Introducing the Nasdaq 100 ESG Covered Call ETF (QYLE) and S&P 500 ESG Covered Call ETF (XYLE)

Rohan Reddy
rreddy@globalxetfs.com

Chandler Nichols
cnichols@globalxetfs.com

Yili Wu
ywu@globalxetfs.com

Date: February 22, 2023
Topic: Income

On February 22, 2023, we listed the Nasdaq 100 ESG Covered Call ETF (QYLE) and the S&P 500 ESG Covered Call ETF (XYLE). QYLE and XYLE are the latest additions to Global X's covered call suite and are designed to offer investors the potential to achieve multiple goals. One goal an investor may have for their portfolio is to take Environmental, Social, Governance (ESG) considerations into account in which both ETFs are designed to invest in the equities of large-cap companies who display positive ESG characteristics by tracking an index that employs an ESG screening process. The second goal is that of an income investor, seeking to increase income potential via a covered call strategy that sells call options. These two ETFs are our first covered call related ESG offerings whose portfolios implement this two-pronged ESG and income-oriented strategy.

Key Takeaways

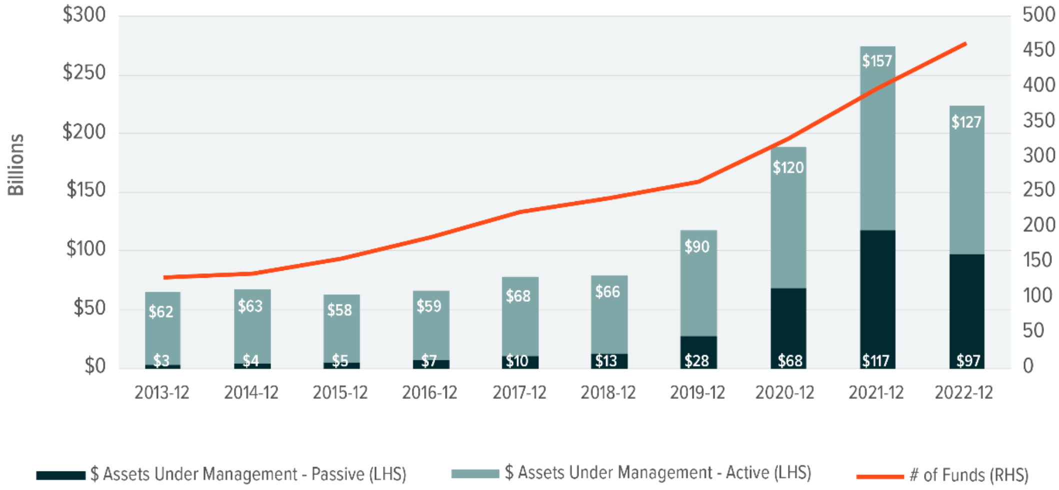
- Investment mandates that make Environmental, Social, & Governance (ESG) the focal point of their component selection processes have increased in popularity over the past decade. This trend may continue as investor bases change over time.
- Investor influence has continued to grow in the U.S. over the past few decades. U.S.-listed, passive ESG funds represent a $70 Billion[1] opportunity to induce shifts in corporate behavior due to the exclusion and weighting criteria based on ESG metrics.
- Covered call strategies utilizing index options are a powerful solution for investors to potentially generate income and monetize volatility.

The Growing Focus on ESG for Companies

The demand for ESG investing is being driven by investor interest globally and PricewaterhouseCoopers (PwC) estimates that by 2026, ESG investing assets, globally, could reach $33.9 trillion, representing over one-fifth of total assets under management.[2] Within the United States, in particular, the growing popularity of ESG investing is two-fold; size and scope of the asset base as well as the number of strategies currently being offered amongst open-ended mutual funds and ETFs. This is even more pronounced amongst the universe of passive ESG index funds. In fact, at the end of December 2013, amongst all surviving, U.S.-listed mutual funds & ETFs with ESG criteria as a central part of their investment strategy, only 3.33% sought to track an index.[3] Fast forward to the end of December 2022 and this same segment now comprised 43.14% of the U.S.-Listed, ESG fund landscape.[4]

THE GROWTH OF THE ESG FUND LANDSCAPE

Source: Global X ETFs based on Morningstar (n.d.) [General ESG Investment]. Measures the number of total, surviving, U.S.-Listed Mutual Funds and Exchange-Traded Funds in addition to the assets under management between actively managed and passively strategies within this same universe. Data may have been higher if funds that are now closed were included. Data as of December 31, 2022 and retrieved on January 19, 2023 from Global X Morningstar Direct license.



