

SURVEY: CANADIAN INVESTORS & ADVISORS BULLISH ON OIL; BEARISH ON BITCOIN

TORONTO – July 15, 2021 – Heading into the third quarter of 2021, Canadian investors and advisors are overwhelmingly bullish across most market indices and asset classes, according to the third-quarter 2021 Advisor and Investor Sentiment Surveys (“**Q3 Surveys**”) from Horizons ETFs Management (Canada) Inc. (“**Horizons ETFs**”).

Each quarter, Horizons ETFs surveys Canadian investors and investment advisors for their outlook on expected returns for distinct asset classes. These expectations are expressed in terms of bullish, bearish, or neutral sentiment. The Q3 Surveys cover the period beginning June 30, 2021, and ending September 30, 2021.

Thematic Asset Classes and Sectors: Bitcoin, Psychedelics and Marijuana

Bitcoin, the world’s most popular cryptocurrency, has seen an erosion of sentiment this quarter, with both advisors and investors ranking it the most bearish asset. Following a -41.34% decline in the price of Bitcoin during Q2 2021 – the worst performance of any of the Q3 Surveys’ measured asset classes – investors shifted their position from bullish to bearish, adding 15 percentage points to their negative sentiment, for a total of 50% bearish overall. Advisors, who were more skeptical of Bitcoin during the previous Q2 Surveys, entrenched their bearish position, adding 9 percentage points for a total of 54% bearishness.

The burgeoning psychedelics sector, as represented by the North American Psychedelics Index, saw muted performance during Q2 2021, with a -3.93% return. Despite the attrition, investors remained confident on the psychoactive asset class at 46% bullishness – just a 7 percentage point drop in positive sentiment from last quarter. Advisors, cautiously neutral last quarter are now evenly split between neutral and bearish sentiment at 34% each, heading into Q3 2021.

While still positive on a year-to-date basis, the Canadian marijuana industry, as represented by the North American Marijuana Index, saw a -11.40% return during Q2 2020. Despite a 20 percentage point drop in positive sentiment, investors continued to keep the faith in the budding sector with 46% bullishness overall. Advisors moved from a previously bullish position to a 35% neutral majority.

“With Bitcoin, we’ve seen that what goes up quickly, can just as easily come down quickly,” said Mark Noble, Executive Vice President, ETF Strategy at Horizons ETFs. *“The meteoric growth of Bitcoin has attracted countless new investors to the cryptocurrency space in the last 12 months. Returns of the asset class have cooled amid double-digit losses over the past several months and increasing global restrictions, including from China, on the mining and transaction of cryptocurrencies.”*

Canadian Equities and the Dollar

Canadian Equities, as represented by the S&P/TSX 60™ Index, continued their first-quarter strength into Q2 2021, posting a +8.23% gain. Despite the strong performance, Canadian investors and advisors decreased their bullishness on domestic equities, while remaining bullish overall. Advisors decreased their bullishness 14 percentage points to 59%, while investors reduced theirs by 7 percentage points, to 53%.

Canadian Energy, as represented by the S&P/TSX Capped Energy™ Index, was Q2 2021's best-performing equity index, as measured by the Q3 Surveys, with a 19.99% return. In response, both advisors and investors ranked Canadian Energy as their most bullish asset class. Advisors added 5 percentage points to bring their total bullishness to 64% overall, while investors added 11 percentage points of positive sentiment, for a total bullishness of 62% overall.

Canadian Financials, as represented by the S&P/TSX Capped Financials™ Index, was also a strong performer in Q2 2021, returning 7.38% during the period. While remaining bullish overall, both surveyed groups tempered their positive sentiment, with advisors reducing their bullishness 10 percentage points to 63%, and investors retracting 6 percentage points to stand at 53% bullishness on Financials, overall.

Regarding the performance of the Canadian dollar versus the U.S. dollar, advisor bullish sentiment grew 5 percentage points to 40% overall, while conversely, investors registered a 9 percentage point drop in positive sentiment, landing an overall neutral standing at 36%, with bearishness not far behind at 35%.

“Now that global travel opportunities and transport of goods globally are increasing, energy demand is on the rise, which has resulted in strong performance for Canada’s energy sector,” said Mr. Noble. *“On top of the strong tailwinds with energy prices rising, Canada has also faced some of the longest and most stringent restrictions in the developed world. As the country now re-opens with a high vaccination rate relative to the rest of the world, foreign investors seem to be increasingly favouring Canada versus other developed markets, as highlighted by the relative outperformance of Canadian equities during the last quarter.”*

U.S. and International Equities

U.S. Equities maintained positive momentum throughout Q2 2020, with the S&P 500™ Index posting an +8.17% gain, while the NASDAQ-100® Index soared +11.18% higher.

