

How Covered Call ETFs Can Impact Your Portfolio



HORIZONS ETFs
by Mirae Asset

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Horizons Covered Call ETFs use a call options writing strategy to generate income. The chart below shows the sectors, tickers, and current annualized monthly yield for the Horizons' suite of Covered Call ETFs.

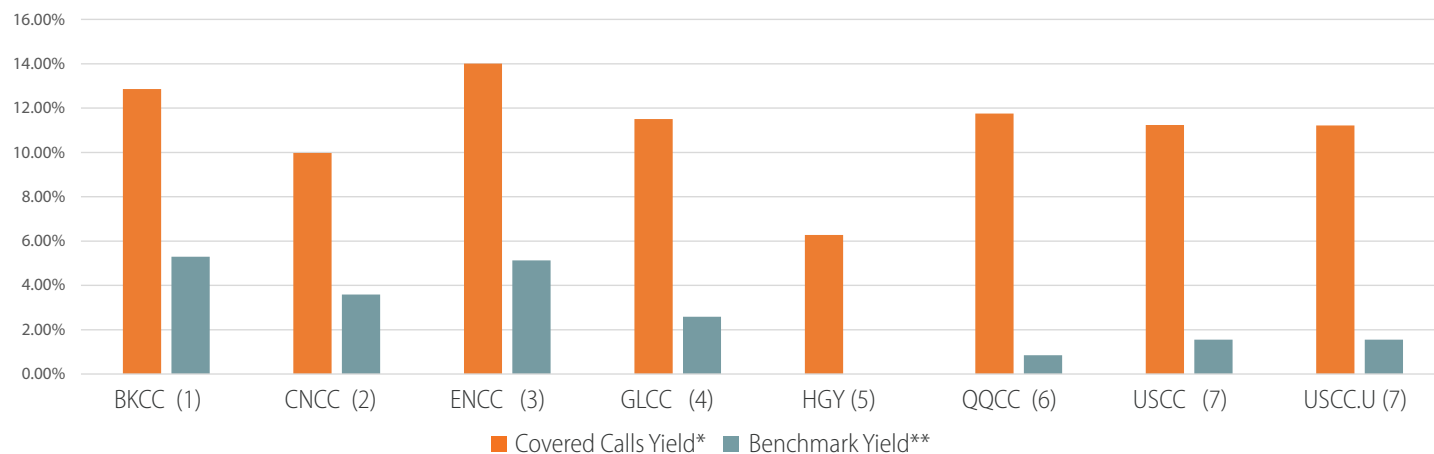
Sector	ETF Ticker	Annualized Monthly Yield
Canadian Large-Cap Equity	CNCC	9.98% ²
U.S. Large-Cap Equity	USCC.U ¹ USCC	11.22% ² 11.25% ²
NASDAQ-100	QQCC	11.76% ²
Canadian Banks	BKCC	12.86% ²
Canadian Energy	ENCC	14.01% ²
Gold Producers	GLCC	11.50% ²
Gold Bullion	HGY	6.27% ²

¹Trades in U.S. dollars. | ²Annualized distribution yield, as at August 31, 2023.

How do we achieve our monthly yields?

To achieve the yield in Horizons covered call ETFs our portfolio managers sell call options on the underlying portfolio of securities. Using an active management strategy, our options team sells call options on generally up to 50% of the ETFs' portfolio. The goal of our active approach is to capture the upside and generate attractive monthly income.

Our approach to active management involves evaluating the ETF portfolio and market conditions on a daily basis. After a thorough analysis, key decisions are made to determine the option strike and quantity required for the portfolio. With the option order in hand, our team then uses trading tactics to execute the order at a specific time and price. It is this combination of activities that contributes to the performance we generate in each of our covered call ETFs. The graph below highlights the difference between the yield of our funds and the yield of the funds benchmark.



*Annualized distribution yield, as at August 31, 2023. | **Source: Bloomberg as at August 31, 2023. See full benchmark names on the next page.

How do we achieve our monthly yields? - cont.

