



Horizons US Large Cap Equity Covered Call ETF (USCC.U & USCC)

Market Review

During the first quarter (Q1) of 2024, U.S. equities (as measured by the S&P 500® Index) were up 10.6%. Economic data both domestically and abroad supported the narrative of a soft landing, boosting investor sentiment and putting downward pressure on equity market volatility.

The U.S. Federal Reserve (Fed) kept rates paused at their existing 5.5% level as expected, but its language became more hawkish in tone, furthering the “higher for longer” discourse. Combined with stickier inflation data, this contributed to a shift in the number of implied rate cuts in 2024 down to no more than three cuts. Towards the end of 2023, markets had been pricing in at least five cuts. Additionally, nonfarm payrolls beat expectations in February and the unemployment rate came in as expected at 3.7%, indicating the labour market’s resilience despite stickier inflation and persistently higher rates.

NVIDIA led a tech-driven rally in equity markets off the back of continued hype related to Artificial Intelligence (AI), increasing the concentration of the Magnificent Seven in major indices and ushering in new all-time highs for both the S&P 500® and the NASDAQ®.

Quarter in Review

During Q1 of 2024, the top three performing stocks were Super Micro Computer Inc. (255.32%), NVIDIA Corp (82.46%), and Vertiv Holdings Co (70.09%). The bottom three performing stocks were Rivian Automotive Inc. (-53.32%), Tesla Inc. (-29.25%), and Boeing Co (-25.96%).

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 SPX. In Q1, the fund wrote slightly OTM options on the S&P 500® Index, which yielded roughly 5.6% each month for Q1. The premiums generated from the option writing strategy have steadily declined over the last 9 months, the premiums generated this quarter may continue to the next quarter.

The investment objectives of the Horizons US Large Cap Equity Covered Call ETF (“USCC.U, USCC”) (formerly Horizons Enhanced Income US Equity (USD) ETF (“HEA.U, HEA”)) were changed following receipt of the required unitholder and regulatory approvals. The new tickers began trading on the TSX on June 27, 2022. For more information, please refer to the disclosure documents of the ETFs on www.globalx.ca.

Commissions, management fees and expenses all may be associated with an investment in Horizons US Large Cap Equity Covered Call ETF (“USCC.U; USCC” 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.**

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