



Horizons Enhanced Canadian Large Cap Equity Covered Call (ENCL)

Market Review

Canadian equities, as measured by the S&P/TSX Capped Composite Index, returned 6.76% in the first quarter (Q1) of 2024. The significant positive performing sectors were Industrials, Information Technology, and Energy, while the bottom 3 performing sectors were Real Estate, Consumer Staples and Consumer Discretionary.

The Bank of Canada (BoC) held its target overnight interest rate at 5% as it continued its quantitative tightening policy. In the fourth quarter (Q4) of 2023, the economy grew more than expected although still being below its long-run potential. Inflation as measured by the Consumer Price Index (CPI) eased to 2.9% in January, and the BoC expects inflation to remain at this level for the first half of the year before easing. It is seeking further easing in core inflation as it continues to work towards its goal of restoring price stability.

The Energy stocks in ENCC, shared with the Solactive Equal Weight Canada Oil & Gas Index, had a strong first quarter in 2024 returning 14.44% over the period. Most of the oil and gas companies posted solid first-quarter earnings with the exception of Enbridge, Keyera, and MEG Energy, which all failed to beat their respective consensus estimates.

Quarter in Review

The fund targets 125% exposure to the Horizons Canadian Oil and Gas Equity Covered Call ETF (ENCC) (*currently known as Global X Canadian Oil and Gas Equity Covered Call ETF*) before funding fees and therefore, results in the same equity and option exposure as ENCC.

Please reference the ENCC Management Report of Fund Performance for its Portfolio Review.

Outlook and Positioning

Into the next quarter, the covered call strategy is favourably positioned to potentially provide value from a yield, hedging and upside capture perspective in the current environment. Each month, call options are dynamically written on the underlying stocks held by the ETF. In Q1, the fund wrote slightly out-of-the-money (OTM) options on each of its underlying securities, which yielded roughly 4.3% each month for Q1. The premiums generated from the option writing strategy have remained steady for the last year and may continue for the next quarter.



Commissions, management fees and expenses all may be associated with an investment in the Horizons Enhanced Canadian Oil And Gas Equity Covered Call ETF (“ENCL” or the “ETF”) managed by Horizons ETFs Management (Canada) Inc. The ETF is not guaranteed, its value changes frequently and past performance may not be repeated. Certain Horizons Exchange Traded Products may have exposure to leveraged investment techniques that magnify gains and losses and which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk. Such risks are described in the prospectus. The prospectus contains important detailed information about the Horizons Exchange Traded Products. **Please read the relevant prospectus before investing.**

ENCL (or the “Enhanced ETF”) is an alternative mutual fund within the meaning of NI 81-102, and is permitted to use strategies generally prohibited by conventional mutual funds, such as the ability to invest more than 10% of the Enhanced ETF’s net asset value in securities of a single issuer, the ability to borrow cash and to employ leverage. While these strategies will only be used in accordance with the applicable investment objectives and strategies of the Enhanced ETFs, during certain market conditions they may accelerate the risk that an investment in Units of such Enhanced ETF decreases in value.

The financial instrument is not sponsored, promoted, sold, or supported in any other manner by Solactive AG nor does Solactive AG offer any express or implicit guarantee or assurance either with regard to the results of using the Index and/or Index trade name or the Index Price at any time or in any other respect. The Index is calculated and published by Solactive AG. Solactive AG uses its best efforts to ensure that the Index is calculated correctly. Irrespective of its obligations towards the Issuer, Solactive AG has no obligation to point out errors in the Index to third parties including but not limited to investors and/or financial intermediaries of the financial instrument. Neither publication of the Index by Solactive AG nor the licensing of the Index or Index trade name for the purpose of use in connection with the financial instrument constitutes a recommendation by Solactive AG to invest capital in said financial instrument nor does it in any way represent an assurance or opinion of Solactive AG with regard to any investment in this financial instrument.

“Standard & Poor’s®” and “S&P®” are registered trademarks of Standard & Poor’s Financial Services LLC (“S&P”) and “TSX®” is a registered trademark of the TSX Inc. (“TSX”). These marks have been licensed for use by Horizons ETFs Management (Canada) Inc. The ETF is not sponsored, endorsed, sold, or promoted by the S&P, TSX, or their affiliated companies and none of these parties make any representation, warranty, or condition regarding the advisability of buying, selling or holding units/shares of the ETF.

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.

This communication is intended for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase exchange traded products (the “Horizons Exchange Traded Products”) managed by Horizons ETFs Management (Canada) Inc. and is not, and should not be construed as, investment, tax, legal or accounting advice, and should not be relied upon in that regard. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies. These investments may not be suitable to the circumstances of an investor.

All comments, opinions and views expressed are generally based on information available as of the date of publication and should not be considered as advice to purchase or to sell mentioned securities. **Before making any investment decision, please consult your investment advisor or advisors.**

Published May 22, 2024