



Global X Enhanced S&P 500 Covered Call ETF (USCL)

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

USCL targets 125% exposure to the Global X S&P 500 Covered Call ETF (USCC) before funding fees and therefore, results in the same equity and option exposure as USCC.

Please reference the USCC Management Report of Fund Performance for its Portfolio Review.

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 underlying fund (USCC) wrote slightly out-of-the-money (OTM) options on the S&P 500 Index, which yielded an average annual rate of 6.0%. Given USCL's 1.25x exposure to the underlying fund, it generated an annualized yield of approximately 7.3% on average before expenses. 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.



Commissions, management fees and expenses all may be associated with an investment in the Global X S&P 500 Covered Call ETF ("USCL" 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. Certain Global X Funds may have exposure to leveraged investment techniques that magnify gains and losses and which may result in greater volatility in value and could be subject to aggressive investment risk and price volatility risk. Such risks are described in the prospectus. The prospectus contains important detailed information about the Global X Funds. **Please read the relevant prospectus before investing.**

USCL (or the "Enhanced ETF") is an alternative mutual fund within the meaning of NI 81-102, and is permitted to use strategies generally prohibited by conventional mutual funds, such as the ability to invest more than 10% of the Enhanced ETF's net asset value in securities of a single issuer, the ability to borrow cash and to employ leverage. While these strategies will only be used in accordance with the applicable investment objectives and strategies of the Enhanced ETFs, during certain market conditions they may accelerate the risk that an investment in Units of such Enhanced ETF decreases in value.

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