



**HORIZON**  
INVESTMENTS

**Brochure - Part 2A of Form ADV**

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**This brochure provides information about the qualifications and business practices of Horizon Investments, LLC (“Horizon”). If you have any questions about the contents of this brochure, please contact us at 704-544-2399. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about Horizon is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)**

March 27, 2020

## **Item 2. Material Changes**

This amendment to Form ADV Part 2A (the “Brochure”) is dated March 27, 2020. Our most recent prior annual update to Form ADV Part 2A (the “2018 Annual Update”) was dated March 15, 2019. If you would like another copy of this brochure, please download it from the SEC website as indicated on the cover page, or you can contact Horizon at 704-544-2399.

Since the 2019 Annual Update, we updated the Brochure by removing references to types of accounts Horizon no longer offers or provides, including collective investment trusts and the Principal Protection strategy.

We have also made other updates throughout the Brochure. Accordingly, Horizon encourages each client and prospective client to read this Brochure in its entirety.

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#### **Item 4. Advisory Business**

Horizon Investments, LLC has been in business since 1995. Its principal owner, who has been affiliated with Horizon since 1999, is Robbie Cannon, President and CEO. Horizon is an investment adviser registered with the SEC under the Investment Advisers Act of 1940 (the “Advisers Act”).

Depending on the needs of clients, Horizon serves as a primary investment adviser (*e.g.*, to Direct Client separate accounts and mutual funds) or as a sub-adviser or wrap program manager to ETFs, investment advisers, broker dealers and other financial institutions offering multiple investment advisory opportunities to clients (each, a “Sponsor Firm”). Horizon also provides services for retirement plans. Horizon’s advisory services are more fully explained below.

Other than certain mutual fund clients, Horizon client accounts are generally managed utilizing Horizon’s active asset allocation strategies. See “Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss” for a description of strategies offered by Horizon.

Clients who become Direct Clients are generally introduced by a broker dealer or other financial institution that acts as a solicitor for Horizon (each a “Solicitor Firm”). Generally, the client’s representative (typically, the client’s financial advisor) at the Solicitor Firm works together with Horizon to determine the appropriate investment strategy for the client, and the client’s representative at the Solicitor Firm is responsible for monitoring the ongoing suitability of the selected strategy and communicating any changes to Horizon.

Whether the client accounts are introduced to or receive services from Horizon through Sponsor Firms or Solicitor Firms, the client’s financial advisor, a representative of the Sponsor or Solicitor Firm, as applicable, coordinates Horizon’s services for the client. In each instance, we refer to such representatives herein as “Financial Advisors”.

#### ***INVESTMENT ADVICE GIVEN THROUGH FINANCIAL INTERMEDIARY FIRMS***

##### ***Horizon as Investment Adviser to Wrap Fee Programs***

Under wrap fee programs, Sponsor Firms assist clients with the selection of Horizon (or have the discretion to select Horizon) to manage the assets in accounts maintained at the Sponsor Firm, collect Horizon’s investment advisory fee on behalf of the client, monitor and evaluate Horizon’s performance, and provide or coordinate custodial and execution services for the client’s assets.

In wrap fee programs, clients generally pay an asset-based fee to the Sponsor Firm (the “wrap fee”), and out of that fee, the Sponsor Firm is responsible for paying a portion of the wrap fee as an investment advisory fee to Horizon. For a more complete description of the fees involved with wrap programs, please see Item 5 of this Brochure and your Sponsor Firm’s Brochure.

Horizon maintains model portfolios, based on certain established guidelines for wrap platforms, including Separately Managed Accounts (“SMA”) and Unified Managed Accounts (“UMA”), as well as for Model Delivery Platforms (“MDP”) (see below under the separate heading “Technology Platforms/Model Delivery Platforms”). These types of accounts are described briefly below. For more information and to determine if any are appropriate for you, please consult your Financial Advisor.

##### ***SMA***

A separately managed account is a term within the financial services industry used to describe an individually managed account offered by a dually-registered brokerage and investment advisory firm

(often called a Sponsor Firm) through one of their Financial Advisors and managed by an independent investment management firm (often called the money manager or investment manager). Firms may call SMAs “wrap fee” or “dual contract” or “single contract” accounts, depending on their fee structure.

These programs typically offer a wide array of money managers from which the client can choose including: equity managers, ETF strategists, fixed income managers, etc. When a client selects a money manager through these programs, they will usually grant the manager full discretion (including trading discretion) over the account. With this authority, the manager directs trading activity in the account according to their investment process and securities selection discipline. (For more information about Horizon’s trading policies please see Item 12 of this Brochure). Trading discretion requires the money manager to seek best execution for trades executed in the account.

Each SMA requires its own custodial account. As a result, a client who chooses to invest with multiple managers maintains multiple custodial accounts at the Sponsor Firm -- one for each asset manager selected.

#### *UMAs*

Unified managed accounts are similar to SMAs, but there are important differences that investors should note. A UMA combines all of a client’s assets into a single account. As described above, an SMA holds the securities associated with a single investment manager in a unique custodial account at the Sponsor Firm. Conversely, a UMA typically invests in multiple separate strategies (i.e., “sleeves”) in the same custodial account, as well as other investment products such as mutual funds or individual stocks and bonds.

In a UMA, the asset manager typically delivers an investment model to the UMA Sponsor (however, in some instances (e.g., Wells Fargo PUMA), the asset manager also has trading discretion over the UMA accounts; for information on Horizon’s trading policies and procedures, please see Item 12 of this Brochure).

The differences in trade executions, as well as investment restrictions that these types of programs impose, can cause accounts with the same investment manager and discipline to perform differently over the same time period.

Some Sponsor Firms have SMA wrap programs on which the investment manager (i.e., Horizon) does not have discretion, trading or otherwise, over the accounts; the manager only provides a model to the Sponsor Firm. These programs are often referred to as SMA Model Delivery Arrangements or Model Manager Sub-Advisory Arrangements. In other instances, Horizon provides the model(s) to an MDP used by the wrap program (see below under the separate heading “Technology Platforms / Model Delivery Platforms”).

#### *Differences between SMA, UMA, and MDP Accounts*

While Horizon’s models used by SMAs, UMAs and MDPs are often similar, there are differences in implementation. There can be performance dispersion between accounts where Horizon has trading discretion and where it does not (where it therefore depends on a third party to execute instructions). This may cause the models to achieve different performance. Additionally, UMA accounts may contain different investments based on parameters that govern the use of multiple managers and other restrictions.

Clients should speak to their Financial Advisor about the similarities and differences associated with SMAs and UMAs, and whether their accounts use an MDP, so they fully understand the account structure.

### Technology Platforms / Model Delivery Platforms

The investment management industry continues to grow in its use of MDPs (also known as “Technology Platforms” or “Strategist Platforms”) to efficiently deliver investment account models to multiple account holders. These MDPs are often affiliated with trust companies or registered investment advisers. Under the typical MDP arrangement, an asset manager like Horizon will enter into an agreement with the MDP whereby Horizon licenses its model accounts to the MDP. Potential users of these model accounts then enter into subscriber agreements with the MDP to receive access to model accounts (however, under some arrangements, the end client has an agreement with both the MDP and the model provider). The MDP typically has technology that allows the model account to be applied to multiple accounts and for the model to be delivered, implemented (i.e., traded), rebalanced and updated over time in individual accounts.

