GLOBAL X ACTIVE CANADIAN DIVIDEND ETF SUB-ADVISOR[1] COMMENTARY – Q2 2025

Market Review

The S&P/TSX Composite Index returned 8.53% in the second quarter of 2025, with all sectors returning positive performance. This was led by a strong performance from the Information Technology (+14.24%), Consumer Discretionary (+14.05%), Financials (+12.14%), Industrials (+8.14%), and Materials (+8.12%) sectors. The Real Estate (+4.95%), Utilities (+4.83%), Consumer Staples (+4.60%), Health Care (+3.14%), Communication Services (+2.61%), and Energy (+1.29%) sectors also grew throughout the quarter.

Market sentiment improved from the first quarter as the possible "worst-case" tariff scenario appeared to have been avoided, as U.S. President Donald Trump stepped back from his controversial trade policies, although uncertainty remains high. This relief led to an increase in optimism and caused Canadian Equities to rally, reaching all-time highs. In Canada, the election victory of Mark Carney received a muted reaction from the market, signalling that investors remain unsure of the Liberal policy agenda. Prime Minister Carney has promised more growth-oriented policies, but the Liberal Party's implementation capabilities remain unclear. Despite the strong stock market performance, the Canadian economy continued to show signs of a potential slowdown. The unemployment rate rose to 7% in May, the highest seen in almost a decade excluding the COVID-19 pandemic. The Bank of Canada held its policy rate twice in the quarter, leaving it at 2.75% as core inflation remained stubbornly above its 2% target and the uncertain effects of American tariff policies began to affect the Canadian Economy.

Following the widespread relief from the market after President Trump reversed the majority of his "Liberation Day" tariffs both the S&P 500 Index and NASDAQ Composite Index recovered strongly, but uncertainty remains high. Both Indices remain modestly below their all-time highs, and trade policy continues to be a headwind for economic growth. The U.S. Federal Reserve held its target range steady at 4.25%-4.50% twice this quarter citing elevated uncertainty.

Additionally, the commodity market experienced heightened volatility in the second quarter. After the "Liberation Day" announcement commodities fell sharply then recovered once President Trump walked back from his polarizing proposals. Oil had an especially volatile quarter, as the outbreak of hostilities between Israel and Iran caused a sharp spike in oil prices, which then fell as the scope of the conflict appeared likely to remain limited.

[1]Guardian Capital LP (GCLP) is the sub-advisor to the Global X Active Canadian Dividend ETF (HAL). GCLP provides Global X with a model portfolio and does not manage HAL on a discretionary basis. Global X retains discretionary investment authority for HAL and therefore trades are executed by Global X.

Performance Attribution

The model portfolio[2] underperformed its benchmark, the S&P/TSX Canadian Dividend Aristocrats Index (Net CAD), this quarter. The Materials sector contributed the most to relative performance, primarily due to strong stock selection. Health Care sector was among the weakest performers during the period; however, the portfolio benefited from having no exposure to this sector. Within Industrials, the portfolio's overweight positioning resulted in a positive allocation effect, which was further boosted by positive stock selection.

The Energy sector detracted the most from relative performance, as oil retracted some of its Q1 gains, the portfolio's overweight position led to negative allocation. The Real Estate sector also detracted meaningfully, due to the portfolio's underweight allocation and negative stock selection. Given ongoing geopolitical tensions, earnings uncertainty, and macroeconomic concerns, particularly around trade negotiations, the Manager expects interest rate volatility to remain elevated. Real Estate, being highly sensitive to interest rate movements, is likely to continue facing pressure on a risk-adjusted return basis. While the Manager anticipates periods of both underperformance and outperformance due to lag effects and mean reversion, they maintain a long-term view that the portfolio's underweight position in Real Estate may prove advantageous.

