Generate Monthly Income From Canada’s Big Six Banks

The Horizons Equal Weight Canadian Bank Covered Call ETF (“BKCC”) is a covered call ETF that gives investors exposure to the six largest Canadian banks in an equal weight portfolio and then uses a covered call strategy to help generate additional income on the portfolio.

Canada’s Big Six Banks – Toronto-Dominion Bank (TD), Royal Bank of Canada (RBC), Bank of Montreal (BMO), Bank of Nova Scotia (BNS), Canadian Imperial Bank of Commerce (CIBC), and National Bank of Canada (NBC) – have traditionally been a source of stable dividend income for investors in one of the country’s largest sectors. A covered call strategy is a way to potentially further increase that income stream substantially through the use of covered calls that can help generate an income premium.

BKCC seeks to provide, to the extent possible and net of expenses: (a) exposure to the performance of an index of equal-weighted equity securities of diversified Canadian banks (currently, the Solactive Equal Weight Canada Banks Index); and (b) monthly distributions of dividend and call option income. To mitigate downside risk and generate income, BKCC will employ a dynamic covered call option writing program.

‡Annual management fee reduced from 0.65% to 0.39%, effective July 6, 2023

Effective June 24, 2022, the investment objectives of the Horizons Equal Weight Canadian Bank Covered Call ETF (“BKCC”) (formerly Horizons Enhanced Income Financials ETF (“HEF”)) were changed following receipt of the required unitholder and regulatory approvals. The ETF began trading under its new ticker symbol on June 27, 2022. For more information, please refer to the disclosure documents of BKCC on www.HorizonsETFs.com.
Generating Income from Covered Calls

For stock investors, using a covered call writing strategy can be an effective way to create monthly income from a stock portfolio and potentially mitigate downside risk in their portfolio relative to Canada's Big Six Banks.

An investor who chooses to utilize a covered call strategy limits some of the upside potential gains that could be generated from the underlying stock portfolio in exchange for earning a higher income – in the form of call premium – earned from selling call options on those stocks.

This strategy effectively allows investors to earn immediate income from the underlying portfolio that should be relatively higher than what would’ve been generated by simply holding the stocks. It does not mean that a higher return will necessarily be generated through the covered call strategy, but the investor can use this strategy to generate monthly income from a stock portfolio either to meet a potential income target or to diversify sources of income in their broader asset allocation.

It is important to note that BKCC invests in its own portfolio of equity securities, which means if the value of the underlying securities held by BKCC declines, the price value of BKCC would also be expected to decline.

A covered call ETF investor can expect to participate in some, but not all, of the prospective growth of the underlying stocks while potentially earning an attractive monthly distribution from call option premiums and dividends.

Key Features:

- Direct equal-weight exposure to Canada's Big Six Banks
- Uses a dynamic call writing approach, which seeks to generate income and reduce downside risk.
- Options are written out-of-the-money to preserve more of the upside potential growth of the underlying stocks
- Call premiums are taxed as capital gains

BKCC Holdings
How a Covered Call Strategy Can Typically Be Expected to Perform in the Following Markets
Historically, during bear markets and range-bound markets, a covered call strategy generally tends to outperform its underlying securities. During powerful bull markets, when the underlying securities may rise more frequently through their strike prices, covered call strategies historically have lagged. Even during these bull market periods, however, investors could still generally have earned moderate capital appreciation, plus any dividends and call premiums.

For Illustrative Purposes Only.

To learn more, please visit www.HorizonsETFs.com/ETF/BKCC