Horizon is a model provider to several MDPs. In many instances, these MDPs are selected by wrap sponsors as the required method for wrap managers like Horizon to deliver model accounts. However, MDPs are not exclusively used by wrap programs; MDPs are also available to third party RIAs who access Horizon’s models for the benefit of their clients.

There can be performance dispersion between accounts where Horizon has trading discretion and accounts using an MDP (because the MDP has its own trading procedures, which may include, without limitation, proprietary account drift and rebalance protocol, and timing, communication and clearing of market trades, each of which will differ from Horizon’s). This may cause the models to achieve different performance.

### **INVESTMENT ADVICE FOR DIRECT CLIENTS**

#### Horizon as Investment Adviser to Direct Clients

Separate account clients who engage Horizon directly for investment advisory services (*i.e.*, not through wrap programs or other third-party programs) are referred to herein as “Direct Clients.” For these clients, in coordination with the client’s Financial Advisor, Horizon determines the appropriate portfolio investment style (*e.g.*, growth or conservative) based on pertinent and available information such as: age, financial circumstances, investment objectives and risk tolerance. Once selected, the client’s Financial Advisor is responsible for monitoring the ongoing suitability of the selected strategy and communicating any changes to Horizon.

#### Investment Restrictions

Horizon’s clients generally do not have the ability to impose restrictions on Horizon’s management. Direct Clients have the opportunity to choose from among several risk-based strategies, and for wrap programs, the Sponsor Firm chooses which of Horizon’s strategies are available for investment in such programs.

### **INVESTMENT ADVICE FOR RETIREMENT PLANS**

#### Horizon Services for Retirement Plans

For retirement plans, Horizon provides investment advisory services on either a “non-discretionary” basis (serving as a “fiduciary” as defined by §3(21)(A)(ii) of the Employee Retirement Income Security Act of 1974 (“ERISA”)) or on a “discretionary” basis and thus will serve as an “investment manager” as defined by §3(38) of ERISA. In either case, Horizon provides specific investment advice to retirement plan clients with regard to the selection of investment manager(s) and/or investment vehicles available to the plan within the platform provided by the plan’s administrator.

## **INVESTMENT ADVICE FOR POOLED INVESTMENT VEHICLES**

### Horizon as Investment Adviser to Mutual Funds and ETFs

Horizon acts as the investment adviser of all of the registered investment companies (*i.e.*, mutual funds) that are part of the Horizon Funds, a Delaware statutory trust (collectively, the “Horizon Mutual Funds”). Horizon is also the sub-adviser for exchange traded funds advised by First Trust Advisors L.P. (the “Horizon ETFs”). Horizon has discretion to direct investments, select brokers and place transaction orders for the Horizon Mutual Funds; whereas Horizon has discretion only to direct investments with respect to the Horizon ETFs (First Trust is responsible for trading).

Horizon Mutual Funds offer different share classes, which have different fee and expense structures, and not all share classes are available on all custodial platforms or through a particular Sponsor Firm or Solicitor Firm. Clients that invest in Horizon Funds, whether through Hybrid Portfolios or otherwise, are encouraged to speak to their Financial Advisor or Horizon about the differences between the share classes available.

## **ADDITIONAL INFORMATION**

### Other Services

Horizon provides non-discretionary investment recommendations, research or trading signals to accounts managed by other registered investment advisers, and Horizon also provides sub-advisory services through a number of third-party investment advisers, broker-dealers or other institutions (each, a “Third Party Advisor”). For Third Party Advisors, Horizon may provide either Horizon-branded or private-labeled investment portfolios. Horizon also provides certain Third Party Advisors with consulting and product development services.

### Assets Under Management

As of December 31, 2019, Horizon managed \$2,970,769,552 on a discretionary basis and \$406,150,488 on a non-discretionary basis. Total Regulatory Assets under Management (AUM) was \$3,376,920,041.

As described above, Horizon also provides investment advice through third party model delivery programs. In instances where Horizon has no discretion to effect trades and no supervisory responsibility over the assets in the program, Horizon does not include these accounts in total AUM, but categorizes them as Assets under Advisement (AUA). As of December 31, 2019, total AUA was \$2,421,117,662. On a combined basis, AUM and AUA are \$5,798,037,703. Contact us for more information about these accounts.

## **Item 5. Fees and Compensation**

### Fees for Direct Clients

As stated above, the majority of Horizon’s Direct Clients are introduced to Horizon by Solicitor Firms that are compensated by Horizon for their solicitation activities, which are done through Financial Advisors who are representatives of the Solicitor Firms. The specific manner in which fees are charged by Horizon is established in a Direct Client’s written investment advisory agreement. Generally, fees are charged quarterly in arrears, but Horizon has some arrangements where fees are billed in advance and where fees are billed on a monthly basis. Typically, fees are charged as a percentage of assets under management and are calculated at the close of each calendar quarter or month (as applicable), but there may be instances

where Horizon enters into flat-fee arrangements with certain clients on a case-by-case basis.

Typically, a Direct Client authorizes fees to be paid to Horizon to be deducted from the client's account by the custodian. The client is responsible for reviewing fee deductions shown on account statements and informing Horizon of any suspected errors. Advisory fees for accounts opened on a day other than the first day of the calendar quarter (or month) period or closed on a day other than the last business day of the calendar quarter (or month) will be prorated based on the number of days remaining in the period. Upon termination of any Direct Client account, any prepaid, unearned fees will be refunded, and any earned, unpaid fees will be due and payable.

Although detailed information about the general fee schedules for Horizon's investment advisory services are set forth below, fees are negotiable and can vary from client to client. Fees for Direct Clients are exclusive of brokerage commissions, transaction fees and other related costs and expenses incurred by the client. See "Item 12 – Brokerage Practices." All client accounts are subject to charges imposed by custodians, brokers, third party investments and other fees and taxes on brokerage accounts and securities transactions, as applicable.

Mutual Funds and exchange traded funds that Horizon selects for client accounts also charge internal management fees, which are disclosed in each such fund's prospectus. All of these above-described charges, fees and commissions are exclusive of and in addition to Horizon's fee, and Horizon does not receive any portion of these custodial or brokerage-related fees charged by third parties; provided, however, see information below under "Hybrid Portfolios", which describes how Horizon is compensated by the Horizon Mutual Funds and the Horizon ETFs.

Horizon performs individual account management services for a percentage of assets under management. The minimum account size is \$25,000 for Model Portfolios and \$50,000 for accounts with Risk Assist®, or for Real Spend®, although Horizon reserves the right in its sole discretion to accept accounts of a smaller size. The fees for services provided to Direct Clients are negotiable, but the general range of advisory fees is as follows:

- 1.00% - 2.00% annualized fee for Model Portfolios
- 1.00% - 2.00% annualized fee for Model Portfolios with Risk Assist®
- 1.00% - 2.00% annualized fee for Real Spend®

The maximum management fee retained by Horizon from Direct Clients is 1.00%. The remainder is paid to the Solicitor Firm associated with the Direct Client's account (all or a portion of which is then paid to the applicable Financial Advisor), which payment is described to and acknowledged by the Direct Client in the account paperwork. For example, for a Direct Client with an account with Model Portfolios with Risk Assist that pays an advisory fee of 2.00% per year, 1.00% is retained by Horizon, while the Solicitor Firm receives the remaining 1.00%. See additional information about solicitors below under Item 14.