ESG Screening Properties

Two passive equity indices that implement ESG screening criteria include the Nasdaq 100 ESG Index and S&P 500 ESG Index. Each index starts with an initial universe of their respective parent equity indices, the Nasdaq 100 Index and the S&P 500 Index. Both, then, incorporate ESG investment screens through the use of ESG scores and exclusions related to controversial business activities, United Nations (UN) Global Compact compliance, and ESG Controversies. The ESG scores utilize a multitude of data points across a company's business operations including issues such as environmental supply chain, employee management, human rights, board diversity and independence. The final score is a reflection of data aggregated across these multiple ESG considerations and controversial business activities may be excluded if they are seen as non-beneficial to society or actively working against climate change.

S&P 500 ESG INDEX METHODOLOGY SUMMARY

Source: S&P Dow Jones Indices.

Underlying Index Universe: S&P 500 Index (SPX)			
ESG Exclusions			
The Index utilizes 3 different types of ESG exclusion categories.			
Business Activities Exclusions		United Nations Global Compact Compliance	Controversies: Media & Stakeholder Analysis Overlay
Oil Sands	Tobacco Products	The principles of the United Nations Global Compact must not be violated by the security issuer to be eligible as part of the security universe.	- S&P Global uses RepRisk, a data provider that specializes in reputational risk, for daily filtering, screening, and analysis of ESG risk incidents and controversial activities. - In cases where risks are present, the index committee reviews the company in question to determine eligibility. Ineligible companies determined by this review are removed for at least one calendar year, beginning with the subsequent rebalance.
Controversial Weapons	Military Contracting		
Small Arms	Thermal Coal		
S&P DJI ESG Score Exclusions			
If a company doesn't have an S&P 500 DJI ESG Score, the company is excluded from the Index. Companies with an S&P DJI ESG score that falls within the worst 25% of ESG Scores from each global GICS Industry group are excluded.			
Sort the Remaining Companies by S&P DJI ESG Score			
Sort the remaining S&P 500 companies by their S&P DJI ESG Scores within each GICS industry group.			
Constituent Selection			
Within each industry, starting from the company with the highest S&P DJI ESG Score, select companies for inclusion from the top down, targeting 75% of each group.			
Weighting Scheme			
At each rebalancing, index constituents are float-adjusted market capitalization (FMC) weighted.			
Rebalance & Review Schedule			
- The index rebalances annually, effective after the close of the last business day of April. The rebalancing reference date is the last trading day of March. Index constituents are reviewed on a quarterly basis for ongoing eligibility under the Business Activities and UNGC exclusion criteria. Companies determined to be ineligible are removed from the index, effective after the close of the last business day of July, October, and January.			

NASDAQ 100 ESG INDEX METHODOLOGY SUMMARY

Source: Nasdaq Global Indices.

Underlying Index Universe: Nasdaq-100 Index (NDX)				
ESG Exclusions				
The Index utilizes 4 different types of ESG exclusion categories.				
Business Activities Exclusions		United Nations Global Compact Compliance	ESG Controversies	Sustainalytics ESG Risk Rating Score
Adult Entertainment	Alcoholic Beverages	The principles of the United Nations Global Compact must not be violated by the security issuer to be eligible as part of the security universe.	A security must not have an ESG Controversy level higher than 4, as defined by Sustainalytics. ESG Controversies are corporate scandals that can have significant financial repercussions.	Sustainalytics' ESG Risk Ratings measure a company's exposure to industry-specific material ESG risks. Companies with an ESG Risk Rating score over 40 will be removed ("Severe").
Arctic Oil & Gas/Oil & Gas	Controversial Weapons			
Gambling	Small Arms			
Shale Energy	Military Contracting			
Oil Sands	Riot Control			
Cannabis	Nuclear Power			
Tobacco	Thermal Coal			
Final Constituent Selection				
All securities that meet the applicable Security Eligibility Criteria are included in the Index. The Security Eligibility Criteria begins with the starting Nasdaq-100 Index (NDX) and then utilizes the 4 ESG screens (see above).				
Constituent Weighting Scheme & Process				
The Index is a modified ESG Risk Rating Score-adjusted market capitalization-weighted index. An ESG Risk-Adjusted NDX Market Value is calculated for each Index Security. Companies with a lower ESG Risk Rating score will be weighted more favorably.				
Rebalance & Review Schedule				
- While the Nasdaq-100 Index is reconstituted annually each December, the Nasdaq-100 ESG Index is reconstituted on a quarterly basis where all of the ESG characteristics of all issuers are reviewed. - Index Reconstitutions are announced in early March, June, September, and December.				

