

INVESTING IN MARIJUANA USING ETFs



BACKGROUND

HORIZONS
MARIJUANA LIFE SCIENCES INDEX ETF (HMMJ)

HORIZONS
US MARIJUANA INDEX ETF (HMUS)



HORIZONS ETFs
by Mirae Asset

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WHY INVEST IN MARIJUANA?

There has been increasing social and regulatory acceptance of marijuana for both its medicinal properties and recreational use.

On October 17, 2018, recreational marijuana was legalized in Canada, allowing Canadians to purchase marijuana for use without a doctor's prescription. With the current and potential legalization of both medical and recreational marijuana in certain U.S. states and in countries across the world, marijuana cultivation and distribution could be significant.

Globally, there are a growing number of businesses involved in the cannabis industry beyond cultivation and distribution, making it possible to invest in companies without directly investing in cannabis itself.

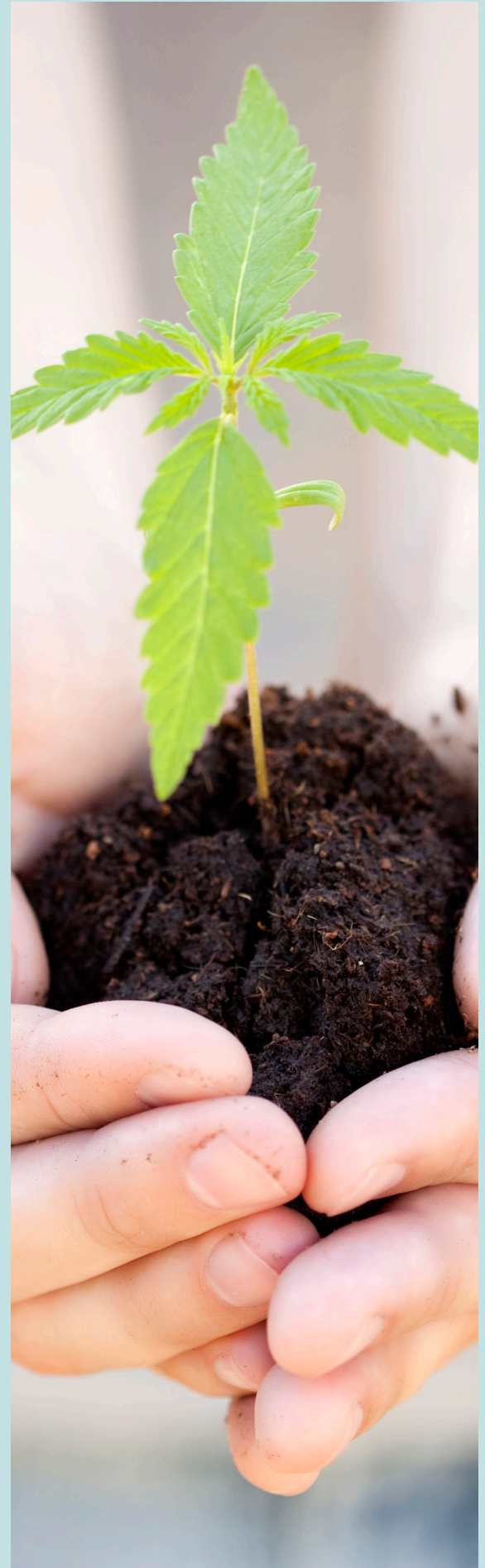
THE GROWTH OF THE MARIJUANA INDUSTRY

REVENUE AND PROJECTED GROWTH

- Global legal spending in on cannabis is expected to top 40 billion by 2024. North America alone is expected to account for approximately US\$35 billion of that total global spending¹.
- Medical marijuana, which is used to treat issues such as chronic pain, the side effects of chemotherapy and epilepsy, is estimated to grow to US\$28 billion by 2024.²
- Adult-use spending in Canada is expected to reach approximately \$4.8 billion by 2024.³

PROFIT POTENTIAL

According to Statistics Canada, the average price of legal recreational marijuana in 2019 was \$7.37 per gram.⁴ However, cultivation costs were as low as \$2 a gram, according to Aphria, a leading marijuana producer.



