Global X Active Global Fixed Income (HAF)

Market Overview

The third quarter (Q3) of 2024 experienced a solid rally on the rates side as inflation moved in the right direction and rate cut expectations built up among market participants. Weaker U.S. economic numbers such as a lower revision on the employment front and some leading indicators suggested a contraction in the manufacturing sector helped fuel a bond market rally and led the U.S. Federal Reserve (Fed) to begin a monetary easing cycle. U.S. 10-year yields moved from 4.40% at the end of June to 3.77% at the end of Q3.

The Fed decided to lower its target range for the federal funds rate by 50 basis points (bps) at its September meeting, highlighting the progress on the inflation front but also the slowdown on the employment side. In Europe, the European Central Bank went with a 60 bps rate cut in September, as inflationary pressure eased and the economic environment showed signs of softness. The Bank of England decided to be more prudent and cut by 25 bps due to slightly higher inflation. In Asia, Japan decided to keep the status quo while China decided to cut rates and push for fiscal stimulus. On the emerging market front, central banks in Mexico, Colombia, Peru, Chile, and South Africa cut rates, while the central bank of Brazil hiked them.

On the credit front, the market has experienced some volatility, especially in August following the Nikkei event where credit spreads widened. That event was short-lived and ended up being a buying opportunity. Early September was busy with many corporate new issuances.

Quarter in Review

Fiera Capital Corporation's (the Sub-Advisor) active approach to duration, sector allocation, and security selection supported performance during Q3.

During the quarter, our long duration in U.S. dollars (USD), euros (EUR) and Mexican pesos (MXN) proved to be positive contributors. HAF trimmed duration in USD and MXN before the Fed's rate decision as the market was already pricing-in significant cuts. The fund increased duration in British pounds (GBP) duration as the Sub-Advisor thinks the Bank of England will switch gears in Q4 and potentially be more dovish.

The Sub-Advisor continues to be selective on credit, seeking value as it considers the market is pricing a ''perfect'' soft landing scenario too aggressively. The Sub-Advisor prefers to remain more defensive on credit and be ready to take advantage of future opportunities while still maintaining a strong carry.

Sector-wise, on the investment grade front, the Sub-Advisor favours the industrial sector and sees good value in the securitization front within the Datacenter and Fiber sector. The Sub-Advisor remains selective with high-yield issuers and sector exposure is concentrated in Communication, Industrial, Energy, and Financials in specific issuers where the Sub-Advisor sees good value. HAF has continued to gradually reduce its exposure to Additional Tier 1 bonds (AT1) to be slightly more defensive.

On the emerging market front, HAF remains overweight in Latin America considering the Sub-Advisor's expectation of the continuation of the easing cycle for central banks combined with attractive positive real interest rates. The Sub-Advisor also favours Central & Eastern Europe on the hard currency front.

Outlook and Positioning

Global bond markets offer a lot of opportunities, and the asset class is attractive considering higher rates globally. The Sub-Advisor expects economic softness in the coming quarter and prefers duration risk rather than credit risk. The Sub-Advisor also prefers to keep some dry powder to deploy when credit spreads are wider. Starting in Q4, HAF is well positioned to encounter various market environments considering its strong yield carry protection provided by an overall investment grade profile and a diversified source of income. The strategy currently generates a yield of 6.09% combined with a duration of 6.34 years with an overall credit rating of A-.

Source: Fiera Capital Corporation as at September 30, 2024.

DISCLAIMERS

Commissions, management fees and expenses all may be associated with an investment in the Global X Active Global Fixed Income ETF (formerly, Horizons Active Global Fixed Income ETF) ("HAF" or the "ETF"") managed by Global X Investments Canada Inc. The Global X Funds are not guaranteed, their values change 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.**

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 October 25, 2024.

55 UNIVERSITY AVE.
SUITE 800
TORONTO, ON M5J 2H7

1 (866) 641-5739
@GLOBALXCA