



# Global X Equal Weight Canadian Bank Covered Call ETF (BKCC)

## Market Overview

Canadian equities as measured by the S&P/TSX Capped Composite Index, returned -0.53% in the second quarter. The significant positive performing sectors were Materials and Consumer Staples; Health Care, Real Estate and Information Technology were the sectors that had significant negative performance.

In its most recent decision in June, the Bank of Canada (BoC) reduced its target for the overnight rate by 25 basis points to 4.75% as it decided that monetary policy could be less restrictive. Inflation, as measured by the Canadian Consumer Price Index (CPI), came in at 2.9% on a year-over-year basis in May. While inflation remains above the 2% target set by the BoC, it has steadily declined from 3.4% in December.

The price of oil, as measured by West Texas Intermediate (WTI), returned -1.96% for the quarter trading at US\$81.54 per barrel by the end of June. Gold prices rose by 4.34% breaking the US\$2,400 level this quarter, ending at \$US2,326 per ounce at the end of June 2024. This was largely driven by central banks continuing to buy gold, increased inflows from Asia-Pacific asset owners, consumer demand and geopolitical uncertainty.

The Solactive Equal Weight Canada Banks Index returned -4.75% for the quarter. The performance amongst Canadian banks has been mixed for the quarter; the difference between the top-performing bank stock and the worst was 19.83%. Furthermore, the correlation of the individual banks' performance versus each other was lower during this period compared to last year.

Profits saw pressure from higher capital requirements and higher bad debt provisions, which have been driven by high interest rates.

## Quarter in Review

During the second quarter, the top three performing stocks were the Royal Bank of Canada 7.71%, the National Bank of Canada -2.98%, and the Canadian Imperial Bank of Commerce -3.96%. The bottom three performing stocks were Bank of Montreal -12.12%, Bank of Nova Scotia -9.31%, and Toronto-Dominion Bank -6.84%.

BKCC benefited from broad market volatility as markets navigated the various risks that impacted equities during the second quarter of 2024. This benefited the ETF as higher volatility allows the ETF to generate higher premiums on the options it sells, thereby increasing the distributions that the ETF can pay to investors. Generally, the covered call overlay is expected to outperform when the market is flat or moving downwards and underperforms during sharp upward movements.

## Outlook and Positioning

For the remaining year, 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 the ETF. In the second quarter of the year, the BKCC wrote slightly out-of-the-money (OTM) options on each of its underlying securities, which yielded an average annual rate of 7.5%. The premiums generated from the option writing strategy have remained steady for the last 12 months and may remain at similar levels for the rest of the year.



Effective June 24, 2022, the investment objectives of the Global X Equal Weight Canadian Bank Covered Call ETF ("BKCC") (formerly Horizons Equal Weight Canadian Bank Covered Call ETF), were changed following receipt of the required unitholder and regulatory approvals, to seek to provide exposure to the performance of an index of equal-weighted equity securities of diversified Canadian banks (currently, the Solactive Equal Weight Canada Banks Index) and to employ a dynamic covered call option writing program. Previously, the ETF sought exposure to an underlying equal-weight equity portfolio and generally wrote covered call options on 100% of portfolio securities. For more information, please refer to the disclosure documents of the ETFs on [www.GlobalX.ca](http://www.GlobalX.ca).

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Published August XX, 2024