

### Market Overview

Domestic and international equities have been significantly impacted by an increase in inflation and the ongoing Russian invasion of Ukraine. Existing concerns over inflationary stresses, particularly in energy and food, have led to a significant increase in interest rates by central banks in the U.S. and Canada, with hikes as high as 75 and 50 basis points (bps), respectively. This further pressured equities and fixed income securities and fueled a continuous rally in the U.S. and Canada yields. Due to Europe's high dependency on Russian imports, oil and gas prices have been on the rise after more sanctions were imposed. On the other hand, other factors have been at play - natural gas prices suffered major spikes and reversals in the U.S. due to high demand as well as problems with a Freeport LNG facility that suffered an explosion. U.S. Inflation in May, as measured by the Consumer Price Index (CPI) and the Core Consumer Price Index (Core CPI), reached 8.6% and 6.0% respectively. This significantly outperformed last quarter's numbers and likely served to support an increasingly hawkish view from the U.S. Federal Reserve (Fed). The Euro annual year-over-year inflation rose to 8.1% in May, higher than April's 7.4%. This outcome further sharpened the Fed's hawkish view and exacerbated the potential aggressiveness of near future monetary policy decisions. Lastly, on a more positive note, China recently eased quarantine restrictions that were imposed during the last quarter, easing some of the negative impacts it caused on global supply chains. However, the overall global supply chain outlook remains challenged for the near- and medium-term outlooks.

### Quarter in Review

The invasion of Ukraine, continuous supply-chain disruptions, and aggressiveness on monetary policy decisions made by central banks to combat inflation likely led to an underperformance of the S&P 500 Index compared to England's FTSE 100 Index, Germany's DAX Stock Index, and Japan's Nikkei 225 Index. The S&P 500 Index's total return fell by -16.10%, while England's, Germany's, and Japan's indices yielded -3.8%, -11.31%, and 5.02%, respectively. On the other hand, the U.S. dollar appreciated by 7.96%, 5.57%, and 11.52% vs the Sterling, Euro, and Yen respectively, offsetting some of its underperformance in the stocks.

At the end of the Q2 period, unitholders of the Horizons Enhanced Income International Equity ETF (HEJ) approved a name change to the Horizons NASDAQ-100 Covered Call ETF (QQCC) and a change in the investment objective for the ETF. QQCC now seeks to provide, to the extent possible and net of expenses: (a) exposure to the performance of an index of the largest domestic and international, non-financial companies listed on the NASDAQ stock market (currently, the NASDAQ-100® Index); and (b) monthly U.S. dollar distributions of dividend and call option income.

### Outlook and Positioning

Option premiums were volatile in the quarter and closed higher on balance at the end of the period as market turmoil remained at the forefront for international investors. Risk premiums will continue to be monitored to apply appropriate coverage levels throughout the cycle. Portfolio managers anticipate continuing uncertainty, surrounding interest rate, pandemic response, supply chain, and economic realities, may keep option premiums more elevated than pre-pandemic levels. The covered call strategy is favourably positioned to potentially provide value from a yield, and upside capture perspective in the current environment.



# QQCC Quarterly Commentary

Horizons NASDAQ-100 Covered Call ETF

Q2 2022

During each month, options are dynamically written on the equities in the portfolio of the ETF. 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 changes in implied volatility and time to option expiration. Distributions also vary based on the timing of the dividends received from the underlying securities in the ETF's portfolio during the period.



**HORIZONS** ETFs  
by Mirae Asset

**Effective June 24, 2022, the investment objectives of the Horizons NASDAQ-100 Covered Call ETF ("QQCC") (formerly Horizons Enhanced Income International Equity ETF ("HEJ")), were changed following receipt of the required unitholder and regulatory approvals. The ETF began to trade under its new fund name and ticker symbol on June 27, 2022. For more information, please refer to the disclosure documents of QQCC on [www.HorizonsETFs.com](http://www.HorizonsETFs.com)**

Commissions, management fees and expenses all may be associated with an investment in Horizons NASDAQ-100 Covered Call ETF ("QQCC" 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.**

Certain statements may constitute a forward-looking statement, including those identified by the expression "expect" and similar expressions (including grammatical variations thereof). The forward-looking statements are not historical facts but reflect the author's current expectations regarding future results or events. These forward-looking statements are subject to a number of risks and uncertainties that could cause actual results or events to differ materially from current expectations. These and other factors should be considered carefully and readers should not place undue reliance on such forward-looking statements. These forward-looking statements are made as of the date hereof and the authors do not undertake to update any forward-looking statement that is contained herein, whether as a result of new information, future events or otherwise, unless required by applicable law.

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