

Monthly JETS Market Report

October 2021

HANetf & U.S. Global Investors
 U.S. Global Jets UCITS ETF
 JETS
 65bps
 IE00BN76Y761

Product Inception Date: 17/06/2021

For Professional Clients Only. Capital at risk.

All data as of 30/09/2021

This report was written by, and is the opinion of the JETS index providers U.S. Global Investors.

Key Takeaways

- Credit Suisse is seeing an initial, compelling stage of recovery for airlines, and specifically highlights that it expects to see continued attractive market share gains from Ryanair (as its competitors struggle to recover as quickly). The group's global LCC penetration model suggests that Ryanair's market share could head toward 25% as it leverages network and efficiency gains, while competitors grapple with the challenges of restructuring cost bases as supplier costs and labour costs rise.¹
- American Airlines is taking another step to encourage workers to get vaccinated against COVID-19. The company told workers in a memo that it will stop offering a special pandemic leave to unvaccinated workers starting in October. "Going forward, given there is an FDA-approved vaccine, pandemic leave will only be offered to team members who are fully vaccinated and who provide their vaccination card to us," the company executives wrote in the memo.²
- British Airways is reducing costs. The airline's pilots are set to be paid less than their budget airline counterparts at easyJet underwent sweeping reforms to the U.K. flag carrier's short-haul operation at Gatwick Airport. Industry insiders say junior BA captains will be paid less than £100,000 British pound sterling (GBP) a year under the new deal, less than the GBP 108,000 starting salary paid to their peers at easyJet.³

Macro Outlook

- Raymond James downgraded Azul Airlines and GOL to "underperform" from "neutral" on valuation and COVID-driven uncertainties. In its view, these leading Brazilian airlines have done an impressive job adjusting operations, negotiating liabilities, and sustaining liquidity throughout the pandemic. However, the group does see limited upside to current valuation levels and notes the "COVID bill" in Brazil can still impact cash flow.⁴
- For easyJet, we believe the 1.2 billion British Pound (GBP) rights offering has the potential to boost the company's balance sheet and enhance its ability to compete with legacy carriers at primary airports (leverage falls to 1X net debt/EBITDA)⁵. The U.K. government's plans to potentially remove the traffic light system and expensive PCR tests for vaccinated travellers would also be a positive for easyJet.
- At a Bank of America conference, Japan Air said the industry is lobbying for vaccinated travellers to be exempted from 14-day quarantines and hopes there could be some changes made as early as autumn with the new Japanese Prime Minister. The company is confident that leisure travel will be stronger with post-COVID demand boosted by pent-up pressure and changes in lifestyles. Japan Air hopes to capture leisure demand through its growing low-cost

¹ <https://www.proactiveinvestors.com/companies/news/947368/ryanair-has-compelling-outlook-for-summer-2022-says-credit-suisse-947368.html>

² [https://www.reuters.com/business/aerospace-defense/american-airlines-end-pandemic-leave-unvaccinated-staff-2021-09-03/#:~:text=%22Given%20there%20is%20an%20FDA,after%20United%20Airlines%20Inc%20\(UAL](https://www.reuters.com/business/aerospace-defense/american-airlines-end-pandemic-leave-unvaccinated-staff-2021-09-03/#:~:text=%22Given%20there%20is%20an%20FDA,after%20United%20Airlines%20Inc%20(UAL)

³ <https://www.cityam.com/ba-pilots-at-gatwick-to-be-paid-less-than-easyjets/>

⁴ <https://www.barrons.com/articles/brazilian-airline-stocks-have-soared-one-analyst-is-still-bullish-another-is-not-51607621897>

⁵ <https://www.reuters.com/business/aerospace-defense/easyjet-reports-93-take-up-16-blm-rights-issue-2021-09-28/>

carrier portfolio where it is confident it can achieve strong operating margins, and the airline also looks to gain market share in transpacific travel with foreign competitors slowly to restore capacity.⁶

U.S. Global Jets UCITS ETF Performance Table

As of 30.09.2021

	1M	3M	6M	YTD	12M	SI
U.S. Global Jets UCITS ETF (Acc)	2.80%	-2.28%	NA	-8.43%	NA	-8.43%
<i>U.S. Global Jets Index</i>	<i>2.91%</i>	<i>-2.09%</i>	<i>-11.82%</i>	<i>-8.26%</i>	<i>40.14%</i>	<i>-8.26%</i>

Please note that all performance figures are showing net data. Source: Bloomberg / HANetf. Data as of 30.09.2021

Performance before inception is based on back tested data. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. Past performance for the index is in USD. Past performance is not an indicator for future results and should not be the sole factor of consideration when selecting a product. Investors should read the prospectus of the Issuer ("Prospectus") before investing and should refer to the section of the Prospectus entitled 'Risk Factors' for further details of risks associated with an investment in this product.

Product Details

- The U.S. Global Jets UCITS ETF is designed to capture global companies' performance in the **commercial airline, aircraft manufacturing, and airport & terminal services industries**.
- The index that the ETF is based on uses a **smart-beta 2.0** strategy to determine the most efficient airline carriers in the world and provides diversification through exposure to international airline companies.
- Unlike investing in individual commercial airline names alone, this ETF will also offer exposure to the industries that support them, including aircraft manufacturers, airports, and terminal service industries.
- **Pre-COVID**, the airline industry was booming as carriers streamlined operations, improved their balance sheets, and managed to grow profits by introducing more ancillary (non-ticket) fees. The coronavirus disrupted the industry tremendously, but as vaccinations start ramping up around the world and the economy opens back up, we are confident that **the airline industry will recover**. Leisure travel has already begun to recover, and we expect business travel to do the same.

Visit the [JETS Fund Page](#) for more information.

Exchange	BBG Code	RIC	ISIN	Valoren	SEDOL	Currency	TER
London Stock Exchange	JETS LN	JETS.L	IE00BN76Y761	-	BMTQZX0	USD	0.65%
London Stock Exchange	JETP LN	JETP.L	IE00BN76Y761	-	BMRTR005	GBP	0.65%
Borsa Italiana	JETS IM	JETS.MI	IE00BN76Y761	-	BL6KDX4	EUR	0.65%
Deutsche Boerse Xetra	JETS GY	JETSG.DE	IE00BN76Y761	-	BL6KDY5	EUR	0.65%

⁶ <https://asia.nikkei.com/Spotlight/Coronavirus/Japan-business-lobby-wants-quarantine-exemption-for-the-vaccinated>

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