GLOBAL X ACTIVE GLOBAL DIVIDEND ETF SUB-ADVISOR[1] COMMENTARY – Q3 2025

Market Review

Global equities posted strong gains in the third quarter of 2025, supported by easing trade tensions, expectations for near-term U.S. interest rate cuts, and a sustained rally in technology and AI-related stocks. The MSCI World Index advanced more than 9% for the quarter, while the S&P 500 gained just over 10%. High beta was the best-performing factor, favoring growth stocks over value, as technology and communication services sectors led markets higher, while consumer staples was the only sector to finish in negative territory. Expectations of rate cuts also helped extend the U.S. rally to mid and small cap stocks. Emerging markets outperformed developed markets, fueled by U.S. dollar weakness and a rebound in Chinese equities following the extension of the U.S.-China trade truce. Defensive sectors delivered solid absolute returns but lagged more cyclical areas, and dividend-focused stocks trailed the broader market despite strong gains. The energy sector rebounded as investors rotated back into cyclical and commodity-linked names, while gold advanced as investors sought a hedge against inflation and policy uncertainty. Overall, the third quarter reflected a sustained risk appetite that drove broad-based gains across global equities, setting an optimistic tone for the remainder of the year.

The dominant market theme this quarter was the shift in expectations for U.S. Federal Reserve policy, as investors moved from anticipating a shallow rate cutting cycle to a more dovish trajectory that priced in multiple cuts through year-end. Strong corporate earnings also supported risk sentiment, with Q2 results exceeding expectations and momentum expected to continue into Q3. Consumer spending remained resilient despite ongoing concerns about the labor market and inflation, though signs of strain began to appear among lower-income households, with even middle- and upper-income consumers exhibiting “trade-down” behavior. Meanwhile, the AI theme continued to dominate market narratives, fueling strong performance among chipmakers, software companies, infrastructure providers, and power producers tied to the AI buildout.

Key risks to global equity markets include elevated valuations, which could leave stocks vulnerable to earnings disappointments or policy surprises; persistent inflation and uncertainty around the direction of monetary policy; slowing global growth and signs of labor market softness; and ongoing geopolitical tensions, including trade disputes and regional instability. Together, these factors set the stage for potential volatility should current market narratives shift.

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

Performance Attribution

The model portfolio[2] underperformed its benchmark, the MSCI World Index, during the quarter, due to overall negative sector allocation and stock selection effects. The portfolio's high-quality bias and balance between secular growth and low economic sensitivity, coupled with the strategy's dividend quality requirement and international exposure, has been a source of relative strength.

The Information Technology sector was the strategy's largest contributor to relative performance from strong stock selection in Broadcom, ASML and Apple. The Health Care sector contributed to relative performance on strong stock selection from Johnson & Johnson, AbbVie and AstraZeneca. The Communication Services sector added to strong stock selection from Alphabet, which was partially offset by the underweight allocation. The Consumer Discretionary sector detracted from relative returns due to its Darden Restaurants position. The Materials sector detracted from relative performance due to the Air Products & Chemicals position. The Consumer Staples sector detracted from relative returns on negative stock selection from Costco and a negative contribution from its overweight position. The Financials sector detracted from relative performance on negative stock selection from AXA and ICICI Bank, with a positive offset from its Royal Bank of Canada position. The Energy sector detracted from relative performance, from the Williams and TotalEnergies positions with a positive, partial offset from the strategy's overweight allocation. The Industrials sector detracted from relative returns due to the Wolters Kluwer, Republic Services and Waste Management positions.

Top 5 stocks that contributed to relative performance:

- **Broadcom** was the strategies largest contributor to relative performance. During the quarter, the company reported a 63% surge in AI semiconductor revenue and anticipates further acceleration in fiscal 2026 due to a new customer (largely believed to be OpenAI), alongside solid growth in its infrastructure software segment, including VMware. Broadcom also reported robust profitability with a gross margin above 78% and strong operating leverage, leading to better-than-expected earnings. The market remains enthusiastic about the stock, reflecting confidence in its expanding AI market presence and potential future growth with other major technology companies.
- **Johnson & Johnson** contributed to relative performance after reporting second quarter sales and earnings that exceeded expectations, largely driven by the pharmaceutical and medical devices division. The company also re-addressed 2025 guidance by raising its full-year sales and earnings targets, indicating that the year is progressing better than previous assumptions. Johnson & Johnson is facing a patent cliff this year due to biosimilar competition to immunology blockbuster Stelara, and the company's strong growth despite this headwind is a testament to its diversified business and foundation of differentiated treatments. Confidence in JNJ's diversified portfolio, innovation pipeline, and stable dividend growth also supported the stock.
- **AbbVie** contributed to relative returns after reporting strong quarterly results, with adjusted earnings and revenue that surpassed analysts' expectations. AbbVie's performance was driven by robust sales of Skyrizi and Rinvoq, which offset a significant decline in Humira sales due to competition from biosimilars. As a result, AbbVie raised its full-year earnings guidance. AbbVie anticipates continued growth, supported by its strong immunology and neuroscience portfolios. The company is also pursuing strategic acquisitions and partnerships to bolster its pipeline and mitigate future patent cliffs.
- **Royal Bank of Canada** ("RBC") contributed to relative performance after reporting strong fiscal third-quarter results, including a 38% decrease in provisioning costs from the previous quarter, and an 18% year-over-year increase in adjusted earnings per share. This performance resulted in an adjusted return on equity that surpassed the bank's medium-term target. Net interest income rose by 14%, and fee income increased by 18%, with the capital markets segment achieving record revenues. Additionally, RBC raised its net interest income guidance.
- **ASML** contributed to relative performance given its strong growth prospects, resilient demand for AI and high-performance computing chips, and a valuation that became attractive after the stock's post-earnings dip. The adoption of AI, automation, and cloud infrastructure created sustained demand for ASML's EUV lithography equipment, which reassured investors of its long-term value even amid near-term uncertainty. The company recently strengthened its strategic position with a €1.3 billion investment in Mistral AI, boosting AI integration in its R&D and production. Despite some cyclical risks and geopolitical uncertainties, robust EUV demand and AI-driven growth supported investor optimism and drove the stock higher.

