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Key Takeaways



Selective Positioning

The first half of 2025 rewarded selective positioning. Al monetisation, gold, and value outperformed. But the expected rotation into small caps and a stronger US dollar did not materialise, as elevated funding costs and fading policy divergence weighed on both themes.



Shifting Macro Conditions

Macro conditions have shifted meaningfully, with moderating growth, delayed rate cuts, and a resurgence in geopolitical and policy risk particularly around tariffs and trade. With headline risks now largely priced, the focus is turning to how markets digest their economic and earnings impact, prompting investors to reassess second-half strategies.



Al Adoption

Al adoption continues to broaden across sectors, with enterprise software, infrastructure, and semiconductor names driving earnings resilience and pricing power, validating our early artificial intelligence tilt.



Gold Still Glistens

Gold has reasserted its role as a reliable macro hedge amid elevated real yields, inflation volatility, and rising global uncertainty, gaining over 26% year to date in USD terms as of 7 July 2025.



Slight Rotation

The original framework still holds, but investors may want to adjust formation by rotating into resilient income, smarter quality exposure, and selective real assets that can navigate a more fractured second half.





Halftime
Scoreboard:
Where We
Scored.
Where We
Missed.

We started the year with a high conviction call on four key pillars: US exceptionalism, monetisable AI, real assets as stagflation hedges, and valuation discipline in parts of the market where positioning had become stretched. At the halfway mark, we've seen mixed results with some themes playing out as expected, while others have been challenged by stickier inflation, delayed rate cuts, and shifting global leadership.

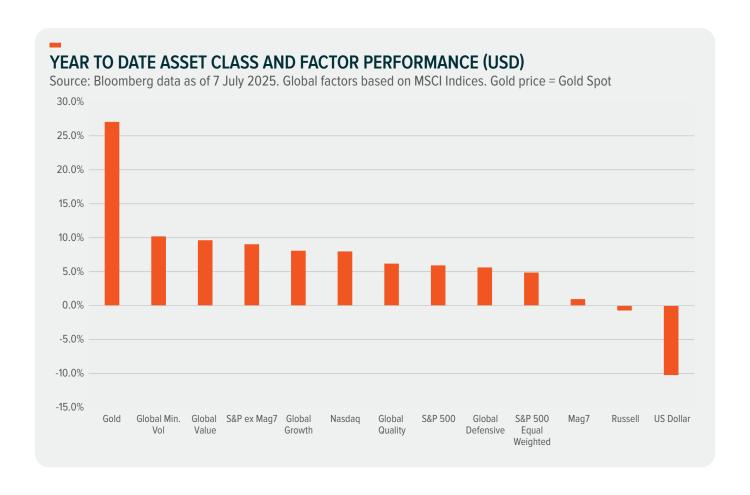
Where We've Scored

- Al monetisation is unfolding as expected, with enterprise adoption ramping and early signs of pricing power in verticals like software and semiconductors. Our focus on artificial intelligence and the entire value chain, including critical infrastructure and power sources, proved timely.
- Gold has surged 26% year-to-date in USD terms as of 7 July 2025, validating our view that real assets provide a portfolio hedge amid uncertainty such as policy pivots, inflation stickiness, and geopolitical flare-ups.
- Value and Minimum Volatility factors have held up better than expected, especially as megacap concentration narrowed. Value and low-beta quality strategies are proving their worth.

Where We've Missed

- Small caps lagged despite the initial rotation narrative, as macro uncertainty and elevated cost of capital weighed on sentiment. The Russell 2000 Index is roughly flat YTD in USD terms as of 7 July 2025.
- Our expectation of a clear Fed pivot by mid-year was misplaced. Inflation surprises, tariff policy uncertainty and sticky services data have kept cuts on the sidelines.
- The US dollar weakened despite geopolitical tensions and elevated yields, as markets began to price in long-term fiscal risks, widening twin deficits, and rising concerns over debt sustainability.

What mattered in the first half may not win the second. The scoreboard favours those who stayed selective and adaptable and we plan to keep it that way.