Stocks that contributed to relative performance:

- **Exchange Income Corporation** is a diversified, acquisition-oriented corporation focused on opportunities in the Aerospace & Aviation and Manufacturing segments. The company has had a good year so far, beating its earnings per share (EPS) estimates and posting record high EBITDA for Q1. It is expected to continue benefiting from its diversified portfolio, especially in aviation services and manufacturing.
- **Dollarama** had another strong quarter with an EPS beat and solid guidance. Company margins improved due to lower logistics costs, and basket size returned to positive growth after four quarters of decline. Its Latin American value retailer, Dollarcity, also performed well. An announced 30% dividend hike reinforced the company's strong cash flow and financial discipline.
- **Royal Bank of Canada (RBC)** had a strong quarter despite missing analysts' expectations, due to higher provisions for loan losses. Despite this, RBC posted strong headline numbers, net income increased 11% and adjusted earnings grew 7%. Ultimately, the market was reassured by management's positive outlook and the bank's ability to absorb higher provisions while still growing earnings, continuing its sizable share buyback program and consistent dividend payments.
- **Dundee Precious Metals Inc. (DPM)** continued its upward trajectory, supported by strong fundamentals. The company remains well-positioned to fund growth and deliver shareholder returns, backed by solid financials, robust free cash flow, and both of its mines tracking in line with guidance. DPM recently got approval to keep working on its Loma Larga gold project, in Ecuador, for another 25 years. This reinforced DPM's long-term growth potential and as the company was afforded more time and security to plan and grow the project.
- **Aecon Group.** The infrastructure builder, benefited from strong fundamentals and a project backlog worth $6.5B could boost future revenue. While project delays and rising costs remained key risks, domestic procurement trends and tariff-driven policies favor Canadian firms, supporting the company's long-term growth.

Stocks that detracted from relative performance:

- **Waste Connections Inc.** is known for its decentralized operating model, strong acquisition strategy, and focus on customer service in less competitive markets. It had a solid Q1 earnings, reporting a 9.1% growth in revenue year-over-year. However, the company had to navigate weather disruptions, commodity price volatility and inflationary pressures.
- **Pembina Pipeline Corporation (PPL).** The energy infrastructure company stock came in under pressure due to weak delivery from its facilities and pipeline segments. However, PPL's fundamentals remain strong amid ongoing volatility in Energy sector. The company boosts an attractive yield coupled with a strong history of consistent dividend growth.
- **Great-West Lifeco Inc.** 's recent performance was impacted by unfavorable mortality losses, wildfire-related claims, and commercial mortgage write-downs. Seasonal factors, and higher marketing spend, also weighed on results. Lower reported earnings, and market volatility added further pressure

[2]The performance and attribution provided is that of the Guardian Active Canadian Dividend (C$) Model and does not reflect the actual returns of Global X Active Canadian Dividend ETF (HAL). Actual returns for HAL will be reduced by the standard fees and expenses of the ETF. Performance may also differ due to different cash flows and timing differences between trades in the GCLP model and trades executed by Global X in the HAL portfolio.

- **PrairieSky Royalty Ltd.** 's royalty revenues were down as production slid 3% driven by lower output of natural gas and natural gas liquids. Despite this, the company's diverse asset base continues to generate strong free cash flow.
- **CES Energy Solutions.** The company's stock declined amid prevailing Q2 economic headwinds. Margins fell due to tariff uncertainty, supply chain shifts, and a weaker Canadian dollar, which raised input costs (with 60% of inputs sourced from the U.S.). Despite this, the company's capital-light model and strong cash flow supports the recovery potential.

Portfolio Transactions

The Fund exited Transcontinental Inc due to a mixed earnings growth outlook and weak dividend growth. This was primarily driven by recent revenue declines in its packaging segment, largely due to lower volumes and the sales of its industrial packaging operations.

The proceeds funded new positions in Canadian Imperial Bank of Commerce (CIBC) and Thomson Reuters(TRI). CIBC offers resilient fundamentals coupled with strong earnings and dividend growth. Thomson Reuters is a global leader in content and technology, serving professionals across the legal, corporate, tax, accounting, and media sectors. Leveraging innovation, data, and deep industry expertise, it supports confident decision-making in complex environments. The company operates with a strong, high-quality recurring revenue model.

Overall, this quarter's transactions reflect the Manager's cautious stance on macroeconomic uncertainties. The aim to focus on stocks with high quality, secular trends, better risk-adjusted returns, and lower exposure to trade and growth concerns.

