

Market Overview

Gold stocks, as measured by the Solactive North American Listed Gold Producers Index (Index), returned 12.4% during the first quarter (Q1) of 2023. This was a continued positive performance following a strong showing in the Q4 of 2022. Gold stocks performed well following the growth in the price of gold. In addition, energy prices remained in check, and inflation seem to be slowing down to some extent. This is an additional tailwind for gold stocks as rising input prices have hurt their margins in the past year. A more stable outlook for costs going forward would be beneficial for the gold mining sector and may help boost valuation multiples that currently remain at historical lows.

After a strong year-end in 2022 that saw gold prices finish the year near unchanged, gold continued its strong performance finishing January 2023 up nearly 5%. Some of the strength can likely be attributed to the continued weakness in the U.S. dollar. This time of the year is also seasonally beneficial for gold as it coincides with lunar new year festivities in China. Despite a slight setback in February due to strong job numbers, gold prices remained on an upward trend in March, as the market was impacted by renewed concerns about regional banks in the United States, which led to uncertainty and risk aversion among investors, helping gold prices further. The gold market outperformed other commodities, with an overall increase in price of 7.96% in Q1.

The recovery in the gold market was driven by several factors, including a weaker U.S. dollar, rising inflation expectations, and increasing demand for safe-haven assets amid global economic uncertainty and geopolitical risks. Continued demand from global central banks as well as demand in emerging markets such as India and China supported prices. However, volatility remained high and risks such as potential geopolitical tensions, and the potential for a faster-than-expected tightening of monetary policy could impact gold prices in the near future.

Quarter in Review

Gold producers in the Index performed well in Q1 2023. Osisko Gold Royalties (OR) was the top performer in the basket of stocks, returning over 30% during Q1. Gold Fields Ltd. (GFI), AngloGold Ashanti Ltd. (AU), and Wheaton Precious Metals Corp. (WPM) were also top gainers, increasing 28.7%, 24.6%, and 23.0% respectively. Royalty companies have been outperforming in this environment as they benefit from rising gold prices, but are not as exposed to rising mining costs. Despite the broad-based gains, two stocks were lower during the Q1 2023 period: Agnico Eagle Mines Ltd. (AEM) and SSR Mining (SSRM), which were both lower on mixed production results and outlooks for the year.

Outlook and Positioning

Just like the end of Q4 2022, Gold finished Q1 2023 on a strong note. Continued geopolitical uncertainty, physical gold demand from central banks, as well as the potential for a U.S. Federal Reserve (Fed) pivot as cracks in the financial systems start to appear and could continue to provide tailwinds to the price of gold. While gold is traditionally seen as an inflation hedge, it is also seen as a safe haven in times of uncertainty. While stock prices were off to a good start in Q1, any weakness in the economy could send stocks lower – and gold has typically outperformed in such a scenario. This current outlook could continue to be beneficial for the covered call strategy, as volatility would remain elevated while prices continue to trend higher.



GLCC Quarterly Commentary

Horizons Gold Producer Equity Covered Call ETF

Q1 2023

During each month, options are dynamically written on the holdings in the portfolio of GLCC. GLCC's monthly distributions are not fixed but vary as the premiums generated from covered call writing are earned and passed through, and will change with fluctuations in implied volatility and the duration of time to option expiration. Distributions also vary based on the timing of dividends received from the underlying securities in GLCC's portfolio during the period.



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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