HORIZONS
EXCHANGE TRADED FUNDS

Tactical ETF Approaches for Today's Investors

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Horizons Exchange Traded Funds
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DISCLAIMER

Commissions, management fees and expenses all may be associated with an investment in exchange traded products managed by AlphaPro Management Inc. (the “Horizons Exchange Traded Products”). The Horizons Exchange Traded Products are not guaranteed, their values change frequently and past performance may not be repeated. Certain Horizons Exchange Traded Products may have exposure to leveraged investment techniques that magnify gains and losses which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk, which are described in their respective prospectuses. **Please read the prospectus before investing.**

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The History of Volatility

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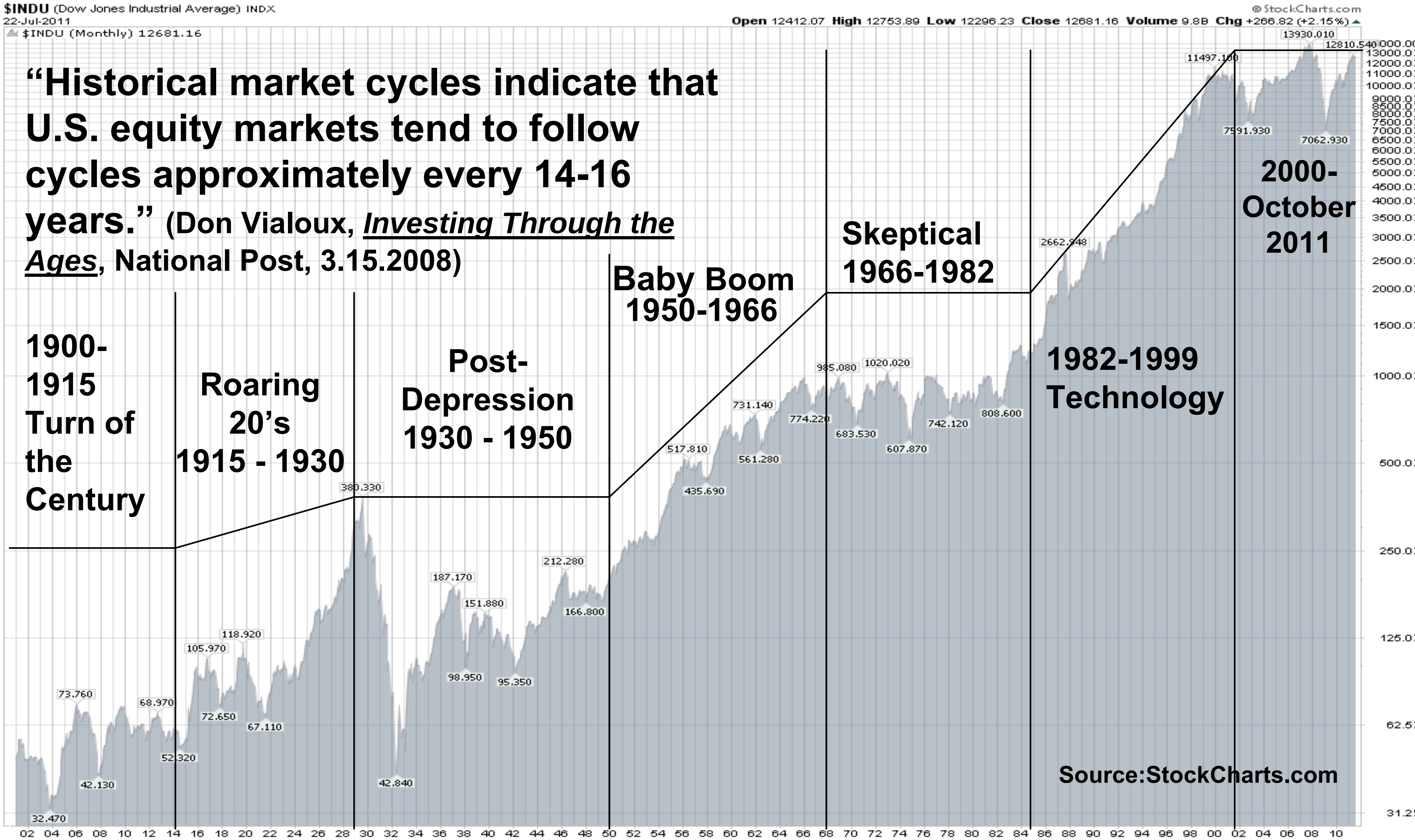
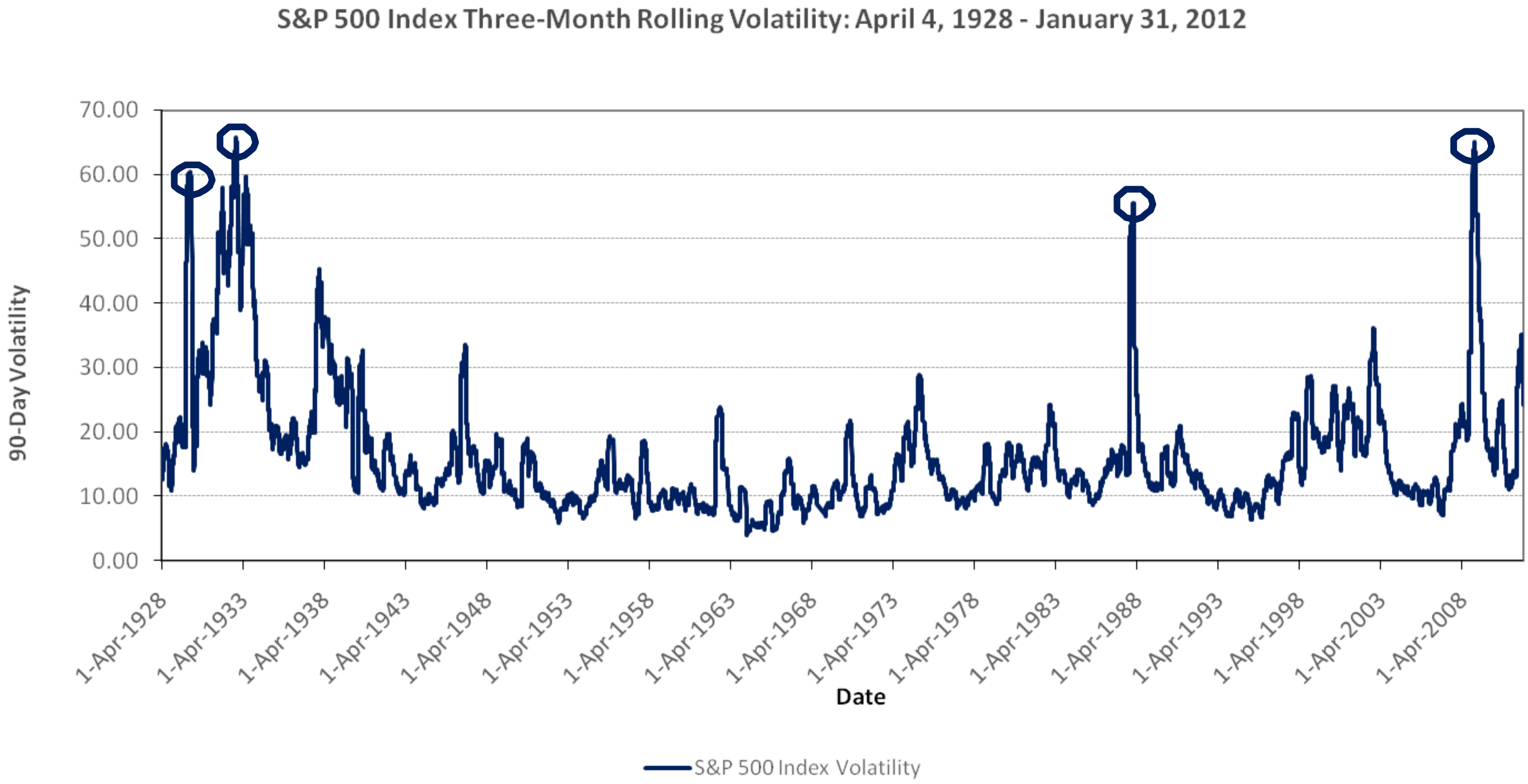
MARKET: DJIA
MARKET CYCLE: 1900 - PRESENT