For Direct Client strategies that use Horizon Mutual Funds, the Horizon ETFs or other mutual funds or ETFs advised or affiliated with Horizon as an underlying portfolio component, Direct Clients compensate Horizon through management fees received from those Mutual Fund investments (to the extent Horizon collects any advisory fee on these accounts, such fee is charged solely for the purpose of compensating the Direct Client's respective Solicitor Firm and passed on in its entirety to that firm). See additional information below under "Hybrid Portfolios".

Direct Clients can contact Horizon as indicated at the beginning of this Brochure, or their Financial Advisors, to find out more information about fees and which account services are available.



## Fees Related to Retirement Plans and Plan Assets

### *Institutional Retirement Plan Fiduciary Services*

Horizon provides consulting and advisory services to institutional retirement plans that were formerly clients of Horizon's subsidiary Presidium Retirement Advisers; these plans include defined benefit plans, defined contribution plans and profit-sharing plans, and Horizon focuses on providing asset allocation and mutual fund selection for these clients. The fees charged by Horizon to these plans are negotiable and based on either the amount of service required or the level of assets under management. These fees are payable either in advance or in arrears.

Horizon provides fee studies and fee benchmarking to retirement plan sponsors. Generally, this work consists of evaluating the fees charged by the various investments and service providers in the retirement plan and comparing them to other available options. Horizon may recommend possible changes to reduce the plans fees and expenses. Horizon also provides fiduciary reviews, fiduciary training and oversight for Investment Committees and vendor searches. These services are provided on either a flat fee or hourly rate.

These clients also bear certain charges imposed by third parties in connection with investments made through client accounts, including but not limited to mutual fund servicing fees, sub-accounting fees, management fees, administration fees and transaction fees. Custodians also charge various fees based on account maintenance (custodial) including transaction costs, transfers, withdrawals, and termination. These fees are generally disclosed in the custodian contracts and related documents. Each custodian may also collect additional revenue from the mutual fund families in which client accounts are invested, such as sub transfer agent fees. The client should understand that fees paid to fund managers by mutual funds or ETFs are deducted from each fund's net asset value and as such shall be an indirect expense of the client's account. Horizon does not receive or share in any of these fees for these clients; the only fees that Horizon receives are the fees paid from these clients to Horizon.

All clients are billed directly or alternatively they can authorize the deduction of fees from their account(s) held at a third-party custodian. Horizon provides clients and the custodian with a fee statement. Fees owed are calculated and billed quarterly either in advance or in arrears depending on the client's preference, except for fees collected for providing fee studies and consulting services, as discussed above.

Horizon's fees vary based on the assets under management and the services provided. For these institutional, pension and/or profit-sharing plans, fees are determined either on a "fixed fee" basis, which is a flat dollar amount, or as a percent of assets under management. The minimum fee is \$10,000 per year. In general Horizon's asset-based fees range from 0.08% to 0.50% per year for these clients. Fees are negotiable at the sole discretion of Horizon, based on factors such as account size and the scope of services provided.

## *Retirement Plan Asset Management*

Horizon offers certain of its Model Portfolios to retirement plans. The fees for these services are negotiable, but the general range of advisory fees for these services is as follows:

- 0.50% - 0.60% annualized fee for Model Portfolios
- 0.60% - 0.70% annualized fee for Model Portfolios with Risk Assist®

These fees do not include custodial fees or fees of the underlying ETFs. Depending on the plan's billing structure, advisory fees are billed in arrears, and can be billed monthly, quarterly or twice per quarter.

## Hybrid Portfolios

Throughout this Brochure, Horizon indicates that certain strategies will be implemented using "Hybrid Portfolios." Horizon uses the term Hybrid Portfolio to refer to a type of strategy implementation that is comprised, in part or in whole, of one or more investment funds (*e.g.*, a mutual fund or an ETF) registered with the SEC and managed by Horizon (*e.g.*, a Horizon Mutual Fund or a Horizon ETF; each, an "Affiliated Security"). To the extent Affiliated Securities are not used for a Hybrid Portfolio, Horizon will generally select from ETFs or other investment companies managed by third parties. Disclosure of the investment advisory fees paid to Horizon by the Affiliated Securities, as well as other fees charged, is available in the prospectus for each Affiliated Security (as of the date of this Brochure, the maximum management fee Horizon receives from these funds ranges from 0.35% - 0.40% for the Horizon ETFs, and 0.75% - 0.99% for the Horizon Mutual Funds). As Horizon is compensated by each Affiliated Security for providing management services to it, Horizon thus has a conflict of interest in utilizing Affiliated Securities for such strategies. However, while in some cases an Affiliated Security may have management fees and expenses or performance that differs from other mutual fund or ETF alternatives, and while Horizon has an incentive to use an Affiliated Security that pays a higher management fee than another Affiliated Security, in each case where an Affiliated Security is selected for incorporation in a strategy, Horizon has determined that each specific Affiliated Security to be used is an appropriate security to implement Horizon's asset allocation strategy. Horizon may increase or decrease the amount of Affiliated Securities used in any strategy at any time. As discussed above, not all share classes of each Horizon Mutual Fund are available on every platform.

Because Horizon is compensated from the management fees generated by Affiliated Securities, in order to seek to ensure that a client does not pay more than once for the investment advice provided by Horizon, Horizon does not charge or earn any additional account-level or strategist fee from clients using Hybrid Portfolios.

## *Fees for Services to Clients of Financial Intermediaries*

Horizon receives asset-based management fees based on the total amount of assets Horizon manages in a wrap account or model account, as applicable. While in some instances Horizon will have account level information related to client billing, Sponsor Firms or MDPs, as applicable, are responsible for billing the accounts and submitting payment to Horizon. For information on your specific billing schedule, including if and how any pre-paid fees are charged or refunded, please contact your Financial Advisor. In some cases, negotiation of fees may result in different fees being charged for similar services and may be less than the stated fee schedule. Horizon will not be compensated on the basis of a share of capital gains upon or capital appreciation of the funds or any portion of the funds of the client.

Horizon's advisory fees are separate and distinct from fees and expenses charged by open-end investment companies (*i.e.*, mutual funds or ETFs) held in client accounts or recommended by Horizon to clients. A description of these fees and expenses is available in each fund's prospectus. Additionally, the fees charged by Horizon are exclusive of all custodial and transaction costs paid to Sponsor Firms, custodians, brokers or any other third parties, the precise details of which are unknown to Horizon. For a more detailed description of our brokerage practices, please see Item 12. Clients should review all fees charged by Horizon, Sponsor Firms, custodians, brokers, and others to fully understand the total amount of fees incurred.

In addition, for certain strategies that utilize Horizon Mutual Funds, the Horizon ETFs or other mutual funds or ETFs advised by or affiliated with Horizon as an underlying portfolio component, wrap program and other Sponsor Firm clients compensate Horizon through management fees received from those investments. See additional information above under "Hybrid Portfolios".

#### *SMA Wrap Programs*

Clients who have SMA assets within wrap-fee programs will typically have either a "single contract" or "dual contract" agreement.