The Effects of an ESG Screen on Equity Exposure

As a result of an ESG screening process, the final exposures within an ESG index relative to its parent index are expected to have a level of differences. For example, as of its last rebalance in April 2022, the S&P 500 ESG Index removed 196 companies from its initial universe, the S&P 500.[5] This can potentially skew final sector and style exposures within the final portfolio and some sectors & styles may be impacted more so than others. As of the end of December 2022, both the Nasdaq 100 ESG Index and S&P 500 ESG Index were overweight information technology equities relative to their parent indices. On the other hand, we can see how the real estate sector was largely unaffected by their respective screening processes. When analyzing style allocations, these same indices were overweight the large-cap growth style while being underweight mid-cap equities.

LARGE-CAP ESG INDEX SECTOR DRIFTS

Source: Global X ETFs based on Morningstar (n.d.) [Equity Sectors]. Data as of December 31, 2022 and retrieved on January 19, 2023 from Global X Morningstar Direct license.

Sector	Nasdaq 100 ESG Index	Nasdaq 100 Index	Nasdaq 100 ESG Index Sector Drift
Consumer Discretionary	10.75%	14.28%	-3.52%
Communication Services	13.29%	16.05%	-2.76%
Utilities	0.00%	1.45%	-1.45%
Industrials	2.81%	4.00%	-1.19%
Energy	0.00%	0.49%	-0.49%
Basic Materials	0.00%	0.00%	0.00%
Financials	0.00%	0.00%	0.00%
Real Estate	0.00%	0.00%	0.00%
Health Care	7.31%	7.28%	0.03%
Consumer Staples	6.85%	6.68%	0.18%
Information Technology	58.99%	49.78%	9.21%

Sector	S&P 500 ESG Index	S&P 500 Index	S&P 500 ESG Index Sector Drift
Industrials	6.77%	8.65%	-1.89%
Consumer Discretionary	8.41%	9.80%	-1.39%
Utilities	1.84%	3.18%	-1.34%
Financials	11.60%	11.66%	-0.06%
Real Estate	2.68%	2.71%	-0.03%
Basic Materials	2.77%	2.73%	0.04%
Consumer Staples	7.39%	7.20%	0.19%
Communication Services	7.52%	7.28%	0.24%
Energy	5.58%	5.23%	0.35%
Health Care	17.12%	15.82%	1.31%
Information Technology	28.32%	25.74%	2.59%

LARGE-CAP ESG INDEX SIZE & STYLE DRIFTS

Source: Global X ETFs based on Morningstar (n.d.) [Equity Style]. Data as of December 31, 2022 and retrieved on January 19, 2023 from Global X Morningstar Direct license.

Style	Nasdaq 100 ESG Index	Nasdaq 100 Index	Nasdaq 100 ESG Index Style Drift
Large Cap Value	8.18%	9.47%	-1.29%
Large Cap Core	21.96%	22.50%	-0.54%
Mid Cap Growth	3.00%	3.42%	-0.42%
Mid Cap Value	0.79%	1.05%	-0.26%
Small Cap Core	0.00%	0.00%	0.00%
Small Cap Growth	0.00%	0.00%	0.00%
Small Cap Value	0.00%	0.00%	0.00%
Mid Cap Core	3.27%	2.81%	0.46%
Large Cap Growth	62.80%	60.76%	2.05%

Style	S&P 500 ESG Index	S&P 500 Index	S&P 500 ESG Index Style Drift
Large Cap Core	26.73%	29.49%	-2.76%
Mid Cap Growth	1.49%	2.91%	-1.43%
Mid Cap Core	6.69%	8.07%	-1.38%
Mid Cap Value	4.69%	5.00%	-0.31%
Small Cap Value	0.06%	0.09%	-0.04%
Small Cap Core	0.00%	0.02%	-0.02%
Small Cap Growth	0.00%	0.00%	0.00%
Large Cap Value	17.30%	16.41%	0.89%
Large Cap Growth	43.05%	38.02%	5.04%