Portfolio Outlook & Positioning

The i^3 Investment™ team believes that successful asset management should focus on three core pillars, which are Growth, Payout and Sustainability of cash flows (GPS). For outlook and positioning, we will address each of these core pillars.

Growth — In positioning the portfolio to secular drivers of dividend growth, the Manager believes consistent earnings growth is critical for predictable and sustained dividend growth.

According to the Manager's proprietary AI model* forecast for earnings per share growth (EPS) in Canada appear more mixed however the Materials and Real Estate sectors are moving up and with the highest forecasted growth rates. Energy is also forecasting stronger earnings, Communication Services is also high but flattening. The other sectors are moving up at a moderate pace, however Health Care showed a decline in forecasted earnings. In the U.S., EPS rates have started to move up and converging at a higher growth rate. The Energy, Consumer Discretionary, Industrials, Financials and Materials sectors have bounced while Information Technology continues show the most consistent and higher EPS projections. Health Care is relatively flat at lower levels than previously.

In Canada, dividend growth projections are moving slightly higher in most sectors except Consumer Staples, Materials and Health Care. In Energy, dividend growth forecasts are moving higher supported by earnings. South of the border, U.S. dividend growth predictions remain strong supported by the strong earnings forecast. Energy has reverted to an upward trend in dividend growth. The Information Technology sector continues to have the strongest upward trend while Financials are moving up too.

We continue to position and focus on companies with positive earnings growth coupled with strong dividend growth. We believe the Fund's portfolio is positioned for secular dividend growth. Over the past 12 months, 98% of the companies in the portfolio have increased their dividends.

Payout — The market quickly digested the turmoil relating to the tariff announcements and geopolitical risks this quarter. With inflation waning, the market is discounting the fact that rates could be cut and that has given it a strong boost. Resiliency in the market is macro driven not micro driven this quarter with quality stocks lagging the rally. This has been a quick turnaround from last quarter. Long duration stocks, many non-dividend payers have benefited this quarter. The Manager believes that a diversified portfolio that includes quality-dividend growth stocks with lower economic sensitivities can provide stability during the long-term investment horizon. They continue to prioritize profitability and stability and focus the porytfolio on strong earnings and cash flow growth which supports dividend growth.

Sustainability (of cashflows) — In their AI Model, the Manager sees strong dividend sustainability globally, backed by earnings. In Canada the overall probability of dividend cuts remains low with the Communication sector moving lower from a higher level which may be reflecting the fact that BCE cut its dividend. The probability of cuts continues to be forecasted low in the U.S., with probabilities flat lining at low levels in all the sectors.

The portfolio is currently overweight in the Energy, Materials, and Industrials sectors and underweight in the Communication Services, Consumer Staples, Real Estate and Information Technology

The Manager believes their AI-powered GPS style offers a total return approach through owning companies that can continue to reward shareholders through dividends, buybacks and debt reduction, ultimately combined with careful discretionary consideration of stock and sector allocations by the portfolio managers.

* The i³ Investments™ Team is a portfolio management team with Guardian Capital LP, a registered portfolio manager. The i³ Investments™ Team combines quantitative and fundamental analysis in managing investment portfolios. The quantitative component of the team's investment process has evolved as new tools and datasets have become available and, over time, new quantitative models which incorporate aspects of artificial intelligence have been incorporated. The i3 Investments™ Team provides a modern approach to portfolio construction, combining the advantages of quantitative analysis, big data, and artificial intelligence with the experience, perspective, and decision-making of our investment team. The application of quantitative investment analysis that incorporates artificial intelligence and machine learning in a forecast model is forward-looking and the simulated results are subject to inherent limitations. Investment strategies which rely on predictive artificial intelligence and quantitative models may perform differently than expected, as a result of, among other things, the factors used in the models, the weight placed on each factor, changes from the factors' historical trends and the limitations of technology in the construction and implementation of the models. There is no guarantee that the use of the quantitative model and artificial intelligence will result in effective investment decisions. There are no guarantees that dividend paying stocks will continue to pay dividends. All investments are subject to risk, including loss. There is no assurance that any investment strategy will be successful.

Returns are presented in CAD unless otherwise stated.

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