Horizons US Large Cap Equity Covered Call ETF

Generate Monthly Income From the United States’ Largest Companies
Horizons US Cap Equity Covered Call ETF ("USCC.U; USCC") is a covered call ETF that gives investors exposure to a portfolio of the largest and most liquid U.S.-listed equity market stocks and then uses a covered call strategy to generate additional income on the portfolio.

Many of the U.S. large-cap equities companies offers some level of income through dividend yield. 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.

USCC.U seeks to provide: (a) exposure to the performance of the large-cap market segment of the U.S. equity market and (b) monthly U.S. dollar distributions of dividend and call option income. To mitigate downside risk and generate income, USCC.U will employ a dynamic covered call option writing program. USCC.U will not seek to hedge its exposure to the U.S. dollar back to the Canadian dollar.

‡Annual management fee reduced from 0.65% to 0.39%, effective July 6, 2023
Effective June 24, 2022, the investment objectives of the Horizons US Large Cap Equity Covered Call ETF ("USCC.U; USCC"), (formerly Horizons Enhanced Income Equity ETF ("HEA.U; HEA")) 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 USCC.U; USCC on www.HorizonsETFs.com.

ETF Snapshot

Name: Horizons US Large Cap Equity Covered Call ETF
Launch Date: September 13, 2011
Ticker: USCC.U; USCC
Management Fee: ‡
0.39% (Plus applicable Sales Tax)
Investment Manager: Horizons ETFs Management (Canada) Inc.
Currency: USD and CAD
Currency Hedged: No
Distributions: Monthly, if any
Eligibility: All registered and non-registered investment accounts
DRIP Eligibility: Yes
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 relative to U.S. large-cap equities.

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 USCC.U invests in its own portfolio of equity securities, which means if the value of the underlying securities held by USCC.U declines, the price value of USCC.U 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 exposure to the performance of the large-cap market segment of the U.S. equity market
- 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 potential growth of the underlying stocks
- Call premiums are taxed as capital gains
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.

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