Changing Field Conditions

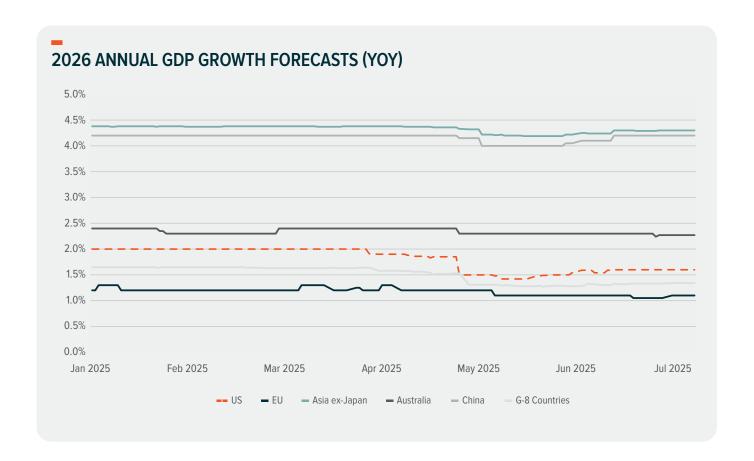
The first half of 2025 rewarded those who stayed positioned in US growth, backed monetisable AI, and avoided duration-heavy assets. But conditions are changing, macro pulse has softened, and geopolitics are rising in importance, forcing markets to adjust.

Early momentum from US consumption and restocking has faded. While job openings rebounded in May 2025, broader labour market signals remain mixed. Services are rolling over, and the Fed remains on hold for now as sticky inflation delays any clear pivot despite a couple of rate cuts still priced in by the market. With real rates still elevated, the drag from past hikes is more likely to show up in H2 through softer investment and hiring.

At the same time, political risk is building.
A Trump-led administration means looser fiscal policy, steeper curves, and renewed tariff pressure. China has hardened its stance around strategic sectors, while Europe and Emerging Markets face their own leadership and policy challenges. Any flare-up across Asia or global supply chains could rattle risk.

Markets are starting to reflect the shift. Breadth remains narrow, flows have rotated into defensives, and FX and bond volatility remain elevated. The beta-led rally may have peaked. With dispersion rising and cross-asset relationships becoming less stable, return drivers are looking more idiosyncratic shaped by capital discipline, company-level earnings outcomes, and policy sensitivity.

The next phase won't reward conviction alone but also will reward adaptability. Rate cuts, if they come, may coincide with weaker data. Fiscal easing could bring more volatility than growth. Portfolios need to be able to flex across a more fractured, reactive market environment.



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First Half MVPs: Al, Value and the Economic Hedge

While market breadth has narrowed and macro uncertainty remains high, several structural themes have delivered as expected. The Al trade continues to prove resilient, but the narrative is evolving. Software names with early monetisation traction, infrastructure plays tied to power and connectivity, and productivity-linked business models are drawing stronger flows. The shift is passing from speculative areas to earnings-backed adoption, with segments like IT, cybersecurity, and industrial automation gaining recognition.

Defensive sectors with pricing power and strong cashflows are outperforming amid slowing growth and sticky inflation. Growth and quality strategies blending valuation support with earnings momentum are now centre stage. As the market digests higher-forlonger rates and a delayed Fed pivot, investors are rewarding balance sheet resilience and capital discipline over high-beta growth.

Meanwhile, gold has emerged as the quiet outperformer. Up +26% year to date in USD terms as of 7 July 2025, it has validated its role as a reliable hedge against both economic and geopolitical tail risk. For those that have taken a more tactical view, hedged gold position would have also been rewarded with the stronger AUD against the USD over the first half of 2025. With real rates still elevated, fiscal deficits widening, and political volatility rising, gold's performance shows the value of having a macro buffer in portfolios. Taken together, we expect these themes - Al adoption, valuation discipline, and real asset hedging to remain the foundation for second half.



Global X S&P World ex Australia GARP ETF (ASX: GARP) ⊘

Provides investors with exposure to global companies with strong earnings growth, solid financial strength, and trading at reasonable valuations.

