

Market Overview

During the fourth quarter (Q4) of 2022, North American gold miners posted a strong recovery. The gold miners, as measured by the Solactive North American Listed Gold Producers Index (Index), returned 17.09% during Q4. Much of that improved performance was due to rising gold prices during Q4. Gold prices increased 9.8% during the Q4 period and retraces almost all the losses incurred earlier in the year. With bonds and equity markets both having relatively poor performances in 2022, gold, along with the U.S. dollar has proven to be a safe haven for investors in the volatile markets. In addition, the rise in the number of gold miners in the last quarter of the year also brought the Index to nearly unchanged for the entire year.

Gold prices continue to be driven by the difficult environment in the world today. The Russian invasion of Ukraine continues to make headlines, with no signs of an imminent end. War and political turmoil have traditionally been important drivers of flight to safe haven assets, including gold. In addition to the situation in Ukraine, the U.S. Dollar Index (DXY), a measure of the U.S. dollar's strength versus other currencies, was lower during Q4, the first quarterly drop so far this year. A weaker DXY generally helps the price level of gold as its denominated in U.S. dollars. The DXY was lower on the expectation that the Federal Reserve (Fed) might be getting close to ending its historic rate hikes.

While gold miners certainly benefit from the rising gold prices, they have also been hit with rising costs. Rising energy and labour costs, as well as potentially higher financing costs from the rise of interest rates, could all have negative impacts on profit margins. After high oil prices certainly had an impact throughout the first half of the year, weaker energy prices in Q4, should help overall margins for some of the gold miners.

Quarter in Review

AngloGold Ashanti (AU), was a top performer in our basket of gold mining companies during Q4. While the stock had closed the previous quarter at levels close to those reached during the 2020 pandemic sell-off, AU increased over 40% during Q4. Every gold miner however benefited from improving gold prices, and all 17 of our holdings had positive returns in Q4.

Outlook and Positioning

Gold miners finished Q4 on a strong note. Fears of a potential U.S. and global recession in 2023 and a need by the Fed to reduce its hawkish stance would potentially help the gold price. Continuing demand from central banks is also a potential tailwind going forward. Furthermore, the coming lunar new year period in China has historically been a beneficial time for gold prices – this would potentially be further aided in China's case as COVID-19 cases reach a peak and lockdowns ease when cases begin to fall. A potential recession would also be beneficial for gold miners in that it might lead to lower energy prices. Furthermore, improving conditions related to COVID-19 and the labour market, in general, could also provide a tailwind for global gold miners.

Expectations of lower yields in the future could also be beneficial for gold and gold miners going forward. While gold is traditionally seen as an inflation hedge, it also needs to compete as a safe haven with safe yield investments. When risk-free rates increase, it decreases the attractiveness of holding gold as an asset. If the Fed is nearing the end of its rate hike cycle, this would likely be seen as a positive for gold. So far this year, the Fed's aggressive rate hikes had been weighing on gold prices and longer-dated bonds. Nonetheless, despite 125 basis points (1.25%) in rate hikes in Q4, gold prices still managed to increase, as investors worry about inflation and negative real yields.

GLCC Quarterly Commentary

Horizons Gold Producer Equity Covered Call ETF

Q4 2022

Gold miners' stock volatility increased significantly as prices rose during Q4. Nonetheless, option premiums were mostly range-bound as market participants discounted lower volatility going forward. Despite this, volatility levels are still higher than they have been historically. In a high-volatility environment, GLCC's covered call strategy allows investors to generate higher premiums from the call options sold.



The investment objectives of 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. 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 Gold Producer Equity Covered Call ETF ("GLCC" 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.**

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