Description	BKCC	CNCC	ENCC	GLCC	HGY	QQCC	USCC	USCC.U
Covered Call Yield*	12.86%	9.98%	14.01%	11.50%	6.27%	11.76%	11.25%	11.22%
Benchmark Yield**	5.30% ¹	3.59% ²	5.13% ³	2.59% ⁴	0.00% ⁵	0.86% ⁶	1.55% ⁷	1.55% ⁷

*Annualized distribution yield, as at August 31, 2023. | **Source: Bloomberg as at August 31, 2023.

¹SOLCBEW Solactive Equal Weight Canada Banks Index

²TX60AR S&P/TSX 60 Total Return Index

³SOLCOGEW Solactive Equal Weight Canada Oil & Gas Index

⁴SOLNAGPN Solactive North American Listed Gold Producers Index

⁵GLD US EQUITY

SPDR Gold Shares

⁶XNDX

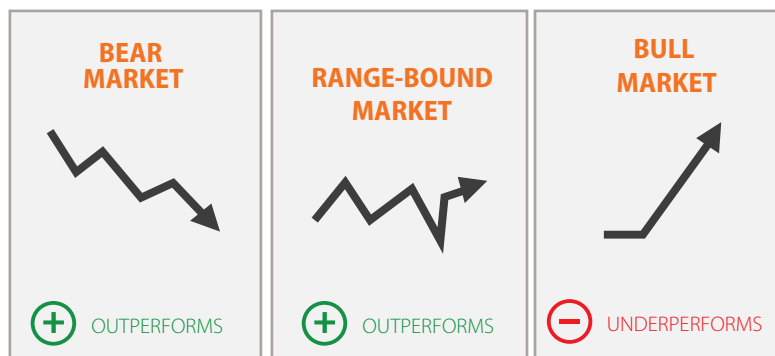
NASDAQ 100® Index (Total Return)

⁷SOLUSLCC

Solactive US Large Cap Index

How do Covered Calls perform in different market conditions?

While covered call strategies are designed to provide income to investors, it should be noted that the ETF performance can be impacted by market fluctuations.



Historically, during bear and range-bound markets, both covered call and plain equity ETFs are at risk of negative returns. However, a covered call ETF may outperform a plain equity ETF (with the same portfolio) in a bear or range-bound market. The outperformance during these periods can be attributed to the premiums that covered call ETFs receive by selling call options.

During bull markets, both covered call and plain equity ETFs can generate positive returns. However, a covered call ETF may underperform a plain equity ETF (with the same portfolio) in a bull market. The underperformance during bull markets can be attributed to the slight cap on performance that selling options may have on a covered call ETF.

It is important to note that the active management style employed by Horizons covered call ETFs is designed to actively participate in both bull and bear markets.

How can Covered Call ETFs fit into my portfolio?

To illustrate the impact that covered call ETFs can have on a 60/40 portfolio we have created three sample portfolios (Portfolio A-C). Each portfolio holds a different weight of Horizons Canadian Large Cap Equity Covered Call (CNCC) in its equity allocation, ranging from 0-100%.

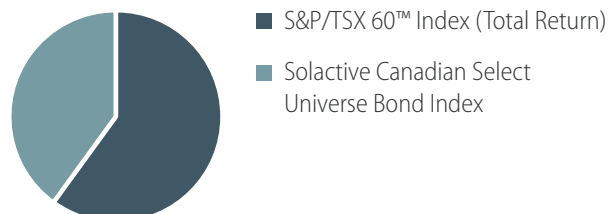
The description of the portfolio holdings and the individual portfolios A-D are summarized below:

ASSET CLASS	NAME	YIELD
Equity	S&P/TSX 60™ Index (Total Return)	3.59% ¹
Equity Covered Call	Horizons Canadian Large Cap Equity Covered Call ETF	9.98% ²
Fixed Income	Solactive Canadian Select Universe Bond Index	3.21% ¹

¹ Source: Bloomberg as at August 31, 2023 | ² Annualized distribution yield, as at August 31, 2023.