Under a single contract, the client pays an asset-based fee to the Sponsor Firm and, out of that fee the Sponsor Firm is responsible for paying an investment advisory fee (as described above) to Horizon. There are other non-asset based fees that will be charged to the client as discussed below and in Item 12 of this Brochure. In these programs, the Sponsor Firm and Horizon enter into a sub-advisory or other agreement under which Horizon agrees to manage the assets of client accounts in these programs. As part of that agreement, Horizon and the Sponsor Firm agree on the investment advisory fees to be charged by Horizon on those assets. Horizon's advisory fees are negotiable and will vary from program to program, but typically do not exceed 0.75% per year on the value of the client assets in the wrap fee program.

Under a dual contract agreement, the client has one contract with the Sponsor Firm and another contract with Horizon. As such, the client pays Horizon an investment advisory fee in addition to the asset-based fee they pay to the Sponsor Firm for investment advice, custody, execution and reporting. Horizon's advisory fee is negotiable, but typically does not exceed 0.75% per year on the value of the client assets in the wrap fee program. Other fees will also apply and are discussed in more detail below and in Item 12 of this Brochure.

As deemed appropriate by Horizon pursuant to its duty to seek best execution, Horizon will often place orders with broker-dealers other than the client's Sponsor Firm, known as step-out transactions. And, for some clients, all or nearly all of the transactions for their accounts will be traded away from the Sponsor Firm. In such instances, broker-dealers will impose commissions or mark-ups/mark-downs on those orders, which are charged to the client's account in addition to the wrap fee. These commissions or mark-ups/mark-downs are netted into the price received for a security and will not be reflected as individual items on the client trade confirmation. It is our understanding that under a typical wrap fee program, clients are not charged a commission on trades executed through the Sponsor Firm. It may be an option for clients to select what is known as an "unbundling option," which allows a client to disaggregate certain trading fees from the wrap fee. If "unbundling" is selected, the client will be charged separately for transactions in the account. These charges would be in addition to the wrap fee negotiated between the client and the Sponsor Firm and in addition to any commissions paid as a result of Horizon's step-out transactions. Because Horizon places a significant amount of trades away from the Sponsor Firms (also known as step-out transactions), and the commissions or other fees for these trades may be considered redundant to the wrap fee, you may wish to explore the unbundling option to determine if it would be advantageous to select

if offered by your Sponsor Firm. Please discuss this option with your Sponsor Firm and/or Financial Advisor to determine whether it would be more beneficial for your account.

Specific information on the investment advisory fees payable to Horizon under a wrap-fee program will be provided by the applicable Sponsor Firm. For information on the asset-based fees charged by the Sponsor Firm, clients should consult with the Sponsor Firm or refer to the Sponsor Firm's Wrap Fee Program Brochure (also known as ADV Part 2A Appendix 1).

#### *UMA Wrap Programs*

Horizon has agreements with certain Sponsor Firms to provide model portfolios to UMA clients for a negotiated fee. Horizon's advisory fees are negotiable and will vary from program to program, but typically do not exceed 0.75% per year on the value of the client assets in the wrap fee program.

#### *MDP Fees*

Horizon has agreements with certain MDPs to provide model portfolios for a negotiated fee; these fees can differ. Horizon's advisory fees are negotiable and will vary from program to program (and may vary among financial intermediaries using the same MDP), but typically do not exceed 0.65% per year on the value of the client assets in a model portfolio.

### **Item 6. Performance-Based Fees and Side-By-Side Management**

Horizon does not charge advisory fees on a share of the capital appreciation of the funds or securities in a client account (so-called performance-based fees). Therefore, Horizon does not engage in side-by-side management of clients with performance-based fees.

### **Item 7 – Types of Clients**

We provide our services to a number of types of clients, including registered investment companies; wrap programs; third party investment advisers; individuals (including high net worth individuals); trusts, estates and charitable organizations; corporations or other business entities; not for profit entities; institutions; and pension and profit-sharing plans.

For Direct Clients, the minimum account size is \$25,000 for Model Portfolios, and \$50,000 for accounts with Risk Assist® or Real Spend®, although Horizon reserves the right in its sole discretion to accept accounts of a smaller size. Information about investment minimums for other clients and potential clients is available through Sponsor Firms and Third Party Advisors offering Horizon's services. Minimum account size for each Horizon Mutual Fund and Horizon ETF is disclosed in its prospectus.

### **Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss**

Horizon provides asset management services on an ongoing basis based on the individual needs of the client. Horizon offers clients flexibility among payment structures, custodians and management styles. Generally, Horizon actively monitors assets of client accounts and makes changes deemed appropriate in light of the circumstances in the market, based upon the expertise of Horizon. Investing in securities involves risk of loss that clients should be prepared to bear. Accounts managed by Horizon may lose money.

Horizon's investment strategies focus on investments in exchange-traded funds (ETFs). Depending on the investment strategy selected by the client, or on which strategies are made available by Sponsor Firms, these strategies can invest directly in ETFs or in Horizon Mutual Funds (the underlying investments of which are primarily ETFs) or Horizon ETFs. Furthermore, depending on the investment strategy selected by the client, accounts can also consist of a combination of any of the following: ETFs, individual stocks,

preferred stock, bonds, U.S. Treasury securities, options, mutual funds (including Horizon Mutual Funds), closed end funds and cash or cash equivalents, or other securities.

### Analysis and Investment Strategies

#### Investment Philosophy and Process

Horizon believes in active management. Our investment philosophy centers on the idea that dynamic markets require flexible solutions. As markets change and opportunities are created, strategies built on experience and discipline can help investors gain, protect and spend wealth. In order to make relevant, timely shifts within an unpredictable market, we have built our investment process around multi-disciplined research. As a result, our research includes Economic, Quantitative, and Fundamental (EQF) disciplines to create solutions for investors, advisors and institutions.

Horizon's active asset allocation investment process seeks to add incremental return and reduce risk through active investment decisions. The process combines the expertise of Horizon's EQF resources in order to identify and capture market opportunities. Investment ideas are internally generated through innovative research by Economic, Fundamental and Quantitative resources. Economic research provides a top-down, macro view of the markets, focusing primarily on Global Risk, Credit and Liquidity. Quantitative research is devoted to developing innovative models and currently utilizes a collection of quantitative models in an effort to eliminate the bias of any single-quant model. Fundamental research focuses on traditional securities analysis of companies, industries and sectors. The EQF process allows our allocations to be timely, as we seek return, manage risk and understand the underlying drivers of each holding in client portfolios.

#### Portfolio Strategies

Horizon manages the portfolio strategies described below. Several of these strategies incorporate Horizon's portfolio overlay strategies, which are described further below. The primary strategies described below (Focused, Growth, Moderate, Conservative and Conservation Plus) are presented in order of potential risk and return (*e.g.*, an account managed with the Focused strategy, which seeks capital appreciation, is more likely than an account managed with the Conservation Plus strategy, which seeks capital preservation, to experience principal loss and volatility). Depending on the strategies made available through Sponsor Firms, these strategies may be implemented primarily with third party mutual funds or ETFs, or as Hybrid Portfolios. Ask your Financial Advisor for more information.

*Focused:* The Focused Portfolio seeks capital appreciation. As such, this Portfolio is primarily focused on a longer-term goal for growth in capital, though it may become more defensive when warranted by market conditions.

