Generate Monthly Income From Canadian Energy Stocks

The Horizons Canadian Oil and Gas Equity Covered Call ETF (“ENCC”) is a covered call ETF that gives investors equal-weight exposure to some of the largest and most liquid Canadian oil & gas stocks and uses a dynamic covered call strategy to help generate additional income on the portfolio.

Canada’s oil & gas industry includes some of the country’s largest capitalization companies – including energy producers and pipelines – and has historically offered investors attractive income through dividends. A covered call strategy is a way to potentially further increase that income stream substantially through the use of covered calls that can generate an income premium.

ENCC seeks to provide, to the extent possible and net of expenses: (a) exposure to the performance of an index of Canadian companies that are involved in the crude oil and natural gas industry (currently, the Solactive Equal Weight Canada Oil & Gas Index); and (b) monthly distributions of dividend and call option income. To mitigate downside risk and generate income, ENCC will employ a dynamic covered call option writing program.

Effective June 24, 2022, the investment objectives of the Horizons Canadian Oil and Gas Equity Covered Call ETF (“ENCC”) (formerly Horizons Enhanced Income Energy ETF (“HEE”)) were changed following receipt of the required unitholder and regulatory approvals. The ETF began trading under its new fund name and ticker symbol on June 27, 2022. For more information, please refer to the disclosure documents of ENCC on www.HorizonsETFs.com.
Horizons Canadian Oil and Gas Equity Covered Call ETF

Key Features

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 the Canadian energy sector. 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 ENCC invests in its own portfolio of equity securities, which means if the value of the underlying securities held by ENCC declines, the price value of ENCC 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 some of the largest and most liquid Canadian companies involved in the crude oil and natural gas industry
- Uses a dynamic call writing approach, which seeks to generate income and helps 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

ENCC Holdings

As at August 31, 2022
Horizons Canadian Oil and Gas Equity Covered Call ETF

Covered Call Strategy

How a Covered Call Strategy Can Typically Be Expected to Perform in the Following Markets
Historically, during bear markets, range-bound markets, and modest bull 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/ENCC