**Market Review**

During Q3 2023, S&P/TSX 60 was down 2.55%. Despite the positive performance in the energy sector as a result of booming oil prices, many other sectors displayed weaknesses that eventually offset positive gains from energy.

The Bank of Canada (BOC) raised the interest rate by 25 basis points (bps) on July 12th but elected to present a hawkish pause on September 6th. The Canadian economy has weakened and price pressures are relieving as a result of BOC’s past increases in interest rates as well as slower foreign demand. However, the progress towards price stability is slower than the Governing Council expected and they are prepared to further its policy of quantitative tightening if they deem it necessary. The BoC remains committed to restoring price stability in Canada.

In Q3, the unemployment rate in Canada remained stable at 5.5%, indicating the resilience in the job market. High mortgage rates and low inventory levels contributed to the cooling of the housing market.

Canadian Banks trended lower in Q3 largely due to higher interest rates resulting in lower trading activity and increased costs for the banks as they had to set aside more money for potentially bad loans. 4 out of the “Big 6” Canadian banks reported missing profit estimates. Royal Bank was the only bank to beat Analyst’s expectations while Scotiabank met analysts’ expectations. The Solactive Equal Weight Canada Banks Index returned -4.30% during Q3.

**Portfolio Review**

For the period ended September 29, 2023, the top performers in the ETF’s portfolio were The Toronto-Dominion Bank, Bank of Montreal, and The Bank of Nova Scotia, gaining 0.84%, -3.07% and -5.03%, respectively.

**Outlook and Positioning**

The next year in the Canadian economy will be defined by whether the BoC succeeds in taming inflation amidst a multitude of conflicting pressures. On one hand, higher rates for longer risk inducing a recession, but elevated oil prices act as a ballast for Canada’s oil-export-reliant economy. Additionally, higher rates for longer risk further pressure on an already battered housing sector. However, cutting rates too soon could risk re-igniting runaway inflation. How this balance is managed and how the economy digests the consequent impact on prices will have a significant impact on the trajectory of earnings and valuations across the board.
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 new ticker began trading on the TSX on June 27, 2022. For more information, please refer to the disclosure documents of the ETFs on www.HorizonsETFs.com.

Commissions, management fees and expenses all may be associated with an investment in Horizons Equal Weight Canadian Bank Covered Call ETF ("BKCC" 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.

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