While still overwhelmingly bullish on both indices, investors responded to the robust performance by reducing their outlook on the S&P 500 by 5 percentage points to 56% bullishness overall but increased their bullish stake on the NASDAQ-100 equally by 5 percentage points, for 53% bullishness overall. Advisors also backslid on their S&P 500 outlook, taking back 9 percentage points of positive sentiment to sit at 56% bullishness overall. On the NASDAQ-100, their bullishness increased 6 percentage points to rest at a commanding 59% bullishness overall.

One of the largest gulfs in the Q3 Surveys between advisor and investor sentiment was on Emerging Markets, as represented by the MSCI Emerging Market Index, which returned +4.42% in Q2 2020. Emerging Markets was the third most-bullish sector for advisors at 61%, after a 4 percentage point drop from last quarter. Investors, who were also bullish on international equities, reduced their positive sentiment by 9 percentage points to 49% overall.

“With plans for massive infrastructure spending in the wings and the imperviousness of the Silicon Valley-centric technology sector, we will likely continue to see strength from U.S. markets,” said Mr. Noble. *“U.S. equities appear to have much higher valuations than other geographic sectors which is likely why we see Advisors strongly favouring non-North American equities which have lower relative valuations and might benefit more from a broader global recovery in the second half of 2021.”*

Commodities

The best performing asset class in Q2 2020 measured by our Q3 Sentiment Surveys was Natural Gas Futures, with a +39.95% return in the quarter. Despite typically lower seasonal demand during the summer, both advisors and investors upgraded their bullishness on the commodity, with advisors moving from neutral to bullish after increasing their positive sentiment by 9 percentage points to 46% bullishness overall. Investors were even more enthused, increasing their bullishness by 12 percentage points to 51% bullishness overall.

Crude Oil Futures, buoyed by the continued economic recovery, posted the second-best return of any of the measured asset classes in the Q3 Surveys, with a return of +24.19% in Q2 2020. Both advisors and investors responded in-kind to the sustained rally in the commodity, with advisors adding 5 points of positive sentiment to be 57% bullish overall, and investors adding 8 percentage points, for a total of 61% bullishness overall.

“Over the last six months, commodities have proven the adage they are one of the best solutions in an inflationary environment. The added tailwinds of a global reopening following mass vaccinations against the COVID-19 environment add further fuel to their ascent,” said Mr. Noble.

Defensive Asset Classes: Gold, Silver, and Fixed Income

While volatility in the “digital gold” of Bitcoin during Q2 2020 crystalized losses for some investors, the traditional physical stores of value of gold and silver provided some luster for investors. Gold Bullion returned +3.65% during Q2 2020, while Silver Bullion offered +7% over the same period. Advisors warmed on gold and silver for the most part, while investors didn’t see the same luster in the precious metals. Advisor sentiment on gold becoming bullish at 43% overall, following an 8 percentage point increase, while investors withdrew a single percentage point of positive sentiment but remaining 43% bullish as well, overall. On Silver Bullion, investors retracted 8 percentage points of bullish sentiment to hold firm at 45% overall, while advisors added 4 percentage points of bullishness to reach 43%.

On the S&P/TSX Global Gold™ Index, Q2 2021 also saw marginal performance from gold miners, with a +3.47% return overall. Investor enthusiasm rose 3 percentage points to 44% bullish overall. Similarly, advisors marginally improved their bullish position on the prospects of the precious metals miners, with 5 percentage points of bullishness, to reach an overall optimistic position with 40% bullishness overall.

After subsequent quarters of negative or limited returns in fixed income markets, U.S. Treasuries, as represented by the Solactive 7-10 Year Treasury Bond Index, continued that trend after posting a 2.64% return for Q2 2021. Both advisors and investors were unmoved by the positive return and deepened their bearish conviction on the asset class, with investors adding 4 percentage points of negative sentiment for 38% bearishness overall, while advisors added 3 percentage points to their bearish score, totaling 35% overall but remaining neutral overall on the fixed income index.

“A perceived rise in inflation, typically corresponds to, or is followed by, a rise in interest rates,” said Mr. Noble. *“The rise in bond yields in 2021 has led to negative returns on government bonds, so advisors and investors may continue to be wary of this asset class if they view inflation and interest rates continuing to rise upwards for the remainder of the year.”*

About Horizons ETFs Management (Canada) Inc. (www.HorizonsETFs.com)

Horizons ETFs Management (Canada) Inc. is an innovative financial services company and offers one of the largest suites of exchange traded funds in Canada. The Horizons ETFs product family includes a broadly diversified range of solutions for investors of all experience levels to meet their investment objectives in a variety of market conditions. Horizons ETFs has over \$19 billion of assets under management and 95 ETFs listed on major Canadian stock exchanges.

For media inquiries:

Contact Jonathan McGuire
Assistant Vice President, Corporate Communications
Horizons ETFs Management (Canada) Inc.
(416) 640-2956
jmcguire@horizonsetfs.com

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by Mirae Asset

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