

Market Review

The 2023 performance was the best first six-month performance since the 1985 inception of the index. When compared to the S&P 500 (+16.9%), Russell 2000 (+8.1%) and the Dow Jones Industrials (+4.9%), 2023 also represents the NASDAQ's best relative performance year.

While the threat of additional rate hikes previously led to a decline in asset prices throughout 2022. Following ten consecutive hikes 2023 saw the Federal Reserve (Fed) pause rate hikes at the June meeting for the first time after 15 months of consecutive rate hikes. While the markets have rallied into the end of Q2, policymakers have forecasted two additional rate hikes this year.

January 2023 saw stocks rally on easing the Fed expectations, the market rise paused in April during the rise of the debt crisis. After the vote was passed and the ceiling extended, the debt ceiling resolution initially raised concerns that the ensuing increase in debt issuance would drain liquidity from the marketplace and lead to falling asset prices and increased volatility.

However, the combination of the Fed's quantitative tightening retiring of long-duration bonds and the issuance of short-duration T-bills was largely absorbed by money market funds. Reduced duration in the system via increased T-bill issuance may have forced investors to take more risk. In the subsequent second quarter, the NASDAQ reacted positively and continued its record rise through the end of the second quarter.

On the economic front June unemployment, as measured by U-3 seasonally adjusted, remains near generational lows at 3.60, and inflation, as evidenced by core CPI and PPI continues to soften, with the CPI at 3% at the end of June. The end of the first half saw Q1 GDP revised higher from 1.3% to 2%, reflecting revisions to both exports and consumer spending. With consumer confidence at its highest level (109.70 as of June 30) since the start of 2022, supported by a resilient labor market and softening inflation, we may continue to see further positive GDP revisions in the second half of 2023.

Portfolio Review

Geopolitical tensions, fluctuating gold prices, bank runs, and debt ceilings have helped contribute to a market environment for technology stocks 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 index. This has been reflected through QQCC's yield during this period and the lower volatility the ETF has displayed generally compared to that of each stock.

The Nasdaq-100 gained 39.4% in the first half of 2023, with nine of the ten sectors returning positive returns. The top-performing sectors were; Information Technology (up 58.7%), Real Estate (up 47.3%), and Communication Services (up 36.9%). The sole negative sector and worse performer was Financials (down -4.5%).

Within Information Technology, the top six firms now represent over 55% of the NASDAQ 100, and were all up for the year. Microsoft Corp, Apple Inc, NVIDIA Corp, Amazon.com INC, Tesla Inc, Meta Platforms Inc, and Alphabet were all up 33.9%, 42.7%, 179.3%, 22.7%, 16.6%, 78.0%, and 9.9% respectively.

Heavyweight NVIDIA Corporation (up 179.3%) was the best-performing stock in the NASDAQ. Now representing nearly 7% of the NASDAQ 100, NVIDIA had the largest impact on the performance of the index in 2023. First quarter fiscal 2024 revenue, while down 13% from a year ago, was up 19% to \$7.19 Billion from the previous quarter. CEO Jansen Huang highlighted that "The computer industry is going through two simultaneous transitions — accelerated computing and generative AI" with "A trillion dollars of installed global data center infrastructure will transition from general-purpose to accelerated computing as companies race to apply generative AI into every product, service and business process."

Outlook

Record NASDAQ 100 performance, softening inflation, resilient economic data, improving corporate earnings, and the rise of Chat GPT and the AI revolution may diminish the probability of what was once a highly anticipated 2023 recession.

While the Fed expects there to be two additional rate hikes in 2023, historically strong Nasdaq outperformance in Q1 and Q2 often translates into strong performance for most equities in Q3 and Q4. In the top 10 record outperformances by the NASDAQ 100 versus the S&P 500, the second half of the year saw the NASDAQ-100: higher 21.8% 8/10 years and saw the S&P 500: higher 9/10 years for an average return of 11.4%

Each month, options are dynamically written on the equities in the portfolio of QQCC. 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.



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 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 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.**

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