



Horizons Enhanced US Large Cap Equity Covered Call ETF (USCL)

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

The fund targets 125% exposure to the Horizons US Large Cap Equity Covered Call ETF (USCC) (currently known as Global X S&P 500 Covered Call ETF) before funding fees and therefore, results in the same equity and option exposure as USCC. Please reference the USCC 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 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.

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

USCL (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.

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