fair market value basis) at any time during which more than 10% of the property of such ETF consists of certain types of property specified in the Tax Act (the “**Specified Property**”). None of the initial properties of an ETF, including a Swap, should be considered Specified Property. If the Manager expects or believes that more than 10% of an ETF’s property may consist of Specified Property, the ETF and the Manager may inform the Registrar and Transfer Agent of such ETF of the restriction on who may be a beneficial owner of a majority of its Units.

If the Manager believes that more than 10% of an ETF’s property is Specified Property and if the Manager determines that more than 40% of the Units of such ETF (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units of such ETF in the applicable currency or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units of such ETF and their rights shall be limited to receiving the net proceeds of sale of such Units.

Notwithstanding the foregoing, the Manager may determine not to take any of the actions described above if the Manager has been advised by legal counsel that the failure to take any of such actions would not adversely impact the status of an ETF as a mutual fund trust for purposes of the Tax Act or, alternatively, may take such other action or actions as may be necessary to maintain the status of such ETF as a mutual fund trust for purposes of the Tax Act. See also “Unitholder Matters – Non-Resident Unitholders” at page 41.

Special Considerations for Unitholders

Units of each ETF are or will be index participation units within the meaning of NI 81-102. Accordingly, mutual funds may purchase Units of an ETF without regard to the control, concentration or “fund of funds” restrictions of NI 81-102.

The provisions of the so-called "early warning" requirements set out in Canadian securities legislation do not apply in connection with the acquisition of Units of the ETFs. In addition, the ETFs have obtained exemptive relief from the Securities Regulatory Authorities to permit a Unitholder of an ETF to acquire more than 20% of the Units of such 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 such ETF at any meeting of Unitholders of that ETF.

Units of each ETF are "mark-to-market property" for purposes of the "mark-to-market" rules in the Tax Act. These rules require taxpayers that are financial institutions within the meaning of the rules to recognize annually on income account any accrued gains and losses on securities that are "marked-to-market property".

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 adopted by Canadian Securities Regulatory Authorities that generally prohibit selling securities short unless the price is at or above the last sale price.

REDEMPTION OF UNITS

As described below under "Book-Entry Only System", registration of interests in, and transfers of, Units of an ETF in the applicable currency 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 in the applicable currency 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.

On any Trading Day, Unitholders may redeem: (i) Units for cash at a redemption price per Unit equal to 95% of the closing price for the applicable Units in the applicable currency on the TSX on the effective day of the redemption or (ii) a PNU or an integral multiple PNU for cash in the applicable currency equal to the net asset value of the PNU in such currency next determined following the receipt of the redemption request. Holders of US$ Units of an Existing ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. Because Unitholders will generally be able to sell (rather than redeem) Units at the applicable full market price in the applicable currency on the TSX through a registered broker or dealer subject only to customary brokerage commissions, unless they are redeeming a PNU, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming such Units for cash.

In order for a cash redemption in the applicable currency 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 an ETF at its head office by 12:00 p.m. (Toronto time) on that day. If a cash redemption request is not received by 12:00 p.m. (Toronto time) on a Trading Day, the cash redemption order will be effective only on the next Trading Day. Payment of the redemption price in the applicable currency will generally be made on 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.

All requests to redeem US$ Units of an Existing ETF into U.S. dollars will be converted at the end of the day on which the redemption request is effective into U.S. dollars using an exchange rate determined by the Manager for such time.

Unitholders that have delivered a redemption request prior to the Distribution Record Date for any distribution will not be entitled to receive that distribution.

Suspension of Redemptions

The Manager may suspend the redemption of Units of an ETF or payment of redemption proceeds of an ETF: (i) during any period when normal trading is suspended on a stock exchange or other market on which securities owned by such ETF are listed and traded, if these securities represent more than 50% by value or underlying market exposure of the total assets of the ETF, without allowance for liabilities, and if these securities are not traded on any other exchange that represents a reasonably practical alternative for such ETF; or (ii) with the prior permission of the Securities Regulatory Authorities where required, for any period not exceeding 30 days during which the Manager determines that conditions exist which render impractical the sale of assets of the ETF or which impair the ability of the Valuation Agent to determine the value of the assets of such ETF. The suspension may apply to all requests for redemptions received prior to the suspension but as to which payment has not been made, as well as to all requests received while the suspension is in effect. All Unitholders making such requests shall be advised by the Manager of the suspension and that the redemption in the applicable currency 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 ETF, any declaration of suspension made by the Manager shall be conclusive.

Allocations of Income and Capital Gains to Redeeming Unitholders

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

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 in the applicable currency 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 through which the owner holds such Units of the ETF. Upon buying Units of an ETF in the applicable currency, 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 the ETFs nor the Manager will have any liability for: (i) records maintained by CDS relating to the beneficial interests in Units of an 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.

Each ETF has the option to terminate registration of Units of such 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 an ETF that do not occur on the secondary market involve Designated Brokers and Dealers, who can only purchase or redeem Units in a PNU and on whom the Manager may impose a redemption fee.

PRIOR SALES

Trading Price and Volume

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

Horizons HXT

Month	Unit Price Range ($)	Volume of Units Traded
August 2012	9.75-10.28	1,986,622
September 2012	10.15-10.68	2,906,402
October 2012	10.37-10.66	4,767,442
November 2012	10.11-10.69	3,796,416
December 2012	10.43-10.74	5,768,989
January 2013	10.76-11.14	9,779,080
February 2013	10.95-11.14	9,937,462
March 2013	11.01-11.19	5,462,120
April 2013	10.39-11.04	9,533,109
May 2013	10.67-11.15	6,433,662
June 2013	10.39-10.97	8,337,252
July 2013	10.61-11.22	8,213,463

Horizons HXS

Month	Unit Price Range ($)	Volume of Units Traded
August 2012	11.83-12.28	53,570
September 2012	12.22-12.72	36,494
October 2012	12.25-12.71	50,301
November 2012	11.82-12.48	198,176
December 2012	12.25-12.66	200,855
January 2013	12.71-13.20	123,301
February 2013	13.06-13.46	293,280
March 2013	13.34-13.81	240,565
April 2013	13.63-14.06	559,030
May 2013	13.82-15.02	614,920
June 2013	14.31-14.73	649,014
July 2013	14.79-15.27	351,041

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 generally applicable to the acquisition, holding and disposition of Units of an ETF by a Unitholder of an 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 an ETF as capital property (a "**Holder**").

Generally, Units of an ETF will be considered to be capital property to 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, 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. 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 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 based on the current provisions of the Tax Act, the regulations thereunder and counsel's understanding of the current publicly available published administrative and assessing practices and policies of the CRA. 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 in this prospectus. 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. This summary is of a general nature only and is not intended to be, nor should it be construed to be, 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 the risk factors related to tax set out above.