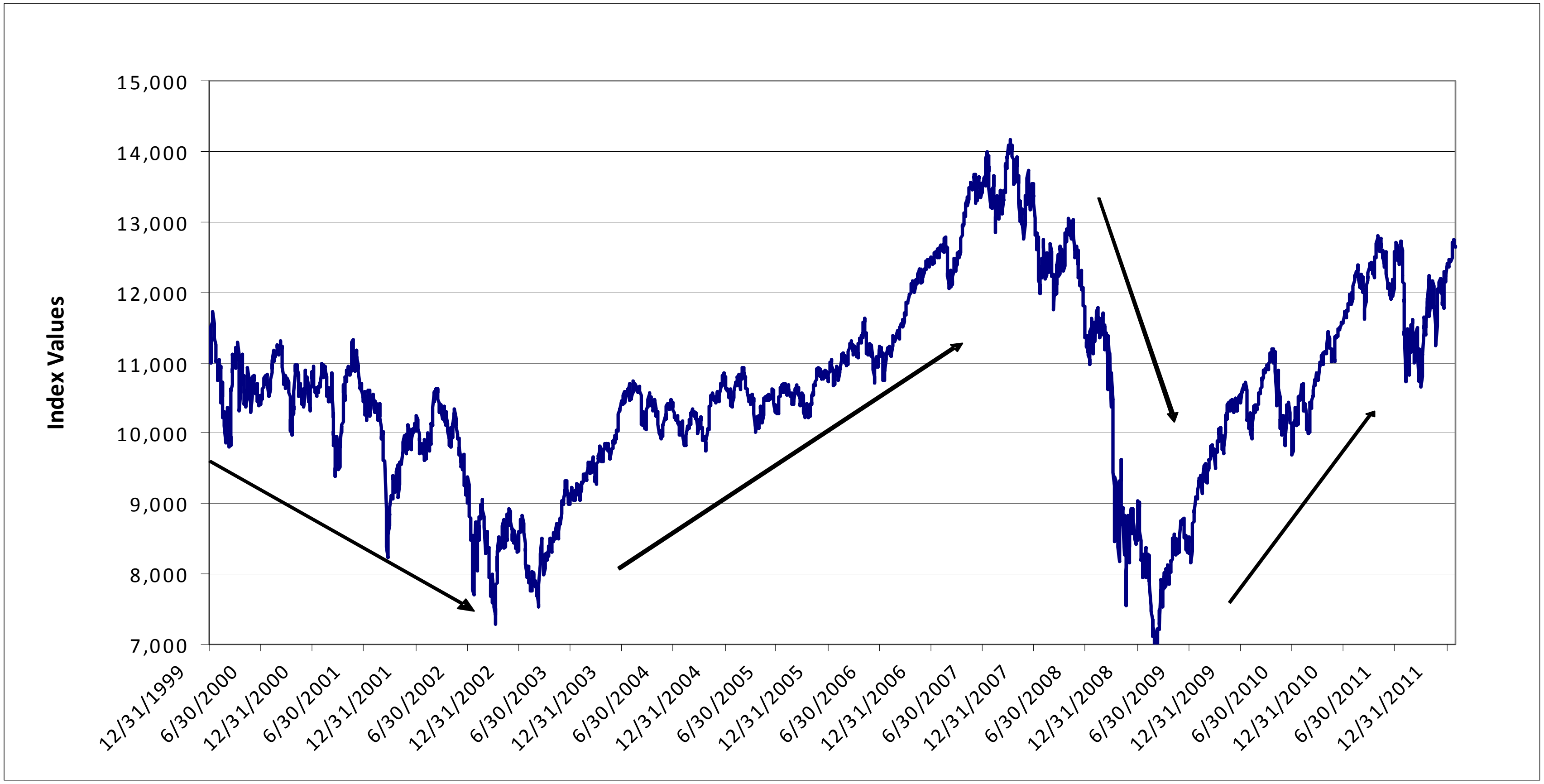
RECORD VOLATILITY in 2008-2009



Source: Bloomberg, for the period April 1, 1928 to January 31, 2012

MARKET: DJIA
MARKET CYCLE: 2000 - PRESENT

Dow Jones Industrial Average Index Prices Between December 31, 1999 and September 30, 2011



Source: Bloomberg as of January 31, 2012.