Global X Artificial Intelligence ETF (ASX: GXAI) ⊘

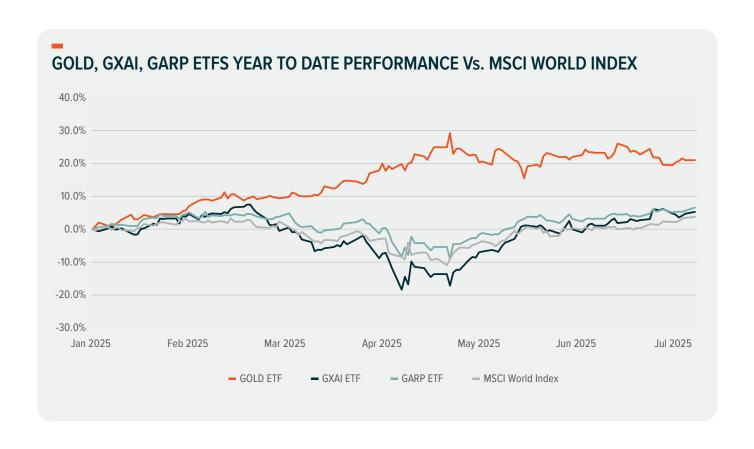
Invests in global companies involved in Al development, Al-as-a-service, provide Al compute power, or design and manufacture Al hardware.

Global X Physical Gold Structured (ASX: GOLD) ⊘

Invests in physical gold via the stock exchange, offering higher liquidity and removing the need for investors to personally store bullion.

The Global X Gold Bullion (Currency Hedged) ETF (ASX: GHLD) ⊘

Invests in physical gold via the stock exchange and is currency hedged with the aim of eliminating the impact of currency movements between the US dollar and Australian dollar.





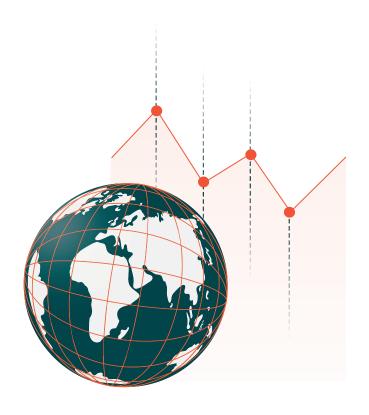
Tactical Substitutions: Shoring Up Defence

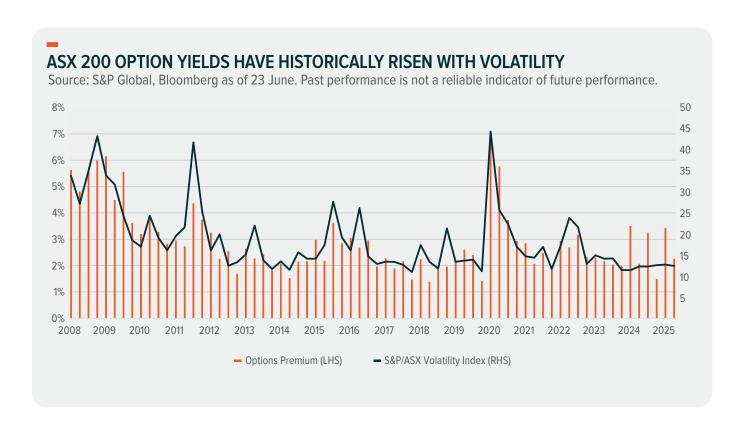
The second half won't be about chasing momentum. It's about building a team that can hold the line when conditions get messy. We think defence matters more than ever, especially as macro volatility and political uncertainty rise. The easy beta trades are gone and what's left is a need for durability, yield, and downside protection.

Defensive Line – Volatility Management and Income Resilience

The age-old saying, "defence wins championships," rang true in the first half of the year. Investors navigated a volatile mix of Trump-era tariff threats, renewed Middle East tensions, and persistent recession fears. The Cboe Volatility Index (VIX) surged to its fourth-highest level on record, behind only the COVID-19 crisis, the GFC, and last year's yen carry unwind.