Status of the ETFs

As noted above, this summary assumes that each ETF qualifies at all times as a "mutual fund 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 such ETF will be qualified investments under the Tax Act for Registered 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 such 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.

For certain tax consequences of holding Units in a Registered Plan, see "Income Tax Considerations – Taxation of Registered Plans".

Taxation of the ETFs

Each 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.

The ETFs are required to compute all amounts in Canadian dollars for purposes of the Tax Act and accordingly may realize gains or losses for tax purposes under the Tax Act in respect of its investments and income denominated in U.S. dollars by virtue of the fluctuation in the value of the U.S. dollar relative to Canadian dollars.

In general, gains and losses realized by the ETFs from derivative transactions will be on income account, except where such derivatives are used to hedge portfolio securities held on capital account, and the applicable ETF will recognize such gains or losses for tax purposes at the time they are realized by such ETF. Payments received by an ETF under a Swap will be on income account and the applicable ETF will recognize such income when it is realized by such ETF upon partial settlements or upon maturity of the Swap. Accordingly, an ETF may have a large unrealized gain upon maturity of an applicable Swap.

In determining the income of an ETF, gains or losses realized upon dispositions of portfolio securities held by the ETF which are not the subject of short sales will constitute capital gains or capital losses of the ETF in the year realized unless the ETF is considered to be trading or dealing in securities or otherwise carrying on a business of buying and selling securities or the ETF has acquired the securities in a transaction or transactions considered to be an adventure or concern in the nature of trade. If an ETF elects in accordance with the Tax Act to have each of its "Canadian securities" (as defined in the Tax Act) treated as capital property gains or losses realized by the ETF on the disposition of Canadian securities (including on short sales) will deemed to be capital gains or capital losses.

Each ETF is required to include in its income for each taxation year all interest that accrues to it to 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.

Each ETF will be required to include in its income for a taxation year all dividends received (or deemed to be received) in the year on shares of corporations that it holds in its portfolio of assets.

Each ETF will be entitled for each taxation year throughout which it is a mutual fund trust 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 redemption of its Units during the year ("**capital gains refund**"). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the tax liability of an ETF for such taxation year.

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 (a "**SIFT tax**"), 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 SIFT tax on an ETF since the ETFs are not expected to have any income from "non-portfolio property." If these rules apply to an ETF, the after-tax return to Unitholders could be reduced.

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, if any, that are used to fund redemptions of its Units. Losses incurred by an ETF in a taxation year cannot be allocated to Unitholders of such ETF, but may be deducted by the ETF in future years in accordance with the Tax Act.

Each ETF is subject to the suspended loss rules contained in the Tax Act. 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.

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".

Taxation of Holders

A Holder will generally be required to include in computing income for a particular taxation year of the Holder such portion of the net income of an ETF 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 an ETF. To the extent that the adjusted cost base of a Unit of an ETF would otherwise be 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 increased by the amount of such deemed capital gain.

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

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.

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 such ETF owned by the Holder as capital property immediately before that time. For this purpose, the cost of Units of an ETF that have been issued on a reinvested 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 reinvested in additional Units of the ETF. A consolidation of Units of the ETF following a reinvested distribution will not be regarded as a disposition of Units of an ETF and will not affect the aggregate adjusted cost base to a Holder.

Pursuant to the Trust Declaration, an ETF may allocate and designate any income or capital gains realized by such 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 such ETF to a Unitholder of such ETF 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 an 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 on the disposition of Units of an ETF 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.

Each Holder who subscribes for Units under a Securities Subscription and is delivering securities will be disposing of securities in exchange for Units. Assuming that such securities are held by the Holder as capital property for purposes of the Tax Act, the Holder generally will realize a capital gain (or a capital loss) in the taxation year of the Holder in which the disposition of such securities takes place to the extent that the proceeds of disposition for such securities, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base of such securities to the Holder. For this purpose, the proceeds of disposition to the Holder will equal the aggregate of the fair market value of the Units received for the securities. The cost to a Holder of Units of an ETF acquired under a Securities Subscription will be equal to the aggregate of the cash paid (if any) to an ETF plus the fair market value of the securities disposed of in exchange for Units of such ETF at the time of disposition, which sum would generally be equal to or would approximate the fair market value of the Units received as consideration under the Securities Subscription.

A Holder will be required to compute all amounts, including the adjusted cost base of Units of an ETF and proceeds of disposition, in Canadian dollars for purposes of the Tax Act. For example, if a Holder acquires US$ Units, the Holder may realize a foreign exchange gain or loss if the exchange rate between the Canadian and U.S. dollar at the time of purchase of US$ Units differs from the exchange rate at the time such US$ Units are disposed of.

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

Taxation of Registered Plans

Distributions received by Registered Plans on Units of an ETF while the Units are a qualified investment for Registered 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 such plans (other than a TFSA and certain withdrawals from a RESP or RDSP) are generally subject to tax under the Tax Act.

A Unitholder who is a holder of a TFSA or annuitant of a RRSP or RRIF that holds Units will be subject to an additional tax as set out in the Tax Act if the Units are "prohibited investments". Subject to certain exceptions, in general, a "prohibited investment" includes a unit of a trust which does not deal at arm's length with the holder, or in which the holder has a significant interest, which, in general terms, means the ownership of 10% or more of the fair market 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 the "prohibited investment" rules.

Tax Implications of the Fund's Distribution Policy

The net asset value per Unit of an ETF will, in part, reflect any income and gains of the ETF that have accrued or been realized, but have not been made payable at the time Units of the ETF were acquired. 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 an ETF shortly before a distribution is 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, there may be significant accrued gains in a Swap held by an ETF which, unless its term is extended, will be realized by the ETF as ordinary income in any year that the Swap matures or is otherwise settled. Such income will be distributed by the applicable ETF to its Unitholders in such year.

The Manager has advised counsel that as long as the Swap is used as the sole investment strategy by an ETF it anticipates that prior to termination of the Swap the ETF should only realize income for purposes of the Tax Act in a taxation year if the Swap has to be partially settled as a result of a redemption of Units. If this occurs, then the Manager has further advised counsel that it intends, on behalf of the ETF, to allocate for purposes of the Tax Act any income realized by the ETF from such partial settlement in a taxation year to the Unitholders who redeemed their Units in the taxation year. Based on the foregoing, provided a Unitholder does not redeem their units of an ETF that uses a Swap as its sole investment strategy, the Unitholder is not expected to receive any distributions of income for purposes of the Tax Act in a taxation year throughout which the Swap is in effect.

