



# Global X Enhanced Equal Weight Canadian Banks Covered Call ETF (BKCL)

## 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

The ETF targets 125% exposure to the Global X Equal Weight Canadian Bank Covered Call ETF (BKCC) (formerly Horizons Equal Weight Canadian Bank Covered Call ETF) before funding fees and therefore, results in the same equity and option exposure as BKCC.

Please reference the BKCC Management Report of Fund Performance for its Portfolio Review at [www.globalx.ca](http://www.globalx.ca).

## 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 underlying fund (BKCC) wrote slightly out-of-the-money (OTM) options on each of its underlying securities, which yielded an average annual rate of 7.5%. Given BKCL's 1.25x exposure to the underlying fund, it generated an annualized yield of approximately 9.2% on average before expenses. 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.



Commissions, management fees and expenses all may be associated with an investment in the Global X Enhanced Equal Weight Canadian Banks Covered Call ETF ("BKCL" or the "ETF") (formerly Horizons Enhanced Equal Weight Canadian Banks Covered Call ETF) managed by Global X Investments Canada Inc. The ETF is not guaranteed, its value changes frequently and past performance may not be repeated. Certain Global X Funds may have exposure to leveraged investment techniques that magnify gains and losses and which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk. Such risks are described in the prospectus. The prospectus contains important detailed information about the Global X Funds. **Please read the relevant prospectus before investing.**

BKCL (or the "Enhanced ETF") is an alternative mutual fund within the meaning of NI 81-102, and is permitted to use strategies generally prohibited by conventional mutual funds, such as the ability to invest more than 10% of the Enhanced ETF's net asset value in securities of a single issuer, the ability to borrow cash and to employ leverage. While these strategies will only be used in accordance with the applicable investment objectives and strategies of the Enhanced ETFs, during certain market conditions they may accelerate the risk that an investment in Units of such Enhanced ETF decreases in value.

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