INDEX VOLATILITY 2008 – 2012

	2008	2009	2010	2011	2012*
S&P/TSX 60™ Index	41.54%	27.33%	12.92%	18.72%	11.35%
S&P/TSX Capped Financials Index™	42.64%	37.28%	14.47%	17.96%	13.22%
S&P/TSX Capped Energy Index™	60.34%	40.02%	18.37%	28.54%	18.29%
S&P/TSX Global Gold Index™	80.51%	47.59%	26.53%	31.93%	28.66%
S&P 500® Index	41.13%	27.34%	18.06%	23.22%	8.47%
NYMEX® Crude Oil	57.72%	49.96%	27.24%	33.63%	21.95%
NYMEX® Natural Gas	47.12%	62.22%	40.78%	32.13%	67.20%

Source: Bloomberg as of January 31, 2012.
*Current year as of January 31, 2012.

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BULL AND BEAR MARKETS: LEVERAGED AND INVERSE LEVERAGED ETFs

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HOW LEVERAGED AND INVERSE LEVERAGED ETFs WORK

Provide double (2x) or double inverse (-2x) exposure to the daily performance of the underlying benchmark

Key attributes of leveraged ETFs

- Risk limited to capital invested
  - **Never lose more than principal invested versus shorting**
- RSP,TFSA and RESP eligible
- No call risk
- No margin calls

UNIVERSAL EFFECTS OF COMPOUNDING ON INVESTMENT RETURNS

- Compounding affects all investments over time
  - **Upward trending periods enhance returns**
  - **Downward trending periods reduce losses**

- Volatile periods reduce returns and may increase losses

- Positive and negative effects of compounding are **magnified** in leveraged and inverse funds
  - **The impact of compounding on a 2x leveraged fund is greater than 2x**

EXAMPLES OF COMPOUNDING ON INDEXES AND LEVERAGED ETFs

	INDEX	-1x INVERSE ETF	-2x BEAR + ETF
	Daily Return	Daily Return	Daily Return
UPWARD TREND			
Day 1 Return	10%	-10%	-20%
Day 2 Return	10%	-10%	-20%
Compounded 2-day Return	21%	-19%	-36%
DOWNWARD TREND			
Day 1 Return	-10%	10%	20%
Day 2 Return	-10%	10%	20%
Compounded 2-day Return	-19%	21%	44%
VOLATILE MARKET			
Day 1 Return	10%	-10%	-20%
Day 2 Return	-10%	10%	20%
Compounded 2-day Return	-1%	-1%	-4%

For illustrative purposes only
None of the returns shown contemplate fees or expenses; not actual returns, for illustrative purposes only.

LEVERAGED ETFs PERFORMANCE SUMMARY

- Leveraged ETFs track +/-2X extremely well on a daily basis
- Over periods longer than a day, performance is market path dependent – focus on your economic exposure
- Directional markets are favourable for performance:
  - Earn greater than 2X, or lose less than 2X
- The greater the two-way volatility, the further performance will deviate (be worse) from +/-2X the period return

TRADING AND INVESTING STRATEGIES

Exchange Traded Funds provide flexibility to an investor for:

- Downside Protection
  - **Hedge Existing Long Positions to dampen volatility**
- Alpha Generation
  - **Directional Plays or Pair Trading**
- Cash Equitization
  - **Instant market exposure or part of tax loss harvesting strategy**
- Beta Efficiency
  - **Index exposure with only 50% of capital requirement**
  - **Enables a portable alpha strategy**
- Straddles
  - **Buy the pair of Long and Short ETFs in anticipation of a large, but unknown, directional move up or down**

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ETF STRATEGIES IN A TRENDLESS MARKET: ACTIVE MANAGEMENT & CONVERTING VOLATILITY INTO YIELD

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ETFs ≠ 1 BETA EQUITY INDEXING

- ETFs can also deliver various asset classes and styles to investors
  - **Fixed Income**
  - **Leveraged / Inverse**
  - **Commodity**
  - **Currency**
  - **Custom Indexing**
  - **Active management**

WHAT IS AN "ACTIVELY MANAGED ETF"?

Like a traditional ETF, but…

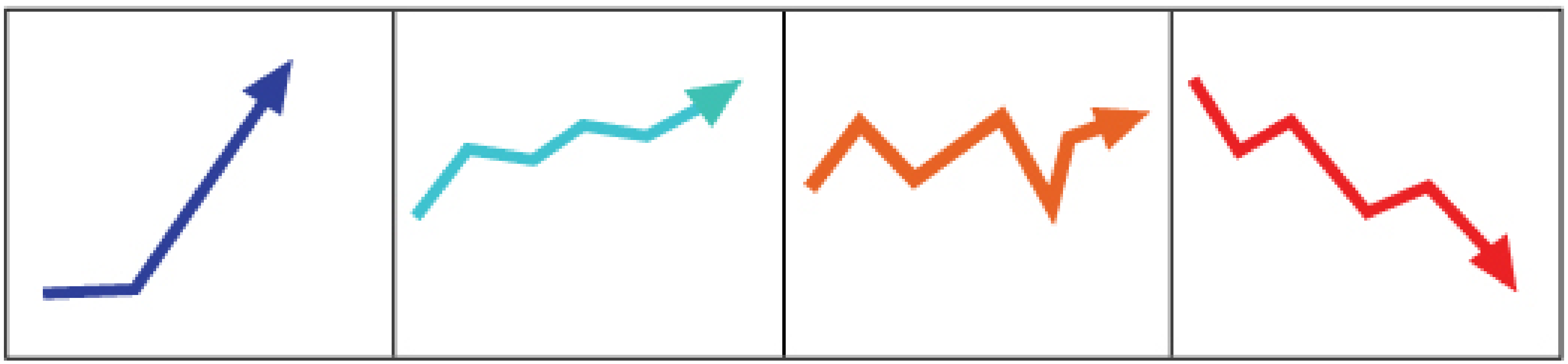
- Delivers the returns of an actively managed investment pool that employs a specific investment strategy
- Managed by an investment professional
- Uniquely designed to meet a specific investment objective