ORGANIZATION AND MANAGEMENT DETAILS OF THE ETFs

Manager of the ETFs

Horizons ETFs Management (Canada) Inc., a corporation existing under the laws of Canada, is the manager and trustee of each ETF. The Manager is responsible for providing or arranging for the provision of administrative services required by the ETFs. The principal office of Horizons is 26 Wellington Street East, Suite 700, Toronto, Ontario, M5E 1S2. Horizons was incorporated under the laws of Canada under the name BetaPro Management Inc. and was primarily organized for the purpose of managing investment products, including the ETFs.

The Manager and the Investment Manager 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 560 employees, including more than 80 investment professionals (as of January 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$57.2 billion in assets globally as of January 31, 2013.

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	Date Individual became a Director	Office	Principal Occupation
Thomas Park, Clayton, Missouri	November 14, 2011	Director	Director, Horizons (Since 2011); Director, AlphaPro (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).

Name and Municipality of Residence	Date Individual became a Director	Office	Principal Occupation
Taeyong Lee, Frederick, Maryland	November 14, 2011	Executive Chairman and Director	Executive Chairman and Director, Horizons (since 2011); Executive Chairman and Director, AlphaPro (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).
Robert Shea, Poughkeepsie, New York	May 31, 2012	Chief Financial Officer and Director	Chief Financial Officer and Director, Horizons (since 2012); Chief Financial Officer and Director, AlphaPro (since 2012); Chief Financial Officer, the Investment Manager (since 2012); Chief Operating Officer, Mirae Asset Global Investments (USA) LLC (since 2009); Chief Financial Officer, Gradient Partners LP (2004-2009).
Adam Felesky, Toronto, Ontario	April 5, 2005	Chief Executive Officer and Director	Chief Executive Officer and Director, Horizons (since 2005); Chief Executive Officer and Director, AlphaPro (since 2008); Chief Executive Officer and Director, the Investment Manager (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	January 25, 2007	President and Director	President and Director, Horizons (since 2006); President and Director, AlphaPro (since 2008); previously, Managing Partner and Director, JovFunds (2008-2011); Head of Business Development, Exchange Traded Products, Barclays Global Investors Canada Ltd. (2000-2006).
Steven J. Hawkins, Oakville, Ontario	N/A	Senior Executive Vice President and Secretary	Senior Executive Vice President and Secretary, Horizons (since 2009); Senior Executive Vice President and Secretary, AlphaPro (since 2009); President, Chief Compliance Officer, Secretary and Director, the Investment Manager (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).
Kevin S. Beatson, Oakville, Ontario	N/A	Chief Operating Officer and Chief Compliance Officer	Chief Operating Officer and Chief Compliance Officer, Horizons (since 2009); Chief Operating Officer and Chief Compliance Officer, AlphaPro (since 2009); Chief Operating Officer and Director, the Investment Manager (since 2010); previously, Chief Operating Officer, JovFunds (2006-2011).

Name and Municipality of Residence	Date Individual became a Director	Office	Principal Occupation
Jaime P.D. Purvis, Toronto, Ontario	N/A	Executive Vice President, National Accounts	Executive Vice President, National Accounts, Horizons (since 2009); Executive Vice President, National Accounts, AlphaPro (since 2009); previously, Executive Vice President, National Accounts, Horizons Exchange Traded Funds Inc. (since 2006-2012).
Faizan Dhanani, Toronto, Ontario	N/A	Executive Vice President, Retail Sales	Executive Vice President, Retail Sales, Horizons (since 2009); Executive Vice President, Retail Sales, AlphaPro (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 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 the Manager is 13.45%.

For a description of the compensation arrangements of the independent review committee of the ETFs, see "Independent Review Committee" at page 34.

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, counterparties, custodians, registrars, transfer agents, valuation agents, Designated Brokers, Dealers, auditors and printers; authorizing the payment of operating expenses; preparing the reports to Unitholders of the ETFs and to the applicable Securities Regulatory Authorities; calculating the amount and determining the frequency of distributions by the ETFs; preparing financial statements, income tax returns and financial and accounting information as required by the ETFs; ensuring that Unitholders of each ETF are provided with financial statements and other reports as are required from time to time by applicable law; ensuring the maintenance of accounting records for the ETFs; ensuring that each ETF complies with all other regulatory requirements including the continuous disclosure obligations of such ETF under applicable securities laws; administering purchases, redemptions and other transactions in Units of each ETF; arranging for any payments required upon termination of an ETF; and dealing and communicating with Unitholders of the ETFs. The Manager will provide office facilities and personnel to carry out these services, if not otherwise furnished by any other service provider to the ETFs. The Manager will also monitor the investment strategy of each ETF to ensure that each ETF complies with its investment objective, investment strategies and investment restrictions and practices.

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

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

The Manager may resign upon 90 days' prior written notice to the Trustee or upon such lesser notice period as the Trustee may accept. The Manager may also be removed by the Trustee on at least 90 days' written notice to the Manager. The Trustee shall make every effort to select and appoint a successor manager prior to the effective date of the Manager's resignation. As compensation for the management services it provides to the ETFs, the Manager is entitled to receive a Management Fee from the ETFs. See "Fees and Expenses" at page 11.

Investment Manager

The Investment Manager is based in Ontario and has been appointed investment manager to the ETFs pursuant to the Investment Management Agreement. The Investment Manager operates as a portfolio manager in Ontario under the *Securities Act* (Ontario) and in certain other Provinces pursuant to applicable legislation. The Investment Manager also operates 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 608, Toronto, Ontario M5E 1S2. The Investment Manager was incorporated under the *Business Corporations Act* (Ontario) on July 10, 1997. The Investment Manager provides investment advisory services to a broad range of clients, including public mutual funds. The Investment Advisor provides 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 affiliates.

Officers and Directors of the Investment Manager

The name, municipalities of residence, position, and principal occupation over the past five (5) years 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
Steven J. Hawkins Oakville, Ontario	President, Chief Compliance Officer, Secretary and Director	President, Chief Compliance Officer, Secretary and Director, the Investment Manager (since 2007); Senior Executive Vice President and Secretary, Horizons (since 2009); Senior Executive Vice President and Secretary, AlphaPro (since 2009); Senior Executive Vice President and Secretary, Horizons ETFs (since 2007); President and Chief Executive Officer, Canadian Medical Discoveries Fund Inc. (since 2006); 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 Investment Manager	Principal Occupation
Adam Felesky Toronto, Ontario	Chief Executive Officer and Director	Chief Executive Officer and Director, the Investment Manager (since 2005); Chief Executive Officer and Director, Horizons (since 2005); Chief Executive Officer and Director, AlphaPro (since 2008); Chairman and Director, Horizons ETFs (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).

