GLCC Quarterly Commentary

Q3 2023

Horizons Gold Producer Equity Covered Call ETF (GLCC)

Market Review

Spot gold price demonstrated weakness in Q3 2023. After breaking the US$1,900 key level, the bullion closed at US$1,848.63 on September 29th.

Considered another safe haven asset, U.S. treasuries also encountered headwinds. The 10-year treasury yield has risen from 3.84% on June 30th to 4.57% on September 29th, pushing it to the highest level since 2007.

While the demand for gold has softened, the USD gained 3.17% from other currencies as measured by the DXY U.S. Dollar Index.

Gold Stocks were under pressure in Q3 2023; Solactive North American Listed Gold Producers Index gave up more than 10% during the quarter, despite maintaining a relatively flat position in the first half of 2023. Gold miners' performance struggled with the strengthening U.S. dollar and continued U.S. treasuries sell-off. The broader markets in both the U.S. and Canada also posted negative returns, with the S&P 500, and S&P TSX60 losing 2.55% and 3.65% respectively.

Shortly after the end of Q3 2023, the military conflict that started between Israel and Hamas increased tensions around the world alongside the ongoing Russia-Ukraine war. Gold bullion is expected to become more popular with investors seeking a hedge for global geopolitical risk.

Portfolio Review

For the period ended September 29, 2023, the top performers in the ETF's portfolio were Pan American Silver Corp., Novagold Resources Inc., and Kinross Gold Corporation, gaining 2.53%, -0.95% and -1.61%, respectively. During the quarter, Pan American Silver (Up 2.54%) is the only security that has generated a positive contribution to the portfolio, as it beat street expectations on Q2 earnings and completed the sale of a portion of non-core assets to Glencore. NovaGold Resources and Kinross Gold, while negative, still outperformed their peers.

Outlook and Positioning

With the U.S. Federal Reserve coming to a hawkish pause in its interest rate hike cycle, markets have priced in rate cuts starting from the first half of 2024. When U.S. treasury yields begin to cool down, investors might find a favourable position in gold to bet against a potentially weakening U.S. dollar. As intensive geopolitical risk still persists in both the Middle East and Eastern Europe, gold will continue to provide diversification benefits in the near future.

Gold producers continue to suffer from elevated all-in-sustaining costs (AISC) in the current high inflation and a higher rate for a longer environment. With optimism in a soft-landing economy and central banks getting inflation back to target, miners are expected to operate with more efficient cost management, leaning toward better financial results going forward.

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HORIZONS ETFs by Mirae Asset

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.