HORIZONS EXCHANGE TRADED FUNDS

ACTIVE COVERED CALL WRITING PERFORMS IN 3 OUT OF 4 MARKET CONDITIONS

How a buy-write strategy can typically be expected to perform in the following markets:

LAGS IN A POWERFUL BULL MARKET	OUTPERFORMS IN A MODEST BULL MARKET	OUTPERFORMS IN A RANGEBOUND MARKET	OUTPERFORMS IN A BEAR MARKET



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Source: Horizons Investment Management Inc.

WHAT IS A CALL OPTION?

- A **call option**, often simply labeled a "call", is a financial contract between two parties, a buyer and a seller.
- The buyer of the call option has the *right, but not the obligation* to buy an agreed quantity of a particular financial instrument (the underlying instrument) from the seller of the option before or at a certain time (the expiration date) for a certain price (the strike price).
- The seller (or "writer") is obligated to sell the underlying instrument should the buyer so decide. The buyer pays a fee (called the premium) for this right.
- The buyer of a call option wants the price of the underlying instrument to rise in the future; the seller either expects that it will not, or is willing to give up some of the upside (profit) from a price rise in return for the premium (paid immediately) and retaining the opportunity to make a gain up to the strike price.

WHY USE A CALL OPTION?

- Call options are most profitable for the buyer when the underlying instrument moves up, making the price of the underlying instrument closer to, or above, the strike price.

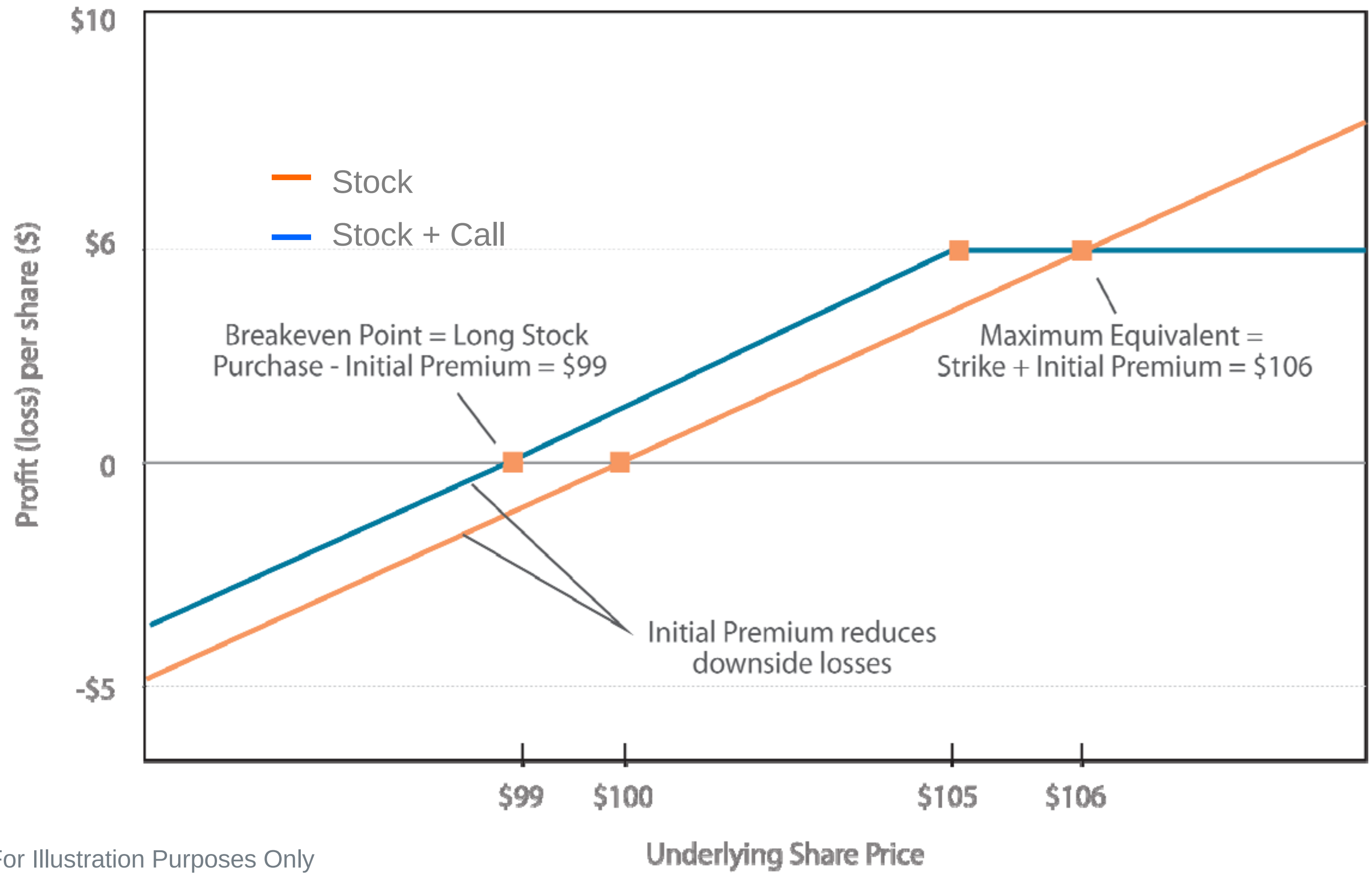
- The call *buyer* believes that it is likely that the price of the underlying instrument will rise by the exercise date. The risk is limited to the premium. The profit for the buyer can be very large, and is limited by how high the price of the underlying instrument rises. When the price of the underlying instrument surpasses the strike price, the option is said to be "**in the money**“.