An ESG Covered Call Strategy Can Potentially Thrive in Volatile Markets

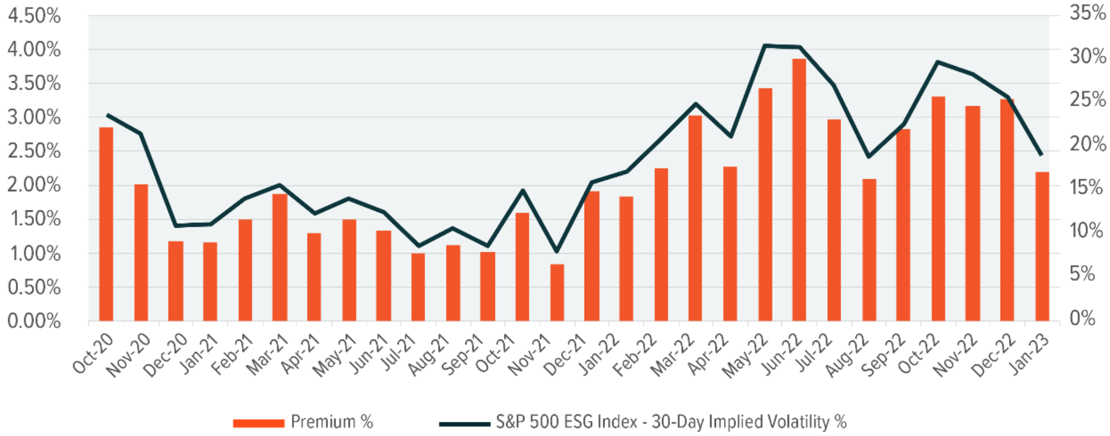
Due to the sector & style differences across the Nasdaq 100 ESG Index and the S&P 500 ESG Index, the macro drivers between the two indexes are likely to be different, both in the long term and the short term. This can lead to contrasting levels of performance and volatility from one another.

The Premium Generating Potential

One way to harness perceived volatility is through an options writing strategy, such as covered calls. By writing covered calls, the option "seller" or "writer" forfeits a portion of or all upside potential in an underlying asset he/she already owns, in exchange for a premium. Typically, the closer the strike price of the contract sold is to the price level of the asset upon contract initiation, the higher the potential is for a higher premium. In addition to this, higher options premiums also tend to be correlated with the implied volatility of the underlying asset. Therefore, the higher the implied volatility, the higher the anticipated option premium. As an example of the premium potential from writing index options, utilizing the Black-Scholes pricing model below, we visualize the calculated premiums that can potentially be received from writing call options on the S&P 500 ESG Index. Since index options on the Nasdaq 100 ESG index do not exist, we calculated premiums utilizing the Nasdaq 100 index using the same pricing model.

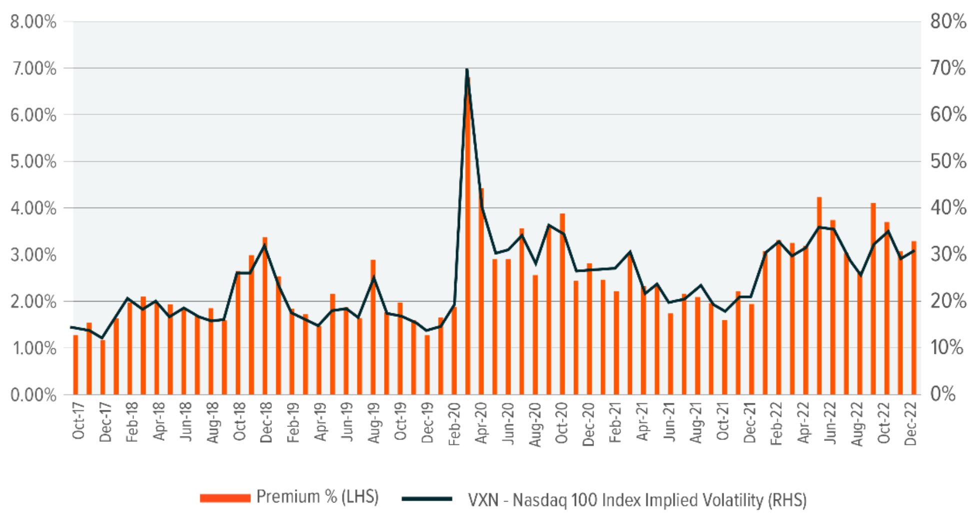
CALCULATED S&P 500 ESG INDEX "AT-THE-MONEY" COVERED CALL PREMIUMS VS. S&P 500 ESG INDEX IMPLIED VOLATILITY

Source: Global X ETFs with information derived from: Bloomberg, L.P. (n.d.) [30 Day Implied Volatility from October 16, 2020 to January 20, 2023] Data measured from 10/16/2020 to 01/20/2023 using the data from the 3rd Friday of each month, when the options are written. Premiums are a hypothetical measurement since it is an index. These are calculated options premiums using the Black-Scholes options pricing model. Actual premiums may have varied.