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. A director will hold his position until the next annual general meeting of the Investment Manager at which time he may be re-elected.

Details of the Investment Management Agreement

The Investment Management Agreement will continue until the termination of the ETFs 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 hereunder.

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 immediately in respect of an ETF: (i) if the ETF is terminated; (ii) if the Manager or any of its respective affiliates is no longer the manager of the ETFs; (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 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.

Pursuant to the terms of the Investment Management Agreement, the Investment Manager has covenanted 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 will not be liable in any way for any default, failure or defect in any of the securities comprising an investment portfolio of the ETFs if it has satisfied the duties and the 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 the ETFs, 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.

Designated Brokers

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

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

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

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

Conflicts of Interest

The Manager, the Investment Manager, 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 accounts of the ETFs utilizing trading and investment strategies which are the same as or different from the ones to be utilized in making investment decisions for the ETFs. In addition, in proprietary trading and investment, the ETF Managers may take positions the same as, different than or opposite to those of the ETFs. Furthermore, all of the positions held by accounts owned, managed or controlled by the Investment Manager will be aggregated for purposes of applying certain exchange position limits. As a result, an ETF may not be able to enter into or maintain certain positions if such positions, when added to the positions already held by the ETF and such other accounts, would exceed applicable limits. All of such trading and investment activities may also increase the level of competition experienced with respect to priorities of order entry and allocations of executed trades. See "Risk Factors" at page 13.

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

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

The Investment Manager and Manager are subsidiaries of Mirae Asset. The Investment Manager and Manager remain affiliates of one another.

NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). An affiliate of NBF may from time to time act as a Counterparty. An affiliate of such Counterparty, if applicable, which is also an affiliate of NBF, holds an indirect minority interest in AlphaPro, which is a subsidiary of the Manager. These relationships may create actual or perceived conflicts of interest which investors should consider in relation to an investment in an ETF. In particular, by virtue of these relationships, NBF may profit from the sale and trading of Units of an ETF. NBF, as market maker of the applicable ETF(s) in the secondary market, may therefore have economic interests which differ from and may be adverse to those of Unitholders of the ETFs.

NBF's potential roles as a Designated Broker and a Dealer of the applicable ETF(s) will not be as an underwriter of such ETF in connection with the primary distribution of Units under this prospectus. NBF have not been involved in the preparation of this prospectus nor has it performed any review of the contents of this prospectus. NBF in its role as Designated Broker may, from time to time, reimburse the Manager for certain expenses incurred by the Manager in the normal course of its business.

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

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 each 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 an 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 ETF;
- considers and, if deemed appropriate, approves the Manager's decision on a conflict of interest matter that the Manager refers to the IRC for approval; and
- performs such other duties as may be required of the IRC under applicable securities laws.

The ETFs compensate the IRC members for their participation on the IRC through member fees and, if applicable, meeting fees. Until June 30, 2013, Sue Fawcett and Michael Gratch received $5,000 per year in member fees, while Warren Law, as Chairperson of the IRC, received $7,500 per year. As of July 1, 2013, 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.

The Trustee

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

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

The Trustee will not receive any fees from the ETFs.

Custodian

CIBC Mellon Trust is the custodian of the assets of the ETFs pursuant to the Custodian Agreement. The Custodian is located in Toronto, Ontario and is independent of the Manager. Pursuant to the Custodian Agreement, the Custodian is required to exercise its duties with the degree of care, diligence and skill that a reasonably prudent person would exercise in the same circumstances, or, if higher, the degree of care, diligence and skill that each Custodian uses in respect of its own property of a similar nature in its custody (the "**Custodial Standard of Care**"). Under the Custodian Agreement, the Manager shall pay the Custodian's fees 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. The Custodian may have recourse against the assets of an ETF if the Manager fails to pay such fees and expenses. An ETF shall indemnify the Custodian for any loss, damage, or expense it incurs in connection with the applicable Custodian Agreement, except to the extent caused by a breach of the Custodial Standard of Care. A party may terminate the Custodian Agreement on at least 90 days' written notice or immediately in the event of certain bankruptcy events in respect of another party. The Custodian shall have no responsibility or liability for the actions or inactions of any sub-custodian appointed at the request of the Manager and which is not part of the Custodians' normal network of sub-custodians.

CIBC Mellon Trust, at the direction of Horizons, on behalf of the ETFs, has appointed RBC Investor Services and NBCN as sub-custodians of the ETFs. Each Sub-Custodian is qualified to act as a sub-custodian of a mutual fund pursuant to the requirements of NI 81-102. The Sub-Custodians are also independent of the Manager and are both located in Toronto, Ontario. Pursuant to the Sub-Custodian Agreements, each Sub-Custodian will be responsible for a portion of the portfolio assets of each of the ETFs and each Sub-Custodian shall exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances, or at least the same degree of care, diligence and skill that the Sub-Custodian exercises with respect to its own property of a similar kind, if this is a higher degree of care. Under the Sub-Custodian Agreements, the Manager shall pay the Sub-Custodians' fees at such rate as determined by the parties from time to time and shall reimburse the Sub-Custodians for all reasonable expenses and disbursements incurred in the performance of its duties under the applicable Sub-Custodian Agreement. Each Sub-Custodian may hold assets of an ETF until its fees are paid by Horizons.

Valuation Agent

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

Auditors

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

Transfer Agent and Registrar

CIBC Mellon Trust has also been retained to act as the registrar and transfer agent for the ETFs pursuant to registrar and transfer agency agreements entered into as of the date of the initial issuance of Units of each ETF.

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 11.

CALCULATION OF NET ASSET VALUE

The NAV per Unit of an ETF will be computed in Canadian dollars by adding up the cash, securities and other assets of such ETF, less the liabilities and dividing the value of the net assets of the ETF by the total number of Units that are outstanding. The NAV per Unit so determined will be adjusted to the nearest cent per Unit and will remain in effect until the time as at which the next determination of the NAV per Unit of such ETF is made. The NAV per Unit of an ETF will be calculated on each Valuation Day. Initially, the entire net asset value of an ETF will be derived from the daily mark-to-market value of the applicable Swap, its deposits and other cash on hand.

The NAV per Unit of each ETF will also be calculated in U.S. dollars based on an exchange rate determined by the Manager.

