

Market Review

The price of spot gold went up over 13% and closed at around US\$2,063, bringing in more than US\$200 gain in its price for 2023. Gold bullion rose on the back of elevated geopolitical risk in both the Middle East and Eastern Europe. On the other hand, U.S. 10-year treasury yields finished the year near 3.86% after going through a volatile ride, as multiple U.S. Federal Reserve ("Fed") rate cuts have been priced in for 2024.

Unlike gold, commodities in general have experienced a sluggish year, with the Bloomberg Commodity Index down almost 13%. Tightening monetary policies across global central banks have effectively curbed inflation even though investors are still worried about a possible recessionary scenario for 2024. These broader market sentiments make gold an attractive investment to hedge against upcoming uncertainties.

Gold miners also benefited from the stunning performance of the precious metal, finishing the year on a positive note with an over 8% return as measured by the Solactive North American Listed Gold Producers Index (Index). Despite generating positive returns, materials were one of the less favourable sectors in 2023 compared to the broad market as measured by the 24% return from the S&P 500 during the same period. Due to the cost-sensitive nature of the gold mining industry, gold producers still suffered from the prolonged adverse effects of inflation in 2023.

Portfolio Review

During Q4 of 2023, the top three performing stocks were Harmony Gold, Osisko Gold Royalties, and Gold Fields with total returns of 4.19%, 1.80%, and 1.61% respectively. The bottom three performers were Novagold Resources, Endeavour Mining, and Pan American Silver with total returns of -24.65%, -19.42%, and -16.78% respectively.

Outlook and Positioning

With the Fed suggesting an end to interest rate hikes at its December 2023 meeting, market attention will shift towards 2024 interest rate cuts, corporate earnings, and the presidential election.

Having maintained its federal funds target range between 5.25% and 5.5%, the Fed has not raised interest rates since July 2023. The market rally that ensued could potentially extend into the first half of 2024 as calls for rate cuts increase.

Echoing their 2023 performance, the "Magnificent Seven" (Microsoft, Amazon, NVIDIA, Meta Platforms, Apple, Alphabet, Tesla) could continue to outperform the rest of the S&P 500 and contribute heavily to the index returns as earnings growth accelerates into the new year. Contributing nearly two-thirds of the S&P 500 performance for 2023, the main uncertainty facing these seven mega-cap stocks revolves around their earnings growth rate and the extent and magnitude of a possible soft landing during 2024.

Potentially tempering the 2024 growth forecast is the uncertainty facing investors with the November U.S. presidential election. According to the Stock Traders Almanac, the S&P 500 has gained 13% in an election year when a sitting president was running for re-election. While President Biden's approval ratings remained low at the beginning of 2024, the potential for new policies tends to impact sentiment leading into the November voting season and may push for a bullish end to 2024.

Into 2024, the covered call strategy is favourably positioned to potentially provide value from a yield, hedging and upside capture perspective in the current environment. Each month, call options are dynamically written on the underlying stocks held by GLCC. Option yields on gold producers trended lower in 2023 versus the prior year. The monthly premiums generated for the year showed consistency and may remain stable into 2024.

GLCC Quarterly Commentary

Horizons Gold Producer Equity Covered Call ETF (GLCC)

Q4 2023



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.

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