CALCULATED NASDAQ 100 INDEX "AT-THE-MONEY" COVERED CALL PREMIUMS VS. NASDAQ 100 INDEX IMPLIED VOLATILITY

Source: Global X ETFs with information derived from: Bloomberg, L.P. (n.d.). Data measured from 10/19/2017 to 12/16/2022 using the data from the 3rd Friday of each month. when the options are written. Premiums are a hypothetical measurement since it is an index. These are calculated options premiums using the Black-Scholes options pricing model. Actual premiums may have varied. Nasdaq 100 Index Implied Volatility is being measured by VXN, Cboe Nasdaq 100 Volatility Index.

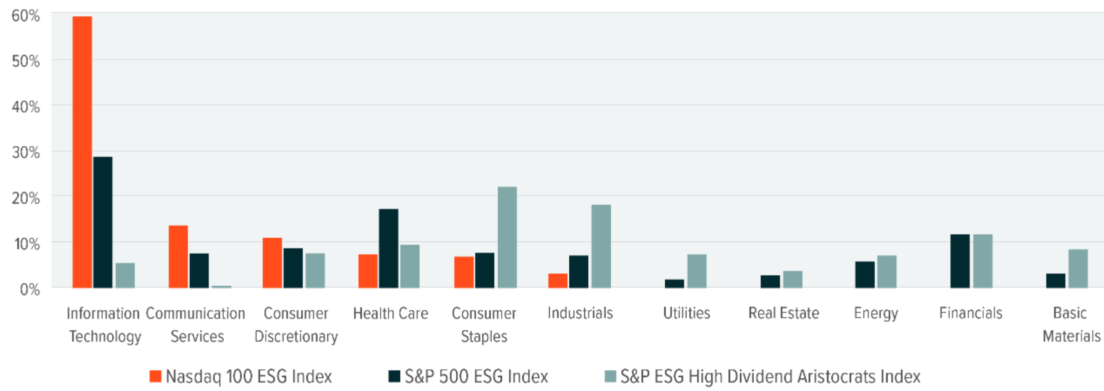


The Diversification Potential

By receiving premiums by writing calls on an index, income investors can potentially diversify their equity income portfolios to equity sectors that are typically un-aligned with other equity income strategies. One example is that of an ESG equity dividend strategy. These types of dividend-focused strategies tend to have sector leanings towards cyclical and defensive sectors, making them less diversified from this standpoint. Through pairing a strategy like this with an ESG covered call strategy, the higher the diversification opportunity is.

SECTOR EXPOSURE WEIGHTS (%)

Source: Global X ETFs based on data from Morningstar (n.d.) [Equity Sectors] and S&P Dow Jones Indices. Data as of December 31, 2022 and retrieved on January 22, 2023.