¹ Source: Cannabis producers could be chasing global market worth \$194 billion in seven years: BMO report, November 1, 2018.

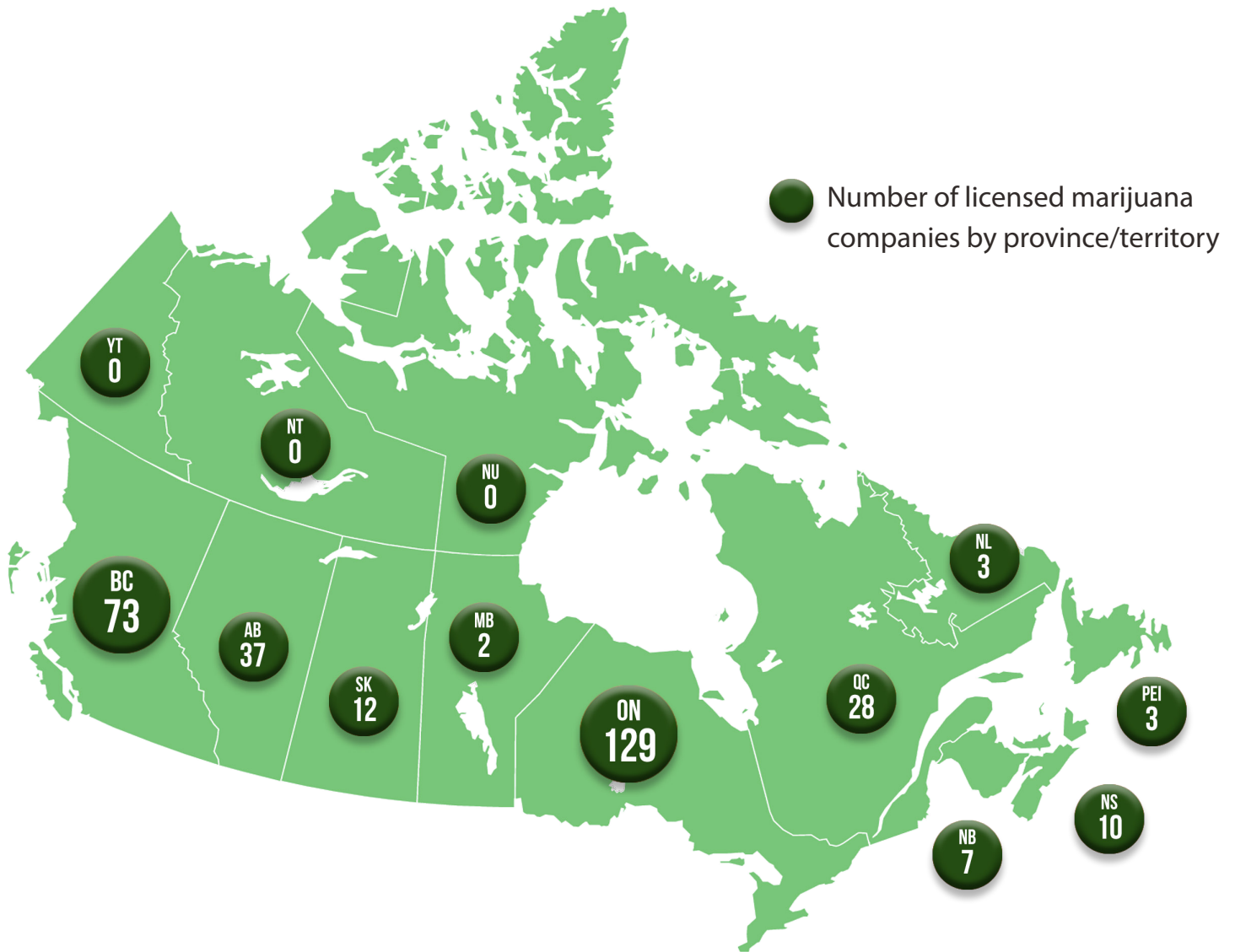
² Source: The State of Legal Cannabis Markets, 7th Edition, 2020 Update, Arcview Market Research, January 2020.