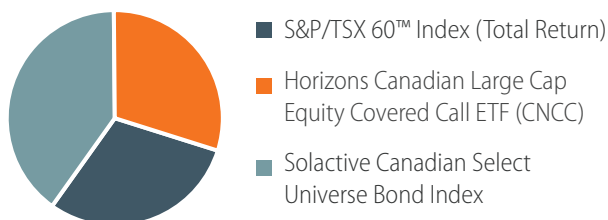
Portfolio A: 60/40

Fund	Weight	Yield
S&P/TSX 60™ Index (Total Return)	60%	3.59%
Solactive Canadian Select Universe Bond Index	40%	3.21%
Total Portfolio Yield		3.44%



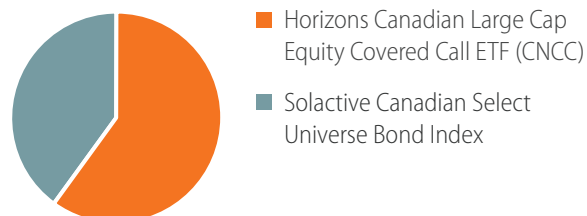
Portfolio B: CNCC is 50% of the equity allocation.

Fund	Weight	Yield
S&P/TSX 60™ Index (Total Return)	30%	3.59%
Horizons Canadian Large Cap Equity Covered Call ETF (CNCC)	30%	9.98%
Solactive Canadian Select Universe Bond Index	40%	3.21%
Total Portfolio Yield		5.35%



Portfolio C: CNCC is 100% of the equity allocation.

Fund	Weight	Yield
Horizons Canadian Large Cap Equity Covered Call ETF (CNCC)	60%	9.98%
Solactive Canadian Select Universe Bond Index	40%	3.21%
Portfolio Yield		7.27%



FOR ILLUSTRATIVE PURPOSES ONLY. The above illustrative example highlights the expected total portfolio yield and assumes no changes to the market value of the Index constituents. This example does not take into account any fees or expenses of the ETFs, or any commissions, fees or expenses that would be associated with a purchase or sale of ETF units/shares. The example does not contemplate the sale of the ETF units/shares or any tax liability that would result. It also assumes no change in the market value of the Index constituents. The indices shown in the above portfolio examples are illustrative of traditional Canadian equity & fixed income allocations. Investors cannot invest in an index.

Horizons Covered Call ETFs

ETF Name	Ticker Symbol	ADY ¹	Distribution Frequency	Percent Written	Management Fee ²
Horizons Equal Weight Canadian Bank Covered Call ETF	BKCC	12.86%	Monthly	Up to 50%	0.39%
Horizons Canadian Oil and Gas Equity Covered Call ETF	ENCC	14.01%	Monthly	Up to 50%	0.65%
Horizons Gold Producer Equity Covered Call ETF	GLCC	11.50%	Monthly	Up to 50%	0.65%
Horizons Canadian Large Cap Equity Covered Call ETF	CNCC	9.98%	Monthly	Up to 50%	0.39%
Horizons NASDAQ-100 Covered Call ETF	QQCC	11.76%	Monthly	Up to 50%	0.65%
Horizons US Large Cap Equity Covered Call ETF	USCC.U ³	11.22%	Monthly	Up to 50%	0.39%
	USCC	11.25%	Monthly	Up to 50%	0.39%
Horizons Gold Yield ETF	HGY	6.27%	Monthly	Up to 33%	0.60%

¹Annualized distribution yield, as at August 31, 2023. | ²Plus applicable sales tax. | ³Trades in U.S. Dollars.