[2]The performance and attribution provided is that of the Guardian Active Global Dividend (C$) Model and does not reflect the actual returns of Global X Active Global Dividend ETF (HAZ). Actual returns for HAZ 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 HAZ portfolio.

Top 5 stocks detractors to relative performance:

- **Wolters Kluwer's** detracted from relative performance. While recurring revenues remain resilient, weakness in non-recurring areas—particularly within Financial & Corporate Compliance—reflected softer demand, regulatory changes, and cautious client spending. However, management reaffirmed its 2025 outlook and highlighted a modest improvement in organic growth in July and August, supported by strength in the Health, Tax & Accounting divisions. The company also accelerated its share buyback program, now expected to conclude ahead of schedule, further signaling confidence in the business despite near-term share price volatility.
- **Republic Services** detracted from relative performance primarily due to investor disappointment with its most recent earnings report. Although the company delivered a solid Q2 result, with revenue up 4.6% year-over-year and EPS increasing by 8.6%, the revenue figure slightly missed expectations. Revenue came in at $4.24 billion versus a consensus estimate of $4.26 billion. We believe that these results were solid despite headwinds from less environmental services activity, lower collection volumes due to soft construction and manufacturing activity, and purposeful shedding of low-margin residential contracts, and lower recyclable commodities prices. Republic Services' defensive profile relative to its industrial peers was an additional headwind as investors sought more economically sensitive industrial names with higher perceived growth potential in the current environment.
- **AXA** detracted from relative returns after posting a net profit that fell short of the previous year and analysts expectations, primarily due to unfavorable currency fluctuations. The euro's strength negatively impacted the valuation of AXA's dollar-denominated assets. Additionally, the depreciation of currencies like the Hong Kong dollar and Japanese yen affected AXA's shareholder equity. Despite these challenges, AXA's underlying earnings, gross written premiums, and other revenue increased, driven by growth across its business lines. The company remains confident in its long-term strategy, expecting operating income per share growth of 6% to 8% this year. AXA also initiated a 3.8 billion euro share buyback to counteract earnings dilution from selling its asset management operations to BNP Paribas.
- **Novo-Nordisk** detracted from relative performance. The company lowered its full-year sales growth forecast and trimmed expected operating profit growth. This revision was mainly driven by slower-than-expected growth for Wegovy in the U.S. obesity market, lower penetration for Ozempic in the U.S. diabetes sector, as well as increased competition and ongoing challenges from unregulated compounded GLP-1 products. We exited Novo-Nordisk early in the quarter on rising probabilities of a dividend cut and slower earnings and dividend growth predictions.
- **Darden Restaurants** detracted from relative returns after reporting adjusted earnings per share that fell slightly short of expectations. The company raised its full-year sales growth outlook and same-restaurant sales, but cautioned that rising food and labor costs, particularly beef inflation, could pressure profits. The company is focusing on value-led promotions and smaller portion sizes to attract budget-conscious consumers, while maintaining prices below inflation to sustain demand, which may limit EBITDA margin expansion. Darden continues to deliver strong revenue growth, an expanding restaurant footprint, and brand resilience. The company's ability to generate steady same-store sales growth and cash flow supports continued share buybacks and dividend increases. Its long-term growth strategy, driven by unit expansion, menu innovation, and digital transformation, positions it well to navigate cost challenges and deliver sustainable shareholder value.

Portfolio Transactions

Early in the quarter, the Manager exited Accenture on declining earnings growth predictions that indicated softer demand due to macroeconomic uncertainties and geopolitical risks. The Manager is also cognitive of longer-term structural challenges in the consulting sector that will likely increase competitive pressures, despite strong growth in AI and digital transformation services.

