



Global X Canadian Oil and Gas Equity Covered Call ETF (ENCC)

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 energy stocks in ENCC shared with the Solactive Equal Weight Canada Oil & Gas Index, continued their positive performance for the year by returning 1.13% in the second quarter. This has been a strong first half in 2024 returning 15.73% year-to-date.

The second quarter saw mixed results with half of the index constituents down. Only ARC Resources, Cenovus Energy, Enbridge, Imperial Oil, Suncor Energy, and TC Energy beat their respective consensus estimates for quarterly earnings.

Quarter in Review

During the second quarter of 2024, the top three performing stocks were Keyera Corp 10.08%, Pembina Pipeline Corp 7.65%, and Suncor Energy Inc 5.43%. The bottom three performing stocks were MEG Energy Corp -5.88%, Canadian Natural Resources Ltd -4.61%, and TC Energy Corp -2.98%.

The portfolio benefited from broad market volatility as markets navigated the various risks that impacted equities during the second quarter of 2024. This benefited the fund as higher volatility allows the fund to generate higher premiums on the options it sells, thereby increasing the distributions that the fund 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 fund wrote slightly out-of-the-money (OTM) options on each of its underlying securities, which yielded an average annual rate of 4.2%. The premiums generated from the option writing strategy have declined over 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 Canadian Oil and Gas Equity Covered Call ETF ("ENCC") (formerly Horizons Canadian Oil and Gas Equity 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 Canadian companies that are involved in the crude oil and natural gas industry (currently, the Solactive Equal Weight Canada Oil & Gas 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.

Commissions, management fees and expenses all may be associated with an investment in the Global X Canadian Oil and Gas Equity Covered Call ETF ("ENCC" or the "ETF") (formerly Horizons Canadian Oil and Gas Equity 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. The prospectus contains important detailed information about the ETF. **Please read the relevant prospectus before investing.**

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