

Market Review

During Q3 2023, U.S. equities (as measured by the Horizons Nasdaq-100 Index ETF) were down 2.72%. An initial strong start to the quarter was eroded as investors faced the possibility of rates remaining higher for longer.

The U.S. Federal Reserve (Fed) raised the interest rate by 25 basis points (bps) on July 26th but paused the historic rate hike cycle on September 20th. The Fed's dot plot suggested that there may be an additional rate hike later in the year, putting into question when any rate cuts will begin. While inflation remains on a downward trend, a slight upward tick in August added pressure to the Fed's efforts to achieve a soft landing. Additionally, the unemployment rate rose from 3.5% to only 3.8%, indicating the labour market's resilience in the face of the repeated rate hikes over the past 12 months.

Further, Fitch Ratings downgraded U.S. sovereign debt in August which contributed to a rise in Treasury yields. This put further downward pressure on equities, particularly large-cap stocks that were weighed on by weakened economic prospects and future valuations.

Portfolio Review

Despite record revenue in Q3 of 2023, Apple reported slight declines in iPhone sales and operating income from the same period a year ago. Combined with the pressure of higher rates for longer and an uncertain future economic environment, this dampened the tech giant's returns this quarter. Nvidia reported a 101% increase in earnings from one year ago, up 88% from the previous quarter. This was on the back of heightened demand for Nvidia's hardware and services as every industry raced to adopt generative AI.

For the period ended September 29, 2023, the top performers in the Underlying Index were PDD Holdings Inc., Amgen Inc., and Atlassian Corporation, gaining 41.84%, 22.03% and 20.08%, respectively.

Outlook and Positioning

As the year enters its fourth quarter and looks ahead to 2024, the U.S. economy will be shaped by the Fed's success (or lack thereof) in achieving a soft landing. While inflation has begun a downward trend, if the Fed begins to cut rates too early, a robust labor market threatens to reignite an upswing in prices. Additionally, investors continue to cautiously examine the impact that a prolonged period of high rates has on the economy and the severity of, if any, induced recession. This tradeoff will have a significant impact on earnings and valuations of U.S. companies across the board, and the economy as a whole.

QQCC Quarterly Commentary

Horizons NASDAQ-100 Covered Call ETF (QQCC)

Q3 2023



The investment objectives of the Horizons NASDAQ-100 Covered Call ETF (“QQCC”) (formerly Horizons Enhanced Income International Equity ETF (“HEI”)) 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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