



Horizons Gold Yield ETF (HGY)

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.

Spot gold rose 7.3% to US\$2,217 per ounce in Q1. Bullion rose on the back of elevated geopolitical risks in both the Middle East and Eastern Europe. U.S. 10-year Treasury yields finished the quarter near 4.2% after going through a volatile ride, as multiple U.S. Federal Reserve (Fed) rate cuts have been priced in for 2024.

Like gold, commodities in general have experienced a volatile quarter, with the Bloomberg Commodity Index up 0.85%. Mixed monetary policy signals across global central banks have been curbed by hotter-than-expected inflation data so far in 2024. These broader market sentiments make gold an attractive investment to hedge against upcoming uncertainties.

Quarter in Review

During Q1, the fund held SPDR Gold MiniShares Trust (GLDM). Uncertainty surrounding interest rates, the economy, and geopolitical tensions continue, and volatility levels are higher than they have been historically. In the current environment, HGY's covered call strategy allows investors to generate potentially higher premiums from the call options sold. If the volatility drifts lower for a sustained period, the amount of premiums may be affected in the future. As investors await the next higher move for gold, option premiums generated will continue to offer some value in generating distributions going forward.

Outlook and Positioning

Uncertainty surrounding interest rates, the economy, and geopolitical tensions continue, and volatility levels are higher than they have been historically. In a high-volatility environment, HGY's covered call strategy allows investors to generate higher premiums from the call options sold. If the volatility drifts lower for a sustained period, the amount of premiums may be affected in the future. As investors await the next move higher for gold, option premiums generated will continue to offer some value in generating distributions going forward.

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 SPDR Gold Shares ETF (GLD). In Q1, the fund wrote slightly OTM options on the GLD, 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 Gold Yield ETF ("HGY" 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. The prospectus contains important detailed information about the ETF. **Please read the relevant prospectus before investing.**

"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