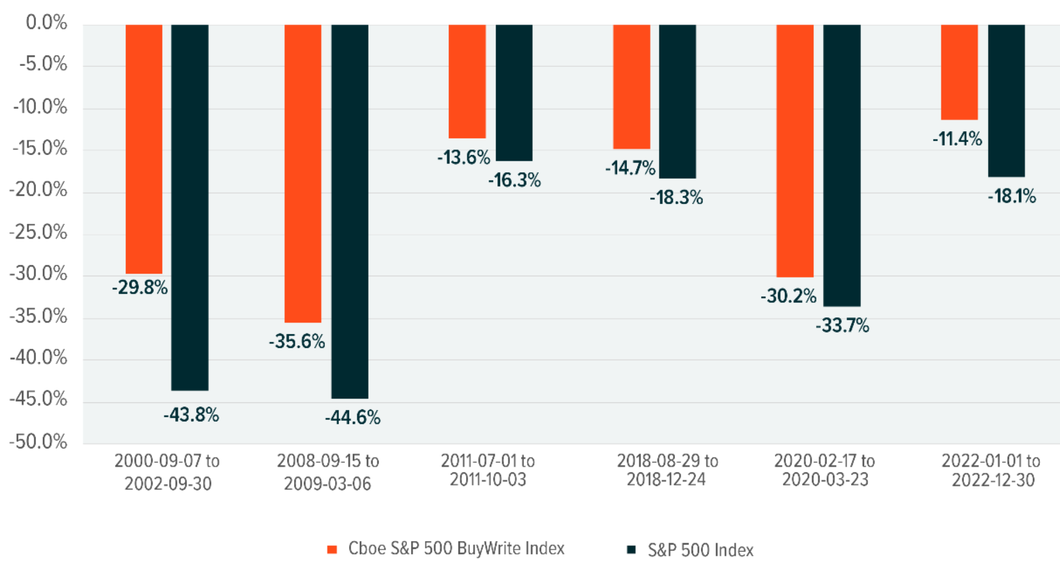


The Volatility Reduction Potential

Covered call strategies also have the potential to provide a level of volatility reduction with a portfolio. Although this type of options overlay maintains an upside cap, the premiums received can help provide a level of volatility mitigation during significant equity market downturns. Also, as discussed earlier, options premiums tend to increase in events of market stress due to higher levels of implied volatility. Due to this dynamic, options premiums have the potential to be higher. The end result, for a covered call strategy, has been lower betas relative to the equity benchmark. For example, from the beginning of 2000 through the end of 2022, the Cboe S&P 500 BuyWrite Index has demonstrated a beta of 0.66 relative to the S&P 500 index.[6]

MAJOR DRAWDOWNS SINCE 2000 – CBOE S&P 500 BUYWRITE INDEX VS. S&P 500

Source: Global X ETFs based on Morningstar (n.d.) [Equity Sectors]. Data as of December 31, 2022 and retrieved on January 22, 2023 from Global X Morningstar Direct license. A 'major drawdown' is defined as an S&P 500 Index decline of 10% or more over the course of one month or longer.



How an ESG Covered Call Strategy Works

QYLE and XYLE offer investors the potential of income while simultaneously offering the ability to suffice an ESG mandate. Similar to Global X's other covered call ETFs, QYLE & XYLE are structured to track an index by implementing a systematic, buy/write strategy. Both ETFs are expected to purchase the securities within their equity index while seeking to generate monthly distributions through "at-the-money", covered call writing on 100% of the notional exposure of the portfolios. However, both ETFs implement their call writing in a different manner.

	QYLE	XYLE
	Nasdaq 100 Covered Call ESG ETF	S&P 500 Covered Call ESG ETF
Primary Goals	Current Income	Current Income
Distribution Frequency	Monthly	Monthly
Expense Ratio	0.60%	0.60%
Underlying Index[1]	Nasdaq 100 ESG BuyWrite Index	Cboe S&P 500 ESG BuyWrite Index
Equity Index[2]	Nasdaq 100 ESG Index	S&P 500 ESG Index
Equity Parent Index[3]	Nasdaq 100 Index	S&P 500 Index
Options Moneyness	At-the-money	At-the-money
Percentage of Portfolio Covered	100%	100%

[1]Underlying Index: An Index tracked by the funds.
[2]Equity Index: An Index used to measure the market value of a certain group of shares or stocks.
[3]Equity Parent Index: The starting universe of securities utilized by the Equity Index.

QYLE implements its strategy through the implementation of 3 primary positions:

Step 1) Purchases the underlying constituents in the Nasdaq 100 ESG Index.

Step 2) Sells an "at-the-money", Nasdaq 100 Index (NDX) covered call option on 100% of the notional exposure of the portfolio. Utilizing European style options, the covered calls written cannot be exercised until expiration date and are settled with cash.

Step 3) Holds a collateral account holding cash and/or cash equivalents. This is needed since the options are written on a different index than the stock exposure being held "long". The key reason for the utilization of Nasdaq 100 Index (NDX) options is that Nasdaq 100 ESG index options do not exist.

XYLE, however, implements its strategy through the implementation of 2 primary positions:

Step 1) Purchases the underlying constituents in the S&P 500 ESG (SPESG) index.

Step 2) Sells an "at-the-money", S&P 500 ESG Index (SPESG) covered call option on 100% of the notional exposure of the reference index. Utilizing European style options, the covered calls written cannot be exercised until expiration date and are settled with cash.

QYLE's Covered Call Strategy

Owns the Nasdaq 100 ESG Index Components	Components:	Nasdaq 100 ESG Index
	Weighting Scheme:	Nasdaq 100 ESG Index
+		
Sells a monthly call option on the Nasdaq 100 Index (Note: Nasdaq 100 ESG Index options do not exist)	Style:	European
	Strike Price (SP):	Closest listed SP above last value
	Options Strategy:	Written Monthly
+		
Owns cash collateral	Credited or debited, as applicable, by the settlement amounts of expired options	
Additional Info	Ticker:	QYLE
	Inception Date:	02/21/2023
	Expense Ratio:	0.60%
	Distributions:	Paid Monthly