*Focused with Risk Assist®:* The Focused with Risk Assist Portfolio seeks capital appreciation while attempting to limit downside risk through an active risk control strategy. As such, this Portfolio is primarily focused on a longer-term goal for growth in capital, though it may become more defensive when warranted by market conditions.

*Growth:* The Growth Portfolio seeks capital appreciation. While this Portfolio is focused on a longer-term goal for growth in capital, there is also a portion of the Portfolio that is defensively positioned (*e.g.*, by holding cash or investing in income-producing securities).

*Growth with Risk Assist®:* The Growth with Risk Assist Portfolio seeks capital appreciation, while attempting to limit downside through an active risk control strategy. As such, while this Portfolio

is primarily focused on a longer-term goal for growth in capital, there is also portion of the Portfolio that is defensively positioned (*e.g.*, by holding cash or investing in income-producing securities).

*Moderate*: The Moderate Portfolio seeks both current income and capital appreciation. As such, this Portfolio strikes a balance between a moderate need for income, and a longer-term need for capital appreciation.

*Moderate with Risk Assist*®: The Moderate with Risk Assist Portfolio seeks both current income and capital appreciation while attempting to limit downside through an active risk control strategy. As such, this Portfolio strikes a balance between a moderate need for income, and a longer term need for capital appreciation.

*Conservative*: The Conservative Portfolio seeks current income and, to a lesser extent, capital appreciation. As such, it is a defensive portfolio. While not likely to generate the returns of a growth-oriented portfolio, it should be slightly less volatile over time.

*Conservative with Risk Assist*®: The Conservative with Risk Assist Portfolio seeks current income and, to a lesser extent, capital appreciation while attempting to limit downside through an active risk control strategy. As such, it is a defensive portfolio. While not likely to generate the returns of a growth-oriented portfolio, it should be slightly less volatile over time.

*Conservation Plus*: The Conservation Plus Portfolio primarily seeks capital preservation and some current income. As such, the Conservation Plus and the Conservation Plus with Risk Assist (see below) are the most defensive of the Portfolios.

*Conservation Plus with Risk Assist*®: The Conservation Plus with Risk Assist Portfolio primarily seeks capital preservation and some current income while attempting to limit downside through an active risk control strategy. As such, the Conservation Plus (see above) and the Conservation Plus with Risk Assist are the most defensive of the Portfolios.

Strategy and risk information for each Horizon Mutual Fund and Horizon ETF is available in its prospectus.

### Horizon Overlay Strategies

Horizon manages portfolio overlay strategies that are available through certain Model Portfolios for Direct Clients and separately through some Sponsor Firms. An overlay strategy is an add-on to the underlying investment strategy the investor selects for the portfolio. Generally, the overlay strategy analyzes the portfolio holdings in a representative account, and utilizes quantitative analysis to reallocate all or a portion of the portfolio's exposure to fixed income securities in an attempt to protect the principal during periods of severe market declines. The overlay protection is utilized only when Horizon believes it is warranted. Horizon's primary overlay strategy is Risk Assist®. In certain wrap programs, Horizon may offer additional overlay strategies at the request of the wrap sponsor.

*Risk Assist*® is an investment strategy overlay designed to help manage investment risk. It utilizes an algorithm that signals transitions from account investments made pursuant to the account's primary strategy to a portfolio of U.S. Treasury-related securities. The goal of Risk Assist is to mitigate declines (peak-to-trough) in the value of an account over a period of time. There is no guarantee that this goal will be achieved. A Sponsor Firm may offer this service under the name *Risk Mitigation Overlay*.

### Real Spend® Retirement Income Strategy

Horizon offers its Real Spend® retirement income strategy to Direct Clients and through Sponsor Firms and MDPs. The Real Spend® strategy seeks to help retirees by investing principal so as to establish constant, inflation-adjusted withdrawals of cash during retirement. The strategy sets aside a portion of the amount invested for current spending and invests the remaining capital to fund future spending, with the option of adjusting yearly spending to overcome inflation. Real Spend® was created to address risks common to those seeking retirement income, including inflation risk, market risk and longevity risk. Real Spend® is not an insurance product and is not guaranteed. Clients may lose money.

### Additional Information

Horizon manages several other strategies, using the investment philosophy and methodology described above, for Third Party Advisors and their clients. Clients of Third-Party Advisors should contact their account representatives to find out more information about the availability of these strategies.

Horizon manages client accounts on multiple asset management or custodial platforms. Certain of these platforms are limited with respect to investment options (*e.g.*, certain programs have a small number of mutual funds or only specific mutual fund share classes available), and in instances where Horizon manages model portfolios comprised of those limited investment options, the performance of such portfolios may be different than where Horizon has broad discretion to select from a larger selection of investment options. Similarly, certain platforms have operational restrictions (*e.g.*, restrictions on trading frequency) that may lead to different portfolio performance than for a portfolio on a platform where there are no such restrictions. Clients or potential clients can contact us at the number above to determine the scope of any such limitations that may affect the management of a particular account.

### Risk of Loss

Securities markets fluctuate substantially over time. All investments in securities include a risk of loss of money invested (principal) and any unrealized profits (*i.e.*, profits in the account that have not been liquidated, sometimes called “paper profits”). Horizon cannot guarantee any level of performance or that clients will not experience a loss of account assets.

Horizon does not represent, warrant or imply that the services, financial planning technology tools, or other methods of analysis used by Horizon can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or crashes. No guarantees can be offered that clients’ goals or objectives will be achieved. Further, no promises or assumptions can be made that the advisory services offered by Horizon will provide a better return than other investment strategies.

Varied fluctuations in the price of investments are a normal characteristic of securities markets due to a variety of influences. Managed account programs should be considered a long-term investment and thus long-term performance and performance consistency are the major goals.

Generally, Horizon’s strategies will be subject to the following risks:

*Market Risk:* Market risk is the risk that the value of securities in a portfolio may decline due to daily fluctuations in the securities markets that are generally beyond Horizon’s control. Furthermore, markets may, in response to governmental actions or intervention, economic or market developments, trade disputes, the spread of infectious illness (such as the recent outbreak of the novel coronavirus known as COVID-19) or other public health issues, geopolitical or other external factors, experience periods of high volatility and reduced liquidity, and in extreme cases may lead to trading halts. In a declining stock market, stock prices for all companies may decline,

regardless of their long-term prospects.

*Equity Securities Risk:* The value of equity securities (including many ETFs) may decline due to general market conditions that are not specifically related to a particular company and are generally beyond Horizon's control, including fluctuations in interest rates, economic conditions, corporate earnings, adverse investor sentiment and general equity market conditions. In a declining stock market, stock prices for all companies (including those in a Horizon portfolio) may decline, regardless of their long-term prospects.

*Management Style Risk:* A portfolio's performance is based on the performance of the securities in which it invests. The ability of the portfolio to meet its objective is directly related to the ability of Horizon's allocation model to accurately measure market risk and appropriately react to current and developing market trends. There is no guarantee that Horizon's judgments about the attractiveness, value and potential appreciation of particular investments in which the portfolio invests will be correct or produce the desired results. If Horizon fails to accurately evaluate market risk or assess market conditions, the portfolio's value may be adversely affected.