Typically, the NAV per Unit of an ETF will be calculated at the Valuation Time. The NAV per Unit may be determined at an earlier Valuation Time if the 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 following valuation procedures will be taken into account in determining the "NAV" and "NAV per Unit" of an ETF on each Valuation Day:

(i) the value of any cash on hand, on deposit or on call, bills and notes and accounts receivable, prepaid expenses, cash dividends to be received and interest accrued and not yet received, will be deemed to be the face amount thereof, unless the Valuation Agent determines that any such deposit, call loan, bill, note or account receivable is not worth the face amount thereof, in which event the value thereof will be deemed to be such value as the Valuation Agent determines to be the reasonable value thereof;

(ii) the value of any security, commodity or interest therein which is listed or dealt in upon a stock exchange will be determined by:

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

(B) in the case of securities not traded on that Valuation Day, a price estimated to be the true value thereof by the Valuation Agent, such price being between the closing asked and bid prices for the securities or interest therein as reported by any report in common use or authorized as official by a stock exchange;

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

(iv) in the case of any security or property for which no price quotations are available as provided above, the value thereof will be determined from time to time by the Valuation Agent, where applicable, in accordance with the principles described in paragraph (ii) above, except that the Valuation Agent may use, for the purpose of determining the sale price or the asked and bid price of such security or interest, any public quotations in common use which may be available, or where such principles are not applicable; and

(v) the liabilities of an ETF will include:

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

In calculating the NAV of an ETF, the ETF will generally value its investments based on the market value of such investments at the time the NAV is calculated. If no market value is available for an investment of an ETF or if the Valuation Agent 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 events occurring after the market closes), the Valuation Agent 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 subscribed for will be deemed to be outstanding and an asset of such 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 such ETF.

For the purposes of financial statement reporting, an ETF is required to calculate NAV in accordance with Canadian GAAP. On April 1, 2005, the Canadian Institute of Chartered Accountants ("**CICA**") issued Section 3855, Financial Instruments – Recognition and Measurement ("**Section 3855**") of the CICA 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.

Canadian 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 NAV used for investor transactions. Effective September 8, 2008, amendments to National Instrument 81-106 - *Investment Fund Continuous Disclosure* came into force to address the implications of Section 3855. The amendments permit investment funds to have two different NAVs: (i) one for financial statements, which will be prepared in accordance with Canadian 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 Canadian 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.

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 pursuant to this prospectus, each of which represents an equal, undivided interest in the net assets of such ETF.

Cdn Units and US$ Units of each Existing ETF are currently listed and trading on the TSX.

The TSX has conditionally approved the listing of Units of Horizons HXE and Horizons HXF under the TSX ticker symbols HXE and HXF, respectively. Listings will be subject to Horizons HXE and Horizons HXF fulfilling all of the listing requirements of the TSX.

On December 16, 2004, the *Trust Beneficiaries' Liability*, 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 will be a reporting issuer under the *Securities Act* (Ontario), prior to the initial issuance of Units of 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 such ETF. Each Unit of an ETF is entitled to participate equally with all other Units of such ETF with respect to all payments made to Unitholders of the ETF, other than Management Fee Distributions, 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 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 21.

Redemptions of Units for Cash

On any Trading Day, Unitholders may redeem Units of an ETF for cash in the applicable currency at a redemption price per Unit equal to 95% of the closing price for the Units of such ETF on the TSX on the effective day of the redemption. Holders of US$ Units of an Existing ETF may request that their redemption proceeds be paid in U.S. or Canadian dollars. Unitholders will generally be able to sell (rather than redeem) Units at the full market price in the applicable currency on the TSX through a registered broker or dealer subject only to customary brokerage commissions. Therefore, Unitholders are advised to consult their brokers, dealers or investment advisors before redeeming their Units for cash. No fees or expenses are paid by a Unitholder to Horizons or an ETF in connection with selling Units on the TSX. See “Redemption of Units” at page 21.

Modification of Terms

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

All other rights attached to the Units of an ETF may only be modified, amended or varied in accordance with the terms of the Trust Declaration. See “Unitholder Matters – Amendments to the Trust Declaration” at page 40.

UNITHOLDER MATTERS

Meetings of Unitholders

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

Matters Requiring Unitholder Approval

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

(a) the basis of the calculation of a fee or expense that is charged to the ETF or its Unitholders is changed in a way that could result in an increase in charges to the ETF or to its Unitholders, except where:

   (i) the ETF is at arm’s length with the person or company charging the fee; and

   (ii) the Unitholders have received at least 60 days’ notice before the effective date of the change;

(b) a fee or expense, to be charged to the ETF or directly to its Unitholders by the ETF or the Manager in connection with the holding of Units of the ETF that could result in an increase in charges to the ETF or its Unitholders, is introduced;

(c) the Manager is changed, unless the new manager of the ETF is an affiliate of the Manager;

(d) the fundamental investment objective of the ETF is changed;

(e) the ETF decreases the frequency of the calculation of its net asset value per Unit;

(f) the ETF undertakes a reorganization with, or transfers its assets to, another mutual fund, if the ETF ceases to continue after the reorganization or transfer of assets and the transaction results in the Unitholders of the ETF becoming securityholders in the other mutual fund, unless:

  (i) the IRC of the ETF has approved the change in accordance with NI 81-107;

  (ii) the ETF is being reorganized with, or its assets are being transferred to, another mutual fund to which NI 81-102 and NI 81-107 apply, and that is managed by the Manager, or an affiliate of the Manager;

  (iii) the Unitholders have received at least 60 days' notice before the effective date of the change; and

  (iv) the transaction complies with certain other requirements of applicable securities legislation;

(g) the ETF undertakes a reorganization with, or acquires assets from, another mutual fund, if the ETF continues after the reorganization or acquisition of assets, the transaction results in the securityholders of the other mutual fund becoming Unitholders of the ETF, and the transaction would be a material change to the ETF; or

(h) any matter which is required by the constitutive documents of the ETF; by the laws applicable to the ETF or by any agreement to be submitted to a vote of the Unitholders of the ETF.

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

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

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

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

Amendments to the Trust Declaration

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

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

  (a) the securities legislation requires that written notice be given to Unitholders of the ETF before the change takes effect; or

  (b) the change would not be prohibited by the securities legislation; and

(c) the Trustee reasonably believes that the proposed amendment has the potential to adversely impact the financial interests or rights of the Unitholders of the ETF, so that it is equitable to give Unitholders of the ETF advance notice of the proposed change.

