



# Global X S&P 500 Covered Call ETF (USCC)

## Market Overview

During the second quarter of 2024, U.S. equities (as measured by the S&P 500 Index) were up 4.28%. Hotter-than-expected inflation data in April put pressure on markets, threatening the soft-landing narrative. Nonetheless, solid earnings in several sectors alongside big tech helped to recoup those losses to end the month and continued the rally into the end of the quarter.

In contrast with April, economic data released in May suggested that some progress is being made towards the U.S. Federal Reserve's (Fed's) goal of combatting inflation while the economy at large remains stable. Cooling inflation readings in both May and June were supported by easing labour markets and lower-than-anticipated Gross Domestic Product growth. This contributed to some of the dovish language in Fed Chair Jerome Powell's press conference in June, further driving equity markets upwards towards the end of the first half of 2024. Markets currently price in 1.77 rate cuts for the remainder of the year, but per the Fed's language, this may change depending on how price, labour, and spending data evolves during the year.

The theme for the second quarter was not significantly different from that seen in the first quarter. Economic data supported that a soft landing remains a possibility, boosting broad market optimism. Technology names continued to drive a significant portion of equity market growth on the back of the hype surrounding Artificial Intelligence (AI). What remains to be seen is a combination of whether the trend in optimistic economic data continues, and whether other sectors will be able to support the growth in broad equities currently dominated by the Technology sector.

## Quarter in Review

During the second quarter of 2024, the top three performing stocks within the Global X S&P 500 Index ETF (USSX) which is held by USCC were NVIDIA Corp 36.74%, First Solar Inc 33.57%, and Teradyne Inc 31.54%. The bottom three performing stocks were Walgreens Boots Alliance Inc. -43.45%, Builders FirstSource Inc. -33.63%, and EPAM Systems Inc. -31.88%.

USCC benefited from broad market volatility as markets navigated the various risks that impacted equities during the second quarter. 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 SPX. In the second quarter of the year, the fund wrote slightly out-of-the-money (OTM) options on the S&P 500 Index, which yielded an average annual rate of 6.0%. 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 S&P 500 Covered Call ETF (“USCC.U; USCC”) (formerly Horizons US Large Cap Equity Covered Call ETF), were changed following receipt of the required unitholder and regulatory approvals, to seek to provide exposure to the performance of the large-cap market segment of the U.S. equity market 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).

Commissions, management fees and expenses all may be associated with an investment in Global X S&P 500 Covered Call ETF (“USCC.U; USCC” or the “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 Global X Funds. **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.

This communication is intended for informational purposes only and does not constitute an offer to sell or the solicitation of an offer to purchase investment products (the “Global X Funds”) managed by Global X Investments Canada Inc. and is not, and should not be construed as, investment, tax, legal or accounting advice, and should not be relied upon in that regard. Individuals should seek the advice of professionals, as appropriate, regarding any particular investment. Investors should consult their professional advisors prior to implementing any changes to their investment strategies. These investments may not be suitable to the circumstances of an investor.

Standard & Poor’s® and “S&P®” are registered trademarks of Standard & Poor’s Financial Services LLC (“S&P”) and have been licensed for use by Global X Investments Canada Inc. (“Global X”). The Global X ETFs are not sponsored, endorsed, sold or promoted by S&P, and S&P makes no representation, warranty or condition regarding the advisability of buying, selling or holding units/shares in the Global X ETFs.

All comments, opinions and views expressed are generally based on information available as of the date of publication and should not be considered as advice to purchase or to sell mentioned securities. **Before making any investment decision, please consult your investment advisor or advisors.**

Global X Investments Canada Inc. (“Global X”) is a wholly-owned subsidiary of Mirae Asset Global Investments Co., Ltd. (“Mirae Asset”), the Korea-based asset management entity of Mirae Asset Financial Group. Global X is a corporation existing under the laws of Canada and is the manager, investment manager and trustee of the Global X Funds.

Published August XX, 2024