

General Market Review

During the first half of 2023, the gold market showed continued signs of recovery. After a strong year-end in 2022, which saw gold prices finish the year nearly unchanged. Hitting a peak of 2050 in May 2023, Gold fell to close the first six months of the year at 1919.35 up nearly 5.2% for the year thus far. Behind gold's performance was a relatively stable US dollar and interest rates, event risk hedging, and continued central bank demand.

Gold stocks, as measured by the Solactive North American Listed Gold Producers Index (Index), returned 12.4% during the first quarter of 2023. After hitting a high of 1101.29 (up 27% for the year) in May, the Index finished H1 up 3.2%. The performance up till May continued the positive performance following a strong showing at the end of 2022. In addition, the world saw a major negative catalyst when Silicon Valley Bank (SVB) failed after a bank run on March 10th of 2023. These events led to higher volatility and heightened the fears of an upcoming recession.

Gold stocks performed well for the first few months of 2023, following the growth in the price of gold, with energy prices in check and inflation slowing down to some extent. This was an additional tailwind for gold stocks as rising input prices have hurt their margins in the past year as a more stable outlook for costs going forward would be beneficial for the gold mining sector and help to boost valuation multiples that currently remain at historical lows.

The momentum in gold stock reversed in May once gold hit its peak price and started to reverse. Hitting a peak of 2050 in May Gold fell to close the first six months of the year at 1919.35. During 2023 gold continued to outperform other commodities with crude oil prices, as measured by the 1-month NYMEX[®] West Texas Intermediate crude oil futures, down 12.0%, and Natural gas prices, as measured by the 1-month NYMEX[®] natural gas continuous futures contract, down 32.4% during H1 of 2023.

Throughout the first half of 2023, the Bank of Canada raised the interest rate by only 50 basis points from 4.25% to 4.75%. The decision was based on more favorable signals about a decrease in inflation, a tight labour market, and mixed signals on retail spending. The decision by the BoC to increase rates at a slower pace in H1 of 2023, than last year, was due to some uncertainty about inflation and the labour market. The month-to-month Core Consumer Price Index (CPI), which is used to measure inflation, was overall lower than expected in the first half of 2023.

Portfolio Review

Geopolitical tensions, fluctuating gold prices, bank runs, and debt ceilings have helped contribute to a market environment for gold stock where volatility has remained high. Although this has impacted stock prices and led to instability in the market, it has benefitted the covered call strategy due to the call options premiums rising as a percentage of the gold stock prices. This has been reflected through GLCC's yield during this period and the lower volatility the ETF has displayed generally compared to that of each stock.

During the first half of 2023, the top three performing stocks were Gold Fields Ltd (up 36.6%), Osisko Gold Mining Co Ltd (up 25.5%), and Harmony Gold Mining Co Ltd (up 20.8%). The three worst-performing stocks for the first half of 2023 were Novagold Resources Inc (down 34.8%), Pan American Silver Corp (down 9.7%), and SSR Mining Inc (down 8.5%).

The best-performing company in the basket was Gold Fields Ltd (up 36.6%). During their first quarter earnings report the company attributable equivalent gold production was largely flat year on year at 577koz. Despite the Q1 production, the company has stated that production remains on track to deliver the fiscal year 2023 guidance provided in February 2023 at between 2.25Moz – 2.30Moz, versus the 2.32Moz in 2022. On 2 May, Gold Fields announced a partnership with Osisko Mining to develop and mine the underground Windfall Project in Québec, Canada, now known as the Windfall Mining Group. Under the agreements, Gold Fields, through a 100% held Canadian subsidiary, has acquired a 50% interest in the feasibility stage Windfall Project.

GLCC Semi-Annual Commentary

Horizons Gold Producer Equity Covered Call ETF (GLCC)

June 2023

The worst-performing company in the basket was Novagold Resources Inc (down 34.8%). The stock underperformed during the gold initial run up to 2050 in May and continued to make a new low for the year (3.89 on June 29) before closing the period at 3.99. Despite the Donlin Gold field program, with approximately 39 million ounces of gold grading 2.24 grams per tonne in the Measured and Indicated Mineral Resources, commencing ahead of schedule in February 2023 Novagold remained the worst performer in the Index for the first half of 2023.

Outlook

Just like the end of Q4 2022, Gold finished Q1 2023 on a strong note. Although Q2 Gold retraced slightly from the Q1 highs it still ended the first half of the year up 5.2%. Continued geopolitical uncertainty, physical gold demand from central banks, the impact of the U.S. Federal Reserve pause in June, and cracks in the financial systems 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 2023, 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.

Each month, options are dynamically written on the equities in the portfolio of GLCC. The ETF'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 the 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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