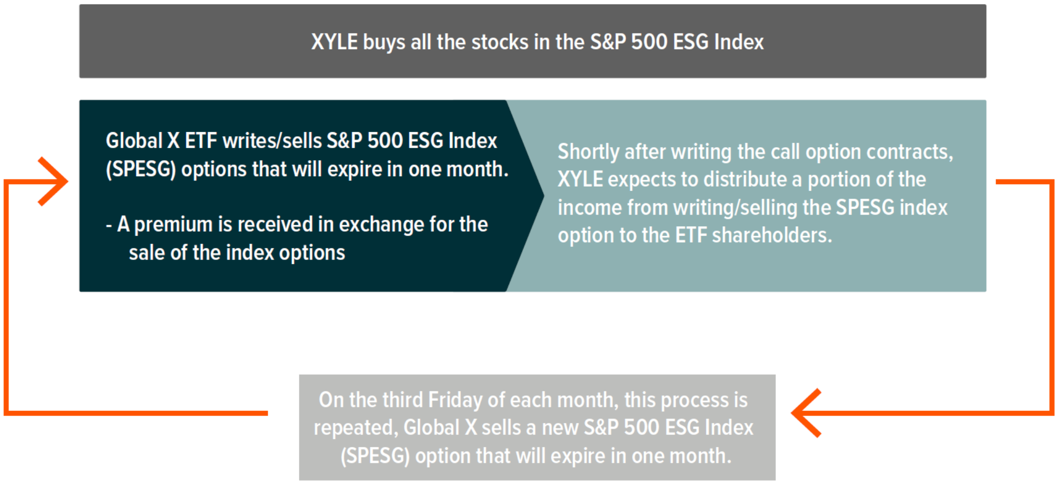
QYLE seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Nasdaq 100 ESG BuyWrite Index.

XYLE's Covered Call Strategy

Owns the S&P 500 ESG Index Components	Components:	S&P 500 ESG Index
	Weighting Scheme:	S&P 500 ESG Index
+		
Sells a monthly call option on the S&P 500 ESG Index	Style:	European
	Strike Price (SP):	Closest listed SP above last value
	Options Strategy:	Written Monthly
Additional Info	Ticker:	XYLE
	Inception Date:	02/21/2023
	Expense Ratio:	0.60%
	Distributions:	Paid Monthly

XYLE seeks to provide investment results that correspond generally to the price and yield performance, before fees and expenses, of the Cboe S&P 500 ESG BuyWrite Index.

Each fund accesses the index options market and are structured to roll their covered call exposures on the 3rd Friday of every month. Shortly after receipt of the monthly premium, both QYLE & XYLE are expected to conduct monthly distributions which are to be capped at half of premiums received or 1% of each fund's NAV, similar to other Global X covered call strategies. In addition, any excess premium is anticipated to be reinvested back in each fund.



Implementing an ESG Covered Call Strategy

Despite strong returns over the past decade, the market is at a bit of a crossroads. If interest rates and credit spreads continue to rise, it could provide headwinds for traditional sources of income. Also, investor appetite towards ESG-aligned, index-based investments has continued to increase.

For the last decade, income investors have struggled to find diversified sources of income for their portfolios. Fast forward to today, in this current rising rate environment, traditional sources of income like dividend paying equities and fixed income solutions present additional risks that investors may be seeking to minimize or avoid all together. For investors considering how to add to a portfolio, investors could consider an ESG covered call ETF as a partial replacement to ESG-aligned equity and fixed income strategies. ESG-aligned, dividend equity strategies might have equity sector concentration that can potentially be minimized by the equity exposures offered by an ESG covered call ETF.

For ESG investors who are seeking to lower their equity portfolio beta, a buy/write strategy on a ESG equity index can potentially provide a lower level of volatility as opposed to obtaining exposure to the same stock index outright.

As investors are increasingly looking to diversify their portfolios across different asset classes with unique investment mandates, our launch of ESG covered call ETFs looks to provide investors the potential of both high distributions paired with managing ESG risks.

Related ETFs

QYLE – Global X Nasdaq 100 ESG Covered Call ETF

XYLE - Global X S&P 500 ESG Covered Call ETF

Click the fund name above to view current performance and holdings. Holdings are subject to change. Current and future holdings are subject to risk.

Footnotes

1. Morningstar. [Data Set]. Data as of 12/31/2022 and accessed on January 19, 2023 from Global X Morningstar Direct License.
2. PwC, "Asset and wealth management revolution 2022: Exponential expectations for ESG", October 10, 2022.
3. Morningstar. [Data Set]. Data as of 12/31/2022 and accessed on January 19, 2023 from Global X Morningstar Direct License.
4. Ibid.
5. Morningstar. [Data Set]. Data as of 04/22/2022 and accessed on January 19, 2023 from Global X Morningstar Direct License.
6. Morningstar. [Beta]. Beta measured form 01/01/2000 to 12/31/2022 and accessed on January 19, 2023 from Global X Morningstar Direct License.