*Risks Related to Portfolio Turnover:* Horizon may sell portfolio securities without regard to the length of time they have been held and, as a result of its trading strategies, some of Horizon's portfolios will likely have higher portfolio turnover than other funds. Since portfolio turnover may involve paying brokerage commissions and other transaction costs, higher turnover generally results in additional portfolio expenses. High rates of portfolio turnover could lower performance of Horizon's portfolios due to these increased costs and may also result in the realization of short-term capital gains. High rates of portfolio turnover in a given year in non-qualified accounts would likely result in short-term capital gains that are taxed at ordinary income tax rates.

*Risks Related to Investments in Investment Companies:* Clients will pay the fees and expenses charged by any mutual funds and ETFs in the client's portfolio, which are in addition to any fees charged by Horizon or by the Financial Advisor. Each mutual Fund and ETF is subject to specific risks, depending on the nature of the fund and its underlying investments. A description of these fees, expenses and risks is available in each fund's prospectus.

*Risks Related to ETF NAV and Market Price:* The market value of an ETF's shares may differ from its net asset value ("NAV"). This difference in price may be due to the fact that the supply and demand in the market for ETF shares at any point in time is not always identical to the supply and demand in the market for the underlying basket of securities. Accordingly, there may be times when an ETF trades at a premium (creating the risk that a portfolio pays more than NAV for an ETF when making a purchase) or discount (creating the risks that the portfolio's value is reduced for undervalued ETFs it holds and that the portfolio receives less than NAV when selling an ETF).

*Risks Related to Hybrid Portfolios:* For portfolios that use Horizon Funds or Horizon ETFs or other securities affiliated with Horizon as constituent parts of the portfolio, note that Horizon has a conflict of interest in utilizing these securities. In some cases these securities may have management fees or expenses that are higher than, or performance that differs from, other mutual fund or ETF alternatives; however, in each case where one or more such securities is selected for an account, Horizon has determined that the security to be used, and the proportion of the account that is comprised of one or more Horizon-affiliated securities, is appropriate to implement Horizon's asset allocation strategy. See additional information under Item 10 below.

*Risks Related to Use of Investment Overlays:* Horizon's risk mitigation overlays, including Risk Assist®, are not guarantees against loss. Accounts with these risk mitigation components may lose



money, including loss of principal. Investors should also note that when a risk mitigation overlay is deployed for an account (*i.e.*, when it has caused an account to be allocated into fixed income exposure, whether partially or entirely), the account will not be fully invested in its original strategy, and accordingly, the account may underperform accounts that do not have such risk mitigation feature. Additionally, because an account's allocation to a risk mitigation overlay is typically implemented and reduced in stages over time in response to market conditions, there are expected to be periods of lag and the account may underperform during transition periods (e.g., when the strategy has an overweight allocation to fixed income securities, it may underperform a rising market).

*Quantitative Model Risk.* Certain of Horizon's investment strategies, including its active asset allocation strategies, rely heavily on quantitative models and the analysis of specific metrics to construct portfolios. The impact of these metrics on an investment's performance can be difficult to predict, and investments that previously possessed certain desirable quantitative characteristics may not continue to demonstrate those same characteristics in the future. In addition, relying on quantitative models entails the risk that the models themselves may be limited or incorrect, that the data on which the models rely may be incorrect or incomplete, and that Horizon may not be successful in selecting or determining the weighting of particular investments in the portfolio.

*Fixed Income Risk:* Horizon may purchase fixed income investments (which includes fixed income ETFs) of any maturity and credit quality. There are risks associated with fixed income investments, which include interest rate risk, maturity risk and credit risk. These risks could negatively affect the value of fixed income investments in Horizon's portfolios.

Certain income strategies offered by Horizon may invest in non-traditional, income-producing securities, such as closed-end funds, Master Limited Partnerships (MLPs), Real Estate Investment Trusts (REITs), preferred stocks, business development companies, and other similar securities. These securities are subject to unique risks. Closed-end funds often trade at a discount to NAV, but may trade at a premium. MLP risks include tax, distribution, and commodity risks. Investments in REITs involve risks such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments. Publicly-traded business development companies have volatility risk and may contain investments such as high-yield bonds or levered loans. Investments in non-investment grade securities (e.g., high-yield bonds) may be subject to greater market fluctuations and the risk of default or loss of income and principal. Preferred stocks are not necessarily correlated with securities markets generally.

*Foreign Securities Risk:* Investing in securities issued by companies whose principal business activities are outside the United States may involve significant risks not present in domestic investments. For example, there is generally less publicly available information about foreign companies, particularly those not subject to the disclosure and reporting requirements of U.S. securities laws. Foreign issuers are generally not bound by uniform accounting, auditing, and financial reporting requirements and standards of practice comparable to those applicable to domestic issuers. Investments in foreign securities also involve the risk of possible adverse changes in investment or exchange control regulations or currency exchange rates, expropriation or confiscatory taxation, limitation on the removal of cash or other assets, political or financial instability, or diplomatic and other developments that could affect such investments. ADRs and ETFs investing in foreign securities are subject to risks similar to those associated with direct investments in foreign securities.

*Currency Risk:* Investments in foreign markets involve currency risk, which is the risk that the values of assets denominated in foreign currencies will decrease due to adverse changes in the value of the U.S. dollar relative to the value of foreign currencies.

*Sector Risk:* Sector risk is the possibility that securities within the same group of industries will decline in price due to sector-specific market or economic developments. If a portfolio invests more heavily in a particular sector, the value of its shares may be sensitive to factors and economic risks that specifically affect that sector. As a result, a portfolio's share price may fluctuate more widely than the value of shares of a mutual fund that invests in a broader range of industries. Additionally, some sectors could be subject to greater government regulation than other sectors, which may impact the share price of companies in these sectors. The sectors in which any portfolio may invest in more heavily will vary.

*Focus Risk.* To the extent that a portfolio focuses its investments in particular industries, asset classes or sectors of the economy, any market price movements, regulatory or technological changes, or economic conditions affecting companies in those industries, asset classes or sectors may have a significant impact on the portfolio's performance.

*Operational and Technology Risk.* Cyber-attacks, disruptions, breaches or other failures that affect Horizon, issuers of securities held in a portfolio or other market participants may adversely affect the value of a client's portfolio or Horizon's ability to provide client services, including during times of market volatility. Certain such events may result in the dissemination of confidential information. While Horizon has established business continuity and other plans and processes that seek to address the possibility of and fallout from cyberattacks, disruptions, breaches or failures, there are inherent limitations in such plans and systems, and there can be no assurance that such plans and processes will address the possibility of and fallout from any such event.

## **Item 9. Disciplinary Information**

Horizon is obligated to disclose any disciplinary event that would be material to clients, or potential clients, when evaluating Horizon to initiate or continue a relationship with us. We do not have any legal or other disciplinary items to report.

## **Item 10. – Other Financial Industry Activities and Affiliations**

Horizon has several affiliations material to its advisory business. A description of each is provided below.

### *Registered Personnel*

Certain of Horizon's personnel are registered from time to time as registered representatives of Quasar Distributors, LLC, the principal underwriter for the Horizon Mutual Funds (the "Distributor") to facilitate certain marketing activities on behalf of Horizon and the Horizon Mutual Funds. Any activities performed by such persons requiring such registration is supervised by the Distributor. Horizon does not direct any of its brokerage to, or execute any trades through, such persons.

