



Global X Active Global Fixed Income ETF – HAF

Quarterly Commentary: Q2 2025

Market Review

The second quarter of 2025 continued to be shaped by a challenging macroeconomic environment, marked by ongoing trade tensions and heightened geopolitical uncertainty. While volatility persisted, global bond markets found support in growing signs of economic deceleration and dovish tones from several central banks leading to yield curve steepening across the world.

During the quarter, European rates and Gilts outperformed the US treasury curve. The Japan yield curve steepened with the long end of the curve experiencing volatility due to poor auction results and concerns on the fiscal front. On the emerging market local front, Brazil was the outperformer with a good rally in the curve following the end of the hiking cycle from the Central Bank of Brazil.

On the credit front, the market has shown signs of weakness and volatility after liberation day, but the retraction and push back of tariffs led to significant spread compression over the quarter where Investment grade and High Yield were tighter during the quarter. Emerging markets on the hard currency front have shown sign of resiliency and credit spreads are tighter.

Portfolio Performance and Positioning

In this challenging environment, HAF finished the quarter with a solid +1.64% net return, outperforming the Bloomberg Global Agg Hedged CAD (benchmark).

Top contributors to the outperformance during Q2 came mainly from sector allocation and duration. Our long duration in GBP, MXN and our curve positioning in USD favoring a yield steepener helped the fund outperform. Sector allocation in hard currency emerging markets helped drive the outperformance, particularly in Colombia and Mexico where credit spreads tightened significantly post liberation day. While the strategy has maintained a short duration stance in Japan for several years, recent developments at the long end of the Japanese yield curve have made the curve's steepness more appealing. As a result, we added duration exposure in the region.

We are comfortable with our longer duration bias heading into Q3 as we see pocket of weakness and expect the restrictive monetary policy to continue to have an impact on the economy and that central bank will put more weight on growth outlook rather than inflation in their upcoming decision, thus justifying our long duration exposure. We continue to be selective on credit, seeking value and ready to redeploy as market continue to adjust to weaker growth outlook with wider credit spread. We prefer 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, we favor defensive sectors and see good value in the securitization front within the datacenter and fiber space. We remain selective with high yield issuers, and our sector exposure is concentrated in communication, industrial and defense where we see good value.

Outlook

Trade war and geopolitics are at the forefront and pose serious challenges to the economic outlook. Markets should remain somewhat volatile. We expect Central Banks to lean toward the dovish side to defend their economy. A trade war is net negative for economic growth and impact on inflation should be tamed by weaker demand.

The global bond market offers a lot of opportunities, and the asset class is attractive considering higher rates globally. We expect economic softness in the coming quarters, and we prefer duration risk while being selective on credit risk. We also prefer to keep some dry powder to deploy when credit spread will be wider. Starting Q3 2025, the strategy 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.