- The call *writer* does not believe the price of the underlying instrument is likely to rise. The writer sells the call to collect the premium. The total loss, for the call writer, can be very large, and is only limited by how high the price of the underlying instrument rises.

- The initial transaction in this context (buying / selling a call option) is *not* the supplying of a the underlying instrument be it a physical or financial asset. Rather it is the granting of the right to buy the underlying instrument, in exchange for a fee — the option price or *premium*.

HOW A COVERED CALL STRATEGY WORKS

Assumptions: Stock purchased at $100, Call Option written at $105 strike and premium received is $1.00



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COVERED CALL WRITING – HOW IT WORKS

- Buy a stock, then sell a call option on that stock
- Regardless of the how the stock performs, the portfolio will earn call option premium on each position, even on stocks that do not pay dividends
- Modest gains are retained, outsized gains are sold away for current income
- The option premium earned will partially offset any potential losses experienced by the stocks

ACTIVE COVERED CALL WRITING: HOW IT WORKS

- The portfolio manager will primarily sell short term, out-of-the-money call options on some or all of the portfolio, generally with strike prices at ~5%, up to one standard deviation above the current market price of the stock
- Regardless of the how the stocks perform, the portfolio will earn a call option premium on each position, even on stocks that don't actually pay any dividends
- Before expiry, call will either be closed or rolled
- The option premium earned will partially offset any potential losses experienced by the stocks
- By using a portfolio of 12-50 stocks, depending on the sector, the source of returns is diversified across sectors and names
- Portfolio Manager has discretion to seek best time and premium for options
- Access higher volatility / higher premium stocks than other strategies that focus on low volatility/low premium financial stocks

THE ADVANTAGES OF USING AN ETF OVER D-I-Y

- Few investors, portfolio managers or advisors have extensive experience in option trading
- Option trading requires specialized skills to monitor and manage options positions properly
- Effective diversification in a covered-call strategy generally requires a large account / portfolio size
- Selling call options for each individual client portfolio is both time consuming and cost inefficient

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TRADING VOLATILITY USING ETFS

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MEASURING VOLATILITY

- The VIX Index, developed by the Chicago Board Options Exchange (CBOE) in 1993, is a popular measure of the implied volatility of S&P 500® Index options, represented by put and call options traded on the CBOE
- Generally, a higher VIX Index reflects more expensive put and call options on the S&P 500® Index

Source: Bloomberg for the period December 20, 2005 to February 29, 2012.

EXPOSURE TO THE VIX

- The VIX Index is a measure of option price volatility
- It is impossible to invest directly in the quoted spot VIX Index because the index cannot be replicated due to the complexities of the constant re-weighting and expiry of the options it tracks
- Through the use of VIX Index futures contracts, correlated returns can be achieved

THE S&P 500® VIX SHORT-TERM FUTURES INDEX™

- Changes to the methodology of the VIX Index in 2003 allowed for the creation of futures contracts based on the VIX Index
- The S&P 500 VIX Short-Term Futures Index™ tracks the near and next month VIX Index futures contracts
- The S&P 500 Short-Term Futures Index™ starts out by being 100% invested in the near month VIX Index futures contract and then rolls to the next month VIX Index futures contract, on a daily basis, in equal fractional amounts (approximately 5% per day).
  This results in a constant one-month maturity for the VIX Index futures contracts
- While it is impossible to replicate the VIX Index, the returns of the S&P 500 VIX Short-Term Futures Index™ can be tracked by an ETF

NEGATIVE CORRELATION TO EQUITIES

- The historical returns of the S&P 500 VIX Short-Term Futures Index™ support a negative correlation to the S&P 500® Index. The Underlying Index (the S&P 500 Short Term VIX Future Index™) of HUV, HVI and HVU can generally be considered to be inversely correlated to the S&P 500® Index

The S&P 500® Index, VIX Index and Underlying Index have the following average daily correlation for each of the 12 and 24 month periods and average weekly correlation for the 36 month period ending February 29, 2012. A value of 1.00 represents perfect correlation and a value of -1.00 represents perfect inverse correlation.

Correlation

	S&P 500 VIX Short-Term Futures Index™			VIX Index			S&P 500® Index		
	1 Year	2 Year	3 Year*	1 Year	2 Year	3 Year*	1 Year	2 Year	3 Year*
S&P 500 VIX Short-Term Futures Index™	1.000	1.000	1.000	0.916	0.914	0.874	-0.869	-0.870	-0.779
VIX Index	0. 916	0.914	0.874	1.000	1.000	1.000	-0.856	-0.846	-0.738
S&P 500® Index	-0.869	-0.870	-0.779	-0.856	-0.846	-0.738	1.000	1.000	1.000

Source: Bloomberg, as of February 29, 2012. Historical performance is shown for illustrative purposes only. It is not meant to forecast, imply or guarantee the future performance of any particular investment or index, which will vary. All index performance data assumes the reinvestment of all distributions and does not take into account any fees, expenses or any optional charges payable by a securityholder.

*Weekly correlation for the 3 Year values

VOLATILITY DECREASES WHEN STOCKS RISE

10 Largest Daily Gains on the S&P 500® Index

Date	S&P 500® 1-Day	CBOE SPX Volatility Index (VIX)	S&P 500 Short-Term VIX Futures Index™
13/10/2008	11.6%	-21.4%	-7.6%
28/10/2008	10.8%	-16.4%	-8.7%
23/03/2009	7.1%	-5.8%	-7.6%
13/11/2008	6.9%	-10.0%	-6.7%
24/11/2008	6.5%	-11.0%	-6.3%
10/03/2009	6.4%	-10.7%	-7.6%
21/11/2008	6.3%	-10.1%	-5.2%
30/09/2008	5.4%	-15.7%	-5.9%
16/12/2008	5.1%	-7.7%	-4.8%
20/10/2008	4.8%	-24.7%	-5.6%

Source: Bloomberg for the period between December 30, 2005 to February 29, 2012.

