

USCC.U and USCC Quarterly Commentary

Q2 2022

Horizons US Large Cap Equity Covered Call ETF

Market Review

The second quarter of the year continued to be overshadowed by the invasion of Ukraine by Russian forces. As the sanctions on Russia took hold, volatility, energy prices, and inflation fears have risen. Natural Gas futures opened the quarter at \$5.46 and touched a multi-year high of \$9.23 before closing the quarter at \$6.08, up 11.47%. Crude Oil had a similar trajectory, opening the quarter at \$101.23, rising to a quarter high of \$123.68 before closing the quarter at \$105.76, up by 4.47%.

With headline Personal Consumption Expenditures Price Index (PCE) inflation above 6% and inflation concern high, the Federal Open Market Committee (FOMC) decided to raise rates by 25 basis points (bps) on March 17, 2022, the first rate hike since December 19, 2018. In April, inflation continued to make headlines with the Labor Department reporting on April 12, that its consumer pricing index jumped +8.5% in March from 12 months earlier, the biggest year-over-year increase since December 1981. In May, the Bureau of Labor Statistics reported on May 12 that its producer pricing index (a.k.a wholesale inflation) jumped +11% in April from 12 months earlier. This was the biggest year-over-year increase since December 1981. Seeking to achieve a maximum inflation rate of 2% over the long run, the Federal Open Market Committee (FOMC) decided to raise its benchmark interest rate by 50 bps on May 5, and by 75 bps on June 16, 2022. The June 16 rate hike was the most since 1994. During this last meeting, the Fed cited the invasion of Ukraine and the COVID-19 lockdown in China as catalysts for the upward inflation pressure.

Quarter in Review

All ten of eleven sectors were down in the second quarter. The Health Care Sector was the only group in positive territory, up an average of 3.33%. Merck & Co. Inc. (MRK), up by 11.12%, was both the best performing Health Care stock, and the best stock overall this quarter. Materials stocks were the worst performers this quarter, down an average of 32.82%. Materials stock Freeport-McMoRan Inc. (FCX) was the worst performing stock in the sector, down by 41.17%.

At the end of the Q2 period, unitholders of Horizons Enhanced Income US Equity (USD) ETF (HEA.U; HEA) approved a name change to the Horizons U.S. Large Cap Equity Covered Call ETF (USCC.U; USCC) and a change in the investment objective for the ETF. The ETF will now provide exposure to the performance of U.S. Equity large-cap stocks.

Outlook and Positioning

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 fluctuations in implied volatility and the duration of time to option expiration. Distributions also vary based on the timing of dividends received from the underlying securities in the ETF's portfolio during the period.



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HORIZONS ETFs
by Mirae Asset

Effective June 24, 2022, the investment objectives of the Horizons US Large Cap Equity Covered Call ETF (“USCC.U; USCC”) (formerly Horizons Enhanced Income US Equity (USD) ETF (“HEA.U; HEA”)), 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 USCC.U; USCC on www.HorizonsETFs.com

Commissions, management fees and expenses all may be associated with an investment in Horizons US Large Cap Equity Covered Call ETF (“USCC.U; USCC” 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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