Looking ahead, 2025 may bring renewed bouts of volatility. But rather than triggering panic, these episodes could offer a moment to hold the line. Volatility monetisation strategies such as covered calls offer a dual advantage: enhanced income from higher option premiums as investors seek protection, and a degree of downside cushioning during equity market drawdowns. When markets drift sideways or decline, these strategies can provide a helpful defensive layer in investor portfolios.





An Australian Covered Call Index has historically delivered returns comparable to the broader Australian share market, but has done so with lower volatility, stronger risk-adjusted

performance, and a higher yield. The higher yield is thanks to its ability to generate income from multiple sources including dividends, franking credits and option premiums.

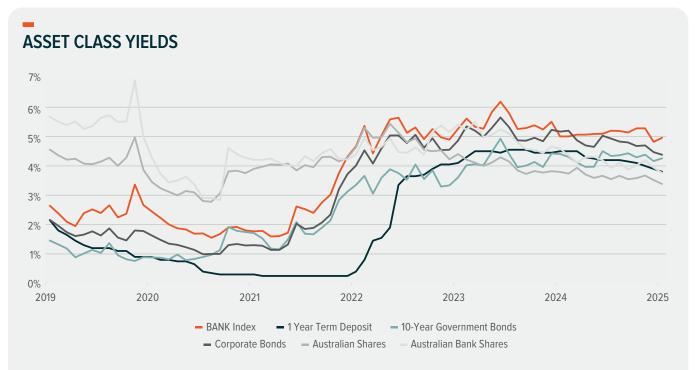
Since Common Inception	Australian Covered Call Index	Australian Shares
Return	9.0%	8.9%
Risk	14.1%	19.8%
Sharpe	0.61	0.48
Beta	0.64	1
Maximum Drawdown	-33.7%	-50.6%
Trailing 12 Month Dividend Yield	9.2%	3.2%

Source: Morningstar as of 31 May 2025. Australian Covered Call Index represented by the S&P/ASX BuyWrite Index, Australian Shares represented by the S&PP/ASX 200 Index. Past performance is not a reliable indicator of future performance. You cannot invest directly in an index. Common inception is as of May 2004.

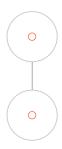
Meanwhile, more than \$40 billion of hybrid securities are now seeking a new home as they seek to expire over the coming years. With term deposit rates drifting lower and questions mounting around the risk-return profile of high-yield private assets, investors are facing a dilemma.

One overlooked opportunity may lie in the broader capital stack of Australian banks. While bank equities continue to trade at elevated valuations, their debt instruments are looking increasingly attractive. By diversifying across the capital structure, and not solely hybrids, investors can access high-quality, income-generating securities issued by well-capitalised and dependable institutions. It's a move that offers both income resilience and a strategic defensive posture.

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Source: Bloomberg, Solactive data as of 31 May 2025 using underlying indices/data: Solactive Australian Bank Credit Index, RBA 1-Year Term Deposit Rate, Australia 10 Year Government Bond Yield, Bloomberg AusBond Composite 0+ Year Index, Bloomberg AusBond Credit 0+ Year Index, Bloomberg AusBond Credit FRN 0+ Yr Index, Solactive Australian Banking Preferred Shares Index, S&P/ASX 200 Index and The S&P/ASX 200 Financials Ex-A-REIT Index. Past performance is not a reliable indicator of future performance.