Name and Ticker	Investment Objectives
Horizons Equal Weight Canadian Bank Covered Call ETF (BKCC)	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.
Horizons Canadian Oil and Gas Equity Covered Call ETF (ENCC)	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.
Horizons Gold Producer Equity Covered Call ETF (GLCC)	GLCC seeks to provide, to the extent possible and net of expenses: (a) exposure to the performance of an index of equity securities of diversified North American listed gold producers (currently, the Solactive North American Listed Gold Producers Index) and (b) monthly distributions of dividend and call option income. To mitigate downside risk and generate income, GLCC will employ a dynamic covered call option writing program.
Horizons Canadian Large Cap Equity Covered Call ETF (CNCC)	CNCC seeks to provide: (a) exposure to the performance of the large-cap segment of the Canadian equity market; and (b) monthly distributions of dividend and call option income. To mitigate downside risk and generate income, CNCC will employ a dynamic covered call option writing program.
Horizons US Large Cap Equity Covered Call ETF (USCC.U)	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.
Horizons NASDAQ-100 Covered Call ETF (QQCC)	QQCC seeks to provide, to the extent possible and net of expenses: (a) exposure to the performance of an index of the largest domestic and international nonfinancial companies listed on the NASDAQ stock market (currently, the NASDAQ-100 [®] Index); and (b) monthly U.S. dollar distributions of dividend and call option income. To mitigate downside risk and generate income, QQCC will employ a dynamic covered call option writing program. QQCC will not seek to hedge its exposure to the U.S. dollar back to the Canadian dollar.
Horizons Gold Yield ETF (HGY)	HGY seeks to provide Unitholders with: (i) exposure to the price of gold bullion hedged to the Canadian dollar, less HGY's fees and expenses; (ii) tax-efficient monthly distributions; and (iii) in order to mitigate downside risk and generate income, exposure to a covered call option writing strategy.

Horizons Covered Call ETFs - Annualized Performance

Ticker	1 Mo (%)	3 Mo (%)	6 Mo (%)	YTD (%)	1 Yr (%)	3 Yr (%)	5 Yr (%)	10 Yr (%)	SIR ¹ (%)	Inception Date
BKCC	-5.24	1.49	-6.65	-0.58	-0.30	5.60	2.10	4.73	4.12	2011-05-16
ENCC	4.04	14.14	9.23	7.14	6.97	47.48	8.38	-1.97	-3.34	2011-04-11
GLCC	-5.58	-7.43	6.27	-0.70	25.34	-9.31	10.59	3.36	-2.43	2011-04-11
HGY	-1.33	-0.56	5.37	4.48	10.00	-1.57	7.09	1.36	0.07	2010-12-17
CNCC	-1.30	3.81	1.14	4.53	5.92	11.23	4.44	5.42	3.51	2011-03-16
QGCC	0.46	4.63	19.75	31.07	26.08	12.77	5.33	3.52	3.11	2011-09-13
USCC.U ²	-1.74	5.33	10.98	15.23	13.34	10.46	8.48	8.91	9.70	2011-09-13
USCC	0.68	4.84	9.90	14.99	16.61	11.76	9.24	--	10.61	2014-01-15

Source: HorizonsETFs.com. as at August 31, 2023.

The above indicated rates of return are the historical annual compounded total returns including changes in per unit value and reinvestment of all dividends or distributions and do not take into account sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns. The rates of return shown in the table are not intended to reflect future values of the Horizons Exchange Traded Products or returns on investment in the Horizons Exchange Traded Products. Only the returns for periods of one year or greater are annualized returns.

¹Since Inception Return.

²Trades in U.S. dollars.

Disclaimer

Effective June 24, 2022, the investment objectives of the Horizons Canadian Large Cap Equity Covered Call ETF (“CNCC”) (formerly Horizons Enhanced Income Equity ETF (“HEX”)), Horizons Canadian Oil and Gas Equity Covered Call ETF (“ENCC”) (formerly Horizons Enhanced Income Energy ETF (“HEE”)), Horizons Equal Weight Canadian Bank Covered Call ETF (“BKCC”) (formerly Horizons Enhanced Income Financials ETF (“HEF”)), Horizons US Large Cap Equity Covered Call ETF (“USCC.U, USCC”) (formerly Horizons Enhanced Income US Equity (USD) ETF (“HEA.U, HEA”)), Horizons NASDAQ-100 Covered Call ETF (“QQCC”) (formerly Horizons Enhanced Income International Equity ETF (“HEI”)), and the Horizons Gold Producer Equity Covered Call ETF (“GLCC”) (formerly Horizons Enhanced Income Gold Producers ETF (“HEP”)), were changed following receipt of the required unitholder and regulatory approvals, to seek to provide exposure to the ETFs’ underlying equity portfolios and to employ a dynamic covered call option writing program. Previously, the ETFs sought exposure to an underlying equal-weight equity portfolio and generally wrote covered call options on 100% of portfolio securities. The new tickers 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.

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