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VOLATILITY RISES DURING MARKET PANIC

- The chart below is the performance of a hypothetical investment of $10,000 in the S&P 500® Index and the S&P 500 VIX Short-Term Futures Index™. The chart illustrates that volatility generally spikes during periods of distress in the S&P 500® Index

For Illustration Purposes Only

$10,000 Investment in the S&P 500® Index and S&P 500 VIX Short-Term Futures Index™

Source: Bloomberg for the period December 30, 2005 to February 29, 2012. The rate of returns shown in the graph are used only to illustrate the effects of the compound growth rate and are not intended to forecast, imply or guarantee the future performance of any particular investment or index, which will vary. All index performance data assumes the reinvestment of all distributions and does not take into account any fees, expenses or any optional charges payable by a securityholder.

VOLATILITY RISES DURING MARKET PANIC

- Volatility tends to revert to a mean over longer periods and trades in an environment of contango
- Being short the S&P 500 VIX Short-Term Futures Index™ has been a superior buy and hold investment strategy to taking a long position on the same index
- An investor who hypothetically would have shorted the U.S.-listed iPath S&P 500 VIX Short-Term Futures ETN ("VXX"), resetting their exposure on a daily basis since its inception date of January 29, 2009 would have seen a 330.08% return versus a corresponding -91.57% return for it's S&P 500 VIX Short-Term Futures Index™ (Total Return)

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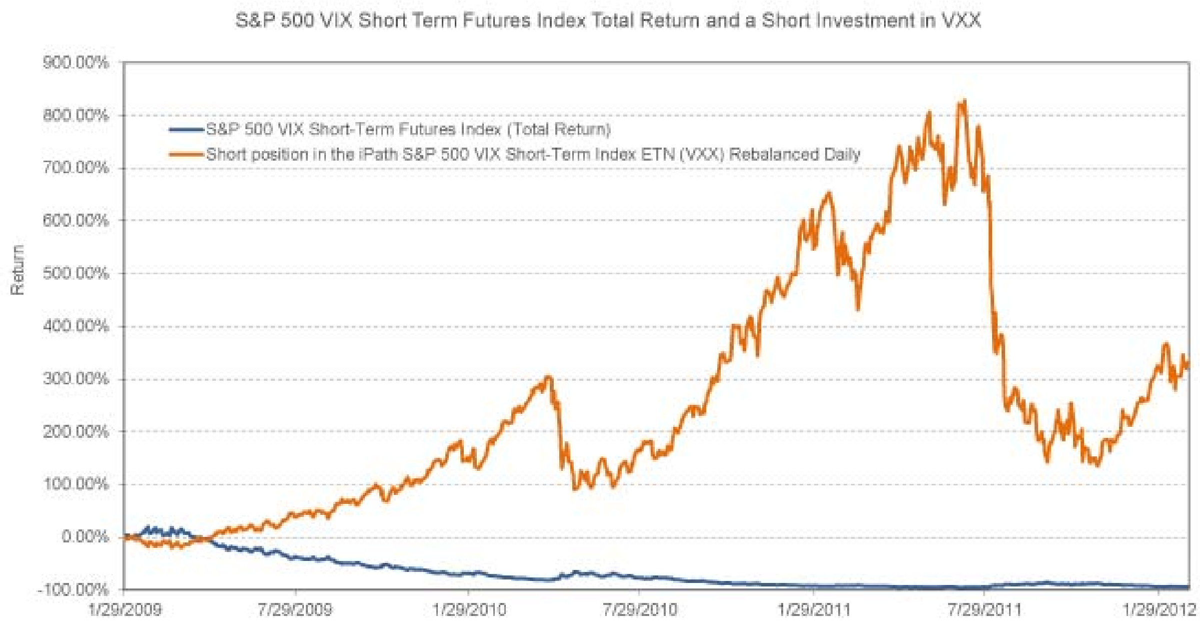


Source: Bloomberg, for the period December 30, 2005 to February 29, 2012. Historical performance is shown for illustrative purposes only, is based in U.S. dollars and in the case of the short VXX returns are hypothetical. It is not meant to forecast, imply or guarantee the future performance of any particular investment or index, which will vary. All index performance data assumes the reinvestment of all distributions and does not take into account any fees, expenses or any optional charges payable by a securityholder. The VXX performance data assumes the reinvestment of all distributions and does not take into sales, redemption, distribution or optional charges or income taxes payable by a securityholder.

SOME OF THE BEST DAYS TO BE INVESTED IN VOLATILITY

- A closer look at some of the worst days on the S&P 500® Index shows how, on a daily basis, the returns of the S&P 500 VIX Short-Term Futures Index™ were positive