³ Source: Global Medical Marijuana Market Outlook, Trend and Opportunity Analysis, Competitive Insights, Actionable Segmentation & Forecast 2024, Energias Market Research, June 2018.

⁴ Source: The State of Legal Cannabis Markets, 7th Edition, 2020 Update, Arcview Market Research, 2020

⁵ Source: Pot price in Canada falls 6.4 per cent to \$7.37 a gram: StatsCan, Canadian Press, October 9, 2019

THE CANADIAN ADVANTAGE



Canada is a global leader in building the infrastructure and regulations for the medical marijuana market, through its Access to Cannabis for Medical Purposes Regulations (“ACMPR”).

- **307 licensed companies¹**
- **Over 369,614 medical marijuana users across Canada²**

¹Source: Government of Canada, Health Canada, Authorized Licensed Producers of Cannabis for Medical Purposes, as at August 2019.

²Source: Government of Canada, September 2019.

GLOBAL OPPORTUNITY

Since Canada became the second country in the world to legalize cannabis in October 2018, the demand for marijuana and investments in the sector have grown globally.

In 2019, consumer spending on legal cannabis worldwide grew by an estimated 45.7% to US\$14.9 billion – triple the 17% growth rate achieved in 2018¹. Arcview Market Research and BDS Analytics predict that by 2024, global legal spending on cannabis will exceed US\$42.7 billion¹, with North America driving 87% of that demand.

An increasing number of countries across the world – including New Zealand, Mexico and Luxembourg — are pursuing full cannabis legalization. The global cannabis opportunity looks likely to continue growing.

¹Source: 2020 update to The State of Legal Cannabis Markets, 7th Edition.

U.S. REVENUE PROJECTIONS

While marijuana cultivation is legal at the state level in many U.S. states, it remains federally illegal, making it difficult for U.S. companies to have their securities listed on stock exchanges. Despite the regulatory restrictions, the marijuana and adjacent cannabidiol industries (CBD) in the U.S. continue to see strong growth potential.

In 2018, the U.S. legal marijuana market size was approximately US\$9.01 billion, and it is expected to grow more than threefold to US\$31.1 billion by 2024². Many of these U.S.-domiciled companies have opted for Canadian securities listings to take advantage of full capital markets support, since marijuana use is fully legal in Canada².

²Source: 2020 update to The State of Legal Cannabis Markets, 7th Edition.



HOW DO I INVEST IN MARIJUANA?

We believe an ETF is the best way to invest in the marijuana sector, because an ETF provides:

1. Instant Diversification

- ETFs reduce concentration/issuer risk, but can also limit the upside potential of owning certain individual stocks

2. Efficiency

- ETFs provide single-trade exposure to many issuers

3. Liquidity

- ETFs can be bought and sold on a stock exchange throughout the trading day

4. Sector Beta

- Index products provide comprehensive exposure to the sector

5. Potential Yield

- ETFs can potentially provide a monthly yield through securities lending

Horizons ETFs currently offers many different ETFs that provide access to this growing investment opportunity. In this piece, we outline two of them.

HMMJ

THE WORLD'S FIRST MARIJUANA ETF

The Horizons Marijuana Life Sciences Index ETF ("HMMJ") seeks to replicate, to the extent possible, the performance of the North American Marijuana Index, net of expenses. This Index is designed to provide exposure to the performance of a basket of North American publicly listed companies with significant business activities in the marijuana industry.