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

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

(a) ensure compliance with applicable laws, regulations or policies of any governmental authority having jurisdiction over the ETF or the distribution of Units of the ETF;

(b) remove any conflicts or other inconsistencies which may exist between any terms of the Trust Declaration and any provisions of any applicable laws, regulations or policies affecting the ETF, the Trustee or its agents;

(c) make any change or correction in the Trust Declaration which is a typographical correction or is required to cure or correct any ambiguity or defective or inconsistent provision, clerical omission or error contained therein;

(d) facilitate the administration of the ETF as a mutual trust or make amendments or adjustments in response to any existing or proposed amendments to the Tax Act or its administration which might otherwise adversely affect the tax status of the ETF or its Unitholders; or

(e) for the purposes of protecting the Unitholders of the ETF.

Reporting to Unitholders

The Manager, on behalf of each ETF, will in accordance with applicable laws furnish to each Unitholder of an ETF, unaudited semi-annual financial statements and an interim management report of fund performance for such ETF within 60 days of the end of each semi-annual period and audited annual financial statements and an annual management report of fund performance for the ETF within 90 days of the end of each financial year. Both the semi-annual and the annual financial statements of an ETF will contain a statement of net assets, a statement of operations, a statement of changes in net assets, a statement of cashflows and a statement of investment portfolio.

Any tax information necessary for Unitholders to prepare their annual federal income tax returns in connection with their investment in Units will also be distributed to them within 90 days after the end of each 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.

Non-Resident Unitholders

At no time may (i) non-residents of Canada, (ii) partnerships that are not Canadian partnerships or (iii) a combination of non-residents of Canada and such partnerships (all as defined in the Tax Act) be the beneficial owners of a majority of the Units of an ETF (on either a number of Units or fair market value basis) at any time during which more than 10% of the property of such ETF consists of Specified Property. None of the initial properties of any of the ETFs, including applicable Swaps, should be considered Specified Property. If the Manager expects or believes that more than 10% of the property of an ETF may consist of Specified Property, the ETF and the Manager may inform the Registrar and Transfer Agent of such ETF of the restriction on who may be beneficial owners of a majority of its Units. In such circumstances, the Manager may require declarations as to the jurisdictions in which a beneficial owner of Units is resident and, if a partnership, its status as a Canadian partnership. If the Manager becomes aware, as a result of requiring such declarations as to beneficial ownership or otherwise, that the beneficial owners of 40% of the Units of an ETF then outstanding (on either a number of Units or fair market value basis) are, or may be, non-residents and/or partnerships that are not Canadian partnerships, or that such a situation is imminent, the Manager may make a public announcement thereof.

If the Manager believes that more than 10% of the ETF's property is Specified Property and if the Manager determines that more than 40% of the Units (on either a number of Units or fair market value basis) are beneficially held by non-residents and/or partnerships that are not Canadian partnerships, the Manager may send a notice to such non-residents and/or partnerships, chosen in inverse order to the order of acquisition or in such manner as the Manager may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 30 days. If the Unitholders receiving such notice have not sold the specified number of Units or provided the Manager with satisfactory evidence that they are not non-residents or partnerships other than Canadian partnerships within such period, the Manager may on behalf of such Unitholders sell such Units and, in the interim, shall suspend the voting and distribution rights attached to such Units. Upon such sale, the affected holders shall cease to be beneficial holders of Units and their rights shall be limited to receiving the net proceeds of sale of such Units.

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

TERMINATION OF THE ETFs

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

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

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

Procedure on Termination

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

PLAN OF DISTRIBUTION

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

Cdn Units and US$ Units of each Existing ETF are currently listed and trading on the TSX.

The TSX has conditionally approved the listing of Units of Horizons HXE and Horizons HXF under the TSX ticker symbols HXE and HXF, respectively. Listings will be subject to Horizons HXE and Horizons HXF fulfilling all of the listing requirements of the TSX.

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 Designated Brokers) pursuant to which the Dealers may subscribe for Units of such ETF as described under "Purchases of Units".

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

An affiliate of NBC and NBF holds an indirect minority interest in AlphaPro, which is a subsidiary of the Manager. NBF acts or may act as a Designated Broker, a Dealer and/or a registered trader (market maker). See "Organization and Management Details of the ETFs - Conflicts of Interest" at page 33.

PRINCIPAL HOLDERS OF UNITS OF THE ETFs

To the knowledge of the Manager, as of July 31, 2013, there are no holders of more than 10% of any class of Units of any of the ETFs, other than NBF who beneficially hold: (i) 875,700 or 18.9%, of the Class A Units of Horizons HXS.

PROXY VOTING DISCLOSURE FOR PORTFOLIO UNITS HELD

The Manager is responsible for all securities voting in respect of securities held by the ETFs and exercising responsibility with the best economic interests of the ETFs and the Unitholders of the ETFs. The Manager has established proxy voting policies, procedures and guidelines (the "**Proxy Voting Policy**") for securities held by the ETFs to which voting rights are attached. The Proxy Voting Policy is intended to provide for the exercise of such voting rights in accordance with the best interests of the ETFs and the Unitholders of the ETFs.

The Proxy Voting Policy sets out the guidelines and procedures that the Manager will follow to determine whether and how to vote on any matter for which the ETFs receive 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.

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

(i) **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. However, it will do so if corporate performance is unsatisfactory over a reasonable period of time.

(ii) **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.

(iii) **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.

(iv) **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.

(v) **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.

(vi) **Director Qualifications** – The Manager supports establishing minimum standards for directors and disclosing the directors' qualifications to shareholders. The Manager supports boards that consist of experienced individuals with the appropriate business and professional credentials. Elected directors should have general business acumen, company specific knowledge, and should make informed and independent judgments. The proxy circular should set out the minimum qualifications and standards for directors and a brief description of the business and professional credentials of each director.

(vii) **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.

(viii) **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. Generally, the Manager will not vote against a slate of directors if the board and management roles are not separated. However, the Manager will do so if corporate performance over a reasonable period of time is unsatisfactory or if there are continuing issues relating to corporate governance matters.

(ix) **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. Instances in which the audit firm has a substantial non-audit relationship with the company (regardless of its size relative to the audit fee) will be evaluated on a case-by-case basis to determine whether there is a concern that independence has been compromised.

(x) **Executive Compensation –** The Manager supports establishing an independent compensation committee to ensure that executive compensation is competitive and fair. Although, management should be competitively compensated, an independent compensation committee should review compensation arrangements and make recommendations to the board of directors. Shareholders should be allowed to vote on all equity based compensation plans (including option plans) because of the potential dilutive effect on their existing ownership.

(xi) **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. Each proposal will be evaluated on a case-by-case basis, taking all material facts and circumstances into account.

(xii) **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.

(xiii) **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.

(xiv) **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. The Manager will generally not approve, without shareholder approval, any severance arrangement under which the beneficiary receives more than three times salary and bonus or where severance is guaranteed absent a change in control.

(xv) **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.

(xvi) **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.