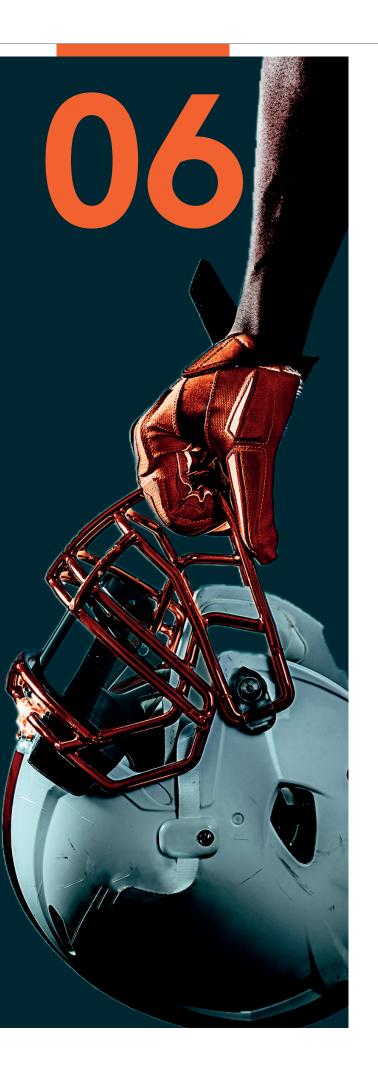


Global X S&P/ASX 200 Covered Call Complex ETF (ASX: AYLD) @

Writes call options on the S&P/ASX 200 Index, saving investors the time and potential expense of doing so individually

Global X Australian Bank Credit ETF (ASX: BANK) 🕖

invests in a diversified portfolio of Australian banking debt across the full capital structure, comprising fixed and floating-rate bonds, senior and subordinated debt, and hybrid securities.



Linebacker Core — Commodities as the HardHitting Hedge

As proponents of physical gold, it's hard to overstate how perfect the confluence of tailwinds has been for the metal during this recent stretch. In just six months, we've seen geopolitical tensions at multi-decade highs, the new US administration attempt to demolish the global trade playbook, and some of the most intense global economic uncertainty since perhaps the GFC.

It wouldn't be an overstatement to say these are exactly the times that gold and precious metals were made for as assets. And so far, the market has agreed. Gold, silver, and platinum have had a stellar half-year, outperforming the MSCI World Index by 27%, 24% and 48% respectively in USD terms as of 30 June 2025.



Source: Bloomberg. Data accessed on 30/06/2025. In order from left to right assets are represented by: LBMA Platinum PM Price Index, LBMA Gold PM Price Index, LBMA Silver Price, MSCI Emerging Markets, MSCI World Index, Euro Stoxx 50 Index, S&P 500 Index, ASX 200 Index.

Global X has long championed the role of precious metals in a well-balanced portfolio. With their low correlation to traditional assets and history of outperforming during economic stress, they've proven time and again to be powerful tools for safety and diversification. 2025 has thus far only reinforced that view. Looking ahead to the second half of the year, we expect to see much of the same drivers powering the precious metal rally onward.

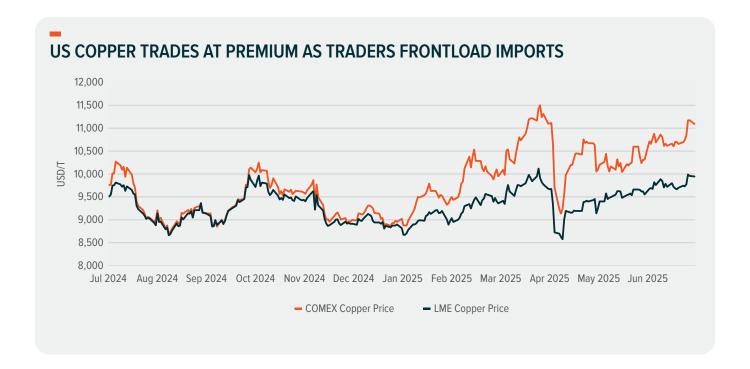
Unpredictability around trade, international relations, and geopolitics continue to plague the market landscape. And while economic visibility has improved slightly approaching the midpoint of the year, a sense of uncertainty continues to lurk beneath the surface. From this perspective, maintaining or adding to precious metal allocations remains a sensible hedge against unforeseen risks and growth downturns.

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WHAT ABOUT OTHER COMMODITIES?

While we largely expected precious metal exposures to outperform in a risk-off environment, it has been surprising to also see industrial metals perform in the form of copper.

Copper is one of the most sensitive commodities to economic uncertainty given its usage in so many facets of society including technology, infrastructure, housing and more. But instead of faltering in the first half of 2025, the electric metal has instead returned more than 17% in USD terms - a more than respectable performance which outpaced most other assets. So how has the metal outperformed in such a volatile environment?