DETAILS:

- **Ticker:** HMMJ; HMMJ.U¹
- **Management Fee:*** 0.75%
- **Stock Exchange:** Toronto Stock Exchange
- **Underlying Index:** North American Marijuana Index
- **Bloomberg Index Ticker:** NAMMAR
- **Currency:** Canadian dollar (foreign exposure is not hedged)
- **Eligibility:** All registered and non-registered investment accounts
- **Rebalanced:** Quarterly

¹Trades in U.S. dollars.

*Plus applicable sales taxes.

NORTH AMERICAN MARIJUANA INDEX

Constituents are listed on North America's public equity markets with business activities that include biopharmaceuticals, medical manufacturing, distribution, bioproducts and other ancillary businesses to the marijuana industry. While securities may be listed on the TSX, NYSE or Nasdaq Global Market, many of these securities may trade on North American junior exchanges that include (but are not limited to) the:

- TSX Venture Exchange
- Canadian Securities Exchange
- NASDAQ Stock Market
- New York Stock Exchange

NORTH AMERICAN MARIJUANA INDEX METHODOLOGY

- Rebalanced quarterly to adapt to a dynamically changing market
- Market capitalization of securities will generally be greater than \$75 million
- Average daily trading value generally greater than \$250,000
- No issuer will represent more than 10% of the North American Marijuana Index on each rebalance

For more information on HMMJ, including its top holdings, visit: www.HorizonsETFs.com/HMMJ.

HMUS

THE WORLD'S FIRST U.S.-FOCUSED MARIJUANA INDEX ETF

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

DETAILS:

- **Ticker:** HMUS; HMUS.U¹
- **Management Fee:*** 0.85%
- **Stock Exchange:** Aequitas NEO Exchange
- **Underlying Index:** US Marijuana Companies Index
- **Bloomberg Index Ticker:** UMMAR
- **Currency:** Canadian dollar (foreign exposure is not hedged)
- **Eligibility:** All registered and non-registered investment accounts
- **Rebalanced:** Quarterly

¹Trades in U.S. dollars.

*Plus applicable sales taxes.

US MARIJUANA COMPANIES INDEX

Constituents are listed on North America's public equity markets with significant business activities in, or significant exposure to, the marijuana or hemp industries in the U.S. and primarily include those with business activities in the cultivation, production and/or distribution of marijuana.

US MARIJUANA COMPANIES INDEX METHODOLOGY

- Uses a modified market capitalization, with larger companies (by market capitalization) representing larger weights in the portfolio at each rebalance
- No issuer will represent more than 10% of the Index on each rebalance date
- For a security to be eligible for the Index, the issuer will generally need to have a market capitalization over \$75 million

For more information on HMUS, including its top holdings, visit: www.HorizonsETFs.com/HMUS.

There are risks associated with this product. HMUS is expected to invest in the Marijuana industry in certain U.S. states that have legalized marijuana for therapeutic or adult-use, which is currently illegal under U.S. federal law. HMUS will passively invest in companies involved in the marijuana industry in the U.S. where local state law regulates and permits such activities, as well as in companies involved in the Canadian legal Marijuana industry. HMUS will not be directly engaged in the manufacture, importation, possession, use, sale or distribution of marijuana in either Canada or the U.S. **Please read the full risk disclosure in the prospectus before investing.**

WANT TO LEARN MORE ABOUT INVESTING IN THIS BUDDING INDUSTRY?

It's rare that investors get to take part in the early stages of a new sector of the economy.

HMMJ and HMUS provide a simple and diversified way to get exposure to this exciting potential growth opportunity.



To learn more visit HorizonsETFs.com/Marijuana



HORIZONS ETFs
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Certain statements may constitute a forward-looking statement, including those identified by the expression "expect" and similar expressions (including grammatical variations thereof). The forward-looking statements are not historical facts but reflect the author's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These and other factors should be considered carefully and readers should not place undue reliance on such forward looking statements. These forward-looking statements are made as of the date hereof and the authors do not undertake to update any forward-looking statement that is contained herein, whether as a result of new information, future events or otherwise, unless required by applicable law.