SCIU United States

SCID Europe

SCIX Asia ex-Japan

SCIJ Japan

Scientific Beta ETFs

Don’t Just Be Smart. Be Scientific.

The Global X Scientific Beta ETFs are a family of funds that provide core equity exposure to U.S. and international markets.

KEY FEATURES

Outperformance Potential

The Scientific Beta ETFs seek to outperform market capitalization weighted indexes by tracking a robust multi-factor index methodology developed by the EDHEC-Risk Institute.

Lower Costs

Despite seeking active management-like outperformance, the Scientific Beta ETFs offer a lower fee structure, intra-day liquidity, and transparent holdings.

Balanced Risks

While many ‘smart beta’ funds seek outperformance by providing exposure to one specific characteristic or factor (such as “value”), the Scientific Beta ETFs aim to provide more stable returns and lower risk by combining four factors:

- **Value:** low price-to-book ratio
- **Size:** mid-capitalization companies
- **Momentum:** higher recent returns
- **Low Volatility:** lower historical volatility

600 LEXINGTON AVE
20TH FL
NEW YORK, NY 10022

1 (888) GX-FUND-1
GLOBALXFUNDS.COM
@GLOBALXFUNDS

THE CASE

The ETFs may be considered viable alternatives to actively managed funds as they seek to outperform market capitalization weighted indexes by following a methodology rooted in academic research, while preserving the lower costs and transparency of an ETF.

Why Do Factors Matter?

Factor investing involves tilting a portfolio's exposure towards a stock characteristic that has historically demonstrated long term outperformance versus the broad market benchmark.

A common factor strategy is to overweight stocks that trade at more attractive valuations than their peers, as these "value" stocks have performed better than the broad market in the long term.

Years of academic and industry research led by economists such as Fama, French, and Carhart[1], has led to the identification of several factors that each delivered outperformance versus the broad market benchmark.

- **Value:** stocks that trade at cheaper price valuations
- **Size:** smaller sized companies
- **Momentum:** stocks with stronger recent performance
- **Low Volatility:** stocks that exhibit lower price volatility

Why Combine Factors?

Despite the historical long term outperformance of each of these factors, their short term performance can be unpredictable, leading to periods of either outperformance or underperformance.

The Scientific Beta Approach

Rather than providing exposure to a single factor, like a Large Cap Value fund, the Global X Scientific Beta ETFs select stocks in a method that provides exposure to four factors simultaneously: Value, Size, Momentum, and Low Volatility. While individually each factor has historically outperformed the market, the Scientific Beta strategy seeks to smooth the cyclicality of their returns and deliver more consistent outperformance by combining multiple factors together.

600 LEXINGTON AVE
20TH FL
NEW YORK, NY 10022
1 (888) GX-FUND-1
GLOBALXFUNDS.COM
@GLOBALXFUNDS

Weighting Scheme Matters

The method by which an index determines the weights of each of its components can greatly impact its diversification as well as its factor exposures.

Market capitalization weighted indexes, which assign the highest weights to the largest companies, can result in poor portfolio diversification as the majority of the indexes' weights are concentrated in a small number of top positions.

Alternatives to market cap weighted indexes attempt to address this diversification issue, but inadvertently tilt their exposures to certain risk factors.

- **Equal weight indexes**, which assign the same weighting to each stock, are relatively overweight small companies compared to market capitalization indexes. Therefore equal weighted indexes are often exposed to the size factor.
- **Economic size indexes,** which determine a company's weighting based on certain metrics like sales or book value, are often tilted towards the value factor.

The Global X Scientific Beta ETFs combine five distinct weighting strategies to achieve greater diversification than market capitalization weighted indexes. At the same time, it seeks to avoid the pitfall of most alternative weighting schemes, which is a bias towards a particular factor.

600 LEXINGTON AVE
20TH FL
NEW YORK, NY 10022

1 (888) GX-FUND-1
GLOBALXFUNDS.COM
@GLOBALXFUNDS

[1] *Fama, E. and K. French. 1993. Common Risk Factors in the Returns on Stocks and Bonds. Journal of Financial Economics 33(1): 3-56. Carhart, M.M. 1997. On Persistence in Mutual Fund Performance. Journal of Finance 52(1): 57-82.*

Investing involves risk, including the possible loss of principal. In addition to the normal risks associated with investing, international investments may involve risk of capital loss from unfavorable fluctuation in currency values, from differences in generally accepted accounting principles or from economic or political instability in other nations. For the Scientific Beta Japan ETF, the Japanese economy may be subject to considerable degrees of economic, political and social instability, which could have a negative impact on Japanese securities. In addition, Japan is subject to the risk of natural disasters, such as earthquakes, volcanoes, typhoons and tsunamis, which could negatively affect the Fund.

Diversification may not protect against market risk. There is no assurance the goals of the strategy discussed will be met.

Shares are bought and sold at market price (not NAV) and are not individually redeemed from the Fund. Brokerage commissions will reduce returns. Global X NAVs are calculated using prices as of 4:00 PM Eastern Time. The closing price is the Mid-Point between the Bid and Ask price as of the close of exchange.

EDHEC Risk Institute Asia Ltd. indexes have been licensed for use by Global X Management Company, LLC. Global X Funds are not sponsored, endorsed, issued, sold, or promoted by EDHEC Risk Institute Asia Ltd. nor does this company make any representations regarding the advisability of investing in the Global X Funds.

Carefully consider the Funds' investment objectives, risk factors, charges and expenses before investing. This and additional information can be found in the Funds' summary or full prospectus, which may be obtained by calling 1-888-GX-FUND-1 (1.888.493.8631), or by visiting www.globalxfunds.com. Read the prospectus carefully before investing.

Global X Management Company, LLC serves as an advisor to the Global X Funds. The Global X Funds are distributed by SEI Investments Distribution Co., One Freedom Valley Drive, Oaks, PA, 19456, which is not affiliated with Global X Management Company or any of its affiliates.