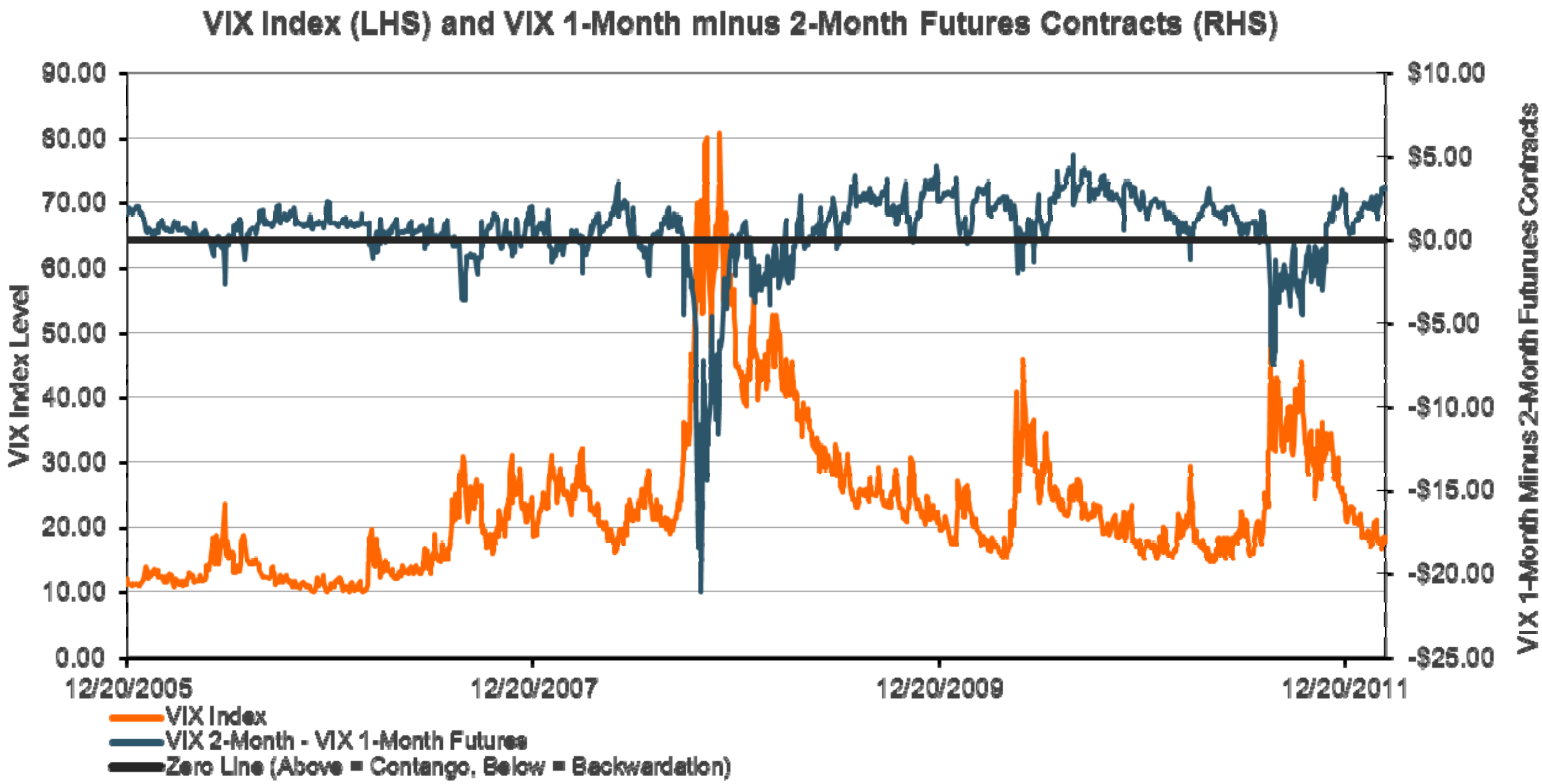
20 Largest Daily S&P 500® Index Declines Between December 2005 to February 29, 2012

Date	S&P® 500 Index	CBOE SPX Volatility Index (VIX)	S&P 500 VIX Short-Term Futures Index™	Date	S&P® 500 Index	CBOE SPX Volatility Index (VIX)	S&P 500 VIX Short-Term Futures Index™
10/15/2008	-9.03%	25.61%	14.03%	11/5/2008	-5.27%	14.31%	6.52%
12/1/2008	-8.93%	23.93%	12.76%	11/12/2008	-5.19%	8.17%	7.72%
9/29/2008	-8.79%	34.48%	14.00%	11/6/2008	-5.03%	16.72%	11.76%
10/9/2008	-7.62%	11.11%	9.97%	2/10/2009	-4.91%	6.94%	6.30%
11/20/2008	-6.71%	8.89%	5.28%	8/4/2011	-4.78%	35.41%	21.35%
8/8/2011	-6.66%	50.00%	19.06%	9/15/2008	-4.71%	23.54%	6.00%
11/19/2008	-6.12%	9.79%	9.79%	9/17/2008	-4.71%	19.54%	5.72%
10/22/2008	-6.10%	31.14%	10.34%	3/2/2009	-4.66%	13.59%	6.56%
10/7/2008	-5.74%	3.13%	9.60%	2/17/2009	-4.56%	13.35%	4.34%
1/20/2009	-5.28%	22.86%	12.82%	8/18/2011	-4.46%	35.12%	19.23%

Source: Bloomberg for the period between December 30, 2005 to February 29, 2012.

CONTANGO IN VIX FUTURES CONTRACTS

- A steep level of contango has existed during the past two years. The orange line represents the percentage difference between the short-term VIX Futures and mid-term VIX Futures contract indices. For most of the past two years, the longer dated contract has traded at a higher price suggesting investors would have paid a premium to roll contracts.



Source: Bloomberg for the period between December 30, 2005 to February 29, 2012.

SHORTING THE S&P 500 VIX SHORT-TERM FUTURES INDEX™

- An investor who hypothetically would have shorted the U.S.-listed iPath S&P 500 VIX Short-Term Futures ETN (“VXX”) since its inception date of January 29, 2009 would have seen a 330.08% return versus a corresponding -93.63% return for the S&P 500 VIX Short-Term Futures Index (Total Return) over the same period

Product/Position	1 Month	3 Month	6 Month	1 Year	Since Inception of VXX*
S&P 500 VIX Short-Term Futures Index™ (Total Return)	-19.00%	-42.99%	64.07%	-10.19%	-93.63%
Short position in the iPath® S&P 500 VIX Short-Term Futures™ ETN (Hypothetical)	4.45%	55.16%	12.95%	-36.59%	330.08%
iPath® S&P 500 VIX Short-Term Futures™ ETN (Acutal Returns)	-19.07%	-43.12%	63.32%	10.99%	-91.78%