(xvii) **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.

(xviii) **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.

(xix) **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.

(xx) **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.

(xxi) **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.

(xxii) **Corporate and social policy issues** – Proposals in this category, initiated primarily by shareholders, typically request that the company 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. An ETF 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).

(xxiii) **Increase in authorized shares** – The Manager supports only issuing additional common shares for good business reasons. Additional common shares should be issued only for sound business reasons. A 20% or greater increase in authorized common shares should be avoided unless there is a good reason for doing so.

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.

If the potential for conflict of interest arises in connection with proxy voting and if deemed advisable to maintain impartiality, the Proxy Voting Policy provides that the Manager may choose to seek out and follow the voting recommendation of an independent proxy search and voting service.

The Proxy Voting Policy is available on request, at no cost, by calling the Manager toll-free at 1-866-641-5739 or emailing the Manager at info@HorizonsETFs.com.

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

MATERIAL CONTRACTS

The only contracts material to the ETFs are the following:

(i) **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 35, "Attributes of the Securities – Modification of Terms" on page 39, and "Unitholder Matters – Amendments to the Trust Declaration" on page 40;

(ii) **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 32;

(iii) **Custodian Agreements.** For additional disclosure related to the Custodian Agreements, including relevant termination provisions and other key terms of the agreement, see "Organization and Management Details of the ETFs – Custodian" on page 35;

(iv) **Sub-Custodian Agreements.** For additional disclosure related to the Sub-Custodian Agreements, including relevant termination provisions and other key terms of the agreements, see "Organization and Management Details of the ETFs – Custodian" on page 35.

(v) **Designated Broker Agreements.** For additional disclosure related to the form of Designated Broker Agreement, see "Organization and Management Details of the ETFs – Designated Brokers" on page 33; and

(vi) **Swaps.** For additional disclosure related to a Swap, see “Investment Strategies” on page 6.

Copies of these agreements may be examined at the head office of the ETFs, 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 an ETF by an individual resident in Canada. See “Income Tax Considerations” on page 24.

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

EXEMPTIONS AND APPROVALS

The ETFs are entitled to rely on exemptive relief from the Canadian Securities Regulatory Authorities to:

(a) permit a Unitholder to acquire more than 20% of the Units through purchases on the TSX without regard to the takeover bid requirements of applicable Canadian securities legislation 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 of an ETF” at page 20;

(b) permit the redemption of less than a PNU at a price equal to 95% of the closing price for such Units on the TSX on the effective date of redemption;

(c) 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; and

(d) relieve the ETFs from the dealer registration requirement provided that the Manager complies with Part 15 of NI 81-102.

OTHER MATERIAL FACTS

Index Information

1. S&P/TSX 60™ Index (Total Return)

The S&P/TSX 60™ Index (Total Return) is a measure of large-cap Canadian stock market performance. The index shares underlying the S&P/TSX 60™ Index (Total Return) represent sixty of the largest (by market capitalization) and most liquid stocks listed for trading on the TSX. The S&P/TSX 60™ Index (Total Return) is a market capitalization weighted index.

The Committee is responsible for selecting and determining the index shares, setting policy with respect to the composition, calculation, maintenance and administration of the index generally and for making adjustments to such index. The Committee is composed of seven members, a majority of whom are employees of Standard & Poor's, a division of The McGraw-Hill Companies, Inc. and the remainder of whom are employees of the TSX. The Chief Economist of Standard & Poor's is currently the Chair of the Committee. The Committee usually meets monthly, but may also meet more frequently as required.

"**S&P/TSX 60**" is a trademark of The McGraw-Hill Companies, Inc. and "TSX" is a trademark of the Toronto Stock Exchange, which have each been licensed for use by the Manager.

Disclaimer:

Horizons HXT is not sponsored, endorsed, sold or promoted by Standard & Poor's and its affiliates ("**S&P Group**") or by the TSX and its affiliates (the "**TSE**"). S&P Group and TSE make no representation, condition or warranty, express or implied, to the owners of Horizons HXT or any member of the public regarding the advisability of investing in securities generally or in Horizons HXT particularly or the ability of any Underlying Index to track general stock market performance. S&P Group's and TSE's only relationship to the Manager is the licensing of certain trademarks and trade names and of the Underlying Index, which are determined, composed and calculated by S&P Group and/or the TSE without regard to the Manager or Horizons HXT. S&P Group and the TSE have no obligation to take the needs of the Manager or the owners of Horizons HXT into consideration in determining, composing or calculating any Underlying Index. S&P Group and the TSE are not responsible for and have not participated in the determination of the prices and amounts of Horizons HXT or the timing of the issuance or sale of Horizons HXT or issued or in the determination or calculation of the equation by which Horizons HXT are to be converted into cash. S&P Group and TSE have no obligation or liability in connection with the administration, marketing or trading of Horizons HXT.

S&P GROUP AND THE TSE DO NOT GUARANTEE THE ACCURACY AND/OR THE COMPLETENESS OF THE UNDERLYING INDEX OR ANY DATA INCLUDED THEREIN AND S&P GROUP AND THE TSE SHALL HAVE NO LIABILITY FOR ANY ERRORS, OMISSIONS, OR INTERRUPTIONS THEREIN. S&P GROUP AND THE TSE MAKE NO WARRANTY OR CONDITION, EXPRESS OR IMPLIED, AS TO RESULTS TO BE OBTAINED BY THE MANAGER, OWNERS OF THE ETF, OR ANY OTHER PERSON OR ENTITY FROM THE USE OF THE UNDERLYING INDEX OR ANY DATA INCLUDED THEREIN. S&P GROUP AND THE TSE MAKE NO EXPRESS OR IMPLIED WARRANTIES OR CONDITIONS, AND EXPRESSLY DISCLAIM ALL WARRANTIES OR CONDITIONS OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE UNDERLYING INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT SHALL S&P GROUP OR THE TSE HAVE ANY LIABILITY FOR ANY SPECIAL, PUNITIVE, INDIRECT, OR CONSEQUENTIAL DAMAGES (INCLUDING LOST PROFITS), RESULTING FROM THE USE OF THE UNDERLYING INDEX OR ANY DATA INCLUDED THEREIN, EVEN IF NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

2. S&P 500® Index (Total Return)

The S&P 500® Index (Total Return) represents the total return of the S&P 500®. The S&P 500® includes 500 leading companies in leading industries of the U.S. economy. The market capitalization values of the companies that constitute the S&P 500® range from $1.1 billion to $338.5 billion. The S&P 500® is also the U.S. component of the S&P Global 1200.