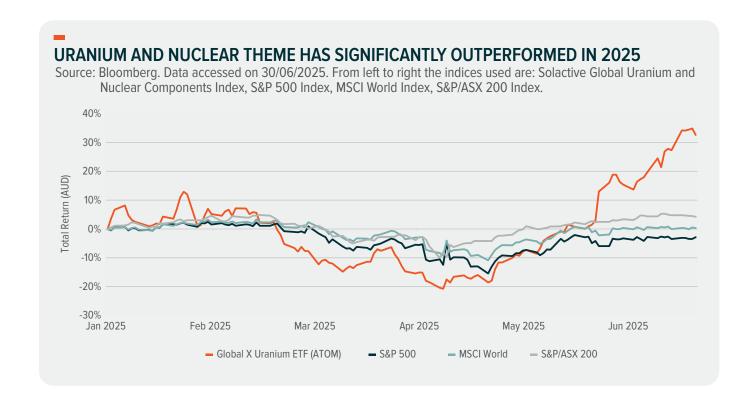


In an ironic twist, it has been uncertainty itself which has stimulated copper demand. President Trump's threats of tariffs on the industrial metal have triggered consistent and rapid frontloading of US imports. This overwhelming demand pushed US copper premiums to its highest in history and has driven global supply tightness.

As we enter the second half of the year, the threat of copper tariffs remains a key risk and could spark short-term volatility if enacted. While the current rally is clearly driven by policysensitive forces, the resulting distortion in global supply is both material and consequential. Should industrial momentum return, capex pick up, and trade tensions ease into a more constructive macro environment, today's supply tightness could provide the foundation for a more sustained and durable bull case.

Finally, let's talk uranium and nuclear energy. At the beginning of the year, we predicted that 2025 would see a continuation of strong momentum in corporate and government support for nuclear energy, which could in turn create opportunities across the entire uranium value chain. So far, that call has emerged as one of our most rewarding views this year.

As of 30 June 2025, the Global X Uranium ETF (ASX: ATOM) is the best performing ETF on the Australian market excluding defence and gold exposures, returning 34% in the YTD. This strong result was indeed attributable to numerous positive developments such as the continued support of Big Tech, Trump's executive order to quadruple US nuclear capacity, and the World Bank's recent abolishment of its decade long ban on nuclear energy funding.



In our view, ATOM's performance over the first half of the year validates our belief that strong structural trends can persist even amid volatile macro conditions. Looking ahead, we see no signs that the current wave of policy support and corporate adoption is slowing. Importantly, we believe the uranium and nuclear energy sector has delivered this performance not because of broad investor enthusiasm, but despite relatively muted participation. From this standpoint, we remain structurally positive on the theme and see it as a compelling opportunity still open to be capitalised on.



Invests in a broad range of companies involved in uranium mining and the production of nuclear components, including those in extraction, refining, exploration, or manufacturing of equipment for the uranium and nuclear industries.

Global X Copper Miners ETF (ASX: WIRE) 🕖

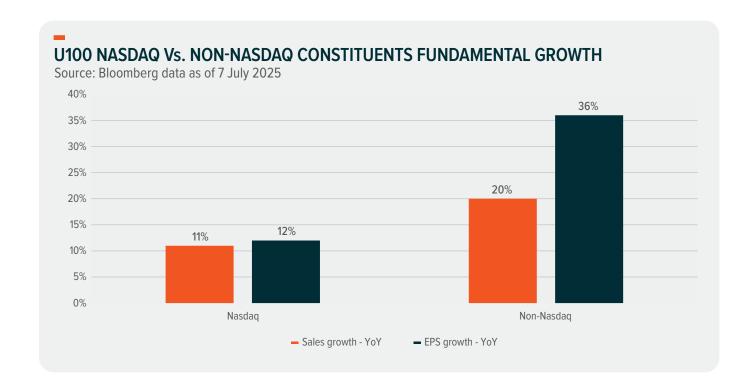
Invests in a global basket of copper miners which stand to benefit from being a key part of the value chain facilitating growth in major areas of innovation such as technology, infrastructure and clean energy.