Source: Bloomberg, as of February 29, 2012. Historical performance is shown for illustrative purposes only, is based in U.S. dollars and in the case of the short VXX returns are hypothetical. It is not meant to forecast, imply or guarantee the future performance of any particular investment or index, which will vary. All index performance data assumes the reinvestment of all distributions and does not take into account any fees, expenses or any optional charges payable by a securityholder. The VXX performance data assumes the reinvestment of all distributions and does not take into sales, redemption, distribution or optional charges or income taxes payable by a securityholder. *Inception date of VXX is January 29, 2009

HUV: CANADA'S FIRST C$ HEDGED VOLATILITY TRACKING ETF

- **Name:** Horizons BetaPro S&P 500 VIX Short-Term Futures™ ETF
- **Ticker Symbol:** HUV
- **Underlying Index:** S&P 500 VIX Short-Term Futures Index™
- **General Objective:** Provide investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs that endeavour to correspond to the performance of the S&P 500 VIX Short-Term Futures Index™. Any U.S. dollar gains or losses are hedged back to the Canadian dollar to the best of its ability
- **Management Fee:** 0.85%
- **Eligibility:** RRSP, RRIF, DPSP, RDSP, RESP, TFSA

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HVU: THE WORLD'S FIRST LEVERAGED VOLATILITY TRACKING ETF

- **Name:** Horizons BetaPro S&P 500 VIX Short-Term Futures™ Bull + ETF
- **Ticker Symbol:** HVU
- **Underlying Index:** S&P 500 VIX Short-Term Futures Index™
- **General Objective:** To provide daily investment results, before fees, expenses, distributions, brokerage commissions and other transaction costs, that endeavour to correspond to twice the daily performance of the S&P 500 VIX Short-Term Futures Index™. Any U.S. dollar gains or losses are hedged back to the Canadian dollar to the best of its ability. HVU does not seek to achieve its stated investment objective over a period of time greater than one day
- **Management Fee:** 1.15%
- **Eligibility:** RRSP, RRIF, DPSP, RDSP, RESP, TFSA

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HVI: CANADA'S FIRST INVERSE VOLATILITY TRACKING ETF

- **Name:** Horizons BetaPro S&P 500 VIX Short-Term Futures™ Inverse ETF
- **Ticker Symbol:** HVI
- **Underlying Index:** S&P 500 VIX Short-Term Futures Index™
- **General Objective:** HVI is designed to provide daily investment results, before fees and expenses that endeavour to correspond to the single inverse (opposite) of the daily performance of the S&P 500 VIX Short-Term Futures Index™. Any U.S. dollar gains or losses are hedged back to the Canadian dollar to the best of its ability. HVI does not seek to achieve its stated investment objective over a period of time greater than one day
- **Management Fee:** 1.15%
- **Eligibility:** RRSP, RRIF, DPSP, RDSP, RESP, TFSA

HVI: SHORTING THE S&P 500 VIX SHORT-TERM FUTURES INDEX™

- Taking a long position on volatility, such as investing in HUV or HVU, is considered
  by some investors to be the equivalent of buying portfolio insurance since volatility tends to spike during periods of stock market declines

- In many ways, taking an inverse position, such as investing in HVI is the equivalent of selling, rather than buying, portfolio insurance

- **If volatility declines or remains flat, HVI would be expected to deliver a positive return**

- HVI benefits from a contango environment, since the roll-premium hurdle faced by long position investors would act as a tailwind for inverse performance

DISCLAIMER

Horizons BetaPro S&P 500 VIX Short-Term Futures™ Bull Plus ETF (the “HBP Double VIX ETF”) and the Horizons BetaPro S&P 500 VIX Short-Term Futures™ Inverse ETF (the “HBP Inverse VIX ETF”) are subject to leverage risk and use leveraged investment techniques that magnify gains and losses and may result in greater volatility in value. The HBP Double VIX ETF, HBP Inverse VIX ETF and the Horizons BetaPro S&P 500 VIX Short-Term Futures™ ETF (the “HBP Single VIX ETF”) (collectively, the “HBP VIX ETFs”) are speculative investment tools, are not conventional investments and are subject to aggressive investment risk and price volatility risk, which are described in the HBP VIX ETFs’ prospectus. The HBP Double VIX ETF seeks a return, before fees, expenses and costs, that is 200% of the performance of the S&P 500 VIX Short-Term Futures Index™ (the “ Underlying Index “) *for a single day*. The HBP Single VIX ETF seeks a return that is 100% of the performance of the Underlying Index. The HBP Inverse VIX ETF seeks a return that is -100% of the performance of the Underlying Index *for a single day*. Due to the compounding of daily returns, the returns of the HBP Double VIX ETF and HBP Inverse VIX ETF over periods other than one day will likely differ in amount, and possibly direction, from the performance of the Underlying Index for the same period. The Underlying Index tracks market volatility, not market returns, and has tended to have a low to negative correlation to equity market returns. The Underlying Index is highly volatile. Historically, the Underlying Index has experienced significant one day increases when equity markets have had large negative returns which, if repeated, could cause the HBP Inverse VIX ETF to suffer substantial losses. As a result, none of the HBP VIX ETFs should be viewed as a stand-alone long term investments. Investors should monitor their holdings, as frequently as daily, to ensure that they remain consistent with their investment strategies. Commissions, management fees and expenses all may be associated with investment in the HBP VIX ETFs. The HBP VIX ETFs are not guaranteed, their values change frequently and past performance may not be repeated. Historical performance is shown for illustrative purposes only. VXX and short VXX returns are based in U.S. dollars and in the case of the short VXX returns are hypothetical. It is not meant to forecast, imply or guarantee the future performance of any particular investment or index, which will vary. All index performance data assumes the reinvestment of all distributions and does not take into account any fees, expenses or any optional charges payable by a securityholder. “Standard & Poor’s®” and “S&P®” are registered trademarks of Standard & Poor’s Financial Services LLC (“S&P”). This mark has been licensed for use by Horizons ETFs Management (Canada) Inc. The HBP VIX ETFs are not sponsored, endorsed, sold, or promoted by S&P or its affiliated companies and S&P does not make any representation, warranty or condition regarding the advisability of buying, selling and holding units in the HBP VIX ETFs. **Please read the prospectus before investing.**