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3. S&P/TSX Capped Energy Index (Total Return) and S&P/TSX Capped Financials Index (Total Return)

S&P/TSX Capped Energy Index (Total Return)

The S&P/TSX Capped Energy Index (Total Return) is a constrained market capitalization-weighted index that consists of Canadian energy sector companies listed on the TSX. Companies are selected for this index using Standard & Poor's industrial classifications and guidelines for evaluating company capitalization, liquidity and fundamentals. In the S&P/TSX Capped Energy Index (Total Return), the weight of any one company, in terms of market capitalization, is limited to 25%.

S&P/TSX Capped Financials Index (Total Return)

The S&P/TSX Capped Financials Index (Total Return) is a constrained market capitalization-weighted index that consists of Canadian financial sector companies listed on the TSX. Companies are selected for this index using Standard & Poor's industrial classifications and guidelines for evaluating company capitalization, liquidity and fundamentals. In the S&P/TSX Capped Financials Index (Total Return), the weight of any one company, in terms of market capitalization, is limited to 25%.

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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 or will be incorporated by reference into this prospectus, which means that they will 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 Internet site of the ETFs at www.HorizonsETFs.com. These documents and other information about the ETFs will also be 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.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Horizons ETFs Management (Canada) Inc.

Re: Horizons S&P/TSX Capped Energy Index ETF
Horizons S&P/TSX Capped Financials Index ETF

(collectively, the "ETFs")

We have audited the accompanying financial statements of the ETFs, which comprise the statement of net assets of the ETFs as at August 27, 2013, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform an audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the ETFs' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the ETFs' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial positions of the ETFs as at August 27, 2013 in accordance with Canadian generally accepted accounting principles.

"KPMG LLP"

Chartered Accountants, Licensed Public Accountants

Toronto, Canada
August 27, 2013

THE HORIZONS ETFs -
HORIZONS S&P/TSX CAPPED ENERGY INDEX ETF

Statement of Net Assets

August 27, 2013

Assets

Cash	$	150,000
Total net assets and securityholder’s equity	$	150,000

Represented by:

Securityholder’s equity:
Authorized:
Unlimited Class A Units
without par value issued and fully paid

Total net assets and securityholder’s equity, Class A Units	$	150,000
Net assets per Class A Unit	$	25.00
Issued and fully paid Class A Units		6,000

See accompanying notes to statement of net assets.

Approved on behalf of the Board of Directors of
Horizons ETFs Management (Canada) Inc., as the Manager and
Trustee of Horizons S&P/TSX Capped Energy Index ETF

(signed) “*Taeyong Lee*”
Taeyong Lee, Director

(signed) “*Howard Atkinson*”
Howard Atkinson, Director

THE HORIZONS ETFs -
HORIZONS S&P/TSX CAPPED FINANCIALS INDEX ETF

Statement of Net Assets

August 27, 2013

Assets

Cash	$	150,000
Total net assets and securityholder's equity	$	150,000

Represented by:

Securityholder's equity:
Authorized:
Unlimited Class A Units
without par value issued and fully paid

Total net assets and securityholder's equity, Class A Units	$	150,000
Net assets per Class A Unit	$	25.00
Issued and fully paid Class A Units		6,000

See accompanying notes to statement of net assets.

Approved on behalf of the Board of Directors of
Horizons ETFs Management (Canada) Inc., as the Manager and
Trustee of Horizons S&P/TSX Capped Financials Index ETF

(signed) "*Taeyong Lee*"
Taeyong Lee, Director

(signed) "*Howard Atkinson*"
Howard Atkinson, Director

1. Establishment of the ETFs and authorized units:

The following Horizons ETFs were established on August 27, 2013 in accordance with the ETFs' Master Declaration of Trust:

Horizons S&P/TSX Capped Energy Index ETF ("Horizons HXE")
Horizons S&P/TSX Capped Financials Index ETF ("Horizons HXF")
(together, the "ETFs")

(a) Legal structure:

Horizons ETFs Management (Canada) Inc. (the "Manager" or the "Trustee") is the manager and trustee of the ETFs.

The ETFs are unincorporated open-ended mutual fund trusts. Each of the ETFs is established under the laws of the Province of Ontario by a Master Declaration of Trust. The Manager has appointed Horizons Investment Management Inc. ("Horizons" or the "Investment Manager"), an affiliate of the Manager, to act as the investment manager to the ETFs.

(b) Unitholder's equity:

Units of the ETFs are redeemable at the option of the holder in accordance with the provisions laid out in the prospectus. If accepted by the Manager, the units will be redeemed on the valuation day based on the net asset value of the units of the ETF on that valuation day.

(c) Issue of units:

A total of 6,000 Class A Units of each ETF were issued for cash on August 27, 2013 to the Manager.

2. Management of the ETFs

(a) Investment Management Agreement:

Pursuant to the terms of the Investment Management Agreement, each ETF is required to indemnify the Investment Manager and its directors, officers and employees (collectively, the “Indemnified Persons”), out of the assets of that ETF against all liabilities, losses and expenses incurred by any of them in connection with any matter relating to that ETF, unless an Indemnified Person is finally adjudicated to have committed an act or omission involving wilful misconduct, bad faith, negligence or has breached its obligations, duties or standard of care as set out in the Investment Management Agreement.

(b) Management fees:

Each class of an ETF will pay the Manager an annual management fee (the “Management Fee”) equal to a percentage of the net asset value of that class of the ETF, together with sales tax, as detailed below, calculated and accrued daily and payable monthly. The Manager is responsible for the payment of the fees of the Investment Manager. The Management Fees of each ETF are as follows:

Horizons HXE will pay an annual Management Fee to the Manager equal to 0.35% of the net asset value of Horizons HXE, together with sales tax.

Horizons HXF will pay an annual Management Fee to the Manager equal to 0.35% of the net asset value of Horizons HXF, together with sales tax.

The Manager may reduce the Management Fees that it is entitled to charge to an ETF. Such a reduction or waiver 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.

HORIZONS S&P/TSX 60™ INDEX ETF
HORIZONS S&P 500® INDEX ETF
HORIZONS S&P/TSX CAPPED ENERGY INDEX ETF
HORIZONS S&P/TSX CAPPED FINANCIALS INDEX ETF
(THE “ETFs”),

CERTIFICATE OF THE ETFS, THE MANAGER AND PROMOTER

Dated: August 27, 2013

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

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

(signed) “*Adam Felesky*”
Adam Felesky
Chief Executive Officer

(signed) “*Robert Shea*”
Robert Shea
Chief Financial Officer

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

(signed) *“Taeyong Lee”*
Taeyong Lee
Director

(signed) *“Thomas Park”*
Thomas Park
Director