Glossary

S&P 500 Index: S&P 500 Index tracks the performance of 500 leading U.S. stocks and captures approximately 80% coverage of available U.S. market capitalization. It is widely regarded as the best single gauge of large-cap U.S. equities.
S&P 500 ESG Index: The S&P 500 ESG Index is a broad-based, market-cap-weighted index that is designed to measure the performance of securities meeting sustainability criteria, while maintaining similar overall industry group weights as the S&P 500.
Nasdaq 100 Index: The Nasdaq 100 Index includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization. The Index reflects companies across major industry groups including computer hardware and software, telecommunications, retail/wholesale trade and biotechnology. It does not contain securities of financial companies including investment companies.
Nasdaq 100 ESG Index: The Nasdaq 100 ESG Index is designed to measure the performance of the companies in the Nasdaq-100 Index that meet specific ESG criteria. Companies are evaluated and weighted on the basis of their business activities, controversies and ESG Risk Ratings.
At-the-Money: An option in which the underlying's price equals the strike price.
S&P ESG High Dividend Aristocrats Index: Designed to measure the performance of constituents from the S&P High Yield Dividend Aristocrats Index that meet certain sustainability criteria.

S&P High Yield Dividend Aristocrats Index: Designed to measure the performance of companies within the S&P Composite 1500® that have followed a managed-dividends policy of consistently increasing dividends every year for at least 20 years.
S&P Composite 1500®: Designed for investors seeking to replicate the performance of the U.S. equity market or benchmark against a representative universe of tradable stocks.
United Nations Global Compact: A non-binding United Nations pact to encourage businesses and firms worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.
Duration: A measure of a bond's price sensitivity to changes in interest rates.
Black-Scholes: A flagship model to calculate the fair price for an option contract using current stock price, expected dividends, strike price of an option, expected interest rates, time to expiration and expected volatility. The model assumes that dividends are not paid, the option can only be exercised at expiration, risk-free rate and volatility of the underlying are known and constant, no transaction costs are involved in buying the option, markets are efficient, and the returns are log-normally distributed.
Beta: Measures the volatility of the price of an asset or index relative to another benchmark index. This can also be defined as the percent change in the price of an asset of index given a 1% change in a benchmark index. A beta below one suggests that the asset or index was less volatile than the benchmark index.
Cboe S&P 500 BuyWrite Index: The Cboe S&P 500 BuyWrite IndexSM (BXM) is a benchmark index designed to track the performance of a hypothetical buy-write strategy on the S&P 500 Index.
Cboe Nasdaq 100 Volatility Index: The Chicago Board Options Exchange Nasdaq 100 Volatility Index commonly referred to as VXN, reflects a market estimate of future volatility of the Nasdaq 100 index options, based on the weighted average of the implied volatilities.

Investing involves risk, including the possible loss of principal. Concentration in a particular industry or sector will subject the Funds to loss due to adverse occurrences that may affect that industry or sector. Investors should be willing to accept a high degree of volatility in the price of the fund's shares and the possibility of significant losses.

The Funds engage in options trading. By selling covered call options, the fund limits its opportunity to profit from an increase in the price of the underlying index above the exercise price, but continues to bear the risk of a decline in the index. A liquid market may not exist for options held by the fund. While the fund receives premiums for writing the call options, the price it realizes from the exercise of an option could be substantially below the indices current market price.

Companies with favorable ESG attributes may underperform the stock market as a whole. As a result, the Fund may underperform other funds that do not screen companies based on ESG attributes. The criteria used to select companies for investment may result in the Fund investing in securities, industries or sectors that underperform the market as a whole, forgoing opportunities to invest in securities that might otherwise be advantageous to buy or underperform other funds screened for ESG standards.

Shares of ETFs are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns.

Carefully consider the funds' investment objectives, risks, and charges and expenses before investing. This and other information can be found in the funds' full or summary prospectuses, which may be obtained at globalxetfs.com. Please read the prospectus carefully before investing.

Global X Management Company LLC serves as an advisor to Global X Funds. The Funds are distributed by SEI Investments Distribution Co. (SIDCO), which is not affiliated with Global X Management Company LLC. Global X Funds are not sponsored, endorsed, issued, sold or promoted by Standard & Poors, Nasdaq Inc., or Cboe nor do these entities make any representations regarding the advisability of investing in the Global X Funds. Neither SIDCO nor Global X is affiliated with these entities.