Midfield Reset – A Tactical Adjustment in US Exceptionalism

US strength is still in play, but the leadership has shifted. Megacaps are under pressure, and broader innovation and defence are taking on a bigger role.

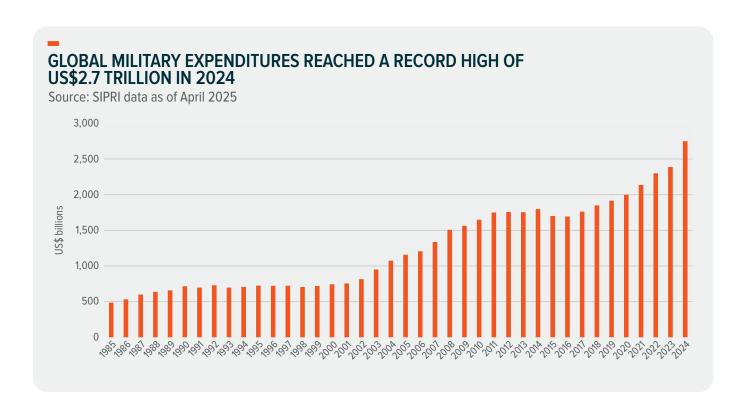
The Global X US 100 ETF (U100) has outperformed year to date as of 30 Jun 2025, not because of high beta, but due to its balanced

construction blending Nasdaq exposure with NYSE-listed software and service firms showing stronger earnings per share (EPS) and sales growth. That mix has delivered better risk-adjusted returns and continues to benefit from idiosyncratic catalysts. As market breadth narrows, this diversified approach remains better positioned to carry through H2.



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The Global X Defence Tech ETF (DTEC) adds a second leg to the reset capturing structural demand from rising defence budgets, military modernisation, and aerospace innovation. With over 50% US exposure and the rest aligned with NATO and allied defence spending, it's a clear beneficiary of the rearmament cycle that's becoming central to fiscal policy.



Both exposures reflect the next phase of US exceptionalism — more targeted, less crowded, and aligned with the real drivers of resilience in a more complex market.



Global X Defence Tech ETF (ASX: DTEC) 🕖

Invests in companies at the forefront of defence innovation, including AI, drones, and cybersecurity – all crucial components in today's modern defence landscape.



Global X US 100 ETF (ASX: U100) @

Invests in 100 of the largest innovative companies listed on the US market on either the NASDAQ or NYSE. It focuses on technology and pioneering US companies, making it a valuable benchmark for investors seeking exposure to high-growth sectors.



Coach's Final Word – Same Framework but Adjust Formation

We entered 2025 with four core convictions: monetisable AI, real assets as stagflation hedges, valuation discipline, and US resilience. The first half tested some of those calls, but the underlying framework still holds. What's shifted is where the pressure is building and where the opportunities now lie.

The second half demands better positioning.

Macro risk hasn't eased. If anything, policy uncertainty, market dispersion, and earnings volatility have increased. That means leaning into what's working, adjusting where leadership is changing, and staying disciplined on entry points.



Hold:

Artificial intelligence remains a key structural theme. GXAI and AINF continue to show strong earnings momentum across software, compute, infrastructure, and power. GOLD remains a proven hedge amid elevated real yields and political risk. GARP continues to provide balanced exposure to quality and valuation support in a narrow market.

Adjust:

Defensive income exposures are gaining relevance. AYLD offers high yield potential and downside protection in a more volatile environment. BANK provides diversified access across the bank capital stack as hybrids mature and deposit rates fall. U100 and DTEC remain important tilts as investors rotate into higher-quality US growth and defence-linked innovation.

Explore:

Infrastructure and energy-linked commodities are gaining traction. ATOM continues to benefit from strong policy support and remains under-owned. Copper's supply tightness and front-loaded demand create further upside risk. WIRE is well positioned to capture long-term capital investment across electrification, power infrastructure, and Al-related buildout.

The strategy hasn't changed, just the execution. The second half is about holding where momentum is real, rotating where leadership is shifting, and staying aligned with where the signals are strongest.



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