### *Mutual Funds*

Horizon is the investment adviser of each of the Horizon Mutual Funds. Each Horizon Mutual Fund is a series of Horizon Funds, a trust governed by a Board of Trustees. A majority of the Trustees of Horizon Funds is independent of Horizon.

### *Horizon ETFs*

Horizon is the investment sub-adviser of each of the Horizon ETFs. Each Horizon ETF is a series of First Trust Exchange-Traded Fund III, a trust governed by a Board of Trustees that is entirely independent of

Horizon. None of First Trust Advisors, L.P. or its affiliates is affiliated with Horizon.

#### *Related Entity*

Certain principals of Horizon are also principals of Horizon Administration and Management, LLC, which provides governance and consulting services to Horizon.

#### *Conflicts of Interests Related to Hybrid Portfolios*

Conflicts of interests arise where Horizon recommends that clients invest in Horizon Mutual Funds, Horizon ETFs or other securities advised by or affiliated with Horizon (each, an “Affiliated Security”). Horizon receives management fee compensation from the Affiliated Securities, and therefore, for the strategies in which investments in Affiliated Securities are applicable, Horizon has a conflict of interest in utilizing the Affiliated Securities. However, while in some cases an Affiliated Security may have management fees and expenses or performance that differs from other mutual fund or ETF alternatives, and while Horizon has an incentive to use an Affiliated Security that pays a higher management fee than another Affiliated Security, in each case where an Affiliated Security is selected for incorporation in a strategy, Horizon has determined that each specific Affiliated Security to be used is an appropriate security to implement Horizon’s asset allocation strategy.

Direct Clients that are invested in Hybrid Portfolios are invested in the Affiliated Securities pursuant to authority to do the same granted in the investment advisory agreement with such clients. For Sponsor Firm client accounts that use Hybrid Portfolios, recommendations to invest in the Affiliated Securities are typically made because the Sponsor Firm has determined that such models are the most efficient way to manage the account (*e.g.*, due to the size of the account, or to minimize brokerage or custodial platform charges) and has therefore selected one or more strategies that use the Affiliated Securities.

Clients should note that the management fees and other expenses related to the Horizon Mutual Funds are in some cases higher than Horizon’s separately managed account fees for similar strategies and that the percentage of Affiliated Securities used in a Hybrid Portfolio can increase or decrease at any time. Additionally, as discussed above, not all share classes of each Horizon Mutual Funds are available on every platform.

#### *Conflicts of Interests Related to Conference Sponsorships*

From time to time, Horizon hosts conferences where Horizon and other service providers, such as ETF sponsors, banks, investment advisers, custodians, index providers, broker dealers, insurance companies and administrators (“Co-Sponsors”) can market their service offerings to current and prospective financial advisers, service providers and industry participants, and Co-Sponsors one or more of whom are able to make payments to Horizon or third parties to help defray a portion of a conference’s costs. These payments create conflicts of interests because Horizon may be incentivized to favor the products (such as ETFs) or services (such as brokerage) of Co-Sponsors over the offerings of others; however, Horizon personnel are instructed to select portfolio investments and utilize service providers without taking into account whether such products or services are offered by Co-Sponsors.

#### *Technology Tools*

Horizon offers certain financial technology tools to financial intermediaries (*e.g.*, financial advisers and broker-dealers), which include education, investment research and proposal generation software (“Technology Tools”). These Technology Tools are designed to assist financial intermediaries in making investment recommendations to their customers. Some of these Technology Tools include information regarding Affiliated Securities and/or products and services that are either managed by, or offered to customers of, the financial intermediary. Certain third-party asset managers can pay compensation to Horizon to be featured in Technology Tools; however, the specific financial products or services to be

included in the Technology Tool used by a financial intermediary are ultimately determined by the financial intermediary. Fees related to development and licensing of Technology Tools are negotiated on a case-by-case basis.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### Code of Ethics

In order to provide an understanding of Horizon's standards for meeting our fiduciary responsibility to clients, Horizon has developed a Code of Ethics. A copy of the Company's Code of Ethics is available to clients and potential clients upon request.

Horizon has a fiduciary duty to clients to act in the best interest of the client and always place the client's interests first and foremost. Horizon takes seriously its compliance and regulatory obligations and requires all staff to comply with such rules and regulations, as well as Horizon's policies and procedures.

The Code of Ethics contains provisions for standards of business conduct in order to comply with applicable securities laws, personal securities reporting requirements, pre-approval procedures for certain transactions, code violation reporting requirements and safeguarding of material non-public information about client transactions. Further, Horizon's Code of Ethics establishes Horizon's expectation for business conduct.

Horizon's Code of Ethics is distributed to each employee at the time of hiring and as the Code is modified. In addition, Horizon requires an annual certification by all access persons regarding their understanding and compliance with the Code of Ethics. Horizon also supplements the Code with annual training and on-going monitoring of employee activity.

### Participation or Interest in Client Transactions and Personal Trading

Under the Code of Ethics, personnel with access to investment recommendations and client information are generally required to submit information about their personal trading activities to Horizon's Chief Compliance Officer ("CCO") or the CCO's designee for review and advance approval. There are certain securities that are considered "Exempt Securities" that do not require advance approval of making a transaction. Open-end mutual funds are considered an exempt security and do not require pre-approval; however, any mutual fund managed by Horizon is not considered an exempt security, and an employee must receive pre-approval before making a transaction in shares of a mutual fund managed by Horizon. Violations of the Code of Ethics can result in disciplinary action up to and including dismissal.

Horizon also tracks employees' holdings by requiring annual holdings reports and quarterly certifications for its employees. In accordance with applicable law, Horizon also maintains and enforces written policies and procedures reasonably designed to prevent the misuse of non-public information by Horizon or any person associated with Horizon. Further, employees are prohibited from trading on non-public information or sharing such information.

Certain employees of Horizon and their relatives have personal trading accounts or Horizon-managed investment advisory accounts at the same financial institutions as some of Horizon's other non-affiliated clients. Employees and related persons of Horizon (any advisory affiliate and any person that is under common control with Horizon) can buy or sell securities identical to those securities recommended to clients. Therefore, related persons will have an interest or position in certain securities that are also recommended and bought or sold to clients. Some employees and related persons have their accounts in

the same models as other clients. Horizon trades their accounts in the same manner as other clients, and may not trade employee or related persons' accounts ahead of other clients or trade in such a way as to obtain a better price for the employees or related persons compared to clients.

## **Item 12. Brokerage Practices**

For each trade where it exercises discretion to make brokerage determinations for a client account, Horizon seeks "best execution," which is a combination of price and execution relative to our instructions, and other factors.

### *Brokerage Selection*

In making brokerage determinations, Horizon considers a number of judgmental factors, including, without limitation, clearance and settlement capabilities, quality of confirmations and account statements, the ability of the broker to settle the trade promptly and accurately, the financial standing, reputation and integrity of the broker-dealer, access to markets, research capabilities, market knowledge, any "value added" characteristics, Horizon's past experience with the broker-dealer, Horizon's past experience with similar trades, and other factors. Recognizing the value of these factors, Horizon may pay a brokerage commission in excess of what another broker might have charged for effecting the same transaction.