The manager also exited Novo-Nordisk on rising probabilities of a dividend cut and slower earnings and dividend growth predictions. Novo-Nordisk lowered its full-year sales growth forecast and trimmed expected operating profit growth. This revision was mainly driven by slower-than-expected growth for Wegovy in the U.S. obesity market, lower penetration for Ozempic in the U.S. diabetes sector, as well as increased competition and ongoing challenges from unregulated compounded GLP-1 products.

With the proceeds from the sale, the Manager initiated positions in in Eli Lilly on strong earnings and dividend growth predictions. Eli Lilly has consistently demonstrated strong financial performance, robust growth in key drug sales, and boasts a leading position in the high-demand GLP-1 market. In Q2 2025, Eli Lilly reported a 38% increase in revenue and raised its full-year guidance, validating GEMX's signals of sustained growth. Eli Lilly's pipeline, margin expansion, and earnings growth projections make it an attractive long-term growth opportunity in healthcare.

Portfolio Outlook & Positioning

The i³ 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 (EPS) growth rates in the U.S. continue to demonstrate strength and stability. Among all the sectors, the Information Technology continues to exhibit the strongest forecasted EPS growth. The cyclical sectors are showing an upward trend in forecasted EPS growth, with the defensive sectors showing positive EPS forecasts but at a lower level than cyclicals. The Real Estate sector is showing a downward trend for forecasted EPS growth rates.

Predicted EPS growth rate in Europe is still on the upward recovery path, but at a lower clip than the U.S.

The mandate has an overweight allocation to Energy sector, and in the old continent, it's the sector exhibiting the highest forecasted EPS growth. The Industrials and Financials sector are the next in line with higher EPS forecasts. Large spending increases in the defense industry is benefiting many European companies down the industrial supply chain. The Financials sector also shows stronger EPS growth forecast. In Canada, the Materials sector is the leader in forecasted EPS growth followed by the Financials. In Asia there is much more dispersion between the sectors for earnings growth with the Financials sector exhibiting strong EPS growth forecasts.

In the U.S., dividend growth predictions remain strong supported by the strong earnings forecast. The Information Technology sector has the strongest dividend growth forecasts followed by the Communications sector and then the Financials sector. Dividend growth remains robust in all sectors in the U.S. The Financials and Communication sectors have the next forecasted dividend growth levels. All sectors show robust dividend growth ranging from around 7% to 14% dividend growth forecasts. In Canada the dividend growth predictions are overall on an upward trajectory. In the Materials sector, dividend growth forecasts are moving higher, supported by strong earnings. Dividend Growth forecasts are flat in the Real Estate and Communication Service sectors. In Europe there is more dispersion in dividend growth between the sectors with most sectors trending higher, but at lower levels than the U.S. The Industrials and Financials sectors exhibit the highest levels for dividend growth which is supported by the earnings growth forecasting from those sectors.

The manager continues 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, 100% of the companies in the portfolio have increased their dividends.

Payout — With the market quickly digesting the turmoil relating to the tariff announcements and geopolitical risks last quarter, it continued on its upward trajectory this quarter. With the U.S. Federal Reserve (Fed) beginning the rate cut cycle, stocks continue to move higher. Resiliency in the market is macro driven not micro driven with quality stocks lagging the rally. Long duration stocks, many non-dividend payers continue to benefit. 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. Profitability and stability need to be embraced with the mandate focusing on strong earnings and cash flow growth which supports dividend growth.

The Manager believes that a diversified portfolio which includes high-quality, secular growth companies can provide stability during periods of elevated market volatility and continue to realize earnings growth and capital appreciation (itself a form of payout).

Sustainability (of cashflows) — According to the Manager's AI Model, the Manager continues to forecast strong dividend sustainability globally. This is backed by earnings and better credit conditions, as the Fed continues cutting rates. Regionally, 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 Information Technology has the lowest probability of dividend cuts. In Canada the overall probability of dividend cuts remains low with the Communication Services sectors continuing to move lower from a higher level. This coincides with the credit conditions easing as the Bank of Canada began its easing cycle earlier than the U.S.

In Europe and Asia, there appears to be more dispersion between the sectors with the overall probability of dividend cuts remaining higher than in the U.S. and Canada. In Europe, probability of dividend cuts in the Energy sector has come down, we are also seeing a slow steady improvement in the Industrials sector.

The strategy is overweight the Energy, Industrials, Consumer Staples, and the Financials sectors and underweight the Communication Services, Consumer Discretionary, Materials and Information Technology sectors. Regionally, the strategy has approximately 25% weight in Europe, 73% weight in North America and 2% weight in Asia.

The i3 Investments™ believes our 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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Published: October 3, 2025

55 UNIVERSITY AVE.
SUITE 800
TORONTO, ON M5J 2H7
1 (866) 641-5739
@GLOBALXCA