### *Soft Dollar Transactions*

Recognizing the value of the above-described factors Horizon considers when it has discretion to choose the broker for a client transaction, Horizon may pay a brokerage commission in excess of what another broker might have charged for effecting the same transaction. Consistent with the foregoing, Horizon may generate "soft dollars" from brokerage transactions to be used for "brokerage" or "research" services pursuant to the safe harbor of Section 28(e) of the Securities Exchange Act of 1934. In a soft dollar arrangement, an investment adviser receives credit from a brokerage firm based on the commissions paid by the adviser's clients. The adviser uses these credits to pay for research and brokerage products and services (e.g., market data research), which can be provided by the broker or a third party. Soft dollar arrangements can create an incentive for an adviser to use a broker based on an interest in receiving research and other products or services, rather than the client's interest in receiving the most favorable execution.

By using certain broker dealers, Horizon receives research and/or brokerage services, including through soft dollar arrangements, and in so doing, receives a benefit because it does not have to produce or pay for the research or services. As such, Horizon at times has an incentive to direct trades to specific broker-dealers based on Horizon's interest in receiving the research or other services, rather than on clients' interest in receiving the lowest commission. In light of Horizon's fiduciary obligations to all clients, Horizon may use research or soft dollar benefits to service accounts that do not necessarily pay for the benefits (e.g., via soft dollar commissions; certain client accounts are traded through brokerage arrangements where soft dollar benefits are not available). Horizon does not seek to allocate research or soft dollar benefits to client accounts proportionately to the amount of brokerage transactions soft dollar credits the accounts generate. Horizon also subscribes and pays for a number of resources ourselves that Horizon considers fundamental for Horizon to provide quality research for clients. There are other resources available that would be helpful to Horizon's clients, and when part of the decision to step-out or trade-away a position has the added benefit of providing these additional research resources, Horizon believes it is advantageous to clients to consider that factor. Horizon's overall evaluation of the merits of using a step-out trade versus executing through the various brokers for the underlying accounts considers factors that include not only the trading benefits to participating and nonparticipating accounts but also the research benefits to all clients. Horizon evaluates our decisions carefully and make decisions that Horizon believes are in the best interests of clients. This can include considering that the research benefits are valuable to clients for managing their accounts. Horizon believes it balances these considerations

appropriately and in clients' best interests.

#### *Directed Brokerage & Wrap Programs*

For clients at some custodians and for Sponsor Firms who have affiliated brokers, Horizon may accept directed brokerage instructions from clients. When a client directs brokerage, Horizon, due to a lack of discretion, may not be able to achieve most favorable execution of client transactions, and the client may pay higher brokerage commissions.

Clients who access Horizon through wrap programs should review disclosures related to brokerage expenses above under [\*Item 5. Fees and Compensation – Wrap-Fee Programs\*](#).

#### *Aggregated Trades*

Horizon aggregates blocks across custodians wherever possible. However, some custodial relationships prevent Horizon from including those accounts in the same block. In these cases, Horizon may aggregate trades for client accounts at the same custodian into a "block." If Horizon has multiple blocks making the same trade, Horizon's general policy is to use a block rotation process to enter trade orders for execution.

For new accounts and for existing accounts adding cash, Horizon allocates those accounts once the cash clears and is freely investible. Thus, there is a possibility (especially on volatile days in the markets) that one client can get a better price than another, due to the timing that the cash comes into the respective client account and the rapidity of the market price movements.

#### **Item 13. Review of Accounts**

Horizon has an investment committee that meets regularly to review transactions and allocation models. Client accounts are screened for allocation differences and rebalancing.

Clients should receive a monthly and/or quarterly statement from their respective custodian(s) summarizing all trades made during the month or quarter, account balance information and the amount of fees paid from the account.

#### **Item 14. Client Referrals and Other Compensation**

Horizon has entered into solicitor relationships with other investment advisers, broker-dealers and financial planning firms whereby the solicitor (through its supervised personnel) will refer to Horizon their clients or other persons who may be candidates for the investment advisory services offered by Horizon. Horizon compensates these solicitors on a negotiated basis for soliciting business for Horizon. Compensation to solicitors will be an agreed upon a percentage of Horizon's advisory fee. Horizon's referral program is in compliance with the federal regulations as set out in Rule 206(4)-3 of the Advisers Act.

#### **Item 15. Custody**

Accounts are custodied at the various firms that hold client accounts. Such firms are "qualified custodians" as defined under the Advisers Act. Horizon will not maintain custody of clients' funds or securities, with the exception of deduction of Horizon's fees from Direct Clients' accounts that are authorized in the advisory agreement between clients and Horizon. Clients will receive account statements directly from these custodians and should carefully read the statements for accuracy.

## **Item 16. Investment Discretion**

For client accounts over which Horizon has investment discretion, Horizon has this authority pursuant to the terms of the client's investment advisory agreement with Horizon.

When selecting securities and determining amounts, Horizon observes the investment policies, limitations and restrictions of the particular client. For registered investment companies, Horizon's authority to trade securities may also be limited by certain federal securities and tax laws that limit concentration and require diversification of investments.

## **Item 17. Voting Client Securities**

Note: The investment advisory agreement between Horizon and each client indicates whether or not Horizon votes proxies for the client. In most cases, Horizon does not have proxy voting authority over client accounts. Horizon does maintain proxy voting authority for the Horizon Mutual Funds.

*For those clients for which Horizon does not vote proxies:*

These clients are advised that Horizon does not vote proxies on clients' behalf nor does Horizon take responsibility in any way to ensure clients' securities are voted. Clients retain the responsibility for voting their own proxies.

*For those clients for which Horizon does vote proxies:*

In voting proxies for clients, Horizon is committed to voting in the manner that serves the best interests of the client (*e.g.*, the fund and its shareholders or individual clients). In determining the appropriate vote for a proxy, Horizon takes into consideration what vote is in the best interests of the client consistent with the provisions of Horizon's Voting Guidelines. Horizon does not allow clients to direct any vote.

With respect to the Horizon Mutual Funds, Horizon has engaged a third-party proxy voting service provider ("Provider") to vote proxies. Horizon has established voting rules with the Provider to vote any such proxies in the best interests of the applicable fund and in accordance with Horizon's procedures. Horizon (through the Provider), when necessary, votes proxies pursuant to a "mirror voting" arrangement under which shares are voted in the same manner and proportion as the votes of other shareholders, and otherwise votes in accordance with the Provider's guidance.

In cases where Horizon is aware of a proxy voting conflict between the interests of a client and the interests of Horizon or an affiliated person of Horizon (*e.g.*, a portfolio company is a client or an affiliate of a client of Horizon), Horizon will either abstain from voting or vote the applicable shares in a way that seeks to mitigate such conflicts.

If you would like a copy of Horizon's Proxy Voting Policy, you may contact us at the address and phone number on the cover page of this Brochure. In addition, we can provide clients and Horizon Mutual Fund shareholders with a record of how Horizon voted proxies for the applicable client account upon request. Information regarding how Horizon voted proxies for each Mutual Fund are available through the SEC's web site, [www.sec.gov](http://www.sec.gov).

## **Item 18. Financial Information**

Horizon does not require or solicit prepayment of fees six months or more in advance, and Horizon currently does not have any financial condition that is reasonably likely to impair its ability to meet contractual commitments to clients.